The state of referral marketing report 2024

Reach high-value customers through the power of word-of-mouth marketing

saasquatch
by impact.com

Contents

Introduction

2024 is shaping up to be another competitive and uncertain year for marketing teams worldwide. Brands will test budgets, competition will increase, and innovation will accelerate. However, **a growth channel has been gaining in popularity and could generate as much as 20% of your new revenue each year.** I want to help you understand and capitalize on this channel so you can lead your company and team to a record performance.

The SaaSquatch by impact.com team and I are proud to present this report as it delves into the evolving landscape of referral marketing. We'll show you how **consumer purchase behavior grows increasingly more dependent on recommendations from friends and family** and how it's nudged marketers to adapt and rely upon referrals over other channels.

We've seen a remarkable shift in how consumers make buying decisions in recent years. Traditional ads have lost some of their weight, with many folks no longer trusting advertising due to lack of authenticity. Instead, **people turn to their trusted circles of friends, family, and colleagues for advice, creating opportunities for referral marketing to evolve into a highly effective growth channel.**

Referral marketing has morphed from a fire-and-forget marketing tactic into a strategic effort championed by senior marketing leadership and centered on building trust. This report is your guide to understanding this shift, with **plenty of real-life examples, expert insights, and data-driven analysis.**

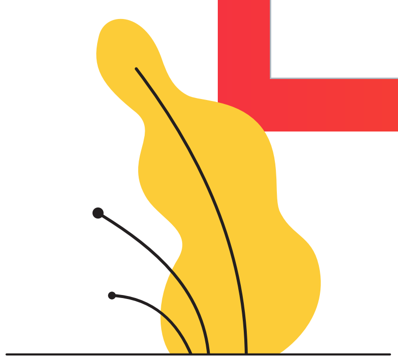
Use this report to inspire you, challenge your thinking, and equip you with tools to navigate the ever-changing marketing landscape in 2024.

In the era of **changing consumer preferences, hunger for authenticity, and increasing acquisition costs,** those who adapt and embrace these shifts will thrive. This report is your key to mastering the art of referral marketing in 2024 and beyond.

– Will Fraser
Founder and General Manager of SaaSquatch (now SaaSquatch by impact.com)

Key terminology

Referrer/ Customer advocate	An existing customer who invites their friends, colleagues, and family members to a business's product or service, typically through a link or code.
Referred person/ Referred customer	A person who has been introduced to a product or service through a referral from someone they know.
Referral conversion	The event that defines a successful and completed referral between a referrer and the referred person.



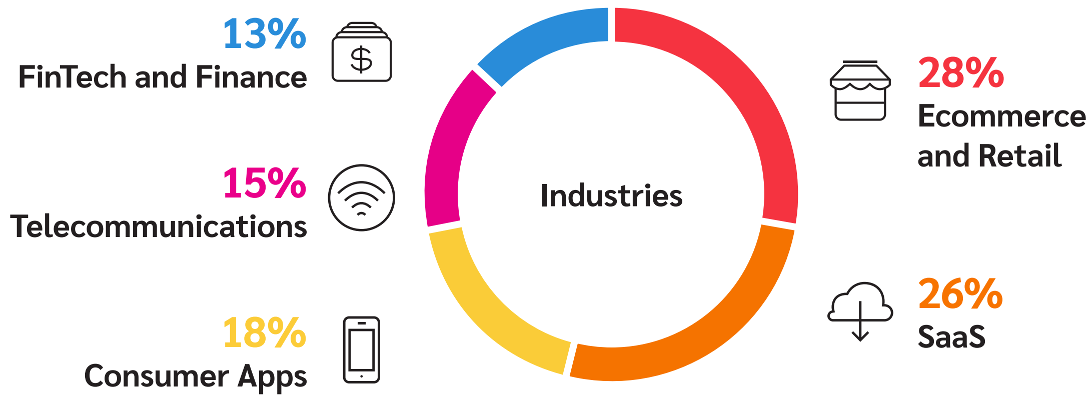
Research methodology

Our research team conducted a study to identify the most effective trends and strategies in the referral marketing industry.

