Referral Marketing Guide for the Financial Industry

Discover how referral marketing can improve revenue and increase customer engagement.

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Referral Marketing: The Secret Sauce of Organic Growth

Introduction

Referral marketing is a powerful marketing strategy that influences purchase decisions, boosts sales and triggers organic growth.

Sounds too good to be true, right? Well, fortunately, it isn't.

As per Nielsen, referral marketing is the most trusted form of marketing with 92% customers finding earned media (word-of-mouth recommendations) more credible than paid media (advertisements).

HBR rated referral marketing as the most profitable marketing strategy for financial brands, while McKinsey published an extensive study on how positive referrals can increase the market share of a brand by at least 10%.

Traditionally, every business has grown through positive word-of-mouth marketing, with referrals playing a pivotal role in building trust and instilling brand loyalty.

To understand how referrals influence decision making, think about how you make critical purchase decisions. Do you rely entirely on the push marketing channels (sales calls, paid advertisements, marketing emails, etc.), or do you also seek advice from people who are already using the product/service that you intend to purchase?

It's a natural human tendency to seek consultation from family members, friends or colleague before making a critical purchase, as it minimizes the risk of the new purchase and provides strong social validation for the decision that they're making.

As per Nielsen survey, 84% people trust recommendations from friends or family over traditional marketing channels, and get people past the initial friction of trying your product.

While traditional marketing focuses on improving brand-to-customer interactions to increase reach, referral marketing leverages the power of positive customer-to-customer interactions to fuel organic growth. It's an ecosystem that connects people who love your brand with people who are more likely to connect with your brand.

Financial brands like Wealthfront, American Express, Chase, Questrade, TransferWise and more are using the power of a referrals to create million dollar businesses.

But, despite the growing evidence, many financial brands make the mistake of seeing referral marketing as a simple one-step transaction between the referrer and the referee. They don't feel the need to create a referral ecosystem, as they feel positive customer experiences are good enough to drive positive word-of-mouth recommendations.

While the approach would have worked a decade ago, the truth is that times are changing. Nimble startups with proactive referral marketing strategies are now giving large organizations a run for their money (Think: Uber, AirBnB, Dropbox,etc.).

In such highly competitive times, customer loyalty remains the only differentiating factor that would pre-determine the long-term sustainability of your business. Brands that create a framework to nurture customer loyalty not only win more customers, but also optimize their marketing efforts by reducing customer acquisition costs.

In this book, we're going to explore the dynamics of online referral marketing and how you can create a referral ecosystem that generates qualified leads, improves customer loyalty and drives revenue for your financial business.

From creating the right appeal to offering a motivating reward, from improving the sharing rate to using data analytics, we explore the science of creating a great referral campaign.

What is Referral Marketing

Referral marketing is the process of acquiring new customers through existing customers using positive word-of-mouth recommendations. According to CMO study, word-of-mouth drives nearly $6 trillion of annual consumer spending, making it one of the most influential marketing channels.

While most referrals happen spontaneously, businesses can often create strategies to encourage users to proactively recommend their products and services to potential customers.

At the heart of any successful referral strategy lies a self-sustaining ecosystem that essentially markets itself to potential customers and optimizes marketing efforts. But, before we explore the dynamics of what makes a great referral campaign, let's first understand the different types of referral marketing.

Types of Referral Marketing

Word-of-Mouth Marketing

Word-of-mouth marketing mostly happens offline, when loyal customers recommend a business to their loved ones, based on their previous experiences. The motivation behind spreading the word is to help them make the right choice, so that they can minimize the risk involved with making a new purchase.

For instance, if you want to open a new bank account, you would generally ask a friend/colleague to know which company they prefer, and how has their experience been so far. It's a natural human tendency to seek recommendations, as people are generally afraid of making relatively unknown choices and trust the recommendations from their loved ones.

Your friend would recommend their existing financial institution, if they are happy with the service, or they might suggest a different provider, based on positive word-of-mouth recommendations from their loved ones. Either way-- you get to validate your choices based on first-hand experiences, before making a purchase decision.

Online Referral Marketing

Online referral marketing is an automated approach that is used by financial brands to proactively encourage referrals using the power of technology.

Considering the fact that a lot of brand conversations now happen online (approx 2.4 billion conversation happen every day), there's a huge potential to be unlocked by effectively using the power of online referral marketing to promote your financial brand's products and services.

Having an online referral marketing campaign not only allows you to onboard qualified leads with low level of resistance, but it also allows you to track referrals and reward brand promoters, which is unscalable with an offline referral marketing framework.

In this book, we are going to limit our focus to online referral marketing, since that's the predominant scalable strategy for finance brands to instill trust, unlock organic growth and build customer loyalty.

Why is Referral Marketing so Effective

Referral marketing has been consistently rated as one of the most influential forms of marketing that capitalizes on people's innate desire to share delightful product experiences with their closed ones. It's known for delivering exponential growth, at reduced marketing and customer acquisition costs.

In fact, according to New York Times, 65% of all new business comes from referrals.

And it's not just about delivering quantitative growth. According to HBR banking study, financial businesses that effectively leverage the power of referrals end up acquiring customers with 16% higher LTV (customer lifetime value) and 18 % higher retention rate, strongly suggesting that referred customers tend to be more profitable customers.

So, what makes referral marketing so effective? Why do people trust people's personal experiences more than advice from subject matter experts or endorsements from industrial experts? And how does it scale to reach a million or even a billion users?

Primarily, there are three primary factors that make referral marketing so impactful:

Trust Factor

"If people like you, they'll listen to you. But if they trust you, they'll do business with you."-- Zig Ziglar

Referral marketing capitalizes on the concept of social proof-- the natural human tendency to validate the action of others as correct in order to reflect the correct behavior for a given situation. For instance, if everyone in your office prefers a certain stock trading platform, you'll be more inclined to try that out first.

Besides, unlike paid advertisements, referrals come from a credible source that customers know and trust-- their loved ones. A sales rep might have ulterior motives for endorsing their financial product/service, but if a friend recommends a product or service, it's definitely taken as a goodwill gesture.

For instance, you're unlikely to entertain a call from a customer care executive who's trying to sell you a credit card with amazing offers, probably because you think they're delivering a sales pitch and trapping you into buying one. But what if a friend recommends you the very same credit card, with the exact same pitch. Would you still think it's too good to be true?

While advertising works on projecting the objective reality of a product experience, referral marketing uses the power of social influence to trigger organic growth. Since users are more likely to trust personal, first-hand experiences of existing users than fabricated marketing content, referrals tend to fetch higher conversions.

Referrals also eliminate the risk factor involved in making a purchase, as users can directly talk to their friends or family about their experiences and get instant feedback.

Precision Targeting

"Everyone is not your customer." - Seth Godin

While traditional marketing channels focus on improving visibility (participation rate), referral marketing focuses on improving the quality of leads (conversion rate).

As referrals are personalized, credible and highly contextual, they tend to attract the right kind of audience. For instance, if Alex had to refer a new money transfer service to his friends, he won't pick friends that don't transfer money online at all.

Instead, he'll pick friends, who love doing online transactions, just like him, and he'll be excited to tell them how the new service can help them save transaction costs, or how it provides such a great user experience.

That's the beauty of the referral ecosystem. It connects people who already love your product (brand promoters) with people who would love your product (potential leads), without spending a dime on advertising or marketing.

The Flywheel Effect

In his exemplary management book -- "Good to Great: Why Some Companies Make the Leap and Others Don't", Jim Collins explains the flywheel effect -- the ability to create a self-sustaining system even under the absence of an external stimulus.

The premise of the flywheel effect is pretty simple.

Let's say you need to push an extremely heavy flywheel. Initially, it would take humongous amount of effort to push, since you're just getting started. But as you keep pushing hard, the flywheel slowly builds up its momentum and starts accelerating. After a few turns, you aren't

pushing any harder, but the wheel starts to help turn itself-- eventually generating momentum on its own.

If you think that in terms of referral marketing, flywheel effect is the continuation of referral sharing in an ecosystem even after an external stimulus has been removed. In this case, the external stimulus is the first successful referral.

Let me explain that with a bit of context.

Let's say Alex referred his friend Sam to try a new investment service. Sam uses his referral code to get started and loves the experience. Sam, now, tells his friends about the investment experience, which leads to even more successful referrals, more brand advocates, and eventually more new paying customers.

You get the idea? It's a never ending viral loop.

We call it the flywheel effect, because the referral cycle simply does not stop when someone accepts a referral. Instead, it goes on and on, giving your brand the kind of organic growth that no marketing strategy could possibly give, without the need for an external stimulus.

The prime factor that contributes towards the flywheel effect is the concept of social proof.

When a lot of users start sharing referrals and accepting invites from their friends, the collective wisdom of the crowd starts influencing the bystanders. They start validating the choices made by a lot of people as the correct behavior and start using your product, too.

It's due to the multiplicative power of flywheel effect that financial brands like Wealthfront, Transferwise or Robinhood have managed to grow exponentially in just a span of few years.

Referral Marketing in Finance: Crunching the Numbers

"It's a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts. " - Sherlock Holmes

No theory is good enough unless it's backed by solid numbers. In fact, numbers are the bedrock of any financial institution.

So far, we have looked at how referral marketing can deliver profitable outcomes for your brand, but what good is a theory that's not backed by solid numbers?

That's the reason we complied some pretty interesting referral marketing statistics. These numbers provide a convincing proof that referral marketing can not just drive growth, but also deliver profitable outcomes for financial businesses around the globe.

- 87% people seek advice from closed ones before making a buying decision. [BuyerSphere]
- When it comes to higher price-point categories, referrals contribute nearly 20% of sales. [WOMMA]
- 92% of people trust recommendations from friends of family over other forms of marketing. [Nielsen]
- Millennials ranked word-of-mouth as the #1 influencer in their purchasing decisions about financial products. [Radius Global]
- A study of 10,000 accounts in a large German bank over a period of three years concluded that referred customers were 16% more profitable and 18% more likely to stay with the bank. [HBR]
- Referred customers were about 18% more likely to stay with the bank than other customers, and that gap did not fade over time. [Forbes]
- According to research, average cost-per-acquisition (CPA) for financial institutions (across all product categories) ranges between $250 to $400, while referrals have a CPA between $110-175, far below the industry average. [The Financial Brand]
- 39% people feel that they would like some sort of incentive (money, loyalty points, early access, etc.) for sharing the referral [Software Advice].
- Referrals generate 3x-5x higher conversion rate than any other channel. [IncentiveFox]
- A mere 5% increase in customer loyalty could increase the average profit per customer by 25-100%. [TheLoyaltyEffect]

Referral Marketing Prerequisites: Taking the Readiness Test

With financial brands around the world optimizing their lead acquisition process using referral marketing, you may feel like jumping on the boat, right away. But before you kick off your referral campaign, it's vital to hold back and introspect if you're ready to implement your brand's referral strategy.

Some important questions that you need to be asking yourself could be -- are you consistently delivering great customer experiences? Do you know what's your competitive edge? Have you done enough to gain the trust of your existing customers? How likely are your customers to share referrals with their friends?

Taking the readiness test is all about asking these hard questions at the start. It's about putting the "why" before the "how". It's about eliminating all the guesswork, so that you can create a great referral experience, without avoiding the important questions.

