

THE STATE OF

BUSINESS PARTNER REFERRAL PROGRAMS

ANNUAL REPORT



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METHODOLOGY

In order to learn more about the outcomes of business partner referral programs, the 2016 data from the partner referral programs run on Impartner's referral platform were analyzed. Data analysis was performed by third party contractor, Brian Schmotzer, MS in Statistics¹.

Three partner programs that were very mature and had outlying success rates were removed from this study so that they would not skew the data.

Some partner referral programs have a standard "bounty" reward amount while others vary the amount based on product purchased or percentage of revenue. Therefore, the analysis of the reward amounts was done based on the actual payment amount of the reward.

The following report details the trends and performance of partner referral programs.

¹ *Data analysis performed by Brian Schmotzer:
Bio and credentials*

INTRODUCTION



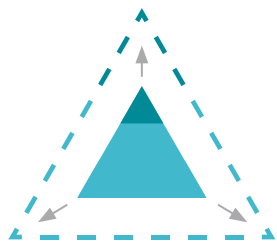
Drivers for the growth of referral programs

There is increased pressure on marketing and partner organizations to drive revenue growth via the channel. Forrester's PRM Wave² highlights that channels are the mechanism companies are looking to in order to drive revenue growth.

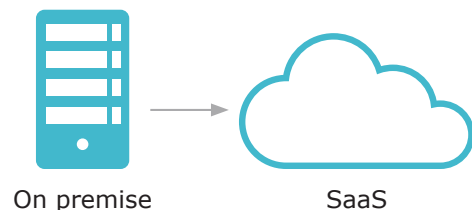
The paper states, "Channel chiefs' and channel marketing/management professionals' investments and operations

are under increasing scrutiny from their CEOs and board directors to drive growth." This is driving partner marketers and operations teams to find ways to streamline and scale the various types of partner programs they are running. Referral partner programs fulfill this need as a low cost way to scale the output of partners without scaling partner resources.

² *The Forrester Wave™: Partner Relationship Management (PRM) Platforms, Q3 2016*



Growth objective can't be obtained with reseller partners alone. There is a need to increase revenue generation by enabling referrals.



Resellers who can't transform to SaaS delivery models can still be leveraged as referral partners.



Enrolling potential resellers as referral partners proves productivity and fit before training as reseller.



Provide a way to leverage organizations, individuals and partners like ISVs who would never resell to bring in business.



“ Partner referral programs can be used in any industry and offer a way to motivate and reward partners for identifying and registering new leads. This type of partnership [referral partners] provides the opportunity to align with organizations that have strong relationships with a supplier's target buyers, but are not interested in or qualified to resell the supplier's offerings (e.g. suppliers that provide collaborative solutions, systems integrators, consultants, influencers, etc). ”

Kathy Contreras

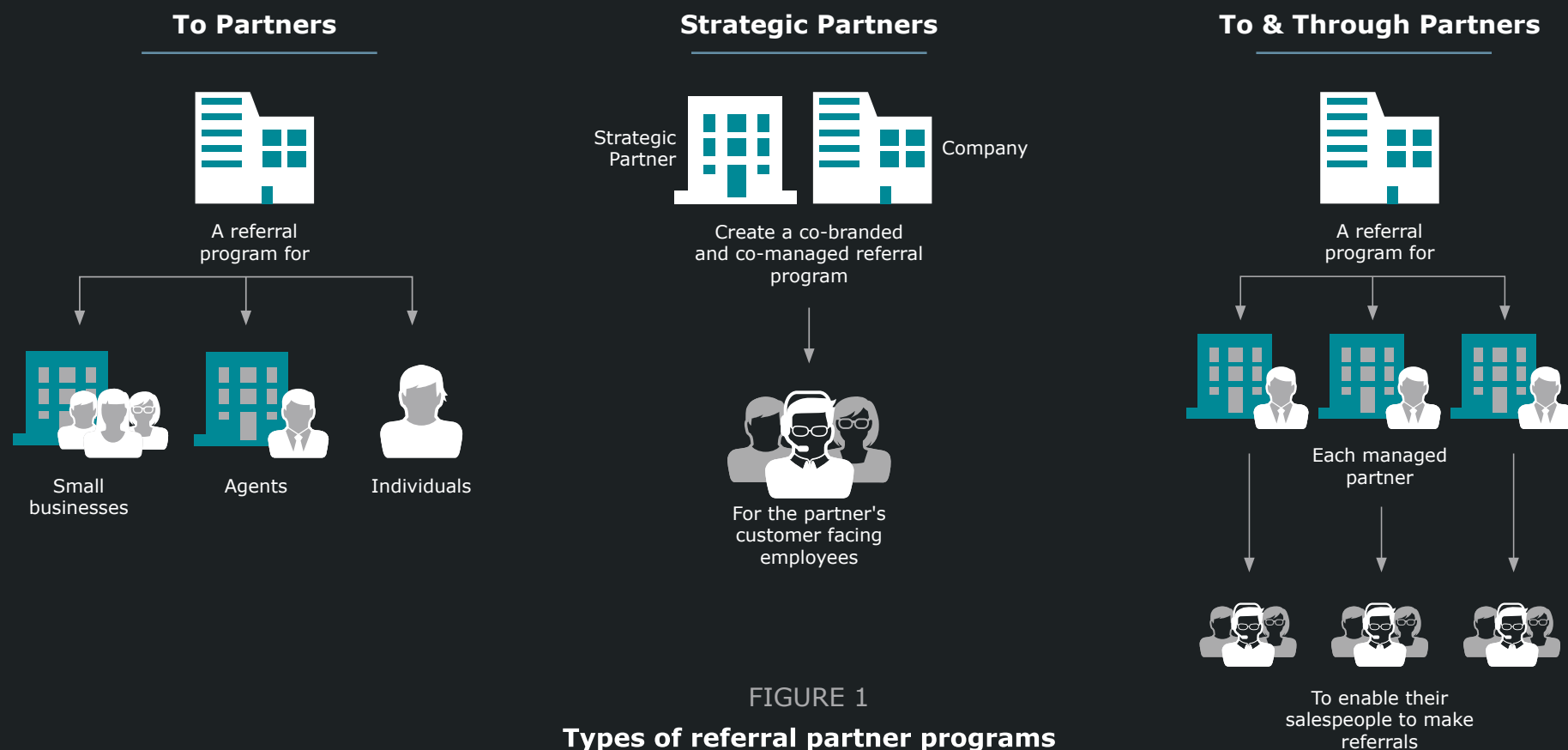
Research Director of Channel Marketing Strategies



