

*A Best Practices Guide*

# REFERRAL: POWERING CUSTOMER-LED GROWTH FOR RETAILERS

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# Referral: The Foundation of Customer-led Growth

## *Best Practices for Refer-a-Friend & Advocacy Programs*

On our internet travels, all of us have noticed the massive growth in the number of refer-a-friend programs out there.

Why this explosion in referral programs? Because these programs deliver what no other form of marketing can: a significant source of new customers based on the great experience of existing customers.

**With referral, customer engagement = customer acquisition.**

At Extole, we have the privilege of working with smart marketers at leading companies that have figured out the key to unlocking the major benefit of customer advocates. That key is engaging your customers between and beyond purchase – and encouraging them to share their experience through powerful recommendations to their friends and families.

Read on for our best practices!

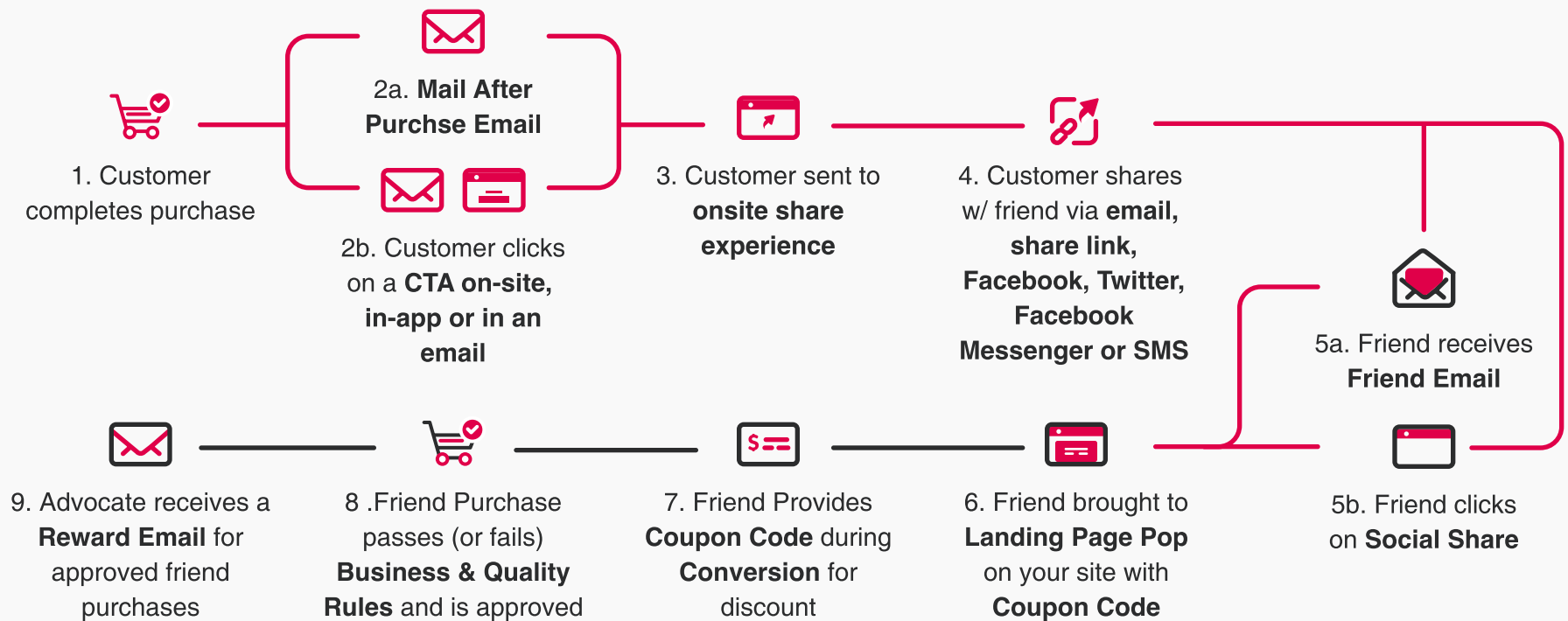




# Referral Programs: Always Evolving

Every good referral program uses rewards. An “advocate” typically gets a reward when a customer they have referred makes a purchase. And that referred customer gets a reward during their first shopping experience – in order to encourage that first transaction.

This dual-sided reward works most effectively when the value of the reward for the advocate matches closely the value of the friend reward. The typical retail flow goes like this:



Best practices around rewards are constantly evolving. Coupon codes are still the dominant reward for most retailers, and loyalty points remain the most popular alternative. Account credits and external gift cards – either issued by the same retailer or an open-loop alternative – also remain popular.