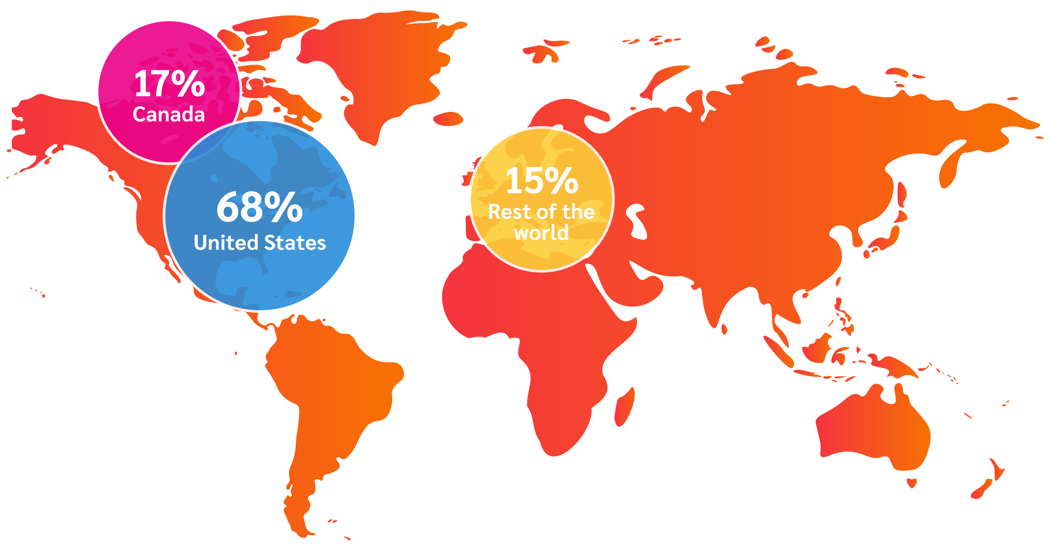
For this study, we researched over **120 global B2B and B2C referral programs** across five industries between 2020 and 2023.

The analysis for this report was conducted **between March and April 2023.**

Industries represented in this report:



Countries represented in this report:



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Key findings

Over
78%
of consumer referral programs are double-sided

96%
of single-sided programs reward the referrer

54%
of referral programs offer the same reward to both parties

62%
of brands define a purchase as a successful conversion

44%
of programs reward with store credit—the most popular reward type

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CHAPTER 1:

How brands structure their referral programs

When it comes to achieving success in referral marketing, the design of the program plays a crucial role. Program design refers to how a company structures its rewards **regarding who gets rewarded and to what degree.**

Every referral involves **two key parties: the existing customer making the referral and the newly-referred person.** Given this dynamic, there are several approaches to offering rewards. Companies can reward only the referrer, the referred person, or both parties. Companies can use various reward types to target different audiences based on what motivates those individuals.

Double-sided programs

A double-sided referral program is when **both the referrer and the referred person receive a reward.** Although it may require more investment than a single-sided program, creating a level playing field and making new and existing users feel valued can be worth it.

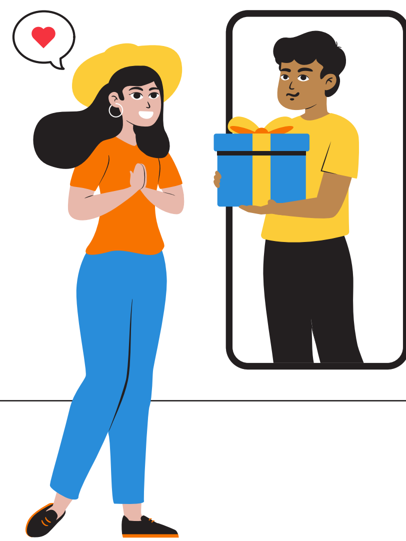
Over
78%
of referral programs are double-sided

More than three-quarters of customer referral programs are double-sided. This stat proves the popularity and effectiveness of creating a win-win situation that motivates everyone involved in the referral.

54% **of programs offer the same reward to the referrer and the referred person**

To avoid perceived unfairness, some companies provide the same reward to both the customer advocate and the referred customer. This approach simplifies communication (e.g., “Give $10, Get $10”) and ensures both parties see the exchange as mutually beneficial.

Considering the product purchased when deciding on incentives is essential, especially for infrequent purchases like a mattress. Rewarding the referrer with a discount for a mattress might not be as attractive as an Amazon gift card they can use to purchase something they might need sooner.

