

## **Word-of-Mouth Method to Spread the Family Business**

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#### **Abstract**

If we discuss about family business, we think firstly about the small business scope. How a family business grows larger, usually comes from the smaller scope. When a family starts its own business, it usually has a narrow market target. It starts from neighbors, friends and relatives. But, to become a larger business, it needs more aggressive approaches to new market target. One of the effective methods is word-of-mouth (Assael, Henry. 1995:633-663). It can spread the goodness of a business by telling others. It is done by the people who had ever used the product. Later, after they tell others about the business, they can draw others to consume the product, and so on. But, it must to remember that this method will be destructive if the person who tells others is not satisfied by the product or complaining about the product performance.

This paper presents the case in Indonesia and shows the small business which has spread into the larger one by word-of-mouth that done positively by its consumers. The field presented here is a food business that becomes a trend in Indonesia and easy to find everywhere, both cities and rural.

The purpose of the paper is to open the view of simple method in marketing field that applicable in small business, such as a family business that usually has a limited financial and resources. The paper also wants to present that the word-of-mouth method is effective, cheap and influential for the growth of the family business.

Keywords: word-of mouth method, family business, marketing strategy

#### **Introduction**

Nowadays, we are facing the rapid growth in economics. It needs more industries to cover the unemployment. In developing countries, the growth in economics is usually followed by the growth in unemployment problems. In this situation, the developing countries need more entrepreneurs to create new businesses. Besides, the financial improvement is also the goal of businesses.

To start a business, especially family business, is not too difficult. But it will face a complex problem when it wants to spread its scope. But fortunately, there is a simple way, cheap way, to solve the marketing problem, that is word-of-mouth method. The location usually family business has is residence area. So, the family business will be firstly known by the neighbors around the location.

In this paper, we are going to talk about family business in food business. It is a common family business in Indonesia, both in cities and rural areas. It is because of the low financial need to open a food business, but, as everybody needs food, this business has a bright prospect. The owner can get the profit faster than other business. That's why, it is prospectus to do the business in this field, for developing countries, like Indonesian, because in food family business, narrow scope, the employee can be drawn from various range of education level. This helps the unemployment problem. That's why this sector of business spreads widely in Indonesia.

We will tell a case story in this paper and defines the effectiveness of word-of-mouth communication method in spreading the small business to be larger business. The example is Roti Bakar Eddy (Eddy Bread Toast) which is located in Jakarta (BrandNa, 2006:17-20). We will also focus the discussion on the marketing strategy for new business.

#### **Conceptual Background**

##### *Marketing Strategy*

The definition of strategy is a fundamental pattern of present and planned objectives, resource deployments and interactions of an organization with markets, competitors and other environmental factors. (Walker,et.al.1992:8). The components of strategy are:

- Scope
- Goals and objectives
- Resource deployments

- Identification of a sustainable competitive advantage
  - Synergy
- The hierarchy of strategies are:
- Corporate strategy : deciding in what business, what resources that the business are in.
  - Business-level strategy : how to achieve and sustain a competitive advantage.
  - Marketing strategy: to effectively allocate and coordinate marketing resources and activities to accomplish the firm's objectives within a specific product-market.

This paper focuses in small business, or new family business. That's why, our discussion about marketing strategy is applicable to this field. As a new business, a family business should decide what the firm is going to be, being a pioneer or follower (Walker,et.al,1992: 241).

a. Pioneer:

- first choice of market segments and position
- pioneer defines rules of the game
- distribution advantage
- economies of scale and experience
- high switching cost for early adopters
- possibilities of preempting scarce resources

b. Follower:

- ability to take advantage of pioneer's positioning mistakes
- ability to take advantage of pioneer's product mistakes
- ability to take advantage of pioneer's marketing mistakes
- ability to take advantage of pioneer's technology mistakes
- ability to take advantage of pioneer's limited resources

Notice that 'new' business here is variously categories, these are (Walker,et.al, 1992:235):

- New-to-the world products: true innovation to the firm and create and entirely new market
- New product lines : the product is new for the firm, but not new for customer, outside, there are many competitors.
- Addition to existing product lines: the product is new for both firm and consumer, the item is also new.
- Improvements in or revisions of existing products: greater perceived value brought out to replace existing products.
- Repositioning: existing products that are targeted at new applications and new market segments.
- Cost reductions

*Word-of-mouth*

The definition of word-of mouth is interpersonal communication between two or more individuals such as members of reference group or a customer and a sales person (Assael, Henry.1995:633). Satisfied customers influence friends and relatives to buy; dissatisfied customers inhibit sales. Word -of-mouth can be the primary factor in the product's success.

