



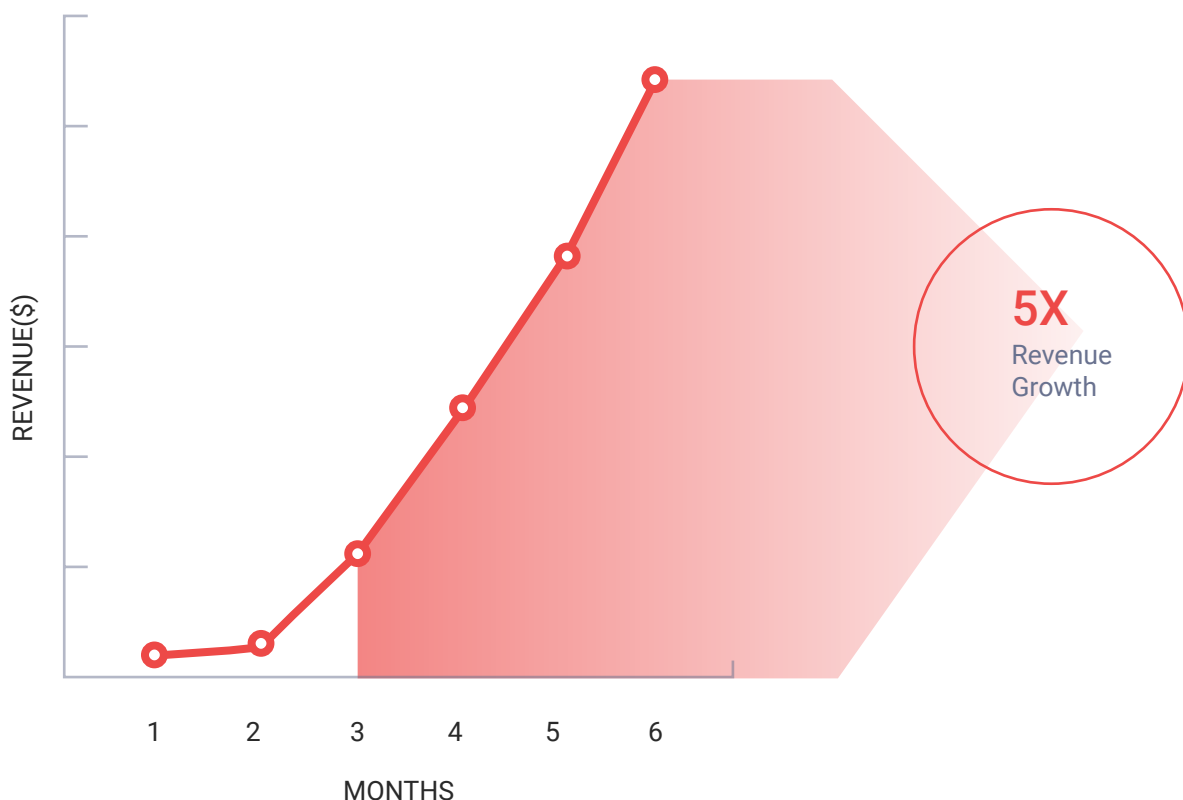
When, What, and How Much?

A Comprehensive Guide to
Structuring **B2B Referral Incentives**



In the last year, we've written a lot about [the surprising effectiveness of B2B referral marketing programs](#) and the power of referrals to drive sustainable, scalable growth over time. In fact, a recent deep dive into our platform's data revealed an interesting finding about B2B referral programs.

B2B companies that play the long game – giving their referral program time to evolve and gain traction – see a clear inflection point three months after implementation. And after six months, the value of patience and consistency in B2B referral marketing begins to really compound. The chart below (from [one of our recent reports](#)) illustrates this point well:



With that said, that steep trend upward isn't only the result of [implementing the right referral marketing technology](#). Instead, it's a combination of the right tools and the right strategic effort – both of which allow a B2B company to deploy the right messaging, structure, and incentives to drive those B2B referral programs' results.

This eBook will explore exactly that. Specifically, **the right time** to offer a B2B referral incentive based on the event or action you want to reward; **the right types of incentives** to offer based on your product and goals; and **the right amount** to offer based on who your target audience is and what they care about.

1

When is the Right Time to Incentivize B2B Referrals?

This is an interesting – and sometimes difficult – question to answer because most people assume that there’s only one time to pay out a B2B referral incentive: When a referred lead closes.

