



What is referral marketing and what are its features?

Introduction

Referral marketing is a tool used by many companies across a wide range of different industries to grow and build customer bases. In the past, referral marketing was only focused on disseminating information through verbal interaction with a close network. Referral [marketing](#) in the modern era now relies heavily on social media and the internet, allowing the reach of referrals to increase exponentially by reaching a much wider audience. Recently, referral marketing has allowed companies like PayPal, Dropbox, and Airbnb to grow exponentially with their custom referral programs. Referral marketing is about the common relationship between your customers, their friends or partners, and [your brand](#). Existing customers personally [0](#) your brand to new users to earn rewards, ideally for themselves and their friends.

This term may not tell you anything at first glance, but the truth is that there is a Spanish term that is translated by it, and once you know it, you will easily know what Referral Marketing is: word of mouth marketing.

In other words, we can say that customers strategy is to recommend your products or services. This is not easy to obtain and usually can only be applied to [customers](#) who are loyal and who have been really satisfied with your products and/or services, so much so that it encourages them to recommend you to family and friends.

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What is referral marketing

Referral marketing is a word of mouth initiative designed by a company to motivate existing customers to introduce their family, friends, and contacts to become new customers. It differs from purely word-of-mouth strategies that are primarily directed at customers with the company's inability to track, influence and measure the content of the message; Referral marketing encourages and rewards the referrer for allowing the company to do so. Different from multi-level marketing, there is no incentive for the existing original customer to drive or influence subsequent referrals of the new customer - only the initial initial customer conversion is rewarded

The benefits of referral marketing are:

It has minimal purchase costs. Although it does involve expenses, it is actually more of an investment because in the end you end up getting it back in bigger clients which can bring you more money.

It's ads free. It does not mean that you are buying from these people in order to advertise you, but rather that, by the fact of their earning through you, they will advertise, recommend and encourage their acquaintances to buy. And this, believe it or not, is very important

It helps you to be more willing to buy more and earn more. The ads you make will have a greater impact because customers know they can earn more. Therefore, it makes sense to consider promoting future products or services that you launch

To give you an idea of how effective referral marketing is, depending on the data handled, the customer, if satisfied, is able to attract 3 more customers who will buy from you and in turn will bring more. Do you understand how it works



How to apply referral marketing online

Online referral marketing is an internet-based, or software-as-a-service (SaaS) approach to traditional referral marketing. By tracking customer behavior online through the use of web browser cookies and similar technologies, online referral marketing can increase brand awareness, referrals, and ultimately revenue.

Many platforms allow organizations to see the return on marketing referral investment (ROI)

and improve their campaigns to improve results. Many of the latest systems provide users with the same experience whether they are on a desktop or mobile device ,[You may be interested in viewing online marketing services in Saudi Arabia](#)

Offline referral marketers sometimes use trackable business cards

Trackable business cards typically contain QR codes that you associate with the online content of the sale while providing a way to trace that sale back to the person whose card was scanned

Online referral marketing focuses on interactions between customers

Advocates can provide their family and friends with personalized links including unique referral codes and advertising information through emails, blogs and instant messages

The company can give rewards to defenders when their family members and friends buy through the link

These same techniques also help companies create a system that integrates referrals into their marketing plan. By tracking user traffic, companies can provide referrals to other customers online



What are the advantages and disadvantages of referral marketing

There are many advantages of referral programs, including them, [You may be interested in learning about the importance of creativity in digital marketing](#)

Referral clients are better matched because the existing client knows both parties and is able to identify the benefits to the potential new client

Because the product or service is useful to the referrer; The potential customer also has a much more useful chance of finding it. This brings higher value clients to the company or authority at lower cost

With referral from a close link, there are reputational implications for the referral if the product or service is not well received, due to the higher value being placed on personal recommendation rather than advertising

It is in the referring person's best interest to recommend a product or service that is not only useful to potential prospects but also something they themselves have used.