Word-of-mouth communication was the most important form of influence in the purchase of food products and household goods. In influencing consumers to switch brands, word-of-mouth was twice as effective as radio advertising, four times as effective as personal selling, and seven times as effective as newspaper and magazine (Assael, Henry.1995:235).

If marketers are to encourage positive word-of-mouth communication about their products, they must understand the:

- Type of WOM communication that occur
  - product news
  - advice giving
  - personal experience
- Process by which WOM communication occurs
  - two – step flow of communication
    1. from the mass media to opinion leaders
    2. from opinion leaders to followers
  - multi steps flow of communication
    1. followers are not passive

2. those who transmit information are also likely to receive it
  3. opinion leaders are not the only ones to receive information from mass media.
- Conditions for WOM communication (Assael, Henry.1995:642)
    - the product is visible and therefore, behavior is apparent
    - the product is distinctive and can more easily be identified with style, taste and other personal norms
    - the product has just been introduced
    - the product is important to the reference group's norms and belief system
    - consumer are involved in purchase decision
    - consumer sees the purchase of the product as risky and thus, are encourage to search for additional information.
  - Consumer's motives for engaging in WOM communication (Assael, Henry.1995:646)
    1. Motives for transmitting WOM
      - involvement in decision making
      - enduring involvement
      - erasing any doubt about product choice
      - involvement with the group
      - consumers like to be influential
    2. Motives for seeking WOM
      - One is that friend and relative are credible sources of product information.
      - Information from personal sources facilitates the purchase task
      - Reducing purchase risk
      - Reducing dissonance after the purchase

The marketers can try to influence WOM communication among consumers in various ways:

1. stimulate WOM communication through free product trials
2. stimulate WOM communication in advertising by suggesting that consumers tell friends about the product or service
3. stimulate WOM communication through advertising showing typical consumers saying positive things about the product
4. portray communications from opinion leaders.

We have discussed about the positive WOM communication. But we have to realize that WOM communication can be negative as well as positive (Assael, Henry.1995:639). Consumers convey information on poor product performance, lack of service, high prices, or rude sales personnel. Negative WOM information tends to be more powerful than positive information. When consumers are dissatisfied, they complain to approximately three times as many friends and relatives as when they are satisfied.

### ***Family business***

The definition of family business according to Wikipedia, the free encyclopedia is:

A **family business** is a company owned, controlled, and operated by members of one or several families. Many companies that are now publicly held were founded as family businesses. Many family businesses have non-family members as employees, but, particularly in smaller companies, the top positions are often allocated to family members.

Family participation in a business can strengthen the business because family members are very loyal and dedicated to the family enterprise. However managing a family business, and particularly succession planning, can present some unique problems. Often family interests conflict with business interests, for example hiring a family member who is less competent than a non-family member or keeping an underperforming family member in a position when their performance is hurting the company. Psychologists are often consulted to help families successfully manage issues that affect both the family and the business.

## Research Methodology

This paper uses case study method. After displaying the case, we are going to analyze it according to the theory discussed before. The weakness of the method is hard to be generalized.

Case to be analyzed:

Roti bakar Eddy (Eddy bread toast) which firstly is located in Jakarta. Because his business did not have a permanent place, he had to move 13 times. Every moving to other area, he had never told his customers the new address. But, it always succeeded to make its previous customers. Not by advertisement in mass media, but from word-of-mouth. To start a business he began from few customers than become larger. He had never done advertisement but he can get more customers from word-of-mouth because his customers are satisfied.

## Analysis

1. Roti bakar Eddy is a family business owned by Mr. Eddy's family and controlled by his family member. But because of the scope he also hires out of family member to help him. He starts the business as a follower. Because there were the same products and competitors.
2. The family business of Roti Bakar Eddy is combined by the delicious bread sold and the hospitality of the waiter/waitress even the owner. Those make the costumers are satisfied.
3. the satisfied customers will tell their relatives and friends, and bring more customers to roti bakar Eddy.

## Conclusion

The WOM communication method has a great impact to the spread of business controlled by family member, or family business. Usually, the family business is started from the small scope of business. With lack of capital (finance, resources), the cheaper and the most effective way is Word-of – mouth communication. It can be applied to family business which just started, especially in developing countries.

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