Types of referral partner programs

The referral partner data in this report came from companies running one or more referral programs. The most referral partner programs run by a single company was five. Referral partner programs are typically structured

in three different ways. All three program types have incredible value to drive a consistent flow of referral business to a sales team.



6 methods partners are using to refer

The decision on which referral methods to offer in a partner referral program needs to be considered relative to the partner population and how they connect with their network. Adding additional methods can be a great way to expand the usage of the program to those that might connect with their network in a different way.



EMAIL

A personalized email sent by the partner with a CTA to fill out their information on a prospect lead form.



LEAD FORM

A form filled out by the partner with the pertinent contact information for the referral.



PRINT CARDS

A printable card that has the partner's unique url and instructions on how to take action.



SHAREABLE URL

A unique url that partners can copy and paste and share it with their network.



SOCIAL MEDIA

A branded post that partners can share via LinkedIn, Twitter and Facebook.



VERBAL

A referral collected verbally from partners by sales who inputs them into Salesforce.



RESULTS

Opportunity for better partner engagement

The largest partner program analyzed in this study had 11,260 partners enrolled. On average, partner programs had 1,250 partners enrolled. In 2016, 69% of partners were actively making referrals; which is about 863 partners on average. This also means that 31% of enrolled partners were sitting dormant.



“ Partner referral programs can serve as an entry point for new partners, allowing them to test the benefits of a potential expanded partnership. ”

Kathy Contreras

Research Director of Channel Marketing Strategies



ACTION ITEMS

1. Make it easy for partners to refer.
2. Keep partners engaged with regular communications.
3. Enable sales to prompt activity from inactive partners.

Frequency of referral method inclusion

Having a lead form for partners to fill in the information of their referral is a staple in partner referral programs. The ability to accept verbal referrals, send emails and share personal urls are all offered in 50% of partner referral programs. Social media and print cards are afterthoughts at 30% and 10% inclusion respectively.