Extole has different baseline flows for financial services companies, subscription businesses, travel brands and more that we can customize for any business or business objective. Your reward choice and the reward trigger will depend on your flow.

Refer-a-friend and advocacy programs help you cover a lot of marketing bases – retention, conversion, loyalty. But more than anything, refer-a-friend is an acquisition and growth driver.

Here, we present our 32 best practices optimizing your referral program so that it performs best.





## 32 Best Practices

### Focus on your advocates

#### 1. Enable one-click connections between your advocates and their referred friends.

68% of Americans say the identity of the sender influences their decision on whether or not to open an email. If it's from someone they recognize, they're more likely to open it. Provide advocates with native sharing tools that enable them to rapidly connect with referral candidates on all devices. Utilize one-click chat buttons to encourage meaningful communication and collaboration between the referrer and the referred.

#### 2. Develop a diverse and extensive promotional strategy.

The goal of any referral program is to turn every single one of your customers into someone who advocates on behalf of your brand. We recommend at least three visible onsite placements that allow your customers to participate in the referral program. Make it very easy for your customers to share and become advocates.

#### 3. Ensure the referral offer is competitive.

We always recommend an offer that's better than other offers onsite. If there's no incentive for people to share your brand, why would they?

## 4. Offer a consistent experience across platforms – and design with mobile in mind.

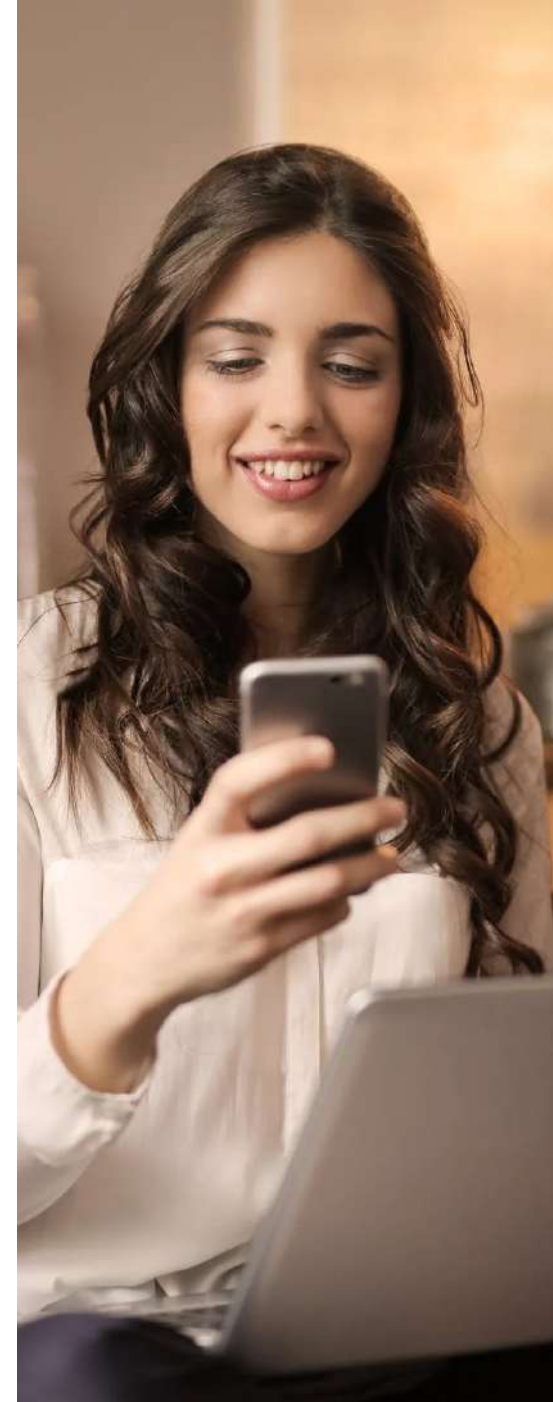
The majority of today's customers expect every marketing initiative from brands to be digitally accessible, seamless, and consistent. 76% demand connected journeys. Thus, your referral marketing program has to be accessible and consistent across all digital channels and devices. On mobile, include CTA placements above-the-fold, and in mobile menus and confirmation overlays.

