

# Referral Marketing in Management Education- An Assessment

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## Abstract

Referral marketing is being increasingly used in marketing of services, like education. As more and more foreign universities are wooing students of Indian origin to pursue courses offered by them, referral marketing may be an Innovative tool in their marketing efforts. This paper discusses how existing students perceive their role as referrals. This approach can be applied in marketing in a subtle way, Management courses to prospective students.

**Keywords:** Referrals, Education

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It was the fifth consecutive year that India had emerged at the top position among the number of foreign students studying in the US.

-Mr. David Mulford, the US Ambassador to India

## Introduction

In the current globalised scenario, India is seen as a market with good potential for marketing education by Foreign Universities. Referral marketing is making use of students currently pursuing courses, to bring in potential students. This can be an innovative tool in marketing of Service like education. The following study analyses whether Referrals' behavior can be influenced by incentives.

As more and more foreign universities are wooing students of Indian origin to pursue courses offered by them, referral marketing may be an Innovative tool in their marketing efforts.

The purpose of this paper is to test by research, significant difference in the response of students as to whether they will canvass among friends and unknown people ,with respect to the demographic variables like age, gender, financial background, educational background and location

## Literature review:

What is relationship marketing?

As the name implies, relationship marketing means developing long-term bonds with users by making them feel good about how an institution of higher education relates to them. The idea is to develop and maintain strong personal relationships, feelings based on positive interactions and perceptions. In many ways relationship building and maintenance is the essence of marketing. The marketing exchange process is used to build and maintain positive relationships with continuity and consistency. A good way to begin relationship marketing is to build concentrated core groups of key target audiences and focus attention on that group, with the idea of creating a "ripple effect" as members of that group help carry the school's messages to their friends, associates and colleagues. The core groups should be representative of market segments, people who have been identified as homogeneous representatives of target audiences. Once established, membership can be expanded into ever-widening circles.

Unfortunately many academies have focused efforts on population segments only when they felt a segment could do something for them. For example, many schools have bombarded pre-college students when they feel they are needed to fill classroom seats. Few have taken the approach of trying to determine what it is the potential student really wants or needs and nurture that person through a continuum of relationship marketing. Often, once graduated, a former student is only thought of as an alum, with little regard for her/him on the lifecycle continuum. Segmentation is a

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practical marketing principle but it needs to be done as part of a grander plan; not only as individual spurts of activity, often unrelated and with little continuity and cohesiveness.

It's most important that you and your colleagues understand your school's image in the marketplace to make sure they accurately and favorably reflect your realities.

A Harvard professor, David Garvin, writing in "Models of University Behavior," a working paper, has said:

*"An institution's actual quality is often less important than its prestige, or reputation for quality, because it is the university's perceived excellence, which, in fact, guides the decisions of prospective students and scholars considering offers of employment, and federal agencies awarding grants."*

Philip Kotler, well-known Kellogg chaired professor of marketing at Northwestern University and editorial advisor to this newsletter, has said "Image is Power." Few would deny having a positive image in the marketplace is an asset. Of course image, by itself is useless unless backed up with reality of quality products and service.

Often, in their zeal to make sure all external audiences are covered, image analysts forget about many of their most important constituencies... their internal audiences. Current students (at various levels of study).

Referral marketing i.e., making use of existing students to canvass for potential students is being practiced by foreign universities. The existing students are perceived as important among stake holders.

Expand the role of underutilized resources in prospective student enrolment i.e. the Current students; prospective students want to hear from current students (stamats web based resources-2003). What are the dimensions sought after by the potential students? This will form a basis on which the referrals can canvass .These parameters have to be framed into the questionnaire. Describe your institution's internal and external strengths and weaknesses: Which of the strengths are of most benefit to students? Which are the most marketable?( Regis McKenna's Relationship Marketing: Successful Strategies for the Age of the Customer- 1992). The questions were based on the strengths of Management institutions like Faculty, Infrastructure, Placement, National brand image etc

The purchase of an international higher education can be considered high involvement, due to its high cost, high personal relevance, variety of different alternatives available and time taken to make the decision (Gray, 1991).

Consumers make decisions after moving through various stages of the decision process and that the process, at least theoretically, applies to the full range of consumer decisions, including educational choices (Myers, 1996).

Evidence also indicates that newspaper and television advertising are not as effective in initiating the purchase of services with enduring benefits, e.g. higher education, since these services are more expensive and require the consumer to be more involved (Zeithaml et al, 1985). A number of studies suggest that word-of-mouth communication is the most important information source for many services and can reduce risk for high involvement services since it gives the consumer the opportunity to receive clarification and feedback. Consequently, students may go to great length (go to university fairs in another city) to secure a first-hand personal source rather than rely on impersonal sources, e.g. mass media. The main function of impersonal sources of information for this type of service is, therefore, to direct students to personal sources of information. The information is then confirmed with close family members and friends (Hill, Romm and Patterson, 1991).

The relationship of target market audience members with peers (friends, acquaintances, counselors, family, etc.) contributes toward marketing decisions. You should consider ways to influence these seemingly "secondary" (indirect) audiences as ways to reach primary targets.

