

The referral-marketing practices of travel agencies: an exploratory study of word-of-mouth communication in the travel-agency industry in the Western Cape

ABSTRACT

Organisations can make use of high levels of customer-service delivery to stimulate positive word-of-mouth referrals. Referral marketing is primarily applied by organisations when the budget is the marketers' largest limitation. The purpose of the article is to indicate the current status of the relationships that travel agencies in the Western Cape Province have with their referral market, and to provide recommendations to the management of travel agencies in said province regarding the improved application of the principles of relationship marketing to this market. The target population for this study comprised 118 travel agencies of which 61 managers and/or owners participated through personal interviews in the completion of questionnaires. Data analysis was done by calculating averages and standard deviations, explorative factor analysis, Cronbach Alpha-values and practical significance by means of effect sizes. The findings stipulate that the owners and managers of travel agencies must create and establish more closely integrated relationships with strategic suppliers to increase the value offering of their products and services to customers, whereby the travel agencies can ensure that the needs and wants of customers can be satisfied more successfully, which, in the long run, could lead to positive word-of-mouth referrals.

INTRODUCTION

Service organisations are fundamentally important to the economy of any country, as they contribute, amongst others, to both its Gross Domestic Product (GDP) and employment rate. Growth in the service sector has persisted since the late 1990s and service industries have a marked impact on national economies (Baker, 2003:586). Also, in South Africa, the contribution of the services sector to the country's GDP has increased from 55% in 1992, to 58% in 2002, while its share in employment has increased from 58% in 1992, to 64% in 2002 (UNCTAD, 2004). The growth in the service sector leads to its becoming more competitive, transforming the management and marketing of service organisations (Baker, 2003:586). For example, the number of travel agencies in South Africa has grown by 15% since 2000 and is responsible for the creation of 7.5% of all employment in the services sector (ASATA, 2007). Their clients and their needs and preferences are currently the focus of service organisations (Christopher, Payne & Ballantyne, 1993:5).

Arndt (1967:6), more than thirty years ago, stated that marketers do not apply referral marketing to their formal marketing campaigns. Lutchford (1997:1) noted that the scenario at the end of the 1990s had still not changed, the reason for this being that organisations found referrals difficult to manage, that they were moreover difficult to define. The development of referral relationships is a time-consuming process, and the advantages of investing in referral sources are not necessarily immediately visible. Also, little research has to date been done in the field of referral marketing (Steyn, 2000:234).

Organisations can make use of high levels of customer service-delivery to stimulate positive word-of-mouth referrals. Referral marketing is primarily applied by organisations when the budget is the marketers' largest limitation. It is one of the few forms of marketing that an organisation can use without having to accrue payment to an individual or organisation (Strydom, 2004:52-64). Word-of-mouth referrals by the customers of an organisation are done in a spontaneous manner. Word-of-mouth referrals occur since customers base their buying decisions on the information provided by family members, friends, and specialists in a specific field. Such communication is based on the personal experience of the reference group when purchasing or using products and services (Silverman, 2001:52; Steyn, 2000:251).

Broadly, this article will attempt to indicate the current status of the relationships that travel agencies in the Western Cape have with their referral market, and will provide recommendations to the managements of travel agencies in the province regarding the improved application of the principles of relationship marketing to this market. Following on the problem statement, the purpose of the article and the objectives of the study, is an overview of the theory relating to the referral market. This is then finally followed by a discussion of the methodology applied to the study and the major findings and managerial implications that form an inherent part of the research.

1. PROBLEM STATEMENT

Customers are loyal to an organisation because they receive the best value for money, and not because either the marketing of the products or the services of the organisation is good (Grönroos, 2000:31). These customers communicate their experiences to other individuals who view it as an objective form of communication. Through this process, potential customers create specific expectations regarding the type of service delivery expected from the organisation (Strydom, 2004:59). Steyn (2000:235-236) maintains that positive referral sources primarily include satisfied customers. These customers are positive towards the organisation, return to the organisation for repeat purchases and recommend the organisation (i.e. its products and services) actively to other customers and potential customers. Negative referral sources include, predominantly, unsatisfied customers of the organisation. Referral sources primarily use the spoken word, but Internet (e.g. the website Hello Peter.Com) and electronic mail techniques have become powerful personal communication mediums. The origin of negative referral marketing can be illustrated through the following equation (Renton, 2007:1-4):

$$\text{Negative referral marketing} = \text{expected performance} = \text{unmet expectations}$$

Referral marketing is described as the most valuable marketing instrument. In the case of professional services such as travel services, referral marketing has for decades been the most influential form of marketing. The higher the risk associated with a decision and the closer an individual is to making a decision, the greater the value that the individual will attach to a referral (Renton, 2007).