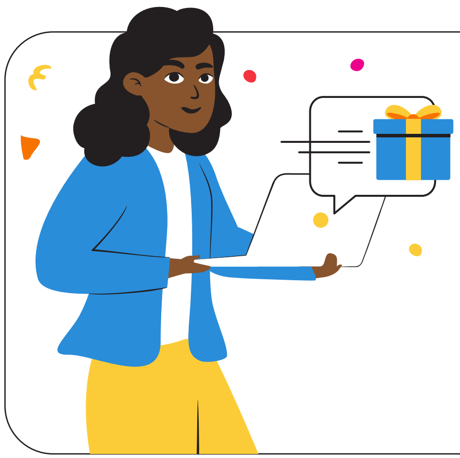


When the reward values are uneven,
55%
of programs offer a higher reward to the referred customer

Single-sided programs

A single-sided referral program rewards **only one person** involved in the referral. Based on our research, **brands typically reward the customer advocate.**

Brands may choose this type of program because of limited resources or strong existing customer advocacy. Our research found that single-sided referral programs were **most common in the B2B software industry.**



96%

of single-sided programs reward the referrer

Data shows that **single-sided referral programs often reward the existing customer rather than the newly referred person.** Rewarding the existing customer makes sense—they already love your product, and incentives motivate them to refer more.

However, **Rachel Gershon**, referral marketing expert and Assistant Professor of Marketing at the Rady School of Management, University of California conducted research which found that **referral conversion rates were slightly higher when the referred person received a reward.**

This means if you're only going to reward one user, **it could be more effective to reward the recipient of the referral**, as opposed to the sender. Plus, the data found no difference in conversion rates between this single-sided approach and a standard double-sided program where everyone gets rewarded.

[Find out more about Rachel's research in this podcast]

Tiered referral programs

A tiered referral program is an incentive structure where you offer participants **a range of different rewards for a range of different actions.**

Tiers are typically based on what actions you want the customer advocate to promote and the referred person to take during the referral process. Typical actions could include selecting a specific plan or product. By offering a referral program that gives participants multiple options to earn rewards, **you increase the likelihood of a referral being completed** by accommodating various audiences and their needs.

Brands can create tiers based on factors like the value of the referred person's purchase order, company profile, or interaction with the product. Brands can also offer rewards based on actions of the referring customer, like how many referrals they have made.

By designing a strategic tiered rewards program, brands can maximize their return on investment (ROI). A tiered program also encourages current and prospective customers to participate in the referral program for a reward they want.

Only 20% **of programs use a tiered referral structure**

3 **is the most common amount of tiers**

CHAPTER 2:

The conversion trends brands use to define success

Most transactional businesses use **purchase events** to define a successful referral. However, there's a growing number of subscription-based businesses that use **custom events** to measure success. Our research shows that **different types of events work for different business models.**

Understanding how different businesses optimize their conversions provides valuable insights into designing a referral program that will work best for your brand.

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Conversion events

A referral conversion event is a specific activity or action that signals the completion of a referral. Put simply, it's the moment when you can confidently claim that you've **gained a new customer through a referral.**

In our study, we divided conversion events into two main categories:

1. A purchase event:

The referred customer uses a **referral code or link to purchase**, often with a minimum spending requirement. The purchase completes the referral and triggers the reward for the referrer and/or the referred customer.

[Example of a purchase event]
Casper rewards the referred person with 15% off a new mattress purchase when they use a referral code. Once the order is confirmed, the referrer receives a $75 Amazon gift card.

2. A custom event:

The referred person performs a **specific action** to fulfill the referral, which triggers a reward for the referrer and/or the referred customer. Actions could include **downloading an app or signing up for a free trial.**

[Example of custom event]
Dropbox considers a referral successful when the referred individual creates a new account (custom event). The company believes this action increases the chances of the user staying engaged with its product and purchasing a package later.

62%
of programs use a purchase by the referred to define a conversion

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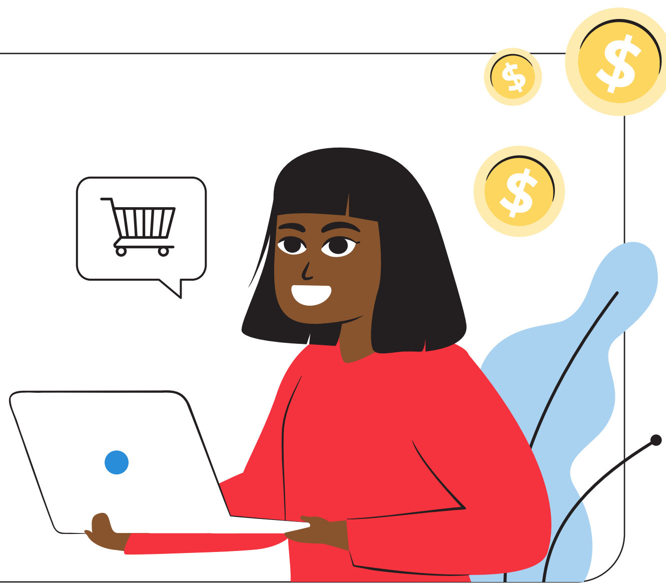
Do brands use custom or purchase events to define referral conversions?