## 5. Make sure your advocate has a great experience.

You can start by collecting feedback from your advocates on what constitutes a great experience. You can also leverage data analytics from your previous campaigns to see what works for your advocates and what doesn't. The insights you glean will help you create and deliver experiences that are advocate-centered.

## 6. Enable your advocates to personalize their referral message.

Friends tend to respond positively to branded messages delivered in a familiar voice or tone. The more personalization, the more impact. The data shows that personalized promotional emails improve unique open rates by 29% and have 41% more unique click-through rates.





## Marketing post-conversion is key

### 7. Capitalize on moments of delight.

Our highest performing promotional placements take into consideration when a customer is most likely to be excited by a brand. We call them moments of delight. For retailers, customers tend to be most excited right after they've made their purchase. Make sure that you promote where your customers are and when they're most excited, post-purchase. Integrate CTAs into triggered emails and thank-you pages and confirmation page overlays.

### 8. Send new advocates a 'thank-you' email when they've completed their first share.

Thank-you messages are a great way to show how much you value your customers and further strengthen their relationships with your brand. The numbers don't lie: 60% of consumers said appreciation should be delivered directly to both the referred and referrer. 44% agreed that thank-you messages should be personalized.

### 9. Review your strategy and modify accordingly if you're not hitting desired thresholds.

Every referral marketing strategy has its own unique set of KPIs to measure performance and gauge success. If your program fails to reach the desired numbers within a certain period of time, you need to look at your strategy closely, identify the pain points, and make the necessary adjustments.





## Make user journeys delightful

### 10. Define qualification criteria for referrals and communicate them clearly to advocates.

Designing the referral program includes being explicit about the eligibility requirements for referrals. Your advocates need to know what you are looking for. If your referral criteria is not clear, it will be difficult for them to submit referrals and get your program going.

### 11. Recognize that referred customers are different from other customers.

The path to purchase for referred customers has a different starting point, different set of touchpoints, motivations, and rewards. Make sure the referred friend knows they've been referred by someone they know and trust who loves your brand, and that they're getting a special benefit/reward. Don't drop a referred friend onto a standard landing page, confuse him or her with other offers, or neglect to leverage the social proof associated with the advocate's recommendation. Design their journey accordingly to give them the best experience.



## 12. Map out the referral journey.

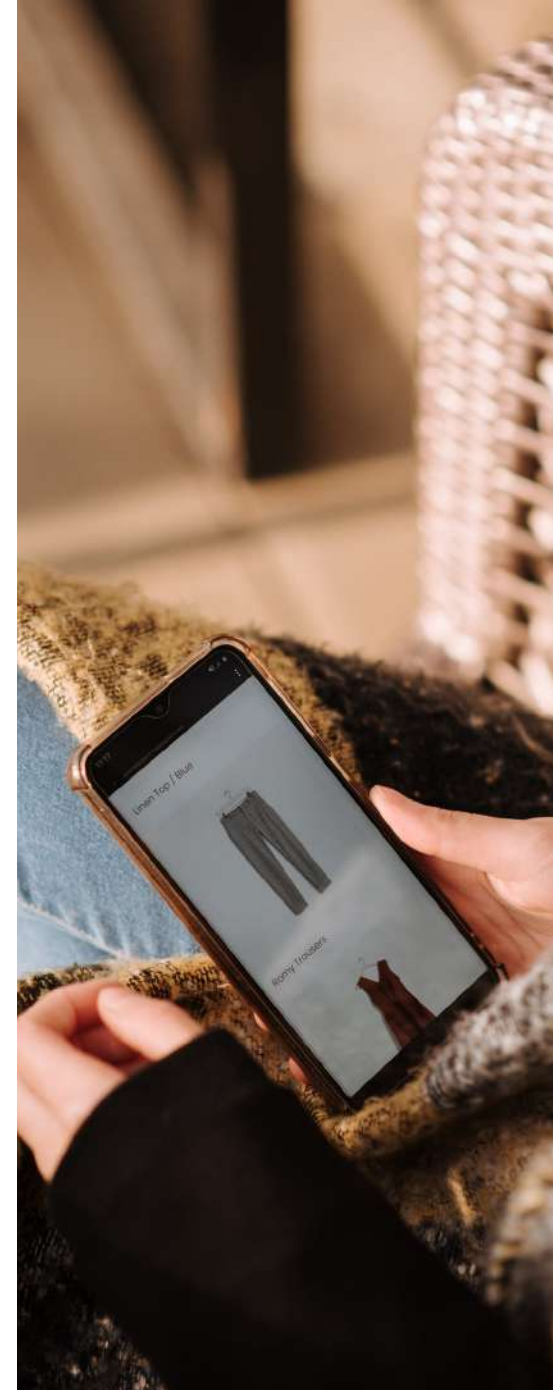
Make it easy for your advocates to see what steps they need to take to get their reward. Track and capture all the events in each journey so that you can reward for key events, change the reward triggers easily, and measure customer quality (and drop-off). Optimized referral journeys deliver better customer experience (CX). An estimated 86% of consumers say they're willing to pay more if it means better CX.

