

BOOST SALES & INCREASE
CUSTOMER LOYALTY WITH A
REFERRAL PROGRAM



A WHITE PAPER

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Boost Sales and Increase Customer Loyalty with a Referral Program



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Executive Summary: Boost Sales and Increase Customer Loyalty with a Referral Program

A referred customer is 18% more likely to stay with a company over time.

The Internet is a disruptive technology, changing the way markets and consumers behave. While this statement is true, there are some aspects of human nature that cannot be replaced by technology. We all want recommendations from a trusted source with firsthand experience. A referral program encourages consumers to share their experiences with others, deepening their bond with your company and bringing new customers to you.

A Little Help from My Friends

Technology has expanded your customers' ability to reach out to a friend and get more personal input about their upcoming purchase, from anonymous Internet users to professional product reviews. A variety of social media channels allow anyone to pose a question to immediate friends and/or casual acquaintances asking for real world experience.

This has proved powerful. That one friend who loves staying current on TV technology is a few clicks away. Or, there's that other friend who test drives cars all the time and already knows what their next trade up will be. We all want recommendations from a trusted source, and that source might be an acquaintance with personal experience.

The Modern Referral Program – Same as it Ever Was

On the business side of the equation, technology has changed the landscape as well. The good news, however, is that the basic foundation of the referral program is rock solid and unchanged.

Just having a referral program is saying to your customers, "We think you'll love us so much you'll tell others. In fact, we think you will be willing to stake your personal reputation on it." Subsequent referred customers have a strong connection to the new brand, which is why a Wharton School of Business study found a referred customer is 18% more likely to stay with a company over time. Properly incentivized, existing customer loyalty is also boosted.

How you set up this program is up to you. Your referral program can be broad in its approach or it can be laser targeted to focus on specific business goals. Exploring this topic will show the benefits of various approaches, and how to get the most from your referral program. A solid referral program is a win for everyone involved.

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The Speed of Business Surpasses the Speed of Light

A well-crafted referral program will increase existing customers' loyalty while generating new customers who are more likely to stay with your company in the long term.

You may have attended a meeting where the introductions included how many years of experience you have in an area of expertise. Occasionally at the end of one of these introductions someone will conclude with, "we have a total of 283 years of experience at this table." If there were a way to do a similar calculation for the business world overall, it would be obvious why it is so difficult to stay on top of the latest developments. Technology is advancing faster than the speed of light.

Technology Brings Us Together, Boosting Referral Programs

Similarly, ignoring the laws of physics, Internet-based technologies make the world smaller, bringing us closer together as a people. Daily attention to social media is a global phenomenon, with significant implications for businesses that understand how to take advantage of this new connectedness. No business tool gets a greater boost from the social media explosion than the referral program. The conditions are perfect for well-constructed referral programs, which sometimes return startling results.

Referral Programs 101: The Basics

The heart of a referral program is very basic. The goal is to leverage your existing customer base, encouraging them to invite their friends to use your product or service. New customers come on board, use the referral program to gain rewards while inviting other friends, and your customer base grows. Simply printing and including "Refer a Friend" cards that include a discount off of their next purchase will drive new business as current customers share them with their friends.

Programs can be very simple or ornate. Some programs focus on giving bonuses and incentives to the new customer only, but programs should also benefit the referring customer – the person who already appreciates your company. Crafting a program that gives existing customers incentives to tell friends and gives those friends incentives to join up creates a scenario where everyone benefits.

Referral Programs are Dynamic and Engaging

Every company strives to have a deeper relationship with their customers. A well-crafted referral program will increase existing customers' loyalty while generating new customers who are more likely to stay with your company in the long term. A referral requires thought and action on the part of the customer. The customer earns their bonus, and at the same time builds the relationship with your company.

As you interact with your customers you can gain insight into what incentives drive your customers to action. Using this information, referral programs can be tailored to specific company goals. The more information you can gain about what drives your customers' behavior the better, because your customers have many options vying for their attention.

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The Challenge: The More Things Change, the More They Stay the Same

Some things about customers are common throughout the history of the marketplace. Customer loyalty has always been challenging. Every customer has unique motivations and needs which makes it difficult to attract new customers. Technology does not change the fundamental nature of this business-consumer relationship.

The World at Your Fingertips

What was once a bold promise for the future is now nearly cliché: the world, or at least information about it, *is* at your fingertips. Today, if you're holding as little as a smartphone in your hand you have instant access to the vast majority of archived human knowledge, starting at one moment ago and reaching back into the depths of history. Maybe you're wondering, "what types of printed collateral would be best to present at my trade show booth?" You could spend a considerable amount of time reviewing the many creative and eye-catching ideas people have come up with. Knowledge is power, and the modern consumer is seeking more knowledge.

