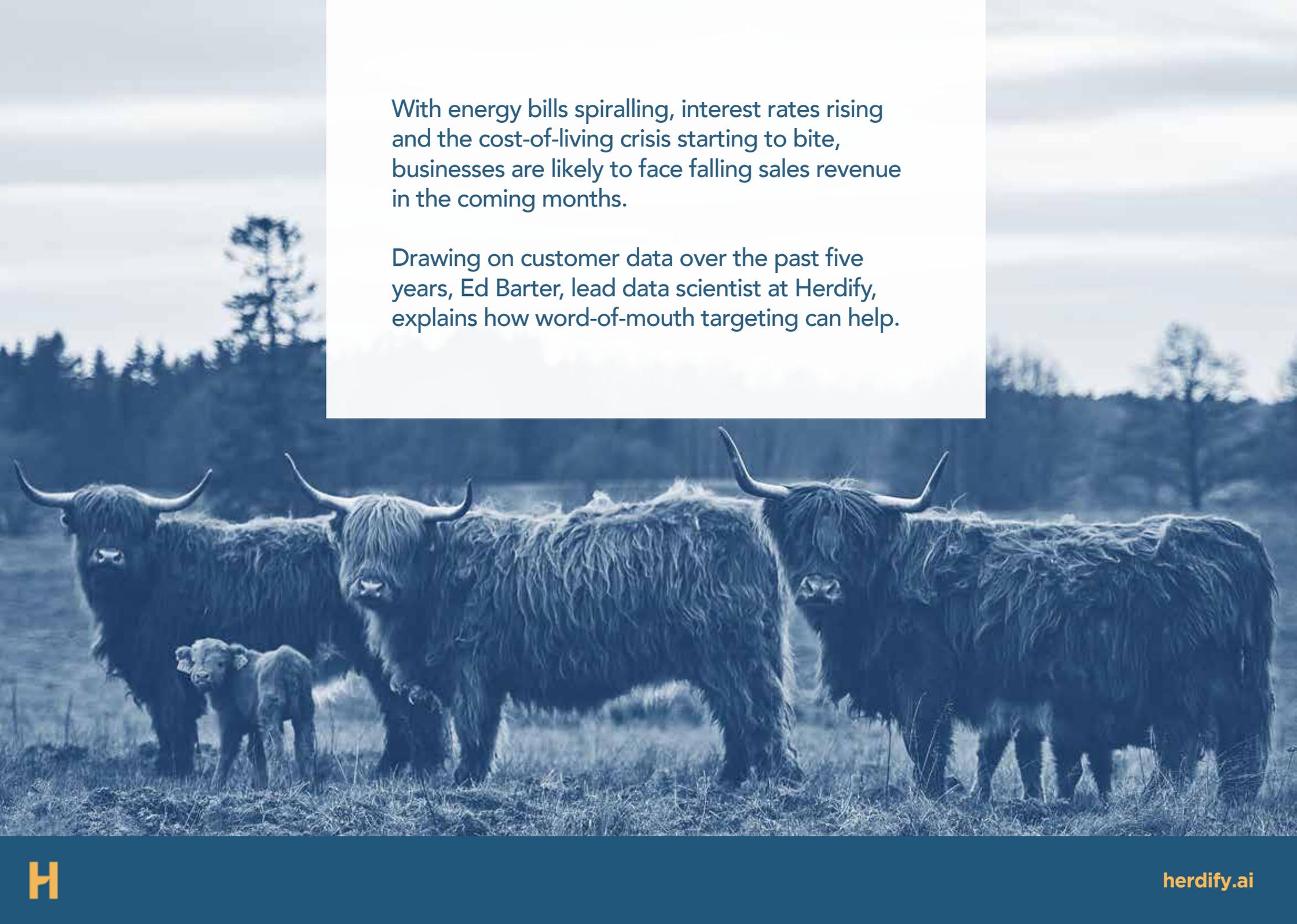


HERDIFY

The new marketing world: your 5-point plan

How to use word-of-mouth to
hyper-target your online & offline ads



A photograph of a herd of Highland cattle in a grassy field. Three large adult cows with long, shaggy fur and curved horns stand in the foreground, with a smaller calf to the left. The background shows a line of trees under a cloudy sky. The image has a blue color cast.

With energy bills spiralling, interest rates rising and the cost-of-living crisis starting to bite, businesses are likely to face falling sales revenue in the coming months.

Drawing on customer data over the past five years, Ed Barter, lead data scientist at Herdify, explains how word-of-mouth targeting can help.

It's a turbulent time for the UK economy. We've got a new monarch, another new Prime Minister, and the Bank of England predicts the country is heading for its longest ever recession, with inflation expected to peak at more than 13%.

That's already having an impact on customer behaviour – a recent YouGov poll found that two thirds of Brits have already made some spending reductions and 43% say they've had to cut back on non-essentials.

