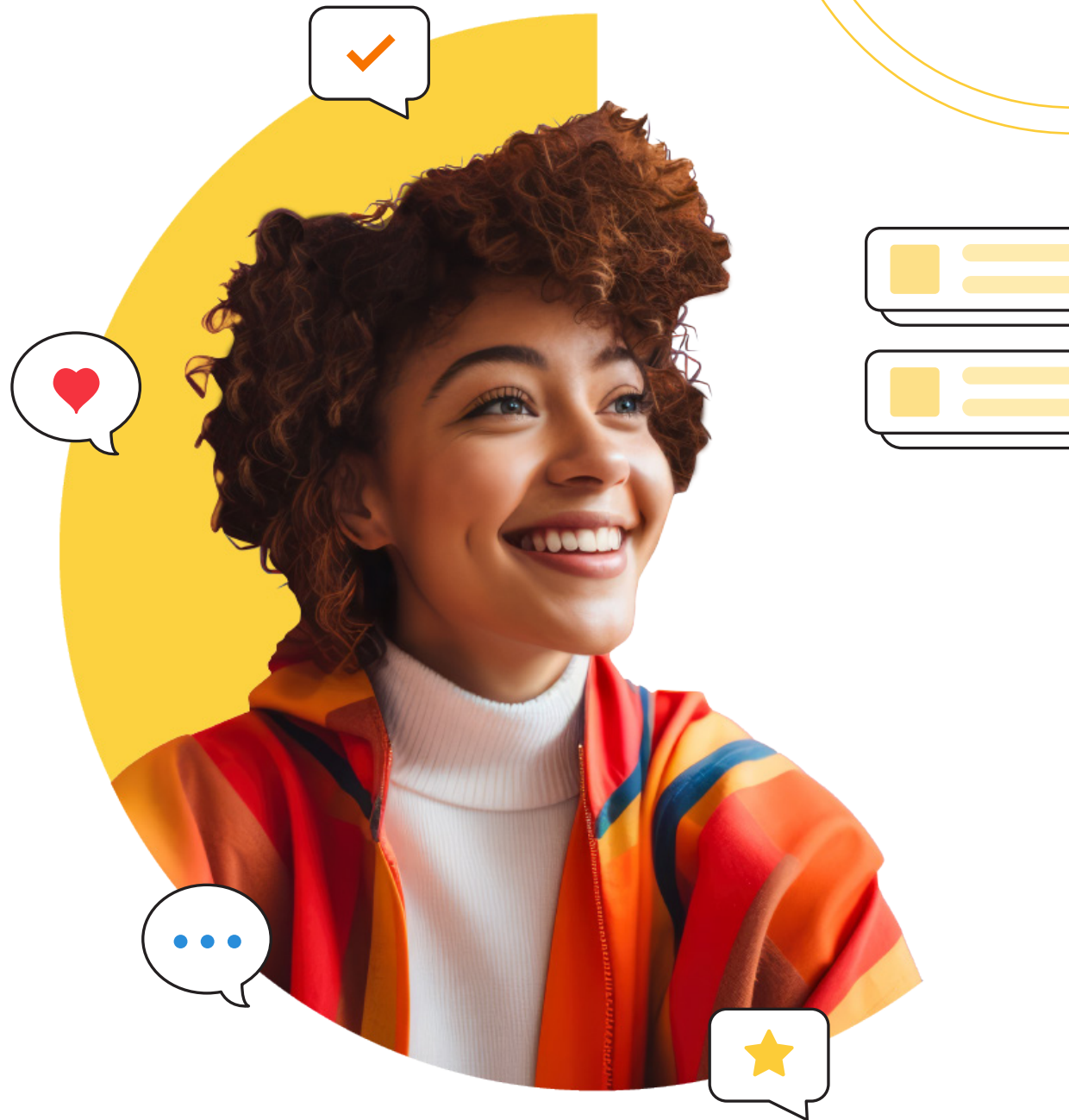


Customer referral marketing research: A consumer perspective

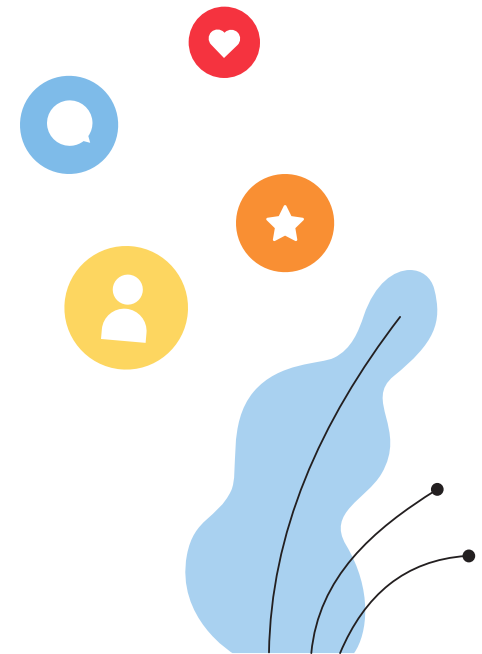
How brand advocates boost reputation, drive sales, and increase brand loyalty

 **impact**.com / advocate



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Introduction

Despite brands [spending 222% more on advertising](#) than they did a decade ago, today's oversaturation of traditional ads and too-good-to-be-true value propositions has made shoppers skeptical and more discerning. Meanwhile, hyper fatigue inspires consumers to reprioritize the community and take a more "old-school" approach to shopping: asking friends and family for their recommendations.

With so many product choices, shoppers want a voice they trust to lead them. That's why **nearly 9 in 10 consumers say recommendations are important in their buying decisions.**

This new reality allows brands to reach a wider audience without advertisement overspending. Many brands already have customers who recommend their products; rewarding those loyal customers can quickly turn them from casual endorsers to revenue-driving brand advocates.

Referral marketing allows brands to acknowledge customer loyalty, expand their reach, and show customers appreciation. The impact.com **Customer referral marketing research: A consumer perspective** reveals new research on how brands can turn word-of-mouth marketing into a scalable growth channel.



Methodology

The impact.com team set out to discover when and how often consumers rely on referrals and recommendations when shopping for new products. **We surveyed 1,307 online shoppers, older than 18, across the United States and Canada** to learn how they view recommendations from family, friends, and other people they know. We also looked at how shoppers learn about new brands through conversations and how they participate in customer referral programs.



