



The Impact of Referral Marketing Strategy on Micro, Small and Medium Scale Motor Vehicle Mechanic

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ABSTRACT

The study was carried out to determine the impact of referral marketing strategy on the micro small scale motor vehicle mechanic. Specifically, this study seeks to identify the factors that influence the usability of referral marketing strategy and its effect on referral marketing. Two research questions were raised and two null hypotheses tested at ($P < .05$) level of significance. The descriptive survey was used and the population for the study was made up of the motor vehicle mechanic customers, motor vehicle mechanic part dealers and motor vehicle mechanic. 18-item questionnaire was used for data collection. The instrument was subjected to content and face validation. The data collected were analyzed using Mean, Analysis of Variance (ANOVA) and Scheffe's test. Based on the findings of the study such as loyalty, diffusional, it was recommended that Government should formulate policies and programmes to encourage micro small and medium scale entrepreneurs to sail smooth in their private investment. Such encouragement should include among others interest-free loan.

Keywords: *Marketing, Micro Small and Medium Enterprise, Motor Vehicle Mechanic, Referral.*

INTRODUCTION

Every human living on the earth is bestowed with intuitive capability, which is the ability and capacity to utilize God-given flair for the desire of self-development and social transformation for better living (Mustapha and Abubakar, 2014). This skills turn into an enterprise when appreciated and put into practice. In Nigeria, an enterprise has been classified as micro, small, medium and large scales respectively (Ayozie, 2011).

Pachouri and Sharma (2016) stated that the subsector of micro, small and medium enterprise (MSME) is featured by dynamism, efficiency, spike innovations and their capacity permit for a speedy managerial process. Hence, this oblige the advancement of this industry a vital function and an indispensable component in the buildup strategy for most economies.

The MSMEs also referred to as "the engine of growth" (Edom, Inah and Emori, 2015) and "catalysts for socio-economic transformation of any country (Ajayi, 2016). The sector portrays a proper means for the attainment of national economic plan for eradication of poverty, creation of employment at low investment and cost turnover by the employee (Mustapha and Abubakar, 2014) as well as the improvement of entrepreneurial competencies which include, among others, the use of indigenous technology. In the identification of the vast prospective roles of MSMEs, several intervention

techniques and programmes such as the African Growth and Opportunity Act (AGOA) and New Partnership for Africa's Development (NEPAD), as well as marketing have been considered. Ayozie (2011) concluded that the appreciation, execution and application of the above mentioned programmes and techniques such as marketing strategy are obvious by which enterprises can bloom and fill the niche in the 21st-century commerce and industry.

Besides other marketing strategies, referral marketing (RM) will be considered in this study. It deals with the means of developing long life bonds with customers. The idea behind this term (RM) relates is to foster and keep a strong personal and interpersonal alliance, interactions and optimistic perceptions with customers. Thus, the core essence of RM is relationship building and maintenance.

Alok, (2012) define referral marketing as synonymous with word of mouth (WOM) advertisement regarding a product, service or brand accessible for sale. In this marketing strategy, communications is targeted at other customers about the possession, usage, and characteristics of particular goods and services and/or their sellers. Nowadays, marketing practitioners and scholars were interested in RM because of its features which include, among others, face-to-face, dynamic and adaptive and it does not seem to have overt commercial motives and thus its impact on customers behaviour differed from other forms of persuasive marketing



strategy such as its method of transmission and how receivers interpret the motives of the communicator.

In the current globalised scenario, customer satisfaction is considered the key differentiator and focal point among the MVM because nearly all the flourishing MSMEs such as Nike and the beverage industry (Coca-cola) have acknowledged the value of customer's continuance as a result of RM because it consist of three key aspects (development, scope and approaches) of retaining a customer which is considered to have low-cost implications and high effective of acquiring new customers. Hence, RM is identified as a key focus to forge long-term relationship with the customers such that the customer forms a long term bond in the automobile and related industry.

