An Empirical Relationship Between Referral Programs and Customer Engagement of Store Brands

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ABSTRACT

Referral programs are a powerful customer engagement tool for store brands, leveraging word-of-mouth marketing to acquire new customers and build brand loyalty, The main aim of this study are To find the various variables influencing customer in to referral programs and analyses the influence of referral programs on customer engagement. Referral programs leverage word-of-mouth marketing by incentivizing existing customers to refer new customers. Finally, it concludes that referral program incentivizes customers to recommend a store or brand to their friends and family in exchange for rewards and it leads to customer engagement in the store brands.

Key Words *Referral Programs, customer engagement, word of mouth*

1. INTRODUCTION

Referral programs are a powerful customer engagement tool for store brands, leveraging word-of-mouth marketing to acquire new customers and build brand loyalty. They incentivize existing customers to refer friends and family, offering rewards to both the referrer and the new customer. This approach helps increase brand awareness, drive sales, and foster stronger customer relationships.

Of the many methods of acquiring customers, advertising and referral programs are widely used but very different marketing tools (Kuang et al., 2022). Advertising is a direct form of marketing whereby marketers and their spokespeople promote products to gain new customers (Zhang et al., 2020a; Xia et al., 2022), whereas an RRP is an indirect marketing method that leverages the social connections of existing customers to convert potential customers into new customers (Van Den Bulte et al., 2018). In this case, referral programs, an emerging marketing approach based on social relationships, should be compared to traditional marketing tools, such as firm-issued advertising (Kuang et al., 2022). What is of concern is how the method of customer acquisition (referral programs vs. advertising) affects a customer's willingness to participate in an referral programs, that is, whether there a difference in willingness to participate in an RRP between customers acquired through RRPs and those acquired through advertising.

A recent Google search on "recommend-a-friend program"resulted in 37m hits. For example, Marriott International offered up to 50,000 bonus points if a current loyalty program member referred new members who joined the program and stayed at one of Marriott's properties; 24 Hour Fitness, a popular fitness center in the USA, gave customers a $20 coupon for every referral that resulted in a new member for the fitness center; T-Mobile's Refer-a-Friend program

offered their customers a $50 MasterCard Prepaid card for each referral that led to the opening of a new postpaid account; and Uber credited $5 per referral for each new customer who downloaded the app and used a $10 voucher

To get new customer is a big challenge for every company, as it is directly connected with the growth of a brand and an organization. In this day and age, as marketing technologycontinues to evolve and we're witnessing a quantum leap towards more customer-centric marketing products and platforms.Prior studies(Garnefeld et al., 2013; Kumar et al., 2010; Meyners et al., 2017)have accentuated upon analyzing the importance of customer referral programs, as it is considered to be a popular customer acquisition tool adopted by several companies.Previous research on customer referral programs have stressed upon referral programs on referral likelihood. Some scholars examined the influence of referral reward programs on referral likelihood(Gangseog & Feick, 2007), employee referral programs on referral likelihood(Wentzel et al., 2014). Furthermore, prior researches addressed the significance of referral programs in customer acquisition(Pechpeyrou, 2015)

2. RELATED REVIEWS

Dominic (2017) Effectiveness of Customer Referral Reward Programs: The Mediating Role of Metaperception. The Customer is NOT Always Right? Marketing Orientationsin a Dynamic Business World (pp.723-723) Customer referral reward programs (RRPs) are ubiquitous especially in the service sector. Yet, their impact on customer behavior has not gained much attention in the research community until recently. The focus of the present study is to examine the effectiveness of RRPs by analyzing a variety of determinants in a real world business setting, where we combined CRM and survey data of private banking customers of a large European bank.

Hai hua hu (2021) Reward Design for Customer Referral Programs: Reward–Product Congruence Effect and Gender Difference. Front Psychol. . 2021 Jun 15;12:644412. doi: 10.3389/fpsyg.2021.644412. Referral reward design is the core component of customer referral programs, which are often applied to recruit new customers. This research investigates the effectiveness of utilitarian vs. hedonic rewards in terms of referral generation. Through one field study and two laboratory studies, we demonstrate a reward–product congruency effect; that is, utilitarian rewards, compared with hedonic rewards, yield a higher referral likelihood for utilitarian products, while the opposite holds true for hedonic products. However, such a congruency effect would be crippled by gender segmentation. When males make referral decisions toward hedonic products, the effectiveness of utilitarian rewards is at least equal to that of hedonic rewards. When females make referral decisions toward utilitarian products, there is no difference in effectiveness between utilitarian and hedonic rewards. These findings provide novel insights into referral reward design.

Titin (2022) The Framework of Customer Engagement on Customer Satisfaction : The Antecedents and Consequences. Journal of Management and informatics.This study examines the relationship between requirements and framework development in Customer Engagement(CE). The findings of this paper are the relationship between emotions and the indirect contribution of customers' needs to be improved to the company's service industry with the B2B concept for products/services with a high level of involvement;Furthermore, it is also necessary to improve services for products or services with a high level of brand value and companies that provide a higher level of satisfaction.

