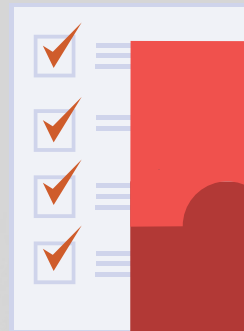# Build or Buy

Thinking about DIY-ing your own
referral marketing program in-house?
Here are 3 things you should consider first.

Ambassador

Given access to the right training and tools, most of us are capable of tackling basic home renovation projects. Depending on our sense of adventure, these projects might include installing new cabinets, hanging drywall, laying flooring, and even performing basic plumbing and electrical fixes. If we wanted to go full Bob Vila, some of us could even invest enough time and money into developing the expertise needed to build our own house.

Most of us will never go that route, though. Why? Because it's simpler — and sometimes cheaper — to hire someone who has the tools, talent, and expertise to give us exactly what we need and want. This approach generally leads to a more polished, professional-looking renovation, while also providing a few other key benefits:

- It lessens the likelihood of some sort of catastrophic mistake or mishap

- It allows us to spend our precious time and resources on things we actually enjoy

- It mitigates the risk of a renovation project ruining our relationships and marriages (this is a very real risk according to one study)

See where I'm going with this?

This analogy could also be applied to how your business thinks about referral marketing. Yes, given the right amounts of time and resources, you might be able to build a tool in-house that automates the process of incentivizing, tracking, and managing referrals at scale. But, just like a home renovation, the decision to DIY must be preceded by two very important questions:

1 **Is it really worth it?**

2 **Will you really be happy with the end result?**

Those are two questions we'll help you answer with this eBook.

Specifically, we'll explore three key factors that decision makers should consider before deciding to build (or buy) referral marketing software:

| **01**	**02**	**03**
Time and Resources	Referral Marketing Expertise	Scalability, Flexibility, and Extensibility

Time And Resources

While building referral software in-house can seem appealing, this process can absorb an enormous amount of internal resources

If you've performed any research on custom built referral programs, you've probably read about the incredible success of companies like Airbnb, Uber, and Dropbox. All three of those businesses built referral programs in-house and all three credit those referral programs for contributing to their incredible growth.

What many people don't realize when they read about those referral programs, however, is that all three companies invested a significant amount of time and resources into building them. Take Airbnb. One of the company's engineers *published an excellent blog post* that broke down the approach and strategy Airbnb used to build its referral program in-house.
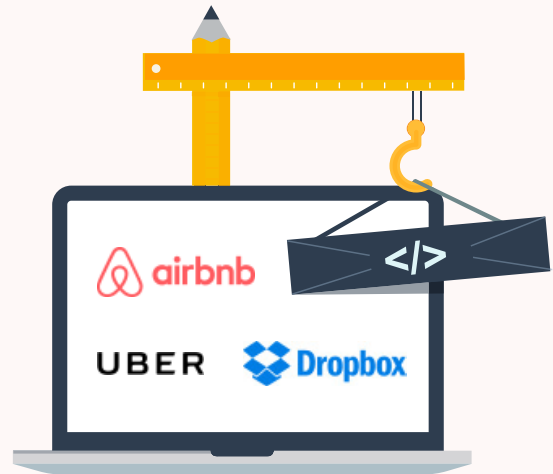
Some of the highlights:

The entire process took several months and the involvement of several engineers from multiple departments
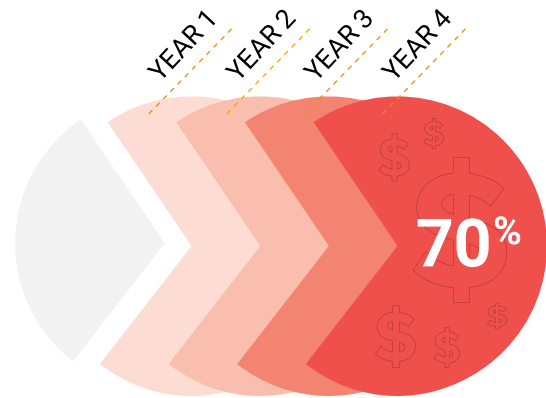
Coding the core referral product and building the basic referral infrastructure required two separate multi-day offsites

Once the core referral technology was built and deployed, the job wasn't done — *to this day*, the company continues to dedicate internal resources to updating and upgrading the technology to make it more scalable and extensible

