

THE STATE OF

BUSINESS CUSTOMER REFERRAL PROGRAMS

ANNUAL REPORT

AMPLIFINITY

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METHODOLOGY

In order to learn more about the outcomes of business customer referral programs, the 2016 data from the customer referral programs run on the Amplifinity referral platform were analyzed. Data analysis was performed by third party contractor, Brian Schmotzer, MS in Statistics¹.

One customer program that is very large and mature had outlying success rates and was therefore removed from this study so that it would not skew the data.

In terms of the reward data, it was discovered that some customer programs have a standard reward amount while others vary the amount based on product purchased or percentage of revenue. Therefore, the analysis of the reward amounts was done based on the actual payment amount of the reward.

The following report details the trends and performance of customer referral programs.

¹ *Brian Schmotzer: Bio and credentials*

INTRODUCTION



Drivers for the growth of customer referrals

Customer referral programs are seeing considerable growth due to changes in buyer behavior which has created an urgency for companies to reach and influence buyers in a different way.



3 out of 4

B2B buyers are engaging peers on buying decisions²



80%

of the buying decisions rely on direct experience or peer influence³



59%

of buyers prefer to do research online instead of interacting with a sales rep⁴

Companies can no longer reach the buyer, let alone convince them to buy without the help of their peers. This presents a big challenge for companies selling to other businesses.

² IDC: *Social Buying: The Importance of Trusted Networks During the B2B Purchase Process*

³ SiriusDecisions: *2016 B-to-B Customer Experience Study*

⁴ Forrester: *Death of a (B2B) Salesman*

“For customer engagement leaders, referral marketing that produces measurable results is extremely compelling.”

Lisa Nakano

Service Director

Channel Engagement Strategies

SiriusDecisions ►

Running customer referrals as a channel

This paper covers the trends seen in business customer referral programs. While the programs analyzed had varying levels of maturity in running their referral programs, the objective they are all working toward is to run customer referrals as an always-on channel for customer acquisition.

To do this, referral selling becomes a part of normal operations for the company. Marketing, sales and

customer success all interact with customers and should be trained and managed toward driving advocate recruitment and asking for referrals from customers. Marketing also needs to provide customers with the tools they need to make referrals to their network. This additionally keeps customers engaged and informed during the referral process through to reward fulfillment.



FIGURE 1
Customer referrals as a channel

6 methods customers are using to refer

Customer referrals can happen in many different ways depending upon how a company enables its advocates. The decision on which referral methods to offer in a customer referral program needs to be considered relative to how customers connect with their network. Adding additional methods can be a great way to expand the usage of the program to those that might connect with their network in a different way.



EMAIL

A personalized email with a CTA to fill out their information on a prospect lead form.



LEAD FORM

A form filled out by the customer with the pertinent contact information for the referral.



PRINT CARDS

Printable cards have the customer's unique URL and instructions on how to take action.



SHAREABLE URL

Customers can copy and paste a unique URL and share it with their network.



SOCIAL MEDIA

Customers can share brand content via LinkedIn, Twitter and Facebook.



VERBAL

Verbal referrals are collected from salespeople and input in Salesforce.



RESULTS

Opportunity for higher advocate activity

In 2016, the average number of customers enrolled in a business customer referral program was 5,850.

Customer programs continue to organically grow as a company grows their customer base. The largest customer referral program in 2016 had 115,230 customers enrolled. However, enrollment doesn't mean that all were actively making referral shares in 2016. Customers may refer at a point in time, but if they aren't being regularly asked to refer as a part of engagement with employees, they may become inactive. Additionally, customers may leave the company where they use the product, in a sense this is advocate churn and is a natural part of any program over time.

Of the 5,850 average customers enrolled, an average of 2,106 made referrals in customer programs. This means that 36% of customer advocates made referrals in a given year.



ACTION ITEMS

1. Make it easy to refer.
2. Keep customers engaged with the program through regular communication.
3. Enable customer success and sales to prompt activity from inactive customers.



“ Customer engagement is no longer just about fixing broken experiences or sending surveys. When leaders begin to think about customers as their most important resource and source of competitive advantage, they realize that old approaches won’t get them where they need to go. A more modern approach is to move customers beyond just saying they are likely to recommend you to acting on that sentiment via actual referral behavior. ”

Lisa Nakano

Service Director

Channel Engagement Strategies

SiriusDecisions ►

Frequency of referral method inclusion

Referral program administrators have a choice in which referral methods they offer customers. The inclusion of both email and a lead form for customers to fill in the information of their referral were staples in most customer referral programs. The ability to accept verbal referrals came in as the third most offered referral method with social media not far behind at 50% inclusion of at least one social channel. Having a shareable URL came in fifth at 41% with print cards last at 18%.