We understand that you might be tempted to skip the test and move right ahead to the next chapter, but we highly recommend taking the readiness test, even if it seems insignificant and completely avoidable.

It takes the risk out of investing in a referral marketing campaign and dramatically improves the probability of achieving favorable outcomes.

Getting Traction

While not having a referral campaign is certainly a missed opportunity, prematurely kicking off your referral campaign is an unplanned strategy.

Ideally, you might want to wait until you capture the attention of a few hundred or thousand users, before kicking off your referral campaign. That's because initial traction is the ultimate proof that you have a viable market.

For instance, you might be successfully selling insurance through offline channels, but you would want to get some initial traction, and pre-assess how comfortable users are with the online application process, before kicking off your referral campaign.

There's no point of creating a referral marketing campaign without appropriate market validation, as referrals help you in scaling the company; they don't help you in improving the product experience.

Given the fact that the initial set of users are driven purely by the product experience, it's probably a wise strategy to not spread yourself too thin from the very start.

Tip: Go lean, focus on getting the early adopters, and once you have a product-market fit, kickoff your referral marketing campaign

Frictionless Onboarding

After you have gained enough traction, the next step is to ensure that you have a smooth onboarding process i.e. how easy it is for someone to sign up for your brand's financial product or services.

Finance brands make the BIG mistake of asking for a lot of user inputs, right from the onset. While soliciting personal information from customers is an indispensable aspect of risk management, you can certainly optimize the data flow to maximize conversions.

For instance, imagine getting referred from a friend to try an online stock trading portal, only to realize that the website makes you jump through multiple hoops, before finally signing you up. You would not only feel demotivated to signup, your friend would also stop referring the portal to other people because of poor conversions and feedback.

So, before you kickoff your referral marketing campaign, simplify your onboarding experience. Remember the user excitement is at peak when they first land up on your website. Don't drain it by making them fill up a lengthy form. Instead, ask for minimum details, and gradually increase the number of inputs.

You can even break down the flow from acquisition to activation in 3-5 steps, so that it's easy for customers to follow, and doesn't seem outright overwhelming.

Tip: Make it easy for newly referred users to discover and onboard your product experience.

Building trust

"Each customer is like a tiny bundle of future cash flow with a memory."- Don Peppers

When it comes to financial products, trust is everything. People won't trust you with their money, unless they know that you are credible enough to handle it. You already know this and most probably your brand has already built enough credibility, so why is this on the list?

It's because… in the real world, your potential leads have greater accessibility and visibility to your financial institution to make an informed decision, but when you're running an online business, you'll have to cross the huge barrier of customer skepticism and doubt.

Perhaps, the best way to build brand credibility is to highlight positive customer experiences. If you have a well-known personality endorsing your product, that's even better. You could highlight the positive testimonials on the website to instill social proof, and also back your claims with supporting statistical evidence (case-studies, analytics, etc.).

You can even remove the initial friction by offering risk-free trials or cash-back guarantees--so that customers feel like they have nothing to lose by giving it a try. It's important for your referral marketing experience to appear credible, as without instilling enough trust, not many users would be willing take the leap.

Tip: Build trust by minimizing customer risk.

Finding the competitive edge

"If you don't have a competitive advantage, don't compete." - Jack Welch

After you have simplified the onboarding process and worked your way towards building trust, the next step is to find the competitive edge for your financial brand. It's the most crucial step of the readiness test, as what makes you unique, makes you "share-worthy".

Your competitive edge is the talking point of your referral marketing experience. They make it exciting for brand promoters to share the experience, and make it equally interesting for new users to onboard it.

For instance, here's how brand conversations happen about popular financial products:

"Hey Sam, checkout PayPal. It's a safe new way to transfer money, without disclosing your bank account. All your need is an email address." or "Hey David, you might want to try TransferWise. I saved hundreds of dollars in forex conversations, plus the speed of transfer is great. I got my money transferred in less than eight hours."

Notice how showcasing the competitive edge improves engagement and increases the chance of referrals multifold? That's exactly how people are going to talk about your brand, too.

What's your competitive advantage? Do you know which experiences matter the most to your customers? If yes, are you working on maximizing these WOW moments?

Tip: Make sure your brand promoters can explain your USP in a single compelling sentence.

Net Promoter Score - Asking the Ultimate Question

Once you've built trust and identified your brand's key competitive advantage, the final step of taking the readiness test is to simply close the feedback loop by measuring how your customers really feel about the brand.

Net Promoter Score, popularly labelled as the ultimate question, helps you measure referral propensity and customer happiness by asking a simple question: "On a scale of 1-10, how likely are you to recommend our store to your friends/colleagues?"

You can calculate the NPS score of your brand by splitting the responses into three categories: Promoters [9-10], Passives[7-8] and Detractors[0-6], and then applying the below formula:

NPS Score = (% of Promoters) - (% of Detractors)

If you have more promoters than detractors, it's a sign that you're delivering great customer experiences, and that a referral marketing strategy would deliver profitable outcomes for your brand. However, if you have more passives or detractors than promoters, you need to get close to your customers, and start delighting them, before taking the leap.

Tip: Before you ask people *to* refer, ask them if they *would* refer. It's fail-fast, fail-safe strategy.

Setting up the Referral Experience: Doing Things Right

"Customer Experience is the next competitive battleground. It's where businesses are won or lost." - Tom Knighton

In this chapter, we finally go down to the meaty part-- the part where the rubber meets the road. We start by first looking at the design considerations, then slowly progress towards building the interaction model, and finally understand how you can implement the referral campaign for your brand.

Please note that going into intensive technical details is beyond the scope of the book. Instead, the focus of the book is to provide a high-level business perspective on how to create a great referral campaign.

Creating Your Call-to-Action

Just like any other marketing campaign, referral marketing starts with creating awareness. You might have the most rewarding program in the world, but if you aren't making your customers aware about the opportunity, you're limiting the scope of your referral campaign.

After all, think about it. How are you going to make users aware that you have a highly rewarding referral campaign? And how are you going to convert user curiosity into successful referral conversions?

Call-to-Actions (CTAs), as the name suggests, are the actionable component of your referral marketing experience. They prompt user to take decisive action and drive them towards the referral funnel. Since they are strongly correlated with overall user participation rate, they can have a huge impact on your referral success. That's why it's so important to get it right.

Here are some tips on how to create an attractive Call-to-Action (CTA):

- **Tone:** You should always look to keep the tone of your CTA direct and actionable. Use minimal words and avoid ambiguity. Be as direct as possible.

- **Inspiration:** Your CTA should clearly answer the question in the user's mind-- "What's in it for me?"

- **Colour:** The colour of your CTA can impact the emotional response you draw from users. Ideally, you should be picking colours that signify trust, confidence, interest, desire and other positive emotions. You can refer to Parott's emotions grouping model to better understand how colours impact responses. But, while you do that, make sure to keep your CTA consistent with your branding.

- **Placement:** Your CTA button should be strategically positioned, so that it's almost impossible to miss. You can place it on your homepage, in the main menu of your app, or any fixed location that would draw maximum attention. The ground rule for placement is that it should be easy to find and remember.

- **Actionable:** We recommend using words like "Refer", "Earn", "Free", "Get", "Share" and "Invite" to capture user interest and get them to act.

You can increase the impact of your CTA by using joyful colours in the background or using images that trigger positive, altruistic emotions. You can also use effective copywriting skills to put context around the CTA and encourage user to take action.

Tip: Make your CTA irresistible and impossible to miss.

Designing a Consistent Experience

"Design is not just what it looks like and feels like. Design is how it works."- Steve Jobs

Creating a consistent referral experience is about weaving your referral campaign in a single fabric, so that it does not look out of the place. After all, you definitely don't want to create a referral experience that works only flawlessly on your website, but is not extensible with your app. It not only limits user participation, but also spoils the brand perception.

Since your customers would be accessing your referral campaign through multiple platforms (website, mobile or smartphone apps) & channels (emails, social media, landing pages, etc.), it also makes sense to have consistency in the design elements across your referral campaign.

Even the tiny details matter. For instance, if your website reads "Share Referral" and smartphone app reads "Invite Friends", you're doing it wrong. Similarly, the colour combination, background and other design elements should stay consistent with the overall look-and-feel of the campaign.

Although it's an obvious step, many brands compromise on it due to technical limitations. Don't fall into that trap. Making your referral experience consistent is the crucial step towards building trust and ensuring predictability.

Tip: Keep your design decisions consistent.

Storyboarding the Content

"A brand is a story that's always being told." - Scott Bedbury

Unlike other business verticals, financial products and services have the most intricate structure. While there's a financial consultant available during interpersonal interactions to guide a customer through the process, when you're using a low touchpoint strategy, you need to focus on simplifying the content to maximize customer interest.

The best way to simplify the content for your referral campaign is to break it down into 3-4 simple steps and then use storyboarding techniques to highlight the steps. For instance, instead of writing a long referral marketing copy for your landing page, breakdown the process into three simply easy steps and label the section as "How it Works?".

According to cognitive psychology, humans have trouble processing complex information, but if the same information is broken down into small steps, they feel at ease.

In case you're wondering how to break down the entire referral campaign into elemental steps, you could take inspiration from Charles Duhigg's Habit Loop. The principle states that in order to transform behavior, you need to breakdown an activity into three steps: cue (trigger for the activity), routine (behavior that needs to be instilled) and reward (deliver instant gratification).

If you had to extend the same principle to referral marketing, here's how you can create your storyboard:

1) Place a cue. Tell users that they just need to login to start referring friends or share the following invite link. [**Cue**]
2) In the second step, ask users to share referrals with friends. Connect your referral campaign with multiple channels and make the invite easier to share. [**Routine**]

3) In the third step, tell users how they would get their referral credits instantly, if an user successfully signs up using their referral code. [**Reward**]

Tip: Simplify your landing page copy with effective storyboarding.

Personalising Referrals

"People buy from people they know, like or trust."- Joel Comm

It's a well-established consumer psychology-- people buy from people they trust. That's because it mitigates the risk of making a wrong investment, and removes the active involvement of the customer in the decision making process.

For instance, if a friend recommends you to try a payment service, you're going to pay attention to the referral and give it a try. However, had the payment service tried to reach you directly through email or messaging, there are chances that you would have not taken that deal.

When it comes to referral marketing, personalization is all about connecting the referrer and referee in an one-to-one interaction, while completely eliminating the brand presence.

In fact, that's the reason financial brands like Wealthfront, TransferWise or Robinhood, who have had massive success with their referral marketing campaigns never use marketing channels to send referrals. Instead, they encourage users to share referrals through their own personal communication channels, like, Email, WhatsApp, Facebook or Twitter.

Personalizing referrals improves the reliability of the referral, since it does not come as a "click-bait" tactic. Referred users are more likely to open a link from their personal contact than read an email from a relatively unknown brand.

In case you feel the need to use dedicated email servers to run your referral campaign, you can improve the reliability of the referral by using the name of the referrer in the email.

Tip: Encourage referral sharing through personal communication channels.

