

# **Business Growth in Relation to Utilising Word of Mouth as a Primary Marketing Tool – a Case Study on Ponipake**

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## **Abstract**

There are many ways for businesses to advertise their products to their respective target markets. This includes digital marketing, content marketing, user-generated marketing, and many more. In general, most businesses nowadays use a mixture of marketing tools in each of their marketing strategies, not a lot stay in line in utilising just one. In relation to that, Ponipake as a business focuses on utilising word of mouth marketing as our prime focus in our general marketing strategy. The business in turn grows in line with the market demands as a direct result of this decision. This research focuses on the results in utilising word of mouth marketing as a prime tool in the business' marketing strategy overall.

## **Keywords**

Word of Mouth, Marketing, Marketing Strategy, Ponipake, Creativepreneurship

## **1. Introduction**

Word of mouth marketing is essentially a free advertising tool that comes from a customer that has a positive experience in purchasing a brand's product or service. If it's free though, then why aren't businesses focusing on it as a primary advertising tool? After all, with the utilisation of this tool, businesses can simply focus on their products or service, ensuring that the customers' experience is a positive one. To answer that question, a lot of businesses utilise the digital platform nowadays such as Instagram, Facebook, and many others with almost zero regard to the usage of word of mouth as a marketing tool. While it is true that the usage of word of mouth is a little old-fashioned, businesses cannot survive without the usage of word of mouth in any form or way. Word of mouth alone drives \$6 trillion in average in the annual global spending and is responsible for 13% of all sales (Todorov 2021). In addition to that, a recommended brand is much more likely to be trusted by 90% of people, with 88% of people having the highly trusting a brand that is recommended by a friend or a family member (Todorov 2021).

In direct comparison to word-of-mouth marketing, 94% of people skip pre-roll ads, 91% of people have unsubscribed from mailing lists, 86% of people outright ignore or skip TV commercials, and 44% of direct mail is never opened (Tan 2015). It is very much obvious that people will prefer to trust the opinions of people they know rather than advertisements made by companies. In relation to that, word-of-mouth marketing also brings a great type of customers as according to Veerasamy (2014), customers acquired through word of mouth spends twice the amount of money to purchase a product or service compared to the average customer, and they make twice as many referrals on their own. The data is clear, and according to Bughin et al. (2010), word of mouth is the primary factor behind 20 to 50 percent of all the customer's purchasing decisions.

With all that said, what role does word of mouth play in relation to business growth? The answer is simple. A business' growth needs to go hand in hand with the market's demand. When a customer of a business makes a referral to their

close friends and relatives, they increase a business' market share, therefore increasing the business' demands. The business on the other hand needs to grow alongside the increased market share, expanding their business via an increase in equipment and employees to keep up with the market demands.

Based on the statistics and data given above, Ponipake as a business have chosen to work based on word-of-mouth marketing, ensuring that the customers' experience is a positive one, therefore retaining them and at the same time, increasing our market share via their referrals. This research is intended to show the role and major effect that word of mouth marketing brings to Ponipake as a business, showing how Ponipake as a business grows and increases their market share. This research will also explore the steps and essential factors that a business must fulfil in order for the customer to have a positive experience and ensures that the customer refers the business to others.

## 1.1 Objectives

1. To discover the essential factors that ensures a customers' positive experience.
2. To discover if the customers' referrals increase Ponipake's market share.
3. To discover if word of mouth increases the customer retention rate in Ponipake.
4. To discover if word of mouth marketing affects Ponipake's growth.

## 2. Literature Review

The concept of word-of-mouth marketing is most associated with a psychologist named George Silverman. In the early 1970s, he established what he called "teleconferenced peer influence groups". These groups are made for physicians to converse and have a dialogue about new pharmaceutical products; however, Silverman discovered an intriguing occurrence in which sceptics' thoughts on a medicine were changed by the positive endorsement of one or two of their peers. Such occurrence was so great, even former prescribers who had numerous negative experiences with a drug, changed their minds following a positive endorsement from their peers. Since then, it was popularised and used by numerous businesses around the world.