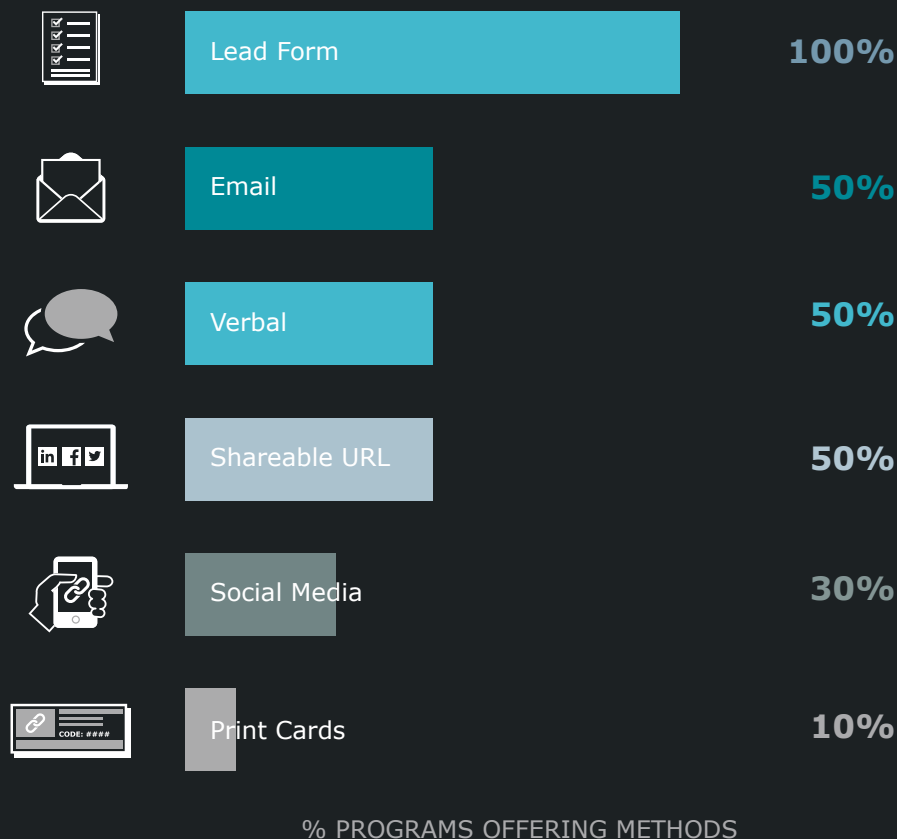


FIGURE 2
Referral methods offered in partner programs

Most popular referral methods

There is no question that the inclusion (or exclusion) of a referral method by a partner referral program will affect the volume of referrals seen by each method. However, it is still an interesting data point to consider, both for volume of referrals via each method as well as the ultimate success rate of referrals by each method (covered in the following section).

Overall, 81% of referrals are being made using lead forms. Social media comes in second at 13% of referrals. Verbal referrals, shareable urls, email and print cards make up the remaining 6% of referral activity.

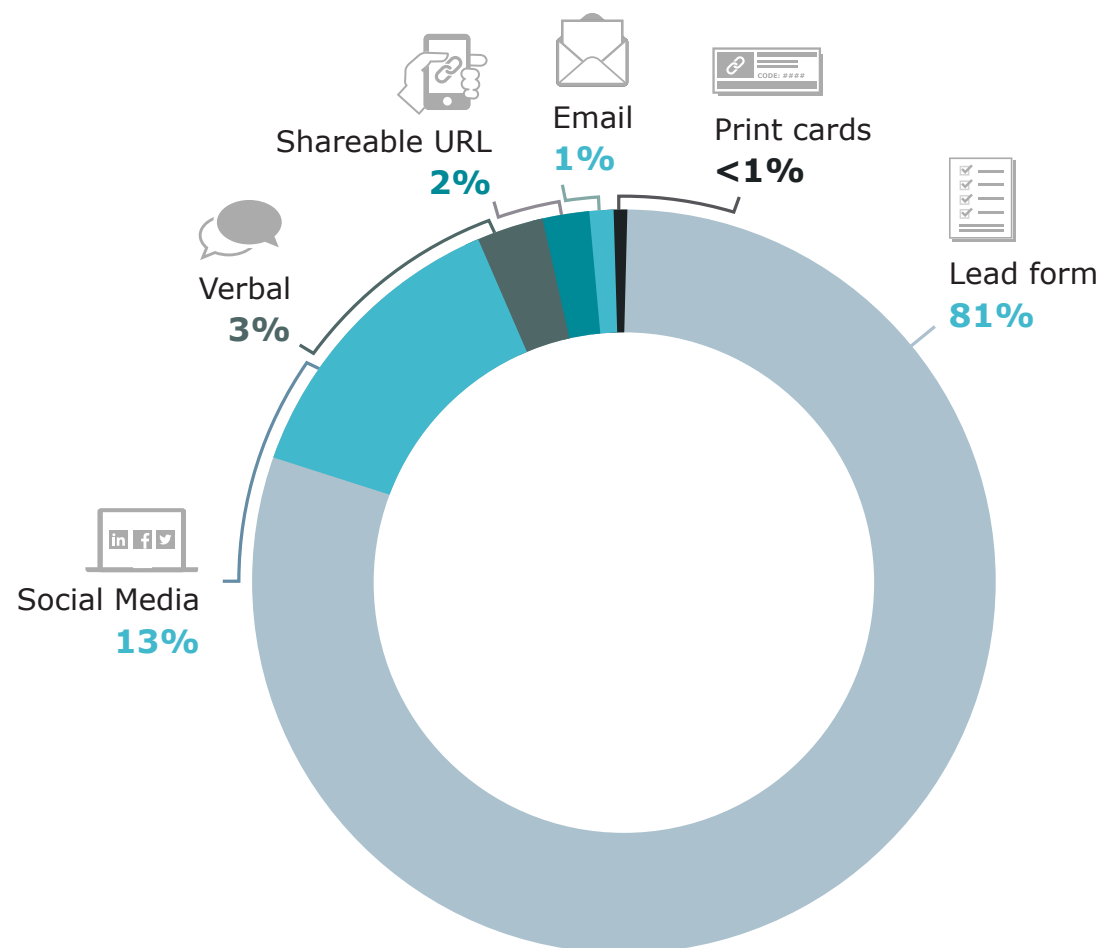


FIGURE 3
Most used referral methods by partners

Most successful referral methods

The most successful referral method was surprisingly print cards. However, this data should be taken with caution as the overall usage was below 1%. Looking at the success rates of those referral methods with the most volume, lead form topped the list at 37% of those referrals being successful. Verbal referrals and shareable url come in next at a 21% success rate. Social media use drove brand awareness, but no closed business. Email was rarely used and did not produce any successful referrals in 2016.

