

THE HANDBOOK FOR REFERRAL MARKETING:

FROM SCIENCE TO PURCHASE



WHY EVERY E-BUSINESS SHOULD INVEST IN BUILDING A REFERRAL PROGRAM

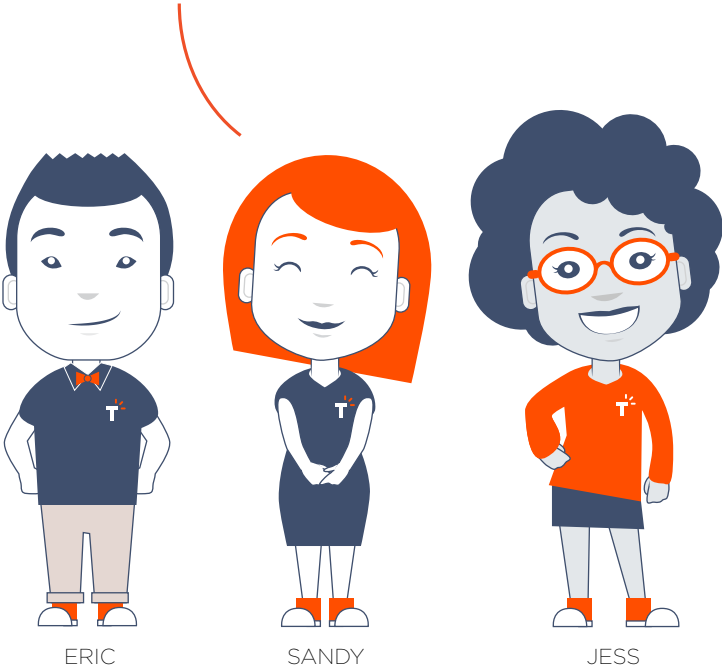
Talkable-



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Hi! We're Eric, Sandy and Jess, from the Talkable Customer Success team. In this handbook, we'll share our tips and tricks, to ensure you are as successful as possible.



ERIC

SANDY

JESS

Why should I read this Referral Marketing Handbook?

“ 59 % of people consult friends and family for personal advice in making purchase decisions.¹

Purchasing behavior has been socially influenced since the beginning of time. Long before social networks like Facebook and Twitter kept you in the virtual loop, your physical network was having an impact on what you bought and where you bought it from. In fact, referral is the most powerful force in driving new business — and in helping customers decide what to purchase.

How can your business harness the power of referral, capture more customers, and build a scalable, sophisticated marketing program to drive more sales?

¹ Sullivan, L. (2010, Feb. 22). Social Media Not Preferred Recommendation Resource. In MediaPost. Retrieved from <http://www.mediapost.com/publications/article/122854/>

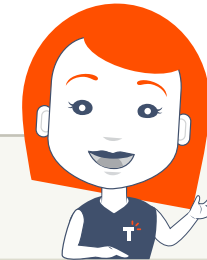
² Jancht, J. (2011, Aug. 29). The Art of Referral Conversion. In Duct Tape Marketing. Retrieved from <http://www.ducttapemarketing.com/blog/2011/08/29/the-art-of-referral-conversion/>

This guide will help you do just that. We will help you answer key questions like:

- What is referral marketing?
- Why is referral marketing so effective? (Hint: It's science!)
- How do I determine how much to pay out as a referral bonus?
- What are the key elements of a successful referral marketing strategy, and how do I get started?

Even if you're already receiving a steady stream of referrals, improving your referral conversion rate by 5 or 10% could dramatically impact your bottom line.²

So, let's get started.



Tip: 5(ish) Questions to guide your successful Referral Marketing strategy

- 1** How does your business currently interact with customers and prospects?
- 2** What are your specific objectives for your referral campaign? What does success look like?
- 3** Who is your ideal customer?
- 4** What is your current customer acquisition strategy? What are your costs, and how successful are your methods?
- 5** What questions do you still need to answer before you get started?

Part I

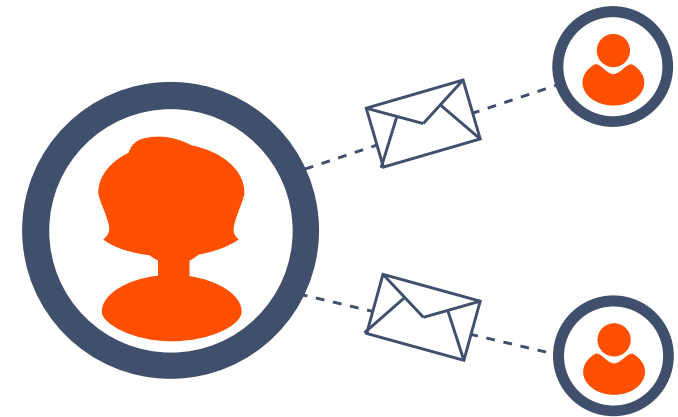
REFERRAL AS A MARKETING CHANNEL



Referral Marketing - What is it?

Referral Marketing is the method of promoting products or services to new customers, primarily through word-of-mouth³. Essentially, Referral Marketing takes a formal, strategic approach to capturing and enabling referrals through Refer-a-Friend campaigns, partnerships, or other means. Profitably acquiring customers is the key to any company's success. Referral Marketing allows companies to get new

customers cheaply by giving advertising dollars directly to customers, rather than to third party advertising platforms. Customer acquisition is the number one priority and number one challenge for businesses today. Referral Marketing helps companies target potential customers who are not yet aware of the brand, or who may need an extra nudge from a friend in order to make that first purchase.



The Best Performing Marketing Channel

Referral has long been the most powerful force in driving new business, and is the most trusted form of advertising. According to Nielsen, 84% of people trust product and brand recommendations from people they know⁴. Think about the last thing you bought online. How did you hear about it? What factors influenced your decision to buy? How did you feel after you made your purchase? If you heard about the product through a friend, chances are you felt

pretty good about your purchase.

