



REFERRAL MARKETING BEST PRACTICES FOR 2014

ACQUIRE NEW CUSTOMERS AT SCALE
BY REWARDING EXISTING CUSTOMERS

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INTRODUCTION

Why Referral Programs?

INTRODUCTION

Customer acquisition is the number one priority for marketers today, however it is also one of their biggest challenges.

Referral marketing is the third acquisition channel.

It does what SEO and SEM can't – it generates trust, builds loyalty and ultimately, drives new, high value customer acquisition.

SEO and SEM channels perform, but what about those potential customers who aren't specifically searching for your brand?

Recent reports state that while search marketing spend will continue to rise, it will lose share of all interactive spending. Tactics like referral marketing will take a bigger piece of the interactive marketing pie as they enable brands to reach potential new customers and create an entirely effective and predictable acquisition channel.

With successful referral marketing programs for over 500 brands, we have put together this Referral Marketing Best Practices for 2014 guide. The guide provides smart marketers with the framework to launch successful referral marketing programs.

“We pride ourselves on being a brand that our customers can trust. If you provide quality products at an affordable price, people naturally want to share those products and their experiences with their friends. This is why our Extole-powered referral program is such an important part of our new customer acquisition strategy.” — Don Pillsbury, VP of Sales and Marketing at American Giant

“Advance Auto Parts' customers are true car enthusiasts, and are our biggest asset when it comes to marketing our brand. They take pride in their skills, and love to share their knowledge with friends & family,” said Heath Bradbury, eBusiness Marketing Manager. “With our referral program, we are able to encourage those peer to peer conversations and turn them into something tangible — sales.”

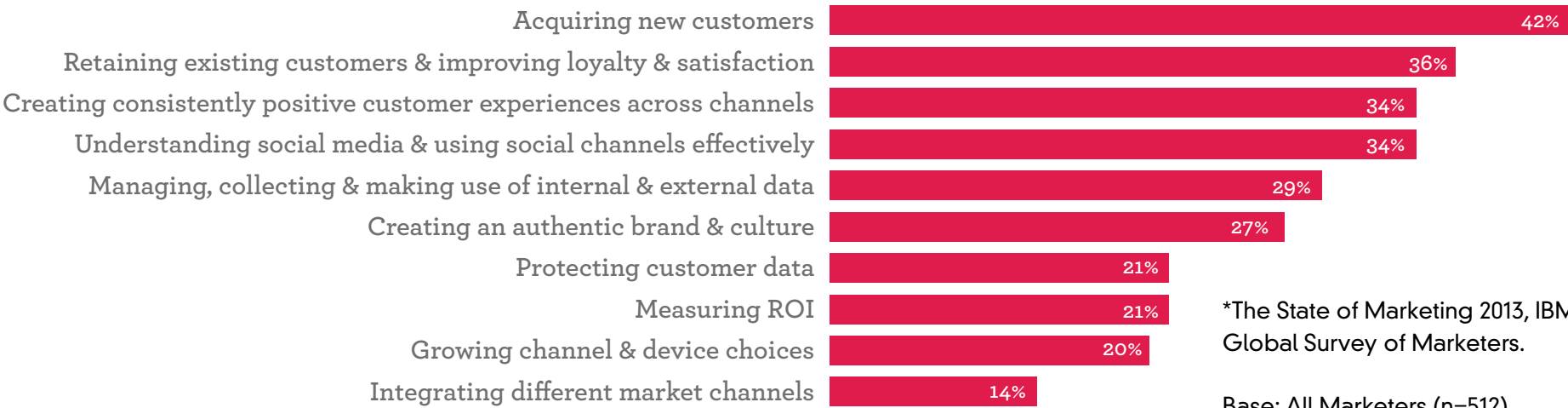
THE THIRD CHANNEL & MARKETING LANDSCAPE

Referrals are the
“3rd Channel” for online
customer acquisition.



Challenges Marketers Face:

Q. What are the top marketing challenges your organization faces?



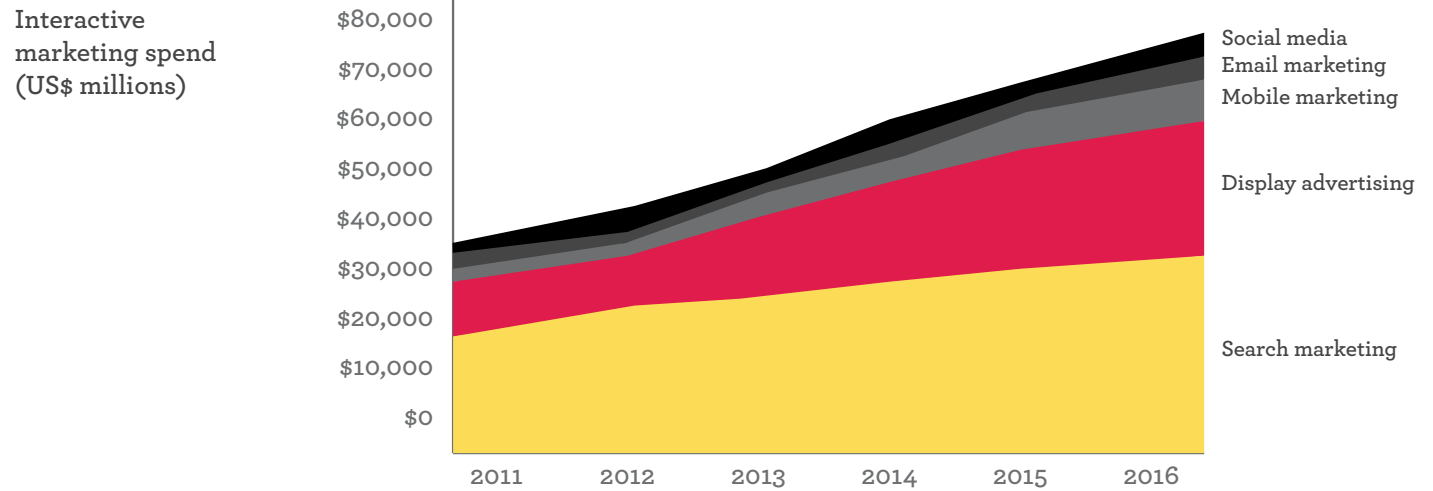
*The State of Marketing 2013, IBM’s
Global Survey of Marketers.

Base: All Marketers (n=512)

INTERACTIVE MARKETING SPEND

Search marketing will continue to be the biggest piece of the interactive spending pie -- rising from \$18.8 billion to \$33.3 billion between 2011 and 2016 -- but will actually lose share of all interactive spending in the same period, falling from 55% to 44%.

Acquisition through paid media is limited. It works for high-intent prospects (people actively looking for you). So, how do you reach people who aren't looking for you? Your customers' friends are a powerful, untapped acquisition channel.



