

Full Length Research Paper

A management perspective on the current status of referral marketing in the property selling industry

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Increasing role specialization and the partial disintegration of the traditional family structure, social groups, as well as community entities have led buyers (consumers and businesses alike) to search for expert advice on products and services that has been provided informally through local social networks, as family members and peers. Marketing practitioners and theorists also routinely cite the power of the personal referral on customer behaviour. However, relatively few businesses have tried to harness the power of word-of-mouth (WOM). The purpose of the article is to indicate what the current status is of the relationships which estate agencies in the Gauteng Province, South Africa have with their referral market, and to provide recommendations to the management of estate agencies in the province regarding the improved application of the principles of relationship marketing to this market. The target population for this study was 1025 estate agencies, of which 250 managers and/or owners participated through personal interviews in the completion of questionnaires. Data analysis was done by calculating averages and standard deviations, Cronbach α -values, p-values, the paired sample T-test, as well as standard marginal homogeneity test statistics. To strengthen their position in a highly competitive industry, estate 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 estate agency can be provided to these individuals to develop their value-added advantage to the marketing strategy of the business. Finally, estate agencies in Gauteng also need to provide customers with products (that is, property) and service delivery of a high quality. As a result, the estate agency can secure that the communication of their customers to the general public will ensure that the latter will purchase the products and services of the estate agency.

Key words: Estate agency, referrer, referral market, referral market relationships.

INTRODUCTION

The estate agency industry comprises a myriad of businesses either in private ownership or which are parts of a franchise group. In common with many other service industries, competition for customers is rife. These businesses provide an operating environment where competition is extremely intense and sustained. Such competitive conditions have led to many businesses vying to attract customers through word-of-mouth referrals in order to achieve long-term success (Douglas and Connor, 2003). Furthermore, the financial barriers of entry into the estate agency industry are minimal with the result that there are always new providers adding to an already competitive situation. This heightens the need to develop and maintain a quality approach to consumer expectations and needs (Edvardsson and Gustavsson, 2003). In South Africa, the contribution of the service

sector to the country's GDP has increased from 55% in 1992 to 66% in 2006, while its share in employment increased from 58% in 1992 to 70% in 2006 (UNCTAD, 2007). Baker (2003) stipulates that growth in the service sector over the past decade has led to it becoming more competitive, transforming the management and marketing of service businesses. For example, the compound annual growth rate of the estate agency industry in South Africa for the period 2004 to 2007 was 10.6% and the industry is also responsible for the creation of 5.4% of all employment in the service sector (Datamonitor, 2009). However, over the past two years, the volume of property sales in South Africa has dropped by fifty percent. This scenario is coupled with the scarcity of bank lending and a marginal fall-off in pricing in 2009 in South Africa's property market (Mokopanele, 2010). As a result, a

potential customer may be more willing to turn to a marketing generator for quick and reliable data about products and services through "referral marketing networks". Despite the apparent utility of referral marketing networks, very little research exists on this subject (Ugbah and Evuleocha, 2007). In South Africa, no study on referral marketing had focused on the estate agency industry in the country.

This article will attempt to indicate what the current status is of the relationships which estate agencies in the Gauteng Province, South Africa have with their referral market, and will provide recommendations to the management of estate agencies in the province regarding the improved application of the principles of relationship marketing to this market. In addition, the problem statement and the purpose of the article will be highlighted, 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

Customers are loyal to a business because they receive the best value for money and not because the marketing of the products or services of the business is good. 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 business (Finin et al., 2005; Crawford, 2006) specifies that a positive referral source primarily includes satisfied customers. These customers are positive towards the business, return to the business for repeat purchases and recommend the business (that is, its products and services) actively to other customers and potential customers. Negative referral sources include, predominantly, unsatisfied customers of the business. Referral sources use the spoken word, but the internet (for example, the website Hello Peter.Com) and the electronic mail (e-mail) techniques have become powerful personal communication mediums. Referral marketing has been described as the most valuable marketing instrument. The higher the risk associated with a decision and the closer an individual is to making a decision, the greater the value which the individual will attach to a referral (Renton, 2007).