This scenario isn't uncommon

For most truly custom software builds, companies must dedicate several months to designing, developing, and testing the software. And even when those phases are complete, the job isn't done. One report suggests that around 70% of the cost to develop a custom solution is then required year-after-year to maintain and update it.
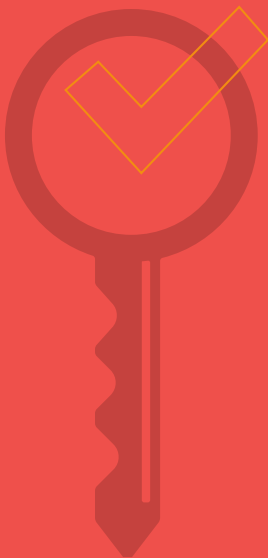
YEAR 1 YEAR 2 YEAR 3 YEAR 4

70%

Key Takeaway

While building referral software in-house can seem appealing, this process can absorb an enormous amount of internal resources — both in upfront commitments of time and effort, and in the residual cost of maintaining and upgrading that software. By contrast, buying software off-the-shelf allows you to offload that burden onto the vendor.

Ultimately, if you partner with the right vendor, you get instant access to all of the features and functionality that make great referral programs work — custom referral links, truly mobile-first experiences, dynamic reporting and analytics, as well as customizable templates and messaging. And you do so without having to distract your precious internal development resources from other mission critical business activities.

Referral Marketing Expertise

Get access to a team of experts whose only job is to help you build and execute better referral marketing campaigns

Let's say for argument's sake that you have a team of internal developers who happen to have the time and resources necessary to build a custom referral program in-house, without diverting their talent from other important projects or initiatives.

In that scenario, there are several questions you'd want to consider:

Which features should your team build first?

What functionality is most important for your business and types of customers you serve?

Which metrics should the software track?

What analytics will be necessary to inform your strategy and optimize your referral program over time?

What templates will your marketing team need to build effective referral campaigns?

How should you design the software so that your marketing team can track, manage, and optimize the program without needing development help?

Those questions only scratch the surface of the information that's needed to create truly valuable referral marketing technology.

Ultimately, for referral marketing software to be useful and valuable, it must be developed around the nuances and best practices that are unique to the channel. This is where most in-house referral programs fall short. While they might give a marketing team the ability to generate custom referral links and the basic infrastructure to track them, they lack the next-level features that come from a deep understanding of how, where, when, and why referrals happen.

Key Takeaway

At the end of the day, time and resources are just one small part of the build vs. buy equation. For an in-house referral marketing program to be truly effective, your team must also have a clear grasp of what goes into creating, analyzing, and optimizing effective referral campaigns.

This information helps dictate the features and functionality that your team needs to create rewarding referral experiences — both for your business and your ambassadors.

The Value-Add of Customer Success Coaching

Contrary to what many smaller point solutions and referral widgets would have you believe, referral marketing is not a "set it and forget it" discipline. Yes, the software itself is an important facilitator in an effective referral marketing strategy. But to be successful, it needs to be paired with creative campaigns that encourage your customers, fans, and advocates to talk about and share your brand.

This is where the value-add of Customer Success coaching can be enormous.

When you buy best-of-breed referral marketing software, you don't just get better software — you also get access to a team of experts whose only job is to help you build and execute better referral marketing campaigns.

This gives your team:

|		
A true partner with deep expertise in this specific discipline	A trusted coach you can rely on to help you avoid pitfalls and target areas of opportunity	The resources to continually optimize results based on real results and reliable analytics

Scalability, Flexibility, and Extensibility

Best-in-class referral marketing vendors build their solutions around flexibility, scalability, and extensibility

Imagine that you're an amateur carpenter and you've managed to recruit a few friends and family members to help you build your own home. You're not in a rush to construct the house and you have enough expertise to build something that will suit your immediate needs.