Many businesses focus primarily on purchase events as the main goal of their referral programs, aiming to generate revenue. However, the effectiveness of this approach can vary depending on the type of business running the referral program.

Additionally, **a business's referral marketing goals can influence decisions on defining conversion events.** If the main goal is generating revenue, a business would prioritize purchase events. If a brand is more interested in early funnel development, custom events such as app downloads or free trial sign-ups would be considered successful conversion events.

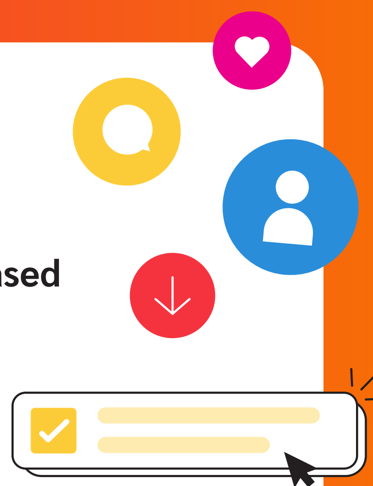
81%

of transactional businesses use a purchase event to define a conversion



43%

of subscription-based companies use a custom event to define a conversion



Reward timing

Customer advocates typically receive rewards after the referred customer completes the desired conversion event. This process helps prevent fraudulent activities and ensures the business benefits from each conversion before giving rewards.

96%

of programs reward referrers upon successful conversion

The referred person typically gets access to rewards as soon as they receive the referral invitation.

78%

of programs reward the referred person immediately after being referred

Typical rewards are a discount or credit to use on a first purchase

A typical customer referral model

Customer advocate sends referral to someone they know	Referred is given a reward to use	Referred completes conversion event	Customer advocate receives their reward
Example: Customer advocate refers someone they know to a file storage app	Example: The referred is offered a $10 discount on their yearly subscription	Example: The referred installs the app	Example: The customer advocate received a GB of storage as a reward

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CHAPTER 3:

Popular incentives and rewards

Selecting the most impactful rewards for your program is about **striking a balance between customer preferences and your business budget.**

This section explores the most common types of rewards used in referral programs and when brands leverage them. Understanding the different reward types and how they work helps marketers make more informed decisions for their referral strategy.

Common reward types

Our research shows **store credit is the most popular reward type** in referral programs. This highlights the appeal of straightforward and easy-to-understand rewards. These rewards resonate with customers, drive further engagement with the business, and maximize the effectiveness of referral programs.