The estate agency industry in South Africa is a dynamic and competitive industry. The global economic recession has influenced the property market in South Africa, resulting in a decline in property sales and purchases. The Financial Charter (FICA) act that was introduced into South Africa on 30 June 2003, made it more challenging for South Africans to obtain a home loan. Applicants are currently required by South African banks to provide a

deposit of 10 to 15% of the total purchase price before a home loan is granted. This has resulted in a decline in the number of home loans granted to applicants, causing the demand for property in South Africa to decline. Property sales in the Gauteng Province have declined by 50% over the past five years, resulting in a decline in income for both the estate agency and its employees. Increased competition and declining demand for existing and new property therefore, necessitate the estate 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 (Kloppers, 2009; FICA, 2001). Therefore, it becomes important for estate agencies to implement referral marketing strategies based on the customers experience with the estate agency through their level of relationship commitment, product quality and service delivery. Such strategies could be to the benefit of the estate 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 estate agency without any financial expenditure (Crawford, 2006; Plesh, 2003).

The development, maintenance and strengthening of a relationship with customers will depend on the customer's 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 estate 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 (Sin et al., 2005). Against the brief background on the importance of referral marketing and the estate agency industry provided above (also refer to the literature section below), the problem statement of this article therefore, encompasses an investigation into the referral marketing practices of estate agencies as intermediaries in the property selling process.

More formally, the purpose of this article is to research the relationship marketing practices in the referral market of estate agencies in the Gauteng Province, South Africa. The article wants to establish the current level of relationship marketing in the referral market of the estate agency industry in the province and to identify limitations in relationship marketing relationships which might exist in this market. The principles of relationship marketing in the referral market of estate agencies in Gauteng are identified and the application thereof by the estate agency industry in the province determined. Ugbah and Evuleocha (2007) stipulate that the increasing role of specialization and the partial disintegration of the traditional family structure, community entities and social groups have led to buyers (consumers and businesses

alike) looking for expert advice on products and services that has 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 in South Africa, illustrating the importance of this research.

There is therefore a clear need for the management of estate agencies in the Gauteng Province to apply the principles of relationship marketing to their daily operations. It is furthermore important that estate agencies also apply these principles to their relationship building initiatives with the referral market, which then influences their competitiveness in the market place. The contribution and objectives of the article are discussed in more detail following.

Objectives of the article

The primary objective of this article is to investigate the referral marketing practices of estate agencies in the Gauteng Province, South Africa and to make recommendations regarding the improved application of the principles of relationship marketing to the referral market of estate agencies in the province. The secondary objectives are:

1. To determine the extent to which requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province is currently being met, and should ideally be met.
2. To determine the extent to which referral groups are currently being used and should ideally be used as a marketing instrument by the estate agency industry in the Gauteng Province.
3. To determine whether significant differences exist between the current state with which requirements are being met and the ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province.
4. To determine whether significant differences exist between the current application of referral groups and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province, South Africa.

Hypotheses of the article

H₁: Estate agencies currently meet the requirements specified in the literature for positive word-of-mouth referrals as part of their marketing strategy.

H₀₍₁₎: Estate agencies do not currently meet the requirements specified in the literature for positive word-of-mouth referrals as part of their marketing strategy.

H₂: Estate agencies currently use referral groups as a marketing instrument.

H₀₍₂₎: Estate agencies do not currently use referral groups as a marketing instrument.

H₃: Significant differences exist between the means of the current state with which individual requirements are being met, and the ideal state of individual requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province.

H₀₍₃₎: Significant difference does not exist between the means of the current state with which individual requirements are being met, and the ideal state of individual requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province.

H₄: A significant difference exists between the overall means of the current state with which requirements are being met, and the ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province.

H₀₍₄₎: A significant difference does not exist between the overall means of the current state with which requirements are being met, and the ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province.

H₅: A significant difference exists between the means of the individual statements measuring the current use of referral groups, and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province.

H₀₍₅₎: A significant difference does not exist between the means of individual statements measuring the current use of referral groups, and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province.

H₆: A significant difference exists between the overall means of the current use of referral groups, and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province.

H₀₍₆₎: A significant difference does not exist between the overall means of the current use of referral groups, and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province, South Africa.

Table 1. Factors which are characteristic of word-of-mouth referrals.

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

Source: Adapted from Cheung et al. (2007), Eiriz and Wilson (2006), Silverman (2001) and Schonegevel (1995).

Literature overview

The success of the South African estate agency industry depends on the quality of service which estate agents deliver to customers. Such service deliverance is in direct relation to the skills of management, as well as the knowledge and professionalism of employees (Kloppers, 2009). When a customer's observation of the quality of service delivery and the purchase experience at a business is positive, the customer's inclination towards the business becomes positive. The customers' relationship with the business is also hereby strengthened. In addition, the relationship which the customer has with the business is further influenced by the customer's evaluation of the purchase experience and the level of service delivery by the employees of the business (Wilson et al., 2008). For the purpose of this study, the different literature components which constitute the referral market will be discussed in more detail.