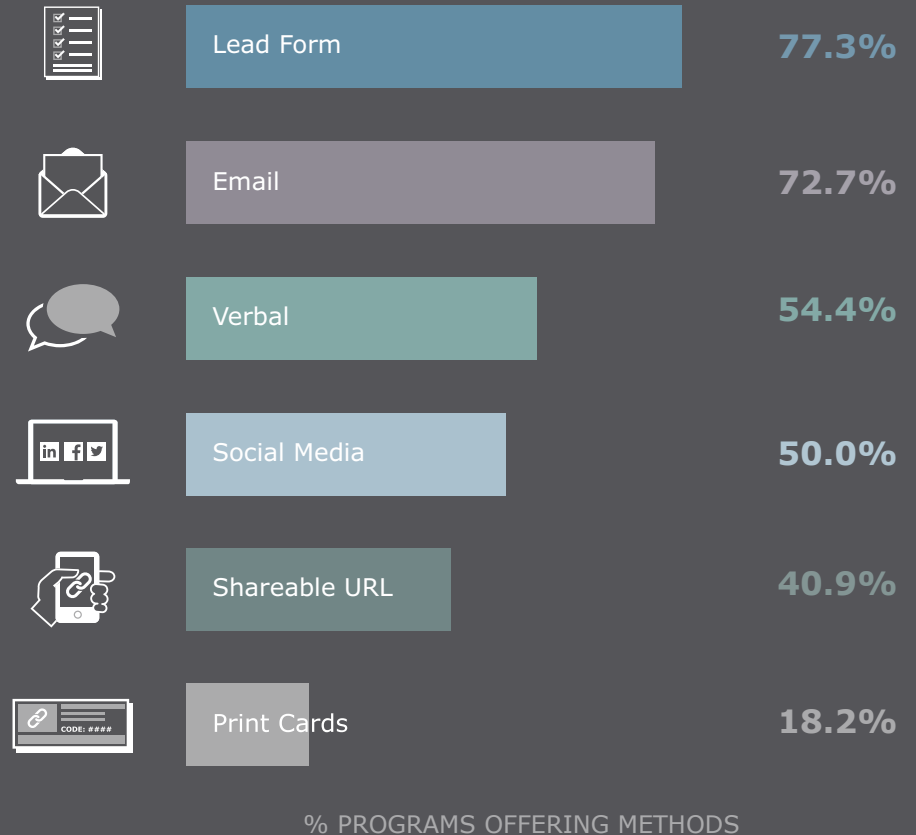


FIGURE 2
Referral methods offered in
customer programs

Breaking down social media, it is surprising to see that LinkedIn is not the most offered referral method. In fact, Facebook was offered in 50% of customer referral programs compared to 27% that included Twitter and only 14% that included LinkedIn.

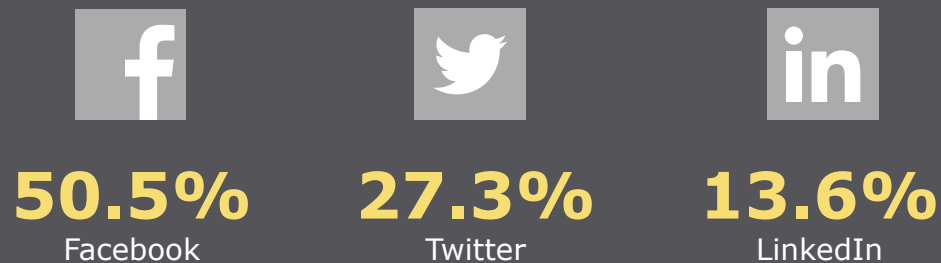


FIGURE 3

Social media offered in customer programs

ACTION ITEMS

1. Survey customers to determine where they connect with their professional network.
2. When in doubt, include all methods to ensure you have ways to refer that work for all customers.
3. Make sure to check method effectiveness before deciding what to include or exclude.

Most popular referral methods

There is no question that the inclusion (or exclusion) of a referral method by a customer referral program will affect the volume of referrals seen by each method. However, it is still an interesting data point to consider, both for volume of referrals via each method as well as the ultimate success rate of referrals by each method (covered in the following section).

Overall, 29% of referrals were being made using social media, 24% via email and 23% by filling out a lead form. Verbal referrals came in as the fourth most popular method at 13% with the shareable URL not far behind at 12%. Print card was the least used referral method at less than 1% of total referral activity.