	2011	2012	2013	2014	2015	2016	CAGR
Social media	\$1,590	\$2,119	\$2,760	\$3,453	\$4,217	\$4,995	26%
Email marketing	\$1,510	\$1,694	\$1,875	\$2,066	\$2,262	\$2,468	10%
Mobile marketing	\$1,652	\$2,777	\$4,238	\$5,697	\$7,057	\$8,237	38%
Display advertising	\$10,949	\$12,860	\$16,085	\$19,783	\$23,919	\$27,600	20%
Search marketing	\$18,756	\$21,553	\$24,613	\$27,515	\$30,433	\$33,319	12%
Total	\$34,457	\$41,003	\$49,571	\$58,514	\$67,888	\$76,619	17%
Percent of all ad spend	19%	21%	25%	29%	29%	35%	\$0

Source: Forrester Research Interactive Marketing Forecasts, 2011 to 2016 (US)

WHY REFERRAL PROGRAMS ARE A MUST-HAVE FOR BRANDS

Trust in Advertising Increases when it Comes from a Friend

- 84% of consumers trust recommendations from their friends (Nielsen)
- 68% of consumers trust opinions posted online (Nielsen)
- People trust recommendations from friends 7X more than traditional advertising (Nielsen)
- Nothing accelerates a purchase decision faster than a word-of-mouth endorsement from a peer whose only agenda is to help (Gartner)

More and More Customers are Shopping Online

- More than 80% of the online population has used the internet to purchase something (Invesp)
- Ecommerce sales in the US are growing at a 10%/year rate (Invesp)

Your Customers Friends are your Best New Customers

- Referral marketing generates customers who have higher lifetime values, are more loyal, and contribute higher margins per year than other customers (AMA)

Your Competitors are Doing It

- Among the hottest new startups in the sharing economy, 43% have implemented a referral program with rewards (Extole)
- 51% of financial services companies surveyed also have referral programs (Extole)

FINANCIAL SERVICES



SHARING ECONOMY



BEST PRACTICES

Referral Marketing Must Haves

REFERRAL MARKETING PROGRAMS

To be effective with referral marketing, treat it as a program. Set goals, define promotion strategies, measure in real-time, and optimize for greater success. Achieve your acquisition goals by giving marketers the ability to:

- Control referral rewards, creative copy, and promotional placements
- Protect against fraud and communicate with customer service
- Immediately understand customer behavior and program performance



Customers refer their friends



Trusted referrals result in new customers

MARKETER CONTROL

1. CREATE THE OFFER
2. PROMOTE THE PROGRAM
3. MAKE IT EASY TO SHARE
4. CREATE AN ENGAGING FRIEND EXPERIENCE

I. CREATE A COMPELLING OFFER

Referral program structure begins with the offer. Effective referral programs provide customers with a compelling reason to share your brand, products, or services with their friends.

Successful offer structures share 4 key components:

A compelling offer for your customers

Give your customers a reason to share your brand, products, or services with their friends. Successful offers are typically generous, unique, and targeted to a brand's customer base. Offers such as internal offers (free goods, discounts, and loyalty points), gift cards, and charitable donations are ideal.

A unique offer for the friend

Motivate referred friends to try a brand's product or service. A unique offer that friends can't get anywhere else encourages potential new customers. Internal rewards, such as coupons for a percentage off purchase or a free month of subscription, are excellent friend offers.

A balanced offer structure

Create a balanced offer structure for both customers and their friends. By having the values of both the customer and friend offers balanced, you maintain a sense of equality and create a shared experience. A balanced offer will result in more sharing and higher conversions.

An optimization plan

The final key to a successful offer structure is testing and optimizing to find what resonates best with existing customers. By trying different incentives and analyzing the subsequent data, marketers can find the optimal combination of customer and friend rewards.



2. PROMOTE THE REFERRAL PROGRAM EFFECTIVELY

Driving awareness of a referral program is critical to its success. The more customers that see a referral program, the more will participate and share the program with their friends. For great promotion, use all of available owned assets.

Great promotion also means a great user experience. Make sure calls-to-action (CTAs), emails, and social promotions reflect your brand look and feel, are designed with the end user in mind, and are properly integrated into your site or property.

Promotional placements across owned assets

A systematic approach to promoting the program across all available owned assets is an important factor in driving participation and keeping the program top of mind. Make sure to include prominently placed promotions on your corporate websites (particularly the homepage), email promotions to your customer and opt-in lists as well as promotions on social networks. The CTA for the program should be highly visible and easily accessible.

Promoting the program at key customer touch points

Promote the referral program on key touch points throughout the customer experience. Customers are most likely to share the program with their friends when they feel closest to your brand, typically after they have made a purchase or interacted with the product. Promotions on key customer touch points such as order confirmation pages, purchase confirmation emails, pop-up messages, and banner ads within digital products drive high-quality participation and engagement.

Hatching
Folded Note Cards & Envelopes
Artist: Leslie Seibert

Let your new little one be the star of this simple and stylish thank you card. Have something important to say? A personal note on a customized card says it with style. Sold in sets of 12.

Our Low Prices	
12	\$11.99
24	\$23.99
36	\$35.99
48	\$44.99
96	\$89.99

- 5.5 by 4.25 inches, sold by the dozen
- Available on two premium paper stocks
- Add your own images and text, not just to the front, but also the inside and back
- Envelopes included
- Available on two paper stocks - Textured and Natural Matte Description of paper finishes

Paper Finish:

[CUSTOMIZE NOW](#)

Refer-a-Friend
You Get: \$10 Off Your Next Order. They Get: 50% Off Their First Order.

[REFER A FRIEND](#)

THIS DESIGN HAS MATCHING PRODUCTS!

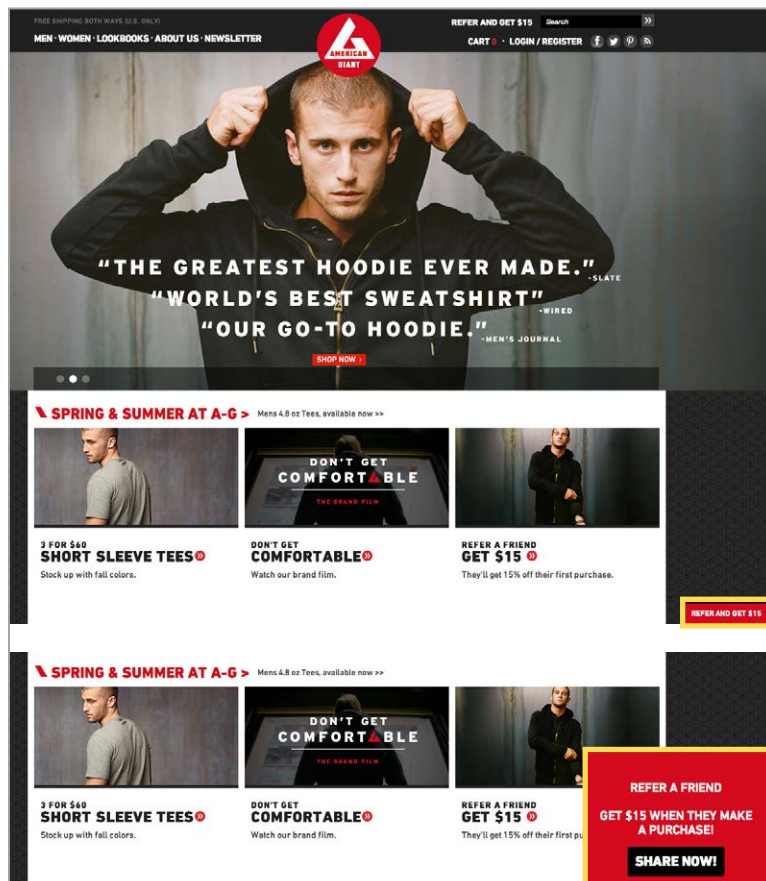
- Hatching 5x7 Easel Panel
- Hatching Deluxe 5x7 Metallic Cards
- Hatching 5x7 Photo Cards with Envelopes