The referral marketing environment

Referral marketing is by far the best and most cost effective way to generate new business. Referrals generate more loyal customers, more motivated buyers and sellers, more profitable deals, and an increase in referral opportunity (Livette, 2007). Positive referrals by customers, through word-of-mouth, will increase if the level of service delivery is improved by the business. Referral marketing by the customers of the business 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 (Cheung and Anitsal, 2007). Crawford (2006) argues that referral marketing is about getting real people to talk about your product. Thus, instead of going to television or newspaper reporters, technology allows a person to go directly to the consumer who, in person, over the phone, by e-mail, on blog, talks to other consumers. Alire (2007) states that referral marketing is more credible than other marketing techniques because only 14% of people believe what they see, read or hear in advertising. However, 90% of people will believe their family, friends or colleagues who endorse a service or product because they know they do not have a vested interest in it.

Therefore, different factors can be identified which is characteristic of word-of-mouth referrals as a communication form within referral markets. These factors can be grouped into five categories as illustrated by Table 1.

The fundamental objective of word-of-mouth marketing is therefore, to motivate people (also referred to as "trusted advisors") to talk to others about a product or service to ensure that those products or services are more readily purchased or used (Alire, 2007). The format of word-of-mouth marketing (for example, positive or negative) is directly influenced by the experience of customers with regard to aspects such as the ability of the business to make it easy for the customer to do business with it, the willingness of the business to be sensitive towards the needs and wants of customers, the ability of the business to adapt speedily to a change in customer preferences, the ability of the business to

Table 2. Improving an understanding of word-of-mouth communication.

Questions
What is the content of referral marketing?
What is the source of referral marketing?
Who is the recipient of the communication message?
Through which channels does the message flow?

Source: Adapted from Ferguson (2008), and Silverman (2001).

exceed customer expectations, the inclination of the business to focus on aspects that make the customer feel special and important, the ability of the business to resolve customer problems and complaints in a fast and efficient manner; and the willingness of the business to deliver products and services according to the needs of high-income customers (Renton, 2007).

Therefore, considering the information previously provided, it is important for a business to consider the questions in Table 2 to enable it to develop a holistic understanding of word-of-mouth communication as a referral source.

By finding answers to the questions stated in Table 2, a business will be empowered with the knowledge of how to initiate word-of-mouth referrals, to increase the number of referrals, channel and manage it to the benefit of the business. It must, however, be emphasised that the development of a referral source is a timely process (Cheung et al., 2007).

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 be hesitant about forming another referral relationship (Donovan, 2007). This is especially important considering that the focus of relationship marketing is the integration of customer service, product and service quality and marketing. The primary reason why a business exists is to satisfy the needs of customers. The implementation of relationship marketing principles by the business ensures that a stronger emphasis is placed on the aspects of customer service, product quality and service quality (Arun, 2007).

There is no need anymore for repetitive, one-way communications by a business urging its target market to buy the products and services it has on offer (Wetzeret al., 2007). The business that wants to be successful in the future will have to consider the opinions of its customers. The business and its customers will develop and grow together, thereby developing a future together. The long-term success of the business will therefore

depend on aspects such as the willingness and ability of the business to have a greater involvement with their customers in public, and the manner in which the business obtains the participation of customers. The advantage of this approach for a business is the development of an improved understanding of customer needs, the empowerment of the business to react more positively to customer requests, the development of a greater awareness of the customers' mindset, as well as a larger profit margin and market share (Hilton, 2002).

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 are 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 (Rootman, 2007). It is therefore, important that a business considers the aspects listed in Table 3 as part of its operational planning to ensure that it strengthens its customer retention initiatives and recruits prospective customers through positive referrals.

Word-of-mouth marketing exceeds conventional marketing with leaps and bounds. It is also more credible than other marketing techniques because only 14% of people believe what they see, read or hear in advertising. Surprisingly, 90% of people will believe their family, friends, or colleagues who endorse a service or product because they know they do not have a vested interest in it (Alire, 2007). Positive referrals by customers, through word-of-mouth marketing, will therefore, strengthen as the level of service delivery is improved by the business. A larger number of marketing strategies must incorporate word-of-mouth marketing components to influence customers' level of need satisfaction and purchasing decisions (Renton, 2007; Crawford, 2006). In an attempt to stimulate positive word-of-mouth marketing, a business can improve its service delivery to customers by providing a choice of communication mediums to customers, for example, a toll-free number, website, e-mail addresses, street addresses and postal addresses. The business must react to a customer's complaint in a fast and efficient manner; the business must be empathetic towards the customer. Customers who communicate with

Table 3. Success factors for successful word-of-mouth marketing.

