

# Referral Program Design — Workbook

This workbook turns the course into the real artifacts of a working referral program. Each section mirrors one course module with hands-on exercises, fill-in worksheets, and checklists you apply to your own business. Pick one product or service you actually sell and carry it through every section, and you will finish with a viral-loop model, a margin-based reward structure, a chosen trigger moment and sharing flow, a shortlisted platform with fraud and compliance controls, and a metrics scorecard that tells you whether the channel is compounding.

## How Referral Loops Actually Work

Build an accurate model of referral as a channel — the loop mechanics, the viral-coefficient math, and the fit conditions — before you design a reward.

### Worksheet: Model Your Viral Loop

Estimate the math of your loop with the best numbers you have, or a deliberate target if you have not launched yet. This tells you whether the loop is worth building and how fast it will move.

Approximate or target invitations sent per customer

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Approximate or target conversion rate of those invitations (friends who become customers)

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Viral coefficient  $K$  = invitations per customer  $\times$  conversion rate

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What  $K$  tells you (below 1 = amplifier, above 1 = self-sustaining) and which you expect

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Estimated cycle time (days from a new customer to their first referral converting)

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One sentence on whether this loop is worth building given  $K$  and cycle time

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### Exercise: Qualify Your Business for Referral

Honestly test your product against the three conditions a referral program needs before you invest a quarter in building one.

- Satisfaction: write the evidence that customers genuinely like your product (NPS, reviews, repeat rate, unprompted recommendations).

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- Social relevance: describe whether your customers know other people who plausibly need the same product, and roughly how many.

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- Social risk: judge whether recommending you could embarrass an advocate, and why or why not.

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- Verdict: based on the three conditions, decide strong fit / workable with care / weak fit, and justify it in one sentence.

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## Worksheet: Identify Your Advocate Pool

Find the customers most likely to refer so you can target the program at them instead of your whole list.  
Current NPS or best proxy for promoter share

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Number or percent of customers who are promoters (9-10 on NPS, 5-star reviewers, repeat buyers)

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The single behavior that best marks a likely advocate for your product

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Where these advocates already are (account area, post-purchase email, review screen, community)

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## Checklist: Readiness Gut Check

- Customers already recommend me unprompted, so the program will amplify real goodwill rather than manufacture it.
- My customers know other people who genuinely need this product.
- Recommending me carries low social risk for the advocate.
- I have a clear pool of promoters to target, not just my whole customer list.
- I have written down my expected K and cycle time, not just a vague hope of going viral.

## Designing the Incentive

Turn loose reward ideas into a structure your unit economics can sustain, priced from margin and lifetime value, and hardened against abuse.

## Worksheet: Find the Reward You Can Actually Afford

Work from margin and lifetime value, not the sticker price, so each successful referral stays profitable. Fill in your real numbers.

Average order value (AOV) for the product you will promote

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Cost of goods + shipping + payment fees per order = gross margin per order

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Customer lifetime value (LTV) = gross margin × expected purchases (or monthly margin × lifetime in months)

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Share of margin/LTV you are willing to spend to acquire a referred customer (e.g. one third)

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Resulting acquisition ceiling in dollars

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Total reward you can fund across both sides + any platform fee, confirmed below the ceiling

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## Exercise: Choose Your Reward Structure

Decide the shape of your reward and prove it fits your economics using the numbers from the affordability worksheet.

- Pick the reward type: cash/gift card, store credit, discount, free product or upgrade, or non-monetary perk — and say why it fits your margin and brand.
- Decide single-sided or double-sided (give-and-get), and justify the choice (default to give-and-get unless

there is a reason not to).

- Write the exact offer as advocates will read it (e.g. Give 25 dollars, Get 25 dollars), with the advocate and friend amounts.
- Choose flat, tiered, or milestone, and sketch the thresholds if tiered or milestone (e.g. reward at 5 / 10 / 25 referrals).

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### Worksheet: Worked Economics Check

Run the arithmetic on one referred sale, the way the course worked example does, to confirm the reward leaves a profit.

Reward cost per successful referral (advocate side + friend side + platform fee)

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Gross profit or LTV created by one referred customer

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Net profit per referred customer after the reward

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Cost per referred acquisition vs your current paid cost per acquisition

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Verdict: is the reward comfortably smaller than the value created? (Y/N + one line)

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### Checklist: Incentive & Anti-Gaming Gut Check

- My reward is priced against gross margin or LTV, not the sticker price.
- The reward fires only after a real, paid, refund-survived action — not a mere signup.
- Self-referral is blocked by matching email, payment method, device, and address.
- Rewards are capped per advocate per period to control budget and abuse.
- Refunds, chargebacks, and detected fraud claw back or void the reward, and the terms say so.

### Mechanics, Timing, and Messaging

Design where the program is won in practice — the moment you ask, the friction of sharing, the channels, and the words that make both advocate and friend act.

### Exercise: Pick Your Trigger Moment

Find the moment of delight where your customers are most likely to refer, instead of relying on a permanent footer link.

- List the moments in your customer journey when satisfaction or value peaks (first win, order delivered, positive support, high NPS, milestone).
- Choose the single strongest trigger and explain why goodwill is highest there.
- Describe how you will present the offer at that moment (screen, email, insert, in-app prompt).
- List the always-available reminder placements that back up the peak moment (account area, post-purchase email, packaging).

