Referral program design and best practices

Accion Venture Lab

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Investing in individuals.
Improving our world.

Many elements can be varied in the referral design

Potential design attributes to test:

Referral offer and structure (the "What")

- **Basis:** leads, sign-ups, conversions, circles started
- **Quantity:** # of leads/conversions required to qualify
- **Pay-off:** Discounts to party A and B, improved trust score for A

Channel and messaging (the "How")

- **Channel:** Facebook (direct message, wall-post, status update), Email, SMS, Referral Code, other social media
- **Messaging:** form letter, customization, multimedia, other content
- **Other support:** prioritize contacts, tips on messaging, reminders, social graphs, user dashboards
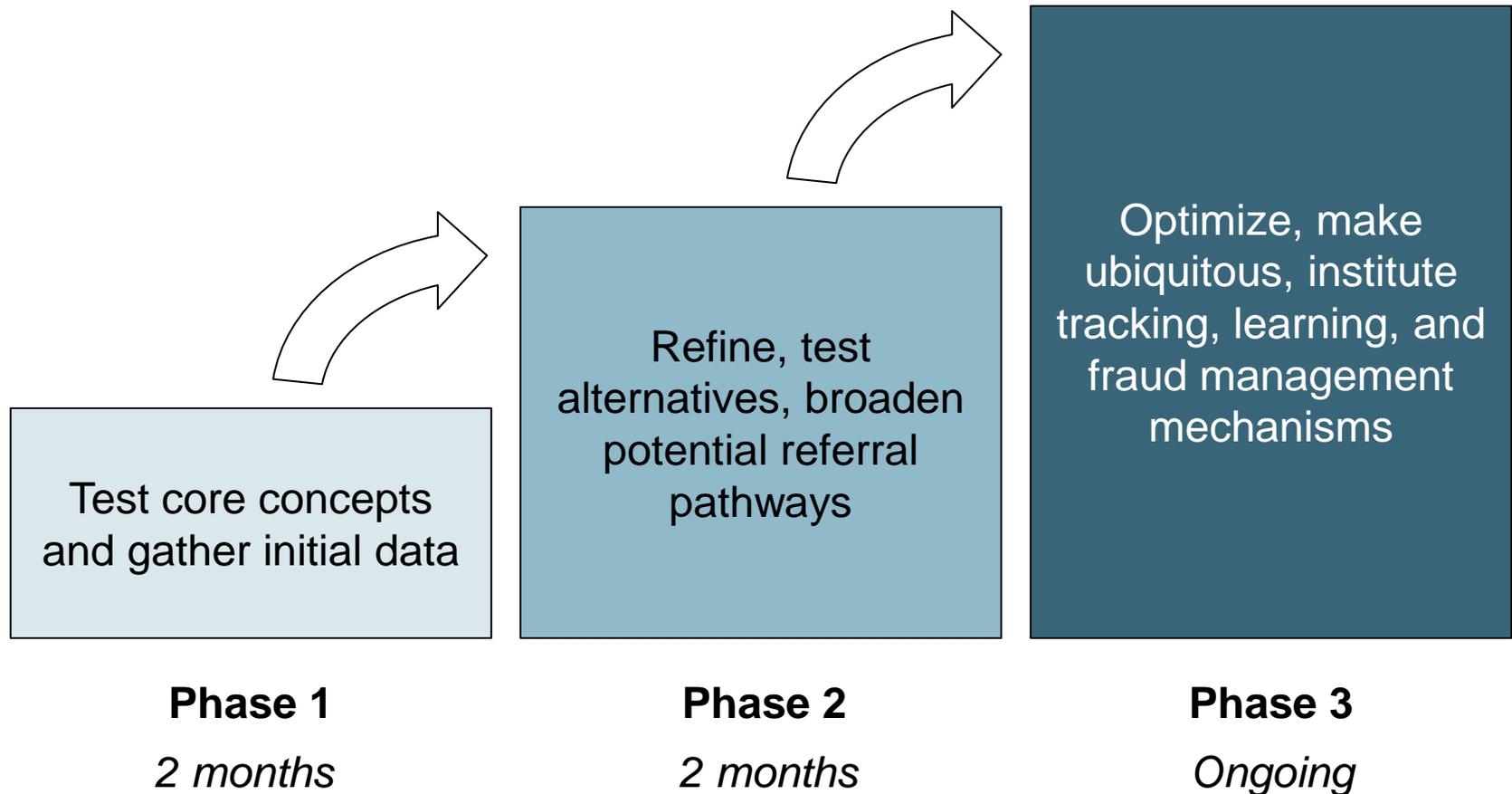
Key metrics to determine net lifetime value:

Cost	Conversion	Value

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We propose a 3-phase pilot structure

Test core concepts and gather initial data

Refine, test alternatives, broaden potential referral pathways

Optimize, make ubiquitous, institute tracking, learning, and fraud management mechanisms

Phase 1

2 months

Phase 2

2 months

Phase 3

Ongoing

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	Decision	Sample hypothesis
Objectives and context	• Objectives for referrals program	• Register and convert new customers • Retain previously active users • Build trust for brand
	• Prompt and pathways for	• Follow-up with email reminders • See "referral pathways" slide for more detail
	• Basis monetization	• Credit conceptually "earned" when invite is sent/received • Credit "redeemed" at next transaction
Referrals – core concept	• Monetization amount and limits for referrals	• Inviter: earns $5 off next transaction for every person they invited that joins and completes a transaction (max $25 off in one year?) • Invitee – new user: earns $10 _or_ $25 _or_ 50% off first (test amounts)
	• Channels to use for communication	• Send messages through FB private message _or_ FB wall post • Send messages through email _or_ SMS _or_ generate offline code
Re-activation – core concept	• Targeting and incentives for non-referral re-activation	• Target users with different usage patterns to complete a transaction, length of dormancy, and other attributes on their recent transactions • Provide several options to invitee for applicable pools they can join (or just one potential option? Include private groups by incentivizing their owner? Only to fill higher spots?)

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|	Decision	Sample hypothesis
Support and messaging	• Messaging and customization	• Input generic message, allow user to customize • Can we auto-generate content based on users or invitee's bio?
	• Other assistance/ prioritization algorithms	• Integration with Facebook, Gmail, and other Address Books • Prioritize existing users, most contacted friends (social graph)
	• Design elements to vary and test	• Engage a graphic/ UI designer
Back-end and logistics	• Metrics to track and measure	• # of invites sent, conversion (various points in funnel – registration, joined, started) • Campaign attributes (referral amount, design, channel, messaging, etc) • Other: retention (longer-term), re-invites, demographics and relationship to user
	• Risks, fraud, and breakage	• Multiple invites to same person: first-come-first-serve • Limit re-activation pay-off to one-time • Limit max potential savings for a given transaction to $25 (50%)
	• Success factors, business case	• Build business case framework once we align on pilot design/attributes
	• Logistics and timing	• Detailed design and business case model • Implementation and in-field

Referrals at each stage of the customer lifecycle
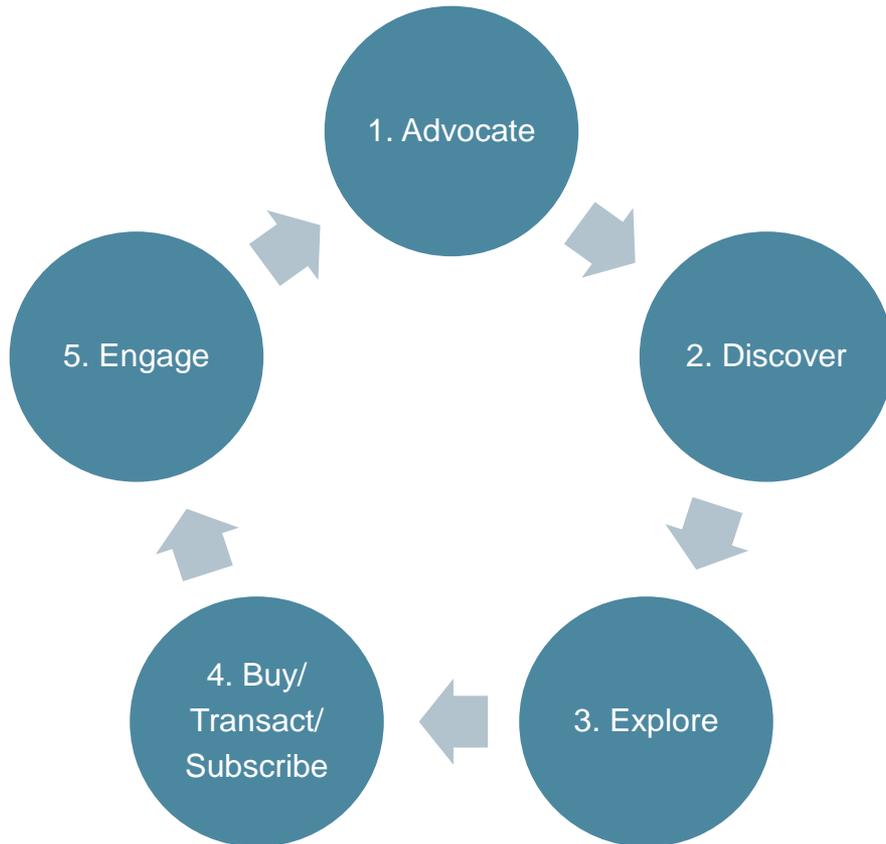
- Referrals are relevant at each phase of the customer lifecycle