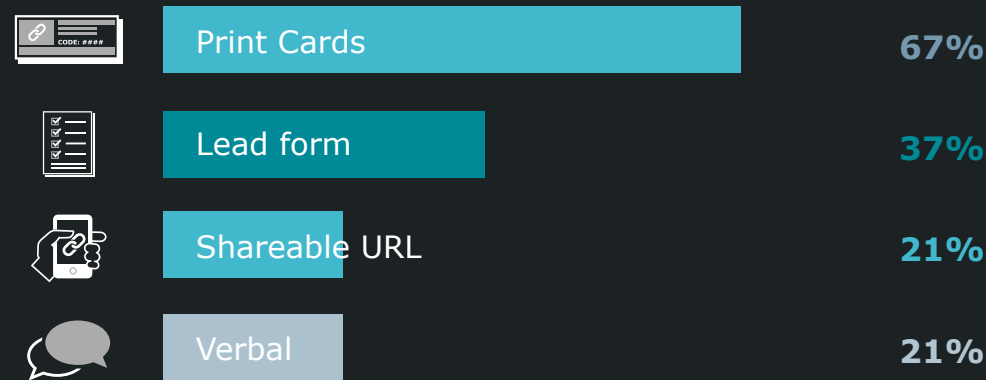


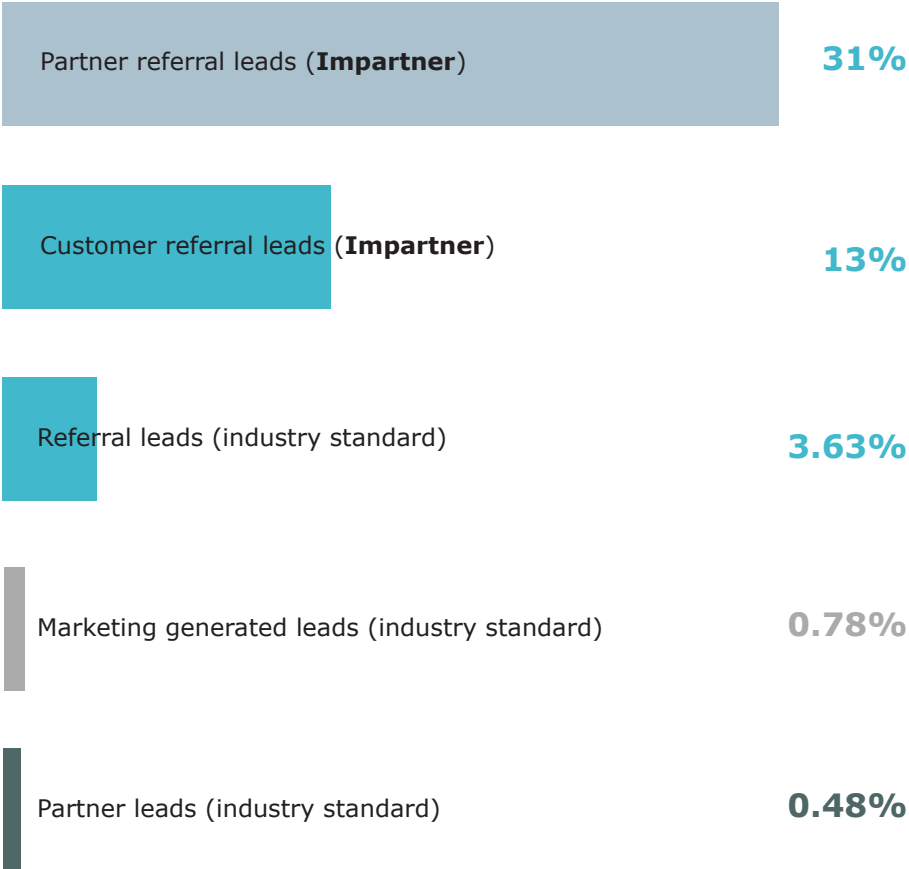
FIGURE 4
Most successful referral methods

ACTION ITEMS

1. Social media was only offered in 30% of programs, but was the second most used method. Add social media to allow partners to drive brand awareness and educate target buyers.
2. Verbal referrals and shareable urls were both highly successful. Add these methods to your program and train on use.
3. Survey partners to determine additional ways they want to connect to their network. When in doubt, offer all and coach on making 1-to-1 referrals.

Referral partner leads are the highest quality lead

Looking across all partner programs and all methods used, the conversion rate of partner referral leads turning into customers is 31%. An analysis done by Salesforce’s Implisit³ shows that the average conversion of partners from leads to deal is 0.48%. The average referral lead conversion is higher at 3.63%. Looking at customer referral programs on the Impartner platform, the success rate is 13%.



³ Salesforce - B2B Sales Benchmark Research Shows Some Pipeline Surprises

FIGURE 5
Lead to deal conversion rates

Sales involvement increases conversion rates

An interesting trend seen in this analysis is from referral partner programs where the sales team plays a role in recruiting partners and regularly asking for referrals. Partner referral programs that enabled sales involvement had a 10 percentage point higher referral lead to deal conversion rate of 41%.



Sales involvement yields

41%

lead to deal conversion

ACTION ITEMS

1. Train direct and/or partner sales teams on when and how to ask for referrals.
2. Track partner recruitment and referrals by salesperson. Sales leadership then can manage the sales team to specific referral goals each quarter.
3. Enable sales to input verbal referrals within Salesforce and attribute leads and opportunities to partners.