The travel-agency industry is a dynamic and competitive industry. The payment of commission to travel agencies by large suppliers of travel products such as the South African Airways and the Southern Sun and Protea Hotel groups was phased out from 1 May 2005. This implies that the only income stream for travel agencies since that date has been their service-delivery charge to corporate and leisure customers. This scenario therefore necessitates that the travel-agency industry should ensure that it delivers a service to customers in a professional manner with a view to satisfying their needs. Through such service delivery, the ideal outcome should be positive referral marketing. According to Ward and Dagger (2007:283), in any form of relationship between customer and service provider, the attitude of the customer towards such a relationship is likely to be of importance; thus, the stronger the customer regards the importance of relationships in general, the more likely the customer is to develop a stronger relationship with the service provider. While there are many potential dimensions to such a relationship, the importance of such dimensions to customers may impact on the strength of the relationship developed between the service provider and the customer.

The development, maintenance and strengthening of a relationship with customers will depend on the customers' perception of the importance of key relationship dimensions. These dimensions will also, eventually, influence the type of referral marketing the customers will communicate to members of the public, depending on their experience with the travel agency. These key

dimensions are: bonding, empathy, reciprocity, trust, friendship, recognition, thoughtfulness, understanding, time to listen, commitment and loyalty (depending on, amongst others, product and service quality) and shared values (Ward & Dagger, 2007:283). Therefore, it becomes important for travel agencies to implement referral marketing strategies based on the customers' experience with the travel agency through their levels of relationship commitment, product quality and service delivery. Such strategies could, in the long term, be to the benefit of the travel agency, since satisfied customers will communicate their experiences in this regard to other members of the public in a positive manner. Such customer recruitment is done on behalf of the travel agency without any financial expenditure.

Against the brief background on the importance of referral marketing and the travel-agency industry provided above (see also the literature section below), the problem statement of this article will encompass an investigation to determine the current status of the referral marketing practices of travel agencies in the Western Cape Province. The article wants to establish the current level of relationship marketing in the referral market of the travel-agency industry in the Western Cape, and endeavours to identify limitations in relationship-marketing relationships that might exist in this market. The principles of relationship marketing in the referral market of travel agencies in the Western Cape are identified, and the application of relationship marketing by the travel-agency industry in the Western Cape is determined. Ugbah and Evuleocha (2007:51) claim that the increasing role of specialisation and the partial disintegration of the traditional family structure, community entities and social groups have led buyers (consumers and businesses alike) to look for expert advice provided informally through local social networks, such as family members and peers. Also, for many customers, shopping has become an undesirable or even aversive experience. The customer may thus be more willing to turn to a marketing-data generator for quick and reliable data about goods and services relayed through referral marketing networks. In spite of the apparent utility of referral marketing networks, very little research actually exists on this subject. This fact therefore illustrates the importance of this research.

There is thus a clear need for the management of travel agencies in the Western Cape Province to apply the principles of relationship marketing to their daily operations. It is furthermore important that travel agencies also apply these principles to their relationship-building initiatives with the referral market, which, in turn, influence their competitiveness in the market place. In the next section, the contribution and objectives of the article are discussed in more detail.

2. REFERRAL MARKET

The success of the South African travel-agency industry depends on the quality of the service that travel agents deliver to customers. Such service delivery is directly related to both the skills of management, and the knowledge and professionalism of the employees (Lubbe, 2000:134). When a customer considers the quality of service delivery of and the purchase experience at an organisation to have been positive, the customer is favourably disposed towards the organisation. The customers' relationship with the organisation is further also strengthened by this. In addition, the relationship that the customer has with the organisation is further influenced by the customer's

evaluation of the purchase experience and by the level of service delivery received from the employees of the organisation (Lee, 2001:55). For the purposes of this study, the different literature components that constitute the referral market will be discussed in more detail.