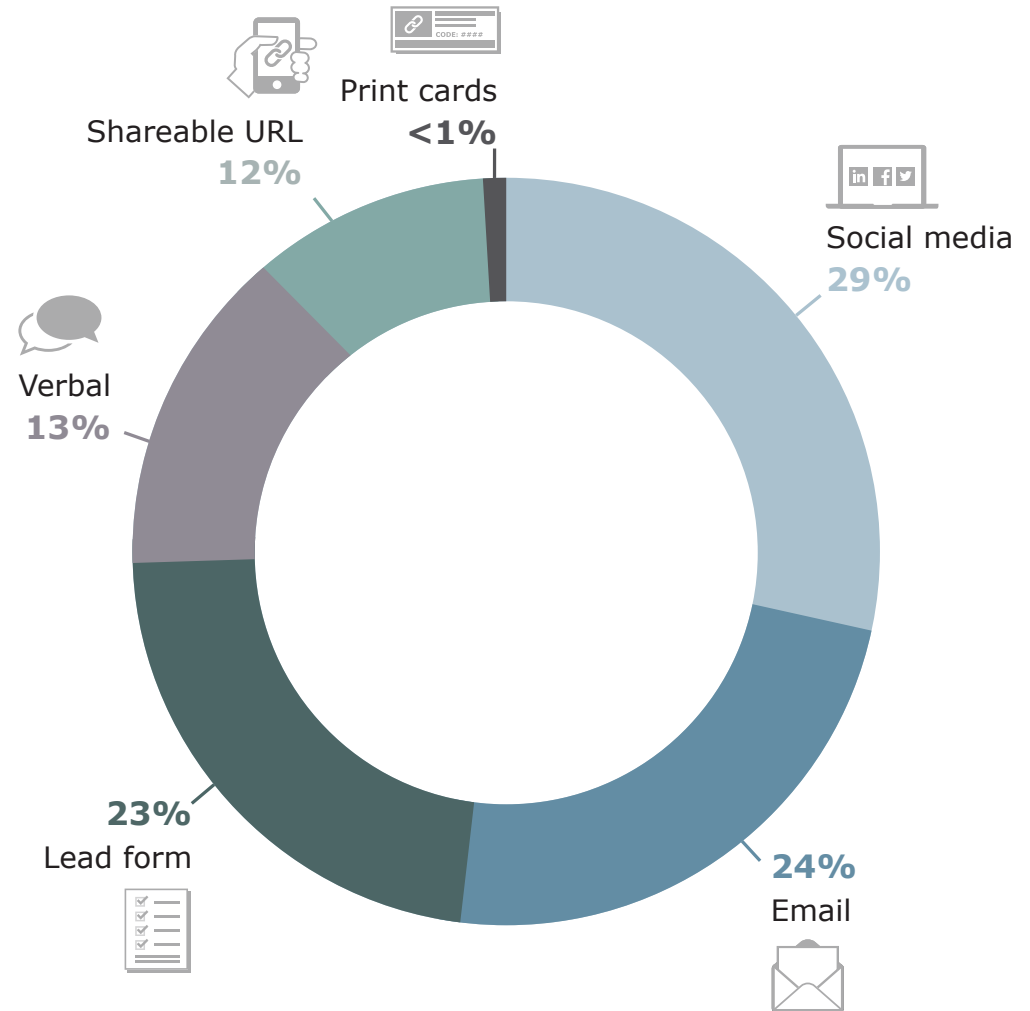


FIGURE 4
Most used referral methods by customers

Most successful referral methods

The most successful referral method involves sales. Verbal referrals were successful 32% of the time. Coming in second and third were lead form at 19% and email at 17%, with print cards not far behind at 12%. Shareable URL and social media were the least successful methods at a 4% and 1% success rate respectively.

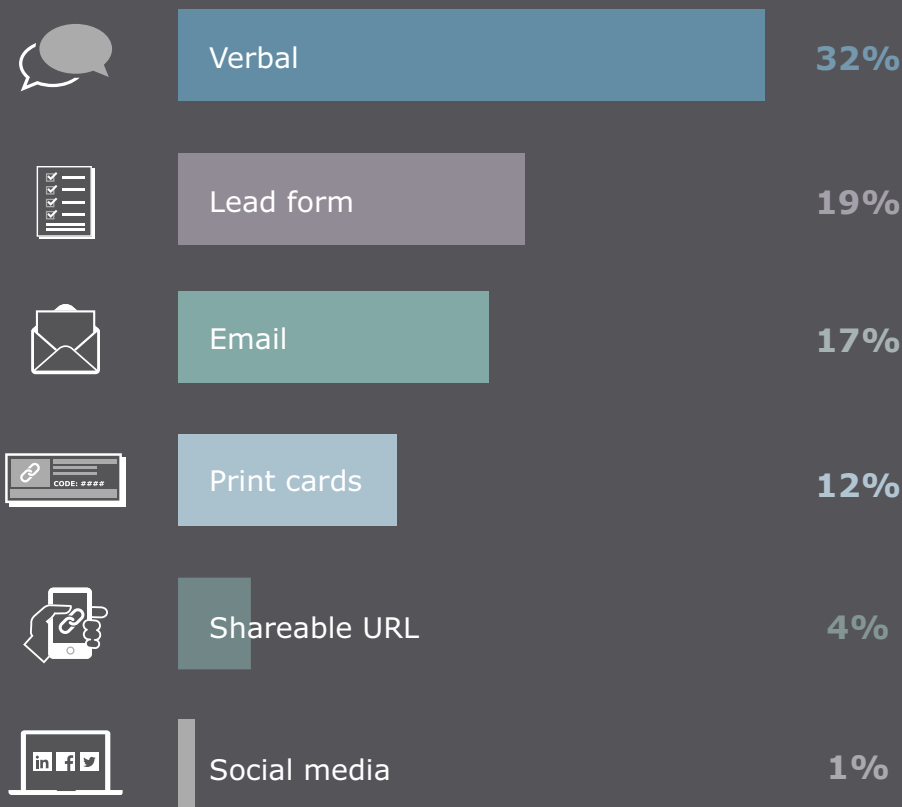


FIGURE 5
Most successful referral methods

ACTION ITEMS

- 1. Social media was only offered in 50% of programs, but it was the most used method. Consider adding social media to your program for awareness.
- 2. The verbal referral method showed an increase in use by companies that link collection to their CRM. Open verbal referrals up to sales for increased referral activity.
- 3. Train customers to make personal 1-to-1 referrals in social media and through other methods to increase success.

Referral leads convert **17x** over industry standards

Across all programs and all methods used, the conversion rate of referral leads that turned into customers is 13%. An analysis done by Salesforce’s Implitit⁵ showed that the average conversion from lead to deal is 0.78%. Looking just at marketing-generated leads, the rate went down to 0.63%. The highest converting lead type from the Salesforce study was indeed referrals with an average conversion from lead to deal of 3.63%.