For businesses and marketers, economic downturns pose a significant challenge. Ed Barter, lead data scientist at Herdify, has analysed five years of customer sales data from various industries across the UK. His research shows that consumers will:

- Start to buy less
- Buy less often
- Consider the purchases they do make more carefully

Couple this with declining return on ad spend (ROAS) through ad channels such as Facebook, and we have the perfect storm.

But after storms come brave new worlds, and Ed believes that's exactly where we're heading.

"It's no longer just about marketing profitability at all costs," he says. "Now, it's about profitable growth. Marketers shouldn't cut budgets, but spend carefully to maximise impact, both for acquisition and retention."



Pivoting to focus on word-of-mouth marketing can provide a much-needed boost during an uncertain time. Here's your five-point plan to harness the potential of word-of-mouth:

1 | Increase customers' confidence in a brand's value

As budgets tighten, the money available for non-essential purchases falls. Customers tend to shift to buying cheaper brands, or fewer products. But from our analysis, word-of-mouth increases people's confidence in the value delivered by a brand, and the amount they're willing to spend with them. In fact, consumers in areas with strong word-of-mouth spend up to 20% more in each transaction.

Build larger buzz areas in more places by nurturing word-of-mouth. In doing so, you can help maintain your average basket value as customers start to cut back.

2 | Encourage a shorter sales cycle

With competing demands, consumers put off the purchases of new items where they can (particularly in categories known as postponeables). Our research has found that boosting word-of-mouth helps maintain purchase frequency, even in a downturn.

Consumers in word-of-mouth areas make repeat purchases around 1.5 times quicker than others. That's the difference between two and three purchases per customer, per year.

Target your ad spend to where people are talking about your brand. Word-of-mouth creates repeat impressions, so using ads to nudge customers who are primed by recommendations from those they trust keeps your brand top of mind.

3 | Increase the importance of word-of-mouth as purchases become more considered

Three in four people say word-of-mouth is a key influencer in purchasing decisions. That's even more significant during a downturn when people think more carefully about how to spend their money.

Every purchase takes on a magnitude it didn't have before. Prospective customers will do more research before committing. And they will ask their family and friends for recommendations.

When humans are unsure of how to behave, we take cues from those around us. Our research shows that the more considered a purchase is, the larger proportion of sales are driven by word-of-mouth. Brands that develop word-of-mouth now will be best placed to benefit as it starts to inform more of the buying cycle.

4 | Get greater insight into customer behaviour

Over the next few months, a business's marketing segments may need to change as customer priorities shift. Pre-recession demographics will become less relevant than consumers' reactions to the economic environment.

Academics from the Harvard Business School have identified four consumer segments – the slam-on-the-brakes segment who feels the hardest hit financially; the pained-but-patient consumer who are resilient but less confident about near term recovery; the comfortably well-off segment, which feels secure about their ability to ride out the storm; and the live-for-today consumer that carries on as usual.

Pivoting to focus on word-of-mouth allows you to shift strategies depending on which segment you believe your customers belong to, and monitor the impact of that change. You'll have the insights you need to stay agile and flex accordingly.

5 | Make marketing spend more efficient

An estimated 60% of digital marketing spend is wasted. During an economic downturn, that's not money businesses can afford to lose. Targeting word-of-mouth enables marketers to direct their activity to the places where it'll have the most impact.

As customers we ignore an estimated 10,000 ads every day. But the right word-of-mouth messaging resonates and expands within networks, with buyers showing a bias for brands they already know.

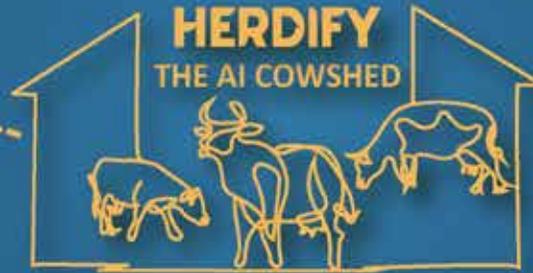
Businesses can say goodbye to the 'spray-and-pray' tactics that focus on lots of people rather than the right people. After all, strong brands aren't built on clicks, they're built on memories.

And even if a potential customer isn't in the market for your product or service right now, those memories and positive associations with word-of-mouth mean you'll be in the right place at the right time when they are.





eCOMMERCE STORE



ANY AD PLATFORM

DIGITAL

SOCIAL MEDIA

OUT OF HOME



JCDecaux



Word-of-mouth is one of the most powerful tools in a marketer's arsenal. But because so much of it happens offline, it's been largely impossible to track. Until now.

Built from 15 years of data and behavioural science research with Bristol and Cambridge universities, Herdify helps businesses acquire new customers by targeting word-of-mouth.

We analyse when and where people are talking about your brand in the real world. We then help you target those customers most likely to buy, across all online and offline advertising channels.

[Get in touch](#) for a free 3-month trial.