What shall be the methodology adopted? Selvaraj (1984) has conducted experimental design among participants of the adult and continuing education program of Madras University, to study the impact of leisure-sports on improving attendance. So, we decided to use Experimental design with one control

### **Statement of the Problem**

What are the impact of incentives on enrolment of students in higher education with specific reference to Post Graduate degree course in management? Is referring other students taking place, being influenced by incentives in higher education with specific reference to Post Graduate degree course in management? Whether the impact of incentives on persons referring other students, is influenced by the students age, gender, financial background, educational background etc.?

### **Hypotheses**

- H1. There is no significant difference in the responses of students as to whether they will canvass among friends, with regards to age of students.& center where the students belong to.
- H2. There is no significant difference in the responses of students as to whether they will canvass to relatively unknown people, with regards to age of students &center where the students belong to.
- H3. There is no significant difference in the responses of students as to whether they will canvass among friends, with regards to gender, Educational qualification, Family income and family size.
- H4. There is no significant difference in the responses of students as to whether they will canvass to relatively unknown people, with regards to gender, Educational qualification, Family income and family size.

### **Data collection**

#### ***Methodology***

Experimentation design-Pre-test-Post test study with one control group. (To nullify the effect of extraneous variables)

#### ***Unit of study***

MBA full time students with diverse under graduate background from 9 centers in Tamilnadu & Pondicherry ( Salem, Coimbatore, Madurai, Tiruchirapalli, Tanjavur , Tirunelveli , Ooty , Guindy(Chennai), Vellore ), of both the genders.

#### ***Pilot study***

Pilot study will enable the researcher to find out whether

1. The objectives of the study are being properly outlined
2. The tools (Questionnaire) designed are relevant & proper
3. The parameters covered by the tools (Questionnaire) are rightly understood, direct, clear and pointed
4. The adequacy of Parameters to realize the objectives of the study. Pilot study was done with 50 students and the above mentioned points were found to be true.

#### ***Reliability test***

Reliability of the first set of responses of 500 students for identifying the control variables (incentives for referring other students), was tested using SPSS and cronbach's alpha was found to be 0.85. A reliability measure of 0.6(cronbach's alpha) is considered good. (Nunnally 1978)

### ***Number of respondents***

500 students for arriving at the incentives as control variables. 1000 students for Pre test and Post test design with control group as per frequency matching.

### **Data analysis**

#### ***Factor Analysis to identify control variables***

Factor analysis was used to summarize the responses of students on a number of variables. Principal component analysis was used.

Four factors were extracted. These factors had an Eigen value of more than one.

The first factor loads heavily on the responses of students as to **discount in fees and Industrial visits being considered as proper**. This factor may be labeled as **Ethical Perception of incentives** by the respondent students.

This factor is chosen as the control variable for the next level of primary data collection – Experimental design with control group

#### ***Experimental Design***

In the experimental design there were two groups of students in each center. The Experimental group and control group. The control variable was exposed only to the Experimental group. It was a Pre and Post Test Design. Control group was arranged as per frequency matching method. The number of Male and female students were arranged to be the same. This is to avoid the effect of extraneous variables.

The variation in responses is due to the effect of different treatments and not due preexisting dissimilarities.

Frequency matching was done on the gender of respondents available at the center and randomization where every unit of study has equal chance of getting into any of the groups, was applied. The responses were collected and SPSS software was used to analyze the data collected. Cross tabulation, analysis of variance to compare means and regression to model the causal relationship between the responses as dependent variable and demographic parameters as independent variables were used.

#### ***Hypothesis testing***

Based on One way Analysis of Variance (ANOVA) with SPSS 7.5 version

And the ANOVA tables obtained,

H1. There is no significant difference in the responses of students as to whether they will canvass among friends, with regards to age of students.& center where the students belong to.

*Reject H1*

H2. There is no significant difference in the responses of students as to whether they will canvass to relatively unknown people, with regards to age of students & center where the students belong to.

*Reject H2*

H3. There is no significant difference in the responses of students as to whether they will canvass among friends, with regards to gender, Educational qualification, Family income and family size.

*Accept H3*

H4. There is no significant difference in the responses of students as to whether they will canvass to relatively unknown people, with regards to gender, Educational qualification, Family income and family size.

*Accept H4*

There is no significant difference in the response of students as to whether they will canvass among friends and unknown people, with regards to gender, Educational qualification, Family income and family size.

There is significant difference in the response of students as to whether they will canvass among friends and unknown people, with regards to Age and Center where the students belong to

## Conclusion

The results of ANOVA indicate that there is no significant difference in the response of students as to whether they will canvass among friends and unknown people, with regards to gender, Educational qualification, Family income and family size.

There is significant difference in the response of students as to whether they will canvass among friends and unknown people, with regards to Age and Center where the students belong to.

**The advantages** are

1. Existing students are underutilized resources in enrolling potential students.
2. The existing students are under no compulsion to refer potential students but can do so voluntarily and earn while they learn.
3. The institution can understand how the institution's resources like faculty, Infrastructure, Placement record, Brand Image etc are perceived by existing students as worthy to refer potential students. Only satisfied customers bring in more customers.

**The limitations** are

1. The students may be of the opinion, their primary job is to learn and not doing marketing of any sort
2. They may not have a good opinion on an institution marketing its courses aggressively
3. They may feel their credibility may be at stake

**The applications** are

in Referral marketing, an area assuming importance in today's competitive world, as retaining a customer is many times cheaper than prospective a new one.

**Scope for further research**

Further studies can be done on whether the students are exploited to act as referrals.

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