- The cost of retaining or reactivating customers can be much lower than sourcing new customers

- Referrals contribute to a more active user base

Referrals at each stage of the customer lifecycle
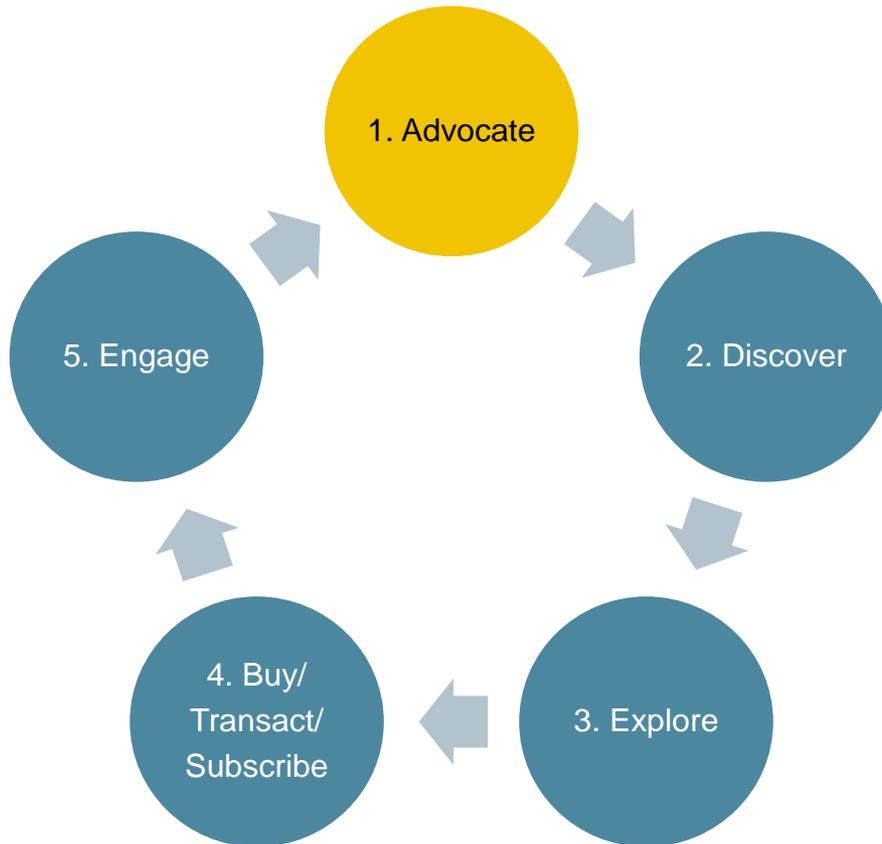
New customers are drawn in by referrals from those who they trust. By creating a trusted connection between the existing customer and the potential new customer, the company can gain trust despite lack of brand or product awareness.
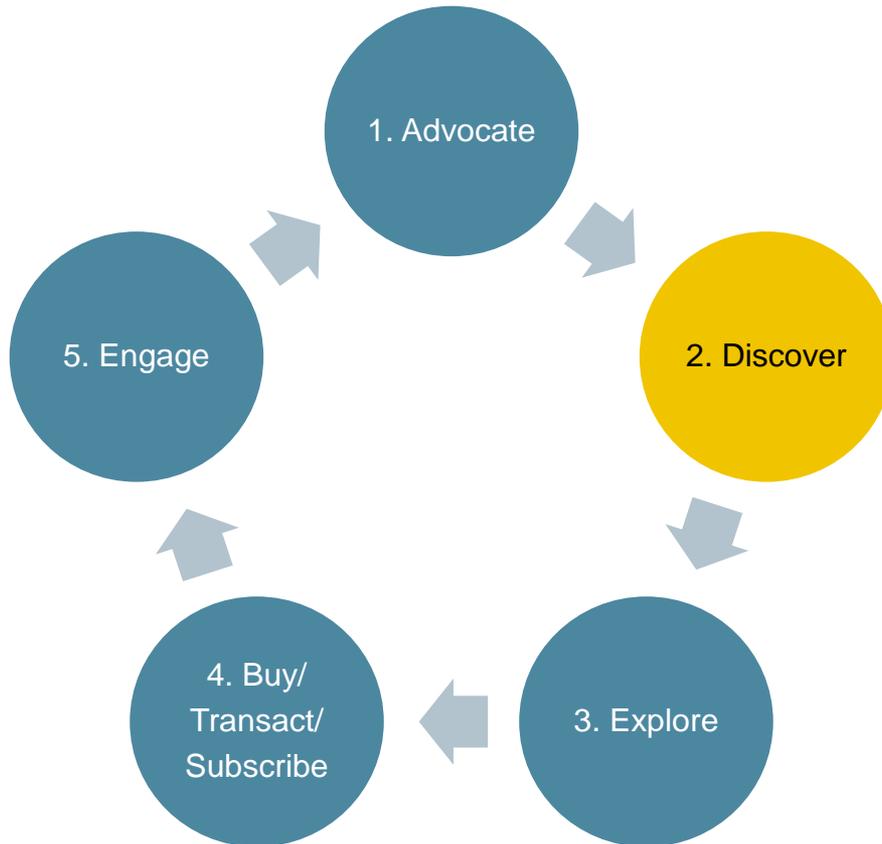
Example
Uber has the largest brand dominance for ridesharing apps. Lyft uses a similar referral strategy to get potential customers aware that there is a choice in ridesharing apps.