2.1 The referral marketing environment

Positive referrals by customers through word-of-mouth will increase if the level of service delivery is improved by the organisation (Maxham III, 1999:13). Referral marketing by the customers of the organisation is a spontaneous form of communication. It is done since individuals base their purchasing decisions on information communicated to them by family and friends. Such communication is based on the own experiences of the reference group when using or purchasing products and services. There are different factors that characterise word-of-mouth referrals as a form of communication within referral markets. These factors can be listed as follows (Eiriz & Wilson, 2006:275-290; Silverman, 2001:52; Schonegevel, 1995:13):

- *A powerful and influential factor within the market environment.* The organisation must take into consideration that negative experiences are communicated more speedily than are positive experiences. It is usually to the benefit of the organisation if unhappy customers can be motivated to communicate their complaints to the organisation rather than communicating their negative experiences to members of the public.
- *An experience mechanism.* The satisfaction - or lack thereof - that customers experience during their interaction with the organisation determines the outcome of customers' word-of-mouth referrals.
- *Independent, therefore reliable.* Word-of-mouth referrals are based on individuals' personal experience of organisations. This form of marketing occurs spontaneously, objectively and without payment.
- *Become an inherent part of the product itself.* The quality of the products and services that the organisation provides to customers determines the tenor of word-of-mouth referrals.
- *Unlimited in terms of speed and size.* Word-of-mouth referrals are initiated when satisfied customers recommend the organisation to other individuals. Through the proactive management of referral markets, the organisation is able to improve the positive outcome of referral marketing and to prohibit negative word-of-mouth communication.

The tenor of word-of-mouth marketing (e.g. positive or negative) is directly influenced by customers' experience in respect of the following aspects (Van Eeden, 2000:98):

- The willingness of the organisation to be sensitive to the needs and wants of customers.
- The ability of the organisation to adapt speedily to changes in customer preferences.

- The organisation's inclination/disinclination to focus on aspects that make the customer feel special and important.
- The ability of the organisation to resolve customer problems and complaints fast and efficiently.
- The willingness of the organisation to deliver products and services in response to the needs of high-income customers.

Against the background provided above, it is important for the organisation to focus on the following four questions that will enable the organisation to develop a holistic understanding of word-of-mouth communication as a referral source (Silverman, 2001:52):

- What is the content of referral marketing?
- What is the source of referral marketing?
- Who is the recipient of the communication message?
- What are the channels through which the message flows?

Answers to these questions will empower the organisation with knowledge of how to initiate word-of-mouth referrals, to increase the number of referrals, and to channel and manage them to the benefit of the organisation (Silverman, 2001:52). It must however be emphasised that the development of a referral source is a time-consuming process (Schonegevel, 1995:13).

2.2 Requirements when planning a word-of-mouth marketing campaign

Referral relationships are meant to be beneficial to both parties involved; if not, one of the parties will soon discover that it is not worth the time, money or effort and will consequently leave the relationship. Both parties will end up being dissatisfied and not be all that excited about forming other referral relationships (Donovan, 2007:14). This is especially important considering that the focus of relationship marketing is the integration of customer service, quality and marketing. Satisfying the needs of its customers is an organisation's *raison d'être*. The implementation of relationship-marketing principles by the organisation ensures that a stronger emphasis is placed on the aspects of customer service and quality (Botha, 1999:21).

The organisation that wants to be successful in the future will have to consider the opinions of its customers. The organisation and its customers will develop and grow together, thereby developing a future together. The success of the organisation will depend on two important aspects (Hilton, 2002:14-15):

- The ability of the organisation to have a greater involvement with its customers in public; and
- The way in which the organisation obtains the participation of customers. The advantage of this asset for the organisation is the development of an improved understanding of customer needs, the empowerment of the organisation to react

more positively to customer requests, the development of a greater awareness of customers' mindsets, and also a larger profit margin and market share.

The cost of retaining an existing customer is cheaper than that of prospecting for new customers, which requires the marketer to focus on and understand the purchasing behaviour of customers. The purchasing preferences of the customer are directly influenced by the way in which the needs and wants of the customer are satisfied. The satisfaction levels of customers are more directly influenced by their purchasing preferences, rather than by service quality (Maxham III, 1999:13). The guidelines below can empower the organisation to retain current customers and recruit prospective customers through positive referrals (Schonegevel, 1995:7):

- A product of high quality is a prerequisite.
- Customers must communicate positive messages; therefore the organisation must get customers favourably disposed towards the products and services of the organisation.
- The management of the organisation must develop a greater sensitivity towards the opinions of employees. The opinions and attitudes of employees influence employees' morale, sales performance, level of motivation and profit orientation.
- Organisations must develop a remuneration and acknowledgement system for customers who want to pursue positive word-of-mouth marketing in respect of the products and services of the organisation.
- Sound customer-service delivery often determines the success or failure of an organisation's word-of-mouth marketing campaign. Delivering a quality service to customers can contribute to non-loyal customers becoming more loyal to the organisation.
- The organisation must strive to exceed the expectations of customers.
- The organisation must motivate employees, suppliers and customers to express their dissatisfaction with the organisation. More than ninety percent of all unhappy customers do not communicate their unhappiness to the organisation. These customers rather shift their loyalty and buying power to another organisation.

