

Referral Marketing: Are You Creating Customer Advocates?

2019

Sponsored by

mention *me*



Customer Engagement

DM
Data &
Marketing
Association **A**

/ Contents

Introduction	03
Foreword.....	04
Executive Summary.....	05
Acquisition Channels.....	06
The Untapped Power of Referrals.....	06
Marketing Misconceptions.....	07
Talk isn't Cheap.....	08
Charting a New Course.....	09
The Use of Referral Programmes.....	10
A Rich Territory.....	10
The Power of Referred Customers	11
It's Not All About Discounts	12
Comparing Marketer and Consumer Perspectives.....	13
The Secret to Securing Referrals.....	13
The Customer's Perspective.....	14
A Friend Indeed.....	15
Room for improvement?.....	16
About the DMA.....	17
About Mention Me.....	18
About the Campaign	19
Methodology	20
Copyright and Disclaimer	21

/ Introduction

Turning a customer into an advocate should be something on every brand's wishlist.

The power of customers backing your brand and recommending it to friends, family, and beyond, is a sure-fire way to drive more engagement and new customers.

It creates a cyclical pattern, as these customers are more likely to refer on again and again, purchase more frequently, and, according to our research, have a higher average spend.

This report aims to explore acquisition strategies and referral programme landscapes, and go beyond the world of mere sales.

Two in five marketers believe word-of-mouth recommendations are one of the best ways to build trust. So, why do just a fifth of marketers believe in the importance of referrals? And why do only a few more marketers have some form of referral programme in place within their customer acquisition strategy?

The power of influencer marketing and reviews have been touted as powerful marketing tools, but our data suggests marketers may be over-estimating the power of these in building long-term trust.

Rather than trying to use influencers or asking customers to review your products and services, a good strategy lies in combining the two.

Why not ask your customers to be your influencers?

By putting the customer first, they become the beating heart and the main protagonist of your marketing campaign narrative. Both the brand and customer benefit from the short term influence and engagement of the referral programmes and the long-term relationships and trust they help you build.

Turning a customer into an advocate is something every brand should aim for.

Through the intelligent fusion of technology, creativity, transparency, and insight – underpinned with a focus on the customer – brands can start to make this happen.

Brands must also ensure their teams have the right skills for today and tomorrow, enabling them to make more intelligent marketing decisions that benefit both the business and its customers.

Rachel Aldighieri
Managing Director, Data & Marketing Association

/ Foreword

The world of marketing is constantly evolving. Here at Mention Me, we're fascinated by the different channels marketers use to navigate this ever-changing landscape and prepare for the future. We've run a consumer-focused barometer study on referral marketing since 2017, so were delighted to partner with the DMA to explore this, (our admittedly favourite), channel in more depth.

As the report highlights, trust and authenticity have never been so important to consumers – or harder for brands to establish. Marketers with established referral programmes acquire not only significantly more customers, but high-quality customers who are loyal and engaged with their brand.

It makes sense that 20% of marketers plan to use referral in the near future, 31% expect their organisation to spend more on 'refer-a-friend' programmes over the next 12 months, and almost half cite word-of-mouth recommendations as a top channel for building trust.

Interestingly, many brands also misunderstand what matters most to consumers. As presented in this report, marketers frequently overlook the brand values and ethical behaviours their customers really care about, instead focussing on the push marketing and brand loyalty often disregarded by target audiences.

At a time when authenticity has never been so important, we trust our friends far more than any glossy influencer, targeted campaign or clever advert. As this guide reveals, the time to establish your brand's referral marketing channel has never been so right.

Being involved in the creation of this report was hugely insightful – I hope you enjoy reading it as much as we did compiling it, and find it useful as you plan for the times ahead.