Sign Up For Email & Get 25% Off Your Next Order | EMAIL: [SIGN UP AND SAVE](#)

2. PROMOTE THE REFERRAL PROGRAM EFFECTIVELY

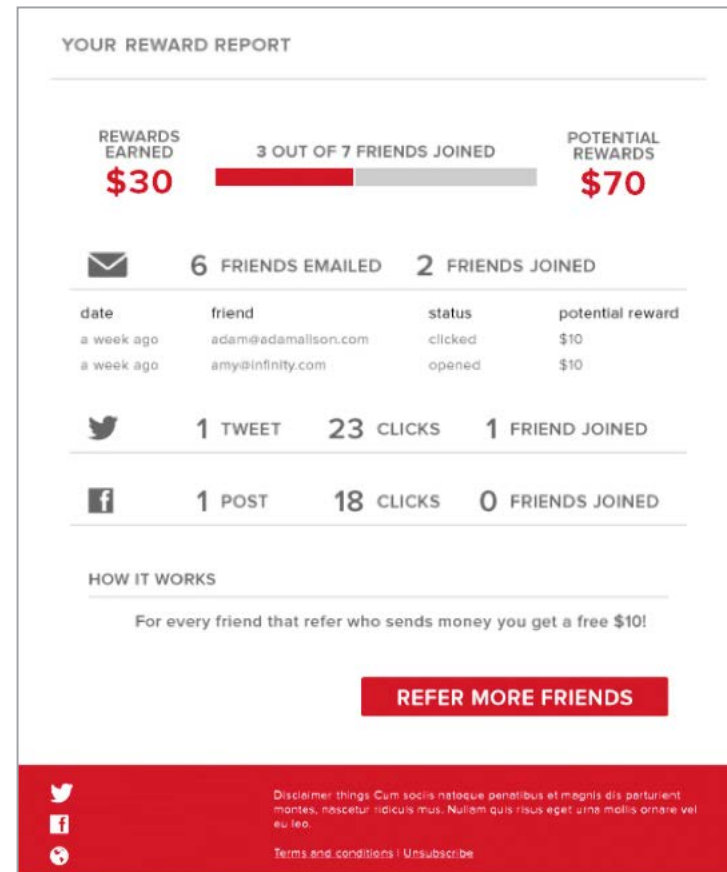
IT Constraints? No Problem

Overlay promotion is a very visible, always prominent call-to-action (overlay CTA) that requires zero real estate and is easy to implement. Using best practices from online advertisers to get attention, on mouse-over or after a 1 second delay, the CTA expands to give your customers more information about the offer.



Reminder Emails

The best way to drive more quality sharing is to motivate your customers to remind the friends they've already shared with, and to consider who else might be interested. Share with your customers their referral statistics with smart scheduling emails. These emails keep their stats top of mind, making customers feel great and encouraging them to go back and share again.



3. MAKE IT EASY TO SHARE




There are a number of ways customers can share referral marketing programs with their friends, including email, personal URL (PURL), Facebook, Twitter, and Google+. Give customers the option to choose among channels in order for sharing to be most effective. In all cases, make sharing easy and test and optimize messaging according to sharing channel.

Share with Email


From: name@email.com [not you?](#)

Send Email

Other ways to share

Copy

Your rewards will be sent to name@email.com. [Not you?](#)
[Terms and Conditions](#) | [Privacy Policy](#) 

Enable Customers to Share Brands, Products, or Services

Giving customers the option to share at either the brand or product level lets them control what they want to share with their friends. Giving a customer the ability to provide either a general brand or a specific product recommendation will make sharing more personalized. A more personalized and relevant share to a friend will increase conversion.

Select Appropriate Sharing Channels

Depending on the type of business and offer, marketers should make different sharing channels available for customers to share with their friends. Email is the most popular sharing channel for referral programs and should always be included. Consumer brands should also include Facebook, Twitter and Google+ for optimal results, and B2B companies should include LinkedIn, Google+, Twitter and/or Facebook. Extole recommends providing 2 to 4 sharing channels for customers to choose from.

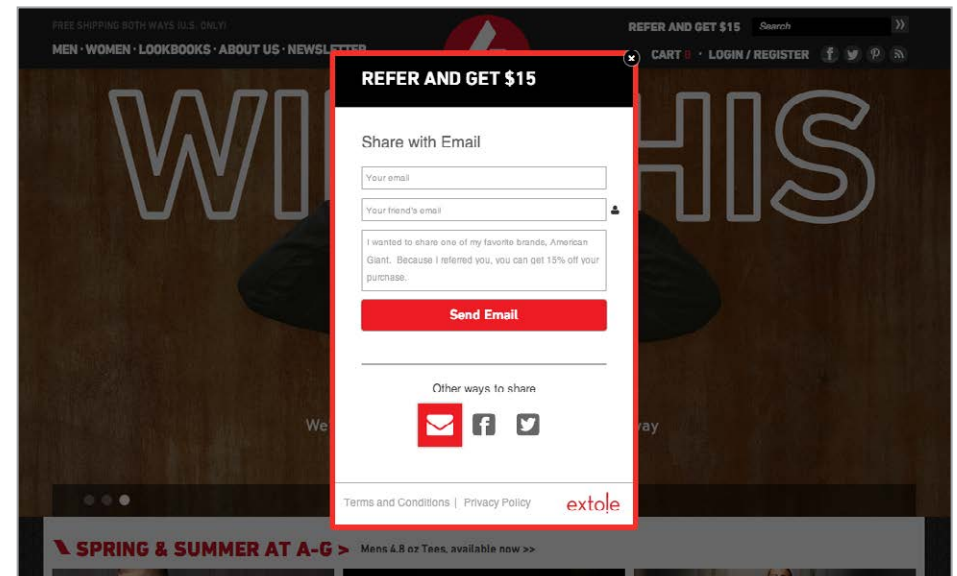
The Share Message: Default vs. Customer Created

A best practice is to provide customers with the options to use default, pre-populated messages or messages that they compose themselves. Personal messages (written by customers) perform better than default messages created by the brand, but on average, 40% of customers do not change the default share message. Testing and optimizing pre-populated, default messages will help determine what compels the most friends to click and convert.

