

Ditch One-and-Done Customers with **Referral** Marketing

Win better quality customers who spend more,
stay longer, and bring their friends.

mention*me*



Many of you reading this will be facing fierce challenges like rapidly losing customers, rising costs to gain new ones, and one-off spenders that hurt long-term growth.

So what's the solution?

You already know that retaining customers is cheaper than acquiring new ones, but as acquisition costs [have risen 222%](#) in the last eight years, it's vital that these new customers spend more, stay longer and bring their friends. Referral can help drive that quality acquisition you're looking for.

This paper discusses and demonstrates how referral marketing is a smart, scalable solution for increasing customer quality and repeat business in 2025.



Challenge

How to **win and retain** quality customers

Finding high-value customers

For B2C brands, attracting shoppers who spend more, stay longer and bring their friends is more challenging than simply generating website traffic. With rising CPA, fierce competition, and limited attention spans of audiences, it's never been trickier to capture meaningful customers. Meanwhile, the choice of marketing channels makes it easy to overthink or suffer from analysis paralysis.

However, referral marketing can drive quality acquisition and reduce reliance on unreliable paid channels, leveraging trusted word-of-mouth to encourage purchases and repeat customers.

Overreliance on traditional loyalty schemes

Loyalty programmes are a popular strategy for increasing retention. However, we often hear brands describe theirs as a ‘slippery slope’ — becoming unbalanced and transactional, turning high-value customers into mere discount-hunters.

When customers come for discounts alone, you’re missing out on true customer loyalty that involves customer-driven contributions like referrals, newsletters sign-ups and buying products. Truly loyal customers bring value beyond discounted purchases.

Rising CPA

According to [Focus Digital](#), the industry-specific averages for CAC have steadily increased since 2023, as shown in the table.

As you begin targeting higher-quality, more relevant customers on paid channels, it's natural for your Cost Per Acquisition (CPA) to rise, reflecting the investment in reaching audiences who are more likely to engage with and bring value to your brand.

However, referral marketing provides a cost-effective alternative because customers often refer like-minded people who are inherently more relevant to your brand. This organic method allows you to acquire high-quality customers without the burden of high CPA associated with paid channels.

Average CAC by Advertising Channel Trends

Industry	Organic CAC	Change from 2023	Paid CAC	Change from 2023
Accounting	\$579.33	+4% ▲	\$1,738.00	+8% ▲
Healthcare	\$365.62	+3% ▲	\$593.19	+5% ▲
Retail	\$41.36	+2% ▲	\$226.38	+7% ▲
Automotive	\$457.23	+5% ▲	\$903.86	+1% ▲
Hotels	\$70.60	+2% ▲	\$158.42	+6% ▲
Fintech	\$618.16	+6% ▲	\$955.34	+12% ▲
Insurance	\$121.98	+3% ▲	\$182.97	+4% ▲
Financial Services	\$1,068.10	+4% ▲	\$1,751.50	+9% ▲

To discount or not to discount?



Referred customers on average:

11%

more spend on
their first order

5x

more likely to
bring friends

25%

more likely to
buy again

2x

higher LTV

Concerns about discounting? We get it. Many brands we work with are critically evaluating their discount strategies, debating whether to offer discounts at all.

But what's their secret to profitable growth, despite offering discounts? Because the quality of customers acquired is vastly superior.

It's also important to remember that referral discounts require a value exchange with your customers — they can only benefit from these offers once they've introduced another high-value customer to your business. That's why numerous luxury brands we work with, who are inherently cautious about discounting, limit such offers to their referral programmes.

Key takeaway? Referral-based discounting is vastly different from other methods. Rather than attracting fickle bargain hunters, you're acquiring loyal customers who spend more, stay longer, and bring friends along.

While you offer an initial reduced price, your profit margins will remain healthier in the long run. We also provide robust A/B testing capabilities to help you identify the optimal rewards that entice customers while safeguarding your bottom line.

However, not all brands we work with opt for discounts. Many choose alternatives such as free gifts, competition entries, or even charity donations, which can also prove effective.

Solution

Drive **better** customer quality using referrals

Leverage Trusted Word-of-Mouth

92% of customers trust recommendations from friends and family over any other type of advertising. Referral marketing leverages this trust and social validation, shifting your focus from merely expanding customer numbers to increasing the quality and loyalty of your customer base.

Typically, a customer referred by a friend spends 15-25% more on their first order. This is because they come to your brand with a predisposition to like and trust it, having been introduced through a personal, emotional connection rather than arriving cold without any prior context, i.e., they haven't arrived from an advert on Instagram.



Find your true VIPs

Referral marketing helps you pinpoint your best customers, tracking how much they spend and how many friends they bring with them. Referred customers often spend more, stick around longer, and are more likely to match your ideal customer profile, helping you reduce CPA on paid channels.

Optimise your Loyalty Scheme with Referral Data

As Huel's global head of CRM, Tash Reynolds, puts it: "the level up from loyalty is advocacy: customers referring their friends". When it comes to demonstrating customer quality, referrals are the gold standard.

Integrate referral data into your loyalty programmes to identify true brand advocates across your customer base — not just those who spend the most, rewarding customers who drive the most value while helping retain loyal brand fans who contribute significantly. This approach ensures that you're not merely appealing to bargain hunters but also recognising those who bring in new customers and have a lasting impact.



Advocacy is the next level beyond loyalty, where customers actively refer their friends."

Tash Reynolds

Global Head of CRM, Huel

Outcome

High-quality customers who stick around

Customers who spend more

For Mention Me clients, the AoV of referred customers has reached up to 117% more than the AoV of non-referred customers, with another client, Brompton Bikes, boasting a 96% higher spend from referred customers in their first six months.