Key insights

1

Ads are out, recommendations are in

- **86% of consumers said recommendations and reviews are important in their purchase decisions**, while only 2% consider traditional ads important in their purchase decisions.
- When looking for product information, consumers trust someone they know the most, but online customer reviews play just as important a role.
- Recommendations give consumers specific details that only users of the product know. This feedback gives consumers confidence in decision-making and provides insights on whether the product would satisfy their needs—**consumers want to hear from genuine users of the brand instead of from the brand itself.**

2

Word-of-mouth marketing carries weight

- **Over 4 in 5 consumers learn about new brands during conversations.**
- Over half of consumers said negative feedback from someone they know led them to choose an alternative brand—showing the power of word of mouth.



3

Participation in official referral programs is growing but can be improved

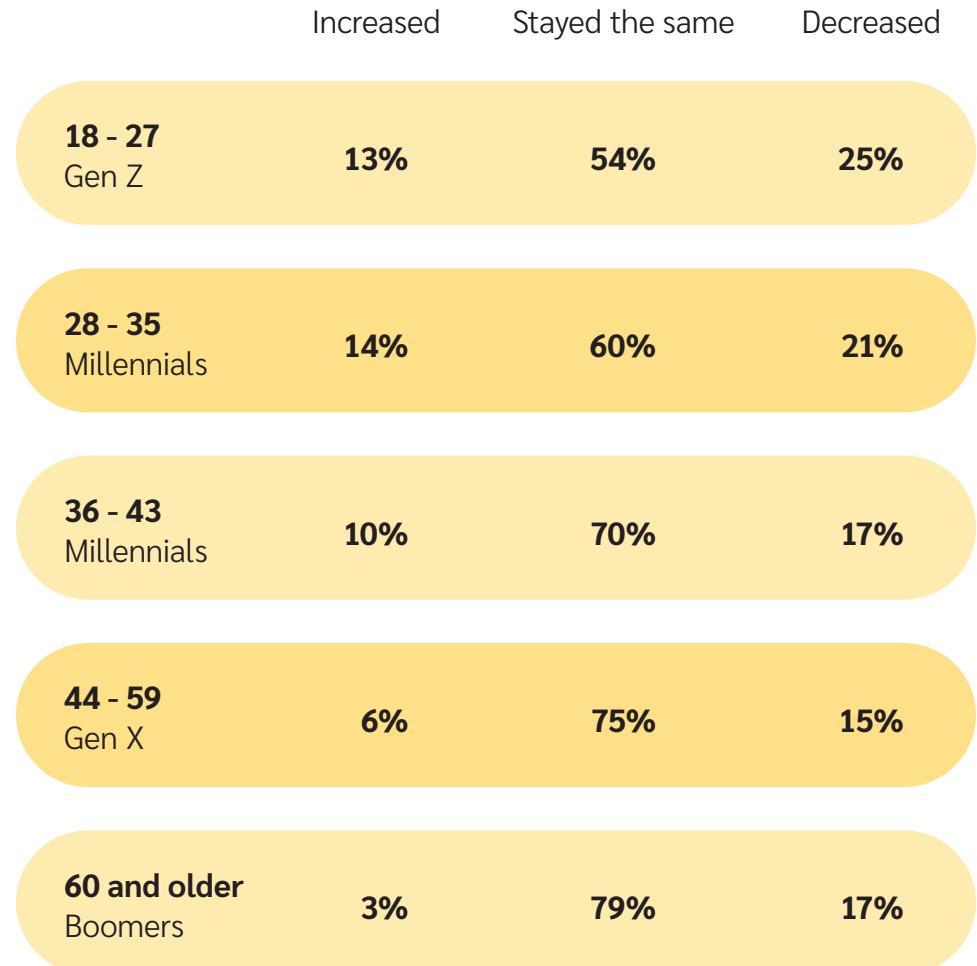
- **44% of consumers participate in customer referral programs** and most do so to earn incentives or rewards.
- **56% of consumers don't participate in referral programs**—most fear they'll annoy their friends by constantly sending referral links.
- Interestingly, **60% of consumers who don't participate in referral programs have never received a referral code or link from someone they know.** This shows potential for growing and increasing participation through education and awareness.

Today's consumers crave community, not more ads

As traditional advertising becomes more expensive and [consumers make fewer purchases](#), advertising might not be the most cost-effective use of marketing budgets.

Nearly half of shoppers say traditional ads don't play an important role in buying decisions. Only 2% of shoppers see ads as the most trusted source of information when making a purchase decision. For young Millennial and Gen Z shoppers, over 20% report that they're more skeptical of traditional advertising now than in 2023. This change drives brands to explore new ways to offset large traditional advertising budgets through more community-centric channels, like referral marketing.

How has your trust in advertising channels the following sources for referrals and recommendations changed in the past year? Advertising channels includes such as TV, radio, newspaper, billboards, etc.





While a [barrage of intrusive ads](#) may annoy customers, it's also made them more discerning. As customers [redefine what value means to them](#), they're searching for more authenticity. Many customers focus on building relationships and community—both in-person and online—and turn to those communities to find trustworthy opinions on new products.

Now that **84% of shoppers learn about new products in conversation**, brands need to focus as much on delighting customers as they do on building awareness. After all, not many shoppers are willing to recommend a product they don't love.



Shoppers trust their community's opinions

Shopping has historically been a social activity, and today's consumers have made buying online as social as a visit to the mall.

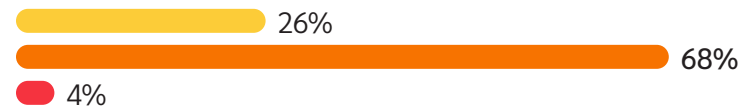
Online recommendations are like the friend outside your dressing room, confirming you're making the right choice. **Nearly two-thirds of customers say people they know are their most trusted source of information when making a purchase.** Additionally, 52% of shoppers will forgo a purchase if someone they know reports a negative experience with the brand.



How has your trust in the following sources for referrals and recommendations changed in the past year?

● Increased ● It stayed the same ● Decreased

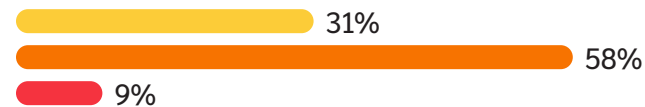
People I know personally, such as family, friends, colleagues, etc.



Someone through social media, forums, etc., for example, asking for a recommendation on Facebook.



