EXTOLE

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Definitions, explanations, and examples
for mastering refer-a-friend programs

CONTENTS

WELCOME

Marketers need to acquire new customers. Referral marketing is the answer. The next acquisition channel for brands, it generates loyal, valuable new customers for brands while increasing the value of their existing customers.

To succeed with referral marketing, you need to understand its terms. Referral is a direct marketing channel, and it works like other direct channels do. So you'll be familiar with many of the concepts here. A few will be new. This enyclopedia is broken into sections to help you grasp them all quickly.

BASICS

explains what a referral marketing program is, what it does, and what its core parts are.

ANALYTICS

describes how to analyze and measure referrals' success.

ACQUISITION

highlights key concepts for generating new customers for a brand.

LOYALTY

explains how referrals deepen customers' brand loyalty.

VALUE

focuses on how referrals result in high-caliber customers.

BASICS

Customer acquisition

The act of adding new paying customers to your customer list. Customer acquisition is the goal of most referral marketing programs.

Extole customers tend to acquire between 5 – 15% of their new customers through their programs. Exceptional programs see even higher levels!

Customer engagement

The act of providing compelling experiences for your customers that deemphasize additional purchases and focus on customer activities that connect them with the brand, your values, your mission.

Most companies using Extole for refer-a-friend are also using Extole to power customer engagement programs including Friends & Family, Gift Giving, Nomination, and Giveaways.

Referral program

A part of the customer journey designed to acquire new customers by rewarding the people who interact with your brand for referring their friends. Also known as a "refer-a-friend" program, it encompasses campaigns across channels including web, mobile, email, social media, point of sale and more, along with the marketing, measurement, and optimization of those campaigns including the delivery and use of associated rewards.

Referral campaigns are effective ways to acquire customers you can't reach through other channels like search. To scale a refer-a-friend campaign into a fully functioning referral channel, contact Extole.

Advocate

A person who refers your brand, product, or service to a friend. Anyone who interacts with your brand can become an advocate, and a goal of your referral program should be to make referrals a key part of your customers' brand experience.

By enabling you to promote your referral program to everyone your brand touches, make sharing easy, and reward participation quickly, Extole helps you create the most "everyday" advocates to generate awareness, fuel participation, and drive acquisition and revenue.

Friend

A person who sees or receives a referral from someone they know. Friends may or may not already be familiar with the brand or its products.

While not everyone may be right for your brand, almost everyone has a friend who is. Making your program as highly visible as possible through Extole's easy promotion tools lets you reach the most potential advocates and, through them, the most friends.

ANALYTICS

Referral funnel

The referral funnel, or social funnel, is a model describing the process of generating referrals and referred customers, from advocate generation through new customer conversion. It comprises the advocate funnel and friend funnel.

You can see detailed metrics for how each of your campaigns performs at each stage of the referral funnel in your Extole dashboard, then test and iterate so you can optimize effectiveness.
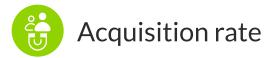
Advocate funnel

The performance metrics that detail how often your customers become advocates who share referrals. It encompasses CTA impressions, advocate clicks, and number of shares.

Participation rate

A measure of the effectiveness of your referral program marketing plan, Participation Rate compares the number of advocates (participants) to the total number of people performing your primary business objective (purchase in retail, new account opening in financial services, policy issued in insurance, etc…) over the same period of time.

Acquisition rate

A measure of the efficiency of your entire referral funnel that compares the number of acquired customers to the number of advocates. When this rate is at or above benchmark for your referral program, you can focus less on funnel optimization and more on marketing and segmentation.

The size of your advocate funnel depends on how widely and prominently you market your referral program. Use the Extole dashboard to find out how your campaigns perform at the top of the advocate funnel and each stage below it.

Friend funnel

The set of performance metrics that detail how well your advocates' referrals are converting friends into new customers. They include reach, friend clicks, conversions, and revenue.

Performance in the friend funnel depends on a number of factors, but it is often based on the friend reward. Extole allows you to A/B test this reward within the platform.

Multi-step conversion

A form of the customer journey that requires a prospective customer to pass multiple consideration milestones (or steps) between initial awareness and final conversion. Often found in high-consideration B2C sales cycles, subscription businesses, and B2B (for example, B2B software sales cycles typically see prospective customers progress in status from lead to prospects before becoming customers, with each successive stage indicating increased likelihood of purchase).

Customer referrals can be powerful tools for helping move prospective buyers through a multi-step conversion because people trust opinions from friends and colleagues. Referral programs can also be effective in improving conversion from trial to paid subscription users.

ACQUISITION

📢 Campaign

A campaign comprises the audience, calls-to-action(s), content, sharing mechanisms, rewards, and reward rules for a given referral marketing flow. A referral marketing program will consist of multiple campaigns. Often brands will employ multiple campaigns to effectively target different audience segments (such as VIPs, super advocates and newly referred customers) simultaneously.

Extole customers with international footprints create targeted campaigns to their audiences in different countries, with content and rewards appropriate for a particular market's language, currency, and regulations.

