



Maritz Field Research Collaborative

Prosocial Referral Experiments –
A Case Study

Introduction

Maritz is a people company. Everything we do is grounded in the scientific study of human behavior. With over 120 years of experience, we continue to be a leading provider of customer experience research, employee recognition, sales incentives, channel and customer loyalty programs, meetings, events and reward experiences. Today, almost half of the Fortune 100 firms rely on Maritz to help them bring out the best in their stakeholders.

The Behavioral Science & Innovation division (BSI) of Maritz is a center of excellence that explores the application of behavioral science insights to Maritz client solutions. Led by the industry's first chief behavioral officer, this team partners with Maritz solution teams to bring cutting-edge research and innovative design practices to our clients' most pressing business challenges. We also share what we're learning by publishing thought-provoking content through a variety of channels.

The Maritz Field Research Collaborative

To fully apply the wealth of insights emerging from the fields of social psychology, behavioral economics and neuroscience, BSI also sponsors primary research through The Maritz Field Research Collaborative. The Collaborative matches Maritz clients with leading academic researchers to conduct controlled experiments in areas of mutual interest. These collaborations successfully bridge the gap between academic behavioral theory and applied business practice.

Maritz Clients Benefit by:

- Accessing the research and thinking of world-class academic researchers.
- Gaining custom findings and recommendations on how best to nudge human behavior to create better business outcomes.
- Having “first mover” advantage for implementing insights harvested from experimentation.
- Receiving positive publicity associated with the publication of research findings – *or all references to the client's name and brand can be anonymized.*
- The work of the Maritz Field Research Collaborative is provided as a no-fee, value-add service.

Researchers benefit through the opportunity to advance their research in the business marketplace and by publishing their findings in academic journals. Maritz gains the opportunity to add to the collective understanding of human behavior in the modern marketplace.

Overview: Prosocial Referral Experiment

Word-of-mouth referrals are considered one of the most potent forms of marketing. Studies have shown that customers referred by others they trust are more likely to spend more, remain loyal longer and refer others with greater frequency than other customers.^{1,2}

Business Question to be Explored:

Given the benefits associated with asking customers to refer others, what is the best way to structure incentives to optimize the conversion of new, referred customers? Is rewarding the person who makes a referral – as is the widely accepted practice – better than rewarding the person who receives the referral (the “prosocial” option)? What about splitting the incentive between the giver and the receiver? Based on lab experiments, researchers at Washington University in

St. Louis and Harvard Business School hypothesized that the most effective approach would be prosocial or “generous” incentives where the recipient of the referral would receive an incentive for becoming a new customer.³



Experiment 1: GiftAMeal

GiftAMeal is a U.S.-based mobile app that provides a meal to someone in need each time a user takes a photo at a partner restaurant. Sponsoring restaurants fund the meal donation. There is no cost to customers who use it.

The goal for the experiment was to determine which referral incentive condition would cause the most people to download the GiftAMeal app.

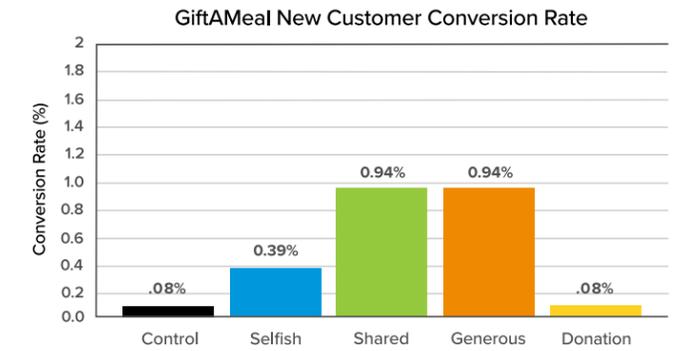
The site's 6,364 current customers were randomly divided into one of five incentive reward conditions. GiftAMeal assigned unique promo codes to all users to track their behavior.

- Control = no incentive mentioned – standard GiftAMeal offer of a meal donation.
- Selfish = small value gift card reward for originator.
- Shared = small value gift card to both originator and recipient (note: combined value of both gift cards was the same as the incentive for other conditions).
- Generous = small value gift card reward for recipient.
- Donation = a small cash donation made to Feeding America food bank for app download.