Word of mouth, with a proper strategy, is one of the most important marketing tools available to businesses throughout. It is more 'personal' compared to advertising as word of mouth is organic, where the person referring the business to others are genuinely interested about whatever it is that a business sells (Brysha 2013). At the same time, businesses whose main form of marketing their products or services is by word-of-mouth marketing, has an increased rate of customer loyalty (Libanda and Nzorubara 2017). The usage of word-of-mouth marketing also creates a domino effect, as when one person refers a business to others, others who come and have a positive experience with the business' products or service are more than likely to refer the business to more people (Drake 2019).

Take Apple for an example. Apple understands the importance of word of mouth, and they are using it to their advantage. Apple generally "leaks" and creates pre-calculated pre-announcements, which in turn generates a flood of and hype around upcoming releases, which results in people's anticipation on their new releases (Brysha 2013). In addition, Apple has reached an all-time high in brand loyalty, having over 90% of iPhone users intending to buy another iPhone when they upgrade, with less than 10% intending to switch into a different brand (Mahipal 2021). Apple understands the relation between word-of-mouth marketing, customer retention, and brand loyalty.

Word of mouth nowadays have influenced a lot on major companies' stances on their marketing strategies. While it is helpful to create advertisements online on the various social media platforms out there, according to research conducted by Mckinsey, in areas as diverse as cosmetics and mobile phones, marketing-induced consumer-to-consumer word-of-mouth produces more than double the sales of paid advertising (Bughin et al. 2010). It also has a disruptive effect on the consumers, as word of mouth may sway a consumer's opinion about a brand or product in ways that general advertising simply cannot (Bughin et al. 2010). And finally, word of mouth has an effect that significantly increases the likelihood of a consumer purchasing a product as a direct result of a recommendation made by a close friend or relative, this likelihood is up to 50 times in comparison to regular advertisements (Bughin et al. 2010). To add to this, according to the findings of a survey conducted by the Boston Consulting Group of more than 32,000 consumers in Europe and the United States, 66 percent of respondents consult friends and family (Knox et al. 2013).

When a business uses word of mouth marketing, a community is built around trust and authenticity rather than pressing consumers to buy because everyone else is (Drake 2019). With that trust, customers are more likely to buy products or services from a business since they sincerely love using the business' products or services. However, that trust is also a double-edged sword. According to Alfred (2016), there is a larger possibility of individuals being retained customers when there is a positive word of mouth effect. However, negative word of mouth has a major impact on the total outcome. Individuals might have a favourable or bad influence on others based on their purchasing experiences (Libanda and Nzorubara 2017). Therefore, how can a business remain on the customers' good graces? According to Tran (2022), a business must sell high quality products that people love. This can be achieved via good quality control and also by using high quality materials as a base to a product. In essence, maintaining a positive word of mouth is all about building good relationships with customers and also getting them into trusting the business, as the more referrals a business gets, the larger the business' consumer base will be.

Once the business' consumer base rises, a business needs to grow in line to keep up with the demands from the market. As a business grows in line with the market, the workload also increases, and the equipment available might also not be able to keep up with the demands. A business based on word of mouth might also end up having a lower quality relationship with their customers, as businesses might neglect their regulars (Cristiano 2021). It is imperative that businesses to not over zealously try to grow, as it has a risk of collapsing from within. After all, the people and equipment running the business is the source of all the positive word of mouth.

In conclusion, word of mouth is an important tool for businesses to survive and grow. Even with various advertisements and marketing campaigns, people will always trust other people that they know even more compared to the business itself. To add to that, maintaining a positive word of mouth is all about building strong relationships with customers and encouraging them to trust the company. After all, if a customer is pleased with their experience with a business, they will return and are more likely to tell others (Todorov 2021). Lastly, as a business grows in tandem with the market, the workload increases, and existing equipment may be unable to keep up. Firms must be careful not to grow too rapidly, as this increases the possibility of internal collapse. After all, if a customer is pleased with their experience with a business, they will return and are more likely to tell others.

### **3. Methods**

Ponipake uses a qualitative data based on the sales and various other data obtained from outside sources. These data are then compared and used in correlation with this research. The data will then be processed, and its results will be given and discussed further below.

