2015

REFERRAL MARKETING
BEST PRACTICES

Extole | acquire new customers at scale by rewarding existing customers
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INTRODUCTION: YOU CAN DO THIS

“From my perspective, referral customer acquisition programs are table stakes for Intuit online marketers, and Extole has been a great partner.”

— Jenni Buchbinder
Group Manager, Social Marketing, Intuit

As a marketer, you have one goal above all else: acquire new customers. How will you do it? Referral marketing is one of your most effective options. It’s the third channel alongside SEO and SEM, and it reaches people who those channels can’t. Instead of waiting for people to search for your brand, it proactively reaches high-quality potential customers through people they trust: their friends who already know about you.

Referred customers have higher NPS scores than customers who come through other channels, along with high LTVs. They’re also more likely to share referrals themselves, which means a referral marketing creates a self-sustaining flywheel effect.

At Extole, we’ve partnered with over 500 top brands to create referral programs. That’s a lot of very smart marketers. They’ve taught us that referrals work best when they’re integrated into a brand and visible cross-channel, cross-platform, in-store and everywhere people can see, hear, and interact with a brand. They recognize that, while a brand may not be right for everyone, almost everyone knows someone who is right for their brand. Follow their example and let people who aren’t your customers introduce you to people who should be.

Why? Because referral marketing relies on everyday advocates, which means everyone — not just your customers, but all your site visitors and all the consumers who see your marketing — can become one. The more often and more prominently you encourage them all to refer, the more advocates you’ll create. And the more new customers they’ll drive.

While referral marketing is a new channel, mastering it doesn’t require a whole new set of marketing skills. Success relies on the same principles behind success in other direct channels. The point of this guide is to give you best practices for getting a great referral program up and running quickly. Combine them with the marketing knowledge you already have, and you can reach and acquire a better class of new customers, at scale, while strengthening loyalty among the customers you already have.
Why you’re wired to be good at referrals

The good news is, if you’re a smart digital marketer you already have the tools to be a great referral marketer. Like SEO and SEM, referral marketing is a direct marketing channel. Determine your goal, create your assets, test and refine to see what works best, and scale your winners. Keep testing new ideas. Acquire more customers. Generate more revenue. You do this every day. Do it with referrals and you reach a whole new audience that you are not reaching with other channels.

Referral marketing is different and it works

Referral marketing is built on trust: people trust the people they know, so recommendations from those people matter. Referrals turn these recommendations into direct paths to purchase. Targeted, personalized, and genuine content efficiently drives people to become your customers.

In June 2014, Gigaom Research surveyed 300 digital marketers to learn what tactics they used to hit their goals across the funnel, from awareness to acquisition to conversion to retention. They found that referral marketing was so effective at acquiring customers that almost 30% of marketers who use it acquire over half their customers with it. (Fig. 1 at right. See the Appendix for more survey data.)

“Using existing customers to reach new customers makes sense for us because our audience is highly mobile. They’re not sitting in front of their desktops. Extole makes it easy to promote our program to them where and when it matters most. We can turn brand awareness and brand affinity into revenue.”

— Anna Sergeeva
Director of Marketing, Nomad

Figure 1: Referral marketing customer acquisition rates
YOUR GOAL: MAKE REFERRALS PART OF YOUR BRAND

The more integrated referrals are into customers' experience with your brand, the more referrals are going to drive acquisition and revenue for you. Why? Because ubiquity equals greater awareness, and greater awareness drives increased participation. That's why it's important to make your referral program easy for people to find, easy to use, and compelling to participate in.

Take Uber's program, for example. It's prominent: it gets a top-level menu spot in the app (“Free Rides,” alongside a sharing icon), along with promotion like the seasonal overlay that greeted users when they opened their apps around holiday time (third image at left). It's easy to use: one click on the menu item or promo overlay takes you to the sharing screen, where sharing just takes a single tap. And it's compelling: the reward for referring each friend is a free ride. Uber encourages every user to participate by making the referral experience a quick, frictionless way to earn something of value.