Compared to other marketing channels, referrals have the highest margin and best conversion rate from prospect to purchase. They also have a higher lifetime value and better retention. In fact, a referred customer is expected to have at least a 16% higher lifetime value than customers acquired through other means⁵. Why?

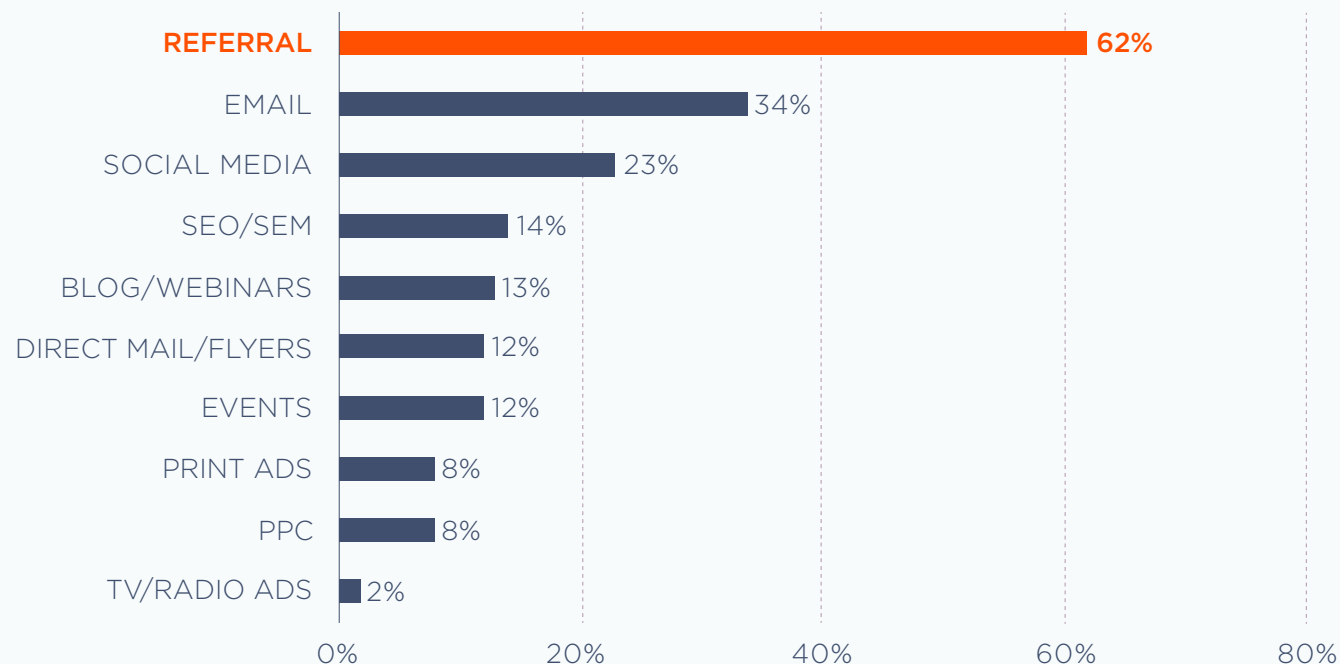


³ http://en.wikipedia.org/w/index.php?title=Referral_marketing&oldid=657348363

⁴ Unknown (2013, Sept. 13). Under the Influence: Consumer trust in advertising. In Nielsen. Retrieved from <http://www.nielsen.com/us/en/insights/news/2013/under-the-influence-consumer-trust-in-advertising.html>

⁵ Unknown (2010, July 21). Turning Social Capital into Economic Capital: Straight Talk About Referral Marketing. In Wharton Business Digital Press. Retrieved from <http://whr.tn/1BSxsbp>

MOST EFFECTIVE SALES & MARKETING STRATEGIES



A well-executed referral marketing program can lead to higher conversion rates, shortened sales cycles, and improved overall customer retention.⁶

“

84% of people trust product and brand recommendations from people they know.⁸

Analysis from a recent study, surveying over 600 B2C companies, revealed that 62% of respondents cite referral as being one of the most effective strategies due to its ability to generate tangible results, compared to other marketing channels.⁷

6 Vas, E. (2015, Apr. 1). The Basic Science of Referral Programs: The External Client Referral Perspective. In Business 2 Community. Retrieved from <http://business2community.com/b2b-marketing/basic-science-referral-programs-extrnal-client-referral-perspective-01194895>

7 Matt Belitsky (2015, Jun. 02). Third-Party Research Reveals B2C Referral Marketing is Top Performing. Data sourced by Audience Audit, Inc. for Infusionsoft. Retrieved from <http://blog.talkable.com/referral-marketing/third-party-research-reveals-b2c-referral-marketing-is-top-performing/>

8 Unknown (2013, Sept. 13). Under the Influence: Consumer trust in advertising. In Nielsen. Retrieved from <http://www.nielsen.com/us/en/insights/news/2013/under-the-influence-consumer-trust-in-advertising.html>

Part II

THE SCIENCE BEHIND OUR DECISIONS:

Understanding Decision-Making & Why We Buy



To understand what makes referral marketing so powerful and successful, it is important to understand the science behind human decision-making. The human brain is sometimes irrational and at first can be hard to understand and predict. We rely on a large number of decision-making shortcuts — or, as scientists call them, “decision heuristics” — to make our lives easier, and improve the speed at which we make decisions. Without these

shortcuts, deciding simple things would become a complex ordeal of analysis, stalling our productivity and halting our progress.