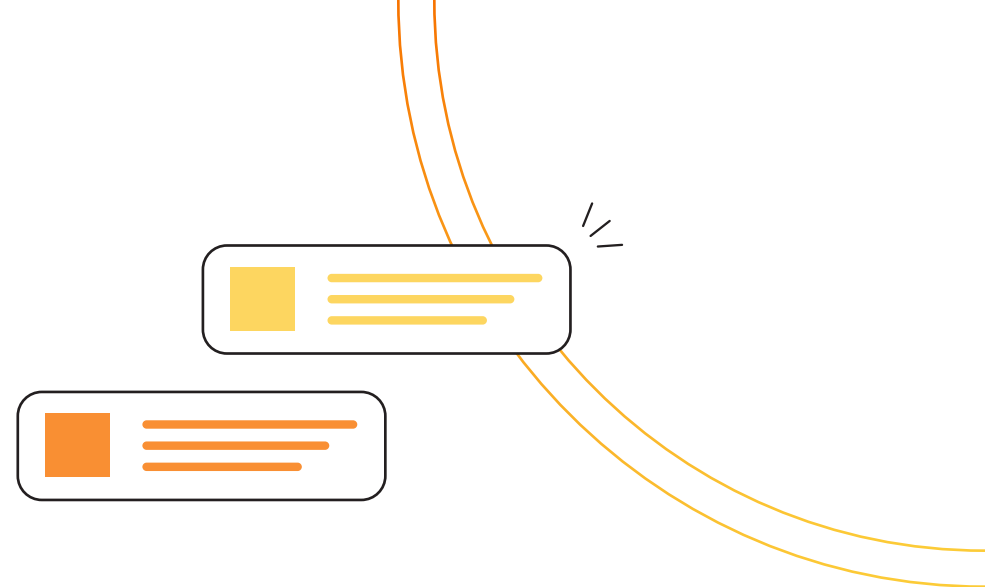
Online customer reviews



Advertising channels such as TV, radio, newspaper, billboards, etc.

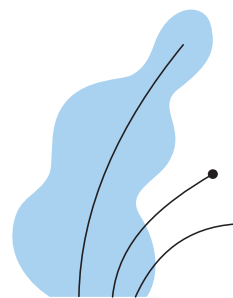


**May not total due to rounding and respondents indicating "I'm not sure"*



In 2024, consumers increasingly turn to recommendations and customer reviews before purchasing. **1 in 4 shoppers say they're more likely to buy something recommended by someone they know** compared to last year. Additionally, 31% of customers are more likely to buy something based on an online review.

Like a personalized recommendation, online reviews offer the insight that product descriptions can't provide and that shoppers want before they commit to a product. Both sources offer customers newfound access to a community, giving them more confidence and validation that a product suits them.



Tapping into the know, like, and trust factor

Customers must trust a brand before recommending it to their friends, who must, in turn, trust these recommendations to make a purchase. Interestingly, **86% of consumers consider recommendations critical to their decision-making process.**

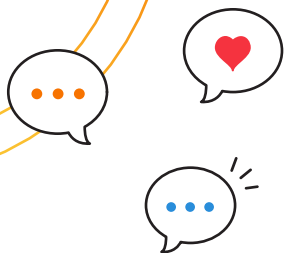
While every generation reports valuing recommendations from friends and family, 26% of consumers claim they trust those recommendations more this year than last year. For example, **92% of young millennials aged 28-35 value referrals from someone they know.** Meanwhile, consumers over age 44 report valuing referrals because they offer inside information they couldn't get from web pages or product descriptions.



Why are referrals and recommendations important in the consumer purchase decision according to every age group?

	18 - 27 Gen Z	28 - 35 Millennials	36 - 43 Millennials	44 - 59 Gen X	60 and older Boomers
It offers insight into whether the product or service will satisfy my needs.	44%	52%	55%	52%	50%
It decreases the risk of buying a product and not being satisfied.	41%	48%	49%	50%	46%
It answers questions that product descriptions might not cover.	44%	49%	47%	44%	40%
It provides specific details only someone who has used the product would know.	50%	52%	53%	54%	53%
It gives me confidence in my purchase.	53%	56%	55%	47%	41%

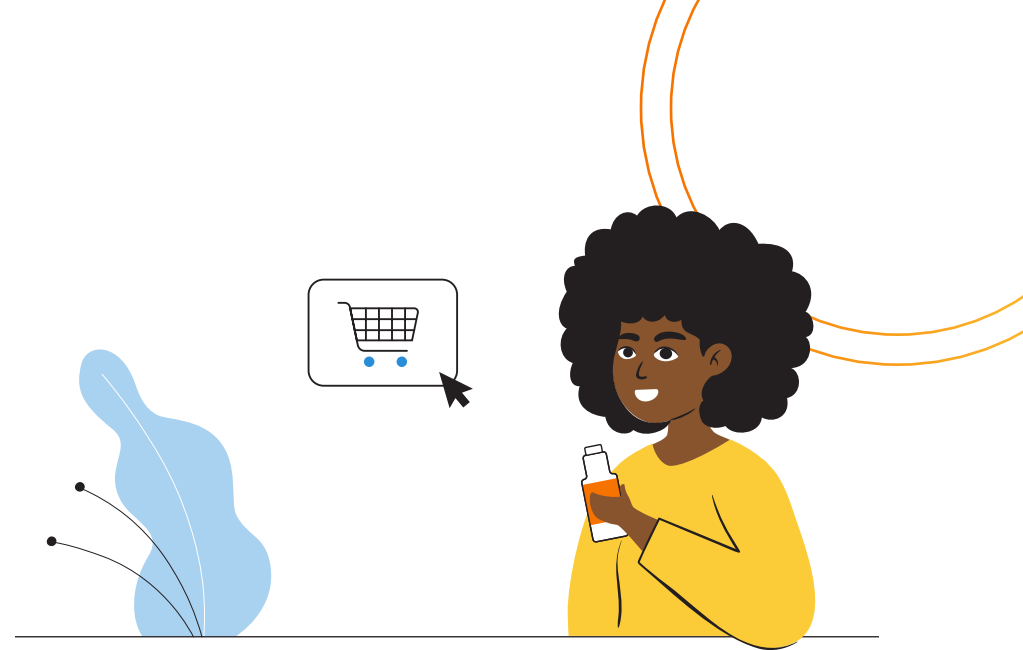
**Multiple answers possible*



Recommendations play an essential role in the shopping process, validating the information in ads. Now that consumers are accustomed to seeing ads constantly, their relationship with advertising is changing. Trust in ads has diminished, and shoppers trust the voices of real customers over a company's marketing message. Even when an ad piques a shopper's interest, it often isn't enough to drive a sales conversion. Instead, brands may want to redirect budget to generating social proof supporting their ads' claims.

Rather than replacing advertising, recommendations, and reviews complement advertising by giving brands unique access to the **know, like, and trust (KLT) factor**—the **belief that consumers are more likely to buy from someone they already know, like, and trust**, like a friend or favorite influencer. A recommendation and customer review fill in gaps and give buyers a first-hand experience from a trusted source.