How can you build a program as good as this? Follow these best practices.
1. BUILD A SOLID FOUNDATION
The first step to building any referral program is the same first step in building anything: make sure you create a solid foundation. In this case, that means setting up a campaign that you can analyze, modify and, once you see what works, expand into other channels. Set goals. Define rewards. Determine where you’ll present offers. Measure your results in real time so you can optimize based on what works.

Is your referral program actually a program?

Here’s a handy checklist:

- I can easily change referral rewards, creative copy, and promotional placements
- I can protect against fraud and deliver great customer service
- I can immediately gain insight into customer behavior and program performance
- I can create multiple campaigns targeted to different types of visitors or featuring different offers and content
- I have a choice of incentives ranging from internal rewards like coupon codes or loyalty points to external rewards like gift cards to cash equivalents like PayPal
- I have broad promotion capabilities — online, offline, and in mobile — to give everyone an opportunity to refer
- I can model out performance, adjust costs, and optimize performance
2. TEST YOUR PREMISES (AND YOUR REWARDS)

Rewards don’t, in and of themselves, determine whether someone will refer your brand or product. But a reward will determine whether someone will refer RIGHT NOW. The right reward gives the extra push that customers need to refer instead of putting it off until later. It’s important to test and determine which reward gets the most people to refer. You can even offer customers a choice of rewards to drive the most conversions among multiple segments.

Bigger isn’t always better

What rewards work best to motivate your customers? One popular online marketplace found that bigger isn’t always better. It tested the size of the gift card it gave to its advocates. While the $25 card ultimately came out ahead, the $10 card beat out both $15 and $20 options before losing in the final A/B test.

It’s not just size that matters

Don’t just test the size of rewards. Test the type. We’ve seen product discounts or credits drive 45% more sharing than Amazon Gift Cards. But we’ve also seen gift cards crush free product rewards by driving 50% more customers. The moral of the story? You know
3. GIVE DIFFERENT FOLKS DIFFERENT STROKES

Your customers don’t move to the beat of just one drum. They refer at different rates, to different friends. Recognize this and use it to your advantage. Like with other marketing initiatives, you can successfully motivate different segments of your customer base with targeted messaging, creative, and rewards. Give customers the chance to share where they’re most likely to see it, whether that’s in-store, in print, digitally, or a cross-channel combination.

Coddle your top everyday advocates

Referral marketing isn’t affiliate marketing. In fact, in retail, spending on affiliate marketing is falling while spending on referrals is rising.

Advocates and affiliates differ in another key way: advocates aren’t waiting for you to cut a commission check every month. They’re people, customers who happen to do you the huge favor of driving extra revenue. You reward them in return. Treat your top advocates differently from the rest. Give them something extra-special that they can’t get anywhere else. Product exclusives...extra discounts...insider access...the opportunities are boundless. Be creative. Surprise and
delight them!

4. YOUR CUSTOMERS ARE ON MOBILE. BE RESPONSIVE TO THEM.

In case you haven’t noticed — probably because your nose is buried in one all the time — smartphones are everywhere. Mobile devices now account for at least 55% of Internet traffic, so how can your brand “not” be on mobile?

Having a referral program that is automatically responsive to mobile users lets your customers easily refer friends whenever and wherever they’re on your site. It’s a no-brainer.
5. NUKE YOUR MICROSITE

Microsites were the darling of the Internet... before mobile became dominant. Now they’re like warmed-over buffets: edible, but far from advisable. Instead, keep people on your page at all times by showing the sharing experience as part of it.

Customers are 300% more likely to share when the sharing experience appears on the same page vs. on a dedicated landing page. When coming from an offsite call to action, like an email, customers are 8% more likely to share from a lightbox landing experience than from a dedicated landing page.

