



EXTOLE

2019 REFERRAL BEST PRACTICES GUIDE

Contents

Introduction 3

Measuring Growth 4

Use referral to grow revenue, for new customer acquisition, to build your email list, and to identify powerful customer segments.

Delivering Relevance 7

Match your referral program to your brand and your customer journey to drive participation and results

Going Offline 14

Take your program to the next level by taking advantage of the opportunities to engage customers offline

Leveraging Automation 15

Leverage every opportunity to make referral an automated channel so that it's responsive to customer need and easy to operate

Honoring Privacy and Security 17

Make sure the design and functionality of your program accounts for privacy, security, and regulatory considerations

Conclusion 19

When Customer Engagement Means Customer Acquisition

EXTOLE BEST PRACTICES FOR REFER-A-FRIEND & ADVOCACY PROGRAMS

The reason for massive growth in the number of refer-a-friend programs you see across the Web is that, thanks to a modern approach and modern software, they deliver what no other form of marketing can: a significant source of new customers based on the great experience of existing customers.

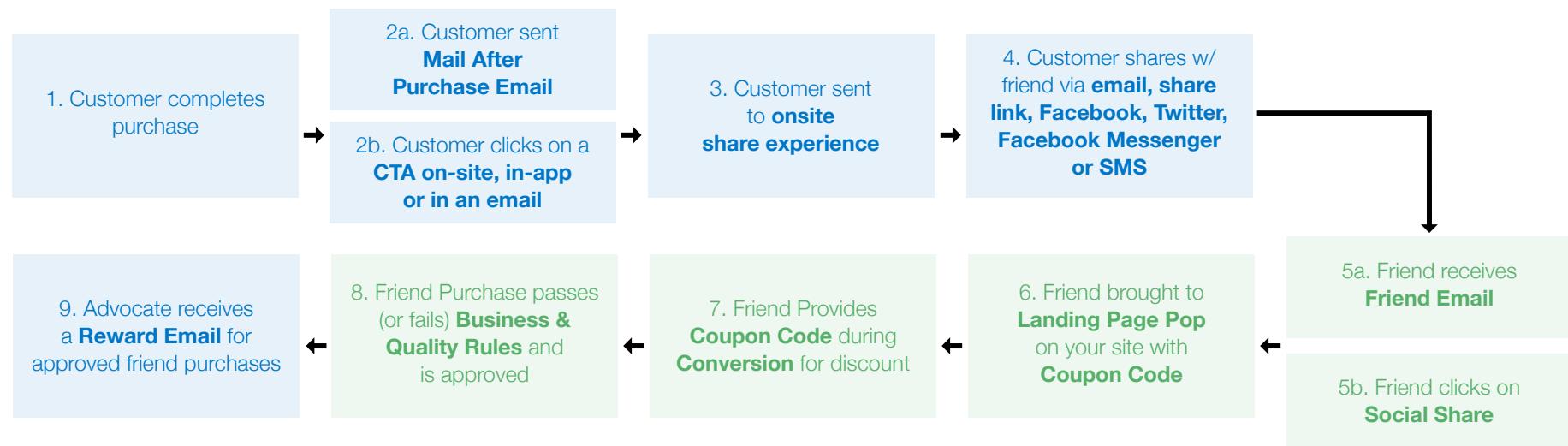
At Extole, we have the privilege of working with retail brands that have figured out the key to unlocking the long-promised benefit of customer advocates. That key is engaging your customers between and beyond purchase and encouraging them to share their experience through powerful recommendations to their friends and families.

We share our best practices in this guide and encourage you to visit www.extole.com for additional resources including our [Essential Referral Email Guide](#), which details the many emails that power complete, high-performance referral programs.

INTRODUCTION

REWARDS & PROGRAM DESIGN

Most modern referral programs use rewards. For retailers, an advocate typically gets a reward when a referred customer purchases. And a referred friend 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 rewards. The typical retail flow is depicted in the following diagram.



This year, more than other, we've seen an evolution in rewards. Coupon codes are still by the far 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) have been increasingly adopted by Extole clients. Driving this change has first been the evolution of etail business models that include subscription and membership models perfect for account credits. At the same time, more marketers are recognizing that rewards are part of the experience and that connections from referral can be richer when the reward is more differentiated.



Part 1: Driving Growth

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. When turning to your existing customers to acquire new ones, look closely at revenue growth and at additional impacts most notably the identification of more customers in the segments that matter to your business.