Factor listing
The communication of a positive message by the customer and the creation of a positive inclination by the customer towards the products and services of the business is a timeous process
The management of the business must develop a greater inclination towards the opinions of employees. The opinions and attitudes of employees influence the morale, sales performance, motivational level and profit orientation of employees
Businesses must develop a remuneration and acknowledgement system for customers who want to pursue positive word-of-mouth marketing regarding the products and services of the business;
Sound customer service delivery often determines the success or failure of the word-of-mouth marketing campaign of a business. The delivery of a quality service to customers can contribute to non loyal customers becoming more loyal to the business
The business must strive to exceed the expectations of customers
Motivate employees, suppliers and customers to express their unhappiness with the business. More than ninety percent of all unhappy customers do not communicate their unhappiness to the business. These customers rather shift their loyalty and buying power to another business.

Source: Adapted from Alon and Brunel (2006) and Schonegevel (1995).

with the business on a continuous basis, must be placed on a priority list, special offerings to all customers must be extended, and the recommendations of customers regarding the development of new products and services as well as how the business relationship with customers can be strengthened, must be determined on a continuous basis. If the involvement of customers in the daily functioning of the business can be increased, it can deliver a direct contribution towards the improved satisfaction of customer needs. The outcome of this is that customers communicate a positive message regarding the products and services of the business to the outside public (Palmatier et al., 2009).

The previous discussion highlights that a service with which customers are satisfied, must be made available to the customer on a continuous basis. The business hereby ensures positive word-of-mouth referrals 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 (Ferguson, 2008).

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

Reference groups are cultural groups where members share common cultural meanings. Reference groups can influence the affective and cognitive responses of consumers, as well as their purchase and consumption behaviour. A reference group is therefore, any group against which a customer measures 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. In addition, a reference group also includes one or more individuals whom the consumer use as a "basis of comparison" when determining behaviour (Alire, 2007).

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 determine their own behaviour by using referral groups and their normative practices as a source of referral basis. Customers are motivated to purchase a product, trademark 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 (Peter and Olsen, 2008).

Referral groups influence the behaviour of customers, since consumers as a norm, respect the opinions and views communicated to them by group leaders. The opinions of group leaders are viewed as creditworthy when it is difficult for the customers to observe the characteristics or trademark of the product (Ferguson, 2008). The influence of referral groups on the purchasing behaviour of consumers is general practice. It is illustrated by advertising which makes use of individuals with a star status, who provide testimonials or who underwrite the product or service. Consumers within the

teenager market are motivated to purchase products from sport shops that are underwritten by popular sportsmen and women with a star status (Schlosser, 2005).

In addition, customers also purchase a product or service that portrays an image of them of whom they want to be, and not who they really are. Through communicating a message which 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 (groups who are perceived as being negative) enables the customer to reduce the risk of making an incorrect purchasing decision (Peter and Olsen, 2008). The motivation of the customer for the reduction of choice is driven by his purchasing decision of what must be achieved and what must be ignored (Farquhar, 2004). The influence of social groups on the purchasing power of customers is directly linked to word-of-mouth referrals. Consumers are actively seeking information regarding the purchasing behaviour of other consumers, or listen to the experiences of customers within certain purchasing scenarios. Opinion leaders, through word-of-mouth referrals, exercise a direct influence on the ability of consumers to be innovative in their purchasing behaviour (Cruz and Fill, 2008).

Referrals occur through satisfied customers who recommend the business actively to other potential customers. The credit worthiness of these word-of-mouth referrers amongst potential customers is higher compared to an advertising campaign initiated by the business due to its personal nature. Word-of-mouth influence is most likely when strong ties (such as within the family) are in existence between the transmitter and receiver of information. It must be remembered that an influential person (for example, a family member) is more accessible than other sources. Through the pro-active management of referral markets, the business is therefore 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 (Livette, 2007).

METHODOLOGY

Here, the research methodology used is elaborated on. The measuring instrument, sample and methods of data analysis are specifically discussed.