Positive word-of-mouth marketing referrals by customers will strengthen relationships and loyalty as the level of service delivery is improved by the organisation. A larger number of marketing strategies must incorporate word-of-mouth marketing components to influence customers' level of need satisfaction and their purchasing decisions (Maxham III, 1999:13). In an attempt to stimulate positive word-of-mouth marketing, an organisation can improve its service delivery to customers by focusing on the following aspects (Brink, 2001:259-262; Brink, 2004:188-196):

- A choice of mediums for communication with the organisation can be provided to customers, for example a toll-free number, website, email addresses, street addresses and postal addresses.

- The organisation must react speedily and efficiently to a customer complaint.
- The organisation must show empathy towards the customer. Customers who communicate with the organisation on a continual basis must be placed on a priority list.
- Special offerings must be extended to all customers.
- Customers' recommendations regarding the development of new products and services, and also those on how the organisation's relationship with customers can be strengthened, must continually be determined and monitored. If the involvement of customers in the daily functioning of the organisation can be increased, this could contribute directly to improved satisfaction of customers' needs. The outcome of this is that customers communicate a positive message to the public regarding the products and services of the organisation.

The above discussion highlights that a service with which customers are satisfied, must continually be made available to the customer, whereby the organisation ensures positive word-of-mouth marketing by the customer. This does not however imply that the organisation must distance itself from the responsibility to monitor customer needs continually to improve customer service delivery (Norris, 2001:92).

2.3 The influence of reference groups on word-of-mouth marketing

A reference group is any group against which customers measure their behaviour or purchasing patterns. Individuals express the need to be members of a reference group. They deliberately express various purchasing patterns as proof of their membership (Cronjé, Du Toit & Motlatla, 2000:194; Renton, 2007:1-2). In addition, a reference group also includes one or more individuals whom the consumer uses as a 'basis of comparison' when determining behaviour (Van der Westhuizen, 2002:181).

Individual customers compare their behaviour and decisions with those of the reference group who provide them with guidance regarding their own behaviour. Customers furthermore develop values and standards that determine their own behaviour by using referral groups and their normative practices as a source of referral basis (Sheth & Parvatiyar, 2000:183). Customers are motivated to purchase a product, trademark or service so as to be identified with a chosen referral group. These customers are influenced by the consumption patterns of the specific referral group, and apply the same criteria when a purchasing decision is made. Both referral groups and opinion leaders possess the social ability to influence the behaviour of others (Lamb, Hair, McDaniel, Boshoff & Terblanche, 2000:87).

Referral groups influence the behaviour of customers since consumers, as a rule, respect the opinions and views that are communicated to them by group leaders. The opinions of group members are viewed as reliable, when it is difficult for the customers to observe the characteristics or trademark of the product (Cant, Brink & Brijball, 2002:150). It is common practice that referral groups are used to influence the purchasing behaviour of consumers.

This is illustrated by advertising that uses individuals with star status to provide testimony, or to underwrite the product or service. Consumers within the teenager market are motivated to purchase products from sport shops underwritten by popular sportsmen and sportswomen who have star status (Sheth & Parvatiyar, 2000:183).

In addition, customers also purchase a product or service that portrays an image of who they want to be, and not of who they really are. Through communicating a message that is similar to that of the reference group, the individual is empowered to satisfy individual aspirations. The rejection of the purchasing power of certain referral groups (those groups that are perceived as being negative) enables the customer to reduce the risk of making an incorrect purchasing decision (Gaffney, 2001:140). Customers' motivation for the reduction of choice is driven by their purchasing decision of what must be achieved, and what must be ignored (Wolfe, 1998:465). The influence of social groups on the purchasing power of customers is directly influenced by word-of-mouth referrals. Consumers actively seek information regarding the purchasing behaviour of other consumers, or listen to the experiences of customers within certain purchasing scenarios. Opinion shapers, through word-of-mouth referrals, exercise a direct influence on the ability of consumers to be innovative in their purchasing behaviour (Sheth & Parvatiyar, 2000:184).