2. STATEMENT OF THE PROBLEM

In present competitive business setting, customers constantly look ahead to the things that they have at no time noticed and things that capture mind so as to leave a long term effect on the customers psyche. Given the basis that MSMEs are renowned catalysts for the development of any nation, this clearly indicates vulnerability for the Nigerian economy (Emmanuel, 2016). The Manufacturers Association of Nigeria (MAN) conducted a survey in 2004 (Mustapha and Abubakar, 2014) that discovered that only about ten percent (10%) of industries managed by its members are absolutely operational. Basically, this implies that ninety percent (90%) of the industries are either feeble or closed down.

Unfortunately, rather than increased access to finance, motor vehicle mechanic (MVM) MSMEs has faced awkward access to customers and finance, due to personal and interpersonal relationship. Factually, regardless how established a business is, without customers, the possibility of success of such business is bleak due to lack of comprehension and application of the RM.

For these reasons, RM in MVM MSMEs is being looked at as an alternative besides other marketing strategies to win customers satisfaction.

3. AIM AND OBJECTIVES OF THE STUDY

The study is aimed to identify the impact of referral marketing strategy on micro, small and medium scale motor vehicle mechanic. Specifically, the study sought to identify:

- i. The factors that influence the usability of RM by motor vehicle mechanic
- ii. Effects of referral marketing on customers.

4. RESEARCH QUESTIONS

- i. What are the factors that influence the usability of RM by motor vehicle mechanic?
- ii. What are the effects of referral marketing on customers?

5. HYPOTHESES

The following null hypotheses were formulated and tested at 0.05 level of significance.

HO₁: There is no significant difference between the mean responses of the respondents on the factors that influence the usability of RM by motor vehicle mechanic

HO₂: There is no significant difference between the mean responses of the respondents on the effects of referral marketing on customers.

6. METHODOLOGY

The study adopted the descriptive survey design to select a sample of respondents and administer a standardized structured questionnaire in order to elicit information from them (Uzoagulu, 2011). Five (5) motor vehicle mechanic shops and workshops in three wards in Chanchaga Local Government Area of Niger State; these include Makera, Nassarawa "A" and Minna South ward respectively. Due to the population size, no sampling was used. Hence the whole population was used. 18-item structured questionnaire was used for data collection. The data were analyzed using the mean, Analysis of variance (ANOVA) and Scheffe's test. The items on the instrument with a mean score of 3.50-4.00, 2.50-3.49, 1.50-2.49 and 1.00-1.49 are tag strongly agreed (SA), agreed (A), Slightly agreed (SA) and Disagreed (D) respectively. Any item with an F-calculated value less than the F-critical was regarded as not significant (F-calculated > F-critical) and vice-versa.

7 RESULTS

7.1 Research Question 1

What are the factors that influence the usability of referral marketing strategy for motor vehicle mechanic?

Table I: Mean responses of the respondents on the factors that influence the usability of referral marketing strategy for motor vehicle mechanic

$N_1= 15, N_2= 15, N_3= 15$

S/N	Item	\bar{X}_1	\bar{X}_2	\bar{X}_3	\bar{X}_t	Remarks	Rank
1	Company size	3.61	3.57	3.33	3.50	SA	3 rd
2	Marketing budget	2.73	2.49	2.51	2.58	A	8 th
3	Willingness to take risk	2.53	2.41	2.31	2.42	D	9 th
4	Innovativeness of the marketing manager	2.69	2.78	2.75	2.74	A	6 th
5	Demand of the same product	2.73	2.67	2.58	2.66	A	7 th
6	Loyalty	3.71	3.63	3.47	3.60	SA	2 nd
7	Frequency of buying	3.17	3.23	3.32	3.24	A	4 th
8	Celebrity endorsement	3.85	3.67	3.72	3.75	SA	1 st
9	Company location	3.41	3.17	3.00	3.19	A	5 th
\bar{X}_g					3.08	A	