Research approach

This study made use of a quantitative research approach and a descriptive research design. The study was also cross sectional, since the respondents were only interviewed once.

Population and sample

The population for this study included all the estate agencies in the Gauteng Province registered with the Estate Agency Board of

South Africa (EABSA). The target population for this study was 1025 estate agencies of which a sample of 410 was realized. Respondents were conveniently selected from the EABSA list through the convenience sampling technique. A total of 250 respondents were willing to participate through personal interviews.

Research instrument

The measuring instrument used was a structured questionnaire which was developed and validated by Roberts-Lombard (2006). The empirical research component of the study consisted of the completion of interviewer administered 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 estate agency. The biographical data of the respondents was gathered through one question in this section, namely the location of the estate agency (for example, Pretoria or Johannesburg). Section B was in the format of a five-point Likert-type scale, comprising 26 statements on referral marketing, constituting the two constructs of the study, namely "Requirements for positive word-of-mouth marketing" and "Referral groups as a marketing instrument".

The purpose of the statements in the questionnaire was to test respondents' current and ideal application of identified relationship marketing principles in the referral market of estate agencies in the Gauteng Province.

The statements' response continuum ranged from 1 to 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). Structured interviews were conducted with ten owners or managers of estate agencies in Johannesburg to pre-test the questionnaire before its formal application as a data gathering instrument.

Data gathering

Personal interviews were conducted with the managers and/or owners of estate agencies in the Gauteng Province, South Africa. To ensure the participation of the maximum number of population elements, interviews were arranged on the premises of the estate agency.

Data analysis

Before the results from the survey can be analyzed, it is necessary to examine the representativity of the sample, as well as the validity and reliability of the measurement sets. This process assists in understanding the context in which results should be interpreted. Here, further description on the level of agreement of estate agencies in the Gauteng Province with regard to the current state and ideal state of requirements for positive word-of-mouth requirements, the level of agreement of estate agencies in the Gauteng Province regarding the current and ideal application of referral groups as a marketing instrument, individual statements and overall mean scores for the measurement sets, as well as the significant differences between the current and ideal measurement sets for the study was given.

Furthermore, the paired sample T-test was used to determine whether or not significant differences exist between the mean responses of the two measurement sets in the study. Considering that the researcher relied on a 95% level of confidence, or a 5% level of significance ($\alpha = 0.05$), a p-value of less than or equal to 0.05 indicates a significant difference between the means in terms of the paired sample T-test.

Table 4. Reliability statistics.

Measurement sets	Cronbach alpha (Current application of statements in measurement set)
Requirements for positive word-of-mouth referrals (18 items)	0.715
Referral groups as a marketing instrument (7 items)	0.736

Representativity

The researcher strictly followed the sample plan as previously described on 'research methodology', in order to ensure the representativity of the sample.

Distribution of results: Skewness and kurtosis

The referral marketing practices of estate agencies in the Gauteng Province, South Africa were measured according to two constructs, namely the "Requirements for positive word-of-mouth marketing" and "Referral groups as a marketing instrument". The data was analyzed to uncover the mean scores for (1) the current application of referral marketing practices, and (2) the ideal implementation of referral marketing practices, the standard deviation for individual statements referring to both (a) the current application of referral marketing practices and (b) the ideal implementation of referral marketing practices, to determine whether significant differences exist between the current state with which requirements are being met and the ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province, to determine whether significant differences exist between the current application of referral groups and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province. The standard marginal homogeneity test statistics and the p-value 0.05 is divided by 18 for the 18 statements in the first measurement set (0.004) and 0.05 divided by 7 for the second measurement set (0.007) in order to signal significant differences between the means of the current and ideal state of both measurement sets.

Before the results can be presented, it is necessary to determine whether the results obtained for each of the surveys' statements show a normal distribution. The kurtosis and skewness of the distribution of the results for each construct were examined. An activity, for which the skewness of the distribution is less than 2.00, falls within acceptable limits of normality (West et al., 1995). All statements included in the two measurement sets determining the referral marketing practices of estate agencies in the Gauteng Province fall within these limits.

Reliability

Cronbach's alpha was used to determine the reliability of the measurement sets which assess the referral marketing practices of estate agencies in the Gauteng Province, South Africa. The measure ranges from 0 to 1. A value of 1 indicates perfect reliability, whilst the value of 0.6 is deemed to be the lower level of acceptability (Malhotra, 2007). The reliability statistics for the measurement sets are presented in Table 4.