Andy Cockburn

Co-founder and CEO, Mention Me

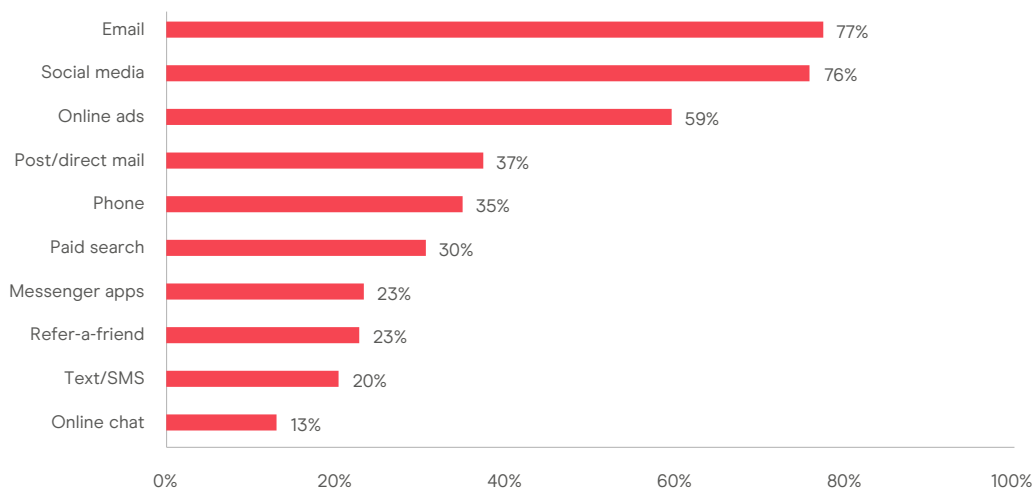
/ Executive Summary

- 23% of organisations currently have referral programmes in place for customer acquisition
- 37% of consumers discover new products and services via recommendations from family and friends, but only 21% of marketers think this aspect is important to consumers
- 41% of marketers rate word-of-mouth recommendation in their top two channels for building trust
- 20% of marketers would like to use referrals in the near future and 31% expect their organisation to spend more on 'refer-a-friend' programmes in the next 12 months
- 30% of marketing respondents say their organisations gain over 15% of their new customers via referrals
- Referring other customers, increased repeat purchase and greater spend are the main benefits of acquiring a customer through referral compared to other channels
- Almost half of all consumers (41%) say secure data storage and a promise not to share that personal information with third parties is an important factor behind referring someone to a brand
- Marketers overestimate the power of reviews and influencers in building trust. Some 20% of marketers think reviews add trust to purchasing but only 12% of consumers agree. Similarly, 9% of marketers cite influencers as adding trust compared to just 3% of consumers.

/ Acquisition Channels

The Untapped Power of Referrals

Thinking about your own organisation, which of the following channels do you currently use as part of your customer engagement programme?



The vast majority of marketers primarily pick email (77%) and social media campaigns (76%) as channels for their customer engagement programmes.

Banner ads, display ads and other forms of online marketing are also popular – indeed, this was the only other channel chosen by more than half of our panel (59%).

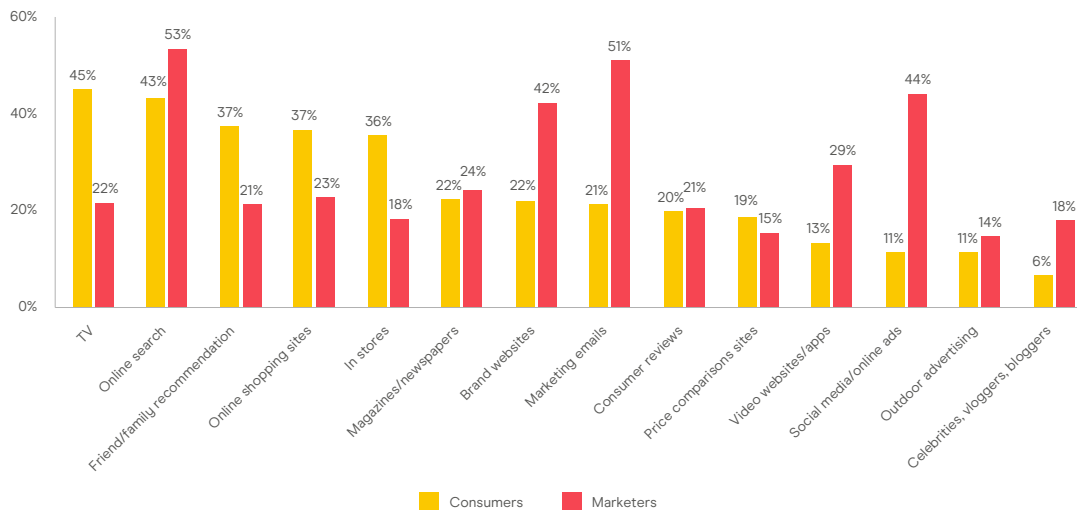
Surprisingly, less than a quarter (23%) currently use referrals to engage customers.

Online chat, SMS and messenger apps are also relatively untapped.

Marketing Misconceptions

How do you typically find out about new products and services? - Consumers

Thinking about your organisation's customer acquisition campaigns specifically, what do you believe are the main channels that customers use to find out about new products or services? - Marketers



There are some clear gaps between how marketers think consumers like to discover information about products and services, and the reality of how consumers actually do like to discover these things.