## 13. Don't confuse referred visitors by delivering a "first-time" offer.

Most websites automatically provide new visitors with "first-time" (welcome) offers. This is a mistake. Referred customers should get a specific referral bonus when they visit the site, otherwise you risk losing them.

## 14. Design referral workflows based on business segments.

Referral journeys for retail are uniquely different from insurance. Don't shoehorn a retail customer into a customer journey designed for an insurance company. By making referral journeys more specific to business segments, you are able to place touchpoints at optimal stages, further optimizing interactions and creating more customer-effective and efficient processes.





## Get technical

### 15. Leverage data for powerful customization.

Customization is essential to the success of any form of marketing, referral included. Derive insights from customer's data, preferences, and history to supercharge customizations and increase the odds of engagement and conversions. Customized copy and customized CTAs are found to have 42% higher conversion rates than those with generic messaging.

### 16. Make A/B testing a habit.

It's critical that you conduct A/B testing to test any or every aspect of your referral program. This provides you not just a clear picture of your campaign, but enables you to further optimize performance and deliver great results.

### 17. Run reward burst campaigns.

Referral programs are quite costly to update as it needs a lot of effort to reconfigure the entire campaign. A quick and less expensive alternative to a total revamp is to run time-sensitive offers — reward bursts or short-term increases in referral rewards. This approach is proven to quickly attract new customers in a short timeframe.





## 18. Understand that fonts matter.

In the world of marketing, your choice of font, as well as size and spacing, matters as much as the messaging. A psychological study reveals that people give each font a personality and this impact on how they perceive any marketing material. Make sure your font personality matches your brand.

## 19. Make sure your buttons match your branding.

Colors, transparency, and opaqueness of your buttons as well as other elements of your CTAs should reflect your brand. For one, color improves brand recognition by 80%. Adopting your brand's palettes to your CTAs conveys consistency. Of course, you can experiment with colors outside your branding palette. But you can never go wrong by sticking to what you're already displaying.

## 20. Include the offer in your CTAs.

In a test where a marketer placed a descriptive copy of the promo first and put the CTA button at the bottom, the placement resulted in a 304% conversion lift. Give your users a glimpse of your programs to make your CTAs more encouraging. Receivers prefer to know more about the offer before clicking the CTA button.

## 21. Make sure your landing page is more than a sign-up page.

State what your brand offers, especially if it involves a big decision for referred visitors. It's crucial that your landing page contains the information your customers need to make a purchase decision. People don't want to go searching. Landing pages that answer a customer's concern enjoy conversion rates as high as 80%.

## 22. Drive additional value with new customer opt-ins.

Driving conversions and revenue is always the priority, but why not also capture new customer information as part of your referral program? When customers share with their network, they're introducing them to your brand. Take that as an opportunity to see if they want to join your mailing list. Even if they don't go on to purchase right then, they've still shown interest in your brand and given you the opportunity to market to them and hopefully purchase down the line.

## 23. Leverage language localization.

Engaging referrals in their own language drives growth. Over 72% of customers say they are more likely to buy a product if it's presented in their own language. But localization is more than just translation. It is a vital step to connecting to potential customers by adjusting your branding and messaging in a way that respects the customs, traditions, and idioms of your target market.





## Secure your customers' data

### 24. Set security standards to prevent misuse.

Referral fraud, such as self-referrals, coupon sharing, and return abuse, is a persistent concern for brands that engage in referral marketing. Brands need to make the necessary configurations and measures to identify both high-quality referrals and potentially high-risk referrals.

### 25. Be transparent about consumer data rights and usage.

86% of consumers have grown worried about data privacy concerns. The good news is that 90% of consumers express willingness to share their data if they have a positive experience with a brand. One surefire way for brands to deliver a positive customer experience is by securing their information and being transparent about its use.