It is evident in Table 4 that Cronbach's alpha for both measurement sets is above the lower limit of acceptability, 0.60. This confirms that the measurement sets used in the study were reliable. It was also proven that the measurement instrument proved itself reliable in a previous study. Therefore, the reliability of the current state of affairs was assessed.

Validity

When assessing validity, the researcher determines whether a measure used in the study actually does measure what the researcher intends it to measure. As already indicated, the measurement instrument developed and validated by Roberts-Lombard (2006) was used in this study. The instrument was considered valid for the purposes of the present study.

RESULTS

Table 5 provides an exposition of the referral marketing practices of estate agencies in Gauteng regarding the requirements for positive word-of-mouth marketing. The different items that constitute the construct are specified, the total number of respondents (n) who participated in the study are highlighted, the mean scores indicating to what extent the requirements for positive word-of-mouth referrals are currently and should ideally be met by estate agencies in Gauteng are provided, and the standard deviation, standard marginal homogeneity test statistic as well as the p-value for each item are specified.

It is evident from Table 5 that the statement "We address customer complaints in a fast and efficient manner" obtained the highest mean score (4.58), followed by "We use professional service delivery to stimulate word-of-mouth marketing" (4.55). The lowest mean score, 2.90, was for the statement "The quality of our products is of such a high standard that customers talk about it and refer new customers to us".

The majority of statements in the measurement set "Requirements for positive word-of-mouth marketing" illustrate a significant difference in the extent to which the requirements for positive word-of-mouth referrals are currently and should ideally be met for a p-value less than 0.004. This implies that estate agencies in the Gauteng Province do not currently meet the requirements for positive word-of-mouth referrals as part of their marketing strategy.

Table 5 further illustrates that there is no significant difference in terms of the following statements ($P > 0.004$), "We use professional service delivery to stimulate word-of-mouth marketing", "We introduce our customers to finance providers as a measure to stimulate word-of-mouth marketing", "Community projects are used to get customers referred to us, and "The quality of our products is of such a high standard that customers talk about it and refer new customers to us".

Table 5 specifies that there is a significant difference in

Table 5. Requirements for positive word-of-mouth marketing.

Item	N	Mean (a) [x(a)]	Standard deviation	Mean (b) [x(b)]	Standard deviation	Standard marginal homogeneity test statistic	P-Value
We address customer complaints in a fast and efficient manner	250	4.58	0.630	4.83	0.373	-2.967	0.0030*
We use professional service delivery to stimulate word-of-mouth marketing	250	4.55	1.087	4.82	0.632	-2.286	0.022
We introduce our customers to finance providers as a measure to stimulate word-of-mouth marketing	250	4.40	0.646	4.58	0.496	-1.961	0.050
Positive word-of-mouth is created by providing customers with products and services that satisfy their needs	250	4.30	0.771	4.76	0.431	-4.217	0.0000*
Satisfied customers actively refer prospective customers to us	250	4.29	0.457	3.93	0.899	4.341	0.0000*
Workshops are used to get customers referred to us		4.22	1.009	4.67	0.581	-4.978	0.0000*
The quality of our service is of such a high standard that customers talk about it and refer new customers to us	250	4.21	1.049	4.91	0.281	-5.338	0.0000*
We pay individual attention to the needs of customers to stimulate word-of-mouth marketing	250	4.20	0.506	4.54	0.482	-6.250	0.0000*
We contact customers after they have made a purchase to measure/stimulate word-of-mouth marketing	250	4.10	0.551	4.69	0.465	-5.953	0.0000*
Our brand name stimulates word-of-mouth marketing	250	4.01	0.096	4.57	0.691	-6.405	0.0000*
We create a medium for customers to communicate their experiences to us	250	3.95	0.256	3.58	1.059	3.233	0.001*
We contact customers after they have enquired about the services offered by our estate agency to stimulate word-of-mouth marketing	250	3.91	0.325	4.69	0.465	-5.953	0.0000*
Positive word-of-mouth is created by resolving the complaints of customers in a professional and efficient manner	250	3.74	0.843	4.63	0.700	-6.593	0.0000*
We are involved with social responsibility programmes to get customers referred to the estate agency	250	3.12	0.844	4.43	0.663	-8.552	0.0000*

Table 5. Contd.