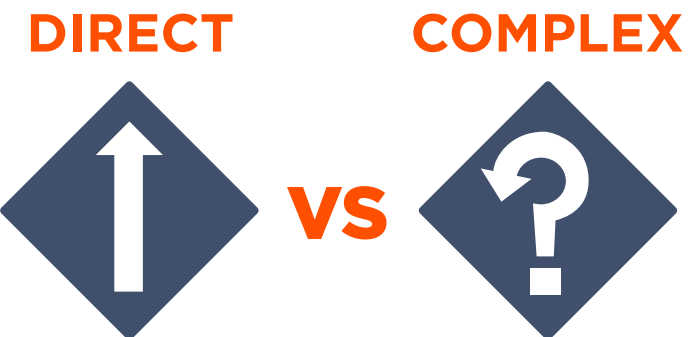
Referral marketing is the strongest performing marketing channel because it capitalizes on fundamental principles in neuroscience and psychology. Let’s take a deeper look at some of the research-based rules of the psychology of decision-making.

Cognitive Fluency

For marketers, this means that the easier your offer is to understand, the more likely people are to buy it⁹. The concept of cognitive fluency explains brand loyalty and why you order the same thing from the menu each time you visit a particular restaurant: it’s easy. You’ve tried it, it worked, and you don’t want to spend time researching alternatives or risk making a bad purchase. With this concept in mind, you can easily understand the impact of giving your customer a positive first

buying experience. It then becomes that much easier to get repeat purchases and referrals.

Offers that are suggested by friends are more accessible, relatable, and thus easier for us to cognitively process and understand than an offer made by a brand directly. We can easily see our friend’s purchasing behavior as an example of how a product or service might benefit us.



⁹ Processing fluency. (2014, August 22). In Wikipedia, The Free Encyclopedia. Retrieved from http://en.wikipedia.org/w/index.php?title=Processing_fluency&oldid=622357374

UNDERSTANDING MARKETING LINGO

REFERRAL MARKETING VS. AFFILIATE MARKETING

Both channels drive new customers to your business.
But what's the difference?



Aa DEFINITION	Advocates share brand experience with friends	Influencers share brand experiences with strangers/fans
PARTIES INVOLVED	Personal, known, and trusted advocate refers a friend	'Affiliate' recommends to social following, readership, etc.
RELATIONSHIP	1 : 1	1 : many
PRIMARY MOTIVATION	Strong, personal relationship between advocate & 'friend'	Financial
FINANCIAL MOTIVATION	Two-way; equal reward or skewed to the 'friend'	Affiliate receives commission or other financial compensation
WHEN TO USE	High-quality, cost-effective lead generation	Need access to large audience

SOCIAL PROOF

WHO INFLUENCES WHAT WE BUY?



CELEBRITIES

Endorsements by celebrities influence what we believe about a product.

Ex. Nike Air Jordans



EXPERTS

Domain expert users, loves & advocates for a product.

Ex. Bloggers



USERS

Average person who uses & recommends a particular product.

Ex. First-hand testimonials

Under the Influence: How Other People Impact Our Decisions

Macro Referrals:

'The Wisdom of Crowds'

For you left brain marketers out there, this concept is easily justified with basic math: the more people who do something, the more likely it is to be the correct choice. Ever walked by a bar or a restaurant, noticed a long line of people waiting, and decided to join the line? That the place must be great because of all of the people waiting? When you decide to use a product that is so widely adopted or liked that you don't even need to question its quality, that is wisdom of crowds social proof. This often occurs once a certain threshold of familiarity is achieved.

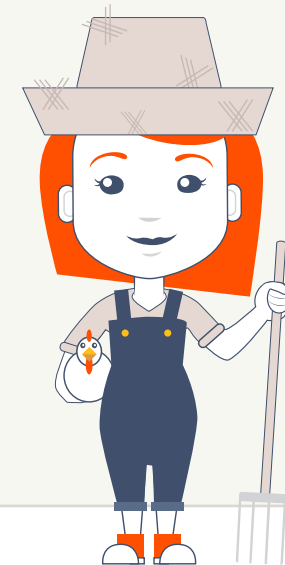
It's not just generating referrals. Studies have shown that friends referred by friends make better customers. They have a higher lifetime value than customers from all other channels, convert better, and shop faster¹¹.

Micro Referrals:

'The Wisdom of Your Friends'

Learning from friends through the social web is often a key determinant in a company's virality and growth. When our peers or friends like or approve products or services, this influences our decision-making process. Since we both like our friends, and consider them to be similar to us, we often find it easy to quickly adopt a product recommended by a friend. What our friends approve of impacts our feeling about products and services.

There's a reason for all of those **Farmville** requests on Facebook: Friends inviting friends to play games through Facebook and other social networks helped mobile game giant, Zynga grow from 3 million to 41 million average daily users in just one year, from 2008 to 2009¹¹.



10 Lee, A. (2011, Nov. 27). Social Proof is the New Marketing. In TechCrunch. Retrieved from <http://techcrunch.com/2011/11/27/social-proof-why-people-like-to-follow-the-crowd/>

11 Wharton. (2010, Jul. 21). Straight Talk About Word-of-Mouth Marketing. In Forbes. Retrieved from <http://www.forbes.com/2010/07/21/viral-marketing-referral-program-entrepreneurs-sales-marketing-wharton.html>

81%



SAY POSTS FROM THEIR FRIENDS
DIRECTLY INFLUENCED THEIR
PURCHASE DECISION

30%



ARE MORE LIKELY TO RESPOND TO
BRAND OFFERS WHEN THEY HAVE
BEEN REPOSTED BY A FRIEND

Harnessing social proof is a powerful tool for any marketer. Referrals from friends and advocates are effective because they leverage our existing relationships and trust to provide information about a buying decision.

Perception is Reality: Credibility, Liking and Scarcity¹²

It goes without saying that a person's credibility is a great determinant of their influence on your opinions or behaviors. That credibility is determined by the person's expertise, trustworthiness, and similarity to you. Does the person have the relevant knowledge, education or experiences to make an accurate judgment? Do you trust their opinions? How similar is that person to you? Are you of the same or aspired social class? The more 'yes' responses we can answer, the more likely we are to be influenced by that person. It is easy to see why our friends often have so much influence over opinions and purchases, since we often share similar traits with our friends.