Brand recommendations from family and friends are underrated by marketers. Just over a fifth of them (21%) believe it's an important acquisition tool compared to 37% of consumers.

Meanwhile, TV's day is clearly not done: 45% of consumers find out about brands this way, even though around half of that number of marketers (22%) picked it.

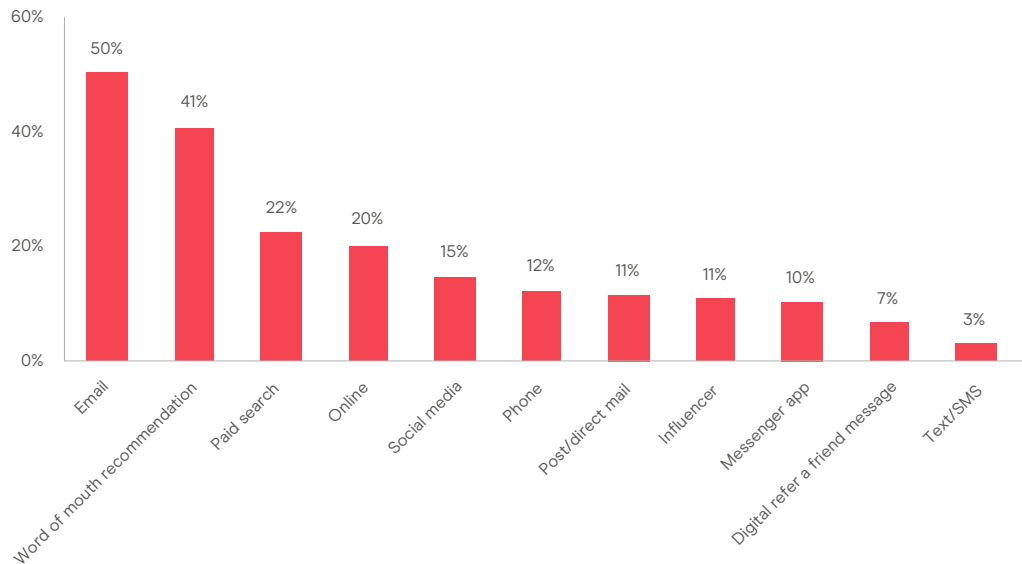
Talk of the high street's demise may also be premature, as twice the proportion of consumers say in-store marketing is an important source of information, compared to marketers (36% vs. 18%).

Marketers generally over-value channels which are often deemed more measurable, such as search marketing and email, as well as influencer marketing. For example, 18% of marketers use influencers, while just 6% of consumers who rate it a good source of information.

Overall, the survey results show that marketers shouldn't shy away from using traditional channels, as their consumers still rely on and discover brands this way.

Talk isn't Cheap

In general, which of these channels do you believe are most trusted by consumers?



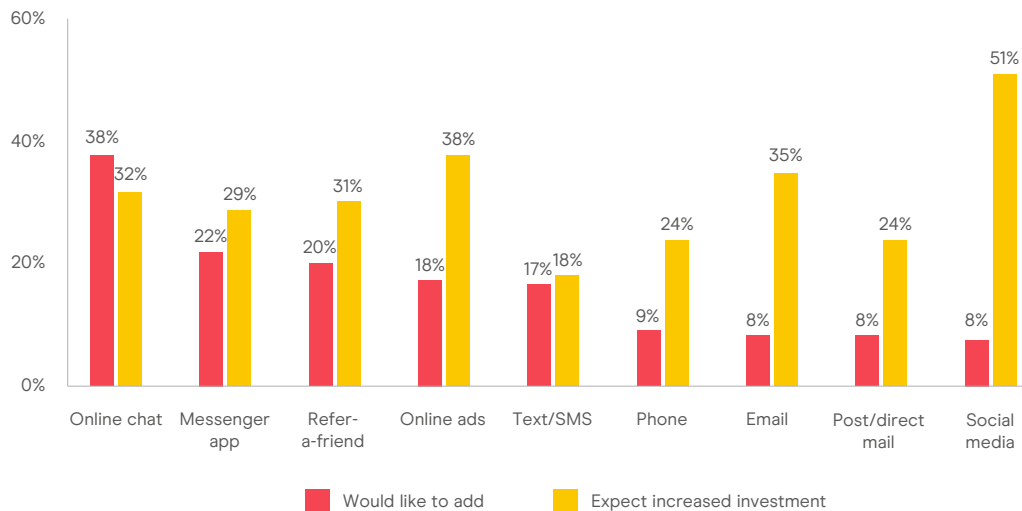
More than four marketers in ten (41%) rate word-of-mouth recommendation in their top two channels for building trust – email being first with 50%. This seems at odds with the take-up of current referral marketing highlighted earlier.