Consumers, and Savvy Businesses, Win

This knowledge reaches far beyond passive browsing. Consumers can ask their friends for their opinions, access customer reviews, explore a number of professional product reviews and price shop instantly at any time. This is a completely different consumer landscape than we had a mere 20 years ago. This flexibility allows consumers to focus on their main motivation, be it price, features, service or something else. A savvy business can benefit from the changes in this brave, new world as well, but this requires effort and insight.



There are many ways to take advantage of the changing business climate, and a referral program is the perfect choice for any size of marketing budget.

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Technology Has Changed Referral Programs for the Better

While it is undeniable that technology has changed the game for consumers, businesses can take advantage of these changes, too. Referral programs have benefitted from a wide range of technological advances that have made them considerably more robust in recent years.

For businesses with larger marketing budgets, software programs enable entire campaigns that allow you to take a multi-pronged approach to attracting new customers. A referral program like that might include:

- An email campaign informing existing customers about the program with links to invite friends.
- A mailed postcard with a QR code the customer can scan for more information.
- An informational flyer for the referrer with a discount code for 25% off their next purchase.
- Reminder magnets or other collateral included in a recent purchase, detailing program information.
- A welcome packet for the referred customer with a 25% off discount code.
- A thank you note to the referrer with a link to a website where they can track their rewards.

Each of these steps requires an action on the part of a customer that you could monitor. The software tracks the overall campaign, providing data which allows you to shift and focus your marketing budget where it's most effective.

A referral program shows your customers that you care about them and want to share your success.

Still, the modern referral program is not just for companies with big budgets and other resources. Referral programs can be built incrementally, so what begins as a few, very simple pieces grows over time. Alternatively, you can have a successful, yet compact program that addresses one specific business goal, and does so efficiently.

An example of this is the product-focused referral. With each purchase include a printed card that says something along the lines of, "Get 25% off for you and a friend when you buy our kitchen supplies!" The card could have space for the names of both the new and existing customer so you can reward both, or could simply have a coupon code.

Refer a Friend cards are easy to design and implement, and can quickly pay for themselves due to their low initial investment. There are many ways to tweak this basic program to work for you and your customers, maximizing participation. These cards leave room for information about both parties and

generally work in such a way that when the referred, new customer comes in and makes their first purchase, the existing customer gets their promised bonus as well.

Modern programs are very flexible, and can be quickly changed based on feedback. Incentives can be designed to encourage customers toward your company's current initiatives.

Referral Programs Create Positive Interactions

There is a reason that referral programs have benefitted so much from social technology. Social media has a massive influence on Internet users today, and referrals are a social interaction. It stands to reason that when you give a consumer a platform where they can easily communicate with friends and acquaintances, word of mouth becomes much more powerful.

A referral program is not simply a social interaction between your customers and the people they know, though. It also gets your customers interacting with your business. This relationship building results in referring customers feeling an increased sense of loyalty, and remember, a newly referred customer is 18% more likely to stay with your company over time. That's because a referral program shows your customers that you care about them and want to share your success. When you acknowledge and reward their participation in your success, you deepen your relationship and gain the opportunity to make fiercely loyal customers.



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Wildly Successful Referral Programs

Due to the social nature of referrals, some of the most successful spread like a viral video until they burn themselves out. PayPal's legendary referral program (deposit \$10, get \$10 free in your account) was so successful that it was eventually ended, with its mission of establishing a solid new customer base complete. They followed it up with a similar program for merchants and achieved the same fantastic results.



Building a Great Referral Program

Now that you know the benefits of a strong referral program and how successful they can be, let's take a look at the details. What follows are the key components that make up successful referral programs.

Planning is Key

All successful projects begin with planning, and referral programs are no different. By setting your goals for success at the outset and measuring regularly, you can adjust as you go based on real-world feedback from customers. The structure of your program should support current business initiatives, with goals and objectives that are clear and concise.

Incentives Drive Action

In crafting your program, you are hoping to gain new revenue from new customers and return business from loyal customers. Place an appropriate value on this based on what you expect to gain over the lifetime of the customer. Over the past few years it has become common to see incentives like a free tablet; the latest electronic devices are always attention-grabbing. Discounts, gift cards, hot products or cash all motivate people to act, and some programs let their customers pick from a list of possible incentives. If the bonus to the customer is a real incentive, it will drive action and get results.

