

WORD-OF-MOUTH MARKETING AS A REFERRAL MARKETING TOOL – AN EXPLORATORY STUDY OF THE TRAVEL AGENCY INDUSTRY IN SOUTH AFRICA

M Roberts-Lombard (Department of Marketing Management, University of Johannesburg)

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 marketer's largest limitation. The purpose of the paper is to indicate what the current status is of the relationships which travel agencies in South Africa have with their referral market and will provide recommendations to the management of travel agencies in the country regarding the improved application of the principles of relationship marketing to this market. The target population for this study was 350 travel agencies of which 210 managers and/or owners of travel agencies 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 integrated relationships with strategic suppliers to increase the value offering of their (travel agencies) products and services to customers. The travel agency hereby ensures that the needs and wants of customers can be satisfied more successfully which, in the long run, can lead to positive word-of-mouth referrals.

Key phrases: Referral market, referral marketing, customers, referral marketing, networks, relationship, word of mouth communication, influence, groups

INTRODUCTION

Service organisations are fundamentally important to the economy of any country, as they contribute, amongst others, to its Gross Domestic Product (GDP) and employment rate. Growth in the service sector has persisted since the late 1990's and service industries have a large impact on national economies (Baker 2003: 586). Furthermore, 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 increased from 58% in 1992 to 64% in 2002 (UNCTAD 2004). The growth in the service sector lead to it 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 service sector (ASATA 2007a). Currently, the focus of service organisations is their clients and their needs and preferences (Armstrong & Kotler 2007:223). Arndt (1967:6) have more than thirty years ago stated that marketers do not apply referral marketing to their formal marketing campaigns. Lutchford (1997:1) note that the scenario at the end of the 1990's have still not changed. The reason for this being that referrals are difficult to manage by the organisation and is also difficult to define. The development of referral relationships is a time consuming process and the advantages of investing in referral sources is not necessarily immediately visible.

This paper will provide a discussion on the problem statement and the purpose of the research study, followed by a focus on the objectives of the study and an overview of the theory relating to the referral market. This is followed by a discussion of the methodology applied to the study and the major findings and managerial implications which form an inherent part of the research.

PROBLEM STATEMENT

The travel agency industry in South Africa is a dynamic and competitive industry. The payment of commission to travel agencies by large suppliers of travel products in South Africa such as the South African Airways and the Southern Sun and Protea Hotel groups were phased out from the 1st of May 2005. This implies that the only income stream for travel agencies from this date is their service delivery charge to corporate and leisure customers. This scenario necessitates the travel agency industry to ensure that they deliver a service to customers that will satisfy their needs in a professional manner. Through such service delivery, the ideal outcome should be positive referral marketing (Bendix 2005:1,16). Ward & Dagger (2007:283) stipulate that 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 perceives the importance of relationships in general, the more likely the customer is to develop a stronger relationship with the service provider. Whilst there are many potential dimensions to such a relationship, the importance of these dimensions to customers may impact on the strength of the relationship developed between the service provider and 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 which the customer 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 level of relationship commitment, product quality and service delivery. Such strategies could be to the benefit of the travel agency in the long term since a satisfied customer will communicate his/her experience 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 (Bendix 2008:9).

Against the brief background on the importance of referral marketing and the travel agency industry provided above (also refer to the literature section below), the problem statement of this paper is as follows:

To investigate the referral marketing practices of travel agencies in South Africa.

More formally, the paper wants to establish the current level of relationship marketing relationships which exist in the referral market of the travel agency industry in South Africa and to identify limitations in these relationships which might exist in this market. The principles of relationship marketing in the referral market of travel agencies in South Africa are identified and the application thereof by the travel agency industry in the country determined. Ugbah & Evuleocha (2007:51) stipulate that the increasing role of specialisation and the partial disintegration of the traditional family structure, community entities and social groups have led to buyers (consumers and businesses alike) to look for expert advice that had been 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. As a result, the customer may be more willing to turn to a marketing data generator for quick and reliable data about goods and services through “referral marketing networks”. In spite of the apparent utility of referral marketing networks, very little research exists on this subject, illustrating the importance of this research.