The results underscore continued uncertainty around using SMS and messenger apps.

There's also a discrepancy between the proportion of marketers using influencers, outlined above, and the number who rate the channel trustworthy (11%).

Charting a New Course

Which of these channels would you like to add to your marketing programme in the future or next 12 months? & (Expect investment) How do you expect your investment in the following channels to change over the next 12 months?



One-in-five marketers are keen to use referrals in the future, and even more (31%) are optimistic about budget being allocated to referral strategies.

Online advertising (38%) and email (35%) are also deemed high on organisational plans for budget boosts.

While social media is already a channel of choice for many brands (see page 5), just over half of the marketers we polled expect their organisation to further boost investment in the channel.

As brands' experience of using – and measuring – social media increases, and consumer buzz around different channels continues, it's likely more budget will be committed.

Online chat, another nascent channel for marketing, is also attracting interest.

More than a third of marketers (38%) would like to add chat to their communications arsenal – and many think their organisation will invest (32%).

This could herald a new era of chat-based relationships between brands and consumers.

Meanwhile, 22% are considering marketing through messenger apps.

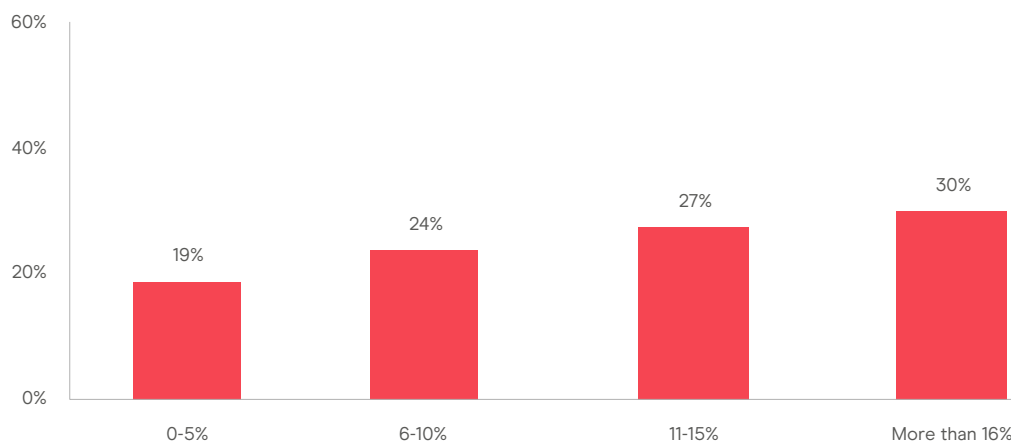
Key takeaway

While 'refer-a-friend' is currently untapped by many brands, marketers are enthusiastic about its future role in acquisition, engagement, and trust building – and expect the spend on this channel to increase.

/ The Use of Referral Programmes

A Rich Territory

Considering the total number of new customers your organisation acquired last year, on average, what is the percentage of those acquired through your referral programme?

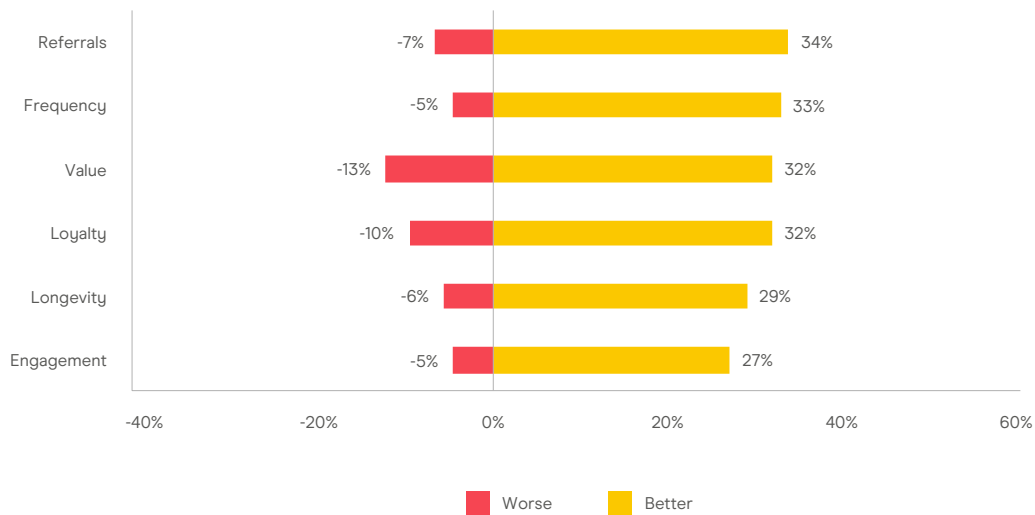


Three in ten marketers say their organisations gain more than 15% of their new customers through referrals.