That's because your VIPs recommend suitable brands to friends at a relevant time, so they tend to spend more than other customers. Meanwhile, referred customers are 5x more likely to refer onward, helping you build a community of quality customers who love and advocate for your brand.

Customers who buy frequently

Referred customers frequently continue as long-term patrons, making repeat purchases and regularly engaging with your brand. For example, one leading online fashion retailer successfully increased repeat purchase rates by 25% through strategic email campaigns, which included reminders for coupon redemption and prompts for VIPs to re-share offers.

Acquiring customers via referral typically reduces churn rates because your referrers are less inclined to switch to competitors due to their genuine emotional connection with your brand.

Customers who stay longer

On average, referred customers have a [37% higher retention rate](#). That's because customers referred by friends and family share characteristics and social enrichment and are more likely to identify and connect with your brand. The online retailer, [vertbaudet](#), leveraged Mention Me's referral platform to acquire customers who return [twice as often](#).

Higher lifetime value

At Mention Me, we've found that brand fans (those customers telling their friends about your business) have a 56% higher LTV compared to other customers. Meanwhile, customers who've been referred typically exhibit twice the Lifetime Value (LTV) compared to those non-referred.

For example, [SodaStream's](#) referred customers generate a staggering 200% more revenue than non-referred customers. That's because the main characteristics of referred customers — consistent repeat purchases, enthusiasm for upselling and cross-selling opportunities and resistance to churn — all contribute to increased revenue over the long term.

25%

Increase in repeat purchase
for a leading online **fashion retailer**

37%

Higher retention rates
from referred customers

vertbaudet

sodastream®

200%

More revenue by
referred customers than
non-referred customers

Case study

SodaStream transforming customer quality through referrals

200%
More Revenue



57%
Higher AoV

Your order is complete

Joel,
give your friends 20%
off their first Sparkling
Water Maker

And we'll give you 15% off your next order over \$25!

Our refer-a-friend program is managed by Mention Me who will process your data and send you referral service emails. More info and your privacy rights.

Give 20% off

By accepting this offer you agree to the Terms and Conditions

? Challenge

SodaStream faced the challenge of increasing trust, repeat purchases, and average order value (AoV) amid fierce competition from beverage giants like Breville and Drinkmate in the bustling beverage market. They needed to expand their customer base with high-quality customers while nurturing the loyalty of existing fans.

💡 Strategy

In 2018, SodaStream partnered with Mention Me to implement targeted referral campaigns across 11 global markets. The strategy involved incentivising loyal drinkers to share their enthusiasm for the brand within digital communities.

⚙️ Why it worked

Mention Me's platform enabled SodaStream to identify and engage high-quality customers through trust-based referrals. This approach resulted in higher-value transactions and significant growth for the brand.

🏆 Sparkling success

The campaign's impact was substantial for **SodaStream**:

22k+

New Advocates

The initiative attracted a large number of new loyal customers.

2x

Double Spending

Referred customers spent twice as much in their first six months compared to non-referred customers.

200%

More Revenue

Active referrers generated 200% more revenue on average.

57%

Higher AoV

Referred customers exhibited a significantly higher average order value.



We see referred customers spend **twice as much in their first six months."**

Dror Pic

Global E-commerce Marketing Lead
Sodastream

The psychology behind referrals and customer quality



Craving connection and trust

As social beings, people crave connection and approval within their social circles. When customers recommend a product or service, they're giving a trusted endorsement to their network, which often holds more weight than traditional advertising.

Given that 92% of consumers trust the advice of their friends and family more than any other type of marketing, referrals often lead to higher initial spend and longer customer retention.

Tip!

Create referral incentives that nurture strong social bonds, such as 'be a good friend' or 'share the love'. Understand your customers' social circles and craft personalised messages that build trust and community, encouraging them to share confidently.

Balancing social capital and risk

Referrals involve a balancing act between the potential social rewards and the risks of rejection. Before sharing your brand, customers weigh how the referral could affect their social standing — a successful referral boosts the referrer's credibility and strengthens social ties, meaning they're only going to refer onwards if they're confident that their friend is going to love your brand, spend more on your products, and stay longer than non-referred customers.

Tip!

Ensure an outstanding experience and offer irresistible referral rewards. To boost conversions, make your referral offer more compelling than any other onsite—e.g. offer 20% for referrals if your newsletter discount is 10%.

Three takeaways

Retain customers through trusted relationships

One of the biggest challenges marketers face is losing existing customers while spending heavily to acquire new ones. Referral marketing leverages the power of personal recommendations, encouraging existing customers to introduce your brand to their network. This not only helps retain customers through trusted relationships but also attracts high-quality new customers who spend more and stay longer.



Optimise customer acquisition costs

As customer acquisition costs rise, it's crucial to ensure that new customers contribute to profitable growth. Referred customers spend more and are inherently more loyal because they arrive with a pre-existing trust in your brand, reducing the cost of conversion and increasing the chances of repeat purchases.



Turn one-time buyers into loyal VIPs

Tired of one-and-done customers? Referral marketing helps turn these one-time buyers into loyal VIPs by engaging them in a community-driven experience. When you encourage customers to refer and reward them for doing so, they feel more connected to your business and are less likely to leave after a single purchase.

Don't forget to create engaging post-purchase referral prompts that highlight the benefits of staying connected, such as exclusive rewards or insider access, to encourage ongoing brand loyalty.



Time for **quality** customers who stick around?

Get a free demo today

mention**me**

