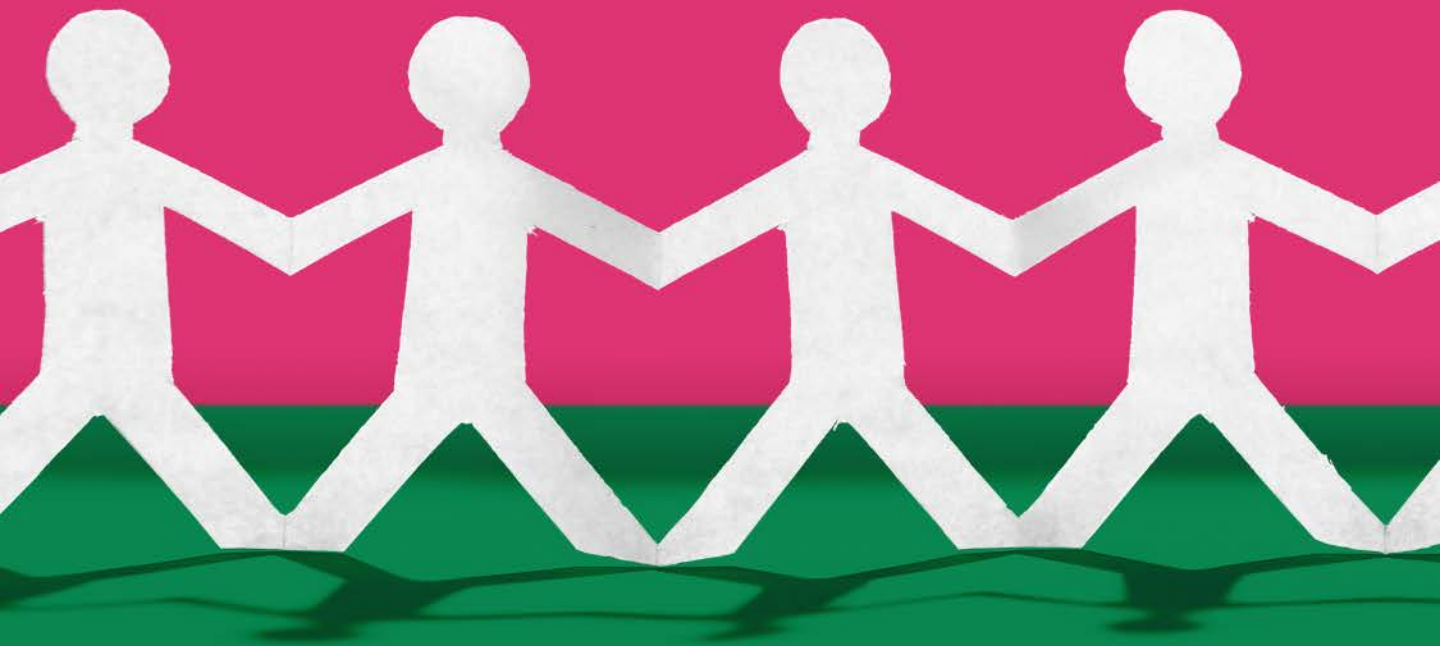


How to run a *successful* refer-a-friend programme

2nd Edition



Hello, we're Mention Me

We're on a mission to put trust back into the heart of marketing.

Connecting with customers and prospects is hard. Advertising costs are rising, budgets are tightening and consumers are bombarded with countless marketing messages every day.

Too many brands invest significant time and money into acquiring new customers, only to lose them after their first purchase.

Against this challenging landscape, referral marketing presents a cost-effective solution that delivers real value.

Our cutting-edge refer-a-friend technology seamlessly integrates with websites and apps to encourage, measure and reward customers who love brands enough to recommend them to others and keep coming back themselves.

We're striving for a world where brands connect with the right audiences, consumers choose brands with confidence, and loyalty is recognised. Ready to join us?

Turn the page to learn how to launch your referral marketing channel – this could be the start of something exciting!

How to run a successful refer-a-friend programme

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First things first.

What is referral marketing?

Have you ever sent a friend an offer for one of your favourite brands? Or been sent an offer by a friend and bought something from a brand for the first time as a result? That's referral marketing.

It has plenty of names – refer-a-friend, incentivised referral, member-get-member... the list goes on. But the concept is the same: incentivising your customer base to recommend your brand to their friends and convert them into customers.

We recommend brands to each other almost everyday, often without thinking about it.

A compliment on an outfit, story about a recent holiday, or question about how to save can prompt a brand recommendation: "thanks, it's from this great shop"; "I just got back from the Maldives"; "I swear by this financial savings app".



Consumers trust their friends' recommendations more than any other source – including their partner, parents or influencers – yet many brands are missing out on these valuable opportunities.

If only there were a way to track, measure and incentivise these conversations, right? Enter Mention Me's market-leading technology platform. (We'll tell you more about how it works later within this guide.)

Executed well, referral marketing is seriously powerful.

But don't just take our word for it. Here are some statistics on what could soon be your new marketing channel.

Referral programmes can:

- Drive up to 30% increase in new customer acquisition
- Double customers' lifetime value
- Increase first order value by 10-25%

Getting excited about the potential of referral marketing for your brand? Read on to discover the essential elements to getting started.

Part 1:

Develop a strong case for referral

Before we go into detail about how to make your referral programme a success, let's check it's the right channel for you. This section covers the essential information you need to know before preparing your business case.

The pros & cons of referral

We know establishing a new marketing channel is a big decision. So we're here to give it to you straight: the pros, the cons, and all the nitty gritty details you need to prepare a watertight business case and make a fully informed decision with confidence (just like referred customers acting on their friend's recommendation).

We've already shared the powerful stats on referral, but let's go into a bit more detail on its key benefits.