Just under

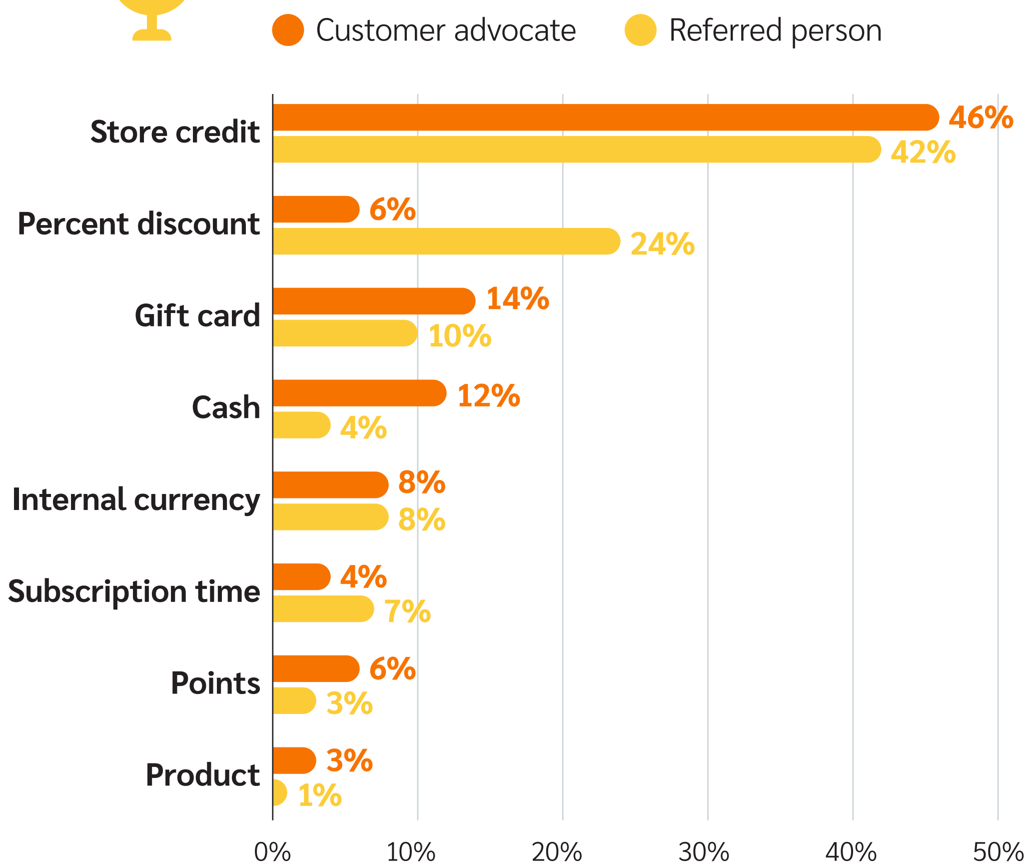
50%

of programs give store credit to the referrer and referred person

Different brands use different rewards to compensate the customer advocate and the referred person. The most common reward type used to reward both participants is store credit.

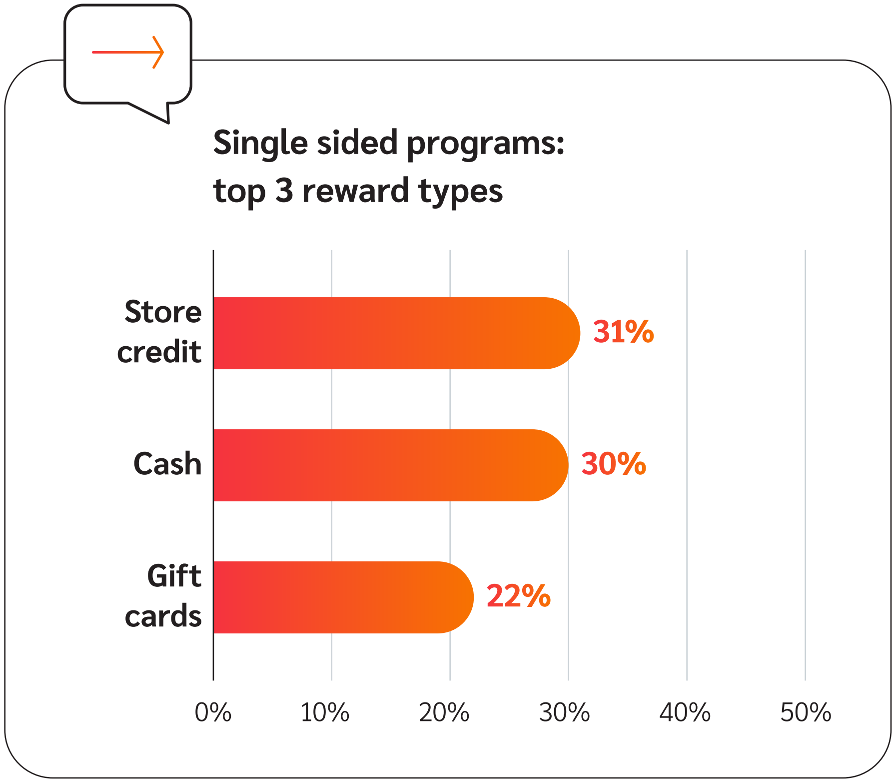
However, when it comes to compensating the referrer, gift cards, and cash are the second and third most popular types of rewards. For the referred person, store credit is the most used, followed by percent discount and gift cards.