We don't just make a judgment on the validity of a person's statements on credibility alone. Here is a relatively simple rule: People "say yes" to those they know and *like*. Refer-a-friend campaigns benefit

from this principle, because referred friends are more likely to "say yes" and accept a friend's offer or recommendation to purchase. The quality of our connections and our sense of "liking" directly influences our conversion rate in purchasing decisions.

Another huge influence on our beliefs about the value of a product or service come down to scarcity. Something that is rare or becoming increasingly less available is always more appealing, and adds urgency to our need to purchase. The psychological phenomenon known as "FOMO" (or, "Fear of Missing Out") is a form of social proof and scarcity.

¹² Rieck, D. (2015, May 16). Influence and Persuasion: The Rule of Authority, Liking, and Scarcity. In Direct Creative. Retrieved from <http://www.directcreative.com/influence-and-persuasion-the-rule-of-authority-liking-and-scarcity.html>

“FOMO is a great forcing function on decision-making, as evidenced by the incredible growth of e-commerce flash sales.”¹³

Flash-sale sites like Gilt.com have been able to capitalize on the impact of perceived scarcity. The limited number of available quantities of sale items on these sites gives buyers a sense of urgency, even giving shoppers a “thrill” in securing the items in a shopping cart.

Better Matching

According to a recent study titled, “Referral Programs and Customer Value,” customer referral programs are a financially attractive way of acquiring new customers, largely due to better product-customer matching.¹⁴ The study was conducted over a period of three years, and looked at a referral program offered by a leading German bank that paid customers 25 Euros for bringing in a new customer¹⁵. An analysis of customer activity at the bank showed that referred customers



generated higher margins than other customers. Why? Customers possessed better information about their bank than non-customers. They also had a better idea than the bank about which of their friends would be a good match. Using that information, they only referred prospects that would be a good match for the bank. In sum, well-matched customers simply generate more revenue at a lower cost.

¹³ Lee, A. (2011, Nov. 27). Social Proof is the New Marketing. In TechCrunch. Retrieved from <http://techcrunch.com/2011/11/27/social-proof-why-people-like-to-follow-the-crowd/>

¹⁴ Unknown (2010, July 21). Turning Social Capital into Economic Capital: Straight Talk About Referral Marketing. In Wharton Business Digital Press. Retrieved from <http://whr.tn/1BSxsbp>

¹⁵ Ibid.

Part III

LEVERAGING SCIENCE:

How to Formulate & Execute a Referral Marketing Program



In the next few pages, you will learn how to build a successful referral marketing program for your e-Business, and capitalize on the psychology behind human decision-making. Use the worksheet at the end of the Handbook to create an action plan for your referral program.

WORKSHEET: BUILD YOUR ACTION PLAN

1. REFERRAL PROGRAM OBJECTIVE:

2. TARGET AUDIENCE:

3. REFERRAL INCENTIVE:

4. CONVERSION RATE:

5. IF THE OFFER IS UNDESIRABLE:

6. IF THE OFFER IS DESIRABLE:

7. IF THE OFFER IS DESIRABLE, BUT DOES NOT CONVERT:

Worksheet on Page 26

ACTION PLAN

☒ _____

☒ _____

☒ _____

☒ _____

☒ _____

STEP 1 Identify your objective

This may seem obvious, but this step is often overlooked. Is your goal to drive new customer signups? To get more reach (even if leads aren't quite ready to convert)? To increase sales? Focus on measurable impact for your business. Your objective impacts how you design your offer and call to action for your referral campaigns.

For example, if you are a hotel booking site, you may want to use referrals to generate repeat

purchases due to the low repurchase rate in the industry. Or, if you are an online clothing company, you may want to use referrals mostly to get new customers because repeat purchase rate is high. A happy shopper will come back over and over again. On the other hand, if your business sells infant car seats, you might want to focus on increasing new sales (since a customer may only buy one car seat in their lifetime).



TIP: The three most common goals for our customers are:

1. Improve economics of acquiring new customers

2. Increase lifetime value of current customers

3. Guarantee advocates get rewarded fairly, preventing program abuse.

STEP 2 Define your target audience

As the old marketing adage goes, “Right person, right message, right time.” Ensuring the success of your referral offer hinges on your ability to precisely identify your target audience. Will you be targeting only paying customers? Or, will you also include advo-

cates that haven’t yet purchased? If you are including advocates, plan to divide your referral program to allow it to be accessed both on a public, standalone landing page, as well as post-purchase.

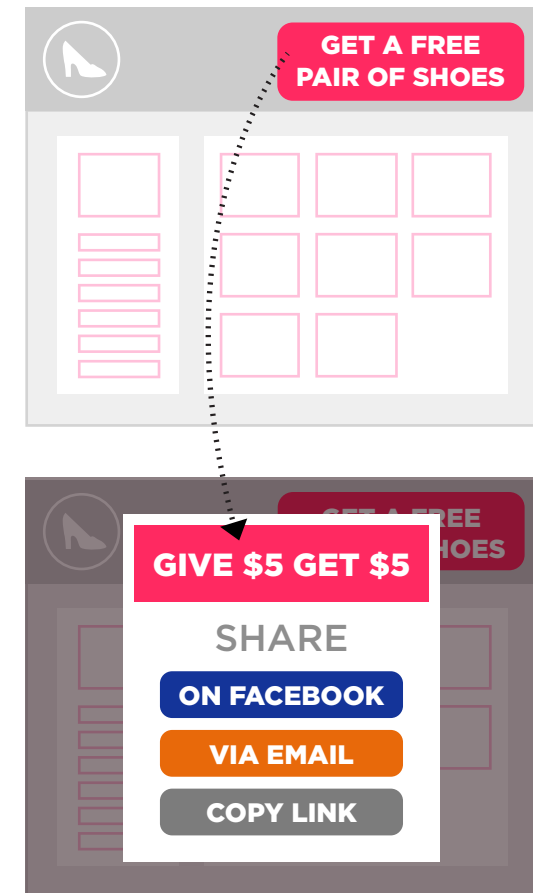
Offer placement as a strategy for referral campaigns

In addition to **who** you want to target, you should also be thinking about **where** you want to reach them. Depending on where the customer is on your site, you can capitalize on their mindset at different stages of their buying journey. If a lead comes to your site just to browse, you can serve them with an offer to share your product on Facebook, and give them an incentive of a smaller amount to do so. These smaller discounts might pay off in a big way, giving you stronger reach with your target audience.