Repeat referral activity drives majority of lead volume

How often partners make referrals during the course of the year can greatly impact the success of the referral partner program.

Of all the participants in partner referral programs in 2016, 69% took action to make a referral of someone in their network.

Almost half of active partners made between 2 and 10 referrals in 2016. Another 45% just made 1 referral during the year. The remaining 8% of active partners made in excess of 11 referrals.

45%
of partners make
1 referral



47%
of partners make
2-10 referrals



8%
of partners make
11+ referrals



FIGURE 6

Frequency of referral activity

Not all referral sharing activity results in a referral lead being created. Some methods, like url sharing, could result in multiple referral leads from a single share or none from multiple shares. Therefore, it can be interesting to look at the average number of referral leads per active partner. Active partners in a program can be counted on for 4.6 referral leads each per year. For the average program with 863 active partners, they could therefore expect 3,970 referral leads from the program. Partners who were previously successful at creating referral leads yielded an average of 6.7 referral leads year.



Active partners produced
an average of
4.6
referral leads/year



Successful partners
produced an average of
6.7
referral leads/year

ACTION ITEMS

1. Partners who were successful referred more. Identify these partners and encourage their productivity.
2. Keep partners informed on the target buyer and communicate regularly to keep the program top of mind.
3. Create escalating incentive structures to encourage repeat referrals.

Referral enthusiasm does not equal success

The top 1% of partners by quantity of referrals account for 16% of the overall referral leads generated in 2016. However, the conversion rate from referral lead to customer is 16%, which is half of the overall conversion rate of 31%. Looking at the top 10% of partners by referral volume, they are responsible for 53% of referral leads created with a 23% success rate.

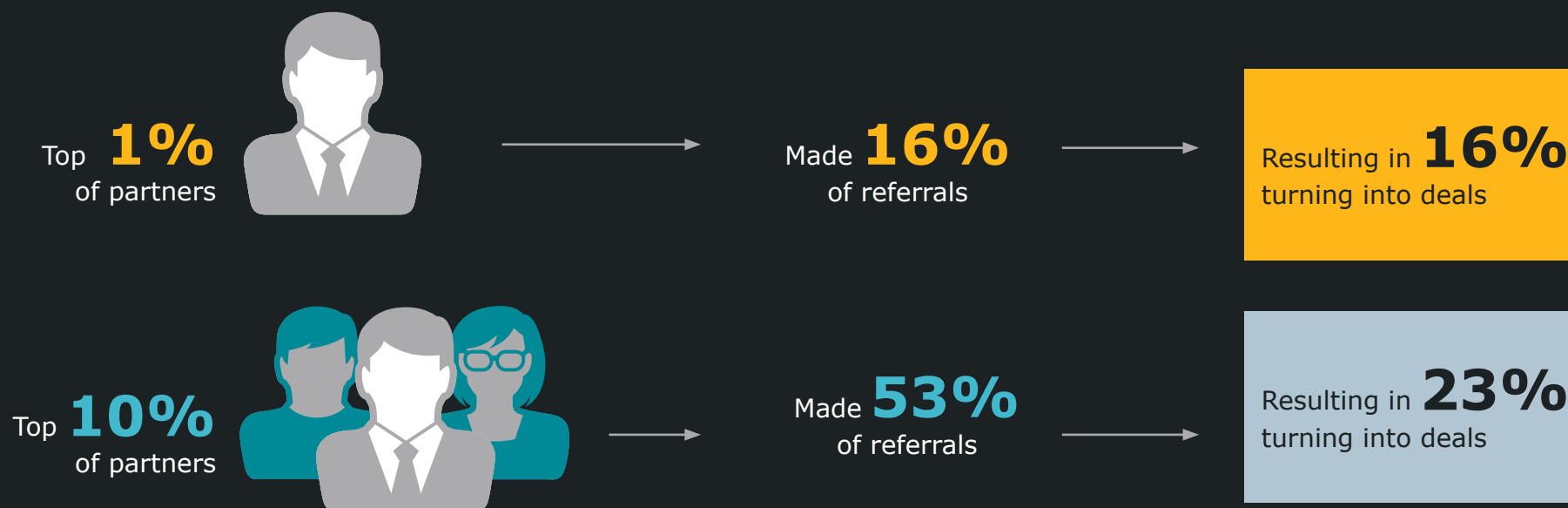


FIGURE 7
Performance of top referring partners

Cash is king for partner rewards

Checks are the most frequently utilized reward with 60% of programs paying with checks. These are typically used for programs that have variable reward amounts or offer a percentage of revenue. Gift cards account for 20% of rewards. Those that utilize gift cards typically have a flat “bounty” reward.

Bank transfer was at 20% utilization. This method is best for partner programs that pay out high amounts regularly and want to group reward payments. It is additionally used for international programs in order to handle currency exchange.