Lyft users who invite a new user get a free ride (up to $20) when the invited user installs the app and takes a free ride.

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# Referrals at each stage of the customer lifecycle

Customers discover an unmet need or unsolved problem. They read the company's landing page, perhaps create an account, join a mailing list or download an app.

Example
When someone receives an invitation to join Lyft, they get a link to download the app. The customer will receive periodic email reminders that they have a free ride if they forget to use it.

Referrals at each stage of the customer lifecycle

- 1. Advocate
- 2. Discover
- 3. Explore
- 4. Buy/ Transact/ Subscribe
- 5. Engage
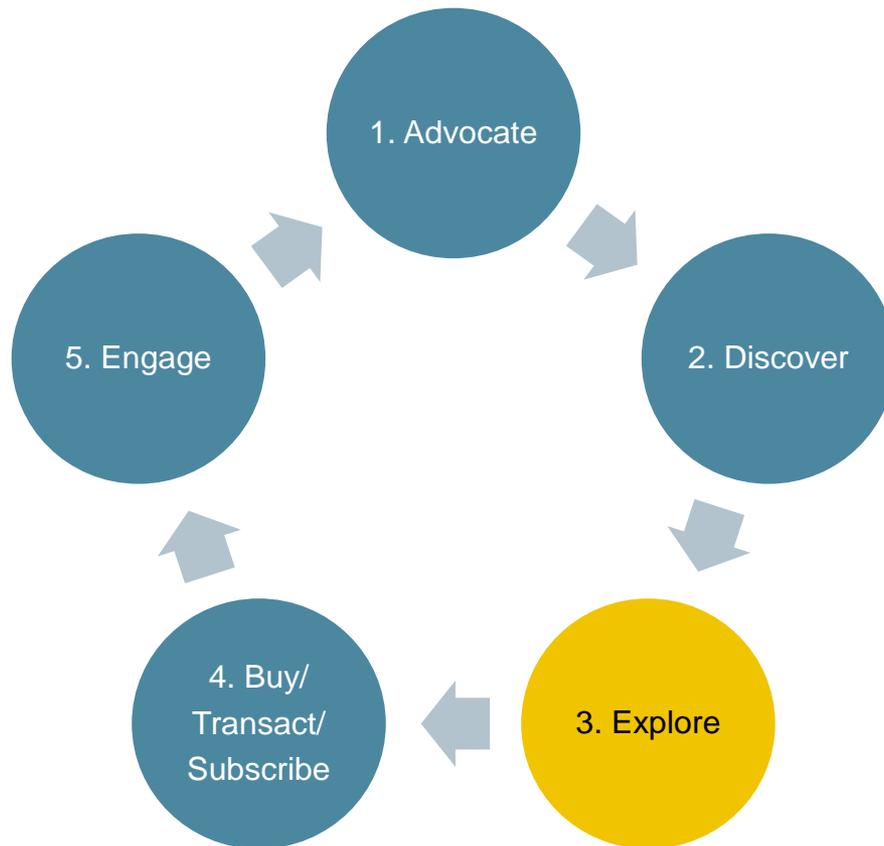
Customers begin to explore their options. They will look at competitors, read reviews and social media comments. Comparison charts are helpful. Customers who are emotional decision-makers will be drawn to you because of their relationship with the person who sent the referral; rational decision-makers will be drawn in by the monetary incentive and may be more concerned with product/service features and pricing.