⁵ *Salesforce - B2B Sales Benchmark Research Shows Some Pipeline Surprises*

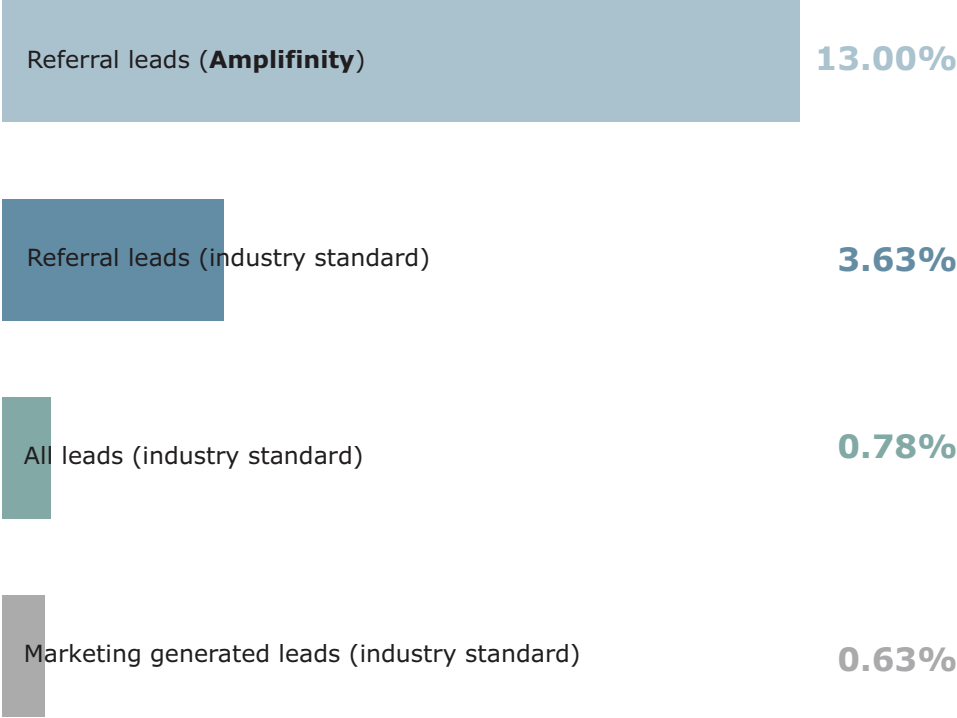


FIGURE 6
Lead to deal conversion rates

Sales involvement increases conversion rate

An interesting trend seen in this analysis is from referral programs where the sales team plays a role in recruiting customers to become advocates as well as regularly asking for referrals. Referral programs that had sales involvement had a significantly higher referral lead to deal conversion rate of 30%. This is a 17 percentage point increase over programs that did not include sales.



Referral selling yields

30%

lead to deal conversion

ACTION ITEMS

1. Train sales on when and how to ask for referrals.
2. Track recruitment and referrals by salesperson. Sales leadership can then manage the sales team to specific activity goals each quarter.
3. Break standard lead routing rules to give referral leads to the salesperson who "owns" that customer. This incentivizes sales to form stronger relationships with their customers, which increases quantity and quality of referrals.

Repeat referral activity translates to success

How often customers make referrals during the course of the year can greatly impact the success of the channel. Of all the customers that were part of referral programs in 2016, 36% made a referral to someone in their network. This means that 64% were sitting dormant.

Looking at the active customers, the majority made one referral. While 34% made 2 to 10 referrals. There were 5% of customers that were enthusiastic in their activity and made in excess of 11 referrals in during the year.

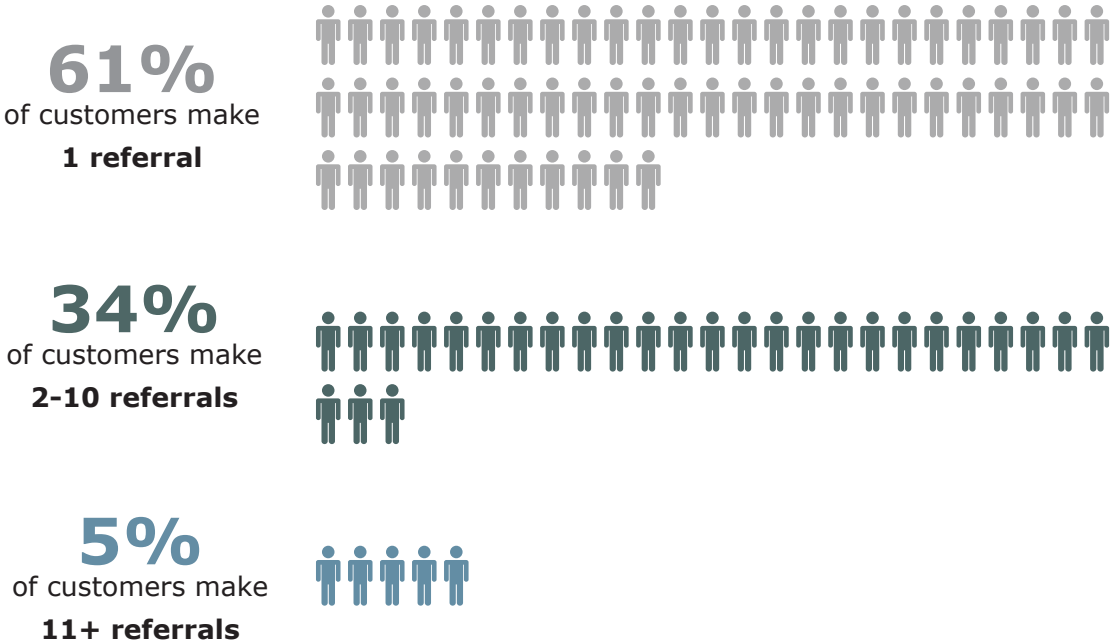


FIGURE 7
Frequency of referral activity

Not all referral sharing activity results in a referral lead being created. Some methods, like social sharing, could result in multiple referral leads from a single post or none from multiple posts. Therefore, it can be interesting to look at the average number of referral leads per active customers. Over the year period, each active customer produced 0.87 referral leads. If a program had 1,000 active customer advocates, they could therefore expect 870 referral leads to be generated. Customers with previously qualified referral leads yielded an average of 2.5 referral leads per year.



Active customers produced
an average of
0.87
referral leads/year



Successful customers
produced an average of
2.5
referral leads/year

ACTION ITEMS

1. Customers who were successful referred more. Identify these customers to encourage their productivity.
2. Keep customers informed on their target buyer and remarket to them to keep the referral program top of mind.
3. Create special offers to encourage repeat referrals.

Top referring customers may not be the most successful

The top 1% of customers by quantity of referrals accounted for 22% of the overall referral leads created during the year. However, the conversion rate from referral lead to purchase was only 1% for the referrals that came from these customers. The top 10% of customers by referral volume were responsible for 54% of referral leads created with a 6% success rate.