Community projects are used to get customers referred to us	250	3.05	1.272	2.93	1.772	1.373	0.170
Seminars are used to get customers referred to us	250	2.96	0.917	4.01	1.000	-7.335	0.0000*
The quality of our products is of such a high standard that customers talk about it and refer new customers to us	250	2.90	1.760	2.82	1.610	1.207	0.227

*Significant difference exists where the p-value is lower than 0.004 (0.05 ÷ 18 statements).

the ability of estate agencies to currently and ideally meet all the requirements specified in the literature for positive word-of-mouth referrals as part of their marketing strategy. Hypothesis 1 is therefore, rejected and the null hypothesis accepted. Hypothesis 1 (H_1) states that estate agencies currently meet the requirements specified in the literature for positive word-of-mouth referrals as part of their marketing strategy. The null hypothesis H_0 (H_1) stipulates that estate agencies do not currently meet the requirements specified in the literature for positive word-of-mouth referrals as part of their marketing strategy. Furthermore, Table 5 also indicates that significant differences exist between the majority of the individual means of the current state with which requirements are being met, and the ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province. This therefore implies that hypothesis 3 is accepted, whilst the null hypothesis is rejected.

Table 6 provides an exposition of the referral marketing practices of estate agencies in Gauteng regarding referral groups as a marketing instrument. The different items that constitute the construct are specified, the total number of respondents (n) who participated in the study is highlighted, the mean scores indicating to what extent referral groups are currently and should ideally be used by estate agencies as part of their marketing strategy, are provided, and the standard deviation, standard marginal homogeneity test statistic, as well as the p-value for each item are specified.

From Table 6, it is evident that the statement "We are part of a formal referral group" obtained the highest mean score (4.29), followed by "Positive word-of-mouth referrals are responsible for the majority of our business success stories" (4.28). The lowest mean score, 2.94, was for the statement "We are part of an informal referral network". Table 6 indicates that all the statements in the measurement set "Referral groups as a marketing instrument" illustrate a significant difference. This implies that estate agencies in the Gauteng Province do not currently use referral groups as a marketing instrument.

Table 6 reports that a significant difference exists between the current use of referral groups and the ideal application of referral groups as a marketing instrument

by estate agencies in Gauteng. This implies that hypothesis 2 is rejected, and the null hypothesis is accepted. Hypothesis 2 (H_2) stipulates that estate agencies currently use referral groups as a marketing instrument, whilst the null hypothesis $H_{0(2)}$ states that estate agencies do not currently use referral groups as a marketing instrument. Table 6 further indicates that significant differences exist between the individual means of the current use of referral groups and the ideal application of referral groups, as a marketing instrument by the estate agency industry in the Gauteng Province. Consequently, hypothesis 5 is accepted, whilst the null hypothesis is rejected.

Overall mean scores for each measurement set

Table 7 indicates whether or not significant differences exist when it comes to the overall mean scores for the two measurement sets representing the requirements for positive word-of-mouth referrals and referral groups as a marketing instrument.

It is evident from Table 7 that there are significant differences in the overall mean scores for the "Requirements for positive word-of-mouth referrals" measurement set indicating to what extent the requirements for positive word-of-mouth referrals are currently, and should ideally be met by estate agencies in Gauteng. There are also significant differences indicated by the "Referral groups as a marketing instrument" measurement set, specifying to what extent referral groups are currently and should ideally be used by estate agencies as part of their marketing strategy.

Hypothesis testing

Significance testing indicates whether or not the different groups of respondents (classified by geographical location) differ significantly in the overall means score calculated for each measurement set (Hypotheses 1 to 6).

The paired sample test was performed to determine

Table 6. Referral groups as a marketing instrument.

Item	N	Mean (a) [x(a)]	Standard deviation	Mean (b) [x(b)]	Standard deviation	Standard marginal homogeneity test value	P- Value
We are part of a formal referral group	250	4.29	1.035	4.79	0.636	-4.014	0.0001*
Positive word-of-mouth referrals are responsible for the majority of our business success stories	250	4.28	0.790	4.84	0.364	-5.800	0.0000*
Reference groups associated with our customers vary between retail customers and commercial customers	250	3.65	0.805	4.53	0.574	-8.660	0.0000*
We identified potential referral sources and are feeding them with information about our products and services for them to be more effective referral sources	250	3.64	0.652	4.55	0.782	-7.470	0.0000*
Reference groups form an integral part of our marketing strategy	250	3.49	1.14	3.83	1.028	-4.808	0.0000*
We use positive referrals as part of our marketing strategy	250	3.11	1.008	3.60	0.705	-5.099	0.0000*
We are part of an informal referral network	250	2.94	0.599	3.67	1.166	-5.994	0.0000*

*Significant difference exists where the p-value is lower than 0.007 (0.05 ÷ 7 statements).