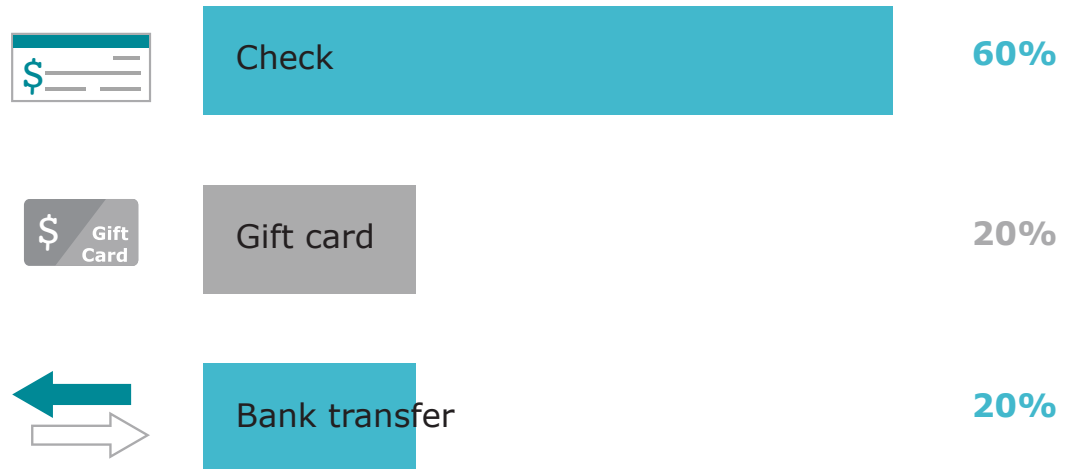


FIGURE 8
Reward types offered in partner programs

Average reward amount

Overall, the average reward payments that fell in the range of \$101-\$1000 were most common, accounting for 76% of partner rewards. Rewards that were greater than \$1,000 accounted for 14% of reward payments. Rewards that fell within \$40-\$100 made up 10% of partner rewards. The average reward amount was \$182. The maximum reward paid out to an individual referral partner for a single referral in 2016 was \$8,463.



FIGURE 9
Most common reward amounts

Visualizing the referral pipeline and its business impact

In a given year, 69% of partners are actively making referrals. From this, every active partner can be counted on to provide 4.6 leads per year and those leads convert to a purchase 31% of the time.

If the average partner referral program has 1,250 partners enrolled, 863 of those will actively make referrals each year. Their activity will result in 3,970 referral leads being

passed on to sales. Those leads will result in 1,231 new customers making a purchase.

Running the same example where sales is involved, the conversion from lead to deal goes up to 41%. In that case, a program with sales involvement will acquire 1,628 new customers.

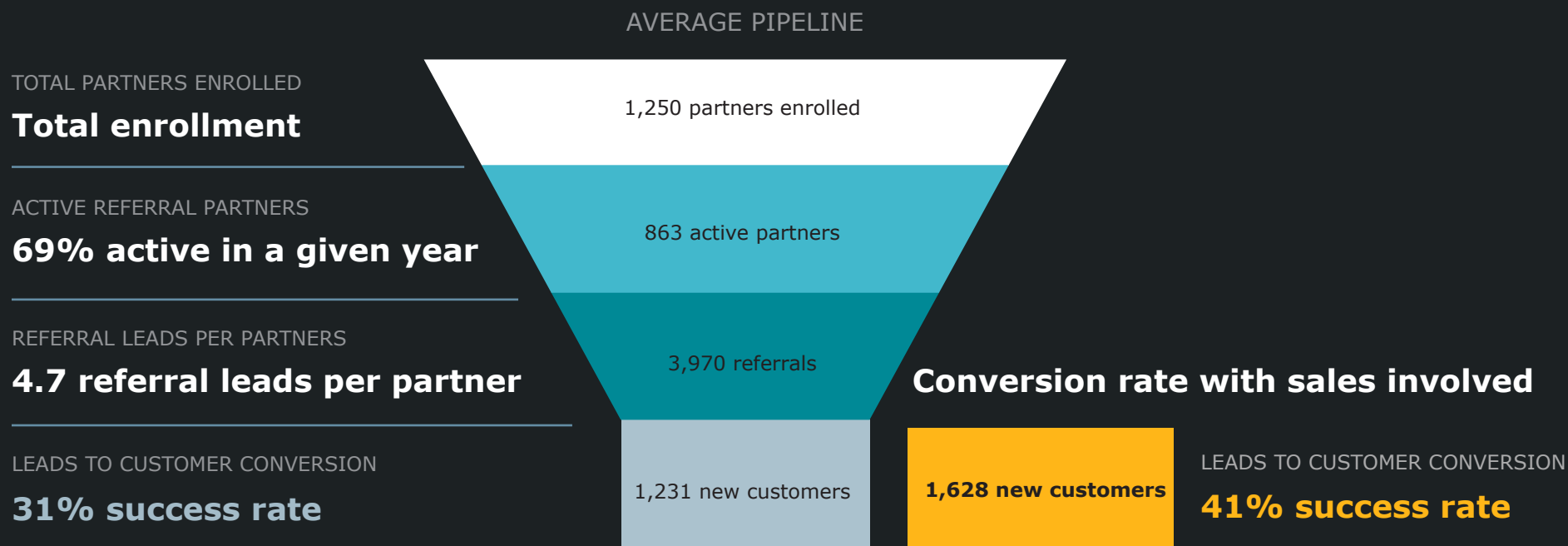


FIGURE 10
Referral pipeline

A grayscale photograph of three people in a meeting. One person is pointing at a laptop screen, while the others look on. The image is overlaid with a pattern of semi-transparent geometric shapes (triangles and polygons). The text 'KEY TAKEAWAYS' is centered in a bold, white, sans-serif font.