The benefits

1. New customer acquisition

As Mary Meeker's introduction to the Bond Internet Trends Report 2019 notes, customer acquisition costs are spiralling to unsustainable levels. But efficient and effective marketing really rests on a simple formula: products + happy customers + recommendations.

So it makes sense that, on average, referral programmes drive between 10 and 30% increase in new customer acquisition.

Unlike customers acquired through other (increasingly expensive and ineffective) channels, referred customers approach your brand predisposed to liking it. This is strengthened further by many consumers actively seeking their friend's recommendation as a source consistently in the top five for new product discovery.

10-30%

The average increase in customer acquisition delivered by referral marketing

10-25%

The increase in first order value expected from a referred customer

2. Increased average order value

Since referred customers approach your brand with a positive outlook, they're likely to spend between 10 and 25% more on their first order than other customers.

They may visit your website for the first time looking for their friend's fabulous new pair of shoes, but chances are they'll also end up browsing through other sections, too.

3. Increased customer lifetime value

Not only are referred customers likely to spend more; they're likely to keep coming back, too.

We typically see customers acquired through referral have double the lifetime value of those acquired via other channels.

This is because referred customers are likely to sit within your target market and therefore connect with your brand messaging once introduced. This in turn converts to actions such as subscribing to your newsletter, which keeps them highly engaged.

Referred customers are also three times more likely to recommend your brand to their friends and continue the virtuous circle of referral.

The drawback

We know what you're thinking: if referral is so great, why isn't everyone doing it? That brings us on to its potential 'drawback': it requires work.

Referral is a marketing channel, not a project

It isn't something that can be ticked off the to-do list once launched. To fully reap its rewards, you must continually test, optimise and develop your programme.

Fortunately, our Client Success team is on hand to help you do just that. Having worked with more than 450 brands around the world, our Client Success team is highly experienced in running effective referral programmes for businesses of all sizes across every sector.

You'll be assigned a dedicated Client Success Manager to advise on everything from A/B testing and touchpoints to copy and design, and provide customisable solutions that you can get live quickly. All while ensuring your customers have a smooth, consistent experience.

The 7 questions to determine if referral is right for you

1. Are your customers satisfied?

Happy customers are key to a successful referral channel. We've identified three key attributes that make a brand likely to be recommended. These are: great customer service, trustworthiness and offers. This highlights the importance of understanding how your customers think; they may well ignore a generous offer if they don't trust your brand or feel confident they'll receive a good service.

The higher your Net Promoter Score (NPS), the more likely customers are to tell their friends about your brand. (If you're not sure how happy your customers are, get in touch. We have an NPS survey tool which can help you better understand how satisfied your customers are.)

2. Who's your target demographic?

Referral works for any demographic but can perform better for some than others.

Generally speaking, women and those aged between 24 and 35 years old are most likely to recommend brands. However, those aged 45-plus are more likely to act on their friends' recommendations and convert to customers, implying that the infrequency of brand recommendations among this demographic makes them more impactful.

As highlighted in our recent research on page 8, different demographics are more likely to be advocates for different sectors.

Rather than a deal-breaker, your target demographic is something to bear in mind and adapt your referral programme to.

3. What proportion of your customer base are first-time buyers of your brand?

Your loyal customers are more likely to recommend you than first-time purchasers.

4. How likely is your product to come up in conversation?

Some sectors lend themselves to discussion more than others. Travel, for instance, often naturally comes up in conversation, increasing the chances of brands in this sector being recommended. Having said that, we've seen finance brands shared less but converting more.

Gender also influences the likelihood of your brand coming up in conversation. Men, for example, are more likely to recommend tech brands, while women are more likely to recommend those in the fashion and beauty sector.

5. Is your product an impulse or considered purchase?

If your product requires consideration it will take longer to get a referral programme off the ground as friends who receive a share may not yet be ready to buy.

6. Do you regularly offer discounts?

If a brand regularly discounts heavily it makes it hard for a referral offer to stand out. If the referral offer is less generous than other offers in the marketplace then referrers will simply not bother sharing it because there is little point in sharing an offer if they know their friends will get better value elsewhere.

7. What's your financial situation like?

You need sufficient gross margin for the referrer and the referee incentives to fit within your Cost Per Acquisition. If you can't offer a compelling incentive out of the margin you have available then incentivised referral won't work.

What about GDPR?

Since European GDPR legislation came into force in 2018, businesses have to be more rigorous about how they handle and process customer data. It's likely this has reduced the size of your prospecting database.

Against this backdrop, referral is a great way to reach your target audience through existing customers. Our referral schemes are fully GDPR compliant and, on average, see 25% of recommended friends to opt-in for further information.

25%

The average email opt-in rate from referral programmes

REFERRAL BY SECTOR



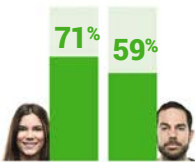
Food & Drink

Likelihood to recommend a food/drink brand:



of all respondents

By sex:



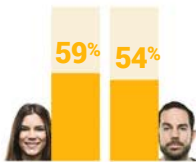
Travel

Likelihood to recommend a travel brand:



of all respondents

By sex:



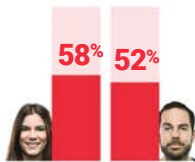
Leisure/ Entertainment

Likelihood to recommend a leisure/entertainment brand:



of all respondents

By sex:



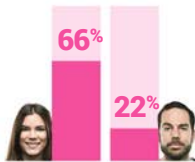
Women's fashion

Likelihood to recommend a women's fashion brand:



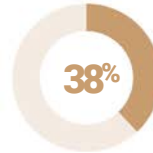
of all respondents

By sex:



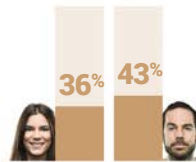
Men's fashion

Likelihood to recommend a men's fashion brand:



of all respondents

By sex:



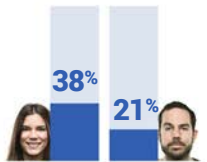
Childrenswear

Likelihood to recommend a childrenswear brand:



of all respondents

By sex:



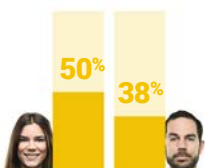
Homewares

Likelihood to recommend a homewares brand:



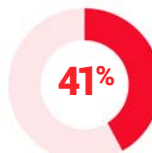
of all respondents

By sex:



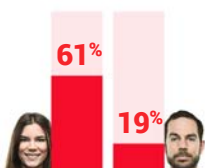
Beauty

Likelihood to recommend a beauty brand:



of all respondents

By sex:



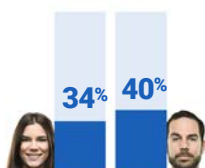
Sports equipment & clothes

Likelihood to recommend a sports clothing/equipment brand:



of all respondents

By sex:



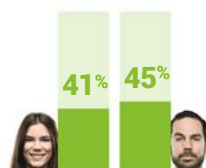
Financial services

Likelihood to recommend a financial services brand:



of all respondents

By sex:



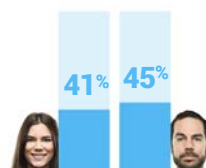
Technology

Likelihood to recommend a technology brand:



of all respondents

By sex:



Part 2:

The psychology of referral

All too often marketing teams focus on elements like incentives and sharing options while overlooking a key component of referral: social considerations.

To fully unlock the potential of referral marketing, it's important to understand how consumers think when considering whether to recommend a brand.

This is a complex topic, so for now we'll focus on the most important element: your customers' relationships with their friends.

Social capital versus social risk

When deciding whether to recommend your brand to their friends, customers subconsciously consider two key elements: social capital and social risk. Essentially, what their recommendation could gain (e.g. status, a discount) versus what it could lose (e.g. their reputation).

The image on the left demonstrates this. Too often, brands focus on the left side, but the right is just as (if not more) important.

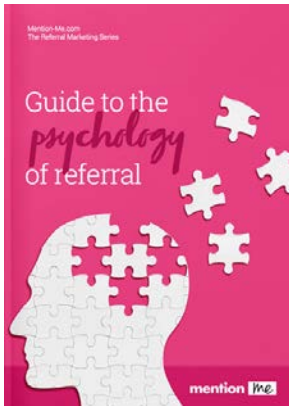
Imagine your favourite brand is offering you 25% off your next order if your friend makes a purchase. Sounds good, right?

But there's a catch: your friend won't receive a discount. Would you still recommend them? Chances are, no. Even though the incentive is appealing, it's outweighed by looking self-interested to your friend.

You're much more likely to recommend a brand offering both you and your friend 15% off. Even though your discount is lower, introducing your friend to a brand they'll love and giving them a great offer will increase your social capital.

Making sure your customers' perceived social capital outweighs any risk is key to a successful referral programme. This ultimately comes down to how you position your referral programme.





Keen to understand more about how customers think when referring a brand? Check out our guide to the psychology of referral

Everything from your brand messaging, incentives and sharing options can have a big impact on how your customers perceive the social risks and benefits of making a referral. A generous incentive, for example, may be overlooked if your brand isn't positioned in a way that encourages customers to recommend you.

Equally, by implementing brand messaging that excites and motivates customers, you can be more strategic (and potentially less generous) with your incentives.

Part 3:

When to encourage referral

We always recommend encouraging referral at the point of delight. The challenge lies in identifying when this is for your customers.

When and where you promote your referral programme in the customer journey is just as important as the incentives you're offering.

The point of delight

You know that buzz you get when you've just made an online purchase? That's when you're most likely to act on a brand's referral offer – not hours or days later, when you're already thinking about your next shopping spree. We call this the point of delight; the moment your customers are most likely to recommend your brand.

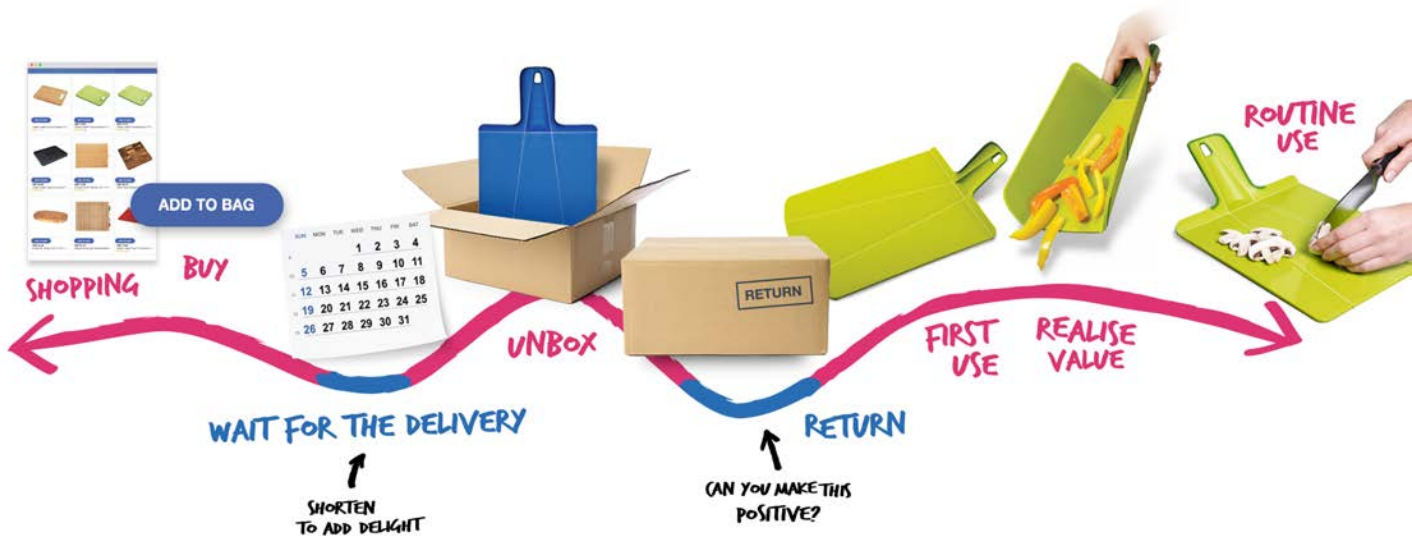
When planning where to promote your referral programme, focus on the following three factors:

- The point of delight
- Putting it front of customers' minds
- Making it easy to find.

We've carried out extensive research into the optimal moments to promote referral to customers. As you'd expect, this varies from sector to sector.

In the food & beverage sector, the point of delight is right after customers have placed their order; in finance, it's when they receive confirmation of their successful application; in travel, it's during the holiday itself.

Generally speaking, it's best to promote referral on the post-purchase or post-sign up page. But this will vary depending on your industry, audience and brand.

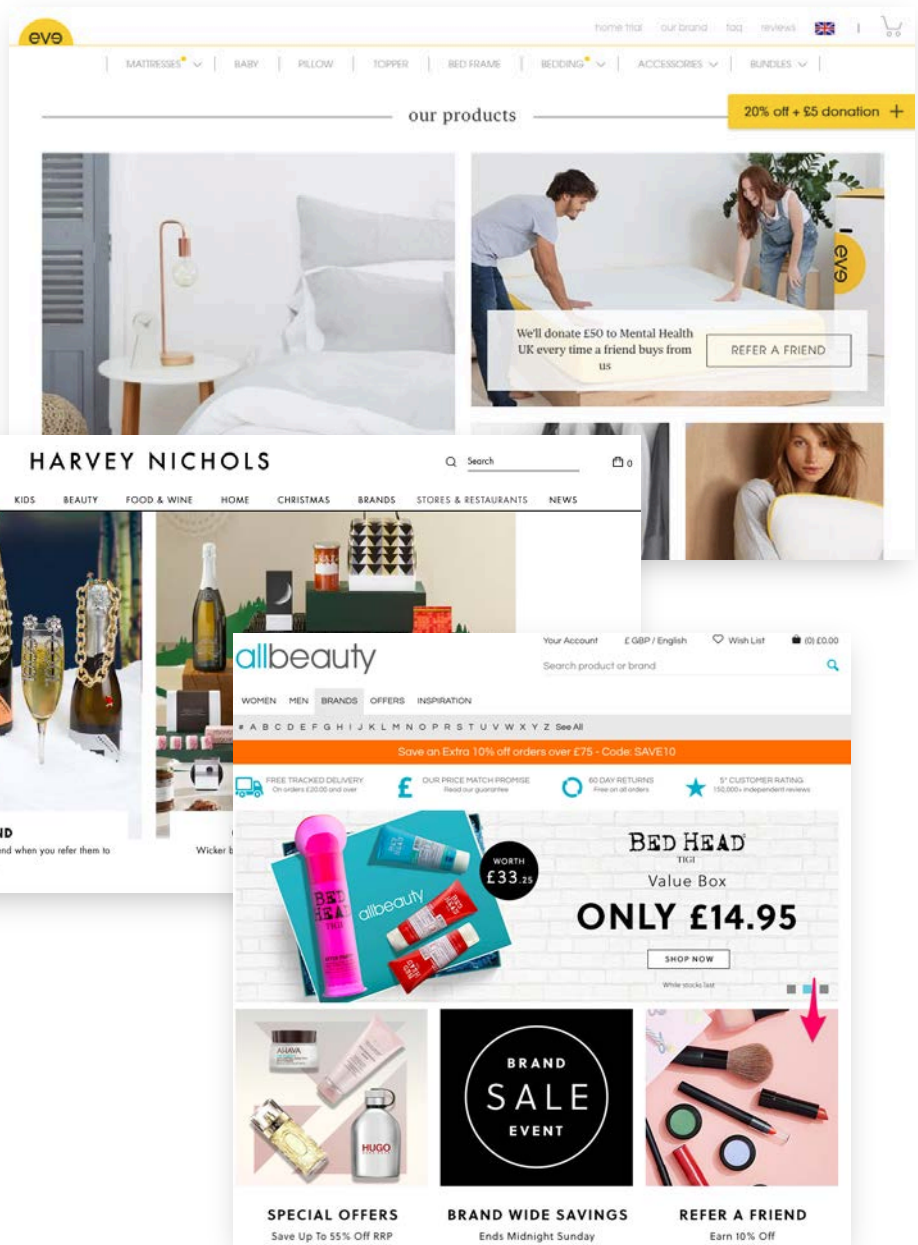


Points of customer delight

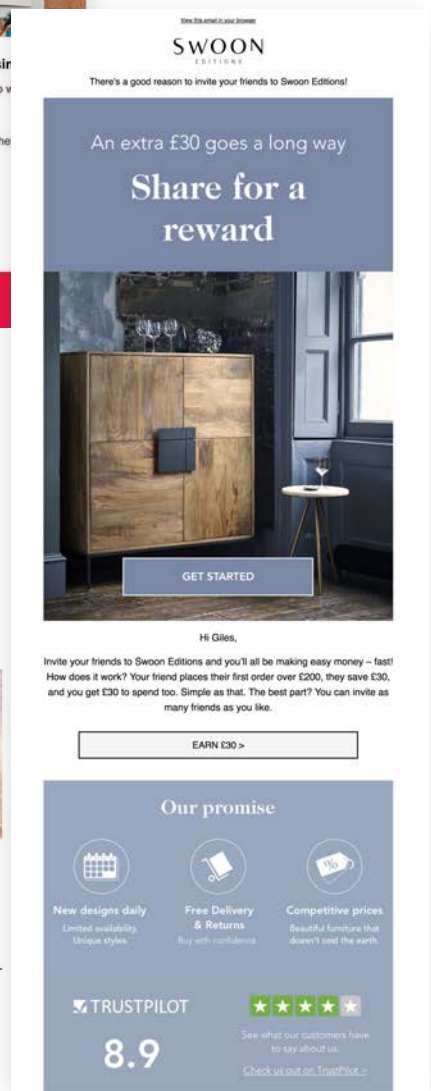
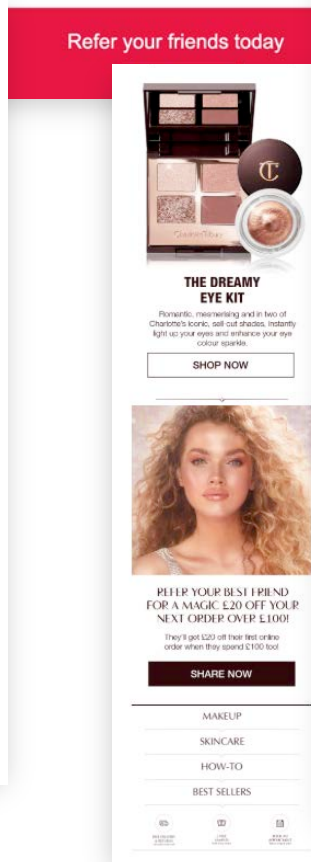
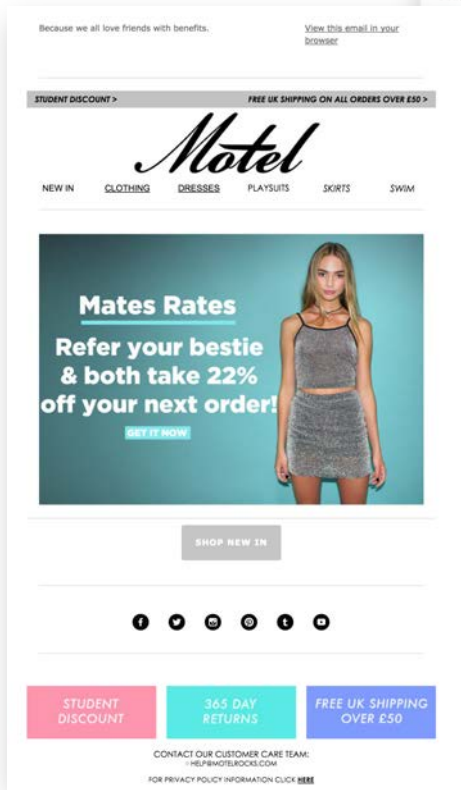
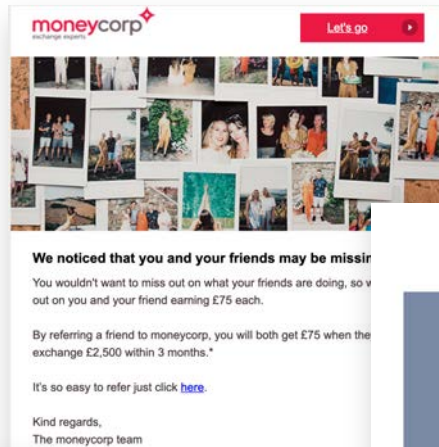
Popular touchpoints

Referral can be promoted in lots of different places. These include:

On-site - such as your homepage, 'my account' section or post-purchase page.



Emails - including your referral programme in email cycles like newsletters is a good way to remind customers of your offer