Leveraging the KLT factor makes brands appear more trustworthy and gives consumers more confidence that they're making the right choice. This added confidence is especially valuable for younger shoppers with tighter budgets. **Receiving a recommendation from someone they know, like, and trust simplifies their decision-making process** so they can spend wisely and satisfy their needs.

Brands can use the KLT factor to their advantage by shifting investment to more community-oriented marketing methods—like referral marketing or review collecting. This makes sharing about your brand more compelling. Alongside great customer service, these channels encourage shoppers to continue speaking positively about your brand.

Who should receive rewards in a referral program?

Online shoppers frequently search for a deal, and customer referral programs offer brands a unique opportunity to encourage current customers to refer their friends in exchange for rewards.

Will Fraser, General Manager of [impact.com / advocate](https://www.impact.com/advocate) interviewed Keith Posehn—CEO of growth consulting agency Zorz. Keith said [referral programs](#) are “a lever to drive a change in value between your customer and their friend.” That increase in perceived value drives over 3 in 4 to use referral codes or links at least some of the time, while 29% report they’ll often or always use a referral code when it’s available. **Over 80% of people aged 18-35 use a referral code at least occasionally when purchasing.**

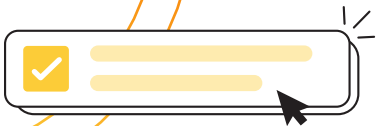




Still, sending out referral codes is far from mainstream. More than half of people (56%) haven't participated in a referral program before, of which 12% have never heard of one. Without awareness of how referral programs work, it's not surprising that 60% of those shoppers haven't knowingly received a referral code or link.

Nearly a third (31%) of shoppers are concerned they'll annoy family and friends by sharing referral links, especially if they believe they're the only ones benefiting from a referral. 1 in 5 shoppers feel uncomfortable recommending a product only to receive a reward. Instead, **65% of referrers report they prefer when they and the person they're referring receive a reward**—and that preference is good for business.



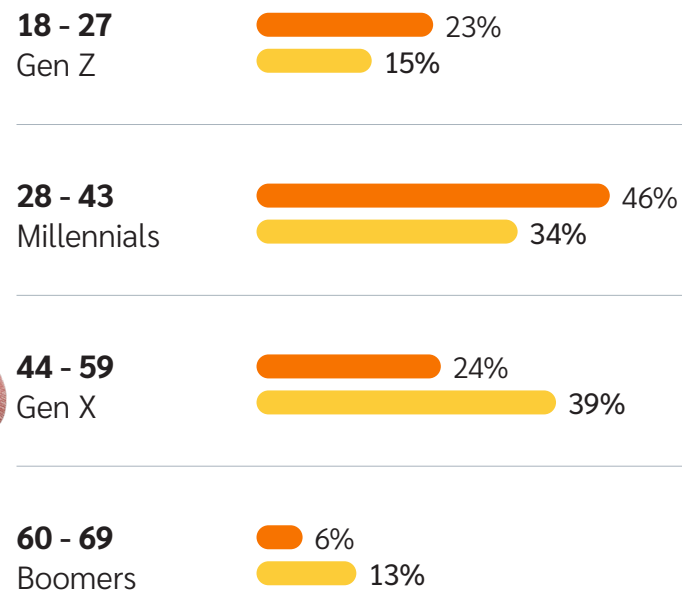


Of the 44% of consumers participating in referral programs, nearly half have made 2 to 3 successful referrals, while a fourth has successfully referred someone 4 to 5 times. This research reveals that referral programs are still a blue ocean for brands willing to educate their shoppers.



Consumer participation in referral programs by age group

- Consumers that participate in referral programs
- Consumers that don't participate in referral programs



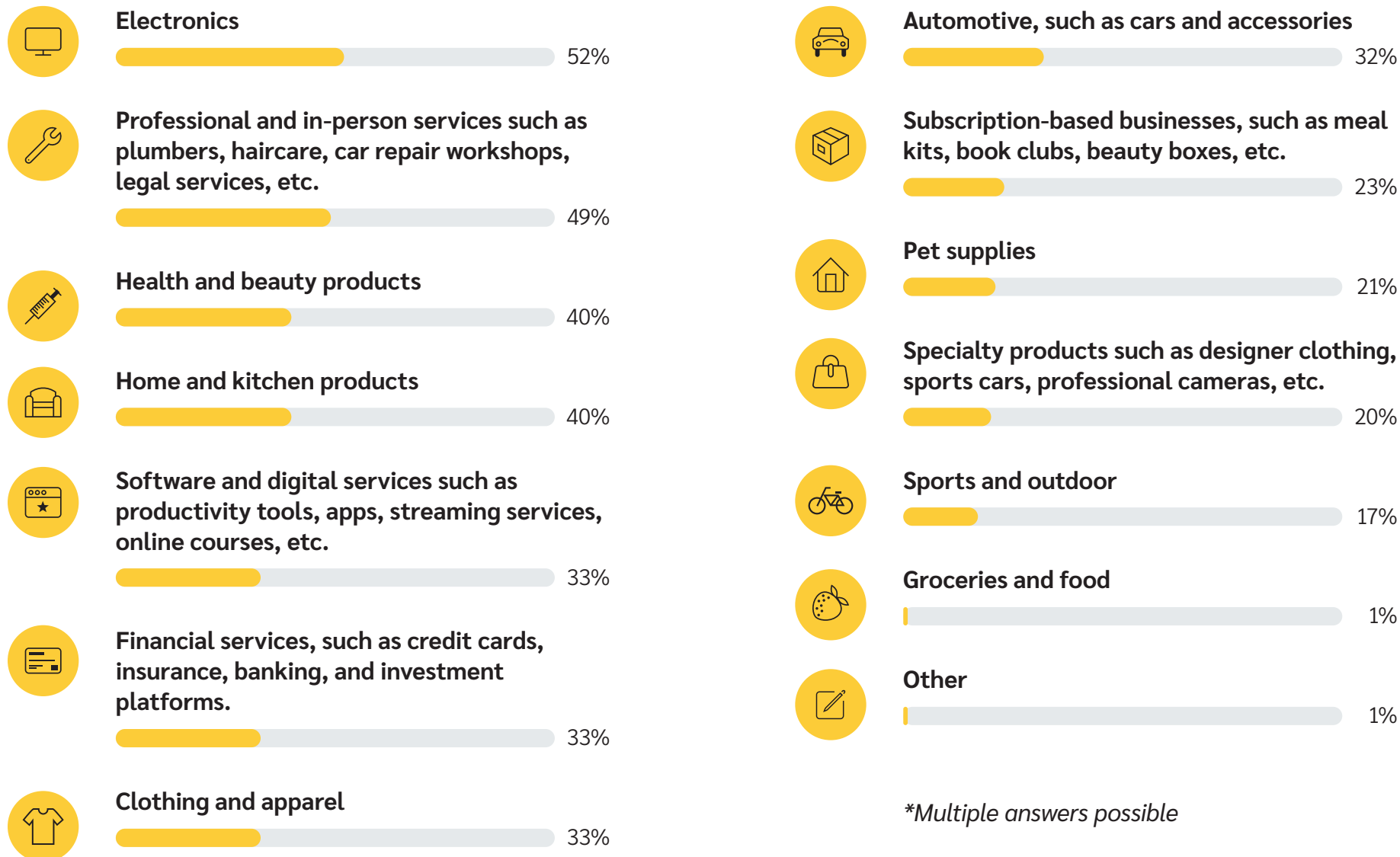
Which industries are benefiting from referral programs?