Example
After receiving the Lyft invite, customers might ask the friend more about the service. Is it safe? Affordable? Convenient? Better than Uber? They might also read news articles online or visit Lyft's facebook page. Meanwhile, the tempting offer of a free $20 ride sits in the back of their mind, with a periodic reminder email.

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Referrals at each stage of the customer lifecycle
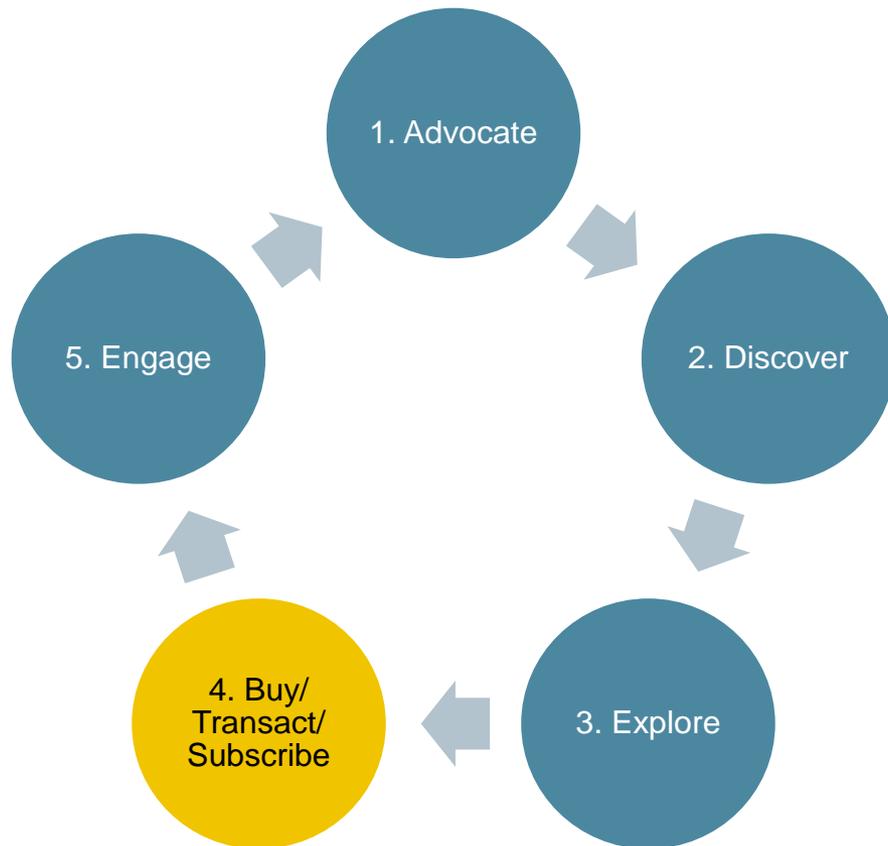
The potential customer converts to a paying customer through a purchase, subscription or service activation. Their special offer is redeemed at checkout.

The referring customer is notified; their offer is activated for a future transaction.

Stagnant Customers
Have completed one transaction but have not accessed system since. Send reminder emails, encourage them to refer new people or existing stagnant users in their social network

Example
The new customer takes her first Lyft ride for free. The referring customer receives an email notifying him that he now has a $20 credit towards a future ride.