3. MAKE IT EASY TO SHARE

Brand-level Sharing

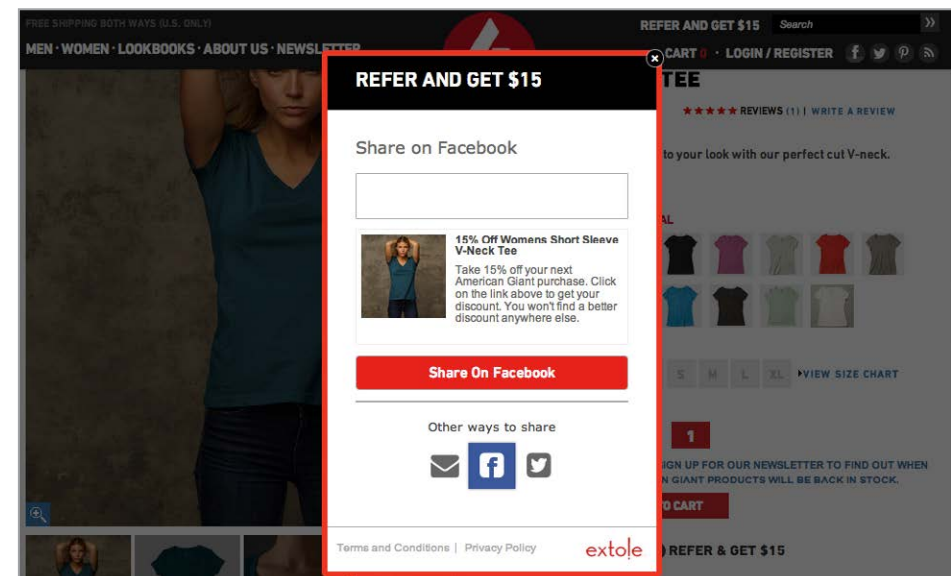
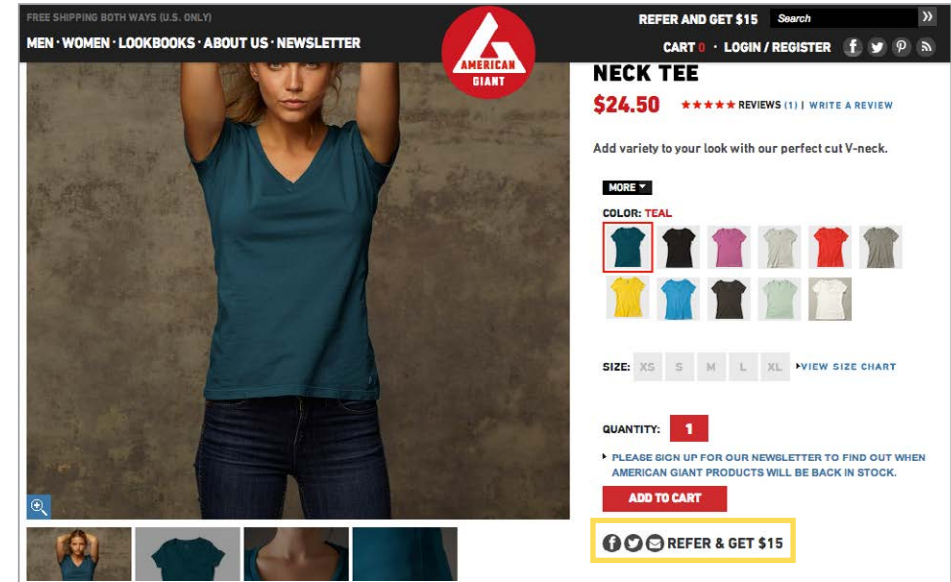
Brand-level sharing enables customers to share brands with their friends. These shares are much broader and work well for Retail, Financial Services and Consumer Subscription companies.



3. MAKE IT EASY TO SHARE

Product-level Sharing

Product-level shares are more contextual. They contain specific product information in the share message and work well with Retail and eCommerce companies.

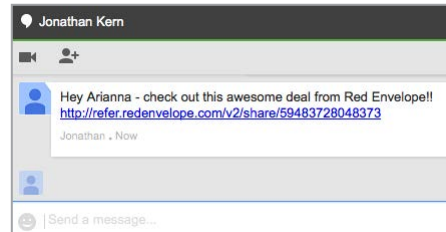


3. MAKE IT EASY TO SHARE: SHARING CHANNELS

Share with Email

I wanted to share one of my favorite brands, American Giant. Because I referred you, you can get 15% off your purchase.

Send Email



Email Sharing

Email is the most popular sharing channel in a referral program because it's a personal share between a customer and his or her friend. Since the email shares come as personal recommendations from a trusted source, the conversion rates are the highest of all sharing channels.

Default messages for email sharing should read like a story with a personal touch, which tells the friend about the offer they will receive and what the existing customer gets if the friend converts.

PURL Sharing

PURLs are personalized links that brands can provide to customers to share content with their friends across channels and platforms – emails, blogs, instant messages, social networks, and more. Because PURLs are a simple, flexible sharing option that can be one-to-one (email) or one-to-many (Facebook posts), they are a very popular sharing option.

Since PURLs are links to be included in multiple sharing channels, default messages do not apply.

Facebook/Google+ Sharing

Sharing via Facebook and Google+ is one-to-many sharing with your customers friends and social communities. Shares through Facebook and Google+ are amplified more than one-to-one shares.

Default messages for Facebook or Google+ sharing should sound like your customers are speaking directly to their friends and include the existing customer's rationale for why they are sharing the offer with their close network of friends.

Twitter Sharing

Sharing via Twitter is a one-to-many, broadcast share. Twitter shares see the highest amplification because they can be seen by anyone.

Default messages for Twitter should resemble a more condensed message to the world at large. It is beneficial to use an @Twitter Handle and the name of the brand within the post to increase SEO, as well as a hashtag (#) attributed to the referral program.

4. CREATE AN ENGAGING FRIEND EXPERIENCE

Make sure the friend experience is exciting and fosters a high level of trust in the referral program. This includes both the outbound sharing experience and the inbound referral experience.

One of the most effective ways to create an engaging experience for the friend is through the friend landing page. The friend landing page is the page that a friend sees upon clicking a trusted recommendation from a customer sent through email, Facebook, Twitter, LinkedIn, Google+, or a PURL (these channels are prepopulated with default messages, but can be personalized by sender if desired).

The friend landing page should describe the details of the referral program, communicate the offer and include a CTA for conversion. A conversion can be an opt-in, signup, redemption, or purchase.

To optimize conversion, the friend landing page should follow these guidelines:

Make it short and to the point

Keep the message concise and clear. Give the referred friend a quick overview of the offer and outline the steps to conversion.

Describe the offer

Highlight the incentive, be clear about what the referred friend will receive and communicate that it is a “friends-only” deal. Friends need assurance that the reward they will receive is exactly what they were promised.

Keep the CTA simple

The CTA should be strong and concise. The friend landing page should provide a clear path to

conversion in as few steps as possible.