3. OBJECTIVES OF THE ARTICLE

In order to measure the referral marketing practices of travel agencies, the following objectives were formulated:

- To determine the requirements for positive word-of-mouth referrals in the travel-agency industry in the Western Cape Province;
- To determine whether referral groups are being used as a marketing instrument by the travel-agency industry in the Western Cape; and
- To make recommendations regarding the improved application of the principles of relationship marketing to the referral market of travel agencies in the Western Cape.

4. HYPOTHESES OF THE ARTICLE

Referrals occur through satisfied customers who recommend an organisation actively to other potential customers. Because of their personal nature, the reliability of such word-of-mouth referrers is higher amongst potential customers than is the reliability of an advertising campaign initiated by the organisation itself. Through the proactive management of referral markets, the organisation is able to strengthen the positive effects of relationship-marketing principles in these markets, and moreover to reduce the influence of negative referrals through the provision of quality products and service delivery (Steyn, 2000:251). Research studies (see also the literature review) clearly indicate the importance, for an organisation, of referral marketing. Despite such findings, no prior research on the application of referral marketing practices has to date been conducted in the travel-agency industry in South Africa. Thus, after a literature review on referral marketing was conducted, the following hypotheses were formulated:

- H₁: There are requirements for positive word-of-mouth referrals by the customers of travel agencies in the Western Cape Province.
- H₀₍₁₎: There are no requirements for positive word-of-mouth referrals by the customers of travel agencies in the Western Cape.
- H₂: Referral groups are being used as a marketing instrument by travel agencies in the Western Cape.
- H₀₍₂₎: Referral groups are not being used as a marketing instrument by travel agencies in the Western Cape.

5. METHODOLOGY

In order to measure said research hypotheses, an appropriate research methodology was required. The following section will elaborate on the research methodology used. Specifically, the measuring instrument, the sample and the methods of data analysis will be discussed.

5.1 Research approach

This study employed a quantitative research approach and applied a descriptive research focus, since it depended primarily on interviews with respondents (the managers or owners of travel agencies in the Western Cape). The study was also cross sectional since the respondents were only interviewed once.

5.2 Population and sample

The population for this study included all the travel agents registered with the Association of South African Travel Agents (ASATA) in the Western Cape. The target population for this study comprised 118 travel agencies, 61 of which participated in the completion of questionnaires. In terms of the small size of the population, it was decided to conduct a census. A census is a count of all the elements in a population (Tustin, Lighthelm, Martins & van Wyk, 2005:337). A response rate of 53% was obtained for this study.

5.3 Research instrument

The measuring instrument used was a structured questionnaire that included some adapted items from previously tested measuring instruments, for example, Steyn's Relationship Marketing instrument (2000:296). The empirical research component of the study entailed the completion of structured questionnaires through personal interviews. The questionnaire consisted of two sections. Section A incorporated close-ended questions to gather demographic data on the profile of the travel agency. The biographical data of the respondents were gathered through two questions in this section, namely the location of the travel agency and the type of target market (e.g. the leisure or corporate market).

Section B was in the format of a five-point Likert-type scale, comprising twenty-six statements on referral marketing. The purpose of these statements was to test respondents' current and ideal application of identified relationship-marketing principles in the referral market of travel agencies in the Western Cape. The statements' response continuum ranged from 1-5, where

1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree and 5 = strongly agree. The current application of the referral marketing principles was indicated as x(a) on the questionnaire, whilst the ideal implication was indicated as x(b). Effect sizes were calculated between the current and the ideal application of the identified relationship marketing principles in the referral market of travel agencies in the Western Cape.

Structured interviews were conducted with six owners or managers of travel agencies in Cape Town to pre-test the questionnaire before its formal application as a data-gathering instrument.

5.4 Data gathering

Personal interviews were conducted with the managers and/or owners of travel agencies in the Western Cape. A time frame of forty-five days was used to complete the interviews. To ensure the participation of the maximum number of population elements, interviews were arranged on the premises of the individual travel agencies.