## Leverage every innovation

### 26. Streamline the referral journey with QR codes and deep links.

QR codes, mobile share sheets, SMS notifications, and deep links help enrich marketing campaigns by linking campaigns directly to media-rich content such as images, videos, events, and landing pages. This eliminates signposting and path guessing. Referred parties quickly locate the item or information, significantly reducing frustration and empowering them to continue their referral journey.

### 27. Strategically place QR codes.

Make it easy for your users to locate and scan your QR codes. Place them where they have direct access: on desktop, to let advocates share from their phones easily; in customer dashboards; in-store, in-branch and printed material. Doing this encourages sharing.





## Customize your rewards

### 28. Reward your advocates aggressively.

Even if referred users don't perform your desired actions, it's still best to reward your advocates to encourage them to keep participating and sharing. You want advocates (customers) to get rewarded so they come back and purchase. Also, this helps avoid WISMR ("where is my reward?") inquiries.

### 29. Check your reward delivery rates if WISMR inquiries are 1% more than your advocates.

WISMR ("where is my reward?") inquiries are common occurrences in referral programs. However, if the number of inquiries go beyond 1% the number of your advocates, then something is wrong with the delivery of your rewards. Unaddressed, you risk losing your best and most loyal customers.

### 30. Reward advocates based on other factors that contribute to customer growth.

Most referral programs are designed to reward the advocates once the referred friend completes a purchase. Brands can benefit if they provide rewards on other factors that may not necessarily lead to a direct purchase but impact their bottom line in the long run, ie. ratings and reviews, or marketing list opt-ins.



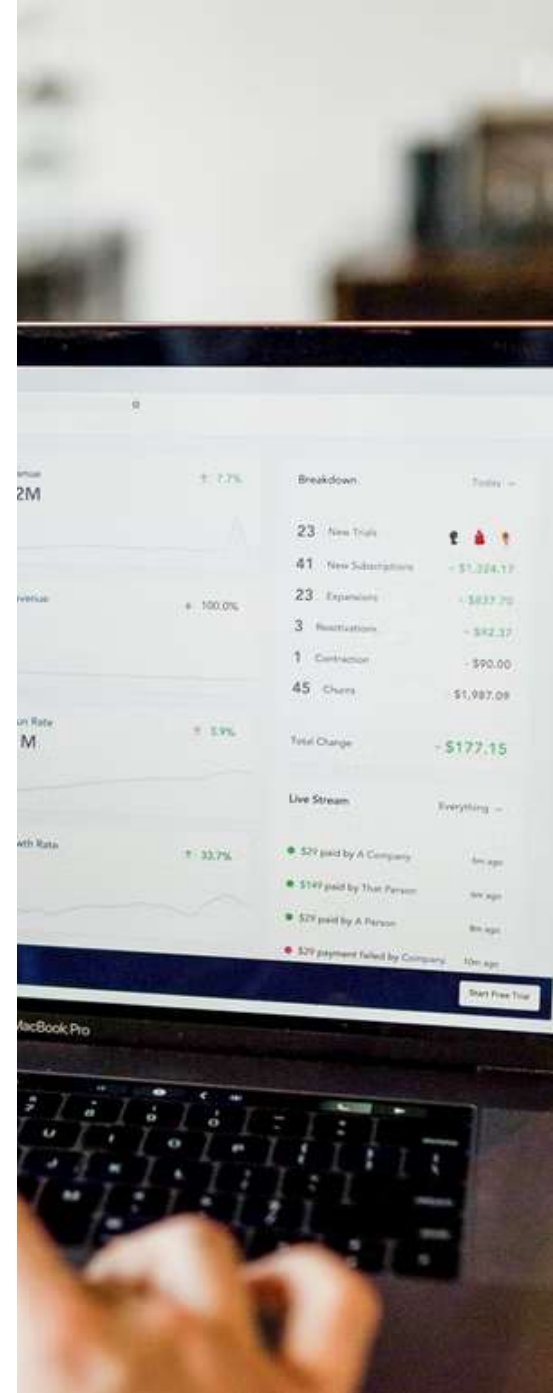
## Use data to glean high-value, actionable insights

### 31. Capitalize on high-value customer segments revealed by your referral program.

Your referral programs are brimming with customer information that you can use to create exclusive customer segments. Identify your most loyal advocates and successful referrals, group them together, and create exclusive offers for them.

### 32. Discover untapped customer segments based on the retailer's existing information.

Retailers have a treasure trove of customer information hidden in their CRMs, ERPs, and other sources. If you're a marketing firm working for a retail company, that's where you should go first.



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