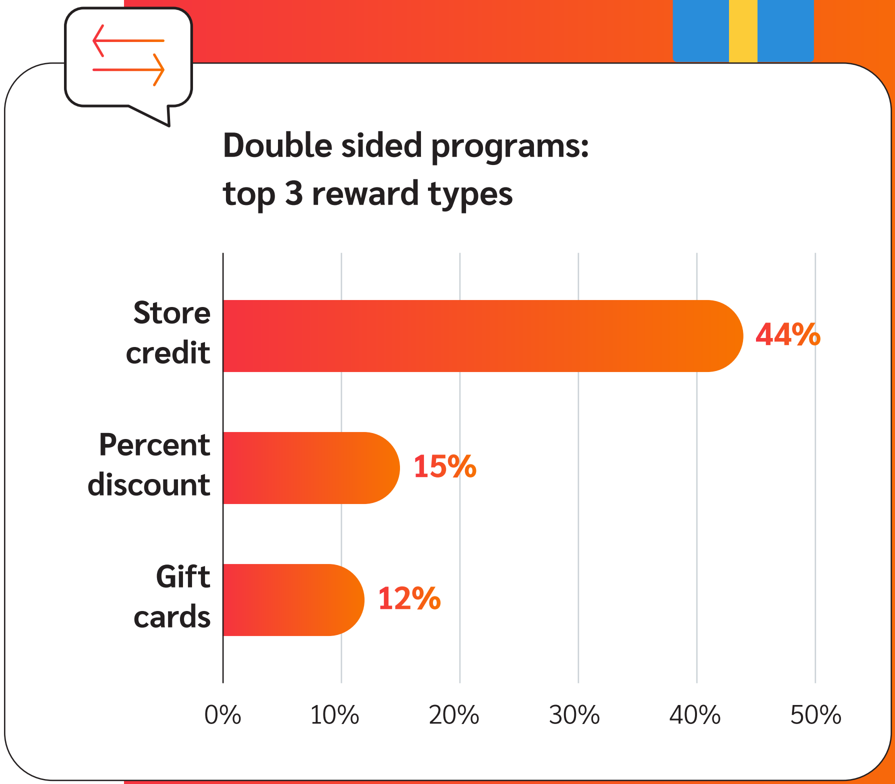
Reward types used by brands



Top reward types by program structure

There were also **differences in the reward types** used by brands based on whether they used a **single or double-sided** reward program.





The top 3 reward types that brands use

Store credit offers tangible value, percentage discounts provide instant savings, and gift cards offer flexibility—making them the top 3 reward types overall.

1

Store credit

Store credit rewards are simple and clear to communicate. When a referrer and the referred person each receive a specific credit amount as a reward, such as $10, there is no ambiguity or confusion.

Customers perceive store credit as a tangible and immediate value, much like cash. It represents a direct reduction in the amount they need to spend, effectively lowering their out-of-pocket expenses. Instant discounts create a strong incentive to continue engaging with the company's products or services.

The most common store credit referral reward value is **$10**

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2 Percent discount

A percentage discount works particularly well if purchase amounts vary widely. Since a percentage discount adapts to spending amounts, the referral reward remains proportional to purchases, whether a lower or higher-priced item is bought.

A percentage discount also drives larger purchases. **If your goal is to incentivize customers to spend more, a percentage discount motivates customers to increase their order value to maximize savings.**

Sometimes, customers may perceive a percentage discount as a better deal than a fixed store credit. This perception stems from the belief that a percentage represents a more significant portion of the original price. When the psychological aspect of perceived value plays a significant role in the purchasing decision, a percentage discount can be more compelling.

The most common percentage discount value is 20%

11%
of companies offering gift cards provide various vendor choices

44%
of programs offered prepaid Mastercard or Visa cards, followed by Amazon gift cards

3 Gift cards

Gift cards are a great alternative to rewarding with cash. Gift cards in this context refer to third-party gift cards for brands such as Amazon, Starbucks, iTunes, or Visa, not gift cards for your brand. Nearly half of the referral programs rewarded with gift cards used a prepaid Mastercard or Visa card.

Gift cards work well when:

- Your current customers most likely won't be making repeat purchases in the near future
- You're rewarding someone who isn't directly paying for your product
- You want to give users the flexibility to choose their favorite reward

The downside to third-party gift card rewards is that they don't incentivize further interaction with your brand. But sometimes, it's the best option, depending on your industry and what kind of billing systems you're dealing with.