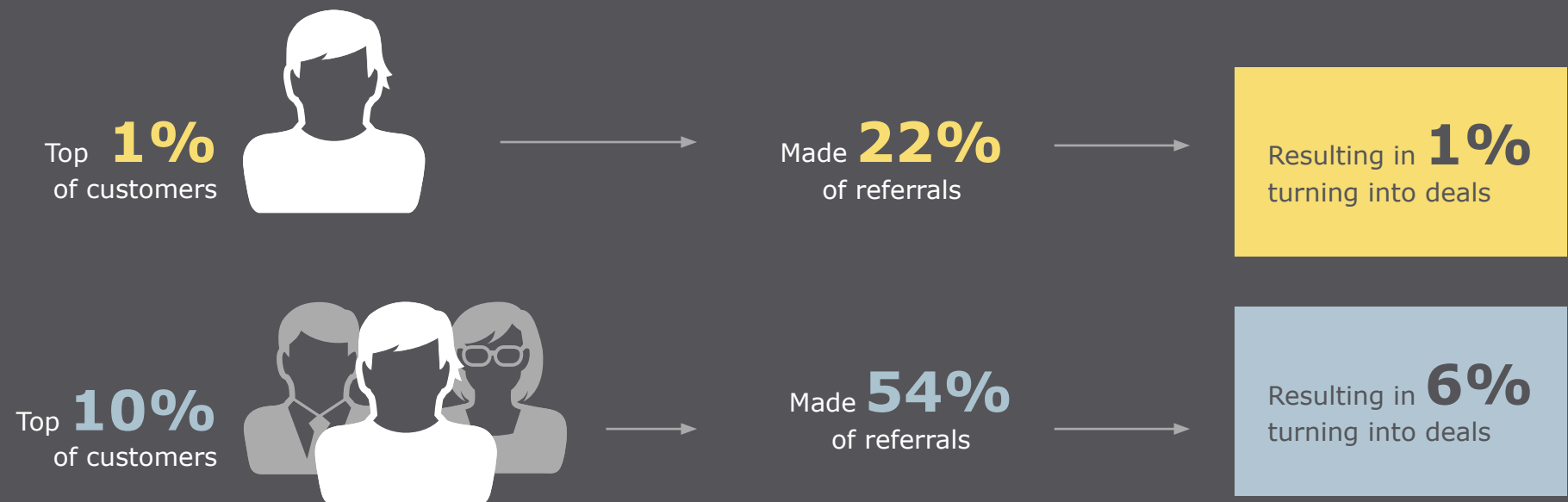


FIGURE 8
Performance of top referring customers

Cash is king for customer rewards

Monetary reward payments are the most popular when it comes to rewarding customers for successful referrals. Gift cards accounted for 52% of program rewards. The majority of these utilized electronic gift cards, likely because this is simple, trackable and automated. Checks came in second at 29% of programs. These were typically used for programs that had variable reward amounts or offered a percentage of revenue.

Bills credits and merchandise (swag) tied for last place. These were less frequently used simply due to the extra burden to execute fulfillment. Missing from the list is direct deposit, which is a common reward type in partner referral programs. It is likely that customer programs will eventually replace checks with this method over time.

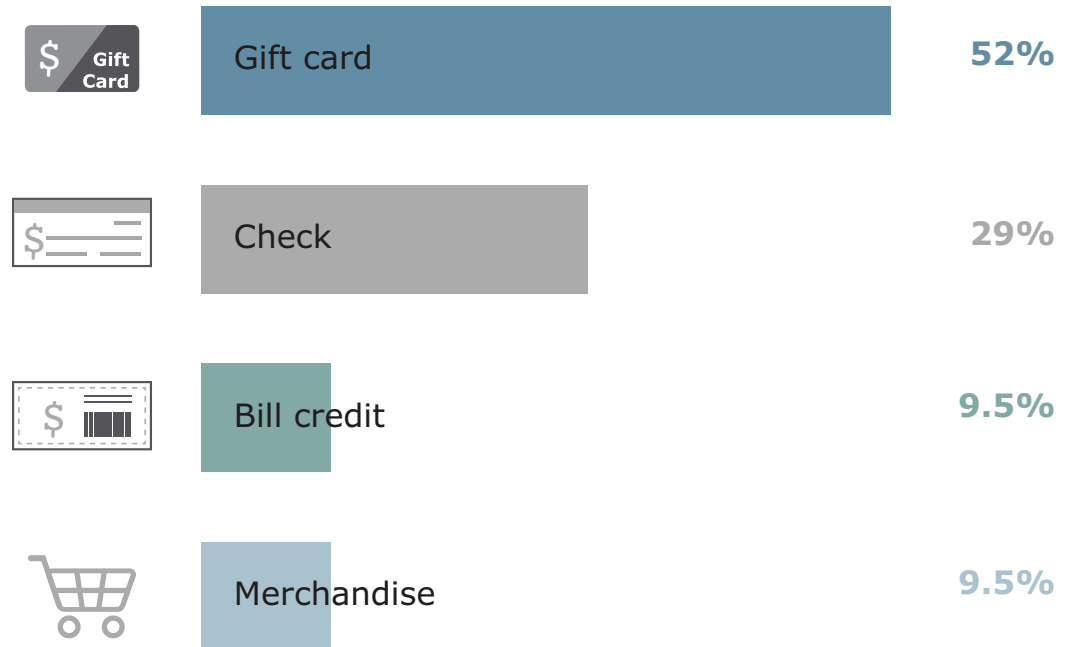


FIGURE 9
Reward types offered in customer programs

Average reward amount

Overall, the average reward payment amount in 2016 was \$111. Reward payments that fell in the range of \$41 to \$100 were most popular and accounted for 82% of customer rewards. A majority of the rewards in this range were \$100. Rewards that were in the range of \$20 to \$40 accounted for 8% of customer reward payments. Rewards that fell within \$101-\$1000 were 5% of customer rewards. The remaining 4% were \$1,001 to \$2,500 with \$2,500 as the maximum reward paid out to a customer for a single referral in 2016.

