

11 Surprising Statistics About Referrals And Why You Need A Referral Program



Before we get started. Let me ask you 1 question. Write the answer down right now, and look back at the end.

For you or your business, what would be a great increase in revenue for the next 12 months?

Referral marketing is simply word-of-mouth, and it has been there since the first human transaction was ever made.

It may very well be the second oldest transaction around.... I don't think I want to mention the first...

If people get great service or products, they only sometimes tell a friend.

When they get bad service or a product, they tell everyone.

They need an incentive and the ability to refer clients. This is up to us....

If you or your business has a referral program in place then you are able to capture more of that word-of-mouth goodness and get more loyal customers, make more sales and more profit. If you don't already have a referral program, then you are simply losing money every year.

How much money are YOU losing by not having a referral program?

Check out these 11 surprising stats about referral marketing and find out.

1 Referral leads convert 30% better than leads generated from other marketing channels (R&G Technologies)

Referrals simply convert at a higher rate than any other acquisition channel out there.

Have you heard the phrase “happy customers make happy customers”?

If your customers like your product they will refer more people.

If you put all of your efforts into getting more referrals and abandon all other forms of customer acquisition, business has shown to eventually grow by 30% more when you ramped up.

That’s perhaps the immediate result but what about across the lifetime of the relationship?

What’s the lifetime value of the clients and their referrals?

2 Referred customers have a 16% higher lifetime value (Journal of Marketing)

Referral leads are not only easier to close but they help your business long-term.

If you have you clients continually putting their credibility on the line and referring clients to you, your client base has a great potential to grow immensely.

3 People are 4 times more likely to buy when referred by a friend. (Nielsen)

This is another mind-blowing statistic.

Every time you get a new referral lead the likelihood that they will buy is four times greater compared to a lead that was not referred to you.

So if referral leads are so great, how come they are so hard to come by?

4 83% of consumers are willing to refer after a positive experience—yet only 29% actually do. —Texas Tech University

This statistic is a good indicator of the current state of referral programs everywhere.

Only 29% of consumers actually refer people.

Why is that?

Most businesses lack good tools and processes to ask for and collect referrals.

A lot of people avoid directly asking for referrals and instead put their money into social media ads and PPC.

While these are valid strategies, the use of a simple referral app can help them ask for referrals and provides an easy way to capture referral leads.

5 Offering a reward increases referral likelihood, but the size of the reward does not matter. — American Marketing Association

Rewarding customers that refer their friends to the business is a great strategy.

This has been a strategy used in the IT field very well with DropBox and Skype, along with Uber in recent years too.

6 87% of frontlines sales reps, 82% of sales leaders, and 78% of marketers surveyed agree that referrals are the best leads your business can get. –Heinz Marketing

In sales referral leads are the greatest possession.

- referral leads close at a higher rate.
- referral leads have a better idea of your product or service.
- referral leads already have a good first impression before they talk to you.
- if you can't reach the referral you could always reach out to the person that referred them and ask for a favour

7 Companies with formalised referral programs have experienced 86% more revenue growth over the past two years.

Now this is a statistic we would all love.

My question would be, what % increase in revenue would you be happy with over the next 12 months?

8 Only 30% of companies have a formalised referral program.

This is probably the most powerful and surprising referral statistic.

It's not that businesses don't ask for referral enough; they don't establish referral programs.

9 When referral tools are used, companies are 3x more likely to accelerate referral generation and conversion.

The reality is if you have a tool that you use for your referral program you will have 3 times the referral leads

And 3 times the conversions according to this statistic.

10 Yet only 22% have a tool in place to effectively scale their programs.

There are numerous tools that are used on social media to get leads, but those are not full-fledged referral tools.

11 Every referring customers makes an average of 2.68 client referrals. —Referral SaaSquatch Data Science

That's an incredible statistic. If you ask those happy customers, you have to refer their friends to your business you will find that on average each person will bring 2. It really depends on the industry that you're in.

If you calculate your per customer acquisition cost and multiply by 2.68 that will be how much money you are losing if you don't currently have a referral program.

12 Conclusion

Let's go back to the start and look at "For you or your business, what would be a great increase in revenue for the next 12 months?" What did you write down? If you implemented this, would you get the % increase in revenue that you wanted?

Maybe we should chat hey...

