

## ACHIEVE GREAT REFERRAL MARKETING RESULTS

Six Steps to Attract More Paying and Loyal Customers Not Just Sign-ups

## The Power Of Referrals

It's hardly a secret that securing customer referrals is a powerful tool for growth. It's common sense. With the right strategy and smart execution, it can be an engine for long-term customer loyalty, lead generation and sales growth.

In fact, in today's complex and demanding environment, word of mouth endorsement and sharing may just be your most important marketing tool.

Studies show harnessing word of mouth enhances marketing effectiveness by up to **54%**<sup>1</sup>, having a positive effect on just about every vital metric including:

### TRUST

**83%** of consumers trust referrals from people they know<sup>2</sup>.

### VALUE

The lifetime value of referred customers is **25%** higher than other customers<sup>3</sup>.

Small wonder that fast-growing innovators like Uber and Dropbox put referral and word of mouth at the heart of their marketing strategies. That said, not many other organisations do have a formal referral programme in place (only 33%) and the vast majority that have one aren't satisfied with it<sup>4</sup>.

So, if you are already thinking seriously about referral marketing (or improving what you have), you're on the right path to success and greater competitiveness.

But just as your wider marketing strategy is changing in the face of a decline in return on investment from traditional approaches, advances in technology and changing customer attitudes, your approach to referral marketing needs to adapt too.

## Time For A New Approach

U.S. consumers receive over **5000** marketing messages every day, the challenge of creating real engagement has never been higher.

Various sources estimate that U.S. consumers are exposed to well over 5,000 marketing messages every day so standing out from the crowd with your marketing and securing real engagement is tougher than ever.

Here are just a few numbers from loyalty marketing that tell a familiar tale of over-exposure, and a lack of differentiation or engagement - we need to learn from this to be successful in referral marketing.



### SATURATED

Average U.S. online adult is already a member of **3.7** loyalty programmes<sup>6</sup>.

### INEFFECTIVE

Only **41%** of customers can point to a loyalty programme that makes them feel more loyal<sup>8</sup>.

### BORING

**86%** of loyalty marketers use points or miles, and **75%** use instant cash back programmes<sup>7</sup>.

And more worrying if you are embarking on a concerted push for referrals - 83% of consumers are willing to refer after a positive experience but only 29% do so<sup>9</sup>. Presumably because they aren't asked, it's too difficult to do or the incentive is not strong enough to overcome their inertia and act.

The facts are inescapable. We can see that referrals drive profitable growth, so committing to a well-executed strategy makes sense, but taking a traditional approach won't work. We need to learn the lessons here from loyalty marketing.

It's time to design referral marketing campaigns that are fit for today's consumers **and** work for us. Programmes that stand out from the crowd, drive deeper connections, are personalised but easy to create and manage, and crucially, deliver revenue over the long-term, not just drive email newsletter sign-ups or one-time discounted purchases.

Only 29% of consumers refer.

## The Good News

It's not all doom and gloom. You are just six steps away from creating a referral marketing strategy that your customers will love – one you can set up and manage quickly and easily, and which delivers dramatically better results.

If you're ready to take your referrals to a new level, read on.



# Six Steps To Referral Marketing That Drive Real Customer Growth

## 1 RETHINK REFERRALS GO BEYOND CASH

Non-cash incentives are 24% more effective at boosting performance than cash incentives<sup>10</sup>.

Traditionally, referral marketing has been almost entirely focused on short-term sales – money off vouchers, sign-up discounts, points or miles. Who doesn't like a discount, right? But convincing someone to refer you to a friend or family member needs more than just bargains – and that is why this old school, transactional approach doesn't work in isolation.

Assuming you make referring easy, the truth is that people will only do it when they have had a stand-out, positive experience. That is table-stakes. Then they need to feel a personal connection with the product, brand or organisation and believe that recommending it reflects well on them. Then they want a reward for their effort that means something to

them. That means offering emotionally valuable rewards as well as 'money off' vouchers – thanks, status, special treatment or exclusivity, and social recognition for example.