Results of Experiment 1

App download activity was tracked over a period of two weeks following the initial e-mail announcement. The experiment revealed a significantly higher new customer conversion rate in both the Shared and Generous conditions

than in the Selfish, Control or Donation conditions. Conversion rate is defined as the number of new customers divided by existing customers who received an invitation to refer.



Experiment 2: Game Access

GameAccess.ca is a Canadian website owned by KLF Media. Site members can rent over 4,000 video game titles online. Members pay a monthly fee of \$26 to gain full access to all games available on the site. The goal of the experiment was to determine which referral incentive condition would cause the most people to sign up as new members.

1,500 current GameAccess members were randomly divided into three incentive reward conditions and received an e-mail message announcing the referral promotion.

- Control = no reward offered. Message simply asked members to refer a friend.
- Selfish = one month free membership to originator for referring a friend.
- Generous = one free month membership to recipient for signing up.



Researchers:

In the summer of 2017, Maritz partnered with a team of three researchers to conduct two experiments on the effects of prosocial referrals on new customer acquisition:



Cynthia Cryder
Associate Professor of Marketing
Washington University in St. Louis



Rachel Gershon
Ph.D. Candidate
Washington University in St. Louis



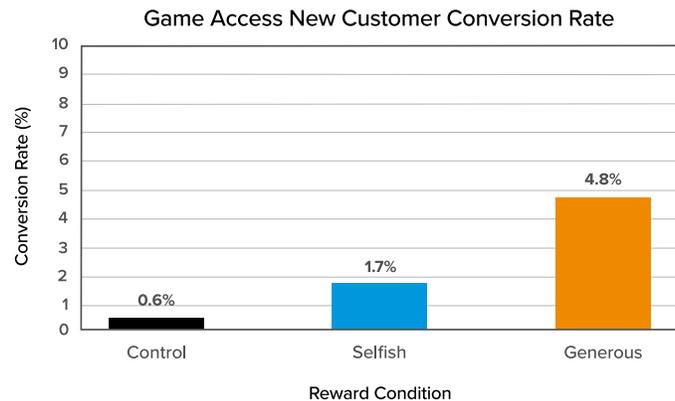
Leslie John
Associate Professor of Business Administration
at Harvard Business School

Results of Experiment 2

Activity was tracked over a period of two months. The experiment revealed two interesting findings:

1. Surprisingly, there was no significant difference between people in both the Selfish and Generous groups who made referrals. Both groups significantly outperformed the Control group in making referrals. In fact, slightly more people in the Generous group made referrals even though they did not receive an incentive for doing so.
2. When it comes to converting referrals into new customers, people receiving an offer of a free month membership from a friend were much more likely to sign-up than if the originator had received the reward (please see chart). In fact, Selfish rewards were only marginally more successful than the Control group (no rewards). These results fit with the hypothesis and spotlight the power of an incentive to activate trial.

In summary, providing the recipient with an incentive (Generous) not only boosted conversion of new customers, but also positively influenced people to make referrals in the first place ... a potent combination!



Business Implications

As hypothesized, providing an incentive for the recipient of a referral (Generous condition) in both experiments significantly outperformed Control group customer conversions where no incentives were offered. The GiftAMeal experiment also showed that splitting incentive value between both the originator and the recipient resulted in a customer conversion rate equal to that of the Generous condition. The GameAccess experiment also demonstrated that, for many people in the Generous condition, simply having the opportunity to share something of value with a friend is reason enough to make the referral.³

While being somewhat counterintuitive with current marketing practices (i.e. rewarding the originator for their efforts), the two experiments spotlight the behavioral potential of shifting the incentive to the recipient of a referral. This approach would seem to reinforce that referral requests from trusted others are not only more salient, but they also trigger reciprocation by providing a behavioral nudge in the form of an incentive for becoming a new customer.

¹Nielsen Trust in Advertising Report, 2013. Retrieved from: <http://www.nielsen.com/us/en/insights/reports/2013/global-trust-in-advertising-and-brand-messages.html>

²Schmitt, P., Skiera, B., Van den Bulte, C., (2010). Why Customer Referrals Can Drive Stunning Profits. *Harvard Business Review* (2011, June). Retrieved from: <https://hbr.org/2011/06/why-customer-referrals-can-drive-stunning-profits>

³Gershon, R., Cryder, C. & John, L.K. The Reputational Benefits and Material Burdens of Prosocial Referral Incentives, working paper.