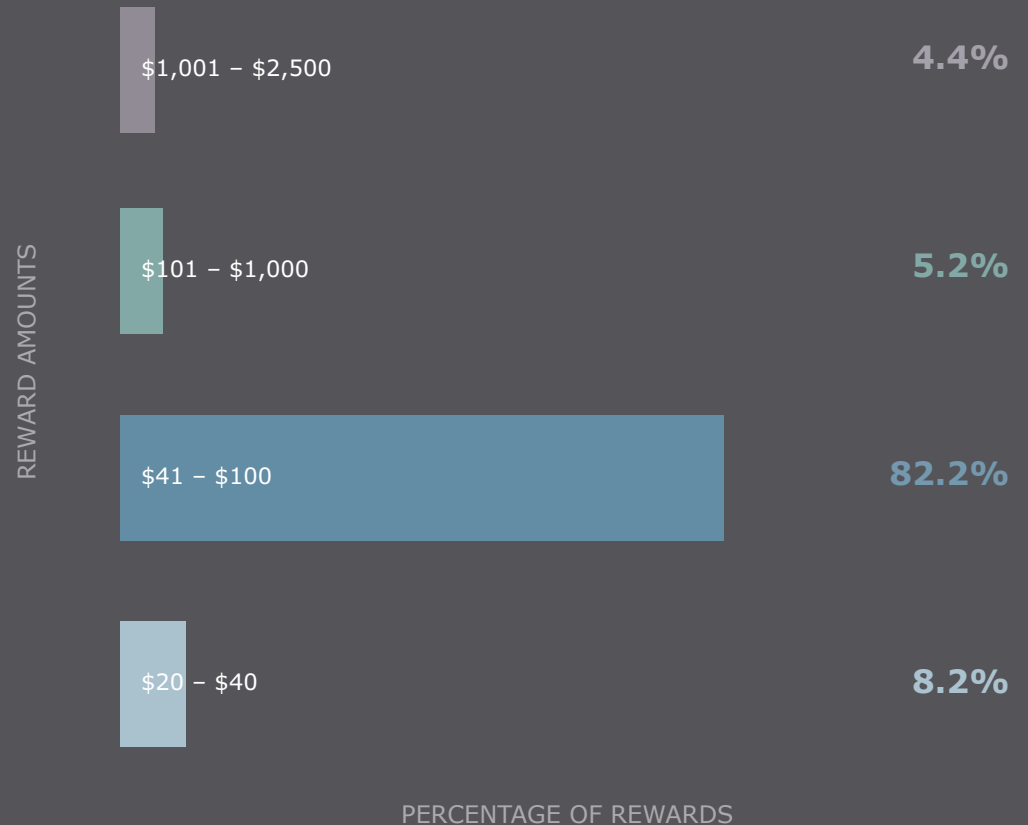


FIGURE 10
Most common reward amounts

Don't skimp on the reward

While the \$100 reward was the most common reward amount offered, understanding which reward amounts convert the best is important. This is a critical step to determining if a program could be improved with a reward change. Surprisingly, there was a decrease in success rate above \$100. This may be because the higher reward is associated with a higher purchase price and therefore a lower conversion rate of referrals that fall into that range.

The most successful reward range was between \$41 and \$100 at 13%. It is important to note that the overwhelming majority of rewards in that range were \$100 so be wary about thinking a \$50 reward will result in a 13% success rate. Once the reward got above \$100 the success rate was fairly stable at 5 to 6%.

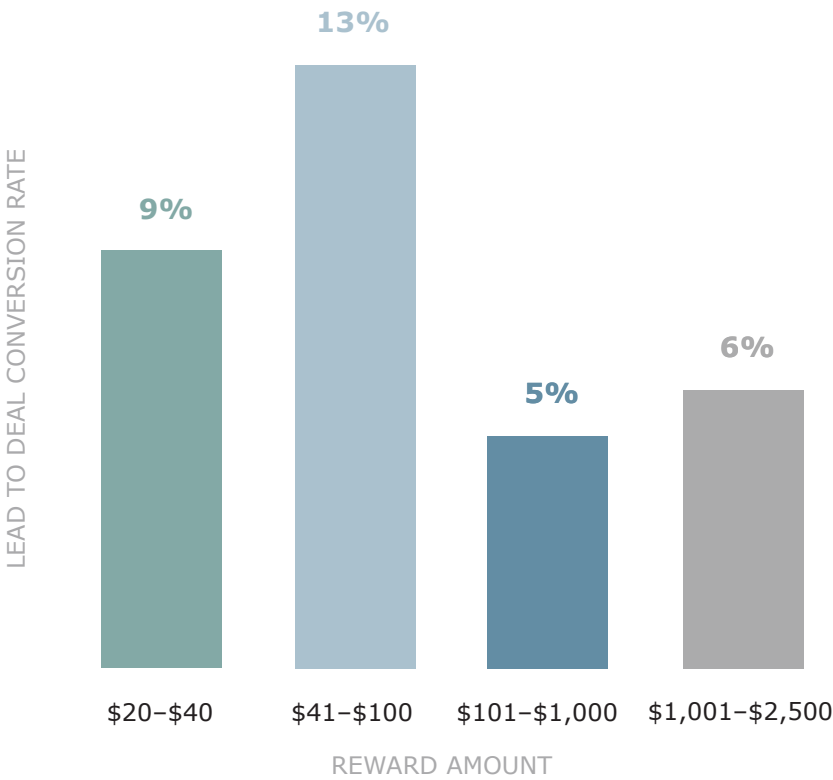


FIGURE 11
Conversion rate by reward amount

Visualizing the referral pipeline and its impact

In a given year, 36% of customer advocates have been shown to be actively making referrals. Every active customer could be counted on to provide 0.87 leads per year and those leads converted to a purchase 13% of the time.

With the average program having contained 5,850 customers enrolled to be advocates, an average 2,106 made referrals

each year. Their activity resulted in an average 1,832 referral leads being passed on to sales. Those leads turned into an average 238 new customers making a purchase.