Here’s what this looks like in action: If you refer someone to a B2B software company that’s offering \$500 for a referral, most programs stipulate that you’ll only see cash when your friend or colleague signs up and becomes a customer. While this is a perfectly appropriate approach to paying out referrals, it has one major flaw:

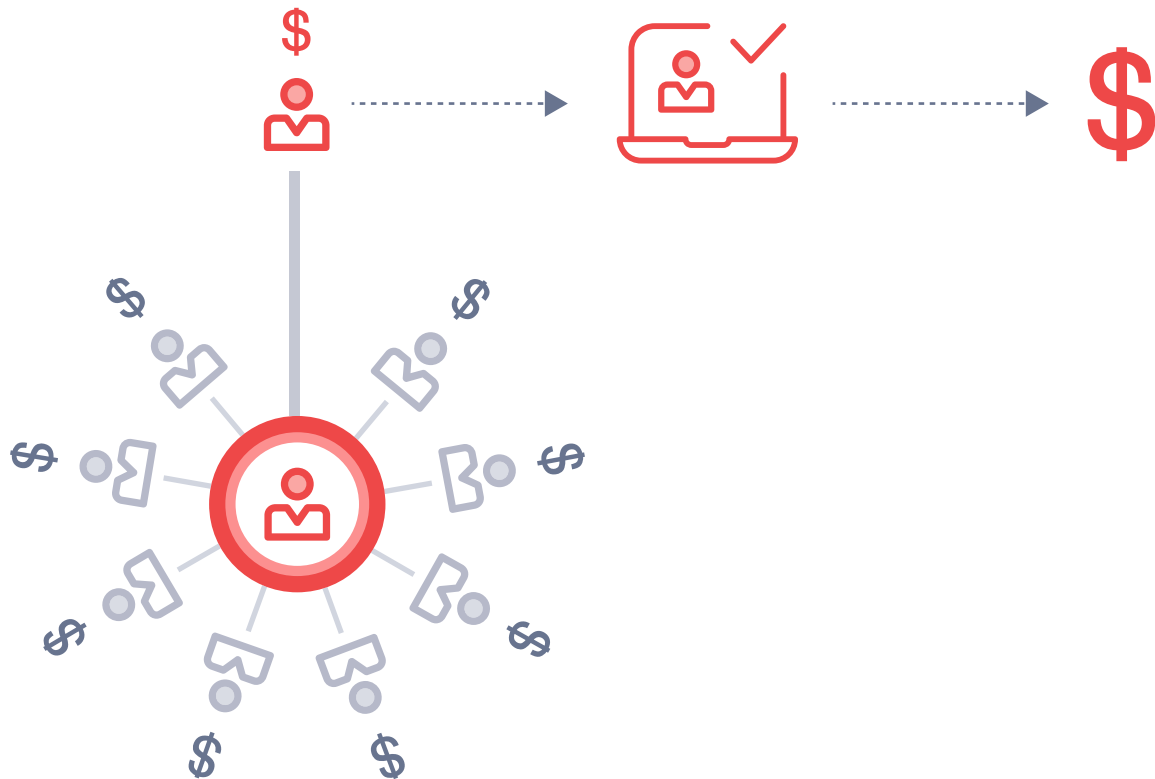
Most B2B sales cycles are months long and many businesses’ close rates are low.

With our B2B customers (particularly the ones with sales cycles that are longer than 30 days) we’ve found that ambassadors tend to lose interest in a referral program if their referral activity isn’t quickly rewarded. If they have to wait 30, 45, or 60 days to see some sort of financial reward for a referral, they’re less inclined to continue participating.



So, how can you work around this?

To help our customers avoid this, we've recommended offering a smaller incentive for referring a qualified lead (or whatever a company considers a qualified entry point into their pipeline). If that lead ultimately closes, that same referrer is then also given the larger incentive for referring a new customer.



This is effective for one very big reason: When an ambassador knows that there's a short-term incentive for simply referring a qualified lead (and a potentially bigger reward for that customer closing), it removes a critical barrier to participation and immediately ramps up referral activity.

The bottom line: Even if the incentive for referring qualified leads is low (i.e., a \$25 cash payment – a reasonable amount to pay for qualified B2B leads), it almost always ramps up referral activity. And, like any marketing activity, the more qualified referrals you get into your pipeline, the better your chances are of driving a healthy ROI.

2

What's the Right Type of Incentive to Offer?

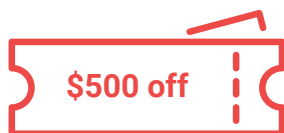
We'll cut to the chase: Cash is king – whether it comes in the form of actual cash (PayPal, Tango Card, Dwolla etc) or gift cards.

While points, loyalty credits, and discounts might work for B2C referral programs, our experience shows that B2B referrers aren't interested in those incentives. Instead, they respond to cold, hard cash.

This isn't difficult to understand when you put yourself in the shoes of your ambassadors. If you're a Director of Marketing at a large enterprise company and you're a big fan of a particular marketing technology, which of the two referral incentives below do you think would be most appealing?