## 2 BE RELEVANT ADD VARIETY & SELF SERVICE

More than 50% of people are likely to give a referral if offered a meaningful reward, direct incentive, social recognition or access to an exclusive loyalty programme<sup>11</sup>.

As the saying goes, you can't please all the people all of the time, and certainly if you offer everyone the same reward for every referral. The big mistake here is to think first about keeping it simple – the logic being that one reward for everyone is easier to manage. That might make it easy for you, but it won't make for a highly successful programme.

Every customer is different, with individual drivers and triggers, so don't expect a one size fits all referral scheme to fit any better than a one size fits all shoe. Clearly, it is impossible to offer an infinite selection of rewards, but allowing customers to self-select rewards from even a limited choice of cash plus other options immediately increases perceived value and motivation to refer.

### 3 DO MORE THAN SELL THINK BRAND DISCOVERY

Enriching the journey to purchase has a transformative effect, not just on sales, but on longer term loyalty and onward referral.

If there is one thing consumers know, it's that brands want to sell. They know that is the driver behind all marketing activity, including referral and reward schemes. That realisation has come from experience. As we've already noted, traditional referral marketing has been too focused on sales rather than positive and personalised experiences.

That is why new approaches that take a subtler approach, one of brand discovery rather than a hard sell, are gaining so much traction. The people behind these strategies understand that, outside distress purchases and renewals, customers rarely go straight for their wallets. They increasingly want to feel a connection with a brand if they are going to give it support – be that shared values or just a sense that there is more to this business, and how they treat customers, than the checkout.

Smart referral marketing strategies are increasingly seeking to enable that journey, for instance offering rewards for learning more about a product, consuming and then sharing

branded content on social media, visiting a new store, even providing information on likely purchase timescales. Clearly, the ultimate aim is still to convert sales, but enriching the journey to purchase has a transformative effect, not just on sales, but on longer term loyalty and onward referral.

### 4 DEEPEN ENGAGEMENT ENTERTAIN. INFORM. GAMIFY

If it works so well why wouldn't you want at least an element of game science in your referral marketing?

Play and games have always been an important part of human culture. A game's ability to engage, make people want to learn, compete and share, is unrivalled. In marketing, gamification and game science results in significant improvements in performance too.

So, the question is, why wouldn't you want at least an element of game science in your referral marketing? Especially as, with a little thought, it's so easy to do. It is simply a matter of taking the common features of games – from uncertainty of outcome, competition and prescribed goals to elements of chance and entertainment – and embedding this into some or all of your referral and rewards mechanics.

Rather than a simple voucher, using a spin wheel to reveal prizes increases interaction and interest. Stretch goals for top referrers are similarly effective, driving accelerated sharing in return for a sense of higher status or rare rewards. Meanwhile, techniques like leaderboards, with incremental rewards for the most active, can create a sense of community and competition that is pure gold for referral performance.

You can find out more about the benefits of game science in marketing [here](#).

## 5 MAKE SHARING SEAMLESS EASY WHATEVER THE CONTEXT

Anything more than a push of a button is asking too much. It's friction, and friction is the enemy of sharing.

Nothing kills a referral scheme more quickly than a clunky execution - especially on mobile. In some ways, this feels like the easy bit, but conversely, it is also the part that often goes wrong.

The wrong reward, poorly explained or hard to redeem and the programme is over before it's begun. Asking consumers to stop, boot up a laptop and fire off an email to mum,

because she doesn't have a smartphone or Facebook; sending out dinner rewards at breakfast time; in fact, anything that asks for much more than a quick log in or push of a button is asking too much. It's friction, and friction is the enemy of sharing.

So, yes, get the basics right. Trigger referral requests, reminders and rewards at the right time, and remove friction from the entire process, from sign-up and sharing to redemption. Make sure your referrers can share easily over the channels of their choice (not yours) – email, social media, SMS, in-person code scanning - wherever, whenever and on whatever device they choose.

That alone can make the difference between success and failure in terms of sharing, but it's important to think about how the process makes people feel about the brand, not just how what you do impacts referral execution. So integrate it with the wider brand experience – from tone and style to look and feel, make sure that what your referral customers see is in line with your wider brand image, story and experience.