Running the same example where sales is involved, the conversion from lead to deal went up to 30%. In that case, a program with sales involvement acquired 550 new customers.

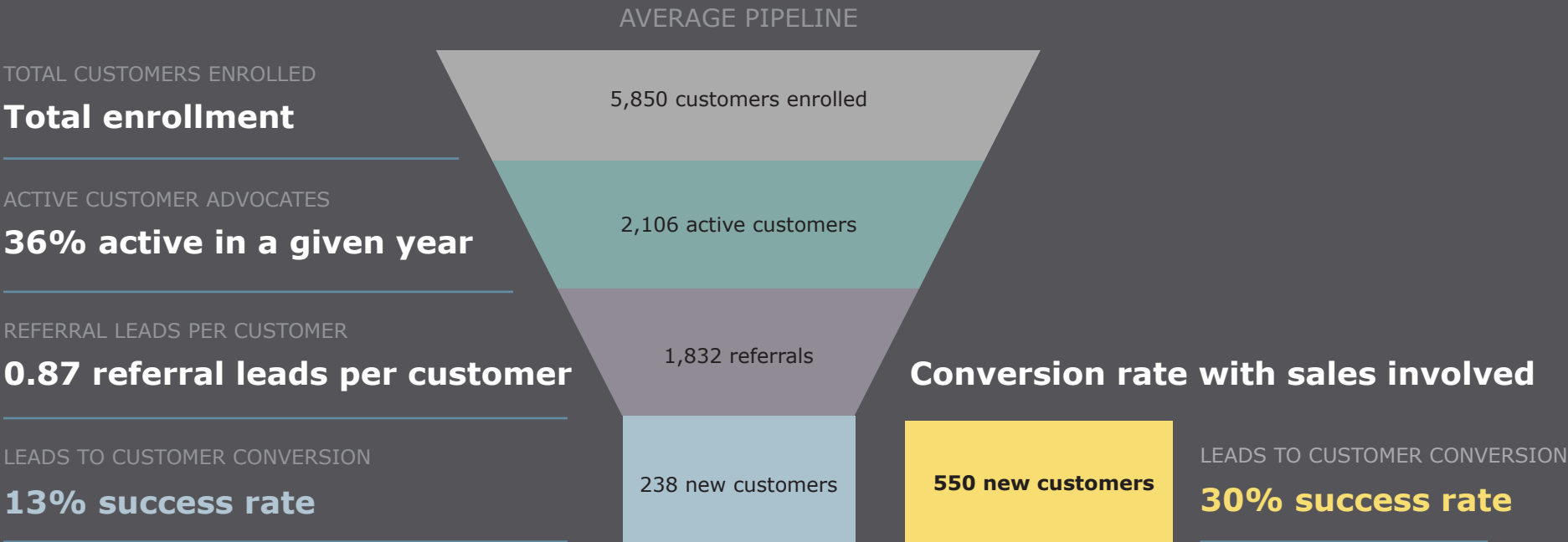


FIGURE 12
Referral pipeline



KEY TAKEAWAYS

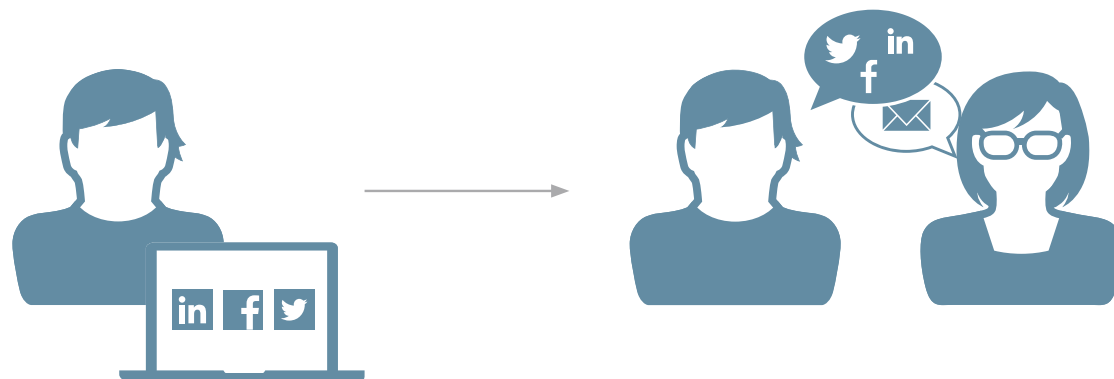
1. Referrals need to focus on one-to-one interactions

Regardless of which methods are offered, the data suggests higher success rates for methods that are always a one-to-one referral ([page 12](#)). All methods can be used as a one-to-one, but training is needed to ensure that customers understand how to do this. This should include educating customers on the target buyer and ways to make a referral to their network.

This is especially true for social media. While it is the most utilized method by customers ([page 11](#)), it was not very successful ([page 12](#)). This can be great for brand awareness, but needs to be used in a one-to-one capacity in order to drive high quality leads.

Even though verbal referral was the most successful referral method ([page 12](#)), it was only included in 54% of programs ([page 9](#)), and was fourth in overall use ([page 11](#)). The inclusion of the verbal referral method may be an important addition to consider for existing referral programs. This is especially compelling when examining this alongside the data which verified a higher average referral conversion rate with sales involvement ([page 14](#)).

When it comes to choosing referral methods, companies should survey their customers to better understand how they prefer to connect with their network.



2. Running referrals as a channel increases conversions

The data collected from the Amplifinity platform reported a 10 percentage point increase in the conversion rate for referrals than reported by Salesforce's Implisit (page 13). This could be attributed to the fact that referral programs run on Amplifinity are by businesses who focus on referrals as an always-on channel for demand generation. The Implisit study was looking at lead source attribution, which may not correlate to having a formal referral program with marketing and sales support.