KEY TAKEAWAYS

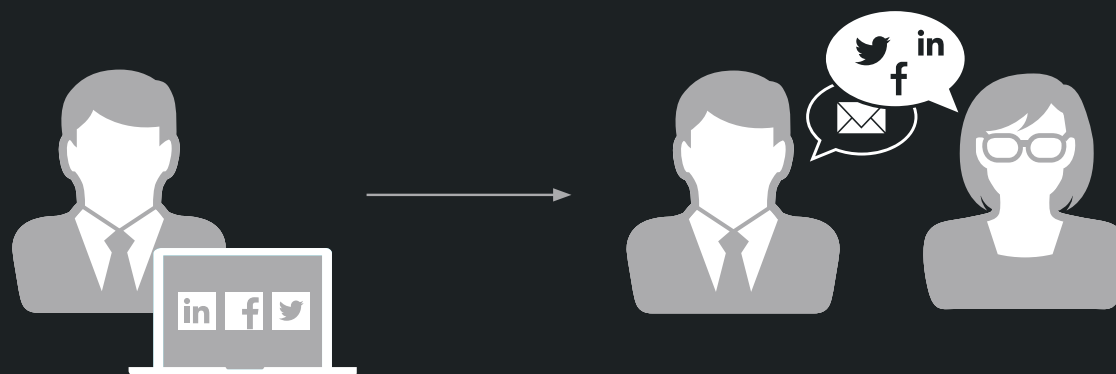
1. Enable partners to make one-to-one referrals

Regardless of which methods are offered, the data shows higher success rates for methods that are always a one-to-one referral (page 11). All methods can be used as a one-to-one, but training is needed to ensure that partners understand how to do this. This should include educating partners on the target buyer and ways to make a referral to their network.

This is especially true for social media. While it was well utilized by partners (page 10), it was not very successful (page 11). This is likely because partners are using this as a one-to-many communication. This misses the step of first identifying a person who would be a target buyer and making a one-to-one direct recommendation. This can be

great for brand awareness, but needs to be used in a one-to-one capacity in order to drive high quality leads. No referral method is bad, but all require coaching on how to properly identify a target buyer and make a one-to-one referral ask.

Verbal referrals were successful 21% of the time (page 11), yet was only offered in half of the programs (page 9). The inclusion of the verbal referral method may be an important addition to consider for existing partner programs. This is especially compelling when examining this alongside the data which verified a 10% higher average referral conversion rate with sales involvement (page 13).



2. Running referral programs increases conversions

The data collected from the Impartner platform reported a 100 better conversion rate for partner referral leads than reported by Salesforce's Implicit ([page 12](#)). This could be attributed to the fact that referral programs run on Impartner are formal programs that educate partners on the target buyer. The Implicit study was looking at lead source attribution, which may not correlate to having a formal referral program with marketing and sales support.

More important to the conversion rate is the fact that many partners will only bring a referral forward when a prospect has already become interested in the product or service. Attribution can additionally happen at the opportunity stage, which inherently inflates the success rate.

With a 10 percentage point jump in lead to deal success when sales was included ([page 13](#)), it is clear that companies running referral partner programs should involve direct and/or partner sales teams. This means a company needs to manage their sales team to objectives for recruiting partners to the program and collecting referrals from those partners to achieve this jump in success.

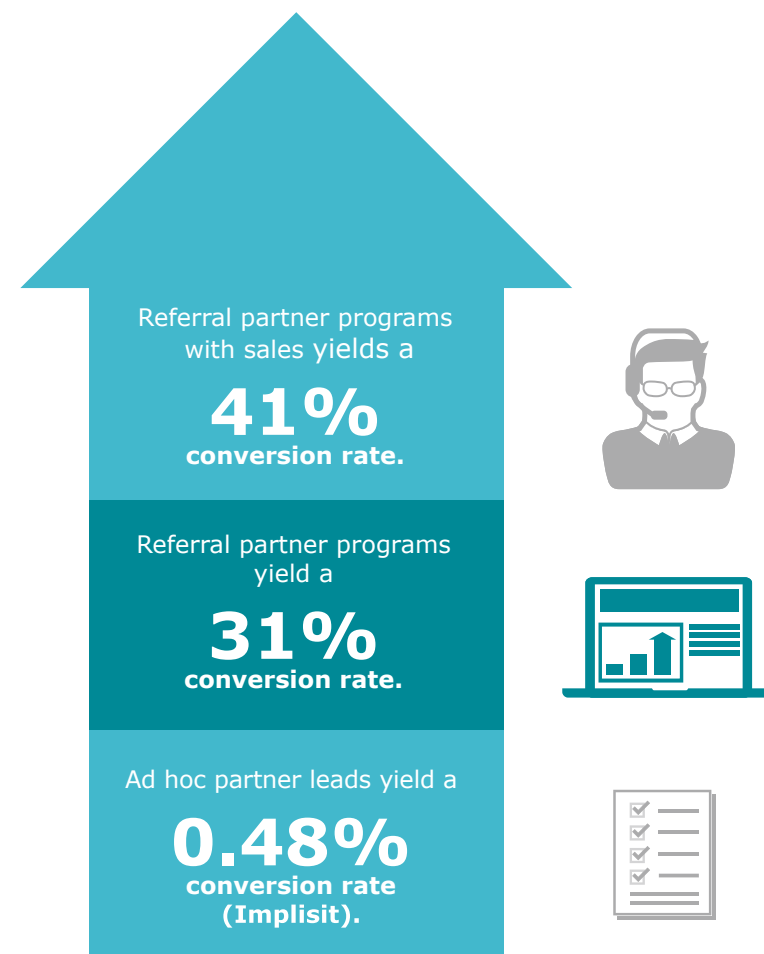
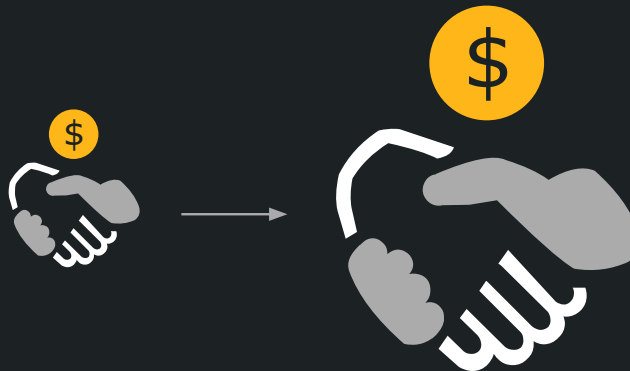