On average, businesses seem to acquire 11.3% of their new customer base thanks to this acquisition strategy.

The Power of Referred Customers

Thinking about the customers acquired through your referral programme, how would you compare them to customers engaged through other channels?



Referred customers compare significantly better than those who are acquired through other channels, according to marketers.

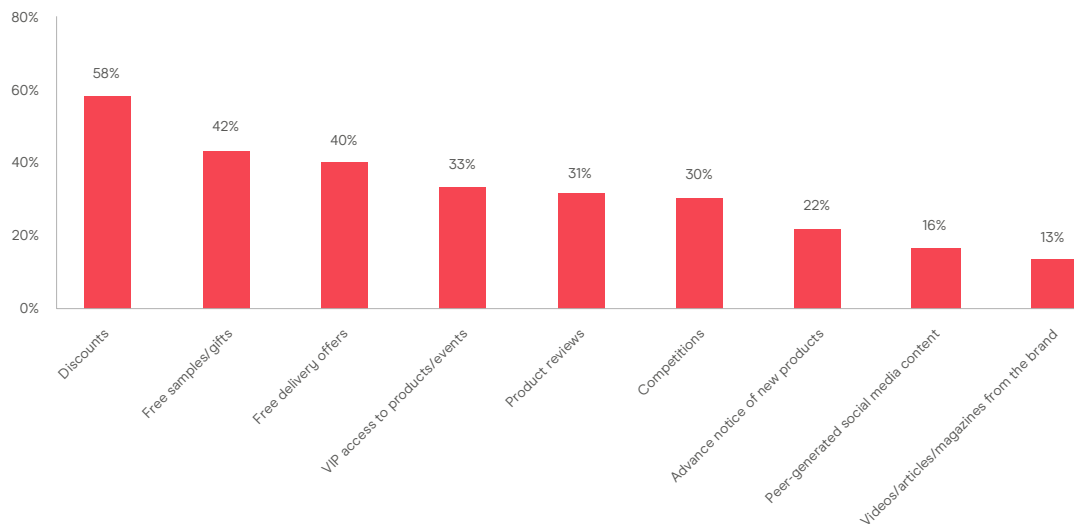
Around a third of their referred customers are more willing to:

- Refer other customers
- Buy more
- Purchase more frequently

Customers who come through 'refer-a-friend' programmes also tend to be loyal and long-term.

It's Not All About Discounts

Which of the following types of incentives are most effective in helping to secure customer referrals?



When it comes to incentivising referrals, discounts are the marketer-preferred tactic, with 58% rating money-off most effective. Free samples (42%) and free delivery (40%) aren't far behind.

However, there are a range of creative options available. Competitions (30%) and VIP access to events and new products/services (33%) are both relatively effective alternatives to the discount method.

It's important for brands to pick the right incentive for their customer base, and segments within it.

Testing different types and levels of rewards can have a major impact on the success of a referral programme. There aren't any hard and fast rules for rewards, but testing the best approach for your brand help you tailor the offer to your specific audience and boost success.

Key takeaway

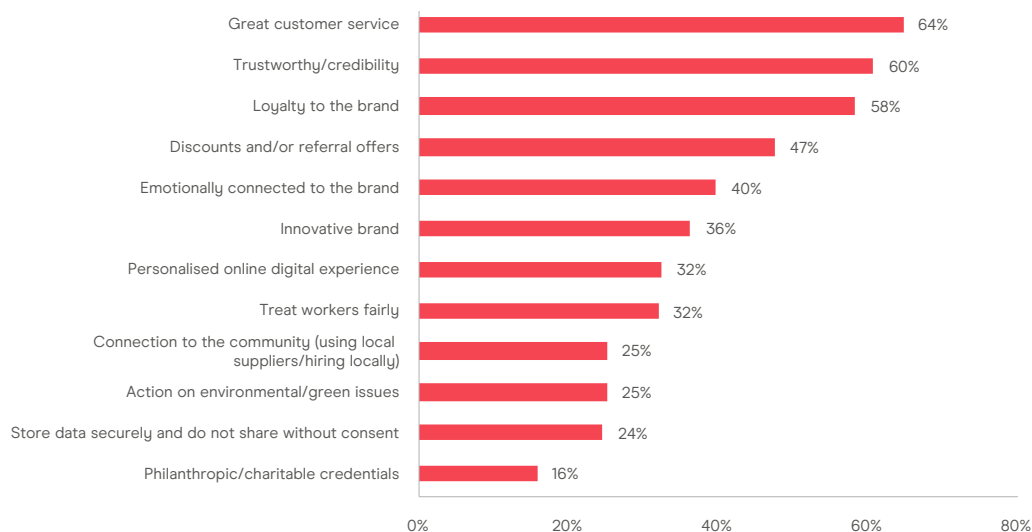
Referral programmes don't just deliver an impressive number of new customers, they also increase new referrals, purchase frequency, and bring with them the value of the customer lifetime.