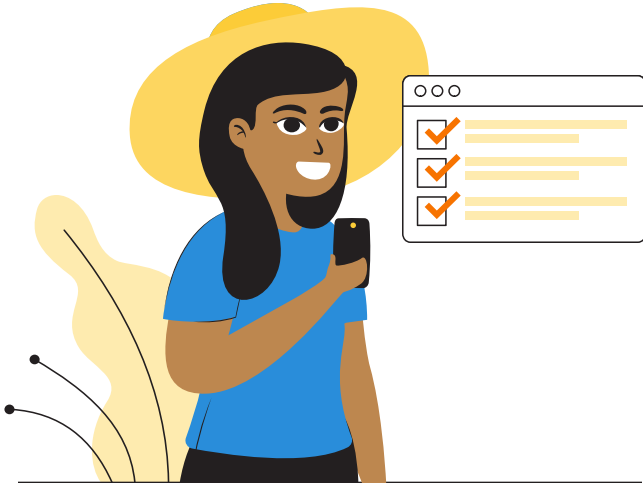
While brands in any industry can start a referral program, some products and services offer a greater opportunity than others to leverage this effective marketing channel.

For instance, **over half of people rely on referrals and recommendations before buying electronics**, while **nearly half turn to recommendations for professional and in-person services**. However, only 24% of consumers have referred electronics to a friend, while only 27% have referred in-person services through an official referral program. This may be because these products are often more expensive than those users typically recommend to their friends. Another reason could be that these industries don't frequently experience repeat purchases.



What products do you mostly rely on referrals or recommendations for?

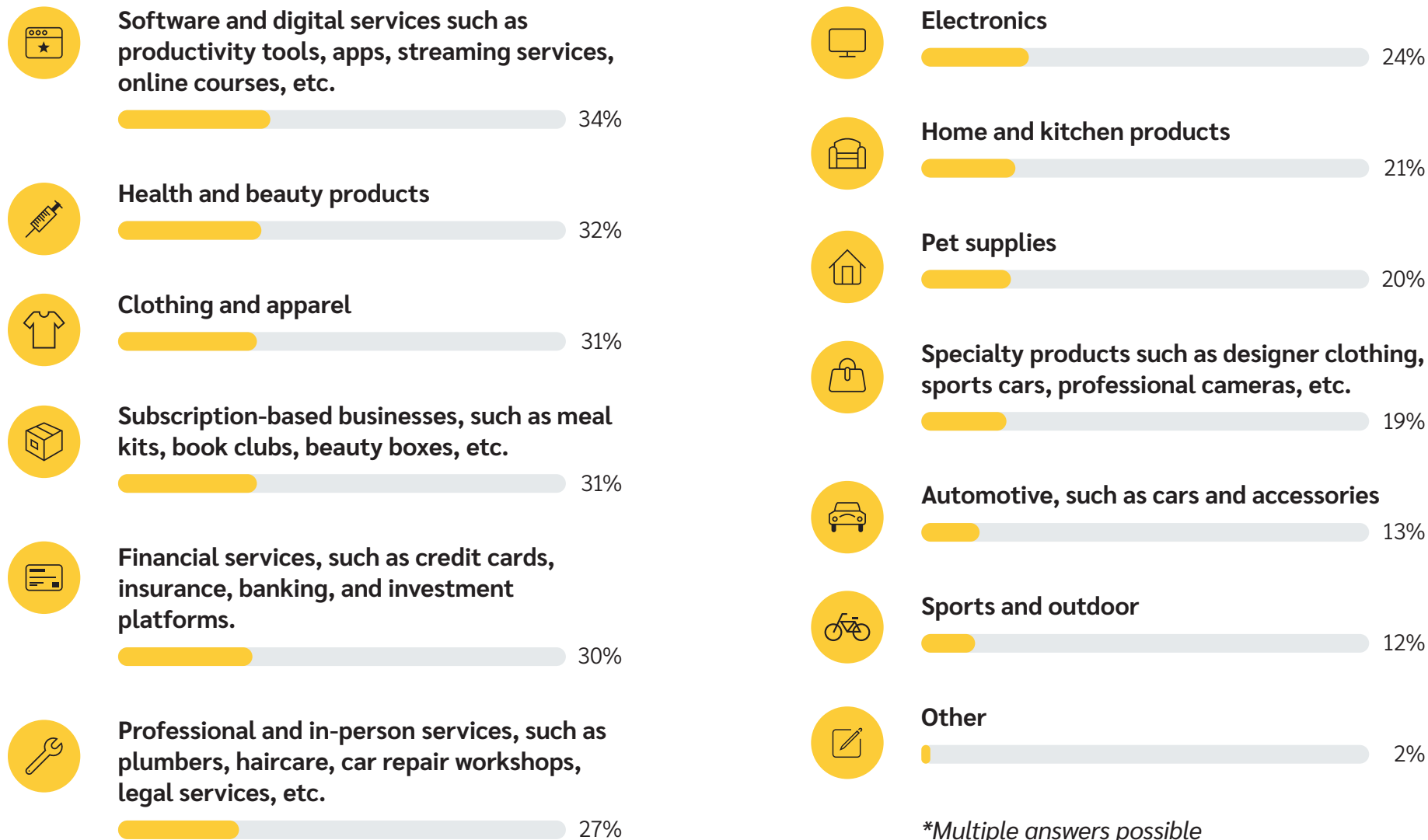




Comparatively, **most shoppers refer software and digital services, health and beauty products, clothing and apparel, or subscription-based businesses.** Referral programs may be more common in brands within these categories, and they may promote their referral programs more openly than companies with higher purchase costs.



