Case Study: Digital Referral Marketing in a Post-Pandemic World

The power of Word-of-Mouth marketing can impact your growth by 10-20% over Business-As-Usual when you use an always-on all-digital referral platform, even if you need to open accounts in branch.

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No one would call the operating environment in 2020 "normal", but bank marketers are once again facing the perennial questions "How do we grow new high-quality accounts?", alongside "How do we create a more engaged customer in a younger demographic?".

In dialog with over thirty leading bank marketers recently, frequent responses were, "we should be investing in digital", and "we should run more targeted direct marketing campaigns with an offer". While those tried-and-true strategies have driven results in the past, today's environment encourages a different approach. One that integrates more touches through more channels. "Always on", "multi-channel" and "digital-centric" are the hallmarks of the best-performing campaigns this year. And now more than ever bankers are seeing word-of-mouth digital referral marketing as being an absolutely vital component to successful growth strategies.

The fact that digital referral marketing is having a moment shouldn't be a surprise: with much of the country operating remotely, the need for input from peers, friends, and family has arguably never been more important for consumers and small businesses. Think a small business owner isn't interested in hearing from fellow entrepreneurs when deciding who to bank with? Think again: one banker told me that one of their new account survey questions for all new business accounts is "What are your Top 3 go-to-resources when making important business decisions?". And "by a long shot" the number one answer is always "trusted peers, family, friends".

Further, in a joint study, Ogilvy and Google/TNS suggests that up to 74% of consumers depend on a referral as the primary influence in their purchase decision. Additional studies show that referral marketing is more trusted to the average consumer than traditional tactics – because referrers believe in the authenticity of the referral. This trust factor makes the financial institution's current customer the perfect middleman to help cultivate new, high quality relationships.

Once trust is earned with your account-holders, it is critical to encourage them to refer their friends and family to open an account with your banking institution. Making it worth their time by providing an incentive both for the referred (new) customer and the referrer is a best practice, and pays ongoing dividends: the Harvard Business Review found that referred customers are 20% more likely to stay with a bank and generate 15% more profits.

Providing a fully automated 100% digital referral program with an incentive and a means of measuring performance has proven to be the path to success. Now is the perfect time to replace existing labor intensive, paper-based referral programs to reach people where they live & work, and to obtain optimal performance.

Finally, consider the data from a recent case study we conducted.

CS3 compiled data over a 12-month period and included comparison vs a control group. The intention is to answer the three questions which are the most prevalent when we discuss digital marketing strategy with bankers. Those three questions are:

1. **What is the impact of a digital referral program on <u>account quality</u>?** There are many ways to measure account quality, of course, but for our purposes in the study we chose to isolate average account balances, account attrition rate, and number of cross sold accounts. We view these collectively as a proxy for quality, because taken as a whole they indicate the account holder views the institution as their primary financial institution.
    a. Treatment (referred accounts) balances were slightly favorable vs control.
    b. Treatment attrition was slightly favorable vs control.
    c. However, we saw a significant improvement (28.9% lift vs control) in the number of cross-sold accounts (4.06 vs 3.15), including a much higher adoption rate of Mobile banking activation.
2. **What is the impact of a digital referral program on <u>Cost Per Account</u> (CPA)?** Simply put, the CPA of the treatment group *far outperformed* control. The CPA on the initial DDA was less than half of the control group, and when factoring in the increase in cross-sold accounts, the CPA for all accounts in the referral program was 1/3 the CPA of the control group.
3. **What is the impact of a digital referral program on <u>demographics</u>?** In a word: Millennials. Digital referral marketing proved to be a great way to reach a younger audience, with 64% of opened referral accounts being under the age of 35. Interestingly, the referrals which were made were also made by a younger demographic, with 56% being under 44 years of age, and

34% being under 32 years of age. This result highlights the importance of digital referral as an important tool for financial institutions seeking to engage a younger audience because the majority of traditional modeled data programs to acquire new accounts will bring you more of what you already have, demographically speaking.

With technology and digital media becoming so prevalent in today's society, the authenticity of referrals means more and allows new customers to feel a greater connection to the brand. A brand that grows from a foundation of trusted relationships is a brand built to last.

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