Testing different incentives to optimise your scheme will help you reap these rewards.

/ Comparing Marketer and Consumer Perspectives

The Secret to Securing Referrals

Which of the following brand attributes do you believe would make a consumer more likely to refer a brand to a friend or family member?



It's perhaps unsurprising that good customer service is seen as the key brand attribute that drives referrals, according to 64% of marketers.

More interesting is the emphasis placed on trust and credibility, which 60% believe is vital.

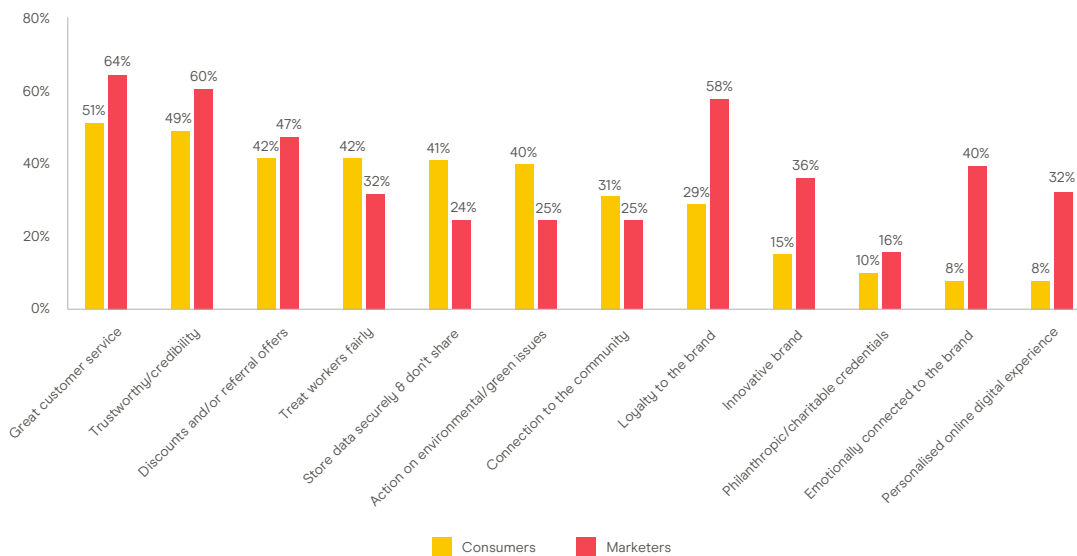
Furthermore, with almost six in ten marketers (58%) saying customer loyalty is a major factor in future referrals, trust shouldn't be underestimated.

Marketers even believe that customer loyalty outranks many other elements including discounts, and personalised communications and offers.

The Customer's Perspective

Which attributes would a brand need to have to make you more likely to refer them to a friend? – Customers

Which of the following brand attributes do you believe would make a consumer more likely to refer a brand to a friend or family member? – Marketers



Consumers are aligned with marketers across several of the factors outlined above.

For example, 42% of consumers and 47% of marketers believe discounts to be an attribute that prompts referrals.

Likewise, charitable credentials are deemed an important aspect by 16% of marketers and one in ten consumers.

However, there are discrepancies. Emotional connection with a brand is far more important to marketers (40%) than consumers (8%).

Likewise, consumers aren't that interested in personalised digital experiences in regards to driving referrals — nearly a third of marketers (32%) say this is important, compared to just 8% of consumers.

Brand innovation is not as influential as marketers would expect: only 15% of consumers rate it important in prompting them to refer their family or friends to a brand. However, 36% of marketers think this is a key factor.

With regard to a brand's green credentials prompting referrals, there is a clear gap between consumers (40%) and marketers (25%). For more information see [Mention Me's Customer Advocacy Report](#).