With a 17 percentage point jump in success when sales was included (page 14), it is clear that companies running referral programs should involve sales and customer success. This means a company needs to manage their sales team to recruiting customers to the program and collecting referrals from those customers to achieve this jump in success.

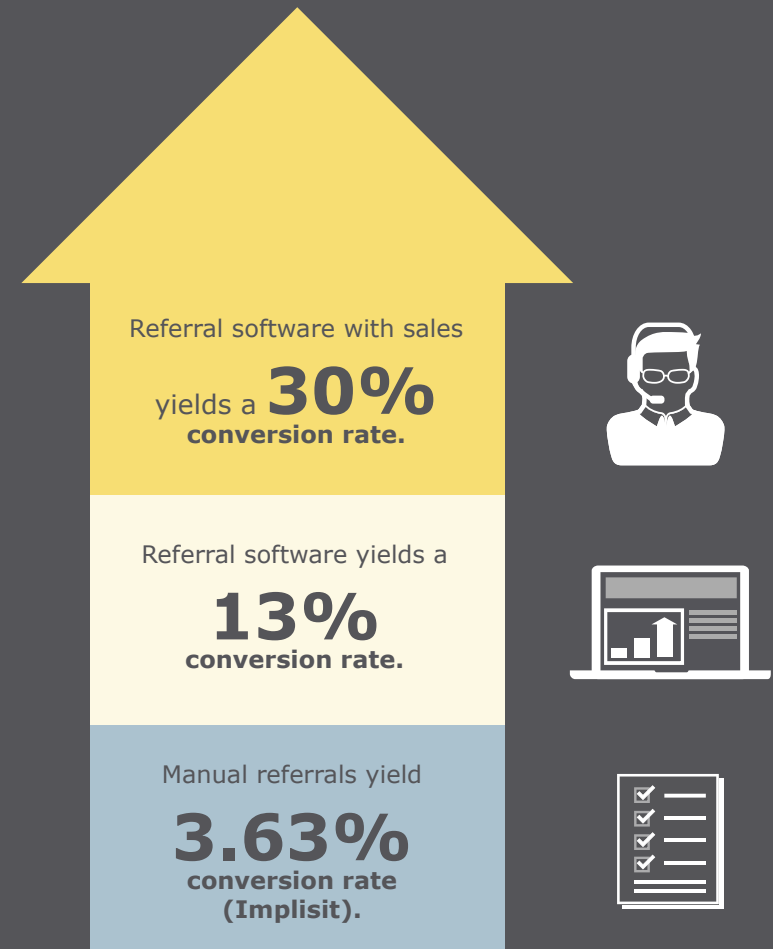


FIGURE 13
Conversion increase from manual referrals

3. Engage advocates to boost referral activity

Generating repeat referrals is a particular challenge for subscription products where repeat purchases are not being made throughout the year. The biggest opportunity the data presents is to engage with enrolled customers who have not been active in the program ([page 15](#)).

There is also a significant portion of customers who are active, but have not had their efforts turn into a lead ([page 16](#)). A personalized contact by sales or customer success can go a long way to re-engage them and drive referral activity.

On the other extreme of activity, the data illustrates that the more referrals a customer makes, the less successful those referrals are in making a purchase ([page 17](#)).

This is likely a result of these customers making referrals at scale without considering fit, identifying need and making a personal, one-to-one referral ask. There is an opportunity for those running referral programs to coach these enthusiastic customers to success. Those customer advocates will appreciate the guidance and the additional rewards that will come through as a result. However, even at 1% conversion ([page 17](#)), referral leads from top advocates still beat industry standards for marketing lead conversions ([page 13](#)).

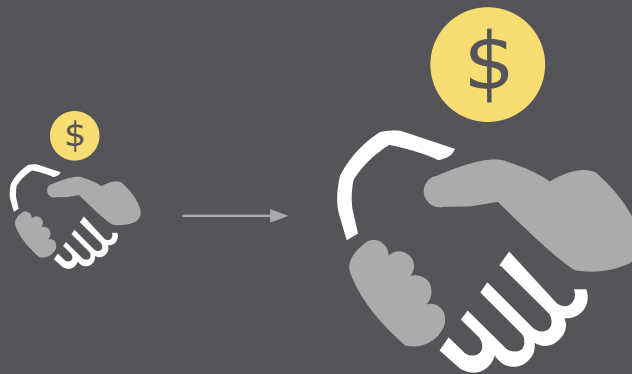


4. Make rewards commensurate to customer involvement

Business customer referral programs, like those evaluated in this study, typically are run by companies who have a sales team and a high cost per lead and cost per acquisition. While \$111 may seem like a high amount for the average referral payment ([page 19](#)), when considered relative to a typical cost per acquisition of a new customer, it is extremely small.

Looking at the reward data, many may wonder why rewards over \$100 are ever offered if the success rate

is lower above this threshold ([page 20](#)). The answer is that larger deals require more work and are a referral that deserves a bigger reward. No business incentivizes sales with a flat commission amount for all deal sizes, nor should that be applied to a customer advocate. If the business has a wide variance in deal sizes, consider offering a percentage of revenue or a tiered reward amount based on product purchased. This incentivizes referrals into larger organizations and for the customer to continue to shepherd the deal through the sales stages.





THE FINAL TAKEAWAY: AUTOMATE YOUR REFERRAL CHANNEL

With Amplifinity, you can create a referral channel that converts referrals to deals more than 13% of the time. Amplifinity automates customer and partner referral programs, eliminating the operational hassle to allow for referrals to be a high-volume, always-on channel for demand generation.

Amplifinity has the expertise to help you build your referral channel so that it is your #1 source for revenue. Are you looking to bring your customer referral program up to the level seen on Amplifinity's referral platform? Request a demo of Amplifinity to get an overview of our platform and a custom ROI assessment.

amplifinity.com/request-for-demo

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