Make it personal

The best landing pages reinforce that the recommendation is from someone they trust. So, create a unique landing page with personalized, dynamic messaging and a strong call to action. Make it obvious that the friend’s offer is the result of a referral. Also, make sure that it’s easy for the friend to redeem any special offers – remember you want to drive conversion as much for your benefit as for the customer’s benefit. Extole can even pass a referred friend’s name through the platform to further customize the friend experience.

4. CREATE AN ENGAGING FRIEND EXPERIENCE

An engaging friend experience results in more referrals. Referrers can see when their friends participate, giving them more incentive to share with even more friends. The benefits are great for both sides.



FRAUD & CASH MANAGEMENT

MANAGE FRAUD AND FULFILLMENT

Control gaming and reward the right people based on your business objectives for each program.

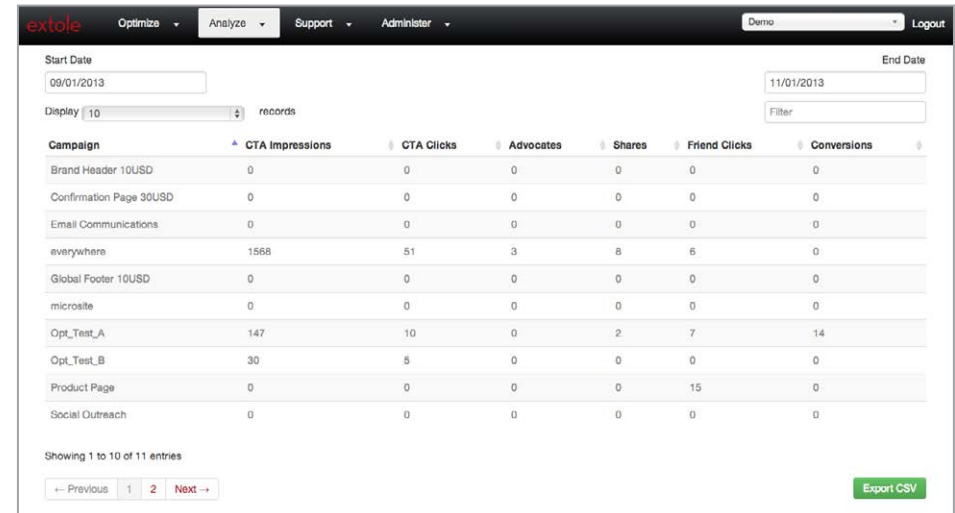
Driving new acquisition?

Only count purchases made by new customers.

Driving sales?

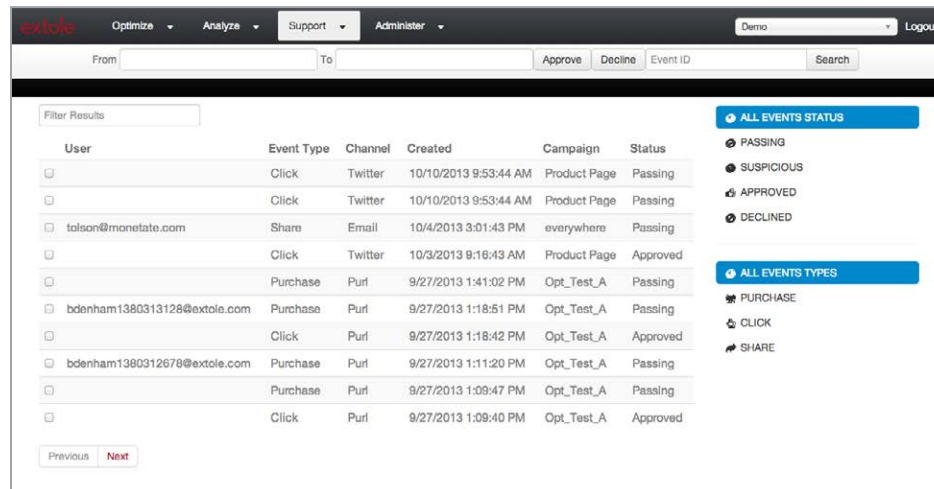
Prevent self-referrals.

In all cases, ensure you are measuring the success of your messaging and promotion based on valid traffic from qualified customers by filtering out spammers, foreign countries, and bots.



The screenshot shows the Extol dashboard with the 'Analyze' tab selected. It displays a table of campaign performance metrics for the period from 09/01/2013 to 11/01/2013. The table includes columns for Campaign, CTA Impressions, CTA Clicks, Advocates, Shares, Friend Clicks, and Conversions. The data is filtered to show 10 records per page.

Campaign	CTA Impressions	CTA Clicks	Advocates	Shares	Friend Clicks	Conversions
Brand Header 10USD	0	0	0	0	0	0
Confirmation Page 30USD	0	0	0	0	0	0
Email Communications	0	0	0	0	0	0
everywhere	1568	51	3	8	6	0
Global Footer 10USD	0	0	0	0	0	0
microsite	0	0	0	0	0	0
Opt_Test_A	147	10	0	2	7	14
Opt_Test_B	30	5	0	0	0	0
Product Page	0	0	0	0	15	0
Social Outreach	0	0	0	0	0	0



The screenshot shows the Extol dashboard with the 'Support' tab selected. It displays a table of event results, including columns for User, Event Type, Channel, Created, Campaign, and Status. The table is filtered to show results from 10/10/2013 to 10/10/2013. The status of each event is listed as either 'Passing', 'SUSPICIOUS', 'APPROVED', or 'DECLINED'.

User	Event Type	Channel	Created	Campaign	Status
	Click	Twitter	10/10/2013 9:53:44 AM	Product Page	Passing
	Click	Twitter	10/10/2013 9:53:44 AM	Product Page	Passing
tolson@monetate.com	Share	Email	10/4/2013 3:01:43 PM	everywhere	Passing
	Click	Twitter	10/3/2013 9:16:43 AM	Product Page	Approved
	Purchase	Purl	9/27/2013 1:41:02 PM	Opt_Test_A	Passing
bdenham1380313128@extole.com	Purchase	Purl	9/27/2013 1:18:51 PM	Opt_Test_A	Passing
	Click	Purl	9/27/2013 1:18:42 PM	Opt_Test_A	Approved
bdenham1380312678@extole.com	Purchase	Purl	9/27/2013 1:11:20 PM	Opt_Test_A	Passing
	Purchase	Purl	9/27/2013 1:09:47 PM	Opt_Test_A	Passing
	Click	Purl	9/27/2013 1:08:40 PM	Opt_Test_A	Approved

Your approval and fulfillment processes need to fit your business.

Automated or manual?

Automatically approve conversions based on your business rules – immediately or after your return period or free trial has ended. New programs trying to establish a volume baseline and customer support teams can manually approve conversions for fulfillment.

Approval can be manual through the admin interface or automatic based on rules (by batch file or API).