TRACK EACH COMPONENT OF REVENUE GROWTH

Purchases from referred friends

The main focus of most referral programs is revenue from referred friends. Related success metrics are new-to-file emails and even email list reactivations. It's also common to look at the lifetime value of customers acquired through referral.

Subsequent purchases from friends

For brands looking beyond first-purchase and focusing on LTV, subsequent purchase revenue from referred friends is an important measure of the impact of refer-a-friend.

Advocate revenue

When a referred friend makes a purchase, the advocate who drove that conversion also gets a reward. For most retailers, that advocate reward is a coupon that can be used on next purchase. Track the purchases associated with those advocate reward coupons to understand more direct revenue impact of your referral program.

\$9 BURST CAMPAIGN RESULTS (ONE WEEK)

\$6 OFF CAMPAIGN

Avg Advocates/wk: **1,684**
Avg Conversions/wk: **1,040**
Avg Revenue/wk: **\$35,878**
AOV: **\$34.50**
Participation Rate: **9.1%**

\$9 OFF CAMPAIGN

Avg Advocates/wk: **3,267**
Avg Conversions/wk: **893**
Avg Revenue/wk: **\$36,370**
AOV: **\$40.73**
Participation Rate: **12.3%**

RESULTS

1.9x more advocates
14.1% decrease conversions
1.4% more revenue
18.1% higher AOV
35.2% increase in participation

GROW YOUR MARKETING LISTS

Refer-a-friend programs by themselves create your **list of advocates**. These people are willing to share your brand with their friends and family. Their authentic recommendations show their importance to your brand. And, referral programs help you create and grow other important lists too.

Email Subscriber list growth

You can add opted-in participants in your referral program to your email list. Advocates can be added when they share, and friends can opt-in when they click on share links through a gated referral offer.

Deal Seeker list growth

When you give a visitor an offer through your referral program and she then purchases using a more aggressive deal, she's revealing that she's particularly price sensitive. These customers are the first people, for example, who you may want to send clearance sale announcements or receive your best deals.



CREATE MORE ADVOCATES, CONVERT MORE FRIENDS

Because of all the revenue benefits from your refer-a-friend program, growing the number of participants is essential. If the number of advocates in your program is about 10% of the number of people purchasing on your site over a period of time, you're doing a good job.

To reach this level or exceed it, consider how and where you are asking your customers to refer. Having multiple post-purchases calls-to-action is a best practice.

Include a strong CTA on the order thank you page, add a dedicated or prominent request for referral to your post-purchase email sequence, consider placements on order-tracking pages, and make sure your email templates all include a standard and easy-to-find call-to-action.





Part 2: Delivering Relevance

Taking refer-a-friend beyond the banal requires making it more relevant. It has to fit with your brand and with the design of your customer experience. When you come across a program that doesn't match either the brand or the customer, referral sticks out — in a bad way. And it doesn't perform either. Here are best practices for getting it right and for achieving relevance and results.

MATCH YOUR CALENDAR BY BURSTING REWARDS & TAILORING MARKETING

Peak

Whether it's Valentine's Day, Spring Break, Back to School, or Black Friday, you've got at least one peak season that focuses and drives your marketing efforts.

During peak, keeping our referral program's standard reward and normal marketing plan means leaving money on the table. Instead, boost your referral offers to keep them consistent with other offers available to your customers and then drop the offer back down after peak.

Automatically schedule rewards bursts to make it even easier during your busy time. Similarly, have a referral program marketing plan that matches your approach during peak. A common change is to market refer-a-friend after a customer has purchased so that she'll send her very impactful recommendations during a likely buy-time for friends and family.



PART 2: DELIVERING RELEVANCE

Off-peak

The summer doldrums...what better time than your slowest seasons to influence future customers — many of whom don't even know you exist or how great you are.

How about a specific, authentic recommendation from a great existing customer in the inbox of a perfect lookalike? Sounds enticing and that's exactly what you can do with your referral program.

A best practice for driving advocacy and sharing during these slumpy times is to take advantage of your email list to send communications where your refer-a-friend program is the main topic.

Causes

People connect with brands for reasons beyond the items they buy. They become committed because of shared values — lifestyle, inspiration, aspiration, and cause.

If your brand connects with customers through charitable campaigns, don't leave your refer-a-friend program out. Change your referral reward or run a separate referral program to replace your normal discount or gift card with charitable donations.