What type of products have you referred to others using referral or refer-a-friend programs?





As consumers lean more on people they know to make purchase decisions, brands across all categories and price points can benefit from introducing or refining their referral program. Sometimes, the referral program may only need more dedicated resources to become more visible.

THE
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A CUSTOMER MARKETING PODCAST





E24: Beyond Word of Mouth: Exploring The Potential of Referral Marketing with Keith Posehn

“I find often companies, even surprisingly large companies, have [referral marketing] as a box to be ticked.....It often ends up where it’s under-resourced, it’s not prioritized, and it’s not a part of the key growth strategy often to the company’s detriment... And yet, it’s also been a massive driver of growth for companies in a number of other places. Some of the biggest, most explosive growth companies we’ve ever seen had referral programs that made up a very substantial portion of their total growth—which, we’re talking 10 to 20%+ of the total pie, which is absolutely massive—because they understood that it was foundational to the growth of the company.”

- Keith Posehn,
Advocacy Channel podcast guest and CEO of Zorz

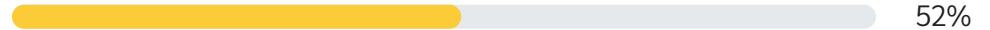
Driving loyalty through rewards consumers like

Product quality is the main consideration in determining whether a referrer will remain loyal to a brand after recommending a product. For instance, if a referrer recommends a poor-quality product to a friend, it could affect their reputation and make both parties think twice before purchasing again from that brand. Conversely, if the friend has a great product experience, the referrer will likely stick with the brand long-term.

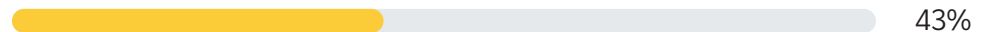


What factors could influence your loyalty toward a brand after referring someone through its referral or refer-a-friend program?

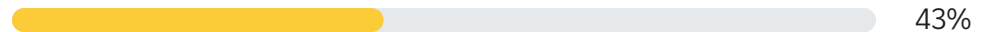
Quality of the product or service.



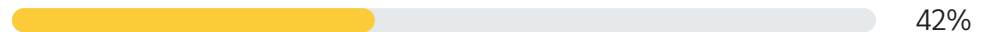
Pricing of the products in comparison to competitor brands.



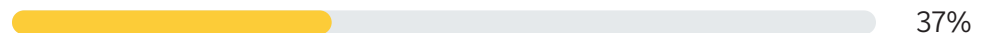
The consistency of the brand experience.



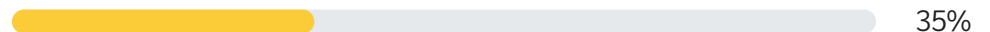
Recognition of loyalty, for example, whether loyal customers are rewarded.



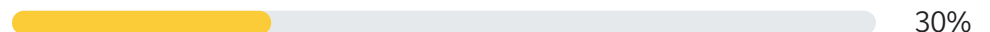
The experience the person I referred had with the brand.



Experience with the referral program processes.



Brand transparency.



**Multiple answers possible*



39% of customers report their loyalty increased after making a referral—with or without a reward. This means brands have a huge opportunity to impact how loyal customers remain to the brand.

Recognition is a powerful method to drive heightened loyalty. Once a customer is willing to recommend your brand, 42% claim their loyalty can be influenced by recognition through rewards.



After referring,

60%

of consumer's brand loyalty stays the same, while

39%

say their loyalty increases.



Incentivizing customers to refer your brand

Consumers are motivated by strong incentives to overcome any discomfort when promoting your brand. Crafting these incentives begins by understanding what your customers value.

Directly asking or surveying customers is a great way to learn what rewards are valuable to them and what they perceive as valuable about your product. From there, brands can create rewards that make customers feel appreciated and encourage them to become even more eager advocates. Offering a reward exchange is a simple solution that allows customers to select their rewards from a list of options upon completing a successful referral.



“Marketers’ biggest mistake in referral marketing is not speaking to their customers. Engaging with customers in a meaningful way will give you greater insight into what rewards would entice them.”



- Will Fraser,
General Manager
of impact.com / advocate

For many, instant gratification plays a major role in perceiving a reward as valuable. Over half (54%) of consumers would prefer a flat fee for each referral, and **most report wanting to receive cash, free products or services, or third-party gift cards for their referrals.** But positioned correctly, perceived value in the form of access to more capabilities or limited edition products may be more valuable than a gift card or store credit.

Rewards and incentives that motivate consumers to refer a product or service.



**Multiple answers possible*



Reward design is not one-size-fits-all. **The most valuable reward for your company depends largely on the type of products you offer and the average price point.** The brand should also consider its margins and what would make sense for them. For instance, a mattress store may only sell a mattress every ten years to one customer, but they could offer the referrer an exclusive pillow while their friend receives a discount code for their new mattress. The referrer's reward complements the item they've already bought and provides value that aligns with the same goal as their original purchase.

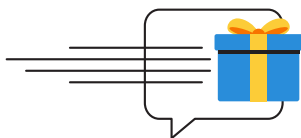
Customers have opinions about what rewards they prefer, but it doesn't always make sense for a brand to offer cash or a gift card. For example, [PXA's course: Referral Revolution: Discover the Power of Referral Programs for Business Success](#) discusses **the Rule of 100—a percentage discount appears larger than a dollar-amount discount for items costing less than \$100.** In contrast, a dollar-amount discount appears larger for items over \$100. This reveals that there's no hard-and-fast rule on defining value in a referral program.



**Check out Referral Revolution:
Discover the Power of Referral
Programs for Business Success**

Implement and execute a successful referral
program strategy.

Go to course



Still, [impact.com's 2024 State of Referral Marketing report](#) revealed that brands frequently offer rewards that fall short of customer expectations. Most commonly, brands offer store credit, percentage discounts, and gift cards. Meanwhile, **shoppers say a percentage discount would need to be at least 11% to 30% off to make referring worthwhile**, aligning with what most brands already provide. When deciding on reward type, keeping your business model, product type, and company margins in mind is important.

For instance, a company with lower profit margins may want to consider offering a percentage discount instead of a cash discount if the percentage is smaller. Although a percentage discount may be less than a cash discount, consumers might perceive the percentage discount as being more valuable if the product is under \$100 as explained by the Rule of 100.