6. MAKE SHARING AUTOMATIC (WELL, ALMOST)

Your post-purchase thank you page is the perfect place to present the referral opportunity. After all, your customer was just excited enough to spend money on your product and is now full of anticipation about receiving it. You can make it even more likely they’ll refer by automatically popping the sharing experience over this page. Our internal data show it can increase conversions per impression by 16x.
7. REMIND NEW CUSTOMERS: WE’RE ALL FRIENDS HERE

Admit it: going somewhere new can be intimidating. The same goes for checking out a new brand or product that a friend tells you about. Even though they’ve been personally introduced, reassure your customers’ friends that they’re in the right place. Boost your referral conversion rate by 3% just by showing potential new customers that you know who sent them your way.

Similar to autopopping a share experience on your thank you page, autopop critical info for new customers when they hit your friend landing page. Our suggestion: show the name of the advocate who sent them, instructions for how to purchase/claim a reward, and the coupon code required (if necessary), like in the friend welcome popup at right.

8. PRESUME PARTICIPATION

Give a personalized sharing link to all your existing customers and every new customer. Personalizing the link makes your customers feel special and more likely to share. Associate the link with each person in your CRM so you can easily drive personalized sharing in all campaigns and communications. This helps you drive revenue every time you speak to your customers.
9. GO GLOBAL

If your brand serves customers beyond U.S. borders, your referral program should reach beyond U.S. borders, too. Make it easy for your customers to share with everyone they know, everywhere, by presenting the opportunity in the language(s) of your potential new customers, like in the screenshot at left.

10. REWARD SUCCESS QUICKLY

There’s nothing worse than unfulfilled expectation. When you offer a reward to advocates for referring new customers and they do just that, hold up your end of the bargain quickly. Issuing rewards as soon as possible after a friend converts doesn’t just deliver customer satisfaction; it also helps your referrals go viral by raising advocates’ excitement about the program.
II. DON’T KEEP YOUR PROGRAM A SECRET

Referral marketing experts know that telling people about the referral opportunity, consistently and visibly, is the single biggest key to driving referrals. This simple fact separates the superstars who acquire 40% of their customers through referrals from the mere stars who get 5 - 15%.

Need some inspiration? Here’s a rule of thumb: use all your owned assets, like your website, existing emails, and even packaging, first. They’re easy. Then think about paid media, particularly retargeting and direct mail.

Put referral CTAs on your packaging

There’s a moment when your customer is even more joyful about your product than the one when she just purchased: the moment she first holds it in her hand. Before she opens it, tell her where to go to refer a friend.

It’s easy!

1. Tell your friends, family and colleagues to call me, send me an email or come by my AAA branch for a free, no-obligation quote on auto or home insurance.
2. Ask them to mention your name or email address or bring in one of these referral cards.
3. You’ll get $20 in gift rewards each time someone you refer purchases AAA Insurance. You can choose rewards from Amazon, Home Depot, Walmart, Starbucks or iTunes.

Here’s my contact information:

Sammi Salesperson
AAA Folsom
2405 Iron Point Rd, Ste 130
Folsom
(555) 555-5555
sammi.salesperson@goAAA.com
License No. XX-xxxx

You can also refer people online at:
http://refer.go.aaa.com/ssalesperson

*Referrals must purchase a qualifying insurance policy. Each qualifying policy purchase earns $20 in gift rewards. Qualifying policies include: Auto, Home, Specialty and Renters Insurance. Limit one $20 gift reward per policy per household. Offer good for California residents only. AAA NCNU employees, other than AAA NCNU employees who work for Auto Guardian, and licensed insurance agents are not eligible. This program may be changed or cancelled by AAA NCNU at any time in its sole discretion. Insurance products offered in California by AAA Northern California Insurance Agency, License #0175868. The provider of AAA Auto and Home Insurance is CSAA Insurance Group, a AAA Insurer. Specialty Insurance is underwritten through Lighthouse Risk & Insurance Solutions, Inc. © 2014 AAA Northern California, Nevada & Utah. All rights reserved.
DON'T KEEP YOUR PROGRAM A SECRET (CONT'D)

Put them in your product
Because you’re rarely as top-of-mind as when your customer is using your product.