Keys: N_1 = Motor vehicle mechanic customers, N_2 = Motor vehicle mechanic part dealers, N_3 = Motor vehicle mechanic, \bar{X}_1 = Mean response of Motor vehicle mechanic customers, \bar{X}_2 = Mean response of Motor vehicle mechanic part dealers, \bar{X}_3 = Mean response of Motor vehicle mechanic, \bar{X}_t = Average mean responses of the respondents, \bar{X}_g = Grand mean, SA= Strongly agree, A= Agree, D= Disagree, SD= Strongly disagree,

The data presented in Table 1 revealed that the Grand mean (\bar{X}_g) value (3.08) of the items is above the cutoff point (2.50). Therefore, all the respondents agreed with the factors that influence the usability of referral marketing strategy for motor vehicle mechanic.

7.2 Research Question II

What are the effects of referral marketing on customers?

Table II: Mean responses of the respondents on the effects of referral marketing on customers

S/N	Item	\bar{X}_1	\bar{X}_2	\bar{X}_3	\bar{X}_t	Remarks	Rank
1	It is sensational	4.00	3.87	3.94	3.94	SA	1 st
2	It is diffusional	3.41	3.67	3.49	3.52	SA	2 nd
3	It has low cost effective	2.98	3.67	3.33	3.33	A	3 rd
4	It has surprise effect	3.10	2.69	2.78	2.86	A	5 th
5	It creates emotions of anger	2.47	2.27	2.67	2.46	D	7 th
6	It creates emotions of fear	2.05	2.83	2.44	2.44	D	8 th
7	It creates emotions of sadness	2.54	2.44	2.31	2.43	D	9 th
8	It creates emotions of mental disturbance	2.92	2.44	2.40	2.59	A	6 th
9	It produces a long lasting dislike for the brand.	3.00	2.98	2.96	2.98	A	4 th
\bar{X}_g					2.95	A	

The data presented in Table 2 revealed that the Grand mean (\bar{X}_g) value (2.95) of the items is above the cutoff point (2.50). Therefore, all the respondents agreed with the effects of referral marketing on customers.

7.3 Hypothesis I

H_{O1} : There is no significant difference between the mean responses of the respondents on the factors that affect the usability of referral marketing in motor vehicle mechanic

Table III: One- way Analysis of Variance (ANOVA) of the mean responses of the respondents on the factors that affect the usability of referral marketing in motor vehicle mechanic

Sources	SS	MS	F-cal	df	F-crit	Sig	Decision
Between treatment	0.2089	0.0073	0.52	2	3.40	NS	Accepted
Within treatment	7.5989	0.2625		24			
Total	7.8078			26			

Keys: df= degree of freedom, SS= Sum of Square, MS= Mean Sum of Square, F-cal= F-calculated, F-cri.= F-critical, Sig.= Significance

The hypothesis shows the f-cal value in table 3 which is 0.52 since the calculated f ratio is below the f-critical of 3.40 ($F\text{-cri} > F\text{-cal}$), the stated null hypothesis is accepted at 0.05 level of significance meaning “There is no significant difference between the mean responses of the respondents on the factors that affect the usability of referral marketing in motor vehicle mechanic”

Table IV: Scheffe’s test of the mean responses of the respondents on the factors that affect the usability of referral marketing in motor vehicle mechanic

S/N	Respondents	F _s	F ^l	Sig.	Decision
1	A and B	1.7591	6.80	NS	Accepted
2	B and C	5.4147		NS	Accepted
3	C and A	6.8952		S	Rejected

Keys: A= Motor vehicle mechanic customers, B= Motor vehicle mechanic part dealers, C= Motor vehicle mechanic, F_s= F- Scheffe, F^l= F-Critical

From the comparison, A and B are not significantly different ($F^l > F_s$); B and C are not significantly different ($F^l > F_s$); C and A are significantly different ($F^l < F_s$).

Since C and A differ significantly, but A and B do not, C is the group showing the source of major difference. This gives the impetus to conclude that C which is the motor vehicle mechanic has more effect on referral marketing strategy than others. Thus motor vehicle mechanic appears to have a high rate of effect to customers on the use of referral marketing strategy due to their negative interpersonal skills with others.