Know the audience and their needs and wants. Determine your referral incentives accordingly.



Tip: Be sure you not only identify your potential customer, but customers who would be most likely to provide a referral.



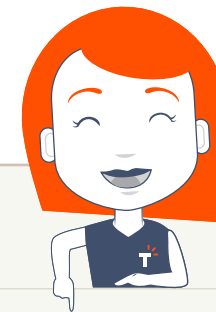
STEP 3 Arriving at your referral incentive

Referral incentives are very interesting because they can be handled in many different ways, and because there are conflicting concerns around them. On the one hand, you want to encourage advocates and customers to make as many referrals as possible. On the other hand, you want to encourage referrers to maximize the quality of each

referral. In most cases, depending on the objective of your referral campaign, you want to **avoid creating a referral program that motivates customers and advocates to supply a high volume of low-quality referrals.**

Designing your referral incentive

1. *Create a compelling offer.* Think about what other offers are already out there in the marketplace. What are your competitors offering, if anything? Your referral offer should be the most attractive out of all of your current promotions.
2. *Know your cost per acquisition (CPA).* How much do you currently spend acquiring new customers, by channel?
3. *Weigh customer lifetime value over CPA.* Consider both the advocate purchase and the friend purchase to calculate an accurate, complete CPA. More referrals means more rewards, which in turn leads to more purchases by the advocate.
4. *Determine your minimum order value.* What is the minimum amount the friend needs to spend to earn the reward?
5. *Make sure your incentive fits with your brand image.* If your brand doesn't offer discounts, frame your incentive as a gift or store credit that is automatically applied upon checkout.



Tip: A/B testing referral incentives allows you to maximize the performance of your referral program. As a brand, you must find the perfect balance between the size of your offer and number of sales generated by the campaign. A/B test offer incentives to determine what your audience responds to best.

GET 100% OFF YOUR
NEXT PAIR

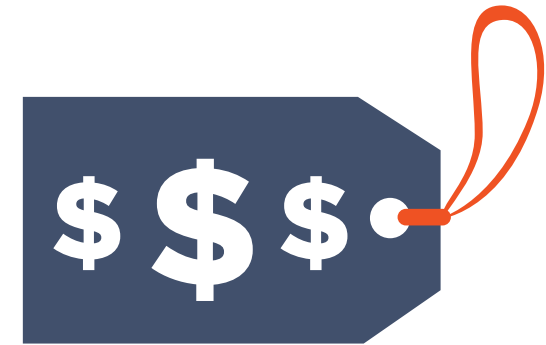
VS

THE NEXT PAIR
IS ON US!

Start Strong

As a best practice, you should launch your referral program with a strong, compelling offer. Your offer should always be the largest incentive or discount you are offering at a given time. Typically, dollar amount discounts work better than percent off. There is no rush to offer aggressive discounts; you want to be sure you have confidence that your technology partner can handle the basics as you scale up your referral program.

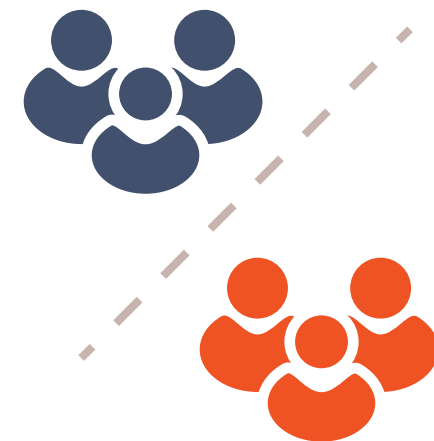
However, if you are trying to justify making an investment in the referral channel, you can start by offering a smaller discount of \$5 off or 10% off. Later, you can get more sophisticated by offering a larger discount with a minimum order value that reflects your average and overall order value distribution curve (sometimes companies have two distinct order value tiers — ex. \$20 off a \$75 purchase, \$40 off a \$200 purchase — you get the idea).



Segment Your Customers

Segment offers based on purchasing or referring activity. This will increase the likelihood that non-sharing customers will change their behavior and share your offer. For instance, larger “activation offers” work at first, to attract new advocates. After the advocate refers for the first time, they are much more likely to continue to do so even if the subsequent offers are smaller.

Similarly, tiering offers for a certain number of referrals can also be a great way to increase engagement with your customer base and increase the number of net-new referrals to your business. For advocates that are frequently referring you new customers, keep offers fresh by creating unique value at higher referral volumes.



Our Campaign-Based Approach

Leave a little wiggle room in your referral program so that you can offer larger promotions based on your marketing goals, sales goals or promotional calendar. Working within the objective you defined in Step 1, your referral program can utilize several different campaign strategies:

Post-Purchase Campaign:



Customer to Advocate. The most common type of referral campaign, especially for e-commerce or consumer SaaS businesses. Present an offer that this new customer cannot refuse- they get rewarded by rewarding their friends. Win, win.

Invite Campaigns:



The Evergreen. Set it and forget it. Create a permanent landing page that encourages email sharing, which is the highest value referral channel.



First Time Visitor (aka “The Activator”) Campaigns where the reward is doubled will dramatically increase the number of first time referrers. Once someone is ‘activated’ as a referrer, they are far more likely to continue referring.highest value referral channel.



Holiday & Promotional. Because the holidays are a competitive time for e-Businesses, you can drive more urgency to purchase by doubling or combining your promotions. Even if your referral offer is not unique, branding around the holidays make a referral program appear fresh. This should be done for all major promotional events such as Mother’s Day, Cyber Monday, Valentine’s Day, Back to School, etc.