Select Your Reward Type

 Coupon >	Upload coupons from your ecommerce platform that will be distributed to participants.
 US Gift Card >	Select from our catalog of US market stored value gift cards from major brands like Amazon, Apple and more.
 International Gift Card >	Select from our catalog of International currency stored value gift cards from major brands.
 Charitable Donation >	A selection of US-based charitable entities to which donations can be made as a reward for user activity.
 Custom Reward >	Connect to your own internal systems for loyalty points, account credits and gift with purchase.
 Salesforce Commerce Cloud Coupon >	Automatically deliver coupons from the Commerce Cloud platform.

INCREASE RELEVANCE WITH SMART TESTS

Small copy changes and more intensive creative tests are often the focus on referral testing plans and can indeed have big results. But more likely than not they're going to take a long time to yield any results at all. The smartest approach for optimizing refer-a-friends is to test your big assumptions first so that you can learn (and fail!) fast. That way, you're moving quickly to have an optimized and highly relevant referral funnel. That's why we recommend offer tests, experience tests, rule tests before lower-yield copy tests.

Offer Test

Try a gift card (your own, a partner's, or an open card like Visa) instead of a coupon code as the advocate reward; your dependent variable will be advocacy rate and keep an eye on other advocate behaviors like subsequent purchase as well as friend revenue.

Experience Test

Try removing email capture from the friend experience; your dependent variable will be conversion rate and keep an eye on the quality of friend conversions.

Rule Test

Try raising limits around advocate shares and earned rewards to understand their impact on advocacy and repeat sharing; your dependent variable will be share rate but keep an eye on share and friend conversion quality.

LOCALIZE IT

Your sites and apps are language and currency localized. Yet your referral program is likely in US English. If that's the case, your international growth pourrait être meilleure!

Make sure that your advocate's referral experience matches the language or locale she's experiencing throughout your site. Translate onsite and in-app sharing, marketing CTAs, and even the emails your program relies on to the languages your advocates expect.

Advanced programs even give advocates the opportunity to change their default before sharing to match the language preferences of friends and family. C'est très pertinent, n'est pas?