7.4 Hypothesis II

HO₂: There is no significant difference between the mean responses of the respondents on the effects of referral marketing on customers.

Table V: One- way Analysis of Variance (ANOVA) of the mean responses of the respondents on the effects of referral marketing on customers

Sources	SS	MS	F-cal	df	F-cri	Sig	Decision
Between treatment	0.066	0.0081	0.0703	2	3.40	NS	Accepted
Within treatment	11.375	0.2108		24			
Total	11.441			26			

The hypothesis shows the f-cal value in table 4 which is 0.0703 since the calculated f ratio is below the f-critical of 3.40 ($F\text{-cri} > F\text{-cal}$), the stated null hypothesis is accepted at 0.05 level of significance, meaning “There is no significant difference between the mean responses of the respondents on the effects of referral marketing on customers”

Table VI: Scheffe’s test of the mean responses of the respondents on the effects of referral marketing on customers

S/N	Respondents	F _s	F ^l	Sig.	Decision
1	A and B	0.155	6.80	NS	Accepted
2	B and C	0.008		NS	Accepted
3	C and A	0.092		NS	Accepted

From the comparison, A and B are not significantly different since F^l (6.80) with F_s (0.155) $F^l > F_s$; B and C are not significantly different F^l (6.80) with F_s (0.008) $F^l > F_s$; C and A are also not significantly different F^l (6.80) with F_s (0.092) $F^l > F_s$.

Since A and B, B and C; and C and A (are not significantly different) did not show the source of major difference. This gives the impetus to conclude that the groups give rise to the factors that affect the usability of referral marketing.

8. FINDINGS

Based on the data collected and analyzed, the findings revealed that all the referral marketing are needed by micro small and medium scale motor vehicle mechanic enterprise, but in the ranking, some have higher ranking while others have low.

The factors that influence the usability of referral marketing strategy by motor vehicle mechanic rank from 1st, 2nd and 9th respectively are:

- i. Celebrity endorsement
- ii. Loyalty
- iii. Willingness to take risk

The effect of referral marketing strategy on the customers' rank 1st is:

- i. It is difussional

8.1 DISCUSSION OF FINDINGS

The result revealed that celebrity endorsement focused on the personality source of the endorser along with transfer of meanings between endorser to the endorse brands and products. This concurs with the work Mohsin and Muhammad (2011) which states that celebrity endorsement is one of the most acknowledged and practicable kinds of marketing in promotion of products and services. As revealed by the research findings, loyalty is also a factor that influences the usability of RM by MSME MVM. This concurs with Saira and Samreen (2015) that loyalty is considered as a major requisite of customer satisfaction as loyal customers buy the goods and services continuously.

The research findings revealed that willingness to take risk by the respondents is not important. This disagreed with Idris, Saba and Mustapha (2014) that taking a reasonable job related risk is important because nobody knows what the future holds. Risk is always present in all human affairs, be it social, economical, political, or personal. The fact that the future cannot be predicted with certainty underlies the pervasiveness of risk.

The findings also revealed that diffusion of information via referral marketing strategy is "viral" which makes it a difficult task to explain why and how it works. This is in consonance with Arnaud and Gary (2008) that controlling this "viral infection" phenomenon rather than looking at it as a mere tool can lead in the rise of marketing messages trustworthiness

9. CONCLUSION

The mission of marketing today is not to disrupt and convince but to connect, satisfy and motivate the customers. The motor vehicle mechanic needs to make people attentive of how they recognized and meet their necessities.

10. RECOMMENDATIONS

Based on the findings the following recommendations were made:

1. Policies and programmes should be formulated to encourage micro small and medium scale entrepreneurs sail smooth in their investment. Such encouragement should entails interest free loan.
2. Government should serve as the central role in facilitating and providing enabling environment as well as intervention measures for SMEs.

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