5.5 Data analysis

The statistical software package SAS System for Windows Release, 2002-2005: Version 9.1 Edition; SAS OnlineDoc, 2005: Version 9.1 was used for the analysis of the gathered data. The following analysis was done:

- Averages of the differences between the ideal and the current application of referral market practices by travel agencies in the Western Cape were calculated.
- Standard deviations for individual items on the questionnaire were calculated.
- Explorative factor Analysis (EFA) was applied to determine the validity of the questionnaire as a measuring instrument. Maximum likelihood was used as the method of factor extraction, and a direct quartimin oblique rotation was specified. In accordance with the MINEIGEN criterion in Table 1, one factor was retained for each identified subconstruct. The research instrument can therefore be regarded as a valid research instrument.

CONSTRUCT	N	Number of factors retained according to the MINEIGEN criterion	Cumulative variance explained	Communalities
Requirements for positive word-of-mouth marketing	61	1 factor retained	62,44%	51,71% - 68,92%
Reference groups as a marketing instrument	61	1 factor retained	58,66%	45,61% - 66,50%

Table 1: Results of the EFA analysis

Cronbach's Alpha-values were used to determine the reliability of the questionnaire as a measuring instrument. The calculation of Cronbach's Alpha-values was done for each subconstruct. Hocking, Stacks and McDermott (2003:131) indicate that Cronbach Alpha-values determine the consistency with which respondents have answered the different items on the questionnaire. Nunnally and Bernstein (1994:264-265) recommend Cronbach Alpha coefficient scores above a 0.7 cut-off value. Table 2 illustrates that the statements on the research instrument were measured with scales that could be described as reliable.

CONSTRUCT	N	CRONBACH'S ALPHA CO-EFFICIENT
Requirements for positive word-of-mouth marketing	61	0,84
Referral groups as a marketing instrument	61	0,72

Table 2: Cronbach's Alpha-values for the recruitment market constructs in the study

- Practical significance by means of effect sizes. Cohen's d-values were used for this purpose. This study did not employ inferential statistics (p-values), but applied the d-values of Cohen to calculate effect sizes. The effect sizes indicate the practically significant differences between the current application of the items on the questionnaire and what the ideal application of the items should be (Ellis & Steyn, 2003:51-53; Steyn, 1999:3). Effect sizes (d-values) were calculated by using the following formula (Cohen, 1988:20 - 27):

$$d = \frac{|\bar{x}_1 - \bar{x}_2|}{s_{max}}$$

where:

- d = the effect size;
- $\bar{x}_1 - \bar{x}_2$ is the difference between the current situation (a-value) and the ideal situation (b-value) (e.g. respondents had to indicate on a Likert scale of 1–5 how they currently experience a specific scenario, by means of a statement on the questionnaire, and how they want to experience it as an ideal scenario); and
- s_{max} is the maximum standard deviation of the two comparable groups.

Ellis and Steyn (2003:52) and Steyn (1999:3) specify the cut-off points that can be used when interpreting effect sizes:

- If $d \approx 0,2$, it indicates a small effect;
- If $d \approx 0,5$, it indicates a medium effect; and
- If $d \approx 0,8$, or is larger, the effect is both large and practically significant.

The major findings of the study are discussed in the following section.

6. MAJOR FINDINGS

The referral marketing practices of travel agencies in the Western Cape were measured according to two constructs, namely the requirements for positive word-of-mouth marketing and reference groups as a marketing instrument. Each of these constructs was statistically analysed to provide information on the means between the items for (a) the current application of referral marketing practices, and (b) the ideal implementation of referral marketing practices, the standard deviation and the effect size. Table 3 also provides an indication of the total number of respondents (n) participating in the study.

Referral market as a relationship marketing construct					
Subconstruct	N	Average (a) [x(a)]	Average (b) [x(b)]	Maximum standard deviation	Effect size (d)
Requirements for positive word-of-mouth marketing	61	4,37	4,73	0,56	0,69
Reference groups as a marketing instrument	61	3,47	4,19	0,80	1,01

Table 3: Constructs for the referral market of travel agencies in the Western Cape

6.1 Requirements for positive word-of-mouth marketing

The owners and managers of travel agencies (n=61) view their current ability to stimulate customers to provide positive word-of-mouth referrals as good [x(a) = 4,37], but are of the opinion that the ideal application of these activities could be higher [x(b) = 4,73]. The medium effect size (d=0,69) indicates that the owners and managers of travel agencies would prefer that the requirements for positive word-of-mouth referrals be better implemented.

6.2 Reference groups as a marketing instrument

The owners and managers of travel agencies (n=61) indicate that referral groups are used as a marketing instrument in their marketing strategy [x(a) = 3,47]. They do however opine that these referral groups can, ideally, be better used to provide positive word-of-mouth referrals on behalf of the travel agency [x(b) = 4.19]. The large effect size (d=1,01) indicates that the owners and managers of travel agencies are of the opinion that the strengthening of the relationship between themselves and their referral groups to stimulate positive word-of-mouth , must be given priority.