Optimising for Sharing

"A brand is no longer what we tell the consumer it is – it is what consumers tell each other it is." - Scott Cook

In the previous step, we talked about encouraging customers to use their personal communication channels to infuse credibility in your referral campaign. But in order to create such an independent interaction model, we need to conceptualize a framework that manages, tracks and verifies the referrals in real-time.

For instance, it's quite possible that a customer shares a referral with his/her friends through personal channels, but they do not sign up immediately. Instead, they use the referral link months after the customer sent the invite. In that case, the referral should still be valid and the referral credits should be transferred instantly.

If your referral campaign is optimized for sharing, it'll be relatively easier to track the referral flow across multiple social channels and reward users in real-time.

Perhaps, the simplest way to do this is to create a personalized referral/invite code for each customer. If a new user signs up for a product/service using a referral code, the system automatically credits the referral to the customer and updates the same in the backend (to prevent reclaims). The whole referral tracking system should be automated, so that it requires minimal user input (minimum operating expenses) and credits rewards in real-time (maximum instant gratification).

Tip: Make sharing referrals a one-click experience for the end-user.

Implementing a Referral Program

Once you have finished designing your referral campaign, the final step is to actually implement it. While designing was all about understanding consumer psychology and optimizing design elements, implementation is all about figuring out the technology stack to create your own referral program.

A really simple way to get down the use-cases for your referral campaign is to keep asking the question "how" to every design decision you have made so far.

For instance, how do we create a referral experience that stays consistent across multiple platforms? How do we create unique referral invite links? How do we manage, track and verify referrals in the backend? How do we scale our referral program to thousand or million customers, with zero compromises on customer experience?

If you keep asking "how" to every design decision you have made so far, you would realize that the scope of implementing a referral marketing campaign is pretty huge.

From delivering consistent referral experiences to using personalized communication channels, you would need to develop a *hell* lot of functionalities to ensure smooth flow of referrals in the marketing funnel.

Considering the sheer complexity involved, for most financial brands, getting a dedicated customer referral program software makes absolute sense. It allows them to focus on improving their product experience, instead of investing time, money and efforts in building a non-core functionality.

However, if you think the long-term benefits of an in-house referral marketing software would outweigh the interim development costs, you can certainly take the leap by creating your own custom implementation. We highly recommend the approach for brands that have high volume sales and are backed up a dedicated development team to take on the challenge.

Tip: Getting a dedicated referral marketing software improves outcomes, while minimizing risk.

Referral Economics: How to Decide a Reward Structure

Businesses spend a considerable amount of time trying to perfect their reward structure, since there's a financial risk involved to not getting it right.

For instance, if you pick a higher reward, you might end up burning a lot of cash for marginal revenue (slim profit margins). If you pick a lower reward, you might not gain enough interest from the customers (lower revenue).

You also have a lot of other considerations to make. Like, when to pass on the referral credits? Whether to keep the reward structure one-sided or dual-sided? Which would be a better choice-- cash or referral credits?

In order to simplify the process of picking the right reward structure, we have created a simple three step ESS (Equitability-Scalability-Shareability) framework, which aims at breaking the reward conundrum for financial brands.

Equitable Reward Structure

The motive behind designing a referral marketing strategy is to capture qualified leads and grow revenue. If you set a reward that's tempting for the user, but does not accomplish your business goals, you're risking the long sustainability of your campaign. That's why it's so important to set an equitable reward structure. Here's how you can do it:

Setting a Profitable Goal

The first step of creating an equitable reward structure is to set a profitable goal for your referral marketing campaign. Ideally, the goal should be a step further down the conversion funnel, like a minimum investment or payment transfer.

The idea behind setting a profitable goal is to filter out the customers who want to *game* the system and capture only qualified leads. Of course, setting a profitable goal creates a certain degree of friction, and can reduce the user participation rate, but it moves you towards achieving sustainable growth.

For example, instead of crediting the referral reward on successful onboarding, you can set an activation goal that needs to be completed for claiming a reward. If you're an investment firm, that could mean setting a minimum investment amount, or if you're a payment service, it could mean offering discounts only on successful money transfer.

Setting a profitable goal allows you to run a litmus test on the acquired customers, and ensures the profitability of your referral campaign.

Tip: Set a goal that captures qualified leads, not freeloaders.

Deciding the Reward Size

Deciding the right reward size is perhaps the trickiest part of creating a referral marketing campaign, since having a high reward size can cause people to act out of selfishness (less profitable customers), while offering a low reward can practically kill user motivation (less user participation).

That's why you need to pick that median range that counterbalances the two extreme scenarios. Here's a simple formula that would help you pick the right size:

Lifetime value (Average customer purchase) > Customer Acquisition Cost (Referral size)

Let me explain it with a bit of context.

Let's say you're an investment firm that wants to acquire more users through referral marketing. To set an equitable reward, you need to calculate/estimate your average profit per customer, and ensure that your reward structure does not exceed your customer lifetime value (CLV).

For instance, if you're offering $150 dual-sided referral credits (both to the referrer and referee) for acquiring a potential customer, make sure your average profitability per customer is a number greater than $300.

Brands make the mistake of chasing growth, instead of focusing on acquiring profitable customers. If you shift the scale towards just acquiring customers, you might end up burning a lot of cash, without getting a corresponding uplift in the acquired revenue-- which consequently beats the point of having a referral campaign.

Fixed vs Variable Reward

To keep the reward structure even more equitable, you can also look towards gradually increasing the reward size based on completed milestones. For example, you can offer $25 for first two successful referrals, and then make the reward $50 for every referral after that.

Keeping the reward size minimal at first and gradually increasing it allows you to capitalize on the flywheel effect. It provides consistent motivation to users to keep the referral loop going, while ensuring your referral campaign keeps acquiring profitable leads.

Tip: Decide a reward structure delivers value to your referral campaign.

Scalability

Apart from being equitable, the reward structure also has to be scalable. It should have a net zero impact on your business' financials, even if you were to grow from a thousand referred customers to a million referred customers.

Referral Credits vs Hard Cash

An important choice that brands have to make while creating their reward structure is to decide whether to give away cash or referral credits. While hard cash is certainly an attractive incentive for customers, referral credits provide a more scalable way to grow your referral campaign. So, which one is a better alternative?

It depends on your business plan.

For instance, if you're an investment firm that's looking to build high customer retention for its systematic investment plan (SIP), it makes sense to pass on referral credits or waive off the consultation fees for the first time.

But in case you're a stock broking agency or payment service, you could gain more customer loyalty by offering hard cash, instead of referral credits. That's because these customers are less likely to make repeat-purchases, and therefore need a stronger motivation.

According to University of Chicago, non-cash incentives are 24% more effective at boosting referral performance than cash incentives.

But, again, there's no hard rule here.

You choice of reward should be motivated by your business model (how viable is the reward?), customer motivations (how appealing is the reward?), and the implication of the reward on your business financials (how profitable is the reward structure?).

Tip: Pick a reward that maximizes customer success.

Setting a Maximum Limit

"Givers need to set limits, because takers rarely do." - Henry Ford

The basic rule of economics tell us that more you have of something, the lesser it gets valued. The same principle applies to referral credits as well.

If you don't set a hard limit on the referral credits for each customer, the value of the credits would keep on degrading, consequently pulling down your brand image and profitability.

For instance, let's say you're a credit card company and under your referral campaign, you're offering 5000 loyalty points for every successful referral. If you don't set a maximum limit, your customers might try to game the system by referring friends in a staggered manner or by purchasing multiple credit cards in the name of family members.

The liberal reward structure would allow everyone to accumulate a lot of loyalty points, thereby degrading the value of the loyalty points. It'll have a detrimental impact on the long term profitability of your brand, as users get even more accustomed to paying a large portion of their bills with loyalty points, instead of cash.

That's why it's so important to set a hard limit for your referral campaign. Depending on your business plan, you can allow a maximum of 5-10 referrals, but any more than that and you're risking the viability of your business model.

Note: In case you decide to break the rule (which you can if it suits your business model), make sure you are not wrongly manipulating customer behavior for short-term gains.

Sharing Rewards

Referral marketing is an user-driven marketing strategy, with all outcomes depending proportionately on the user's willingness to share referrals. If users lose the motivation to share referrals, it can severely limit your campaign's outreach. That's why it's so important to create a reward structure that's not only equitable and scalable, but also shareable.

Offering dual-sided incentives

If you have a choice between offering single-sided or dual-sided rewards, we strongly recommend going for dual-sided rewards, simply because single-sided rewards attract the wrong kind of users. You want reward to act just as a powerful motivator for sharing; you don't want reward to be the sole reason why the referrer makes the referral.

Dual-sided rewards motivate users to share experiences by offering equitable rewards to both-- referrers and referees. The referrer does not feel bad or selfish about making the referral, while the referees feels it's something in it for them, too.

Since dual-sided rewards offer a *win-win* solution, they are a great way to reduce the inherent social barrier, and make users feel good about sharing experiences and talking about your brand.

Tip: Optimize your rewards for sharing, not earning.

Delighting Users

While rewards are certainly the best way to keep customers motivated, you can always go an extra mile to delight your loyal customers. For instance, you can reward them with a free one-month exclusive membership or send them a personalized "thank you" note, over and above offering them referral rewards.

These small gestures might seems trivial, but they go a long way in building brand loyalty and transforming customer behavior. If you do one unscalable thing to thank your promoters, it's almost guaranteed that your promoters would go out of their way to promote your brand, too.

Tip: Make users feel special about making that referral. It's an equally rewarding experience.

Getting the Word Out: Capitalizing on the Influencers

Once you have created your referral marketing strategy, the next step is to promote your campaign, enroll more users and get more referrals. But just like any other marketing channel, referral marketing funnel consists of an interdependent sequence of events, starting from user participation to referral conversion.

In this chapter, we'll discuss how you can track and optimize each and every step of the multi-stage referral funnel to engage more users and improve conversions.

Referral Funnel

Referral marketing funnel presents a step-by-step break up of the entire referral process, starting with user participation and moving all the down to referral conversion. Here's a breakup of the referral funnel:

Referral Flow

Referral flow denotes the step-by-step breakup of the entire referral process, providing a high level view of the referral ecosystem. The idea behind breaking down the funnel into intermediate steps is to easily track the referral progress and to conceptualize a rigorous framework for root cause analysis (explained in the next chapter).

Just like any other marketing funnel, the width of the referral funnel denotes the percentage of enrolled customers at the intermediate stage, while the placement of the event denotes the chronology in which the event occurs. We'll have a detailed look at each of the intermediate stages below:

User-participation Rate: User participation is the percentage of customers your referral marketing campaign reaches. It includes users discovering your referral campaign through their friends, direct website visits, social media followers, email subscribers, or any other form of direct or indirect engagement.

Sharing rate: Sharing rate is the percentage of customers who actually share referrals with their friends, when given the opportunity. For instance, your referral campaign may reach a million customers, but out of those million customers, how many actually click on that "Share referral" link defines the sharing rate of your funnel.

Referral Visits: Referral visits can be termed as the percentage of users that click on the shared referral link and navigate to your website or mobile app. While the user-participation rate and sharing rate are set by your existing customers, referral visits is set by the response from the newly acquired users.

Conversion rate: Referral conversion rate is the percentage of referral visits that successfully convert into customers. It's the ultimate metric that matters for your referral campaign, since none of the above rates matter, if all of them don't combine to create a statistical uplift in total conversions.