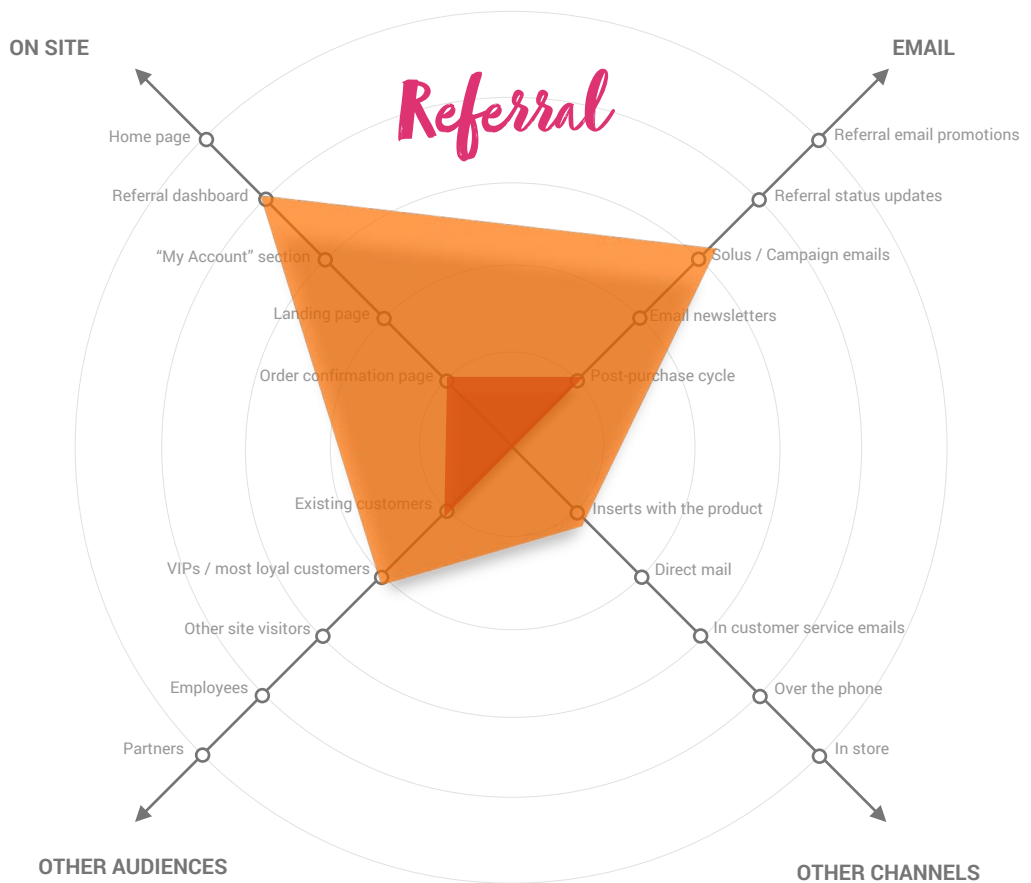


Offline/ printed material – including in-pack inserts in deliveries is a great way of connecting with people at the greatest point of delight: when they open their order. Your insert could even include a card customers can share during word-of-mouth conversations, without needing to find a link on your website.



Increase promotion over time

We typically recommend promoting referral on the post-purchase page and two other points before rolling out more broadly (as shown in the below diagram). Just as the best time to promote referral varies between industries, the specific touchpoints you use will depend on what works best for your business. Our Client Success team can advise you on this.



Part 4:

Make it easy to share your brand

Every customer is different, so providing options for sharing your referral offers with their friends is key.

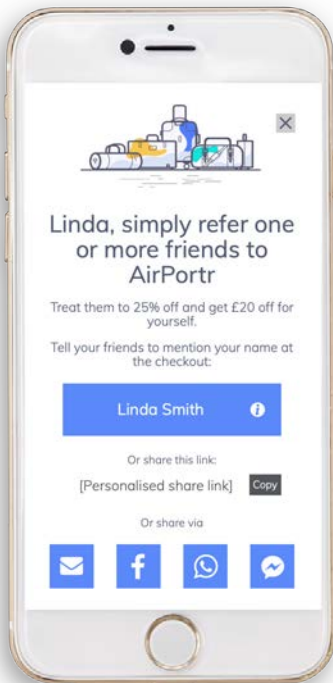
Sharing options

At present, we have 16 sharing options; we recommend presenting between three to five of these to your customers. Your Client Success Manager will be able to advise which options to begin with based on your target audience.

Email is a consistently popular sharing method, particularly among the older demographic, while younger, digitally native consumers prefer to share by copy and pasting referral links into social channels like Snapchat. WhatsApp has also gained popularity as a sharing method over the past three years.

These are our most popular sharing options:

- **Name share**
Our unique feature lets customers share using just their name, which referred friends can enter at checkout to receive their introductory offer. This allows us to capture the 93%¹ of brand recommendations taking place offline in face-to-face conversations. On average, 30% of referrals come via this method
- **Unique URL**
Customers receive a unique URL to share, whether that's via email, social media or on a blog (or all three)
- **Email**
customers can send an email two ways: either directly from the share page with the option to look up friends' email addresses, or as an email they can forward on to friends later
- **Social**
via channels like Facebook, Whatsapp or Weibo (for the Chinese market).



Example of share options

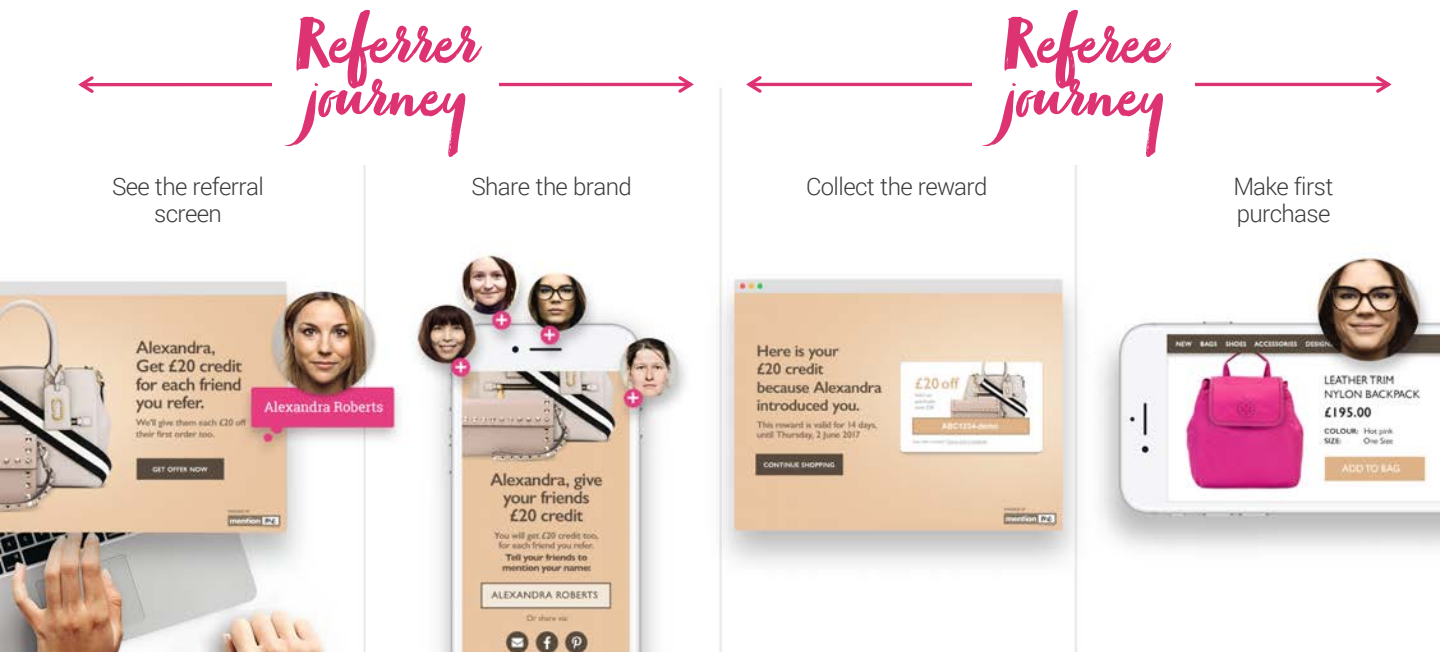
¹ According to Contagious by Jonah Berger (2013)