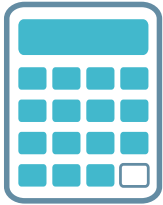
FIGURE 11
Conversion increase from manual referrals

3. Don't under compensate referral partners

Overall, the average reward payment amount in 2016 was \$182 ([page 18](#)). When considered relative to a typical cost per acquisition (CPA) of a new customer, this is likely low. This is why marketers find so much value in automating referral partner programs because it is such a low cost of acquisition with high conversion rates. That said, incentivizing partners at too low of a rate stifles the desire to make additional referrals and de-incentivizes their involvement in helping the deal close.

Not one reward fits all partner types and sales models. Partner programs in this study used a range of reward types and amounts with varying calculations and timing of payments as makes sense for their business. The more mature programs analyzed as part of this study tended to have advanced reward structures and higher success rates. An interesting analysis for next year may be to look at repeat referrals and success rate when escalating rewards are used. Additionally, success rates from bounty rewards versus percentage of revenue could be compared.

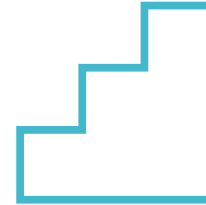




Calculation

Keep it as simple as possible

- Flat bounty
- Variable bounty - product purchased or involvement
- Flat percentage of revenue
- Variable percentage of revenue - deal size or involvement



Escalation

Incentivize repeat referrals and deal involvement

- Higher payout once SLA met
- Higher payout after set number of successful referrals
- Higher payout with deal influence through sales process



Timing

Ensure customer is sticky

- Retention period for a subscription product
- Split reward to provide small payouts at purchase, majority after X months or renewal



Accrual

Less payments, bigger payouts

- Combines payments for all successful referrals in a time period
- Choose frequency that keeps partners engaged
- Reduces transaction fees for payment method

FIGURE 12

Four variables for partner incentives

4. Engage partners to boost referral activity

Unless a referral partner is managed with a particular SLA, keeping referral partners engaged and referring is a challenge for partner marketers. The biggest opportunity the data presents to get more productivity out of a referral program is to engage with the 31% of enrolled partners who are not actively referring ([page 8](#)). The second opportunity is to engage referral partners that have made referrals, but have not had their efforts turned into closed business ([page 10-11](#)). A personalized contact by sales or partner marketing can go a long way to re-engage them, make sure they understand the target buyer, and drive referral activity.

On the other extreme of activity, the data illustrates that top referral partners by referral volume are less successful ([page 16](#)). This is likely a result of these

partners making referrals at scale without considering fit, identifying need and making a personal, one-to-one referral ask. There is an opportunity for those running referral programs to coach these enthusiastic partners to success. Those partners will appreciate the guidance and the additional rewards that will come through as a result. However, even at 16% conversion, referral leads from top referral partners still beat industry standards for lead conversions ([page 12](#)).

Don't discount the low volume referral partners as they have a high rate of success ([page 16](#)). This shows the importance on focusing on recruiting a broad base of partners. Having a way to harvest those few referrals from them pays off because when they refer, it turns into a sale.





The Final Takeaway: **GROW WITH REFERRAL PARTNERS**

With Impartner, you can create a demand generation source that converts referrals to deals more than 31% of the time. Impartner automates customer and partner referral programs, eliminating the operational hassle to allow for referrals to be a high-volume, always-on revenue source.

Impartner has the expertise to help you build your referral programs to be your #1 source of revenue. Are you looking to bring your partner referral programs up to the level seen on Impartner's referral platform? Request a demo of Impartner to get an overview of our platform and a custom ROI assessment.



impartner.com/demo