Referral Marketing Touchpoints

Now that you have understood how referrals flow, the next step is to look at how you can drive referrals by providing multiple referral touchpoints. You can think of touchpoints as placeholders for advertising your referral campaign and providing easy, one-click access to your referral campaign.

By strategically placing these touchpoints across your product experience, you can optimize the flow of referrals across the funnel and boost your conversion rate.

Homepage Placement: Advertising your referral marketing campaign on your home page carousel or just below the landing page is one of the best ways to maximize user participation. It's also a great way of showing your customers that you value your referral marketing initiative (and they should, too!).

Boosts: User participation rate

Email Marketing Integration: Since not every user is going to check out your financial website everyday, why not seize the deal by placing your referral CTA in newsletters or promotional emails? Considering the fact that emails are highly contextual and passive in nature, they provide a higher CTR.

Boosts: User participation rate

Social Media Campaigns: More than a billion people using social networks everyday. Encouraging users to spread the word about your referral marketing campaign on social media is one of the quickest way to build up social proof and trigger the flywheel effect.

Boosts: User participation rate, Sharing rate

Referral Widget: Another great way to improve sharing rate is to create a dedicated referral widget and place it on all the pages where you deliver a delightful customer experience. For smartphone apps, you can include the referral link in the in-app menu itself to maximize visibility.

Boosts: User participation rate

Success Notifications: User excitement is at peak when they receive their referral reward. You can capitalize on the positive emotion by triggering (referral) success notifications and telling them how they can earn more.

Boosts: User participation rate, Sharing rate

Improving conversions

"It's much easier to double your business by doubling your conversion rate than by doubling your traffic." - Jeffrey Eisenberg

While referral marketing touchpoints help you in increasing the reach of your referral campaign, they have lesser impact in driving referral visits or improving conversion rates. That's because these touchpoints increase the accessibility of your referral campaign, but they don't influence referees to sign up.

So, how do you boost referral visits and conversion rates? Here are some tips that can help you connect with newly acquired users and get them onboard:

Create an emotional connection: According to Ernest Ditcher, who published a study on what motivates a person to talk about brands, emotional connection is the primary factor behind word-of-mouth recommendations. When you consistently deliver WOW experiences to the user, you motivate the users to talk enthusiastically about your brand and make a strong sales pitch to potential customers.

Considering the fact that 92% customers trust referrals from people they know, the strong pitch compels the potential leads to give due weightage to the referral, pushing up the referral visits and ultimately conversions.

Use actionable language: If you have a high user participation rate and sharing rate, but your referral campaign only draws a handful of referral visits, there are chances that you are not using actionable language in the referral message. Ideally, to improve referral visits, you should close the message with sentences like "Click to know more:" or "Get started now".

Using actionable language tells the user that an action is required from their part to complete the process, and they can complete the action with just one click (make the action sound easy, too!).

Highlight rewards: According to Ivan Pavlov, who studied behavioral psychology, rewards play a pivotal role in establishing new behavior and influencing people to take action. He postulated what is known as "classical conditioning", which focuses on using preceding conditions to alter behavioral reactions.

For instance, while $10 reward is certainly a powerful motivation, you need to make your users visualize the reward in order to make it appealing (pre-condition) . You can do that by including the reward in the referral message or you can even use visual images to amplify the perception of reward. The idea is to make the reward tempting enough to the user, so that they are tempted to click on the link and sign up for your financial product/service.

Maximizing Impact: Applying the Laws of Influence

In his book Influence: The Psychology of Persuasion, Cialdini mentions the six universal principles that can be effectively used to persuade people and change inherent behavior. The book has been rated as one of the best books ever written on marketing, with Cialdini's laws providing a solid understanding of customer motivations, and suggesting simple ways to turn active users into loyal customers.

Considering the amazing effectiveness of Cialdini's laws in persuading people to get to a "yes", we thought it would be a great idea to show you how these six universal principles can be applied to your financial business' referral campaign to create a statistical uplift in conversions and boost revenue.

Authority

According to the principle of authority, people tend to follow authority figures, when they have to make critical purchase decisions. The premise behind the principle is simple. People feel authoritarian figures have better knowledge than them to make an informed decision, and they feel they can mitigate the risk by simply following their lead.

You can apply the principle of authority in your referral campaign by inviting well-established scholars, dignitaries or other relevant personalities in the finance industry to try and review your product. You can then use the captured feedback to amplify the perceived value of the product experience, while infusing trust in the system.

For instance, if Warren Buffett (just an example) refers an investment service or leaves a good review about it, it will create a huge uplift in customer interest for the service, as new users are more likely to be driven by Mr. Buffet's judgement than the actual product features.

Social Proof

Social proof is a psychological phenomenon, in which people assume the action of others in order to determine the correct behavior for a given situation. For instance, if everyone is signing up for Uber and sharing the invites on social media, people start assuming that Uber must be a really great cab service and that it genuinely passes on the rewards.

In other words, the collective wisdom is driven not by the *ideal* choice, but by the *popular* choice.

You can use the concept of social proof to improve the sharing rate and the trust factor of your referral campaign. Generally, a strong social validation for a referral campaign leads to huge boost in conversions, as people find it easier to trust a business if everyone's trusting it.

Liking

Liking principle states that people are more easily persuaded by people that they genuinely like. That's why you need to encourage people to share the referral links with their closed ones, instead of asking them to randomly share it with anyone.

The idea is that people will find referrals credible and personalized, if they come from someone they know, unlike paid marketing channels that come from relatively unknown sources.

Reciprocity

Reciprocity principle states that people are bound to return a personal favor they receive from someone, in order to stay consistent with the societal structure. That's the reason businesses offer free rewards to their customers as they create an innate obligation in the mind of the user to pay back.

For instance, if you're offering $50 referral credits to new customers sign up, they're either going to buy more (to return the favor), or they're going to continue spreading the good word about the product. In other words, they're either going to increase your average LTV or reduce the CAC, making it an absolute win-win for your brand.

Consistency

According to the rule of consistency, people find it difficult to hold on to two conflicting set of ideologies. In an attempt to stay consistent they'll stick to an ideology that they can strongly

relate. The principle can be applied to referral marketing to improve customer retention and motivate customers.

For instance, by motivating customers to share referrals, you're essentially making them your brand ambassadors, who'll defend your brand in an attempt to stay congruent to their self image [Read: The Impact of Cognitive Dissonance on Buying Behavior].

Scarcity

The rule of scarcity states that people want more and more of what is less and less. Perceived scarcity can be used to create a surge in demand, as the fear of missing out on a great opportunity prompts user to take immediate, decisive action.

You can use the principle of scarcity to improve referral conversions by setting a deadline for the referral campaign. The limited period offer dramatically improves the perceived value of the campaign (limited supply) and compels customers to sign up immediately, in order to mitigate the fear of not missing out on a great reward.

Referral Analytics: Closing the Loop

"If you can't measure it, you can't improve it." - Peter Drucker

After you have successfully setup your referral campaign and optimized its reach, the next step is to test your approach with behavioral data, usage patterns and real-time referral analytics. That's because without statistical confidence, there's no way to test if your referral strategy is delivering profitable outcomes for your brand.

Referral analytics gives you the ability to slice and dice the data to validate your initial hypothesis, find emerging behavioral patterns, and fix the underlying bottlenecks. It also helps you close the marketing loop by providing actionable insights and valuable feedback.

Identifying bottlenecks: Referral Analytics

"If you torture the data long enough, it will confess." - *Ronald Coase*

The right answers come when you ask the right questions. For instance, if your question is "Why is my referral program not driving enough conversions?", the scope of the question is huge and it's difficult to answer it without looking at the referral data.

However, if you optimize your referral flow by integrating it with referral analytics, it becomes relatively easier to test your hypothesis at various breakpoints, identify the underlying bottlenecks and get actionable insights on how to fix them.

For instance, from the above Referral SaaSquatch analytics dashboard, we can easily make out the number of program visitors, active referrers, successful referrers as well as referred visitors, referred users and referred conversions.

If you look at the number of active users (355) and referred visitors (855), it's clear that an average active user sends about 2.5 referrals. Though, we've seen an average invite rate between 3-5 per referrer so that shows the company can improve their re-engagement loop to encourage more referrals.

You can also look at the actual number of referred conversions (223) vs referral visitors (855), which shows an impressive 26.1% conversion rate. This performance shows that the referral landing page is performing well and the area for optimization is at the top of the funnel to drive more referral visitors and active referrers.

Similarly, if you keep identifying the key performance indicators (KPIs) for each step in the referral funnel, you'll be able to look at which rates are dropping and which metrics are improving.

In rather simple words, hooking up your referral campaign with analytics allows you to visualize the entire referral marketing funnel in real-time. If you hold that thought for a while, you'll realize how powerful referral analytics can be for your brand.

It can give your brand an unparalleled competitive edge, since you no longer have to spend a lot of time and effort in doing root cause analysis. You can eliminate all guesswork by slicing and dicing the referral data to reveal actionable insights.

For instance, if your referral campaign is not driving enough conversions, you can pull up the metrics at every intermediate stage in the funnel to identify the root cause and then create an action plan to address that limitation.

Referral analytics is one of the major reasons why online referral marketing has an edge over traditional word-of-mouth marketing. You cannot keep a track of how people are advocating for your brand offline, but you can easily visualize how people view, share and engage with your referral marketing campaign online.

Testing the winning strategy: A/B Testing

"Don't go for the best. Put your love to the test." - Madonna Ciccone

No referral marketing is perfect.

Even if you are clocking thousands referrals per month, you can still improve your campaign. But here's the thing about finding the winning strategy-- you need to try multiple variants of the campaign and use analytics to narrow down on the most profitable version.

That's where A/B testing comes in. As the name suggests, A/B testing is about creating two different variants of marketing content to see which variant delivers better outcomes.

For instance, let's say your referral tracking dashboard is telling you that have a high participation rate, but low sharing rate.

The root cause for the issue could be anything.

Maybe, your referral widget is not user-friendly. Maybe, you haven't found the right reward structure. Maybe, you haven't picked the right social channels for sharing the referral. Or, maybe, you haven't made the social channel easily accessible.

A/B testing helps you find that loophole. In order to solve the above problem using A/B testing, all you need to do is create an alternative variant, based on your root cause analysis.

Next, you need to hook both the variants (current and new) with referral analytics and run both these variants for a minimum period of three months (in order to acquire statistical significance).

After three months, you'll be able to compare the performance of both these variants from the analytics dashboard, and pick the winning strategy. You can even automate the process of picking the winning strategy by setting a predefined criteria.

Of course, this involves doing a lot of design changes and you need to back and forth a number of times, but in the long run, it's worth the effort.

Think of referral marketing as a *maze*; not a *race*. The goal is not to design, develop, deploy, test and scale as fast as possible then eventually forget about it; instead, the goal is to create a self-sustaining referral campaign that connects with a large percentage of active users, and continues to deliver favorable outcomes for your business.

Re-engaging with customers: Closing the Loop

Apart from identifying issues and fixing them with A/B testing, referral analytics can also be used to proactively capture user feedback and improve conversions.