Working the Crowd

A referral program leverages your existing customer base as a starting point, so it is important to know your audience and approach them appropriately. Be respectful of your customer's time and energy, and remember that you're asking to be introduced to a customer's associates. In this way a referral is like a sale, and it's good to stick to these guidelines:

- Reach out to established customers, and if possible focus on customers you've polled previously and know they view you favorably.
- When explaining the program, make your value proposition brief and clear.
- If they do not participate in the referral program, send customers updates about the program very infrequently.
- Participating customers will welcome communication about the program. Feel free to update them as the plan changes, incentives change or when their referred associates convert to customers.
- Make participation extremely simple. If the call to action includes software, make it one or two clicks for your customers to sign up to participate. A lengthy sign up process can be a barrier to entry for busy customers.
- Showing which referrals converted into customers and earned them a bonus can motivate participants to refer more people. Remind customers of the incentives they've earned previously and what bonuses await future referrals.

Don't Reinvent the Wheel

All of these competing demands might seem like a lot to manage, but there are a lot of tools out there already. If a software purchase is being considered, look for a solution which has the built-in functions that meet your needs. Software as a Service (SaaS) solutions allow for a lower cost of entry and packages can be found that are month to month with no contract or obligation.

Even without a software purchase it's easy to use traditional referral practices in conjunction with new technology. If you are tracking your customers with software, adding fields for referral information is not difficult. Refer a Friend cards only need you to have the most basic information about your existing customer for you to be able to share the rewards with them when a referred friend signs up and makes a purchase.

Adjust As You Go

A key component of the modern referral program is how easy it is to change and communicate with your participants. By listening to your audience and applying their feedback you can make adjustments to your incentives to get the best response from your target audience. Whether you wish to target new business goals or try a new offer to get more participation, it's easy to make adjustments as you go. You can even surprise key contributors with a special gift and a featured article about them (with their permission and participation, of course).

Get Physical

A physical reminder is a great way to keep your program on their mind. Here are some things you can do to keep your referral program in their minds:

✓ Add referral program information to your business cards. You could briefly mention the program on the front or use the back of your card to give more detail.

✓ Create Refer a Friend cards. These business card-sized cards or magnets outline your program, share a specific bonus with a friend, or direct people to a web page with information.

✓ Send your customers mail. This could be a postcard or a letter, and could include the items listed above. Postcards have the advantage of not needing to be opened to convey your message. Showcasing your incentives prominently is a great way to catch the reader's eye.

✓ For businesses with a physical retail location, in-store signage at the door, at the point of purchase, or in other conspicuous locations will catch the eyes of customers. Signs visible from the street, like window posters, outdoor banners or free-standing A-frame signs may bring in new customers looking to refer others and take advantage of the referral program.

Concluding Summary

Things will continue to change in the marketplace, but the fundamental relationship between consumers and businesses remains the same. Customer loyalty programs are at the heart of many successful business plans today.

Referral programs have evolved with technology, increasing their value significantly. While some marketing endeavors have been hindered or neutrally impacted by market changes, referral programs have been given a significant boost.

Social media has eroded customer loyalty for some businesses, but for those who know how to take advantage of this shift, the benefits can be huge. A compelling referral program can override the consumer's desire to search elsewhere; they have already been sent a personal invitation with incentives attached from a trusted source. Existing customers identify with your brand as they spread the word, deepening the relationship.

Customer loyalty programs are at the heart of many successful business plans today.

Other technological advances enable you to tailor a referral program that fits your specific needs. Programs can be complex, with components such as return mailers and 2D bar codes that track customer interactions, a loyalty point system for referrals, and personalized gifts for the most active participants. They can also be simple, but just as effective, like coupon postcards mailed to the referrer and the new customer, giving each one-time bonuses and reminding them to spread the word for future incentives. Most importantly, they can be built incrementally, starting small with a larger goal in mind that evolves based on customer feedback.

You've seen some extremely successful examples of modern referral programs, some with surprising results. We've shown you how to get started with a simple program, and what to consider as that program scales up. Alternatively, you've seen some larger campaigns designed to drive serious revenue toward company-specific goals. There is not one "right way" to set up a referral program, and the benefits to the bottom line are huge. You've got all the tools you need to get started fresh or beef up an existing program today!

About Your Sponsor

We've provided this paper about creating amazing referral programs as a benefit to your business and with the knowledge that when you succeed, we succeed. We've shown you the benefits and given you direction on how to set up a referral program that drives your key business initiatives.

When you're ready to build a program that inspires your customers to action, we are here to help. Communications of all forms are our specialty, and we value the opportunity to assist you with your next big project. Contact us today to find out what we can do to help you get your message heard!

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