

The Benefits of Referral Marketing

White Paper





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It's a well-known fact that in a wide variety of industries - ranging from B2B service providers to consumer brands to ecommerce companies - positive word-of-mouth is the lowest cost and most effective way to generate brand awareness, new leads, and immediate sales. Recently, the Word of Mouth Marketing Association (WOMMA) measured the total marketplace impact at \$6 trillion dollars, and found that the value of a single word-of-mouth impression is anywhere from 5 to 100+ times more valuable than a paid media impression.

In today's digital world, positive word-of-mouth interactions can exponentially drive sales when leveraged through referral marketing programs. Referral marketing is when a company rewards fans, customers, influencers, and affiliates - basically any defined contact - for referring their products/services. These brand ambassadors may also be incentivized with monetary or nonmonetary rewards.

Today, many companies continue to run referral marketing programs manually, losing the ability to capitalize on the large opportunity of gaining new loyal customers. By automating the manual process of enrolling, tracking, managing and rewarding referrals, referral marketing automation enables companies to quickly scale their referral marketing efforts. Furthermore, leveraging referral automation enables companies to increase engagement and acquire new customers. leveraging referral automation enables companies to increase engagement and acquire new customers.

Customers are **4x more** likely to buy when referred by a friend.



The lifetime value of referred customers was **16% higher**, on average, than that of non-referred customers.



Research shows the longer a customer stays with a brand, the more valuable they become. In fact, an annual increase of just 1% in customer retention can equate to a **20% increase in revenue annually.**

Increase Engagement

Creating referral marketing programs enables companies to develop a database of brand ambassadors and understand their behaviors. This allows for the opportunity to remarket to them with special promotions/offers, reward them for their activity, or simply say thank you for their help. This makes customer marketing targeted and highly effective while creating loyal relationships.

Gain Loyal Customers

Gaining new customers for your business can be an expensive challenge, but with a referral program it doesn't have to be. People that have been referred by a peer typically stay loyal to a brand longer than those that found the company by other means. According to Forbes, a study done by Goethe University revealed that customers recommended to businesses were 18% more likely to stay with companies the organization than other customers. The article reiterates, "People tend to have a stronger attachment to an organization if their friends or acquaintances share a bond to the same establishment."

Spread Brand Awareness

Naturally, a large contributor of building brand awareness is referral marketing. In fact, 49% of U.S. consumers say friends and family are their top sources of brand awareness. The more your referrers talk about your products and services, the larger your reach becomes. Additionally, generating brand awareness through referral marketing is more likely than not to turn into brand preference.

So whether your company is in the B2B industry, a B2C brand, or represents a variety of clients, the use of referral marketing programs can dramatically increase existing customer engagement and new customer acquisition while spreading brand awareness.