For instance, you can combine referral analytics with usage statistics to proactively reach out to customers that have a high LTV, but low referral rates. These customers might not be aware about your referral campaign, and can be re-engaged through effective marketing.

Similarly, you can segment the referral data with customer's financial plans, brand products/ services or any other brand-specific parameters to understand customer motivations.

For example, if segmentation of referrals by your brand's financial services reveals that 70% loyal customers are subscribed to a specific financial plan, it strongly suggests that customers are really happy with the financial plan. Similarly, financial businesses can also narrow down on which plans were the least effective, and which customers have the lowest engagement.

You can start closing the referral loop by thanking your loyal customers and providing them an added incentive to keep referring. In a similar way, you can reach out to customers that have a high LTV, but low referral rates, and ask them if they're satisfied with the experience. You can also shoot them a personalized email, telling them about your referral campaign, in order to build engagement.

Closing the referral loop is all about acting on the captured feedback and re-engaging with customers. It's essential to close the feedback loop, as it helps in understanding customer motivations and provides the external stimulus to your referral campaign's flywheel effect.

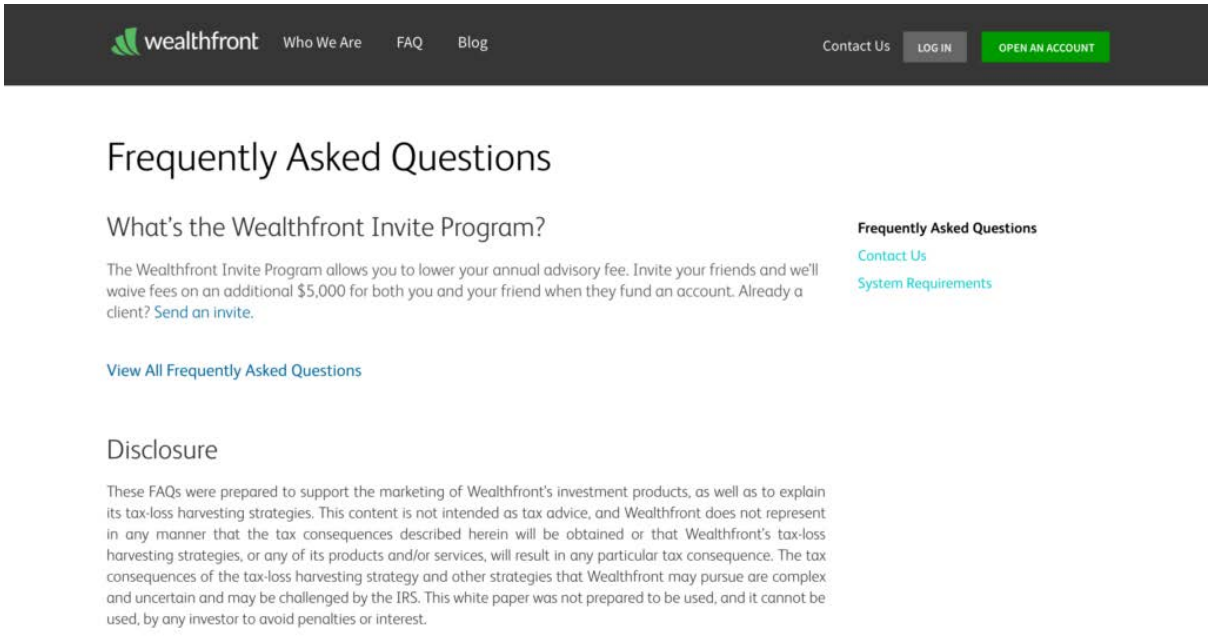
Case Studies: How Referral Marketing Maximizes Profitability

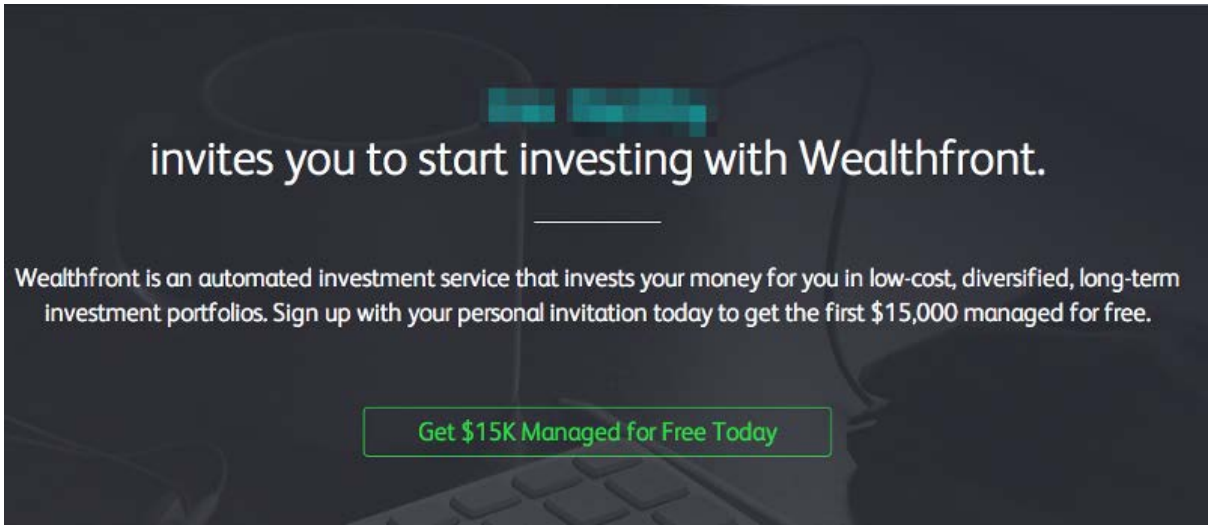
"The best way to learn a sport is to watch and imitate a champion." - Jean Claude Killy

Like every other strategic marketing campaign, referral marketing is an evolutionary science. You can't just "set it and forget it". In order to stay competitive, you need to keep looking for new ways to engage with your customers and drive referrals.

In the section, we have compiled the best referral marketing campaigns in the financial industry. The motivation behind compiling the list is to provide key insights on how to dodge common referral marketing mistakes and create a compelling referral experience.

Wealthfront





About Wealthfront

Wealthfront is an automated investment service that allows its users to personalize, diversify and manage their investment portfolios at low costs. It's widely popular for providing data-driven, actionable recommendations to improve after-tax, risk adjusted returns. As of October 2015, Wealthfront has more than $2.5 billion worth of assets under its management.

What we love about the referral campaign

Personalization: Wealthfront personalizes every referral by putting the referrer's name at the top of the invite email. It's a fantastic way to build trust with new customers, as people are more likely to accept an offer, if they know it's coming from a personal contact.

Also, by putting the name of the referrer at top, Wealthfront capitalizes on the concept of social proof. It validates the fact that Wealthfront is a preferred investment choice by someone in the referee's inner social circle, thereby reducing the initial friction associated with exploring relatively unknown financial products/services.

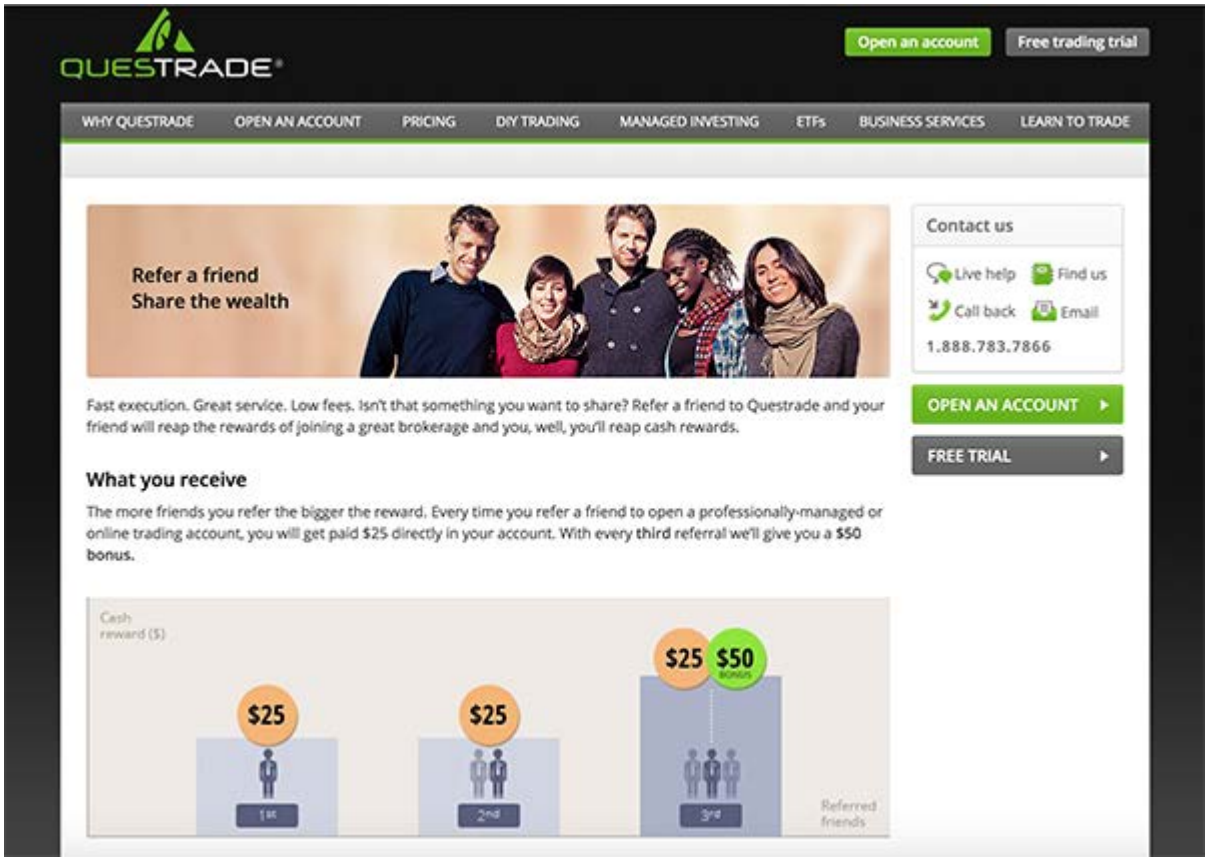
One-liner pitch: Although Wealthfront uses a sophisticated algorithmic approach to proactive wealth management, it does not waste the user's time in making a long, boring pitch. Instead, it simplifies its unique offering with a simple one-liner pitch that's easy to understand.