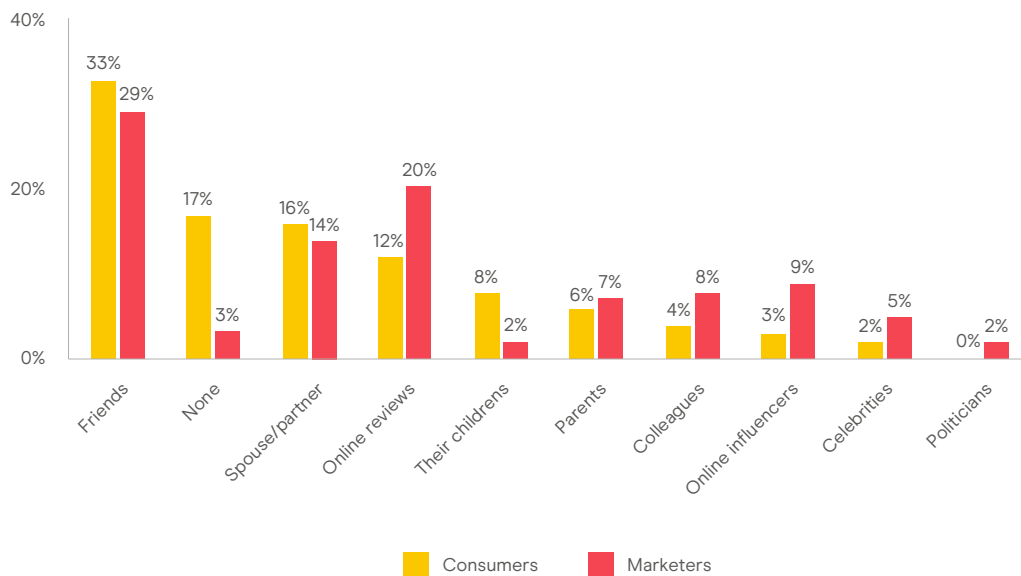
The key takeaway here is that referral programmes can't just be pumped out into the market without thought.

Many elements need to work together to create a successful strategy. It's important to consider budgeting, targeting, and to have a deep understanding of all relevant obstacles and opportunities when creating your strategy. Referral marketing requires careful consideration.

A Friend Indeed

Consumers If somebody recommended a brand to you, whose recommendation from the following list do you think you would trust the most? – Customers

Whose recommendation do you believe customers trust the most? –Marketers



Marketers overestimate the power of reviews and influencer marketing when it comes to building customer trust.

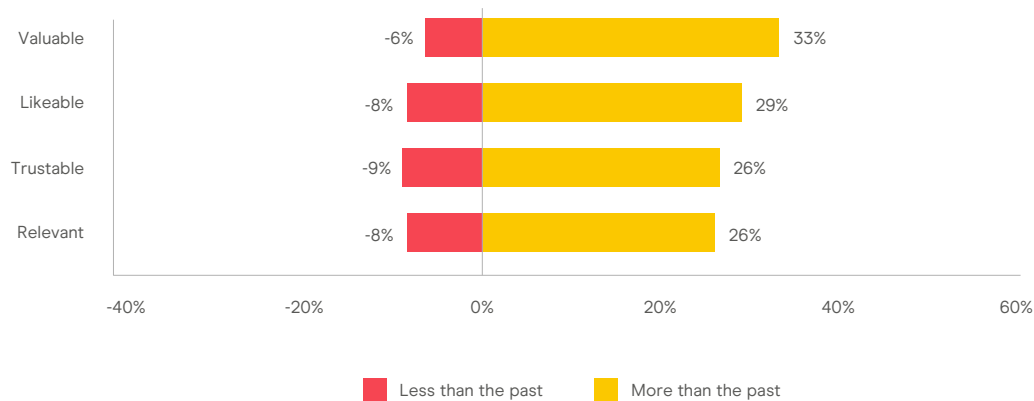
Product/service reviews are ranked second, chosen by a fifth of marketers – but only 12% of consumers treat them as a trusted source of information.

Meanwhile, 9% of marketers think influencers are the most trusted source for consumers; yet just 3% of consumers agree.

In fact, almost a fifth (17%) of consumers only trust their own personal judgement. They are most likely to turn to friends when choosing a brand (33%) – only 16% rely on their partner's feedback.

Room for improvement?

From your personal experience, how would you define the current customers' perception of marketing?



Marketers believe consumers are relatively happy with their marketing activity.

When they were asked about current customers' perception of marketing compared to the past, value, likability, trustworthiness, and relevance all scored highly.