According to Bhandari (2020), qualitative research is gathering and evaluating non-numerical data (such as text, video, or audio) in order to better comprehend concepts, views, or experiences. It can be utilized to gain in-depth insights into a topic or to develop fresh research ideas.

This research will take the action research approach where the researchers link various literatures and theories to the real-world data (Bhandari 2020), following the line based on pre-existing literatures and data from Ponipake, with a secondary research method where the researcher collects said data in the form of literatures, images, audio, and many more (Bhandari 2020).

Based on the data taken from the aforementioned research method, the researcher would utilise the content analysis method where the researcher will identify patterns and correlations between the literatures and the real-world data (Luo 2019). The researcher will then proceed to draw a credible conclusion should the pattern is proved and applicable in Ponipake's case based on the processed and analysed data.

### **4. Data Collection**

The data collection in this study will be explained as follows: The real-world data will be taken from Ponipake's sales in a 6-month period between October 2021 to March 2022, the researcher would take note of Ponipake's quality control and risk management concepts, and the supporting literatures will be taken from the various journals, papers, surveys, and articles available online.

## 5. Results and Discussion

In this section, the researcher will focus on the aforementioned four objectives. First of all, there are two factors in play in Ponipake's experience to make sure that the customer's experience is a positive one. The first factor is quality, and the other one is good customer service. Ponipake has followed the Bowtie method to fulfil both factors as our risk management system. (Figure 1)

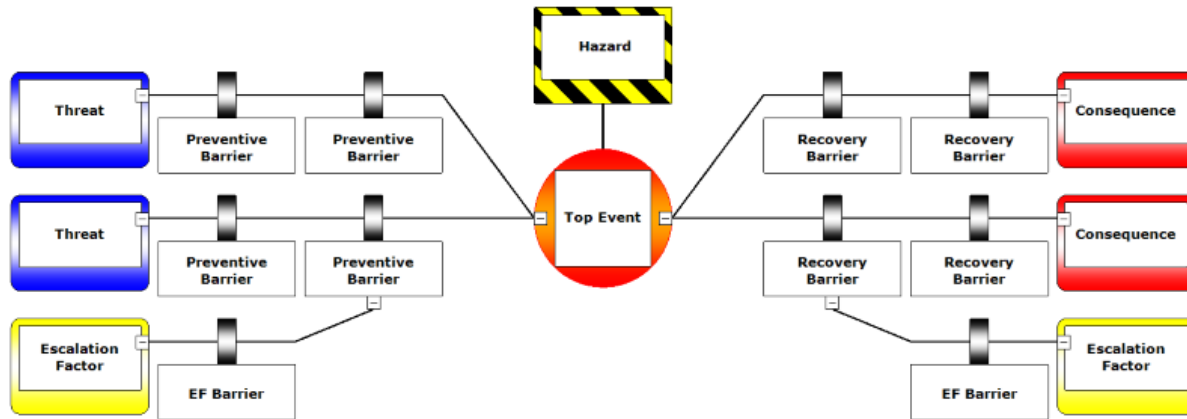


Figure 1. The Bowtie method

With the presence of the Bowtie method, it is marginally easier to both prevent and manage current risks to businesses. Here in Ponipake, there is a large threat of having low quality materials meshed in with the others. With this in mind, a preventive barrier is added by checking each and every single one of the materials, making sure that they are up to a pre-determined standard, ensuring that the material's quality is as high as it should be. Should some low-quality materials get mixed in amongst the other materials, and the product is through the production process, there is another preventive barrier where another quality control is performed based on a select control group of products, ensuring that the products fulfilled the business' standards and that there are no defects. And if the threat is missed on both preventive barriers, any customer is still allowed for either a full refund or replacement, hence creating a recovery barrier to said consequence. An additional recovery barrier is put into place by having a good and neat packaging process that makes the product look simple which according to a study by KLBD Kosher (2018), attracts customers, therefore both recovery barriers cover our after-sales experience. With that in mind, the hazard is nearly shutdown, in order to make sure that all the bases are covered, the presence of an escalation factor is required. As the business cannot control the quality of the materials from the suppliers, a good relationship between the business and its supplier is required so that the supplier may give the business a good stream of supply of high-quality materials, thus an escalation factor is created. Therefore, this method will also cover the risk of financial loss and a negative word of mouth, as seen on Ponipake's case.