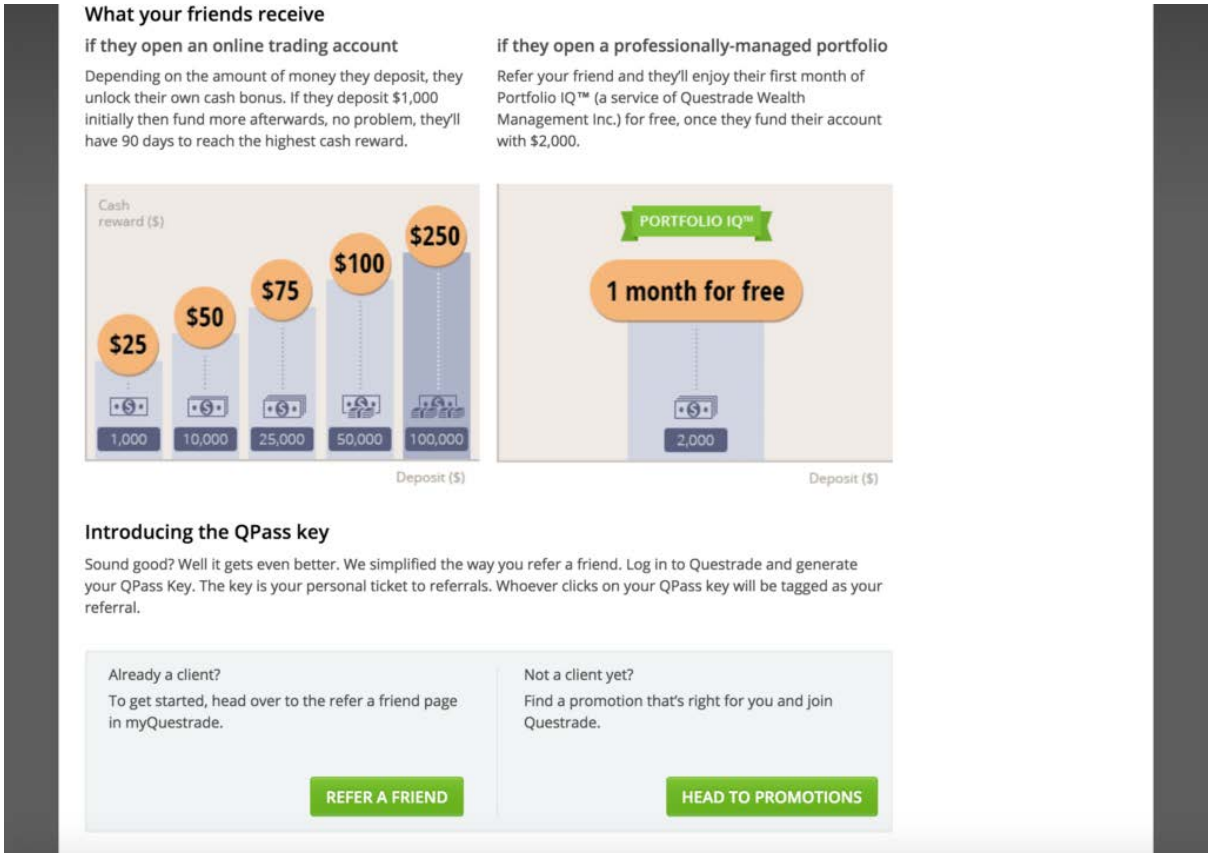
Further, it concludes the pitch by giving users an actionable goal, so that it can capitalize on the user's excitement to know more about the company's financial offerings.

Clear, motivating CTA: Instead of using generic words like “Claim Free Loyalty Points” or “Start Free Trial”, Wealthfront uses clear, actionable language in its CTA. While the words “Get” and “Free” reduce the activation gap, clearly defining the rewards (“managed $15K”) results in desire amplification.

Moreover, by using the word “Today” at the end of CTA, Wealthfront prompts the user to take immediate action, also suggesting that the onboarding process would be swift and easy to complete. A truly amazing choice of words.

Questrade





About Questrade

Questrade offers a cost-effective direct trading platform that provides seamless access to the U.S and Canada equity and U.S options market through Web and PC based trading platforms.

What we love about the referral campaign

Variable reward structure: Instead of having a flat reward structure with a one-time referral bonus, Questrade offers a variable reward structure that encourages users to keep referring more people ($50 bonus after second referral). Further, to make it a square deal, Questrade also offers a higher cash reward to every referee that makes an additional investment in the trading account.

The ingenious variable reward structure created by Questrade not only boosts referrals, but also increases the average customer lifetime value (CLV)-- indirectly ensuring that it incentivizes only qualified leads.

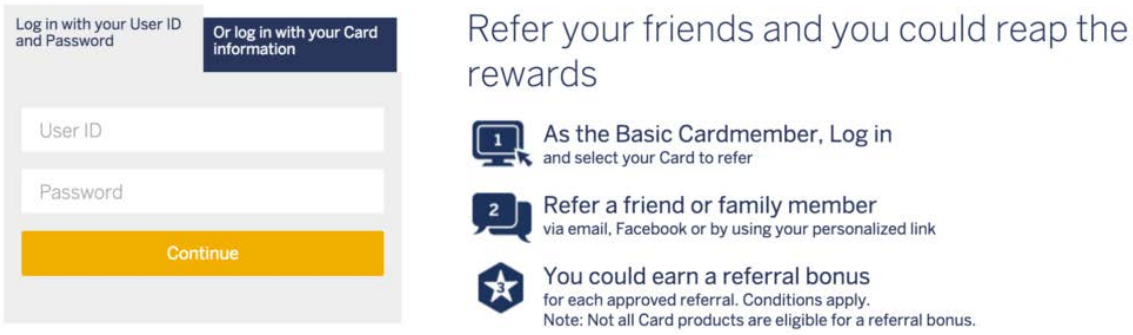
Altruistic message: Questrade uses happy images to trigger positive altruistic emotions. It shifts the purpose of making a referral from earning cash bonus to "sharing the wealth". The design imperative behind showcasing the altruism is simple. It eliminates the social barrier with making the referral, as the referrer no longer feels that he's making a selfish decision by sharing the referral.

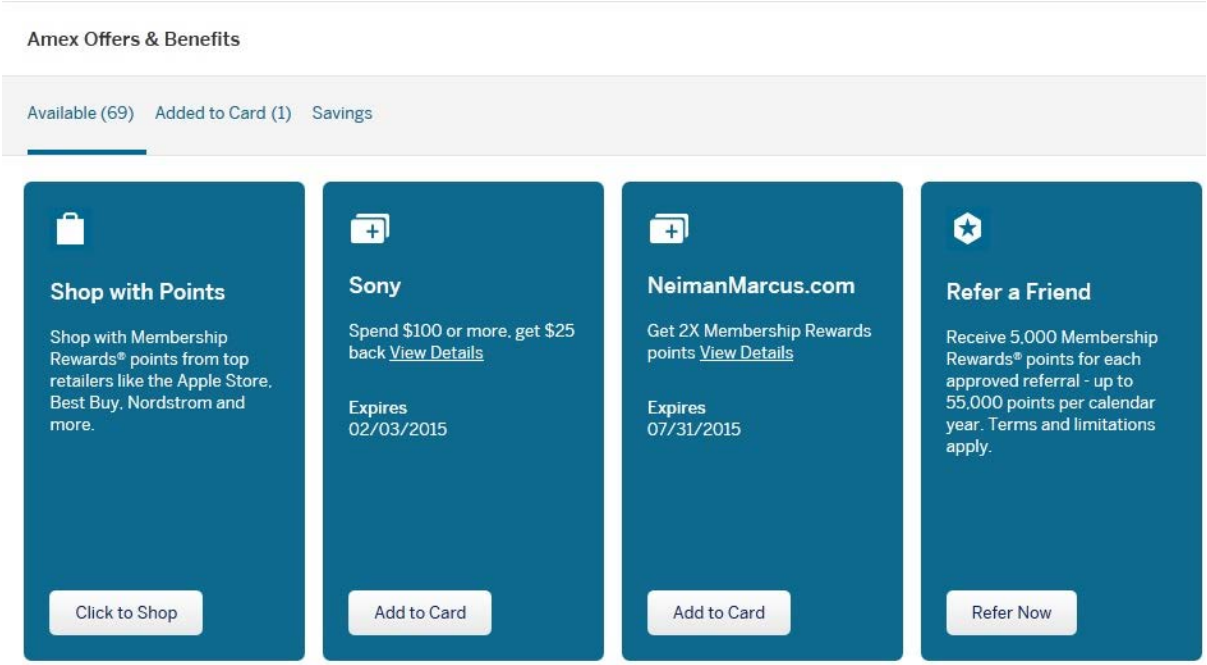
Reward visualization: Instead of merely telling users that they would be getting $ as the reward bonus, Questrade uses visually appealing graphics to showcase their variable reward structure.

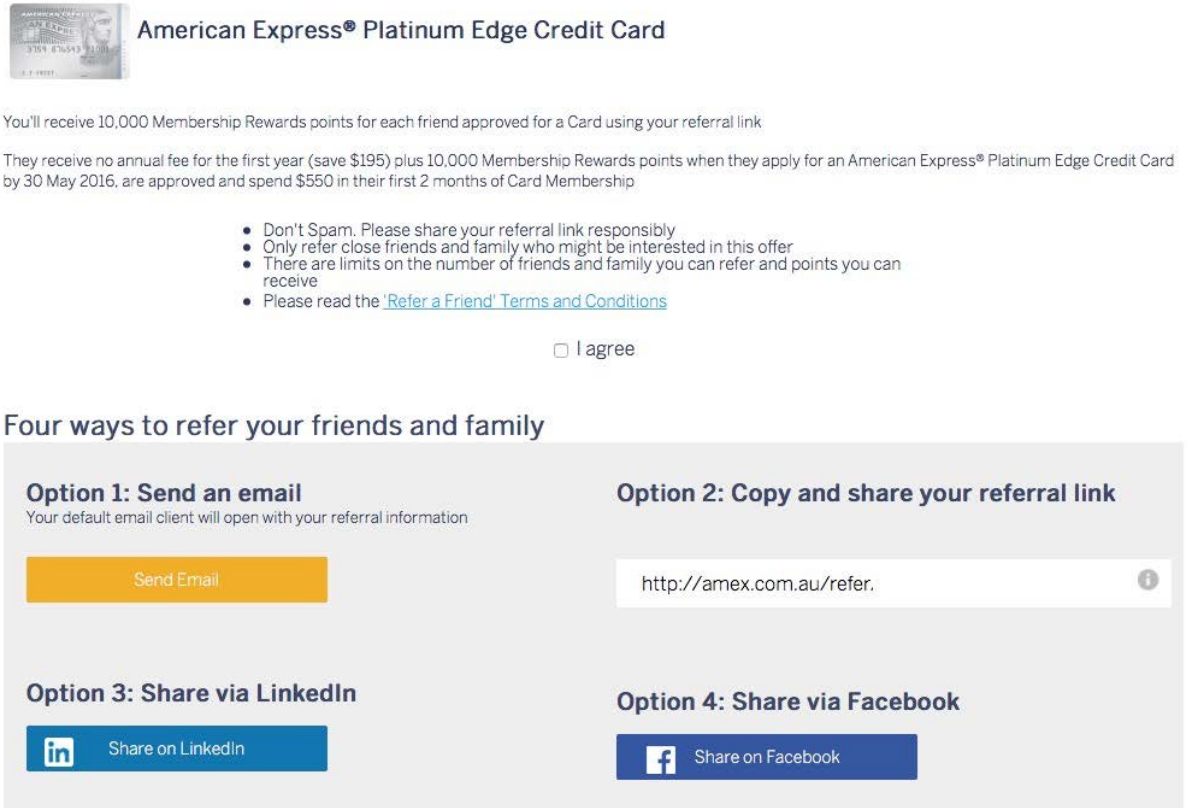
The progressive bar charts that show how cash bonus increases based on the referee's initial investment allow customers to easily understand how the reward structure works, within just the first few seconds of scanning the entire page.

