

5 Mistakes Companies Make When Leveraging Referral Marketing



It seems like a straightforward proposition: reward customers – who already love you – to bring in new customers. A win-win for everyone, right?

Not necessarily. [Worldwide101](#), a premium remote personal assistance platform, reported that their customer referral program backfired not once, but three times – undermining their brand and wasting time and resources. Their experience is not uncommon: businesses of all sizes struggle with creating a customer referral program that works.

A customer referral program can come in many shapes and sizes. As a result, there are many ways your referral program can go wrong. Referrals are an invaluable way to advertise your business, but you must structure your program to make sure you don't lose money, make

customers mad, and inadvertently destroy brand loyalty. Here are some common mistakes companies make setting up their referral marketing campaigns – and how you can avoid them.

Choosing the wrong incentive

It's important to choose a reward or incentive that matches your brand, as well as what your customer needs. "One of the most common mistakes in referral marketing from companies, whether big brands or struggling e-commerce platforms, is the attempt to save a few dollars as they try to tempt customers with poor, unrelatable incentives," said [one expert](#).

When selecting what incentive or reward to use, find something that has to do with your [brand identity](#). If you own a software company, giving away theater tickets isn't going to reinforce your value proposition. Dive into your customer data to learn who your best customers are – as well as what they care about.

If your best customers buy from you at regular intervals – weekly or monthly – then incentivize referrals with [account credits or discounts](#) off future purchases. But, if you're working with a customer base that doesn't buy frequently, consider offering a gift card or exclusive access to a new product. Think about what your brand can offer customers that will turn them into [advocates](#) for your company.

Making it too hard

Many companies overcomplicate their customer referral program. There are too many hoops to jump through and too much fine print a customer has to read to make the referral and claim their reward.

Keep your referral program intuitive and easy to follow. Provide a clear link to the referral email or website. Give your customers easy options for networking through email and social media, as well as a way to track their progress and redeem rewards.

Likewise, think about what it is you're incentivizing. "Most referral programs place incentives on members earning a promotion or offer if they refer a friend who then makes a purchase.

However, this is a big ask," writes [one expert](#). If you are asking too much of a customer, they won't make the effort. Reward customers for achieving smaller, like getting an email address or the phone number for a potential customer.

Asking the wrong way

One of the biggest lessons [WorldWide101](#) learned in their referral marketing journey was the value of positive reinforcement. In one of their trials, the company tried to “bribe” contacts to send them leads (their words, not ours!). Referral participants were compensated when their contacts signed up for the service – and remained customers three months later. The program design was perceived as penalizing the referrer if the customer wasn’t a good fit or if WorldWide101 failed to deliver their brand promise. It angered WorldWide101’s network and damaged its credibility with existing customers.

What Worldwide101 learned was that the best referral partners aren’t (just) motivated by monetary reward. “They recommend your [products and services](#) because they genuinely like them, they genuinely like you, and they genuinely want to help someone they know.” Ask someone to join your referral program in a way that honors their brand loyalty and values their contribution to your company’s future.

Targeting the wrong customers

Most marketers know that not all customers are created equal. Referral marketing works best when you can activate people who are already big fans of your brand. Look at your sales data and social media channels to identify marketing personas who are active, as well as [early adopters](#). You can also look for a segment of customers who would benefit from a financial incentive, such as a \$50 credit on their next bill or a percentage of the sale.

Brands that have failed to connect with customers are going to have a hard time running a referral program. Referral marketing isn’t a substitute for real customer service: these programs aren’t “set and forget” solutions for building brand loyalty. [Referral marketing software](#) can, however, help you determine who your best participants are, as well as [test different incentives](#) and channels to drive results.

Forgetting to set a timeline

You’ve found your target customers, set up a meaningful reward...and nothing happens. Referrals aren’t coming through as fast as you would hope. What’s going on?

First, make sure your audience knows your referral program exists. What are good ways to connect with your audience? One of the [biggest reasons](#) why referral programs fail is because customers aren't aware of it. A [newsletter](#) is a great way to spread the word about your referral program – if someone is on your email list, you can bet they support your business. But, you should also spread the word on your website, social media channels, and in-person.

Second, add a timeline to your campaign to create urgency. Tie your rewards to a certain deadline – e.g., “bring in eight new friends by July 4 to win a case of wine.” Deadlines give customers something to work toward, increasing purchase frequency and keeping your brand top of mind. A little urgency can go a long way.

Make sure your deadline doesn't backfire, however. A short-term deadline may not give your customers enough time to learn about the referral reward and start spreading the word. Don't expect customers to be constantly thinking about your brand. “One of the biggest mistakes companies make with referral marketing is assuming customers always have their brands on the top of their minds,” wrote [Entrepreneur](#). Give your campaign time to work!

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