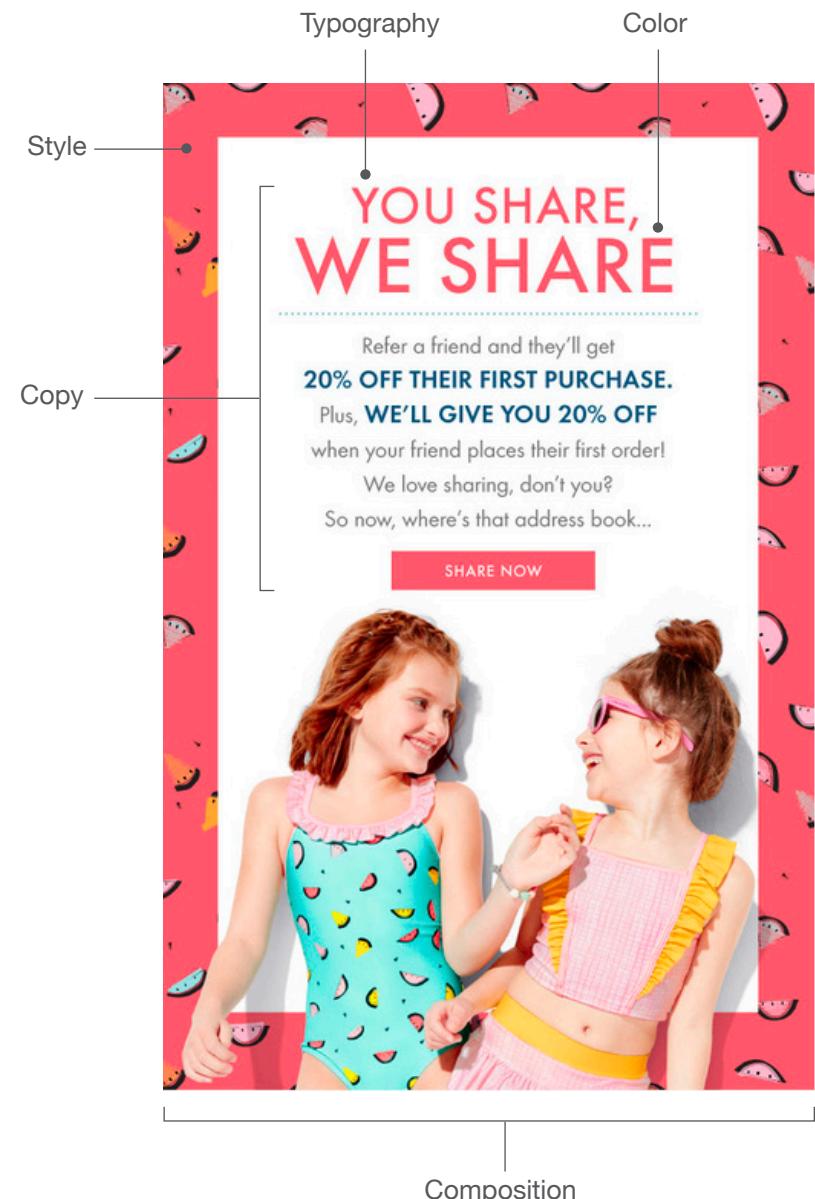


MATCH YOUR BRAND

Color, composition, typography, copy, and style are among the many considerations when creating on-brand content and consumer experiences. And those considerations certainly apply to the design of a referral program.

Each piece of content for both advocates and referred friends needs to meet your brand's standard. Miss the mark and both you and your customers lose excitement.

Pay particular attention to the emails used throughout the experience and to the landing experiences that welcome referred friends. These are key touchpoints that carry your brand to a new audience and establish that important first impression.





Part 3: Taking it Offline

Your physical stores are proving to be an advantage. Incorporate them into refer-a-friend so that both your existing and new customers have the option of experiencing them. Here's how.

OFFLINE PURCHASES

Encourage offline purchases and track when they happen so that you have a complete and connected approach to advocacy and referral.

Give friends offline rewards

Even a primed buyer predisposed to purchase may prefer to experience your products first-hand. Don't ding them for buying offline. Give referred friends a reward that works at the register not just on your website. Offline rewards can be barcode, QR code, and even advocate codes accepted at point-of-sale.

Reward advocates for offline purchases of friends

Imagine that a referred friend does buy from your physical store. Make sure that you can connect that offline purchase back to the advocate who referred her so that your advocate gets the reward she deserves!

Give advocates offline rewards

Existing customers who share online may also shop offline. Their rewards for successful referrals should give them the option of buying online or off! Give them the same cross-channel reward options.



2 out of 3 customers

who make a purchase online go to the physical store either before or after the transaction



OFFLINE MARKETING

The opportunities to tell your customers about referral when they aren't on your site or using your app are myriad. Several popular ones are outlined here.

Keep in mind that each offline link or placement should be tracked so that you can attribute sharing to each placement.

Packaging

Increasingly, the packing slip conveys more than purchase, shipping, and return information. A reference to referral here is a solid post-purchase reminder to customers that they can and should refer.

Catalog

For many retailers, the catalog is a site traffic generator. The same is true for referral. A reference to your referral program in your catalog will encourage advocacy.

In-Store Information

Including information about your advocacy program in the store, whether signs or brochures, is a great way to remind customers of the opportunity to refer.





Part 4: Leveraging Automation

The more you can automate key aspects of the referral process, the easier it is to operate and the bigger it can become. The opportunities to eliminate manual processes typical of traditional referral programs abound, and by taking advantage of them you not only reduce your costs but improve the customer experience.