Table 7. Significance testing of the overall mean scores for the requirements for positive word-of-mouth referrals as part of the marketing strategy of estate agencies in Gauteng, South Africa as well as the use of referrals as a marketing instrument.

Measurement set	Score (Current application)	Score (Ideal application)	P value
Requirements for positive word-of-mouth referrals (18 items)	3.90	4.29	0.000*
Referral groups as a marketing instrument (7 items)	3.14	3.88	0.000*

*Significant difference exists where the p-value is lower than 0.05.

whether or not significant differences exist between the current state with which requirements are being met, and the ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province, and whether significant differences exist between the current application of referral groups, and the ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province. These aspects are illustrated in Table 7.

The results of the significance testing are as follows (detailed explanations and relevant Tables are only included where significant differences were found to exist):

Hypothesis 4

A significant difference exists between the overall means

of the current and ideal state of requirements for positive word-of-mouth referrals in the estate agency industry in the Gauteng Province, South Africa.

Hypothesis 6

A significant difference exists between the overall means of the current and ideal application of referral groups as a marketing instrument by the estate agency industry in the Gauteng Province.

This therefore, implies that hypotheses 4 and 6 are accepted and the null hypotheses rejected.

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 and Martin, 2007). An increase in the quality of service delivery to customers can enhance the ability of the business 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 business. Word-of-mouth referrals by the customers of a business 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 and Wilson, 2006). The referral marketing practices of estate agencies in Gauteng can be accommodated more successfully by focusing on the aspects provided as follows.

Requirements for positive word-of-mouth referrals

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 business, 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 (Wetzer et al., 2007). To strengthen their position in a highly competitive industry, estate 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 estate 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 identification and application of influential, potential word-of-mouth referrers is important for the estate agency industry. Donovan (2007) agrees with this argument by stating that referral marketing is about leveraging the referral network of a business for increased referral business. Referrals are born out of a relationship. 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 is empowering people to promote the products and services of the business on its behalf although the business is not present when such promotion occurs.

In addition, estate 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 database 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 states that if a business has 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 a business through a positive referral are likely to purchase more often from the business and to become loyal customers of the business. 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) stipulates that a business must be in contact with referral sources on a continuous basis and support their efforts to provide positive referrals on behalf of the business. Ugbah and Evuleocha (2007) further state that both open communication channels with referral sources and the responsibility of the business to keep them informed of the influence that their referrals have on the market share of the business, are important to strengthen the relationship between the business and its referral sources. It is therefore, necessary that continuous contact must be maintained with the word-of-mouth referrers of the estate 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 (for example, new property developments), special offers (for example, property on sale at discount prices), administrative and structural changes which can improve the level of service delivery which the estate agency provides 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 estate 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 (for example, a sponsored vacation of choice), the sponsorship of a travel package (for example, a tour to a specific destination), the sponsorship of a prize (for example, a house, or car) or cash offerings to the word-of-mouth referrer who has 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 estate agency is using promotional techniques which will be to the advantage of both the word-of-mouth referrer and the marketing strategy of the estate agency or concession group.

Referral groups as a marketing instrument

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 credit-worthy when it is difficult for the customer to observe the characteristics of a product or trademark (Cruz and Fill, 2008). It is therefore, important for the management of the estate agency industry in South Africa to provide customers with products (that is, property) and service delivery of a high quality. As a result, the estate 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 estate 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 estate agency, and not their expectation thereof. Plesh (2003) supports this argument by stating that if a business has difficulty to satisfy the needs and wants of existing customers, it is a certainty that its referral business will be negatively influenced. Customer satisfaction is a primary requirement in today's ultra-competitive marketplace.

A referral is powerful because it comes from a customer who has experienced the products and services of the business first-hand. Therefore, to ensure that the business has enough paying customers for the foreseeable future, and that it is possible for the business to satisfy the needs of its customers on a continuous basis, it is necessary for the business to plan its referral programme professionally.

The business should formalise its referral programme and promote it actively to potential referral sources. In addition, estate agencies must also create and establish more integrated relationships with property developers to increase the value offering of their (estate agencies) products and services to customers. The estate 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.

Conclusion

Referral marketing is 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 stipulates that continuous contact must be maintained with the word-of-mouth referrers of estate agencies

in Gauteng 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 and administrative and structural changes which can improve the level of service delivery which the estate agency provides to customers.

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