ANALYTICS & OPTIMIZATION

ANALYZE AND OPTIMIZE THE REFERRAL PROGRAM

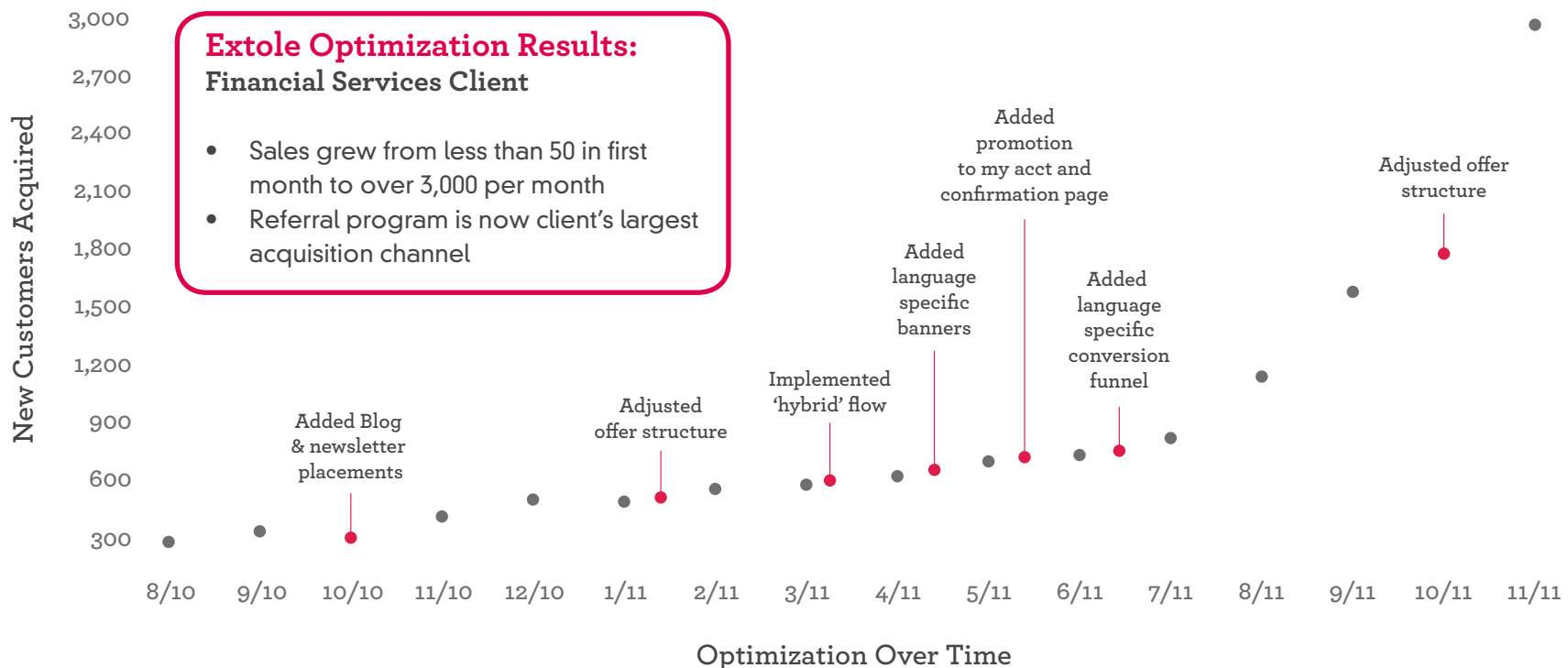
Monitoring and optimizing a referral program on an ongoing basis is imperative. Marketers should have real-time access to their referral program analytics from promotional placement performance to most popular sharing channels, product preferences, customer insights, and more.

Referral Program Analytics

The right reporting and analytics are critical to monitoring and optimizing all elements of your referral program. Marketers can analyze performance by promotional placement, performance by sharing channel, and can understand who is sharing and how these shares are driving conversions. With this information, marketers can identify their top customer participants and tier programs to foster additional participation.

Optimizing the Program

Continually testing and optimizing program elements yield the best results. Test the promotional placements and copy, default sharing messages, remarketing efforts and more.



OPTIMIZE PROMOTION

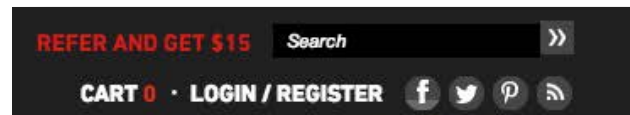
Know which promotional placements are working, and which aren't. Maybe it's the copy? The color? Optimize messaging and placements to find what resonates best with your customers.

Having access to real-time data ensures marketers stay on top of the program and keep it fresh.

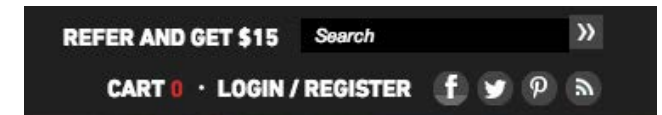
Test Messaging

Refresh share messages to clarify offers for both referrers & friends.

Tweak messaging in email and social shares to be consistent with brand voice.



VS



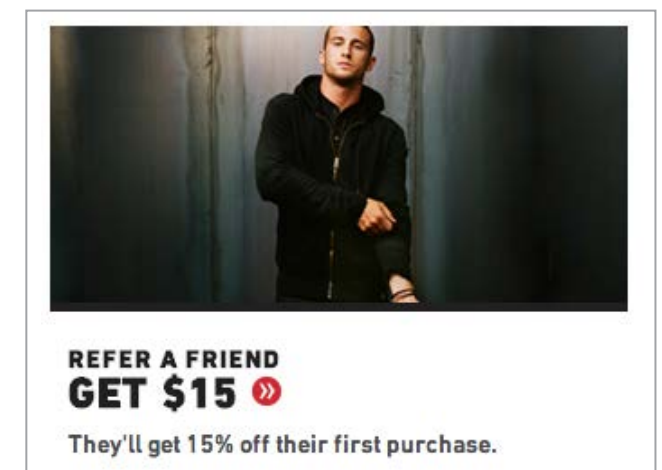
Test Calls to Action

Homepage location - decide whether the CTA should be placed above the banner image or integrated as part of the main banner images.

Global header - consistently drives the highest volume of shares and conversions, so make sure this promotion stands out.



VS



CASE STUDIES

CLEAR: DOUBLES ENROLLMENTS WITH EXTOLÉ



INDUSTRY: Travel

CLEAR, the rapidly growing travel technology company, wanted to give its members an easy way to refer the brand to their friends. CLEAR built its own referral marketing system but, when faced with the need to improve it, partnered with Extolē for its capabilities and expert services.