Option A

A \$500 discount off of your annual contract for that particular marketing technology



Option B

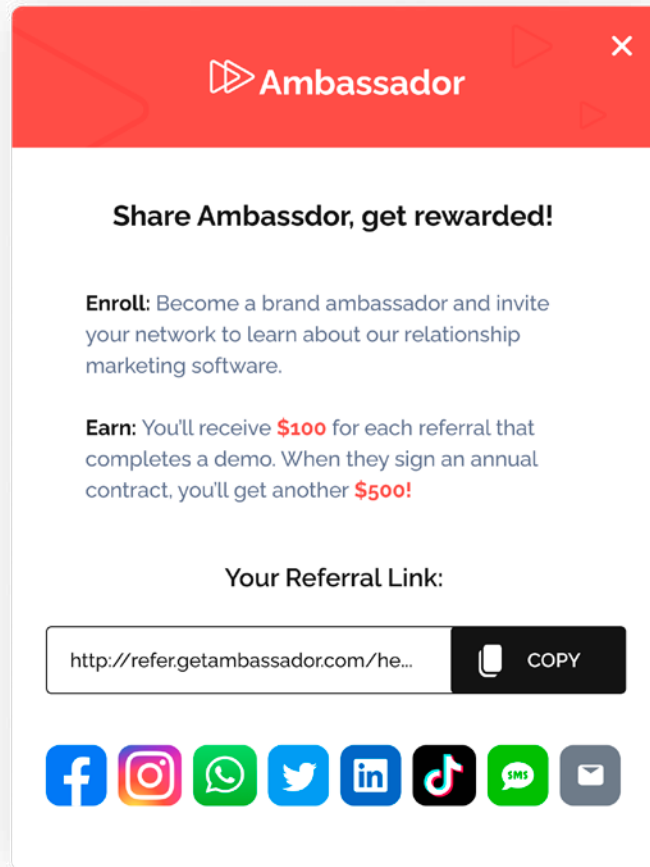
A \$300 cash reward that's deposited directly into your PayPal account

\$300 cash



Corporate altruism aside, the majority of us are going to choose the second option. Why? Because it directly benefits us and we know that our company will survive with or without that extra \$500.

To give you an idea of how these cash or gift card rewards should be positioned, here's an example of an effective CTA from our own referral program:



All too often, B2B companies try to offer points or discounts because those types of incentives are less expensive. After all, once you factor in margins, a \$500 discount on a particular product might only cost the business \$100.

Here's the issue: These incentives do still cost money and they're not nearly as effective.

As such, opting for these types of incentives means you're likely limiting the number of qualified referrals you will generate over time. Depending on the success of your referral program, this could represent significant opportunity costs that greatly exceed the money you saved by not offering a cash incentive.

3

How Much of an Incentive Should You Offer?

Let's say you're a doctor who's a big fan of a particular Electronic Health Records (EHR) software company. The service saves you and your staff a ton of time and money, and you're happy to refer it to your colleagues.

There's just one problem: That EHR company's referral incentive is only \$10. For a doctor who makes \$250,000 a year, an incentive that's equivalent to lunch at Chipotle isn't very inspiring.



Now, that's not to say that you need to kill your business by offering a \$1,000 reward for every referral, but you do need to consider your audience. If you're dealing with people who don't have a lot of time and who make a nice living, then you need to provide them with an incentive that's obvious and valuable. It has to resonate, or it won't be effective.

One Alternative to Offering Cash Incentives

If your margins or your budget can't justify a high incentive, one alternative is to create a contest where ambassadors are given an entry to win a much larger prize for every referral they make.

Here's an example: If your goal is to generate 40+ new referrals and you can afford to pay \$50 per referral (but you're worried that won't be enough to incentivize your ambassadors), then you might consider entering ambassadors into a contest to win \$1,000 at the end of the month. With this structure, your cost is lower if you do hit your goal (40 referrals at \$50 per referral would have cost \$2,000) and the incentive for your ambassadors is much stronger.

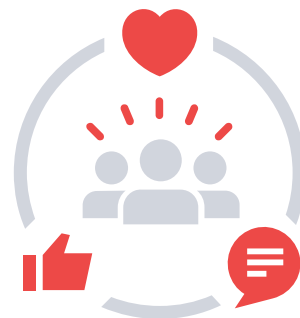
Of course, going this route may not prove to be as effective as offering your ambassadors \$500 for every referral, but not every company's economic model is built to support an incentive that large.

The key takeaway with all of this is to strike the right balance between what you can afford and what your target audience cares about. If you do that, B2B referral marketing results will take care of themselves.





Take Your B2B Referral Program to the Next Level



Of course, incentives are just one part of the B2B referral marketing equation. To be successful, it's also important to optimize the processes you use to:

- Grow participation in your referral program
- Engage your ambassadors in the right ways and through the right channels



Ambassador empowers marketing teams to increase revenue by leveraging the power of referrals.

Our flexible referral marketing software automates the process of enrolling, tracking, rewarding and managing loyal customers, affiliates, partners and fans. This allows B2B companies, consumer brands, and agencies to quickly build, scale, and optimize referral marketing programs. Ambassador's open API also seamlessly integrates with existing technologies, enabling companies to create a custom experience that aligns with their brand.

For more information, visit www.getambassador.com.

