

Customer Referral Programs: The Impact of Demographic Similarity, Product Category Sensitivity and Communication Modality on Successful Referral Likelihood

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Abstract

Customer referral programs have become a popular, effective and cost-efficient acquisition tool. Using firm data of over 60,000 referral sender-receiver dyads, we find that successful referral likelihood substantially depends on demographic similarity between referral sender and receiver (i.e., age, gender, marital status, and household). Further, a positive interaction between demographic similarity and product category sensitivity reveals that successful referral likelihood is not merely a result of (passive) homophily-based matching but also depends on social motives and product-category variables (i.e., physical risk). In the case of high (low) similarity, successful referral likelihood is higher (lower) for high-sensitive categories compared to low-sensitive categories. In addition, we show that successful referral likelihood is higher for oral communication modality (e.g., telephone) as compared to written communication modality (e.g., mailing).

Keywords: *Customer referral programs; demographic similarity; communication*

Track: Relationship Marketing