Referrals at each stage of the customer lifecycle
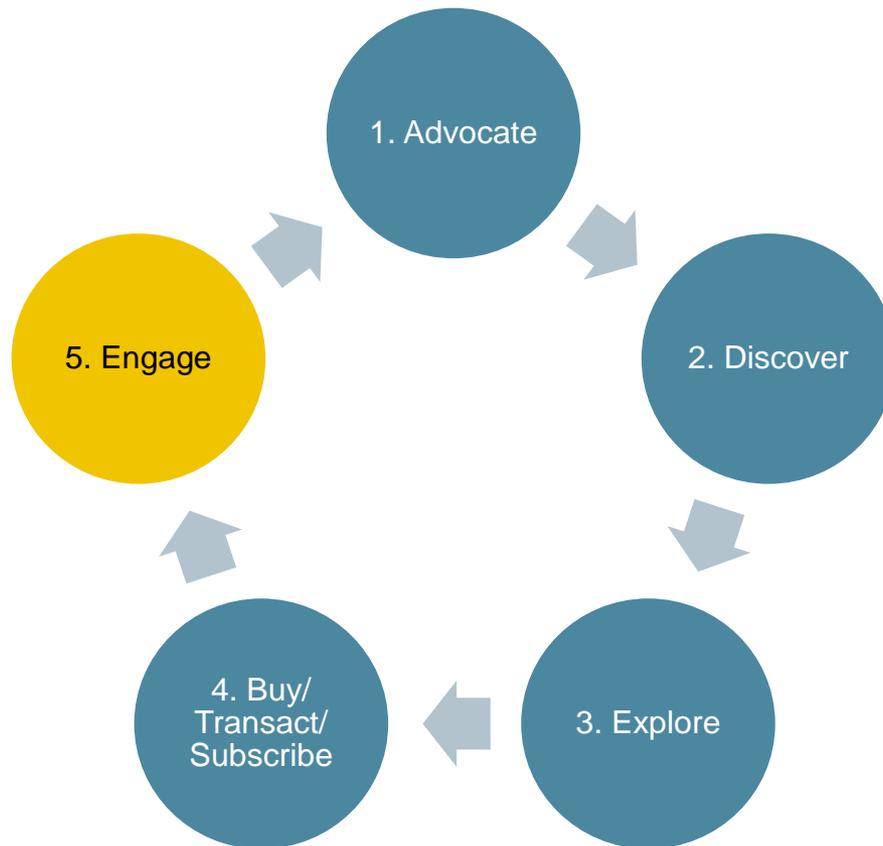
After trying the product or service, the new customer leaves internal and external feedback.
- Internal – calling/emailing customer service, in-app feedback
- External – word-of-mouth, social media comments, App Store reviews

Proactively encourage internal and external feedback
Send email reminders encouraging customers to invite friends and family, reminding them of the deal they can get upon a new conversion. Ask customers to rate your app in the app store.

Example
After taking her first Lyft ride, the customer leaves the driver a 5 star rating (internal), gives a 4 star rating on the App Store (external), and tells a friend about it at work (external).

Referrals at each stage of the customer lifecycle
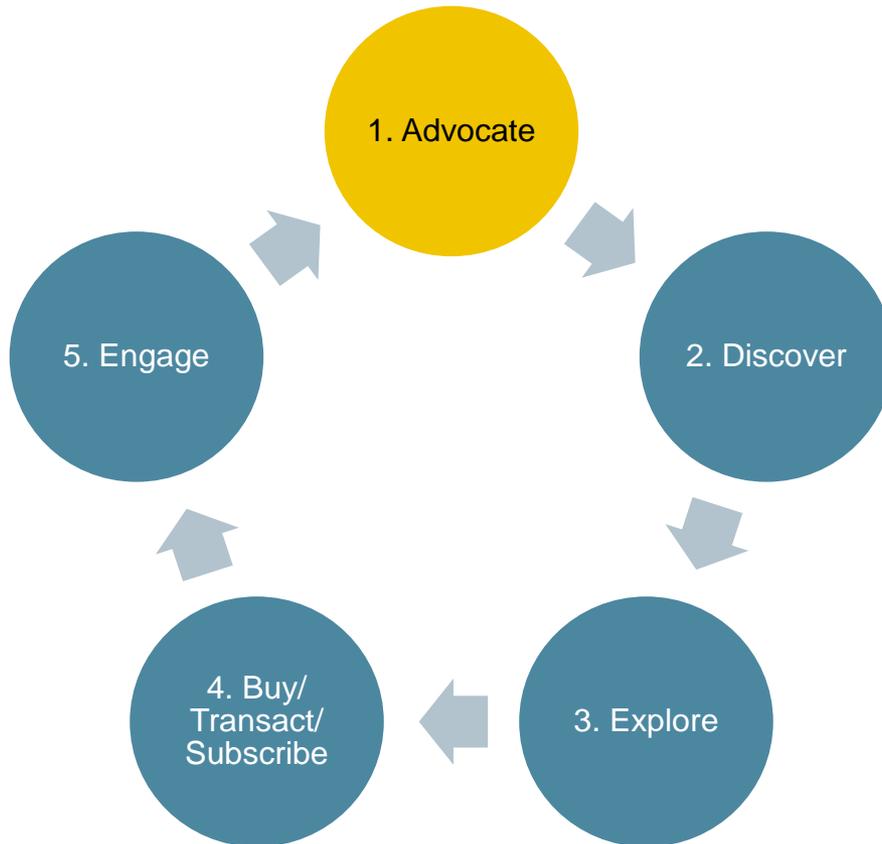
The newly converted customer, if satisfied, will spread the word and send invites. Motivations include
- Monetary (activating further deals), and
- Emotional (helping a friend access a product/service that they believe in).