Optimising the referral funnel

Of course, sharing a referral offer is only half the story; you need to convert these shares into new customers.

Conversion rates vary significantly by share channel. Those that feel personal and authentic, such as face-to-face conversations and email, tend to perform best. Social sharing options are still effective, but it makes sense that a single tweet promoting a brand is less likely to resonate with people than a personal recommendation.

Experimenting with different sharing options as part of your A/B testing referral roadmap will help develop insight into which methods best engage your target demographics.



Part 5:

Find the right incentives

Incentives aren't the sole driver of a referral programme's success, but they're an important factor.

Testing different offers to find the ones that work can double your referral programme's performance. But it's important to be strategic when running tests.

Examples of incentives to consider:

- Discounts - % or \$/£/€
- Gift cards
- Third party vouchers
- Free delivery
- Loyalty points
- Cash or rebate
- Free product
- Donations to charity
- VIP access
- Competition entry

Test, test and test again

A/B testing by cohort is one way of doing this. This lets you present one offer to one cohort that they and their friends can benefit from for the next six months, while showing the next cohort a completely different offer. This will give valuable insight into which offer best resonates with customers without disrupting the user experience.

How much to offer

When deciding your incentive, consider these three questions:

- How much can you comfortably afford to give away?
- What are your competitors and other similar brands offering?
- What new customer offers do you already have on your site?

To be effective, your incentive should feel special, both in terms of your own brand and the wider marketplace.

Many of our clients offer their most generous incentive in their referral channel. This is because referred customers tend to spend between 15% to 25% on their first order and have double the lifetime value, so brands can afford a higher cost-per-acquisition. To check this is the case for your brand, you can run tests to prove it before implementing deeper discounts and/or experimenting with other offers.

Splitting your incentives

Remember the balloons and weights analogy earlier in this guide? This comes into play again here. Your incentive should make customers feel confident sharing your brand. The best way to achieve this is by offering a balanced reward between the referrer and their friend.

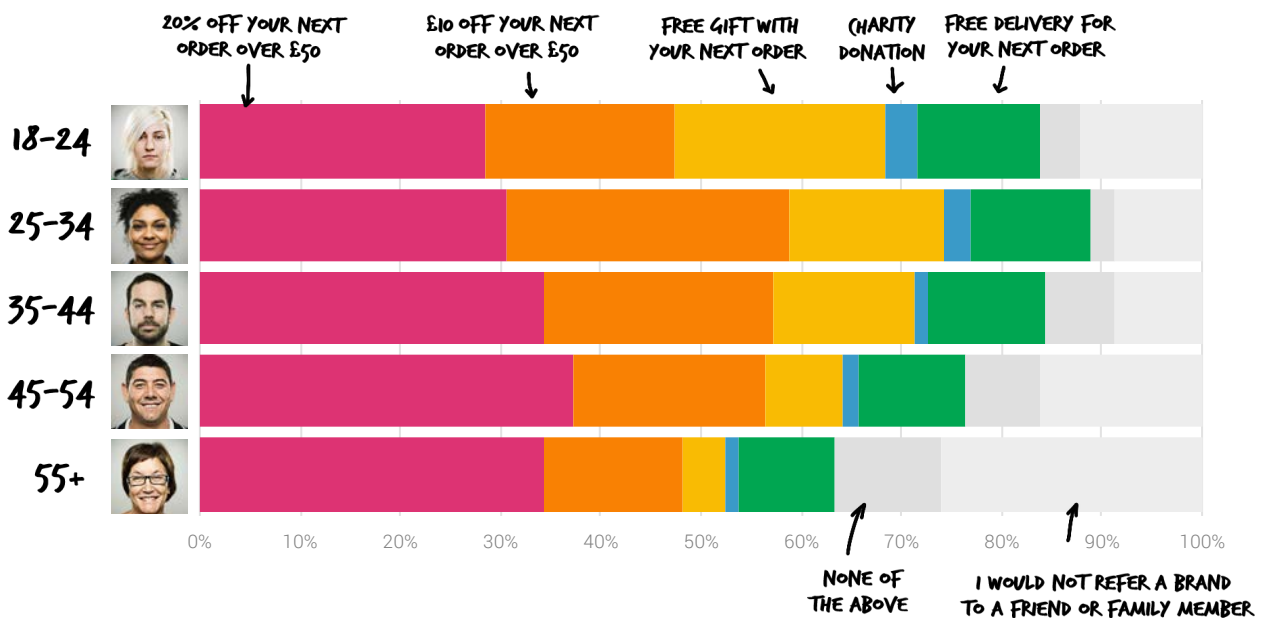
A referrer is unlikely to share an offer that clearly benefits them more than their friend, and one that benefits their friend more may make them question why they're remaining a loyal customer. But that's not to say the offers need to be the same.