Other Great Performing Campaign Types:



Leaderboard. A contest that typically last 1 to 2 weeks. The top advocate with the most referrals during that period receives a large reward. A recent retail campaign a Talkable client saw a 240% increase in referrals during a Leaderboard campaign.



Product Sharing (aka “Gift to Gifter”). Sharing novel content with an offer included increases the share rate and the click rate. This type of offer specifically triggers purchases from people who would buy your product as a gift during the holidays, for example.



Instant Reward. Offer an incentive anytime or anywhere by prompting the advocate to share your brand or product with their networks. Give a smaller reward just for sharing on Facebook, for example, to include all types of advocates (think of it like paying for an impression instead of a sale).

Something for Everyone

Cash incentives for advocates are great, but don’t forget to also provide an incentive for the new customer. Try offering a larger reward to the friend so that the advocate feels more benevolent sending a referral. Coupon discounts, store credit, or whatever you choose, be sure it fits with the needs and wants of your target audience.

STEP 4

Turning customers into advocates, aka how to ask for a referral

Asking your customers a direct question like, “Do you know someone else who might be interested in buying this product?” can make their mind draw a blank. Instead, establish that your customer is

happy with your product and their experience. Then, offer them the referral incentive or offer you arrived at in Step 3. Try to reframe your referral offer as a way to help a friend.

**WHO NEEDS
SHOES? TELL THEM
ABOUT US**

GO ▶

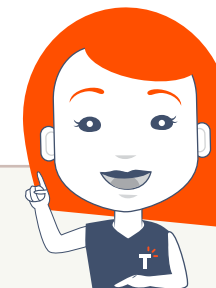
VS

**HELP YOUR BEST
FRIEND STEP UP HER
SUMMER STYLE!**

GO ▶

BAD

GOOD



Tip: Give them a choice. Let customers or brand advocates choose where they want to share your offer. Most often this means on Facebook or by email.

Make it Timely

The best time to ask for a referral is after a purchase or positive experience with your brand. Capitalize on these events. A Texas Tech study on “The Economics of Loyalty” found that **91% of people are at least somewhat comfortable providing a referral, yet only 29% actually refer.** This clear disconnect means companies need to ask customers for referrals, and provide them with a clear incentive and mechanism to do so.

Communicate & Engage

If your advocates learn that many of the people they send your way become customers, this will often motivate them to continue sending referrals or making repeat purchases themselves. Give your customers a way to track their referrals, so they can see how many friends they have referred, who has responded, their possible reward payouts and earned reward payouts. Pay rewards promptly, and don't forget to say thank you.

Make it Easy & Accessible

Regardless of how much a customer or advocate loves your brand, if you don't make it easy for them to refer a friend, they will drop off. Implement a user-friendly solution that requires little effort from the customer.



Essential Elements for Referral Marketing Success:

- 1 Create a truly great product.** The world's best referral program can't help you unless you are solving a problem, filling a need, or are otherwise creating a product that customers want to buy.
- 2 Focus on building strong relationships with your customers.** Aim to delight them at every possible interaction.
- 3 Integrate your referral program** wherever your customers interact or engage with your brand.

STEP 5 Tracking, optimizing & converting

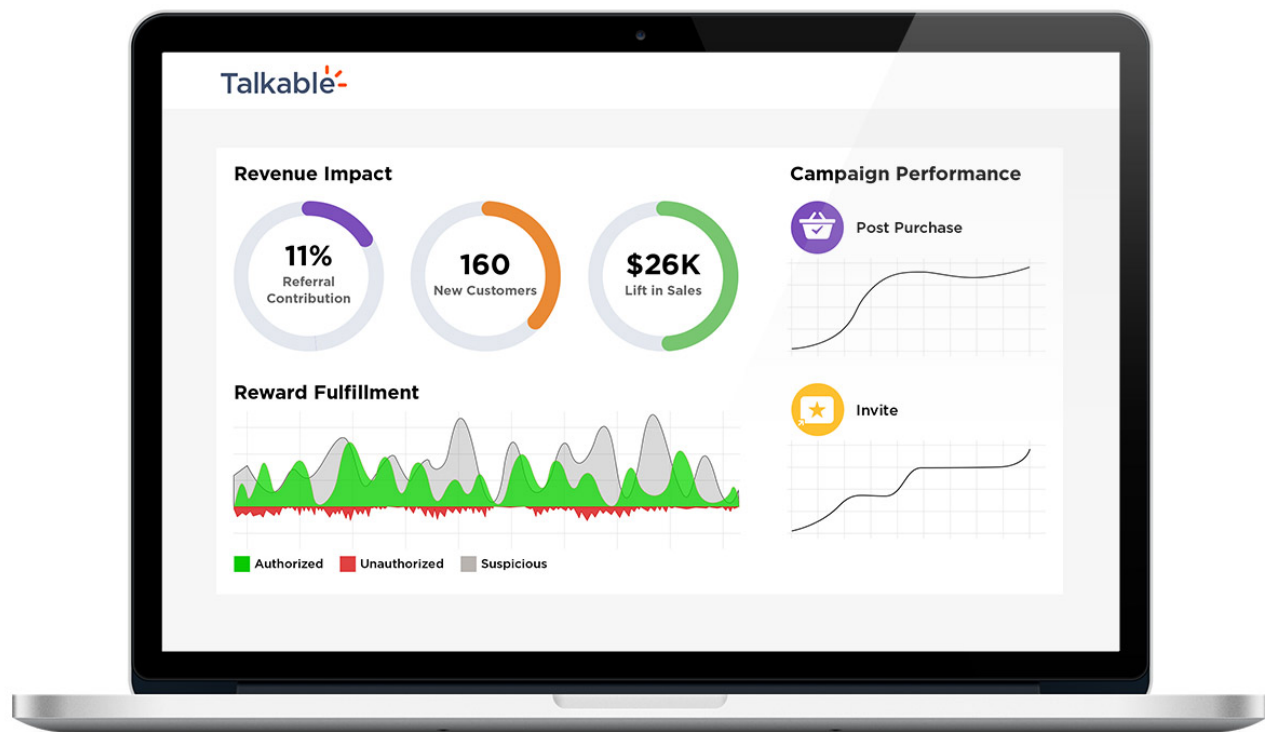
Be sure to track every site purchase and customer share to reward advocates and friends only when they meet your defined campaign criteria. Keep in mind that every referral program has two funnels: The first drives propensity for someone to share, while the second funnel drives propensity for the friend to click on the offer.