Example
The new customer is prompted to send out more Lyft invites. This happens after each Lyft ride and through periodic emails. The customer chooses facebook friends through the Lyft app – top friends show up as a default suggestion.

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Some referral best practices

Design strong offers

- Ensure compelling value proposition for both parties

- Personalize the experience and messaging (custom landing pages)

- Enable and track offline referrals (80%+ through word-of-mouth)

Promote and empower users

- Promote the program through all channels and touch-points

- Leverage newer channels like WhatsApp if it maches your customer base

- Include reminders, follow-ups, introduce gamification

- Enable easy sharing (pre-populate text from gmail and social media contacts but allow customization)
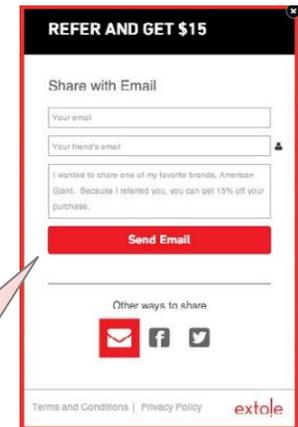
Monitor and optimize

- Test and learn, monitor performance, and optimize as necessary

- Set goals, track acquisition cost to ensure net value is added

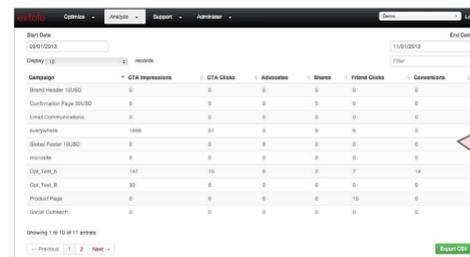- Manage fraud and fulfillment in back-end

Minimize IT investment through mouse-rollovers
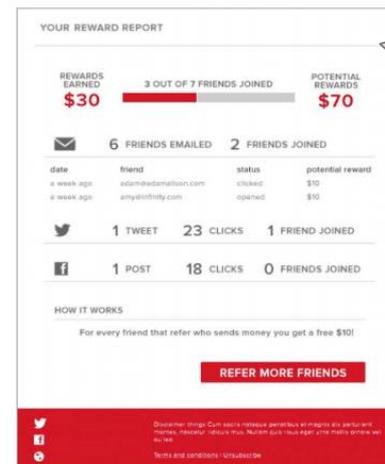
Provide a dashboard for customers to track and follow-up on referrals

Pre-populate with custom messaging (e.g. "I have saved $1K with EMP), allow further edits

Build a robust back-end for monitoring and optimization

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Additional Resources

2015 Referral Marketing Best Practices - Extole

7 Tactics to Launch your own Referral Campaign – Shopify.com

An Epic List Of 47 Referral Programs – ReferralCandy

Referral Marketing Resources – rewardstream

Referral Programs and Customer Loyalty - Schmitt, Skiera and Van den Bulte

Run a Digital Marketing Campaign – Self-Paced MOOC course offered by the Digital Business Academy

The Powerful Economics of Customer Loyalty in Australia – Bain & Company

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