These basic building blocks are some of the pillars of any successful marketing strategy and it's vital to get them right.

However, the **Advertising Association's** 'Arresting the decline in public trust in UK advertising' research paints a different picture.

Public attitudes towards advertising has long been in decline: from around 50% positive response in the early '90s, to just 25% in 2018.

Moreover, data shows that public favourability and trust are highly correlated – they rise and fall together.

Key takeaway

Trust is seen as a vital element in prompting a referral by a majority of marketers and almost half of consumers.

Marketers overestimate the trust that customers place in reviews and influencers, with people preferring to seek information from their friends.

Consideration of all brand attributes, from customer service to CSR, is key.

/ About the DMA

The Data & Marketing Association (DMA) comprises the DMA, Institute of Data & Marketing (IDM) and DMA Talent.

We seek to guide and inspire industry leaders; to advance careers; and to nurture the next generation of aspiring marketers.

We champion the way things should be done, through a rich fusion of technology, diverse talent, creativity, insight – underpinned by our customer-focused principles.

We set the standards marketers must meet in order to thrive, representing over 1,000 members drawn from the UK's data and marketing landscape.

By working responsibly, sustainably and creatively, together we will drive the data and marketing industry forward to meet the needs of people today and tomorrow.

www.dma.org.uk

/ About Mention Me

Mention Me is a marketing technology business helping brands harness the trust that their customers have in them. The Mention Me [refer-a-friend platform](#) enables businesses to turn word-of-mouth into a controllable and meaningful marketing channel. Working in partnership with their clients, rigorous AB testing ensures best practice resulting in world-class referral programmes. Mention Me work with over 400 businesses and have introduced over 1 million new customers to its clients through referrals. In July 2018 Mention Me completed its first funding raise of \$7M with Eight Roads Ventures.



/ About the Campaign

Customer Engagement

We put the customer at the heart of everything we do – especially when it comes to our [Customer Engagement](#) campaign.

This campaign uses research and insight to help you maximise your engagement for the benefit of marketers and consumers alike.

If you build a rapport with your customers, and you have something they want, then they will buy from you again and again.

We want to know what builds this rapport. We know creativity, data and technology are factors, but we don't know how the interplay works.

This campaign aims to discover what makes brilliant engagement.

Check out our popular [Marketer Email Tracker](#) and [Consumer Email Tracker](#), and explore our engaging infographics which are breaking down key ideas.

We also run events to encourage better Customer Engagement. Keep an eye on your emails, or visit our [events page](#) to book your spot.

Tap into DMA research, insights, thought leadership, and networking events on offer by visiting the DMA online and discover how you can get involved with and get the most out of our [Customer Engagement](#) campaign.

Better engagement means better business.

/ Methodology

'Referral Marketing: Are You Creating Customer Advocates?' is an initiative undertaken by the DMA in partnership with **Mention Me**.

In May 2019, the DMA conducted an online survey consisting of a maximum of 24 questions.

There were 208 respondents and they represented a balanced range of industries, business types and sizes. Respondents were mostly mid-level marketers (44%) and mainly worked for brands (49%).

Unless referenced, all data included in this report is taken from this survey.

Data was also taken from the following sources:

- Customer Engagement: Acquisition and the consumer mindset – DMA UK
- Customer Engagement: Marketers' view – DMA UK
- Customer advocacy report – Mention Me

The data were collated and analysed by the DMA Insight Department.

The report was written by the DMA Marketing and Insight departments.

The final report was produced in collaboration with the partner, **Mention Me**.

The report was proofed and designed by the DMA's in-house Brand and Content Team.

If you have any questions about the methodology used in the report, you can contact the DMA's research team via email: research@dma.org.uk.

/ Copyright and Disclaimer

'Referral Marketing: Are You Creating Customer Advocates?' is published by the Data & Marketing Association (UK) Ltd Copyright © Data & Marketing Association (DMA). All rights reserved. No part of this publication may be reproduced, copied or transmitted in any form or by any means, or stored in a retrieval system of any nature, without the prior permission of the DMA (UK) Ltd except as permitted by the provisions of the Copyright, Designs and Patents Act 1988 and related legislation. Application for permission to reproduce all or part of the Copyright material shall be made to the DMA (UK) Ltd, DMA House, 70 Margaret Street, London, W1W 8SS.

Although the greatest care has been taken in the preparation and compilation of this report, no liability or responsibility of any kind (to extent permitted by law), including responsibility for negligence is accepted by the DMA, its servants or agents. All information gathered is believed correct at July 2019. All corrections should be sent to the DMA for future editions.