Always Be Optimizing

A/B testing offers is a great way to measure what resonates best with your target audience. When you A/B test offers, design experiments to identify key drivers that get people to share and get friends to click on the offer and convert. A/B testing an offer headline is low-hanging fruit that can have immediate impact at the top of your funnel. The offer headline impacts both open and click rate, so it is an easy way to get two quick testing wins.

Measure & Adjust

Leverage a dashboard of key referral indicators as a way to set goals and measure the success of your referral program and particular campaigns.



Dashboard reporting allows you to track your goal with results you can see.

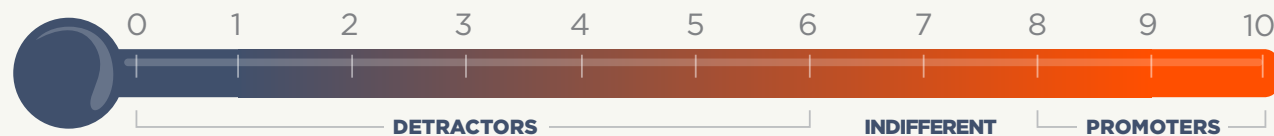
Your referral technology partner should have a comprehensive, aggregate view of your goal attainment and campaign performance. In addition to tracking your referral activity, you should also record organic traffic growth and reviews/ratings. Measure the percentage

of your daily visitors who share your site with others (your 'viral coefficient')¹⁶. How is word of your product being shared outside of your site? Know your Net Promoter Score, if you don't already, and monitor it over time.

Marketing lingo decoded: Net Promoter Score

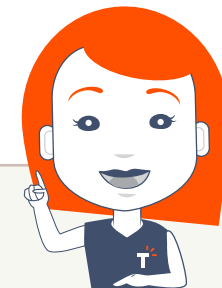
Net Promoter Score (NPS) is a loyalty metric that asks 'On a scale of 0 to 10, how likely are you to recommend us to a friend or colleague?' People who respond 9 or 10 are considered 'Promoters' or loyal enthusiasts. Those who rate 7 or 8 are considered Indifferent and therefore not counted. Unhappy customers— or 'Detractors'—

respond 0 to 6. NPS is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. A NPS of zero is said to be good, while an NPS of 50 or above is excellent.



Always Be Converting

Ensure you have a follow-up plan or nurture program for your referred leads. However, be sure you recognize that referred leads aren't the same as leads generated from other marketing channels.



TIP: Consider creating a unique coupon code for each customer to make it easier to see who is referring new business.

¹⁶ Lee, A. (2011, Nov. 27). Social Proof is the New Marketing. In TechCrunch. Retrieved from <http://techcrunch.com/2011/11/27/social-proof-why-people-like-to-follow-the-crowd/>

“The dangerous assumption some people make about referred leads is that they have done all their research, are ready to buy, and understand how you work. The problem with this thinking is that in some cases they don’t even know they need what you offer. In some cases their friend recognizes they need your help, before they do and this calls for special handling.”

— John Jancht, Duct Tape Marketing.
“The Art of the Referral Conversion”

Your customer put their own reputation on the line in referring their friend to your business. Recognize the specialness of a referred customer by giving them access to a special offer (this could be your

referral incentive). When referred leads become customers, their personalized, positive first buying experience ensures they will “pay it forward” and refer a friend to your business.

**YOUR FRIEND SENT YOU
A GIFT AT SHOEJOY!**

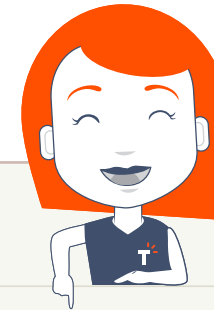
CLAIM YOUR OFFER

DAY 0

**DON'T FORGET ABOUT
YOUR GIFT AT SHOEJOY!**

CLAIM YOUR OFFER

DAY 3



Best Practices for Following Up With Referrals

Messages come from the advocate. In many cases, the friend may not be familiar with your brand. Successfully leveraging the advocate-friend relationship means that any referral emails or communication should come in the name of the advocate sharing the offer.

Give the advocate options. Again, respecting the advocate-friend relationship, you should let your advocates determine whether or not they want to remind their friend to act on your offer. Give them an option to send one 3-day reminder email to their friend. Because the friend hasn’t opted into receiving messages from your brand, good corporate citizenship means you should avoid sending too many unsolicited messages to the friend.

Send the friend a reminder. Plain text works best in these emails because it feels like one friend writing an email to another friend. In fact, Talkable clients see **50% higher** conversion rates using plain text email, compared to one with heavy graphics. Plain text emails are also less likely to get caught in a SPAM filter.

A Word About Fraud

Without the right referral marketing platform in place, fraud can destroy your referral program if left unchecked. If you are using an unmonitored platform, you are neglecting to exclude unauthorized referral transactions. As a result, the success of your program might be artificially inflated.

What happens if you find out users are exploiting your referral program?

A best-in-class referral technology provider can deter fraudulent behavior by preventing suspected violators from seeing the referral offer. It should also be able to identify fraud by using basic IP and cookie tracking, as well as supplemental fraud-detection algorithms. As a last resort, your partner should provide you with the option to cancel the transaction.

