

# Customer referrals as a marketing tool

By [Heinrich Swanepoel](#)

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Most individuals turn to the people they know and trust when they are looking for advice on which car to buy, medical aid provider to use, or even where to eat out on the weekend.



Source: [www.unsplash.com](http://www.unsplash.com)

They do this because friends, relatives and trusted associates will give them a recommendation that is unbiased and based on their personal experiences.

The people whose opinions we trust are endorsing the companies that they have had good experiences with. Hence, the influence and substance of customer referrals cannot be denied. It is an incredibly powerful tool to gain new customers and to do this without having to spend a cent of the marketing budget.

Through word of mouth, organisations can kickstart the most powerful marketing channel they have, the positive experiences of their customers. In fact, researchers Nielsen revealed that people are four times more likely to buy from you when your company has been recommended by a friend of theirs.



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There are several compelling reasons why customer referrals are so effective. They are low-cost. Unlike advertising and other marketing campaigns, they cost nothing.

For businesses of all sizes and in every industry, it is important to understand the true cost per lead or the total amount of money it takes for a company to generate one lead. A lead is an individual who has the potential to become a customer in the future, and many leads discover your business through marketing channels.

However, with word of mouth, the closing cycle is shortened and the cost of marketing is reduced. There's a lot more initial trust in the brand, which increases the closing rate. Because customers who give referrals have nothing to gain by doing so, they have passed the trust on, which has a snowball effect, and builds a lot of credibility and loyalty to the brand.

After all, when a potential customer comes to your company, they are more likely to trust you, because they know a friend or family member had a really good experience with your brand.

Customer referrals create a positive cycle, which leads to more and more growth over time. Customers who choose your business based on a referral, are more likely to give your business a referral in the future.



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The starting point is identifying your company's mission and then living up to that mission. For example, at PaySpace our mission is to improve lives through technology and provide world-class support.

If you deliver on that, you will naturally get more referrals. If a customer is proud of the technology and is benefiting from it, they will happily give a referral. Remember, if your business isn't growing, it is dying, and if it's growing, referrals will follow organically.

To get referrals, your business needs to deliver top-notch customer experiences. No one will recommend a company that gives them average service, so make sure that you exceed all your customers' expectations.

When asking for a referral, strike while the proverbial iron is hot. If you know you have given world-class customer service, don't be shy to ask for a referral, and make sure the process isn't long and complicated, or it will put people off. Make it simple and easy for them, such as a text message or email.



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Don't be afraid. People tend to think you can only ask for a referral after they've gone live, and after they've had a good experience. This isn't the case. You are constantly setting the scene and giving a good experience throughout the buying cycle from start to finish. The experience is there, so ask for a referral up front, even when you're taking the order.

There's no time like the present. Understand your core proposition and live up to it. Customer referrals are a great way to bring more customers on board, and at no cost. Don't wait, start asking your customers for referrals today.

## ABOUT HEINRICH SWANEPOEL

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