Offering something that customers perceive to be of roughly equal value tends to work just as well. So for example, a free gift for the referrer and a discount for their friend.

The most effective incentives

Choosing which incentives to begin testing with will be primarily determined by your industry and target audience.

Generally, a discount on your products or services tend to work best; customers understand it, they like your product or service enough to recommend it and so will probably want more of it. It's also likely to be more cost effective for you as a business. Our consumer research highlights how incentive preferences vary by demographic.



If a discount wouldn't work for your business model, third party vouchers can be a strong-performing incentive. Vouchers for a broad retailer works best, like Amazon; followed by national brands like M&S in the UK; and lastly by national brands with regional bias, like John Lewis in the south of the UK. In most cases, these vouchers can be supplied online or as physical cards by post.

Interestingly, we've found that cash incentives don't convert as well as other rewards. This is because they cause confusion; customers don't understand how'd they receive the money or why a business would offer it over store credit. This confusion may prevent some customers from sharing the referral offer.



But, as with all referral programmes, there are no hard and fast rules – your decisions should be made based on what's right for your brand. You may, for instance, consider it inappropriate to offer a supermarket voucher and prefer to offer another incentive.

We recommend testing different offers to discover what works best for your business and resonates with your different customer segments.

Part 6:

Plan for the long-term

Ready to launch your new referral channel? Excellent!

We break this first phase down into these three stages:

Launch it

Get your referral channel up and running as quickly as possible (ideally, we recommend launching in a single day).

At this stage, we advise limiting your number of touchpoints and upfront work so you can get up and running and start learning.

Prove it

Once launched, you'll start to see performance and metrics that you can improve. Typically there are a couple of places in the funnel where the numbers are weaker after launch, so the team can focus on testing different variants to improve those specific metrics.

Promote it

Once your referral funnel is looking healthy, it's time to ramp up your promotion. By this stage you'll be bringing in a good number of new customers so will have a strong business to present to stakeholders for building referral into different parts of the site and email lifecycles.

But remember: referral is a marketing channel, not a project

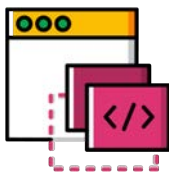
Businesses often launch their new refer-a-friend channel as a project. This can make sense when getting up and running, but it's important to be viewed as a new channel that will require ongoing work, than a project to be ticked off the list.

The launch is only the start. The real value comes from optimising the channel over time. This requires doing a number of things differently.

First, everyone required to manage the channel should be involved from day one. Product teams often hand over to marketing once the referral programme is up and running; this can cause tension and makes it hard to further develop the channel since marketing teams don't feel full ownership and product aren't on hand to make any necessary changes.

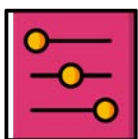
Secondly, resource should be available on an ongoing basis. Successful referral marketing channels require continual testing, review and optimisation over time.

Running an effective referral channel could boost new customer acquisition by as much as 25%. It's worth investing your time and resources into helping it reach its full potential.



Easy to set-up

Just two tags to set up
our SaaS platform



AB testing

Unique optimisation and
segmentation technology



Word of mouth

Customers share in
conversation using their name



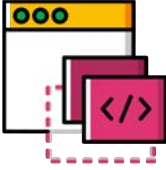
Expertise

Expert advice, shared learnings
and hands-on management

How Mention Me can help launch your referral programme

There are lots of elements to making your referral programme as successful as possible. Our referral marketing specialists are here to guide you at every stage of your referral journey. Here are just some of the key areas you can count on our support with:

- **A/B testing by cohort** - testing different offers against each other while providing a consistent customer experience
- **Segmentation** – serving different offers to different customer segments
- **Easy configuration for offers** – to let you change key variables, like incentives, share options and offer validity periods, for tests without development support
- **Name sharing function** - we're the only refer-a-friend platform to provide this unique feature, which drives more than 30% of all referrals
- **Detailed reporting** – like the rest of an online business, referral is a funnel. To optimise performance, you need easy access to data
- **Content management system** – easily amend any customer-facing copy
- **Editable designs** – easily edit your designs in an on-brand referral programme that acts as a seamless extension of your site
- **Rewards management system** – manage fulfilment of your or third party vouchers
- **Customer service interface** – your dedicated Client Success Manager is on hand to advise and help resolve any issues relating to the referral programme
- **Gaming management** – identify any illegitimate customers attempting to claim rewards



Easy to set-up

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AB testing

Unique optimisation and
segmentation technology



Word of mouth

Customers share in
conversation using their name



Expertise

Expert advice, shared learnings
and hands-on management

- **Mobile experience** – present a seamless user experience across devices
- **Assets for each promotion point** – from the homepage to your My Account area, we'll create assets for every touchpoint you require
- **Tech support** - our integration is light (based on JavaScript tags) so places little demand on your technology team. Our tech engineers are also on hand to provide support as needed.

The above is just a snapshot of what we do. To find out more, get in touch with us at hello@mention-me.com. We'd love to have a chat!

About Mention Me

At Mention Me, we're on a mission to put trust back into the heart of marketing. Our world-class programmes have delivered more than 1.5 million referrals totalling £500m revenue (and counting!) for more than 400 brands around the globe.

Founded as a bootstrapped two-man company in 2013, we now employ more than 90 specialists and work with brands like Farfetch, Virgin Experience Days and Nutmeg. Our work has been celebrated by awards including Showcase Startup at Retail Week's Buzz conference, Best Tech Startup at Drapers Digital Festival, and a Bronze Stevie for Customer Service Team of the Year.

In 2018, we raised \$7 million in funding from Eight Roads Ventures to fuel our next phase of growth as the market-leading referral platform.

Find out more

Get in touch for a demonstration of how our referral programme can help your brand.

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