📤 Call-to-Action (CTA)

A message on your site, in your email, on your packaging, or in your other media that prompts someone to take action. In referral marketing, CTAs are used to encourage people to share referrals.

Using Extole's built-in promotion tools and APIs, you can put a referral CTA anywhere people will see it: on your website, in your mobile app, on printed materials, in email flows, and even on your packaging.

Share link

The unique, trackable link that an advocate sends to a friend when sharing a referral. (Also known as a referral link.)

Creating personalized share links makes it simple for your advocates to refer friends wherever they are, using an easy-to-remember link. Try associating these links with your CRM contact records so you can include them in every customer communication.

External reward

A referral reward involving a product, service, or value other than that of the issuing brand. For example, a retailer that offers a $25 PayPal credit is offering an external reward. Usually offered as an incentive for advocates to refer friends, external rewards can provide continued motivation for super advocates who have already collected numerous internal rewards.

Extole's platform makes it easy to create external rewards for your advocates and their friends. The platform also offers hundreds of gift cards to choose from.

Internal reward

A referral reward related to the product or service a brand provides. For example, a retailer that offers 10% off their products is offering an internal reward. Usually offered as an incentive for advocates to refer friends, internal rewards drive retention by incentivizing future purchase.

Perricone MD launched a 4-day "gift with purchase" campaign over Memorial Day Weekend, which resulted in an 8x increase in conversions and an advocacy rate jump from 4.1% to 10.3%.

LOYALTY

Flywheel effect

The phenomenon by which referral marketing begins to sustain itself through referred customers. Brands find that customers they acquire through referrals are more likely to refer friends themselves; therefore the flywheel effect occurs as a brand acquires customers through referrals, who subsequently refer friends, who refer then refer their friends, ad infinitum.

Brands using Extole find that their referred customers refer more often — as much as 4x – 5x more often — than their non-referred customers.

Earned Growth Rate

A new metric developed by the inventor of Net Promoter Score, Fred Reichheld, which measures the revenue growth generated by returning customers and their referrals. A related statistic, the earned growth ratio, is the ratio of earned growth to total growth.

Earned Growth Rate is a compelling measure of a brand's economic advantage and highlights the impact of growth from loyalty. With Extole-powered referral programs, we can determine your Earned Growth Rate and provide benchmarks.

Segment

Characteristics that are shared by a group of people. People can be part of more than one segment, and segments can be specific to brands or shared broadly. Important segments in referral programs include the advocates who share the most, the advocates who drive the most revenue, and recent customers who have not yet referred. Each of those segments can drive additional marketing initiatives such as surprise and delight campaigns.

Twilio Segment: A customer data platform (CDP) and Extole partner. Our bi-directional integration with Segment allows business events managed by Segment to power your referral programs for targeting, rewarding, and analysis. Similarly, Extole events sent to Segment allow you to use the power of Extole data throughout your marketing ecosystem.

The Extole dashboard shows you the customer segments that matter most to your program's success. You can export these segments to other marketing platforms you use, target different Extole programs to them, and more.

Super advocate

A top-performing advocate. You can measure super advocates by the number of referral conversions they drive, the amount of revenue they help generate, or how much they share.

Alongside acquisition, other referral marketing benefits include additional purchase from existing customers, earned media through referrals shared on social networks, and reactivation of customers who haven't interacted with your brand for a period of time.

Surprise and delight

The act of delivering unexpected and enticing rewards to current customers or advocates, driving loyalty and engagement among them. It's also a great way to tell customers that a particular behavior is important to you.

Travelzoo UK built an opt-in sweepstakes experience as a fun way to engage existing customers and appeal to new ones in a non-transactional manner. This garnered them a 25% boost in signups and 10% increase in revenue.

Net Promoter Score (NPS)

One measure of a customer's likelihood to advocate for a given company. Using a 10-point scale and a one-question survey ("How likely is it that you would recommend [your company] to a friend or colleague?"), NPS categorizes customers as Detractors, Passives, or Promoters. Every advocate in a referral program essentially gives a brand an NPS of 10.

Through its referral program, AAA NCNU acquired customers with 15-point higher average NPS scores than customers from other channels.

VALUE

Customer Lifetime Value (CLTV)

The monetary value of a brand's average customer's worth to that brand over the entire timespan of his/her interaction with it. Customers acquired by referral often have a higher CLTV since they often have higher average order values.

By creating a referral program that gives existing customers an easy way to help you acquire new customers, marketers can increase the CLTV of their existing customers (because you can attribute some of the new customer's value to the existing customer responsible for referring them).

Average Order Value (AOV)

The monetary value of the average purchase that a brand's customers make. AOV is an important part of your program since it allows you to compare the referral channel against other channels.

Ulta Beauty's drive to provide a rewarding experience with their loyalty program now generated 50% higher AOVs from their customers referred by loyalty members.

Customer Acquisition Cost (CAC)

The amount you spend to acquire a new customer. CAC helps your company manage expenses, measure growth, plan for future moves, and scale as business allows. Marketers, due to the rising costs of paid media and social media, often look to referral as a way to reduce their CAC.

Experience Extole for Yourself

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www.extole.com
hello@extole.com

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