GOAL:

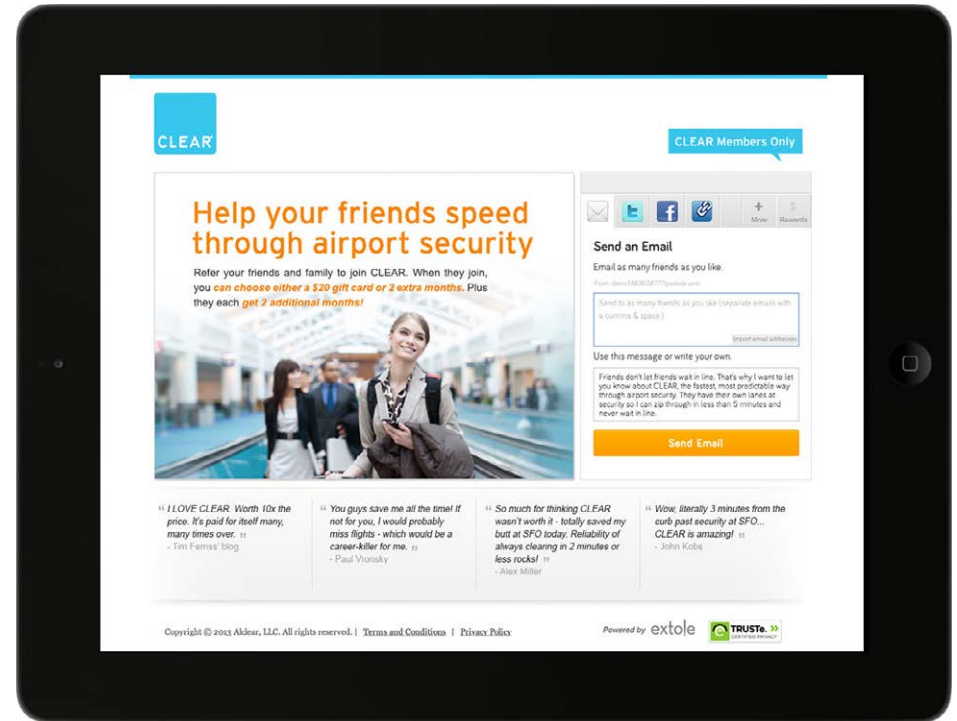
- Acquire new members
- Maintain retention rate
- Reward loyal members
- Replace homegrown referral marketing program

TOP OFFER:

Members receive either a \$20 gift card or two extra months of service for each friend that joins. Referred friends get two additional months of service.

RESULTS:

- Doubled CLEAR member enrollments via referrals compared to internal program
- CLEAR acquires almost 8% of all full paying members through referrals
- Members acquired through referral marketing have a 99% retention rate
- Members use the referral capabilities to share with an average of 3 friends



ADVANCE AUTO PARTS: DRIVES 25% CONVERSION RATE



INDUSTRY: Automotive, eCommerce

Advance Auto Parts has mature online marketing programs and was looking for cost effective ways to reach additional audiences. Advance Auto Parts teamed up with Extole to create a new acquisition channel through referral marketing.

GOAL:

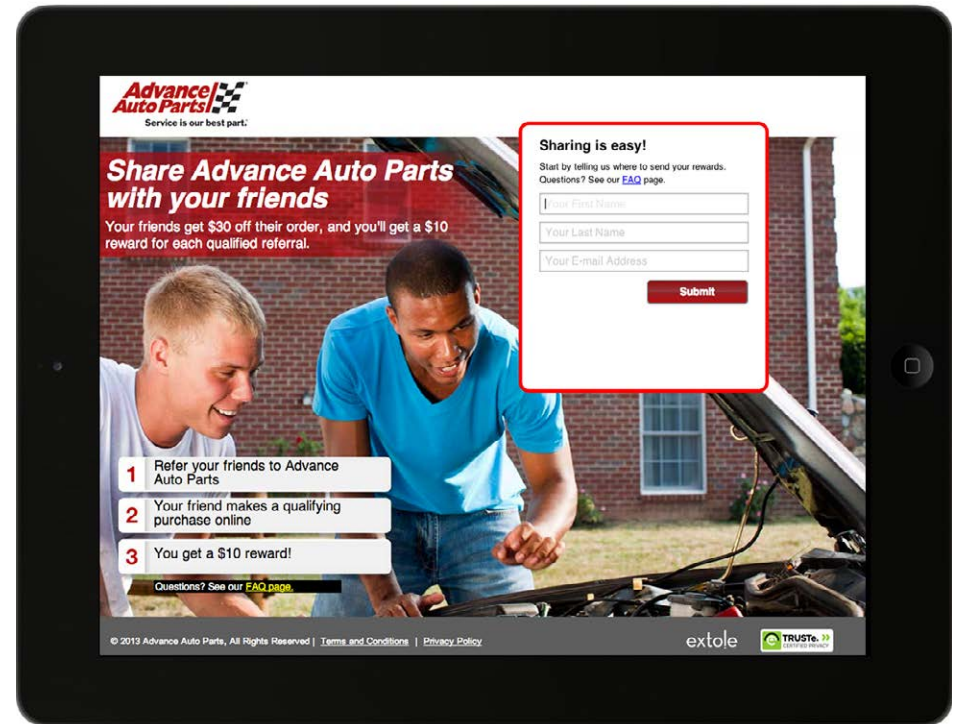
- Drive new customer acquisition via existing customers
- Grow brand awareness online

TOP OFFER:

Customers receive \$10 gift cards for every friend they refer who makes a purchase. Friends receive up to 40% off their first purchases.

RESULTS (Past 3 Months):

- 25% conversion rate
- 3,500 new customers
- Each customer has shared the program with an average of 4 friends
- 73% click rate back to Advance Auto Parts website



AMERICAN GIANT: DRIVES 10% OF TRANSACTIONS VIA REFERRALS



INDUSTRY: Apparel, eCommerce

As a new high quality American-made apparel brand, American Giant needed a way to strategically grow the business and acquire new customers. American Giant selected Extol's referral marketing platform for its ability to share both the brand and the products it sells.

GOAL:

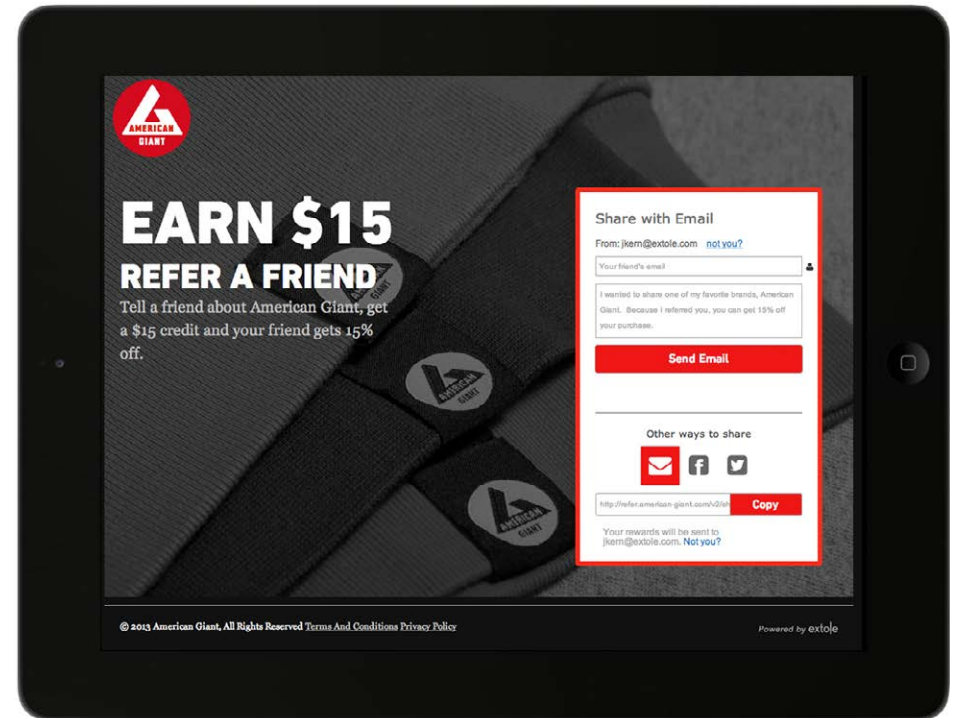
- Drive new customer acquisition and sales
- Gain insight into customers' product preferences

TOP OFFER:

Existing customers receive \$15 when their friends make a purchase and friends receive 15% off their orders.