CONTRIBUTION OF THE PAPER

Limited research has been conducted in the field of referral marketing in South Africa, and no study has focused exclusively on referral marketing within the travel agency industry in the country. Prior research within South Africa, as well as internationally, includes studies conducted for the purpose of investigating referral marketing in a manufacturing environment or to provide a broad academic perspective on referral marketing networks without an application to a specific industry. This paper will provide a discussion on referral marketing from a service industry perspective which will be beneficial to the travel agency industry in South Africa. The results and conclusions drawn may be used to ensure higher levels of referral marketing in the travel agency industry in South Africa. In addition, the findings of this paper could also create a greater awareness among South African travel agents of the requirements for positive word-of-mouth marketing and reference groups as a marketing instrument. It is therefore proposed that this paper will

contribute to the theoretical and empirical knowledge on referral marketing in the travel agency industry in South Africa.

OBJECTIVES OF THE PAPER

The primary objective of this paper is to investigate the referral marketing practices of travel agencies in South Africa and to make recommendations regarding the improved application of the principles of relationship marketing to the referral market of travel agencies in the country.

The secondary objectives are:

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

HYPOTHESES OF THE PAPER

H₁: There are requirements for positive word-of-mouth referrals by the customers of travel agencies in South Africa.

H₀₍₁₎: There are no requirements for positive word-of-mouth referrals by the customers of travel agencies in South Africa.

H₂: Referral groups are being used as a marketing instrument by travel agencies in South Africa.

H₀₍₂₎: Referral groups are not being used as a marketing instrument by travel agencies in South Africa.

The section below provides an overview of the theory relating to the referral market.

REFERRAL MARKET

For the purposes of this study, the different literature components which constitute the referral market are discussed below.

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 (Lager 2008:30). Referral marketing by the customers of the organisation is a spontaneous form of communication. There are various factors that characterise word-of-mouth referrals as a communications form within referral markets. The first factor refers to word-of-mouth referrals as a powerful and influential factor within the market environment. The organisation must take into consideration that negative experiences are communicated faster than positive experiences. The second factor stipulate that word-of-mouth communication is based on the customer experience during the interaction with the organisation. The level of customer satisfaction or lack thereof which customers experience during their interaction with the organisation determines the outcome of customers' word-of-mouth referrals. The third factor refers to word-of-mouth communication as an independent source, therefore it is viewed as credit worthy. Word-of-mouth referrals are based on the experience of an individual with the organisation. This form of marketing occurs spontaneously, without payment and objectively. The fourth factor specify that the quality of the products and services which the organisation provide to customers determines the format of word-of-mouth referrals. The final factor highlights that word-of-mouth communication is unlimited in terms of speed and size. Word-of-mouth referrals are initiated when satisfied customers recommend the organisation to other individuals. Through the pro-active management of referral markets, the organisation is able to improve the positive outcome of referral marketing and to prohibit negative word-of-mouth communication (Eiriz & Wilson 2006:275-290).

Requirements when planning a word-of-mouth marketing campaign

Referral relationships are meant to be beneficial to both parties involved. If not, one party will soon discover that it is not worth their time, money or effort and will leave the relationship. Both parties will end up with a sour taste in their mouth and not be all that excited about forming another referral relationship (Donovan 2007:14). This is especially important considering that the focus of relationship marketing is the integration of customer service, quality and marketing. The primary reason why an organisation exist is to satisfy the needs of customers. 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 cost for the retention of an existing customer is cheaper than prospecting for new customers. This statement makes it necessary for the marketer to focus on and understand the buying behaviour of customers. The buying preferences of the

customer is directly influenced by the manner in which the needs and wants of the customer are satisfied. The satisfaction levels of customers are more directly influenced by their purchasing preferences compared to service quality (Plesh 2003:3). There are different requirements to guide an organisation in improving its rate of customer retention and to recruit prospective customers through positive referrals. The first requirement state that a product of high quality is a pre-requisite for the organisation to achieve customer retention and to recruit new customers. The second requirement stipulate that a positive message by the customer and the creation of a positive inclination by the customer towards the products and services of the organisation is a timeous process. Thirdly, the management of the organisation must develop a greater inclination towards the opinions of employees. The opinions and attitudes of employees influence the moral, sales performance, motivational level and profit orientation of employees. Fourthly, organisations must develop a remuneration and acknowledgement system for customers who wants to pursue positive word-of-mouth marketing regarding the products and services of the organisation. The fifth requirement states that a sound customer service delivery often determines the success or failure of an organisations' word-of-mouth marketing campaign. The delivery of a quality service to customers can contribute to non loyal customers becoming more loyal to the organisation. The final requirement emphasise that the organisation must strive to exceed the expectations of customers (Norris 2001:92).