The median value of a gift card across all programs was $45

Other reward types

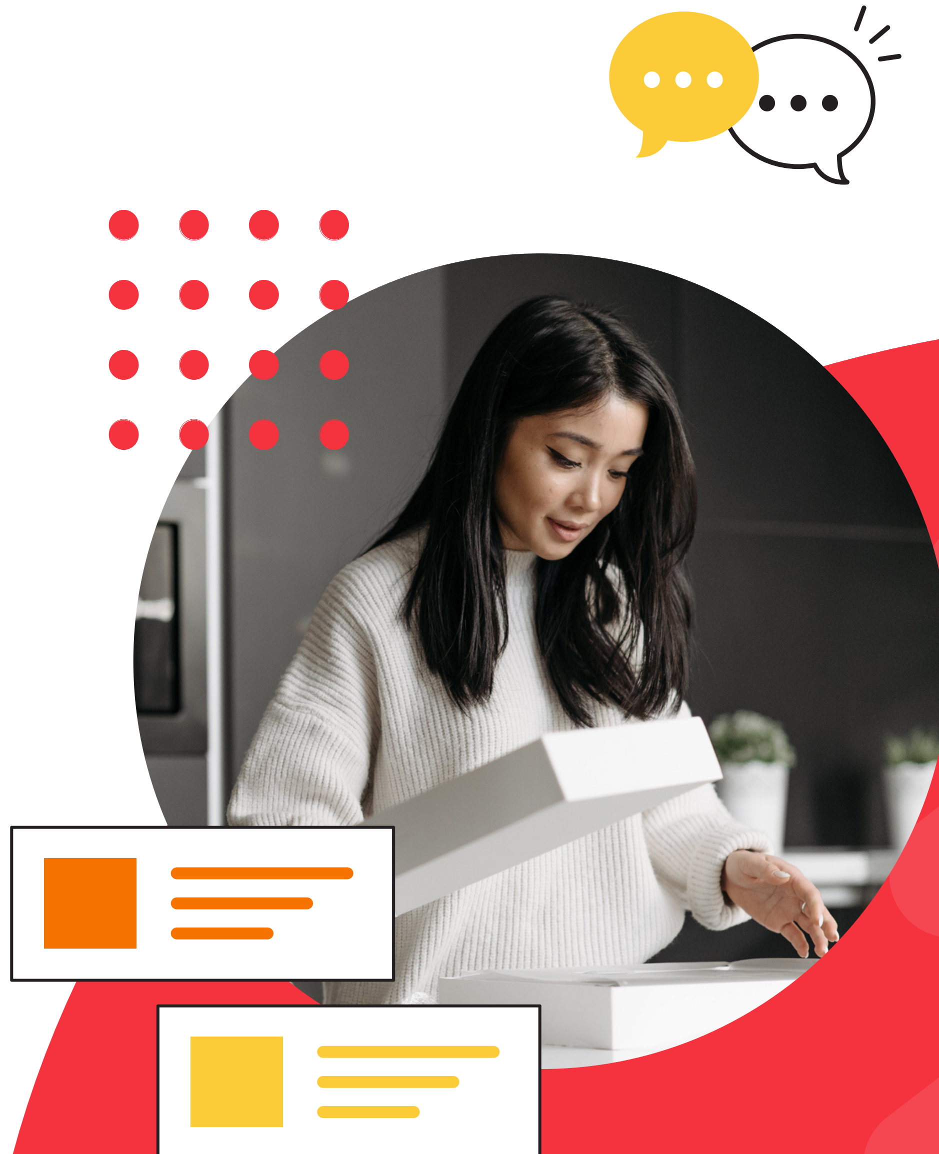
Other reward types	Pros	Cons
Subscription time: Users get free subscription time to services, e.g., streaming, SaaS, and e-learning platforms.	Encourages upsells through exposure to premium features.	Can only be used by subscription-based service companies.
Cash: Participants get instant cash for successful referrals.	Works when a cash deposit is simple to issue due to the business's nature, e.g., a banking app.	Can be difficult to issue—brands may need participants' personal info to send cash or a third-party tool (adds to costs).
Points: Users earn points for each referral and choose from a range of reward options.	Appeals to many customers and offers flexibility to choose different rewards.	Brands need to motivate participants with frequent points earning opportunities, making it complex and time-consuming.
Product: Physical items such as branded swag, electronics, or treats are offered as rewards.	Can be included as a bonus gift when a physical package is shipped (reduces shipping costs).	May cause logistical and cost challenges when sent separately from existing purchases.
Internal currency: Unique rewards tied to a business's offering, e.g., free product upgrades or increased usage limits.	Cost-effective way to drive product usage and establish competitive advantage.	Complex to manage, only suitable for businesses with valuable internal currency, e.g., SaaS brands.

CHAPTER 4:

Referral marketing trends by industry

Let’s delve into the **latest trends and insights of referral programs** in various industries, including ecommerce, software, finance, consumer apps, and telecommunications.