PART 4: LEVERAGING AUTOMATION

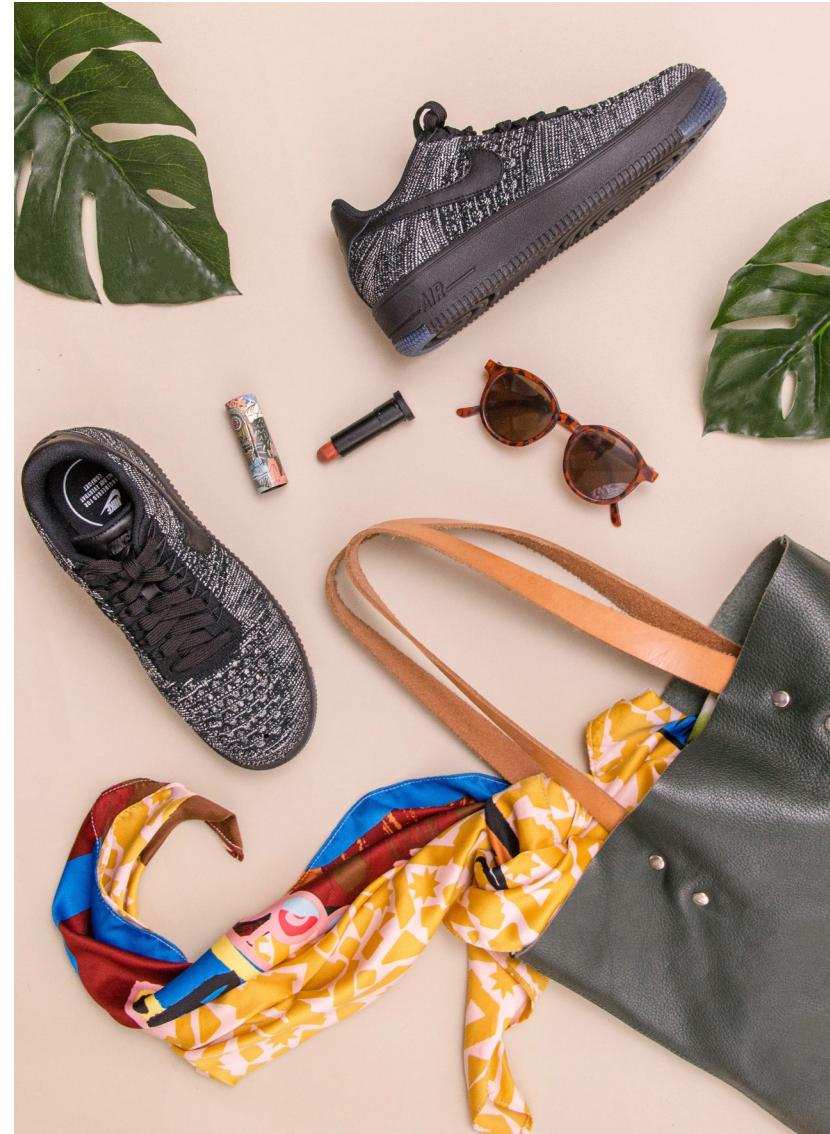
Lack of automation is the top reason homegrown, in-house programs atrophy (followed by ongoing costs of upkeep and continual improvement). Top areas for automation include:

Fraud: automatic activity scoring, suspicious event monitoring, and participant disqualification help mitigate low-quality referrals and purchases.

Marketing: automatically include referral in your post-purchase email sequence, thank advocates for sharing, update advocates on their reward status, and remind participants of the ongoing opportunity to share.

Reporting: on-demand (and even emailed) reporting about program performance make it easy to monitor program performance.

Rewards & Reward Approval: instant delivery of rewards to advocates and friends is essential. Delays make for a poor customer experience (and higher customer service costs). Especially If you're using a scoring approach for fraud detection, make sure rewards go out as automatically as possible.





Part 5: Honoring Privacy and Security

2018 saw the advent of GDPR. And considering the legal, regulatory, and privacy aspects of refer-a-friend is essential in the post-GDPR world. We share some of the focus areas of leading retailers in properly navigating this complex world.

KEY LEGISLATION

ADA

Increasingly top-of-mind for retailers, financial services companies, and consumer subscription brands, the user experience and content of your referral program should be accessible to screen readers and work effectively for the disabled.

CAN-SPAM

Referral programs rely heavily on email; therefore, CAN-SPAM needs to be front and center in your considerations. Make sure opt-out mechanisms are obvious and applied properly and that email template designs adhere to CAN-SPAM requirements.

GDPR

Make sure, particularly if you're working with a referral solution provider like Extole, that you can retrieve, correct, and delete the data of European citizens who participated in your referral program. In addition, make sure that consent mechanisms apply to your refer-a-friend and advocacy programs.

CASL

In effect starting in 2017, Canada's Anti-Spam Legislation has specific provisions pertaining to refer-a-friend program and that impact the information your advocates need to provide in order to use email sharing. Among the considerations is a positive affirmation that the advocate knows the friends receiving those email recommendations.

Engage Your Customers, Encourage Your Advocates, Build Your Brand

Modern refer-a-friend is foundational to today's customer experience because it matches the experience the customer wants. It's always-on, mobile, social, cross-channel, person-to-person, and encouraged by the brand rather than controlled by it.

Thoughtfully designed referral programs appeal to every single customer who has had a good experience with your brand. They not only have the direct benefit of acquiring new customers, they also foster a deeper connection with your existing customers, drive brand awareness, and boost site traffic.

Extole is proud to be the leader in referral marketing combining technology and thought leadership to create a referral marketing platform that delivers beautiful cross-channel referral programs that perform at scale.

CONTACT

www.extole.com

www.extole.com/blog

hello@extole.com

(415) 625-0411