The discussion above highlights that a service with which customers are satisfied, must be made available to the customer on a continuous basis. The organisation hereby 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 on a continuous basis to improve customer service delivery (Norris 2001:92).

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

A reference group is any group against which a customer measure his or her behaviour or purchasing patterns. Individuals express the need to be a member of a reference group. They deliberately express various purchasing patterns as proof of their membership (Renton 2007:1-2; Cronje, Du Toit & Motlatla 2000:194). In addition, a reference group also include one or more individuals whom the consumer use as a "basis of comparison" when determining behaviour (Van der Westhuyzen 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 which determines 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, trade mark or service to be identified with a selected 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 influence to influence the behaviour of others (Lamb, Hair, McDaniel, Boshoff & Terblanche 2000:87). Referrals occur through satisfied customers who recommends the organisation actively to other potential customers. The credit worthiness of these word-of-mouth referrers amongst potential customers are higher compared to an advertising campaign initiated by the organisation due to its personal nature. Through the pro-active management of referral markets the organisation is able to strengthen the positive effect of relationship marketing principles in these markets and to reduce the influence of negative referrals through the provision of quality products and service delivery (Steyn 2000:251).

RESEARCH DESIGN

Research approach

This study made use of a quantitative research approach and applied a descriptive research focus since it primarily depended on the interviewing of respondents (the managers or owners of travel agencies in South Africa). The study was also cross sectional since the respondents were only interviewed once.

Research method

Population and sample

The population for this study included all the travel agents registered with the Association of South African Travel Agents (ASATA) in South Africa. The target population for this study was 350 travel agencies located in the five major cities of South Africa, namely Pretoria, Johannesburg, Cape Town, Durban and Port Elizabeth. These cities were chosen since 90% of ASATA registered travel agencies are situated in these cities (ASATA 2007b). A total of 210 respondents participated in the completion of questionnaires, resulting in a response rate of 60% (n=210). In terms of the small size of the population, it was decided to conduct a census.

Research instrument

The measuring instrument used was a structured questionnaire which included some adapted items from previously tested measuring instruments, for example, the *Relationship Marketing* instrument from Steyn (2000:296). The empirical research component of the study consisted of the completion of structured questionnaires through personal interviews. The questionnaire consisted of two sections. Section A incorporated closed-ended questions to gather demographic data on the profile of the travel agency.

Section B was in the format of a five-point Likert-type scale, comprising sixteen items on referral marketing. The purpose of the items on the questionnaire were to test respondents' current and ideal application of identified relationship marketing principles in the referral market of travel agencies in South Africa. The following items on the questionnaire were used to develop the construct "Requirements for positive word-of-mouth marketing", namely:

- We use professional service delivery to stimulate word-of-mouth marketing.
- The quality of our products and services is of such a high standard that customers talk about it and refer new customers to us.
- Positive word-of-mouth is created by providing customers with products and services that satisfy their needs.
- Positive word-of-mouth is created by resolving the complaints of customers in a professional and efficient manner.
- Satisfied customers actively refer prospective customers to us.
- We create a medium for customers to communicate their experiences to us.
- The involvement of customers in the development of products and services improves positive referrals.
- We are involved with social responsibility programmes to get customers referred to the travel agency.
- Seminars, workshops and community projects are used to get customers referred to us.

The following items on the questionnaire were used to develop the construct "Reference groups as a marketing instrument", namely:

- We are part of a formal referral network.
- We are part of an informal referral network.