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### Worksheet: Map and Cut Sharing Friction

Walk the share funnel step by step for your business and remove every avoidable step, because each one loses advocates.

Every step an advocate takes today from deciding to refer to the invitation being sent

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Sharing mechanics you will offer (personal link, unique code, email/SMS/WhatsApp buttons, native share sheet)

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Pre-written default message advocates can edit (write the actual text)

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Friend landing page essentials: who referred them, what they get, single clear call to action

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Mobile check: confirm the whole flow works fast and looks right on a phone (Y/N + fixes needed)

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### Worksheet: Write the Two Messages

Draft the advocate's invitation and the friend's landing experience, the two copy problems every referral program has.

Advocate-to-friend message: short, human, friend-benefit first, with the link (write it in full)

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One honest reason to try the product, stated plainly (not a feature list)

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Friend landing headline that names the referrer and the reward

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Friend call-to-action button text with the reward restated next to it

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Confirmation messages: advocate notified on signup and reward earned; friend reward redemption confirmed

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### Checklist: Mechanics & Messaging Gut Check

- The ask is timed to a moment of delight, not buried in a footer.
- Sharing is as close to a single tap as possible, with both a personal link and a code.
- The default message is pre-written, edits easily, and reads like a friend not a brand.
- The friend's first page answers who sent this, what I get, and what to do next, with no distractions.
- The whole flow is mobile-first, and advocates get visible confirmation when a referral lands.

### Launch, Tooling, Compliance, and Measurement

Turn the designed program into a running channel — choose a platform, track and attribute honestly, stay legal, and read the metrics that say whether to scale.

### Worksheet: Shortlist Your Platform

Choose referral software that fits your business type and economics, and confirm it does the work you would otherwise have to build.

Must-haves: reward sides (single/double), reward types, your store or billing system, fraud controls

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Two or three candidate tools for your business type (e.g. ReferralCandy/Smile.io for Shopify, Friendbuy/Extol flexible, Viral Loops/GrowSurf builder, Mention Me advocacy)

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Integration check: e-commerce or billing, email, and analytics stack

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Pricing model (flat fee vs per-conversion) vs your expected volume

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Build vs buy decision and the reason

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### Exercise: Define Tracking, Attribution, and Fraud Rules

Write the rules that protect your budget before you turn the program on, the same way you would for any paid channel.

• Qualifying event: do you pay on signup, first purchase, or a purchase that survives the refund window? Justify the choice.

• Attribution window: choose 7 / 14 / 30 days and justify it from how quickly warm referrals convert.

• Tracking backups for cookie loss (codes at checkout, server-side tracking) given Safari ITP and ad blockers.

• The fraud controls you will switch on (self-referral matching, reward caps, hold-until-cleared, reversals) and the moment a reward locks.

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### Checklist: Compliance Gut Check

Advocates who post publicly disclose that they receive a reward (FTC-style disclosure).

Invitation emails go out compliantly (neutral sender, unsubscribe) under CAN-SPAM / CASL, not by scraping contacts.

Any sweepstakes follows prize-draw rules, including no-purchase-necessary where required.

Friend and advocate data are handled under applicable privacy law (GDPR / CCPA).

Program terms state qualifying events, windows, reversals, caps, and abuse consequences, and have been reviewed for my market.

### Worksheet: Build Your Metrics Scorecard

Set the numbers you will track from launch so you can see where the loop leaks and whether the channel is incremental.

Participation / referral rate (share of customers who refer at least once) — target

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Invitations per advocate and referral conversion rate — targets

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Viral coefficient K and referral share of new customers — targets

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Cost per referred acquisition and payback vs blended cost — targets

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Incrementality plan: how you will tell real lift from rewarding organic word of mouth (launch/pause comparison)

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Scale decision rule: the exact thresholds (cost below blended, K holding, abuse controlled) that trigger scaling

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## Your Action Plan

1. Confirm fit: verify customers already recommend you, that referrals are socially relevant and low-risk, and that you have a pool of promoters.
2. Model the loop: estimate or target invitations per customer, conversion rate, K, and cycle time, and decide the program is worth building.
3. Price the reward from gross margin or LTV, set your acquisition ceiling, and confirm the total reward sits comfortably below it.
4. Choose the reward structure: type, single- vs double-sided (default give-and-get), and flat vs tiered vs milestone, written as advocates will read it.
5. Pick the trigger moment of delight and the always-available reminder placements that back it up.
6. Design the low-friction share flow with a personal link and code, pre-written editable message, and a clean friend landing page, all mobile-first.
7. Shortlist and trial a referral platform that fits your business type, integrates with your stack, and supports your fraud controls.
8. Set tracking rules: qualifying event, attribution window, self-referral blocks, reward caps, and hold-until-cleared with reversals.
9. Cover compliance: disclosure wording, compliant invitation sending, sweepstakes and privacy rules, and reviewed program terms.
10. Launch, instrument the metrics scorecard, optimize the weakest loop step one change at a time, and scale only when the channel is incremental, cost-efficient, and abuse-controlled.