RESULTS (Past 2 Months):

- Drives 10% of all eCommerce transactions
- Email shares have a 21% conversion rate
- Customers are sharing the program an average of 3 times



BODYMEDIA: SEES 16% CONVERSION RATE



INDUSTRY: Consumer Electronics

With its Extole referral program BodyMedia was able to reach highly-engaged new customers through recommendations from its existing customers.

GOAL:

- Drive new customer acquisition
- Amplify WOM referrals
- Generate brand awareness

TOP OFFER:

Offer: 3 months of free subscription for referrer, 15% off armband purchase for friend. Promoted via Website, email, Facebook and Twitter.

RESULTS: (Past 3 Months)

- 2,500+ customers participating
- 4 shares per customer
- 73% friend click rate
- 16% conversion rate
- 1,000+ new customers



OPTIONSHOUSE: REFERRALS MOST EFFECTIVE ACQUISITION CHANNEL



INDUSTRY: Financial Services

As a fast-growing online stock and option broker, OptionsHouse partnered with Extole to efficiently acquire new customers.

GOAL:

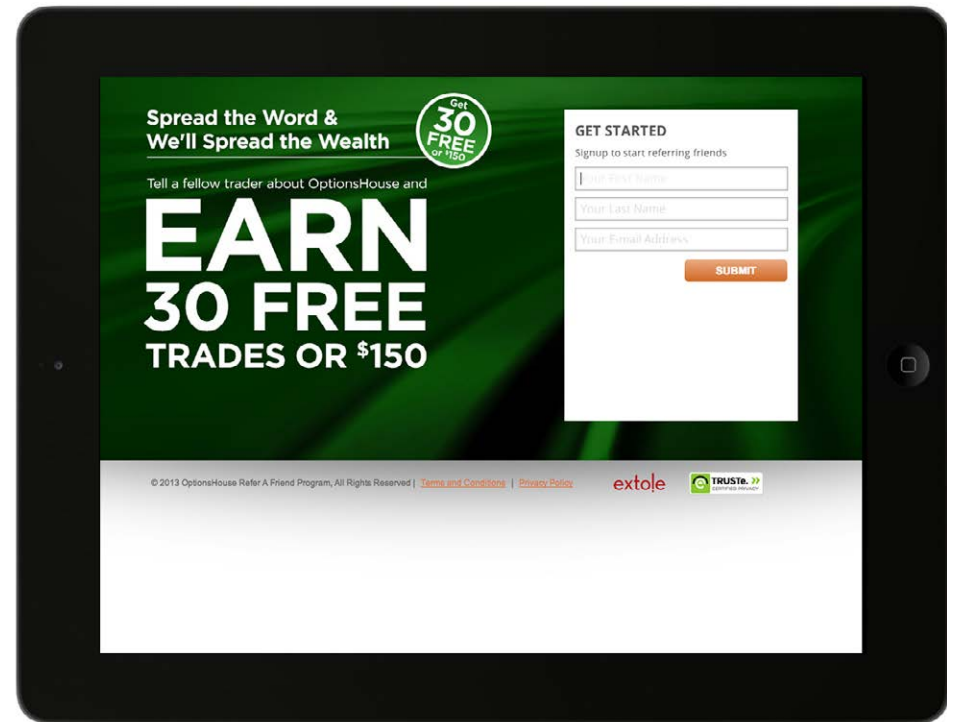
- Nurture loyalty and reward existing customers
- Drive new and efficient customer acquisition via existing customers

RESULTS: (Past 6 months)

- 2,500+ customers participating
- 5 shares per customer
- 115% click-through rate
- 7% conversion rate
- 1,000+ new customers

TOP OFFER:

Existing Customers: get \$150 cash or 30 commission-free trades.
Friend: 100 commission-free trades.



REFERRAL MARKETING IMPACT

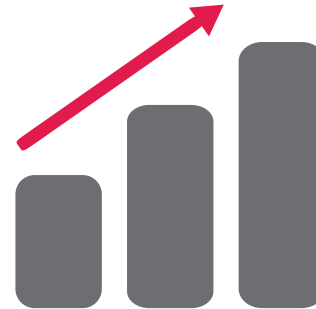
RESULTS OF A REFERRAL MARKETING PROGRAM

New Customer Acquisition



Referred Customers:

- More loyal
- High LTV
- Low attrition rates



Increased Conversion Rates

- Email
- Social channels
- Traffic to website



Sales

- Higher AOV
- Repeat purchases



Awareness

- Social reach
- Brand discovery

REPRESENTATIVE REFERRAL MARKETING RESULTS

The below examples are representative of the type of results marketers can see with referral marketing programs.



Telecommunications Company

A leading provider of telecommunications services replaced its homegrown referral program with an out-of-the-box solution that would help them acquire new customers at scale.

Results for the past 6 months:

- 4X lift in referral traffic compared to homegrown referral program
- 21K+ customers participated
- 95k referral visits
- 60% lower CPA than other channels



Entertainment Company

A digital television and entertainment services provider launched a referral marketing program to drive awareness, acquisition and sales for its subscription service through customer referrals.

Results for the past 6 months:

- Nearly 47,000 customers participated
- An average of 3 shares per customer
- 7% conversion rate
- Gained 4,350 new customers



Financial Services Company

An online money transfer service implemented a referral program to grow its business through referrals. The referral program is now the service's number one new customer acquisition channel.

Results for the past 6 months:

- 59,000 customers participated
- Almost 5 shares per customer
- 23% conversion rate
- Driven over 37,000 new customers

CONCLUSION

CONCLUSION

The Extole referral marketing platform gives marketers the tools to acquire new customers at scale by rewarding existing customers.

Offering referral incentives to customers doesn't just give away money, it causes them to want to deliver worthy new customers in return. And who better to deliver worthy customers than people who are already customers?

The logic is simple. If you can activate your existing customers to recommend and refer their friends, you can add an entirely new and predictable acquisition channel.

CONTACT US TODAY!

About Extole

Extole enables brands to acquire new, high value customers at scale with its referral marketing platform. With Extole's simple, turnkey solution, marketers can create a complete, efficient, and reliable acquisition channel by encouraging their customers to refer new customers.

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