- We use positive referrals as part of our marketing strategy.
- Reference groups associated with our customers differ between corporate and leisure customers.
- Reference groups form an integral part of our marketing strategy.
- We identified potential referral sources and are feeding them with information about our products and services for them to be more effective referral sources.
- Positive word-of-mouth referrals are responsible for the majority of our business success stories.

The item 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 were indicated as $x(a)$ on the questionnaire, whilst the ideal implication were indicated as $x(b)$. Effect sizes were calculated between the current and ideal application of the identified relationship marketing principles in the referral market of travel agencies in South Africa. Structured interviews were conducted with ten owners or managers of travel agencies in Johannesburg, to pre-test the questionnaire before its formal application as a data gathering instrument.

Research procedure

Personal interviews were conducted with the managers and/or owners of travel agencies in South Africa, located in the five largest cities of the country. A time frame of sixty 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 travel agency.

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 marketing practices by travel agencies in South Africa were calculated;
- Standard deviations for individual items on the questionnaire were calculated;
- Explorative Factor Analysis (EFO) 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. Table 1 below illustrate that According to the MINEIGEN criterion one factor was retained for

each identified construct. The questionnaire can therefore be regarded as a valid research instrument.

Table 1: Results of the EFO analysis

CONSTRUCT	N	Number of factors retained according to the MINEIGEN-criterion	Cumulative variance explained	Communalities
Requirements for positive word-of-mouth marketing	210	1 Factor Retained	62,44%	51,71%-68,92%
Reference groups as a marketing instrument	210	1 Factor Retained	58,66%	45,61%-66,50%

- Cronbach's Alpha-values to determine the reliability of the questionnaire as a measurement instrument. The calculation of Cronbach's Alpha-values was done for each sub-construct. Hocking, Stacks and McDermott (2003:131) indicate that Cronbach Alpha-values determine the consistency according to which respondents 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 below illustrate that the items on the research instrument was measured with scales that could be described as reliable.

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

CONSTRUCT	N	CRONBACH'S ALPHA CO-EFFICIENT
Requirements for positive word-of-mouth marketing	210	0,74
Reference groups as a marketing instrument	210	0,80

- Practical significance by means of effect sizes. Cohen's d-values were used for this purpose. This study did not make use of 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, through 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 below the cut off points which 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 section below.

EMPIRICAL RESULTS

The referral marketing practices of travel agencies in South Africa was 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 were 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 below also provides an indication of the total number of respondents (n) who participated in the study.

Table 3: Constructs for the referral market of travel agencies in South Africa

Referral market as a relationship marketing construct					
Sub-construct	N	Average (a) [x(a)]	Average (b) [x(b)]	Maximum standard deviation	Effect size (d)
Requirements for positive word-of-mouth marketing	210	4,58	4,97	0,66	0,62
Reference groups as a marketing instrument	210	3,97	4,69	0,75	1,11

The different constructs indicated in Table 3 above will be discussed below.

Requirements for positive word-of-mouth marketing

The owners and managers of travel agencies in South Africa (n=210) view their current ability to stimulate customers to provide positive word-of-mouth referrals as good [x(a) = 4.58], but are of the opinion that the ideal application of these activities could be higher [x(b) = 4.97]. The medium effect size (d=0,62) indicate that the owners and managers of travel agencies in South Africa would prefer that the requirements for positive word-of-mouth referrals be better implemented.

Reference groups as a marketing instrument

The owners and managers of travel agencies in South Africa (n=210) indicate that referral groups are used as a marketing instrument in their marketing strategy [$x(a) = 3.97$]. They are, however, of the opinion that these referral groups can, ideally, be better used to provide positive word-of-mouth referrals on behalf of the travel agency [$x(b) = 4.69$]. The large effect size ($d=1,11$) indicate that the owners and managers of travel agencies in South Africa are of the opinion that the strengthening of the relationship between themselves and their referral groups to stimulate positive word-of-mouth, must be give priority.

The empirical results suggest that:

- H_1 can be accepted, while $H_{0(1)}$ had to be rejected. Travel agencies in South Africa 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 $H_{0(2)}$ had to be rejected. Travel agencies in South Africa do use referral groups as a marketing instrument.