Positive CTA: According to Plutchik's colour wheel of emotions, the slightly lighter shade of green that Questrade uses in its CTA is associated with emotions like admiration, trust and acceptance. While the CTA delivers a relatively simple message, it triggers a positive feeling in the user's mind about making a referral.

American Express







About American Express

American Express, also known as Amex, is an American multinational financial services corporation, that handles over 24% of the total dollar volume of the credit cards transactions in U.S. The company is best known for its credit card, charge card and traveler's cheque businesses.

What we love about the referral campaign

Effective Storyboarding: American Express uses effective storyboarding to breakup the entire referral process in three simple, easy-to-follow steps. By presenting the information in a clear workflow and placing it right adjacent to the signup form, it maximizes the impact of the referral campaign.

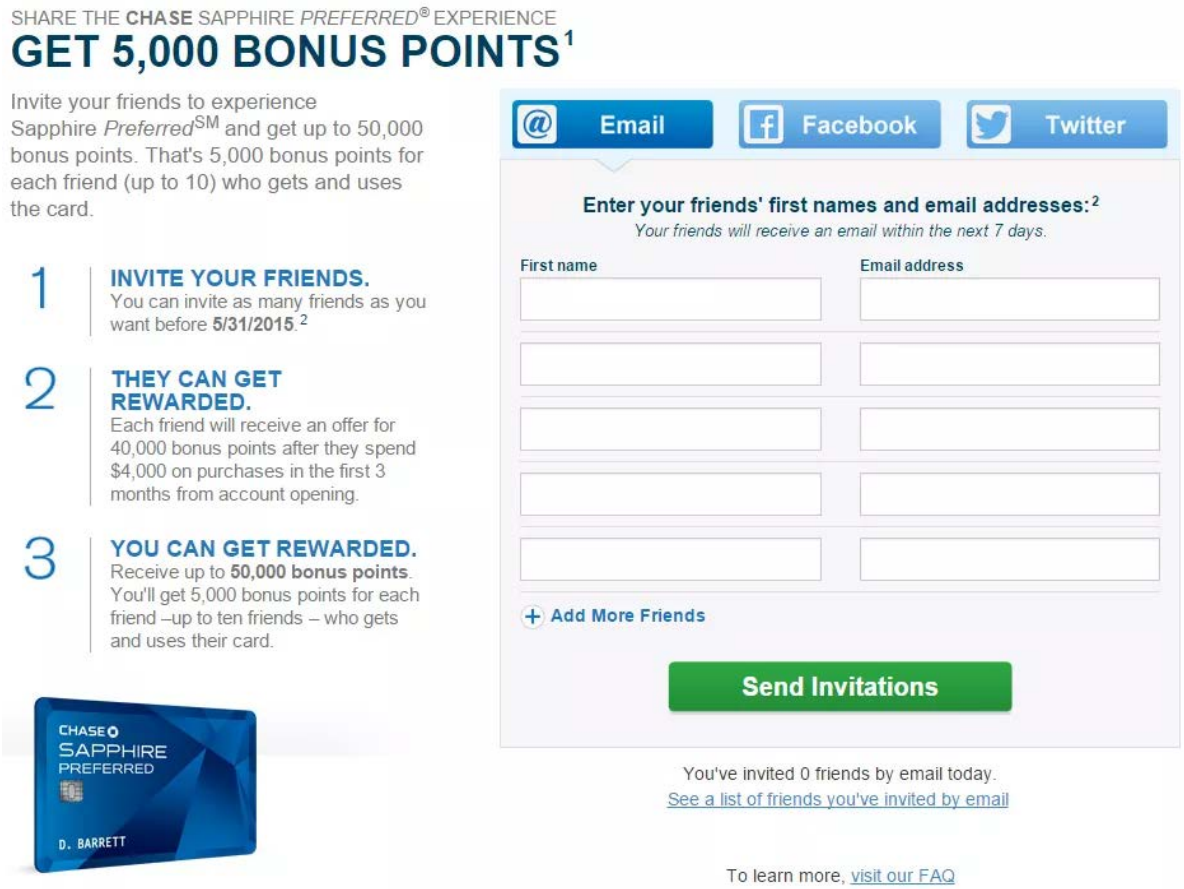
Contextual placement: Usually, customers navigating the offers section are looking for an added financial incentive. American Express capitalizes on the opportunity by contextually placing their referral program in the “Offers and Benefits” section.

Since making a referral is a low risk, low investment action, users are more likely to enroll for the referral campaign. It sweetens the deal by telling users exactly what they stand to make for every successful referral, so that they feel motivated to opt in.

Multi-channel sharing: American Express improves the virality of its referral campaign by allowing users to easily share the referral invite through email or social channels.

What's interesting is that American Express encourages the use of personal communication channels to share referrals, instead of merely capturing the email addresses of potential leads. The idea behind creating such a setup is to personalize referrals, so that they don't appear as a promotional campaign, but feel more like personalized brand advocacy.

Chase



About Chase

Chase Bank is a consumer and commercial banking subsidiary of the multinational banking corporation JP Morgan Chase. With more than 5,100 branches and 16,100 ATMs nationwide, it's one of the biggest four banks in US, managing more than US $2.6 trillion worth of assets.

What we love about the campaign

Fantastic Storyboarding: Chase uses effective storyboarding to deliver an elevator pitch about their referral marketing experience. By breaking the whole process in three easy steps, Chase makes it for users to understand how the referral program works and what they stand to gain from a successful referral.

Just like American Express, Chase places the block right next to their invite section, so that they can eliminate all doubts in the referrer's mind and motivate them to refer their friends.

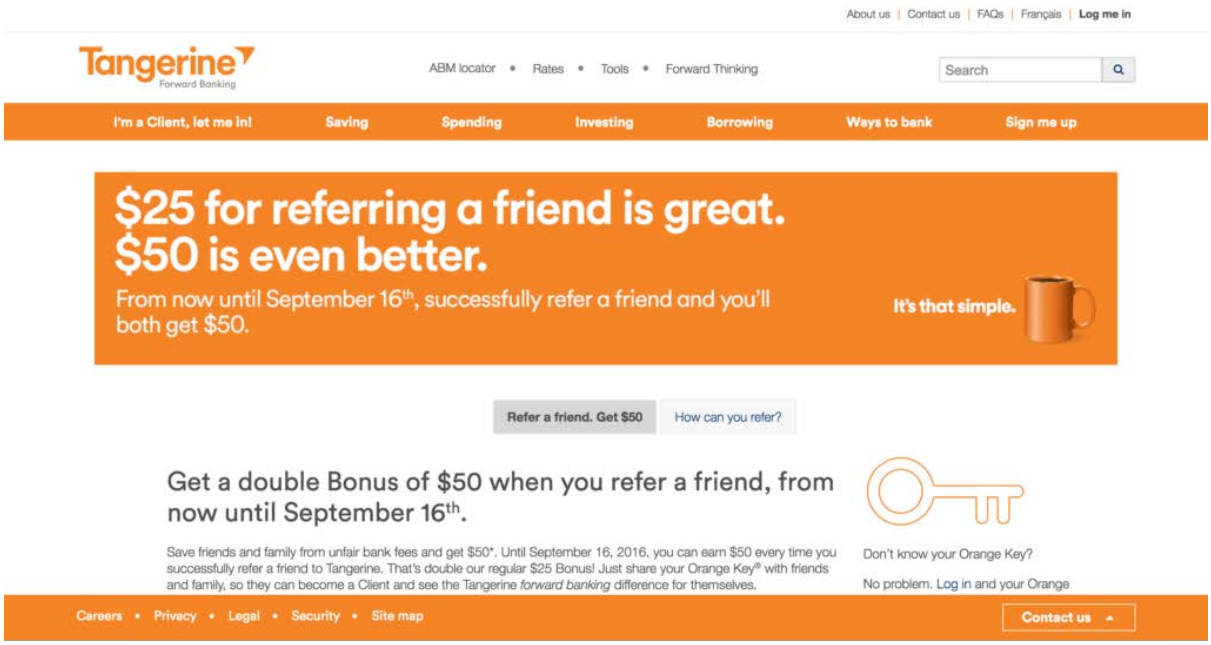
Highlighting the Reward: Chase highlights the "Get 5000 Bonus Points" by putting in the header and ensuring that it stands out in the landing page. The highlighting is important, as the the first question that runs through the user's mind when they checkout a referral marketing landing page is... *what's in it for me?*

By clearly answering that question right from the start, Chase improves the probability of customers reading the entire copy and making a referral.

Easy sharing: Chase makes it incredibly convenient for existing customers to send multiple referrals. Instead of manually sending the link to each of the friends, they can just put their names and email addresses, and Chase's program sends a personalized invite.

Also, right above the email invite section, Chase has conveniently placed the social sharing buttons, so that in case users don't feel like inviting their loved ones personally, they can share the invite link on their social media channel in one single click.

Tangerine



About Tangerine

Tangerine Bank, operating as Tangerine, is a Canadian direct bank and a subsidiary of Scotiabank that provides convenient banking facilities to over two million Canadians.

What we love about the referral campaign

Catchy headline: Tangerine wins customers with its incredibly catchy tagline that lowers the expectations at first, and then takes it even higher. The low-balling technique creates a significant uplift in conversions, since $50 reward is a good enough motivation for users to make multiple referrals.

Dual-sided rewards: While most referral marketing campaigns have an unbalanced reward structure, usually with the referee fetching a higher reward than the referrer, Tangerine simplifies the paradigm by offering equal dual-sided rewards to both the referrer and the referee.

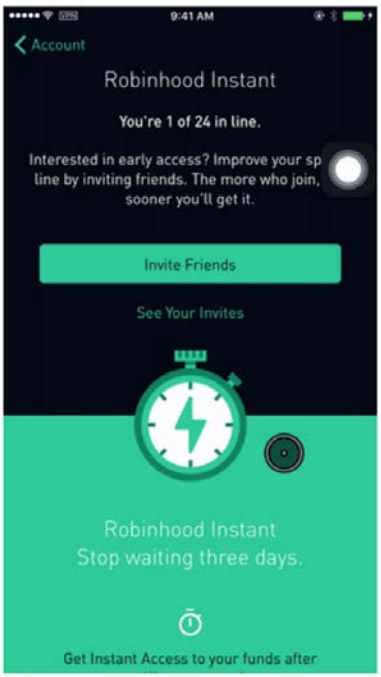
Having a simple dual-sided reward structure not only makes it simple for users to understand, but users also feel good about making a referral, since the proposition doesn't appear selfish or manipulative.

Limited time offer: Tangerine capitalizes on Cialdini's scarcity principle to get users to act quickly. Instead of running the referral marketing campaign forever, it puts a pre-condition that the offer is valid only till a specific date.

By limiting the perceived availability of the referral campaign, Chase makes the referral campaign even more attractive to the users. They feel that they'll be missing out on a great opportunity to earn $50, if they don't make the referral, right away.