The researcher then would like to proceed to discuss the second objective. Ponipake in turn has followed the concept of word-of-mouth marketing as the business' primary focus based on the theories mentioned on the literature review which will be discussed below.

Top 3 factors that influence whether a product is considered at each stage of the consumer decision journey, mobile-phone example, %<sup>1</sup>

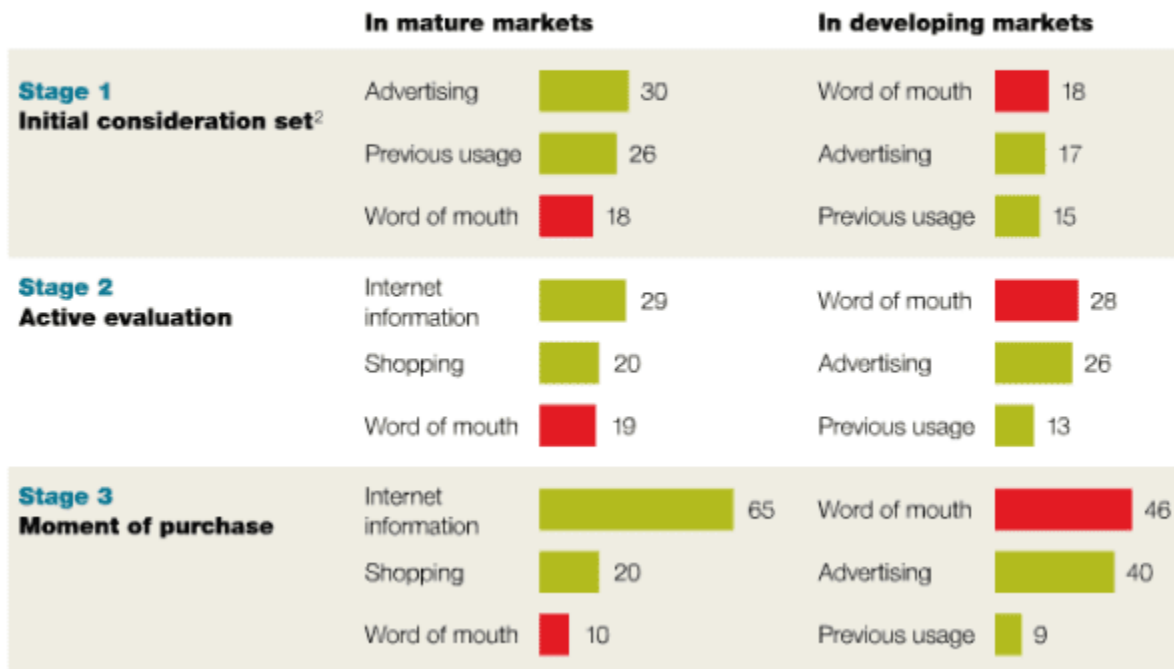


Figure 2. How word of mouth is the most influential factor at every step of a consumer’s journey in a developing market (Bughin et al. 2010)

According to Rajah (2018), Indonesia is considered as a developing market due to its focus on stability instead of growth, but it is also projected that Indonesia will become the fifth largest economy in the world by 2030. So, for the foreseeable future, as shown on Figure 2 by Bughin et al. (2010), word of mouth will still remain the most influential factor for a consumer’s buying behaviour. With more people having positive experiences with Ponipake, theoretically, the more likely they will refer Ponipake’s products to others as well (Drake 2019), therefore increasing Ponipake’s market share. As a bonus, word of mouth marketing costs nothing for Ponipake, therefore the funds generally used for marketing can be utilised for other purposes as well. (Figure 3)