The empirical results suggest that:

- H_1 can be accepted, while $H_{0(1)}$ has to be rejected. Travel agencies in the Western Cape do implement the requirements for positive word-of-mouth referrals to stimulate customers to provide positive word-of-mouth referrals; and
- H_2 can be accepted, while $H_{0(2)}$ has to be rejected. Travel agencies in the Western Cape do use referral groups as a marketing instrument.

Against the background of the results discussed above, the managerial implications of the study are highlighted below.

7. MANAGERIAL IMPLICATIONS

The heart of a service business is the interaction with the customer. Raising the quality of the interface with the contact employee should raise the perceived quality of the service. If the contact employees are more productive in their task, the quality of the interaction will be enhanced (Bowers & Martin, 2007:88-89). An increase in the quality of service delivery to customers can enhance the ability of organisations to satisfy the needs and wants of their customers. This could, eventually, lead to a stimulation of the positive word-of-mouth referrals by the customers of the organisation. Word-of-mouth referrals by the customers of an organisation occur spontaneously. Through word-of-mouth, individuals base their purchasing decisions on information provided by family, friends and acquaintances. Such communication is based on the individual experiences of this reference group when purchasing products and services (Eiriz & Wilson, 2006:275-290; Schonegevel, 1995:13; Silverman, 2001:52). The implementation of referral marketing activities by the travel-agency industry in the Western Cape can be accommodated more successfully by focusing on the aspects provided in the following section.

7.1 Requirements for positive word-of-mouth marketing

7.1.1 Importance of informal communication

Informal communication is the primary source of customers using a professional service. In the case of such services, it is challenging to measure quality, and the use of mass media is not necessarily appropriate and effective in respect of the intended target market. Word-of-mouth marketing can have both a positive and a negative influence on the service organisation, since a satisfied customer will inform seven other individuals about a positive experience. However, a dissatisfied customer can communicate a negative experience to nine other individuals (Money, 2000:316).

When people search for a travel company to manage their travel requirements, they want to be assured that their money is spent on a service that will add value to their travel needs. To strengthen their position in a highly competitive industry, travel agencies need to identify positive word-of-mouth referrers who can form part of their marketing strategy. Information pertaining to the products and services of the travel agency can be provided to these individuals to develop their value-added advantage to the marketing strategy of the business. It is for this reason that it is important to the travel agency that influential,

potential word-of-mouth referrers be developed. Donovan (2008) supports this argument, stating that referral marketing is about leveraging the referral network of an organisation for increased referral business. Relationships spawn referrals. It is about knowing whom to spend your time with, whom to educate, how to educate them appropriately to find business for the organisation, and how to maintain the relationship. Referral marketing is the ultimate in word-of-mouth. It means empowering people to promote the products and services of the organisation on its behalf, despite the fact that the organisation is not present when such promotion occurs.

7.1.2 Formal and informal network stimulation

Travel agencies should increase their focus on the creation of formal and informal networks to stimulate the development of their word-of-mouth marketing initiatives. The compilation of a customer database is a prerequisite for such an initiative. The formulation of networks must also be initiated against the background of the type of market to be targeted. Banfield (2008) further states that if an organisation has an existing database of clients, it can start generating referrals by continually adding items of value and opportunities to its network. Since referrals are more cost effective than advertising, they offer significant advantages over personal selling and direct marketing. Referrals generally facilitate quicker decision making about purchasing, and whereas advertising does not buy trust, referrals do. Customers who purchase from an organisation through a positive referral are likely to purchase more often from the organisation and therefore to become loyal customers of the organisation. Less negotiation or convincing is required to motivate these potential customers to purchase, and, if satisfied, they are also more willing to make further referrals themselves.

Steyn (2000:248) maintains that an organisation must, on a continuous basis, be in contact with referral sources and support the efforts of such sources to provide positive referrals on behalf of the organisation. Ugbah and Evuleocha (2007:51-54) further state that both open communication channels with referral sources and the organisation's responsibility to keep them informed about how their referrals influence the market share of the organisation are important towards strengthening the relationship between the organisation and its referral sources. It is therefore necessary that continuous contact be maintained with the word-of-mouth referrers of the travel agency to stimulate their positive word-of-mouth marketing communication to the general public. Word-of-mouth referrers can be provided (on a continuous basis) with information regarding new product developments, special offers, organisational, administrative and structural changes that can assist in improving the level of service delivery provided by the travel agency to its customers. Such communication can be done via landlines, cellular phones (telephone calls or SMSs), by computer (email), newsletters or annual reports (especially where travel agencies are part of a concession group), workshops, seminars, social functions, and also personal contact with the word-of-mouth referrer.