It can also serve as a tool to measure the correctness of customer satisfaction. High performance referral programs or high referral volume may indicate high customer satisfaction and vice versa

Referral programs can help establish long-term relationships with clients by matching clients' motivations and expectations with referring new clients. In this way referral programs can also be considered as a tool to retain existing customers

As for the disadvantages, there are some disadvantages that exist in referral marketing

The referrer may not be neutral if the compensation is based on the prospect of the customer joining, not just the referral

Incentives can place an ulterior motive at the end of the referrer, which can provide a motive to "sell" referrals for compensation

This can lead to uncertainty from the referred customer, and reduced trust in both the existing customer and the company regardless of the product or service sold

You will compensate the vast majority of referral marketing programs regardless of the longevity or quality of the new customer; This creates a moral hazard in favor of the opportunists and potentially compromises the honesty of the recommendations

Referrals can spread referrals to a wide audience, both offline and online, and introduce low-quality clients to the business without any consequences

Referral programs are not free and have operational costs of acquiring new clients. Administrative costs, software with databases to identify and track buyers, advertising campaigns and incentive costs are just some of these



[What is the difference between affiliate marketing and referral marketing](#)

Both strategies rely on incentives to increase revenue, but the underlying strategy and techniques are very different, [You may be interested in knowing what international marketing is and its importance](#)

Affiliate marketing has a similar structure to referral marketing in that both use incentives to increase revenue for new customers

The main difference is that affiliate marketing focuses on third-party brand advocates to send customers to your business for a flat fee. Referral marketing focuses on rewarding existing customers for inviting their friends to try your product/service

Stimulus

Referral campaigns motivate customers to share your brand with their family, friends and partners in a direct and natural way. Encouraging happy customers to become effective brand ambassadors is simple, so referral marketing prepares your company for conversions while rewarding users for their participation

While affiliate marketing is like recruiting a reputable, unknown salesperson to spread the word about you online, referral programs are based on personal interactions. It's like bumping into a friend on the street and having them share a great tip or tip with you. Often called word of mouth marketing costs

Referral Marketing: The return on investment of referral programs increases as

the interaction of new users and customers increases the network of satisfied customers. Because your customers drive conversions, you can save on sales expenses in the short and long term

Affiliate Marketing: While the traffic is increased with affiliate programs, the conversion rates remain largely constant. But more traffic means more sales, so get ready to pay for each sale. Paying the commission per sale can take a slice of the bottom line, but the payout structure for affiliate marketing is scalable and predictable

The way of work

Referral Marketing: Focus on customer engagement first. Building a stronger relationship with customers is the priority, as everyone who networks your display engages in a relationship of trust with your brand. Some will write reviews on your website, otherwise they will post on social media, but every referrer becomes more loyal with every action

Affiliate Marketing: Affiliate marketing focuses on the business relationship between the brand and the affiliate. In this type of performance based marketing, the affiliate is paid to promote the brand. These publishers are compensated for every visitor or customer they gain through their marketing efforts. Since affiliate programs are pay-per-conversion, most focus on spreading a broad promotional message to consumers. Unified advertising methods such as SEO, PPC and email marketing. Content marketing and display advertising are common. The affiliate is responsible for increasing sales for your business



[What ideas are needed to implement referral marketing](#)

Since we like to be practical and bring you ideas that can work in your online store or in your company in general, some of the most common practices of referral , [You might be interested in reading about affiliate marketing](#) marketing are the following

Concourse.: It is based primarily on the fact that one of the conditions for participation is to recommend friends. You can say with whom you will share the prize, just to say one, etc

Events.: With who get word of mouth. For example, that there is a 50% discount for one day only because it is the anniversary of the creation of your store. That is, if they are referred, you will get 5% more

Events: Can you imagine recommending a store to a friend, and when he goes, they give him a gift from you? Not only do you look good with this person, but the other will also look good, especially if you give them something as well

Coupons or discount codes for referrals: This is what is most often seen and used in online stores. A discount coupon in which referrals get a lower price than if they didn't have them, and in return the person who gave the coupon gets this benefit too

Conclusion

If you want to use any of the professional [e-marketing](#) and social media advertising companies, you can contact [the digitmark](#) team

Where we offer you a group of specialists in professional web design services, social media services and many diverse digital marketing services

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