Drop them into emails
Your brand sends email for everything from transaction confirmations to marketing newsletters. Including a referral opportunity gives these emails the power to acquire new customers. Dedicated promotional emails about your referral program (like the one at left) are also an easy, effective way to drive participation.
DON’T KEEP YOUR PROGRAM A SECRET (CONT’D)

Give them to your people
If you have employees or partners who interact with customers, have them spread the word about your referral program. Some companies arm customer-support agents on Twitter with links to tweet after successful support interactions. Other give their salespeople CTAs to put on their cards.

Put a familiar face in an unfamiliar place
You know who your website visitors are. Try retargeting them on Facebook by importing them into a custom audience group. (Bonus pro tip! Make referral URLs simple and memorable, especially when displaying them offline.)

TurboTax @turbotax Feb 19
Sharing is caring! Invite a friend to try TurboTax Online and you’ll get a $10 Amazon.com Gift Card tax.sh/1fzKzmX
12. TIMING IS EVERYTHING

Here’s something else you already know about marketing: your best chance of getting someone to take action is to talk to them when they’re most likely to listen. When asking for referrals, keep the following in mind.

Mondays and Thursdays are your friends

Thursdays drive the most referral shares during the week, while Mondays yield the highest conversion rates on those shares and clicks. (You knew there had to be a reason to like Mondays.)

Start your month off right

Shares, clicks and conversions are generally higher than average in the first third of the month and well below average in the last third. Beware the last week of the month! Conversions tend to take a nosedive then.

Make any time special time

Try a quarterly special for top advocates, a Friends and Family promotion, or a time-limited special offer. A week of double rewards can drive two to five times your standard weekly conversions.
Referral marketing may be the newest acquisition channel. It reaches and acquires customers that other channels can’t, with extremely relevant, personal and trustworthy messages. But you don’t have to learn an entirely new set of skills to know how to be great at it. The same basics apply to referral marketing that apply to the other channels you’ve had to master in your career.

In order to make your referral program succeed for your brand, make sure it’s easy to find, easy to use, and worth your customers’ while. The more people you get people to notice the program, the more likely they are to check it out. The simpler and more rewarding it is to use, the more people will use it. And the more people use it, the more they’ll get their friends to use it, too. You scale referral marketing using the same principles you use to scale your other direct channels.

In other words, you already have the skills to take the referral marketing crown. Go. Take it. And when you’re ready to become an expert, we’ll be here for you at extole.com.

**How Extole Can Help You**

Extole enables brands to acquire new, high value customers at scale with our referral marketing platform. We have helped over 500 brands build successful referral marketing programs. With our simple, turnkey solution, marketers can create a complete, efficient, and reliable acquisition channel by encouraging their customers to refer new customers.
APPENDIX: THE NUMBERS SAY “DO THIS NOW”

Gigaom Research’s June 2014 report, “Workhorses and dark horses: digital tactics for customer acquisition” details the results of a survey of 300 digital marketers regarding the tactics they used to hit their goals across the funnel, from awareness to acquisition to conversion to retention. They found that marketers’ main goal is acquisition (Fig. 2) and that referral marketing is one of the most effective tactics for achieving it.

In August 2014, Extole asked similar questions of just over 300 retail digital marketers. The results were nearly the same: acquisition is retail marketers’ primary goal, followed closely by retention (Fig. 3), and referral marketing is a top tactic for hitting both goals.

Figure 2: Digital marketing goals

Figure 3: Retail marketing goals
Referral marketing drives acquisition

Of the four funnel goals, Gigaom found that marketers believe referrals are most effective at driving acquisition and conversion (Fig. 4). And almost half the marketers who use referral marketing acquire more than a third of their customers with it (Fig. 5). That’s double the percentage of customers they acquire with email.

43% of referral marketing users acquire more than 35% of their new customers with it
For retail, it also drives retention

Referrals help retailer marketers retain customers as well as acquire them (Figs. 6, 7). Retail marketers believe referral marketing provides additional benefits for their existing customers and followers, too.

54% say referrals are a way to reward existing customers

50% say referrals are a way for their existing customers to share rewards with their friends

46% say referrals help capitalize on their social follower base