



Starting an Effective Referral Program for Your CFI

marketing business customers customer experience

Summary: Referral marketing is one of the most affordable and effective marketing strategies, but not all referral programs are created equal. We cover what CFIs should know about these programs, including examples to inspire you and six tips to improve your referral program.

Anyone who has hired a contractor or repairman knows the headache of finding someone good and reliable, and what a risk it is to hire someone without any references. When Angie Hicks was asked by her boss to find a good contractor in 1995, she recognized the need for a central repository of information about quality service workers. She compiled a list of contractors by going door-to-door, asking for recommendations and ratings. Known as Angie's List, the directory expanded into a nationwide online platform that attracted venture capital backing, and was publicly listed on Nasdaq in 2011 with a valuation of roughly \$900MM.

Today, the directory, now known as Angi, boasts more than 3MM paid members, but its underlying simplicity remains the same — a centralized collection of recommendations. People value referrals, and not just for home service workers. Referral marketing is one of the most affordable and effective marketing strategies and is something community financial institutions (CFIs) should consider adding to their arsenal, if you don't already have one.

Word of Mouth

Referrals are invaluable. The input of friends and family is so important that [71% of people are more likely to purchase a product recommended by their social media friends](#). These personal referrals lend instant trust and translate to higher retention rates. Individuals who find your organization through recommendations are [37% more likely to stick around](#). People are also more likely to recommend your CFI if there is something in it for them, which is why formal referral programs that reward customers in some way — whether financially or with points or other incentives — can be an effective way to find new customers.

The Referral Landscape

There is no shortage of financial institutions offering referral programs: [an estimated 30% of American financial institutions run referral programs](#). While referral programs aren't new in the world of finance, some approaches work better than others.

Here are several **creative financial referral programs to inspire you**:

- HSBC captured the attention of customers during COVID by offering up to \$2K to the referring customer and to the referred new customer, if they opened an account. Not only was the monetary compensation appealing, but HSBC also played on the idea of helping a friend by touting account opening as a rewarding experience for new customers.
- Kansas City-based UMB gives customers \$200 if someone they refer opens an account, while the new customer gets \$150. To hype the potential gain for customers, UMB encourages their customers to spread the word on social media.

- Neobank Yotta has taken a more sensational approach by offering lottery tickets to customers who get friends to open accounts. Customers who receive lottery tickets have a chance at winning up to \$10MM each week. Gamifying the referral experience makes it attractive to younger generations, who have embraced online gaming.
- Online Dutch challenger bank Bunq has a unique, philanthropic approach to soliciting referrals by appealing to the environmental concerns of younger generations. Whenever a Bunq customer refers a friend who opens an account, the bank will plant 20 trees — 10 on behalf of the existing customer and another 10 for the new customer.

Aspects to Consider

Given the wide range of referral program approaches, CFIs should determine what type of incentive makes the most sense for their customer base and target demographic. The simplest way to determine what will motivate customers to refer friends, and which methods they would be most likely to use, is to just ask. Discovering what drew current customers to your organization over competitors is also important, as it can help to narrow down the target group of potential customers with the greatest likelihood of responding to referral initiatives.

Here are **six tips to help enhance the effectiveness of any referral program**:

1. **Determine your target demographic.** Before you get started, you should define what group of customers you would like to appeal to for referrals. This could be a certain age group, an income bracket, a business sector, or any other segment of your customers. You'll want to tailor your referral program's advertising to feature heavily in the channels that target group frequents — and you'll want to use language and images that appeal to the group. For example, to capture attention from baby boomers, your ads might feature photos of seniors engaged in typical retirement activities, like golfing or traveling, along with messaging about how your program helps seniors save for retirement or manage their funds from anywhere.
2. **Establish an attractive incentive for a long-term program.** Rewards need to be high enough to motivate customers to refer friends, but low enough that your organization can afford to make such payouts over the long-term. Short-term referral programs also limit the customer base your organization can reach and don't necessarily give enough time to reach your target audience.
3. **Timeliness is important.** People don't want to wait half a year to receive a referral bonus. If a bonus is received quickly, it is more likely to incentivize customers to make additional referrals.
4. **Referral programs tend to cost less than traditional marketing.** The Financial Brand estimates that the average cost-per-acquisition is between \$250 and \$400 for each new deposit customer, while the average cost of new customer acquisitions through referral programs is between \$110 and \$175.
5. **Make referring people easy.** If customers must fill out extensive forms to collect a referral bonus, they are less inclined to participate. Similarly, not all customers utilize the same networking tools, so adapt your CFI's referral program to as many communication methods as possible.
6. **Promote your referral program** through as many channels as possible. From emails and direct communications with existing customers, to frequent posts on social media, formal marketing initiatives and even in-branch signage, better visibility makes your program likelier to succeed.

Marketing is important for CFIs, but the benefit of customers vouching for your institution to friends and family members can have a far broader impact. A thoughtful referral program tailored to your target demographic will go a long way in growing your customer base through a tried-and-true method: recommendations.

YOUR TRUSTED PARTNER FROM COAST-TO-COAST

PCBB provides high-quality, competitively-priced solutions and personalized service. Our comprehensive [suite of solutions](#) includes correspondent services, lending solutions and advisory services, to help communities expand and thrive. Contact us to learn more.

ECONOMY & RATES

Rates As Of: 10/25/2022 05:37AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	4.16	0.83	4.10
6M	4.52	0.60	4.33
1Y	4.57	0.57	4.19
2Y	4.48	0.19	3.74
5Y	4.30	0.21	3.04
10Y	4.17	0.34	2.66
30Y	4.32	0.54	2.42
FF Market	FF Disc	IORR	
3.08	3.25	3.15	
SOFR	Prime	OBER	
3.01	6.25	3.07	

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.