Reward values are typically

\$10

despite consumers expecting

\$21-\$40

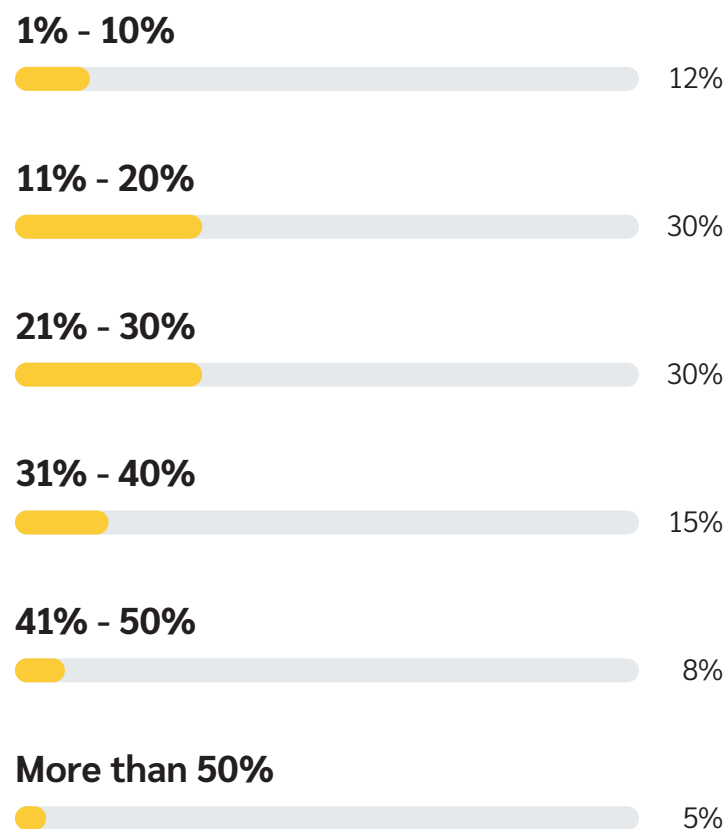




What is the minimum amount of cash, gift card, or store credit that would motivate you to participate in a referral program?



What minimum discount percentage would motivate you to participate in a referral program?



Alongside more compelling rewards, consumers want better-designed programs. Shoppers report that a **leaderboard and flat rewards structure** would encourage them to participate more in referral programs. Over a third (35%) of shoppers say they'd prefer a structure where rewards increase with every referral.

A rewards exchange—where consumers can trade accrued points for a reward of their choice—can also incentivize shoppers to collect more points by referring more friends.

A leaderboard structure would motivate

62%



of shoppers

to increase their participation in referral programs



What kind of reward structure do you prefer?



When I receive a flat reward for every referral, for example, \$10 for each referral.



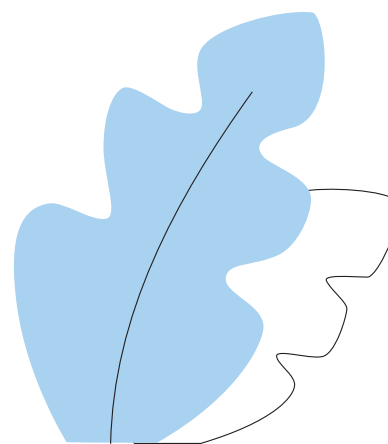
When the value of the reward increases with each referral I make.



I don't have a preference.



**May not total 100% due to rounding*

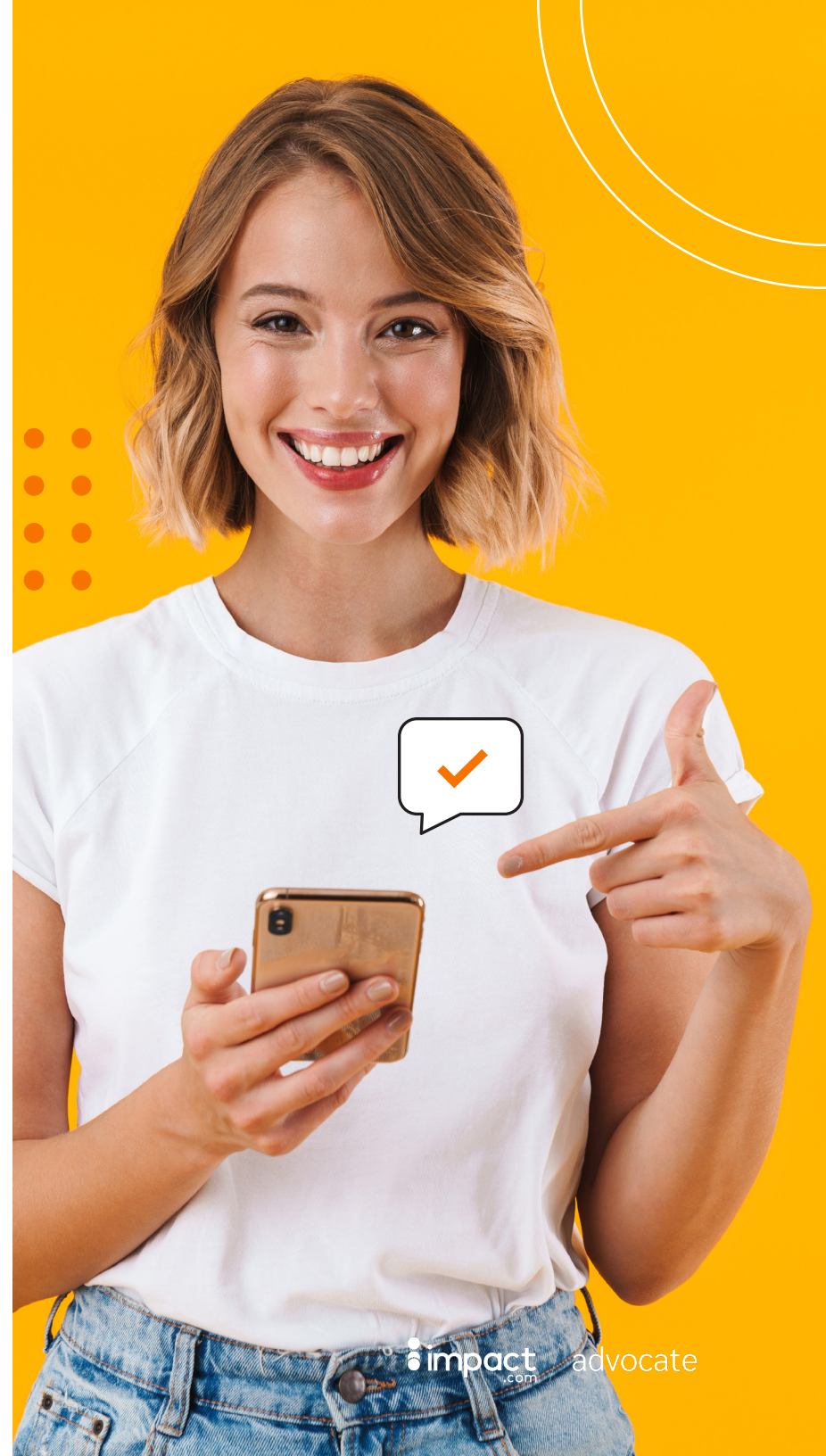
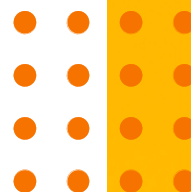


Yet, these features hold value solely when the program's technical elements are finely tuned. For shoppers, **62% report the importance of the referral program and their unique share links being easy to access**—particularly on a mobile device—without needing an additional log-in.