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

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 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 the organisation 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 occurs 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; Silverman 2001:52 & Schonegevel 1995:13). The implementation of referral marketing activities by the travel agency industry in South Africa can be accommodated more successfully by focusing on the aspects provided below.

Requirements for positive word-of-mouth marketing

Informal communication is the primary source of customers using a professional service. In the case of these services, it is challenging to measure quality and the use of mass media is not necessarily appropriate for the target market to be reached. 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. A dissatisfied customer, however, 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 the development of influential, potential word-of-mouth referrers are important for the travel agency. Donovan (2008) agrees with this argument by stating that referral marketing is about leveraging the referral network of an organisation for increased referral business. Referrals are born out of a relationship. It is about knowing who to spend your time with, who 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 is empowering people to promote the products and services of the organisation on its behalf although the organisation is not present when such promotion occurs.

In addition, travel agencies in South Africa can also put a greater focus on the formulation of formal and informal networks to stimulate the development of their word-of-mouth marketing initiatives. The compilation of a customer data base is a pre-requisite 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) also state that if an organisation have an existing database of clients, it can start generating referrals by continuously adding items of value and opportunities to its network. Referrals offer significant advantages over personal selling and direct marketing since referrals are more cost effective than advertising, referrals generally make decisions quicker about purchasing and advertising does not buy trust, but referrals do. Customers who purchase from an organisation through a positive referral are likely to purchase more often from the organisation and to become loyal customers of the organisation, less negotiation or convincing is required to motivate

these potential customers to purchase and they are also more willing to make further referrals themselves, if satisfied.

Steyn (2000:248) stipulate that an organisation must be in contact with referral sources on a continuous basis and support their efforts to provide positive referrals on behalf of the organisation. Ugbah & Evuleocha (2007:51-54) further state that both open communication channels with referral sources and the organisations responsibility to keep them informed of the influence that their referrals have on the market share of the organisation are important to strengthen the relationship between the organisation and its referral sources. It is therefore necessary 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 be provided, on a continuous basis, of information regarding new product developments, special offers, organisational, administrative and structural changes which can improve the level of service delivery which the travel agency provide to customers. Such communication can be done via land lines, cellular phones (telephone calls or SMS messages), by computer (e-mail), newsletters or annual reports (especially in the case where travel agencies are part of a concession group), workshops, seminars, social functions as well as personal contact with the word-of-mouth referrer.

Word-of-mouth referrers should also 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 have secured the largest income value in Rands over a specified period of time through positive word-of-mouth referrals. It is important to emphasise, however, 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 which will be to the advantage of both the word-of-mouth referrer and the marketing strategy of the travel agency.

Reference groups as a marketing instrument

Reference groups influence the behaviour of consumers since they consider the opinions of group members communicated to them. The opinions of reference groups are viewed as credit worthy when it is difficult for the customer to observe the characteristics of a product or trade mark (Cant, Brink & Brijball 2002:150). It is therefore important for the management of the travel agency industry in South Africa

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 ensure that the latter will purchase the products and services of the travel agency. The positive word-of-mouth referral potential of referral sources must be based on their experience of the quality of products and service delivery offered by the travel agency and not their expectation thereof. Plesh (2003:3) support this argument by stating that if an organisation has difficulty to satisfy 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 firsthand. Therefore, to ensure that the organisation has enough paying customers for the foreseeable future, and that it is possible for the organisation to satisfy the needs of their customers on a continuous basis, it is necessary for the organisation to plan its referral program professionally. The organisation should formalise its referral program and promote it actively to potential referral sources. In addition, 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. The travel agency hereby ensures that the needs and wants of customers can be satisfied more successfully which, in the long run, can lead to positive word-of-mouth referrals.

Summary

Referral marketing are viewed as an influential source of communication in the service sector. It has a direct influence on the purchasing decision of buyers to make use of a particular service. The major outcome of the study stipulate that continuous contact must be maintained with the word-of-mouth referrers of travel agencies in South Africa to stimulate their positive word-of-mouth marketing communication to the general public. Word-of-mouth referrers can be provided with information regarding new product developments, special offers, organisational, administrative and structural changes which can improve the level of service delivery which the travel agency provide to customers.

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