7.1.3 Rewarding of positive referrals

Word-of-mouth referrers should be rewarded for their positive referrals to the general public. Such rewards can be in the form of special offerings (e.g. cash discounts on air tickets, accommodation and car rentals), the sponsorship of a travel package (e.g. a tour to a specific destination) or the sponsorship of a prize (e.g. a motor vehicle) to the word-of-mouth referrer who has secured the largest income value in rand over a specified period of time through positive word-of-mouth referrals. It is however important to emphasise that the mechanisms to be used for the stimulation of a referrer's word-of-mouth referrals, must be determined through personal interviews with the referrer. This will ensure that the travel agency is using promotional techniques that will be to the advantage of both the word-of-mouth referrer and the marketing strategy of the travel agency.

7.2 Reference groups as a marketing instrument

7.2.1 Referral potential of reference groups

Reference groups influence the behaviour of consumers since they consider the opinions communicated to them by group members. The opinions of reference groups are viewed as trustworthy when it is difficult for the customer to observe the characteristics of a product or trademark (Cant et al., 2002:150). It is therefore important for the management of the travel-agency industry in the Western Cape to provide customers with products and service delivery of a high quality. As a result, the travel agency can ensure that the communication of their customers to the general public will result in the latter purchasing the products and services of the travel agency. The positive word-of-mouth referral potential of referral sources must be based on their experience both of the quality of products and of the service delivery offered by the travel agency, and not on their expectations thereof. Plesh (2003:3) supports this argument by stating that if an organisation has difficulty in satisfying the needs and wants of existing customers, it is a certainty that the referral business of the organisation will be negatively influenced. Customer satisfaction is a primary requirement in today's ultra-competitive market place. A referral is powerful because it comes from a customer who has experienced the products and services of the organisation at first hand. Thus, to ensure that the organisation has sufficient paying customers for the foreseeable future, and that it is possible for the organisation to satisfy the needs of its customers on a continuous basis, it is necessary for the organisation to plan its referral programme professionally. The organisation should formalise its referral programme and promote it actively to potential referral sources.

7.2.2 Establish integrated relationships to benefit reference groups

Travel agencies must also create and establish more integrated relationships with strategic suppliers to increase the value offering of their (travel agencies') products and services to customers. By doing so, the travel agency ensures that the needs and wants of customers can be satisfied more successfully, which in the long run, could lead to positive word-of-mouth referrals. Donovan (2007:14) is in agreement with this statement

and argues that referral relationships are meant to be beneficial to both parties involved. If not, one party will soon discover that it is not worth the time, money or effort and will leave the relationship. Both parties will be left with an unpleasant taste in their mouths and thus not be all that excited about forming other referral relationships.

8. SUMMARY

Referral marketing is viewed as an influential source of communication in the services sector. It has a direct influence on the purchasing decision of buyers to make use of a particular service (Jordaan & Prinsloo, 2004:260). The constructive influence that positive word-of-mouth marketing can have towards reaching the objectives of the organisation, and also the destructive influence of negative word-of-mouth on the same objectives, cannot be denied (Maxham III, 1999:13).

This article has provided a theoretical perspective on the referral marketing practices of the travel-agency industry in the Western Cape. The findings suggest that when individuals search for a travel company to manage their travel requirements, they want to be assured that their money is spent on a service that will add value to their travel needs. To strengthen their position in a highly competitive industry, travel agencies need to identify positive word-of-mouth referrers who can form part of their marketing strategy. Information pertaining to the products and services of the travel agency can be provided to such individuals to develop their value-added advantage to the marketing strategy of the business. The article concludes with a focus on the managerial implications of the findings. The major managerial implication of the study is that continuous contact must be maintained with the word-of-mouth referrers of the travel agency to stimulate their positive word-of-mouth marketing communication to the general public. Word-of-mouth referrers can, on a continuous basis, be provided with information - on new product developments, special offers and organisational, administrative and structural changes - which can improve the level of service delivery that the travel agency provides to its customers.

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