Di Kuang (2024) Acquiring customers via referral reward programs versus advertising: Who is more likely to provide future referrals? Journal of Retailing and Consumer Services. Volume 81, November 2024, 103982. The results show that the influence of the customer acquisition method decreases as the customer's level of expertise increases. This research adds to the literature on the longevity of RRPs and the effects of different marketing methods. Our analysis also has implications for helping firms to allocate their marketing resources to sustain their RRPs.

Shamshana (2024) Motivation Triggers Customer Referral Behaviour and Effectiveness of Referral Programs in Customer Acquisition. Journal of Research in Business and Management Volume 12 ~ Issue 2 (2024) pp: 151-159. The findings of the study revealed that, both extrinsic and intrinsic motivation have significant combined effect on customer referral behaviour. It was also found that the customer referral behaviour has significant effect on customer acquisition. The study mainly focuses on the influence of factors such as extrinsic and intrinsic motivation on customer referral behaviour. Other factors may also can influence customer referral behavior, which in turn results in customer acquisition. Hence, the study is limited to the aforementioned factors. Further study is required on other factors such as customer satisfaction, referrers' attitude, types of referral programs and other relevant variables that may have influences on customer referral behaviour. Thirdly, the current study is conducted on mobile payment applications.

AIM OF THIS STUDY

1. To find the various variables influencing customer in to referral programs

2. To analyse the influence of referral programs on customer engagement

HYPOTHESES OF THIS STUDY

1. There is significant difference among the various variables influencing customer in to referral programs

2. There is significant influence of referral programs on customer engagement

INFLUENCE ON REFERRAL PROGRAMS ON CUSTOMER ENGAGEMENT

The **Referral Programs** factor consist of eight variables and it subsequent influence over Customer Engagement is measured through linear multiple regression analysis. The results are shown below

Table 1 Model Summary for Referral Programs				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.761[a]	.579	.573	3.463
a. Predictors: (Constant), RP8, RP3, RP6, RP4, RP2, RP5, RP7, RP1				

Source –Computed data

It gives in the above table R=.761 R square = .579 and adjusted R square .573. It has given that the **Referral Programs** variable creates 58% variance over the Customer Engagement. The cumulative influence of eight variables of **Referral Programs** over Customer Engagement is ascertained through the following one way analysis of variance.

Table 2 ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8338.923	8	1042.365	86.926	.000[b]
	Residual	6055.682	505	11.991		
	Total	14394.605	513			
a. Dependent Variable: Customer Engagement						
b. Predictors: (Constant), RP8, RP3, RP6, RP4, RP2, RP5, RP7, RP1						

Source –Computed data

From the above table illustrates that f=86.926 p=.000 are statistically significant at 5% level. This leads to all the eight variables cumulatively responsible for Customer Engagement. The individual influence of all this eight variables is clearly presented in the following co-efficient table.

Table 3 Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.822	1.241		6.301	.000
	RP1	3.344	.371	.416	9.014	.000
	RP2	-2.295	.329	-.314	-6.968	.000
	RP3	1.515	.378	.158	4.014	.000
	RP4	3.265	.253	.465	12.897	.000
	RP5	-.555	.272	-.077	-2.044	.041
	RP6	.591	.293	.076	2.016	.044
	RP7	2.666	.271	.412	9.841	.000
	RP8	-1.708	.311	-.239	-5.499	.000
a. Dependent Variable: Customer Engagement						

Source –Computed data

It was explained in the above table Referral programs leverage word-of-mouth marketing by incentivizing existing customers to refer new customers (Beta=-.416, t=9.014, p=.000), Customers receive a unique referral link or code to share with their network (Beta=-.158, t=-4.014, p=.000), Anyone makes a purchase using that link, both the referrer and the new customer (or sometimes only one party) receive a reward, such as a discount, free product, or store credit (Beta=.465, t=12.897, p=.000), Referred customers are more likely to convert and become loyal customers as they've already been recommended by someone they trust (Beta=.076, t=2.016, p=.044), Word-of-mouth marketing creates organic brand promotion and can reach a wider audience. (Beta=.412, t=9.841, p=.000) are statistically significant at 5% level. A referral program incentivizes customers to recommend a store or brand to their friends and family in exchange for rewards and it leads to customer engagement in the store brands.

3. FINDINGS AND CONCLUSION

Referral programs are a powerful tool for customer engagement and growth, especially for store brands. By leveraging the influence of existing customers, businesses can attract new customers, foster loyalty, and increase brand recognition. A well-designed referral program can significantly impact customer acquisition, retention, and overall business success. Referral Programs factor covers eight variables, Referrals are a relatively low-cost method of acquiring new customers compared to traditional advertising, Word-of-mouth marketing creates organic brand promotion and can reach a wider audience and Customers receive a unique referral link or code to share with their network. Referral programs leverage word-of-mouth marketing by incentivizing existing customers to refer new customers. Finally, it concludes that referral program incentivizes customers to recommend a store or brand to their friends and family in exchange for rewards and it leads to customer engagement in the store brands

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