“The referring person also wants to know the status of their referrals—a dashboard makes this a breeze. Knowing the status of referrals gives customers confidence in the program and reduces support tickets.”

- **Will Fraser,**
General Manager of impact.com / advocate

Additionally, **75% of consumers want assurance that their and their friends' data is secure**. These features are critical for consumers to participate in your program. Adding data management parameters to a referral program—or adopting a platform that is already compliant with privacy laws like Europe's General Data Protection Regulation (GDPR) and the California Consumer Protection Act (CCPA), reduces the amount of personally identifiable information your organization receives, giving referrers more peace of mind.



Designing programs consumers want to participate in

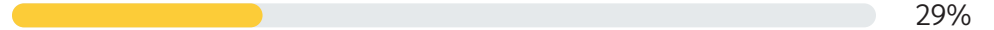
Despite **28% of consumers often or always sending their friends' referral links**, many still experience frustrations when participating in these programs.

The most common complaint about referral programs is that reward values aren't high enough to justify the effort to refer. This frustration heightens when 1 in 4 participants reports that sharing codes or links directly from the referral app or website is difficult. These bottlenecks prevent shoppers from being more active advocates for your brand.

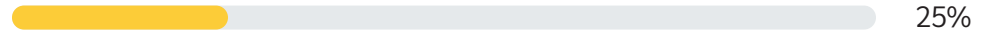


What frustrations do you experience when participating in referral or refer-a-friend programs?

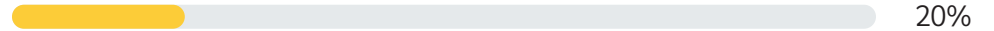
The rewards are not worth it as the value is not high enough



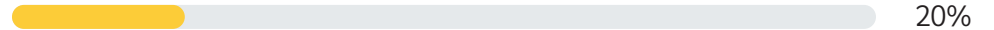
The availability to share referral links and codes directly from the referral app or website is limited, for example, sharing links and codes via social media, email, WhatsApp, etc.



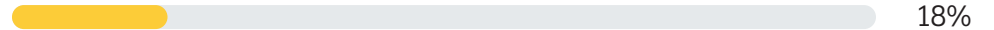
It's too time-consuming



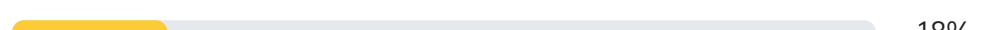
I don't know how to track the status of my referrals



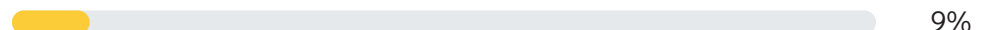
I have a hard time finding referral programs



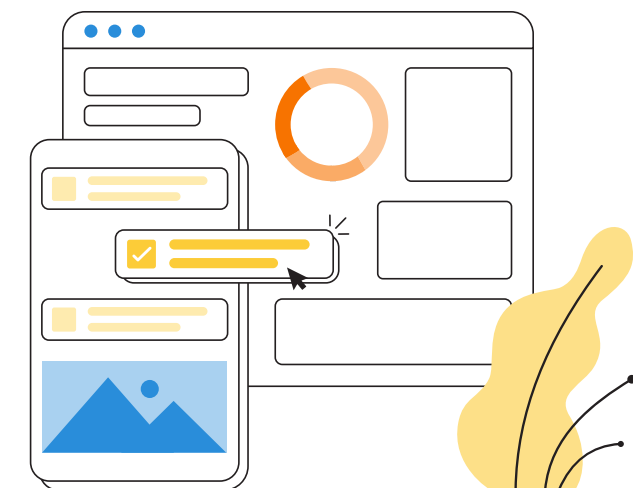
I feel disingenuous and uncomfortable recommending a product to receive a reward in return.



It's difficult to use



**Multiple answers possible*



Expanding program visibility, prioritizing program accessibility and ease of use, and empowering advocates with educational content on your referral program are powerful steps to make referral programs more successful.

For many people—particularly the 43% who have never used or received a referral link—a **better understanding of how referral programs work may push them outside their comfort zone so they can confidently share their experiences with your brand.** Use social media posts, how-to articles, and dedicated newsletters to explain your program simply and set up referrers for success.



“Put a referral program front and center across various customer touchpoints. Get it onto your website, apps, and regular email marketing. Create a plan to make it accessible and include a combination of evergreen and one-off campaigns to promote the referral program.”

- Will Fraser,
General Manager
of [impact.com](#) / [advocate](#)



While education can help consumers feel more comfortable sharing your brand, it can't compensate for poor program design, a bad user interface, or underwhelming rewards.

Consumers need a strong incentive to risk discomfort and share your brand with others. Developing those incentives starts with asking your customers what they care about. Follow this **checklist to create a referral program** consumers want to participate in.

Must-have features in a referral program:

- ☐ Instant access to rewards for the people referring and the people receiving the referral
- ☐ Accessible and reliable referral links with pre-written, sharable content
- ☐ Easy-to-use mobile experience
- ☐ A user-friendly dashboard to track the status of referrals
- ☐ Educational content showing referrers how to be successful in the program and how the program works before joining
- ☐ A leaderboard offer to encourage more program participation
- ☐ Rewards exchange to let consumers choose reward types
- ☐ A secure platform with privacy-minded data management compliant with GDPR, CCPA, and other regional privacy laws



impact.com / advocate makes creating a referral program simple

Turning customers into loyal advocates doesn't have to be complicated. With impact.com / advocate, brands can create highly engaging, easy and fun referral programs.

impact.com / advocate makes **creating, managing, and scaling customer referral programs** simple. Our solution offers your customers the peace of mind they need to feel confident promoting your brand, including solid data privacy controls and intuitive user experiences.

Discover how to build a scalable and profitable customer referral program with [impact.com / advocate](https://impact.com/advocate).