Positive emotions: The lively colour combination used by Tangerine gives an immensely optimistic feel to the referral campaign. Even the little coffee mug on the right hand side with the tagline "It's that simple" triggers positive vibes and makes the user feel good about making the move.

Robinhood



About Robinhood

Robinhood Markets Inc. is a U.S. based financial services company that allows individuals to invest in publicly traded companies and exchange-traded funds listed on U.S. exchanges without paying a commission.

What we love about the referral campaign

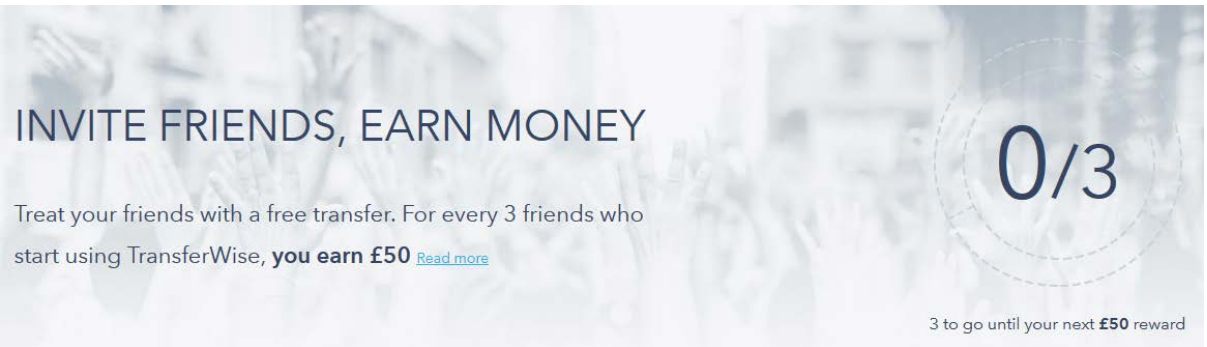
Simple Design: Instead of stacking up an array of user elements, Robinhood uses a rather simplistic, distraction free design to improve conversions. Leaning on the consumer behavior

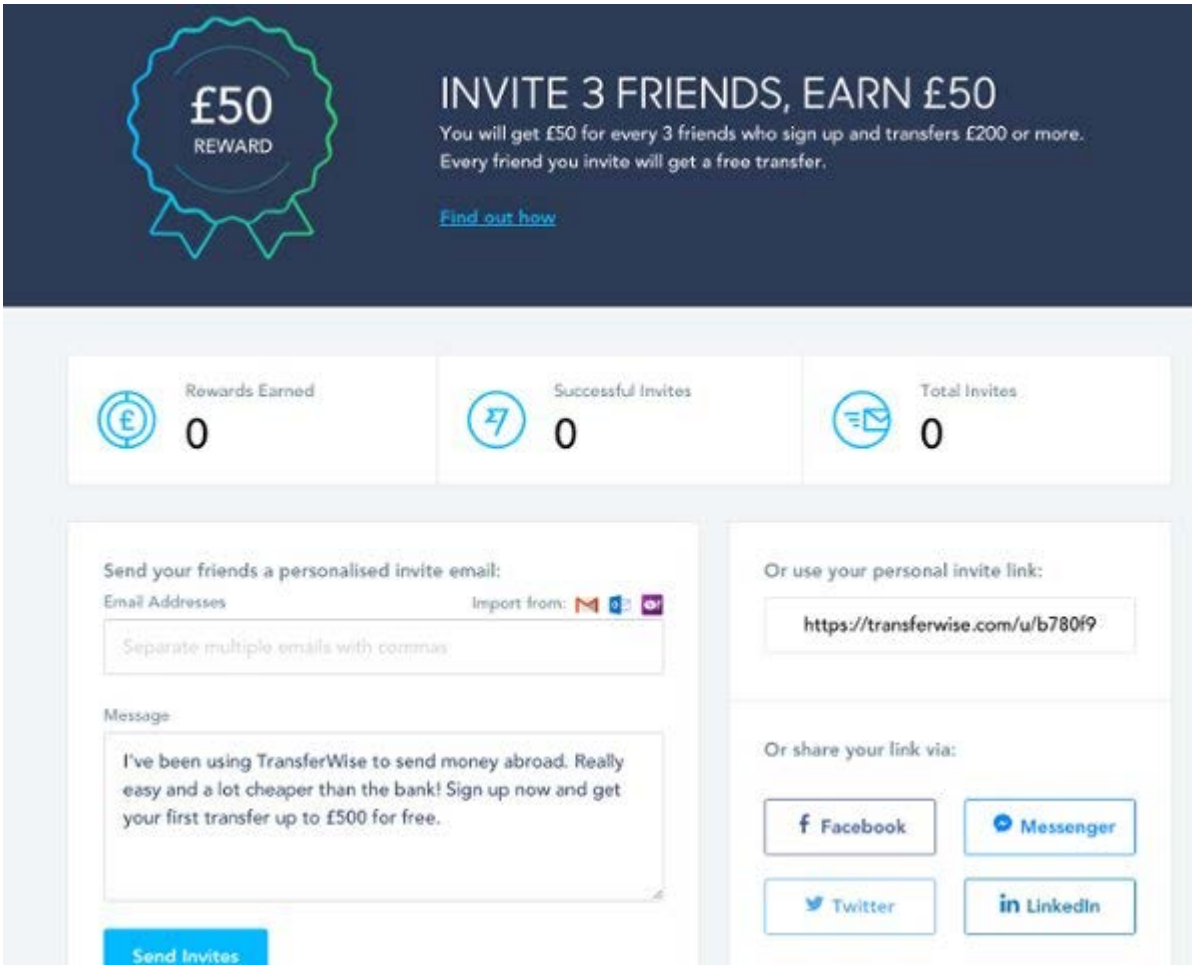
principle 'Paradox of Choice' since there's only a single CTA to interact with, it simplifies the decision making for users which boosts engagement and conversions.

Exclusive Reward: Instead of offering credits or bonus, Robinhood provides early access to users that make multiple successful referrals. Again, it's an effective desire amplification technique that improves the attractiveness of the reward by limiting its perceived availability.

Since the offered reward is exclusive, users feel good about bragging about it to their friends, thereby making it a talking point for generating more referrals (the flywheel effect).

TransferWise





About TransferWise

TransferWise is a peer-to-peer money transfer service that allows users to conveniently transfer money across borders, at significantly lower transaction costs. Till date, more than £3 billion of money has been transferred through TransferWise, with the network currently supporting more than 300 currency "routes".

What we love about the referral campaign

Clear Call to Action: TransferWise uses visually appealing graphics to make sure the reward for the referral campaign stands out. Again, it adheres to the psychological hack that users scan the page quickly to find visual cues about what's in it for them.

By clearly highlighting the reward at the top, TransferWise improves the appeal of its referral marketing campaign.

Referral Tracking Dashboard: Referral marketing is about gathering the trust of the users, and like every relationship, trust levels increase only when there's more transparency. By creating a live referral tracking dashboard, TransferWise improves the credibility of its referral campaign. Instead of second-guessing whether their friend signed up with the referral link, it allows users to track signups and view the earned credits instantly. This feedback loop design encourages repeat engagement with the referral program.

Personalized Invite Link: TransferWise makes it easy for users to share referrals by using a unique personalized invite link. The user can easily share the link with any of their friends through any of the social channels. They don't have to worry about following it up, as TransferWise immediately credits the referral bonus to the referrer's account, if they sign up for TransferWise using the referral link.

It's a streamlined flow to encourage users to make a referral as it removes the ordeal of manually sharing their friend's email addresses.

Conclusion

That's it, folks.

As we just saw, referral marketing is a powerful way to grow and scale your business. It capitalizes on your brand's social capital to reduce the initial trust deficit and improve engagement with target customers.

Pretty much like the flywheel, it takes up a little bit of effort to set up the referral experience, but once you're past the implementation stage, you've essentially creating a self-sustaining lead machine that markets itself.

Like the forward push in the flywheel effect, the book intends on being that external stimulus that sets your financial business on the path to referral marketing. We hope the principles used in the book help you in improving and optimizing your referral marketing campaign.

P.S: If you're interested in taking a demo of our dedicated referral program software, please feel free to get in touch with us at sales@saasquat.ch.

saasquatch

Ready to get more customers with our referral program software?

Request Demo

Referral Marketing Worksheet

While the concepts proposed in the book draw a roadmap for your referral campaigns, we understand that it gets overwhelming to hold it all together, especially when you have to create an engaging referral marketing campaign that personifies your brand.

To simplify the approach, we created this referral marketing worksheet. Think of it as the map of your referral marketing campaign, or a checklist of steps that you need to complete to reach your ultimate goal.

The worksheet summarizes all the concepts proposed in the book and intends on being the actionable component of the book. The step-by-step approach ensures that you don't miss out on any steps and allows you to track your progress easily.

So what are you waiting for? Grab a pen, print out the worksheet, and kickstart your referral marketing journey today!

Steps	Questions to Ask	Completed? (Yes/No)
Take the Readiness Test	a. Do you have a product-market fit? b. Have you built customer trust? c. Are your delivering customer success? d. Have you measured customer happiness?	
Decide a Reward Structure	a. Have you set a profitable goal? b. Have you calculated the right reward size based on your CAC? c. Have you created a boundary case? d. In case you have a variable reward structure, are you explaining it in the FAQs section?	

	e. Is your reward structure scalable?	
Design a Consistent Experience	a. Have you placed your referral CTA on website as well as app? b. Are you using the same marketing pallette across channels (emails, social media, landing pages, etc.).? c. Have you kept the language and tone of the marketing campaign consistent? d. Is your referral CTA aligned with your brand image?	
Personalise Referrals	a. Are you including the name of referees in the invite emails? b. Are you using personal communication channels for sending referrals?	
Optimise for Sharing	a. Is your referral code/link easy to share? b. Have you made your message altruistic and appealing to the referrer? c. Are you offering dual-sided rewards to reduce the social barrier? d. Have you included the most popular sharing channels on the referral campaign page?	
Create Your Call-to-Action	a. Are you using actionable language?	

	b. Have you picked the right colours to trigger emotional response? c. Have you strategically placed your CTA for maximum visibility? d. Is your CTA motivating enough?	
Organise the Content	a. Have you created your referral marketing copy? b. Are you using the story-boarding technique to highlight points? c. Have you explained how the referral marketing program works in your FAQs section? d. Have you used the principles of influence to improve conversions?	
Implementing a Referral Program	a. Have you built a prototype design for your referral campaign? b. Have you identified how referrals would flow? c. Have you created a reliable referral tracking mechanism? d. Have you estimated the development costs and implementation time? e. Have you explored easily integrable referral marketing solutions? f. Have you calculated the ROI of your referral marketing campaign (initial costs v/s growth projections)?	
Linking Up with Data Analytics	a. Are you tracking the referral metrics in real time? b. Are you measuring the impact of your referral marketing campaign?	

	c. Are you using referral dashboards to motivate users? d. Have you segmented the data based on your referral funnel?	
Setting up the A/B Testing framework	a. Are you using referral data to identify the bottlenecks in your referral campaign? b. Are you testing two variants to see which copy delivers a statistical uplift in conversions? c. Based on data, are you continuously optimizing your referral marketing campaign to maximize conversions?	