## 6 DIG INTO DATA OPTIMISE EVERY MICRO-CONVERSION

The entire journey from referral to purchase and new referral is a journey of micro-conversions.

So, you've put together a brilliant referral marketing campaign, launched it and are waiting to see the sign-ups and referrals fly in. High fives all round, right? Yes and no.

Sure, why not celebrate that you've recognised the power of referrals. But you need to quickly turn your attention to understanding what happened after the referral. Did it turn into sales? How fast? How profitable? What did they buy? Strangely, investigating the ROI impact of referral marketing is where many businesses fail.

Looking at the data to understand if your campaign is working, and learning lessons for the future, is probably the single most important issue to fix and, again, fixing it means moving away from taking a narrow transactional view. Look beyond just "Did they buy or take up the offer today?".

Remember, that your customer journey is complex and individual; it's influenced by sentiment, timing as well as information. In fact, the entire journey from referral to

purchase to new referral is a journey of micro-conversions, all of which must be optimised (incentivised even) if a purchase is to lead to a virtuous circle of loyalty and ongoing referral.

So you may acquire the prospect thanks to your successful referral campaign but ask yourself what happened next and how effective was that? Is that prospect now a paying customer worth the cost of their acquisition?



# We're Here To Help

“

3radical will have you up and running with referral campaigns that deliver sustainable customer growth and conversion, in just a few weeks.

”

David Eldridge, CEO 3radical.

OK, that might all sound a little daunting. Like you need to rip everything down and start again. Well you might need to change the way you think about referral marketing, it's true. But sooner or later, that's inevitable – the evidence of that is in the diminishing returns from traditional customer acquisition approaches.

But here's the thing, putting all this into practice doesn't have to be a huge undertaking. In fact, at 3radical, we've built a referral marketing software platform called Radical Referrals that makes building, managing and measuring highly effective referral marketing campaigns easy.

With the help of our software, and its built-in referral game mechanics and management tools, you could have a powerful campaign up and running in just a few weeks.



## Zizzi Attracts New Customers

Zizzi, a leading casual dining chain of Italian restaurants in the UK, is using Radical Referrals to capture more marketable prospects and drive footfall and revenue in this highly competitive market using email, web and social media. You can see one of its recent campaigns in a short video at [www.3radical.com/referafrienddemo](http://www.3radical.com/referafrienddemo).

# About Radical Referrals

Radical Referrals is a software platform that makes it easy to create engaging refer-a-friend campaigns. It provides best-practice templates for generating peer referrals via websites, mobile apps and other digital marketing platforms. Customers decide their objective, target, reward and limits and use the software to do the rest. Powerful real-time reporting enables campaigns to be optimised and data can be integrated easily into a customer's existing marketing technology. Radical Referral is available standalone or as an add-on to 3radical Voco – the engagement platform that enables brands to connect with audiences with real-time, interactive digital experiences and games across multiple channels.

**Sound good? Get in touch to find out more or schedule a live demo here [www.3radical.com/referafrienddemo](http://www.3radical.com/referafrienddemo).**

<sup>1</sup>Forbes

<sup>2</sup>Nielsen - Global Trust in Advertising 2015

<sup>3</sup>Wharton School of Business

<sup>4</sup>WebProfits – The State of Referral Marketing 2017

<sup>5</sup>New York Times

<sup>6</sup>Forrester - Be A Loyalty Company, Not A Company With A Loyalty Program, January 14, 2019

<sup>7</sup>Forrester - The Psychology Of Points. Landscape: The Customer Loyalty Playbook, October 11, 2018

<sup>8</sup>Forrester - Be A Loyalty Company, Not A Company With A Loyalty Program, January 14, 2019

<sup>9</sup>Texas Tech University - today.ttu.edu/posts/2018/05/close-referral-gap

<sup>10</sup>University of Chicago - The Benefits of Tangible Non-Monetary Incentives (2004)

<sup>11</sup>Software Advice: softwareadvice.com/resources/demand-generation-benchmark-report-2014/

## Want to learn more about Radical Referrals?

Visit [www.3radical.com/referafriend/](http://www.3radical.com/referafriend/) or [contact us](#) at:

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