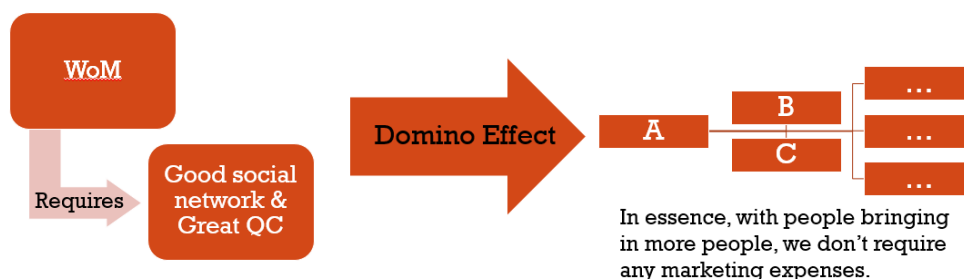


Figure 3. How word of mouth’s domino effect works

The researcher will now proceed to discuss the third objective on customer retention and Ponipake’s growth. Theoretically, there is a larger possibility of people being retained customers when there is a positive word of mouth (Alfred 2016). With the risk management system that Ponipake applies, positive word of mouth is nearly guaranteed, and in reality, there are a lot of Ponipake’s regulars who purchase in bulk as well.

For the final objective, Ponipake has been in business for more than three years at this point, and the business continues to attract a large number of new consumers. We are able to state with absolute certainty that the annual growth rate of

our customers is somewhere in the range of 30 to 40 percent. This, in conjunction with the growth in sales that we anticipate, provides us with a good approximation of the overall health of our company. It is generally accepted that a growth in sales of between 5 and 10 percent is a very positive sign for a company, especially one that is considered to be a small business. As an indication of the expansion of our consumer base, we may use the sales that we've had over the last six months. (Figure 4)

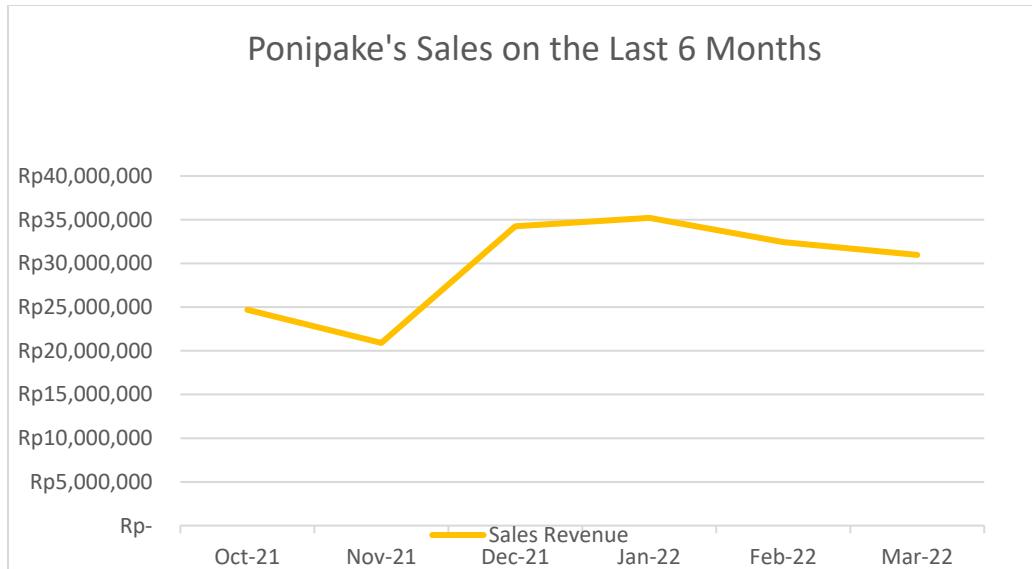


Figure 4. Ponipake's sales on the last 6 months.

## 6. Conclusion

The conclusion of this research is that word of mouth marketing is still one of the best marketing tools available for a business, with Ponipake capitalising on that point. With the utilisation of the Bowtie method as a tool to ensure a positive word of mouth coming from the customers, it will increase the likelihood of the customers perform referrals to their close friends and relatives. Although at this moment, the business' growth is only on the consumer base side of things, hence an increase of equipment and work force is not necessary, below is the required factors to ensure a positive word of mouth and at the same time increase the market share and retained customers which that applied for Ponipake:

- a) High-quality materials
- b) Strict standards and quality checking
- c) Good after service or customer service

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## Biography

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