Your provider should be able to tell you precisely how they identify and stopped fraud. Beware of any referral marketing platform that insists fraud prevention is a 'blackbox' solution and doesn't explicitly show you questionable transactions are identified.



“

Self-referrals are the most common type of fraud.

Build Lasting Relationships with Advocates

It is very important to give out timely rewards. It is also important to continue to engage users who have advocated for your brand, even if their referral did not result in a purchase. Be sure to say thank you, ask for feedback, and continue to communicate with anyone who has advocated on behalf of your

brand. Continuing engagement is part of building a larger referral program in place and will encourage strong long-term results. A best-in-class referral marketing platform will help you engage your audience at every point during their buying journey.



Conclusion

**“People are 4x more likely to buy when referred by a friend.”
— Nielsen**

Referral marketing programs leverage trust to provide greater ROI than other marketing channels and convert higher quality customers. From cognitive fluency to five types of social proof to better matching, we learned about why science makes referral marketing so effective.

Key strategies for implementing a successful customer referral program

- | | |
|---|---|
| ☐ Find a technology partner | ☐ Determine your referral bonus or incentive |
| ☐ Learn about your target audience | ☐ Execute your referral strategy |
| ☐ Who are they? | ☐ Test & optimize your campaigns |
| ☐ What motivates them? | ☐ Convert your referrals |
| ☐ What are their needs & wants? | |

WORKSHEET: BUILD YOUR ACTION PLAN

1. REFERRAL PROGRAM OBJECTIVE:

2. TARGET AUDIENCE:

A. MOTIVATED BY: _____

B. NEEDS/WANTS: _____

C. WHERE THE PROGRAM WILL TARGET THEM (e.g. *browsing, post-purchase, email*):

3. REFERRAL INCENTIVE(S)

A. FOR THE ADVOCATE:

B. FOR THE FRIEND:

4. CONVERTING THE FRIEND

A. IF THE OFFER IS UNOPENED:

i. AFTER _____ DAYS: _____

ii. AFTER _____ DAYS: _____

B. IF THE OFFER IS CLICKED, BUT DOES NOT CONVERT:

WORKSHEET: BUILD YOUR ACTION PLAN

5. FOLLOW-UP WITH THE ADVOCATE

A. AFTER _____ FRIEND(S) REFERRED _____

6. PLACES TO INTEGRATE REFERRAL CAMPAIGN:

7. A/B TESTS

	A	B
A. REFERRAL OFFER		
B. EMAIL SUBJECT LINE		
C. OFFER HEADLINE		

SUPPLEMENTAL RESOURCES:

Must-Reads for the Referral Marketers

Thought Leaders

Robert Cialdini. *Influence: The Psychology of Persuasion*. Harper Business. Revised Edition (2006).

Available at: <http://www.amazon.com/Influence-Psychology-Persuasion-Revised-Edition/dp/006124189X>

John Janscht. *Duct Tape Marketing*. Multiple entries.

Available at: <http://www.ducttapemarketing.com/blog/?s=referral>

Hunter Walk. *Referral Programs Power the On-Demand Economy*.

Available at: <http://hunterwalk.com/2015/04/15/referral-programs-power-the-on-demand-economy/>

Josh Yang. *Thoughts on Referral Programs*.

Available at: <https://medium.com/@joshhyang/thoughts-on-commerce-referral-programs-c42e573be354>

SUPPLEMENTAL RESOURCES:

Must-Reads for the Referral Marketers

Editorial

Anne-Marie Kovacs. Affiliate Marketing + Influencer Marketing = Perfect Marriage? In *BoomBox*

Available at <http://boomboxnetwork.com/2014/04/affiliate-marketing-influencer-marketing-perfect-mariage/>

Sean Lineham. Why Dropbox's Space Race is Genius (Referral Program Overview).

Available at: <http://sorryhumans.com/dropbox.html>

Erin Kang (Liveperson). The Consumer Confidence Gap.

Available at: <http://www.liveperson.com/connected-customer/posts/consumer-confidence-gap-why-digital-first-generation-needs-human-touch>

(Unknown) Influencer, Affiliate and Advocate Marketing: What's the difference? In *CMO Essentials*.

Available at: <http://cmoessentials.com/influencer-affiliate-and-advocate-marketing-whats-the-difference/#sthash.PT8KB1yZ.dpbs>

Bazaarvoice. Talking to Strangers: Millenials Trust People Over Brands:

http://resources.bazaarvoice.com/rs/bazaarvoice/images/201202_Millennials_whitepaper.pdf

Social Influence Marketing Trends. Report by Razorfish.

Accessible at: <http://www.slideshare.net/razorfishmarketing/social-influence-marketing-trends-2974341?related=1>

Achieving Big Customer Loyalty in a Small Business World.

Accessible at: <http://wordpress-src.s3.amazonaws.com/wp-content/uploads/BiaMantaKelsey-SBloyalty.pdf>

SUPPLEMENTAL RESOURCES:

Must-Reads for the Referral Marketers

Case Studies

Pura Vida, Talkable Case Studies: Pura Vida & Plastic

Accessible at: <https://www.talkable.com/resources/>

Startup Lessons Learned. Drew Houston (Dropbox). Slides 26-32 discuss their famous customer referral program.

Available at: <http://www.slideshare.net/gueste94e4c/dropbox-startup-lessons-learned-3836587>

Hacking Word-of-Mouth: Making Referrals Work for Airbnb.

Available at: <http://nerds.airbnb.com/making-referrals-work-for-airbnb/>

About Talkable

Talkable is the leading referral marketing platform, helping the modern marketer acquire new customers and increase sales through Refer-a-Friend campaigns. The Talkable platform is designed to help you easily build, test, and analyze referral marketing campaigns. We help you leverage the science behind referrals to generate the best performing Refer-A-Friend campaigns for your E-Business.

Learn more at www.talkable.com, via Twitter [@Talkable](https://twitter.com/Talkable), and at blog.talkable.com.



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