The following statistics and observations are based on small sample sizes, but they provide valuable insights into the referral landscape within each industry.



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SaaS company trends

By meeting users where they already are, SaaS brands can leverage referral marketing to tap into a committed user base. For software brands, referral marketing drives new customer acquisitions, product usage, adoption, and retention.

69%
have double-sided programs

50%
of double-sided programs offer equal rewards to both participants

All brands
with single-sided programs reward the referrer

27%
of programs gave gift cards and another **27%** gave store credit

The reward value for all programs was between
$5 - $500

42%
use a tiered reward structure

55%
of programs reward on a purchase event

45%
reward on a custom event

46%
of programs automatically apply rewards at checkout

Ecommerce and retail brand trends

Online and offline retailers use word-of-mouth marketing to expand their customer base and foster loyalty. Incentives such as cash rewards, discounts, and credits encourage new and existing customers to purchase.

94%
of programs are double-sided

53%
of rewards are not equal in double-sided ecommerce programs

47%
of double-sided programs reward with store credit (average value of $20)

Overall, the average value of any reward type is **$27**

85%
of programs reward a purchase event

35%
of programs allow referrers to send reminder emails to referred people

44%
of programs have personalized links/ codes with the referrer's name

79%
of programs are built into a brand's website or microsite

41%
of ecommerce companies also offered loyalty programs

32%
of ecommerce companies also offered affiliate programs

Telecommunication company trends

The high cost of paid advertising drives up the cost of acquiring customers in this industry. Telecommunication brands use referral marketing to cut costs and build consumer trust. Referral tactics encourage existing customers to promote products and services in exchange for discounts and savings.

80%
of referral programs are double-sided

66%
of programs offer equal rewards for both participants

60%
of doubled-sided programs offer participants store credit

Reward value for all programs was between
$5 - $300

The average reward value for all programs is
$55

55%
of referral programs gave programs store credit as a reward

The average store credit reward value is
$33

55%
of programs limit the number of rewards users can earn

50%
of programs reward purchase events

72%
of programs have guidelines on fraud protection

77%
of programs have a website page promoting the program

Fintech and financial services trends

With the rapid expansion of fintech, these businesses rely on the power of personal recommendations to attract new customers, drive growth, and establish trust. Financial brands use referral marketing to incentivize new account creation, encourage expansion into additional financial products, and drive app downloads.

80%
of referral programs are double-sided

66%
of companies offer equal rewards for both participants in double-sided programs

40%
of programs offer cash or internal currency as a reward

The reward value range was between
$5 - $1,000

The most used reward value was
$50

66%
of programs reward custom events

47%
of programs had expirations on rewards

60%
of programs had a website page promoting the program

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Consumer app trends

From social networking to productivity and gaming, successful desktop and mobile apps continue to gain popularity. In-app referral programs make it easy for users to share their recommendations quickly by integrating into an environment they already know and interact with. Referral marketing in apps can boost engagement and retention, and achieve viral growth.

67%
of referral programs are double-sided

64%
of double-sided programs give the same reward to the referrer and referred person

57%
of double-sided programs reward with store credit

57%
reward on purchase events and **43%** on custom events

43%
of programs automatically apply the reward at checkout

43%
of programs have guidelines on fraud protection

43%
of programs also had a loyalty program

81%
of conversion events directly generate revenue

67%
of programs reward with store credit

The average store credit reward value is
$35

33%
of programs limit the number of rewards a user can earn

CHAPTER 5:

The right referral marketing strategies open new business avenues

Use SaaSquatch by impact.com's **State of Referral Marketing Report** to build, manage, and optimize your referral program to reach customers at the right buying stage.

In today's competitive landscape with rising acquisition costs, **buyers rely heavily on social proof and personal recommendations.** For these reasons, marketers turn to referral marketing to drive down customer acquisition costs (CAC), drive revenue, and foster long-term, profitable customer relationships. The insights from this report give you tools to create an effective referral marketing strategy that drives new customer acquisition and brand growth.

By tapping into the potential of word-of-mouth marketing, **businesses can build a strong and sustainable strategy** that nurtures customer loyalty, expands market reach, and paves the way for unparalleled growth and success.

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About SaaSquatch by impact.com

Transform your customers into lifelong advocates

Tap into the power of word-of-mouth referrals and harness its full potential with SaaSquatch by impact.com. Build flexible, fully automated referral marketing programs that are simple to manage and easy for your customers to use.

Learn how you can scale your referral program with SaaSquatch by impact.com