After 12 months, the house is built and move-in ready. There's just one problem: Over the course of the year it took to build the house, you and your spouse found out that you're expecting triplets and your parents are moving in with you. Oh, and that beautiful new house you built — it only has two bedrooms and one bathroom.
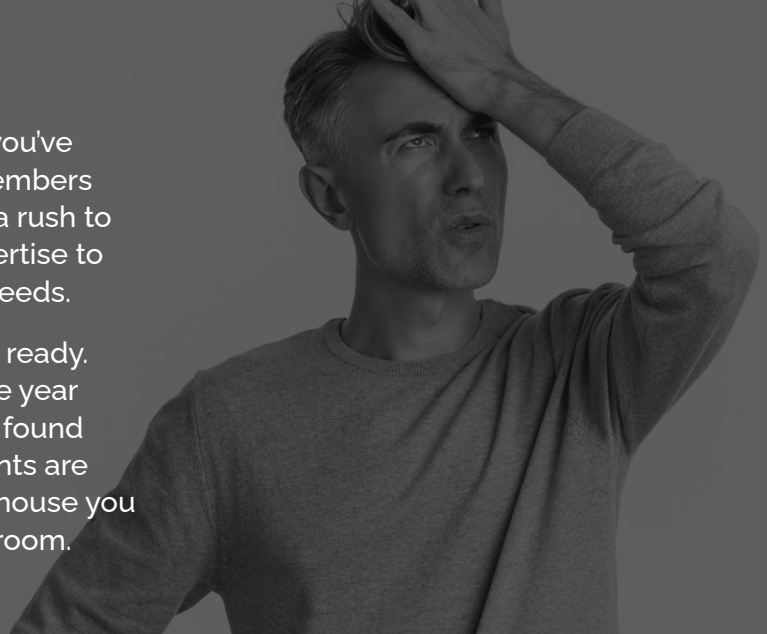
All too often, businesses that build DIY referral programs find themselves in a similar position.

Sure, they're able to build a basic referral program with basic tracking and reporting capabilities. But what happens when the referral program matures beyond entry-level functionality? If the in-house program wasn't designed around flexibility and extensibility, it can create very big barriers to scale.

Some of those barriers include:

An inability to automate manual activities like enrollment workflows and referral commission payouts at scale. When your referral program is small, managing things manually isn't a problem. When you have hundreds or thousands of customers and just as many approved referrals every month, automation is the difference between referral marketing success and failure.

Difficulty integrating with other critical systems like Salesforce, Marketo, Mailchimp, Magento, and Shopify. The process of developing direct integrations with big vendors like Salesforce and Magento requires a lot of time and technical aptitude. This is something your in-house development team might be able to tackle, but asking them to do it means asking them to prioritize it over other important initiatives. That said, if you don't invest in those integrations, it will significantly hamper the value you — and your customers — can reap from a referral program.

Clunky browser-based mobile experiences that kill engagement and sharing. Because referral marketing isn't most companies' core competency, the vast majority of DIY referral programs have poor (or nonexistent) mobile experiences that feel bolted on. With mobile usage skyrocketing, these second- rate experiences can kill referral engagement. Mobile-first functionality can be added on after-the-fact, but doing so requires significant mobile aptitude and technology that's flexible enough to incorporate it.

One of the biggest benefits of buying referral marketing software from an established vendor is that it virtually future-proofs your program.

Best-in-class referral marketing vendors build their solutions around flexibility, scalability, and extensibility, and their teams are constantly working on new features to make their customers more successful. This allows your business to easily implement new features and functionality on-demand, with relatively little back-end development.

Key Takeaway
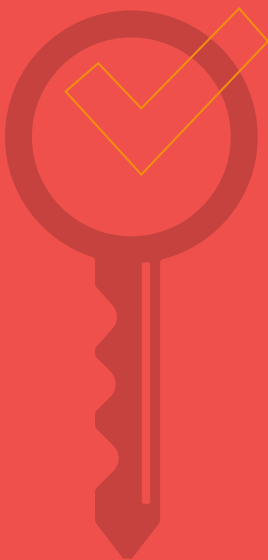
In most cases, in-house referral programs are built for the here-and-now. While this approach might offer the basic functionality to capitalize on referrals in the short-term, it can create development nightmares as your business — and your referral program — grows.

As with any high-value marketing channel, it's important to consider the scalability, flexibility, and extensibility of your referral marketing program from the very start. The last thing you want is to find yourself in a position where it's virtually impossible to bolt-on functionality that would help you optimize and scale referral revenue.

Pros and Cons of Building Referral Software In-House

😀 Pros

👍 A custom solution under your control

👍 You control design and deployment

😟 Cons

👎 Significant upfront investments of time and development resources from multiple departments

👎 Every aspect of development and maintenance falls on your shoulders

👎 Diverting internal resources away from other mission critical projects

👎 Opportunity cost of referral program deployment delays or a poor referral experience

✓ What's the Right Choice for Your Business

There are certainly instances where building a referral program in-house might make sense and there are several examples of companies that have successfully done it (Airbnb is one of the best).

But before you go that route, it's important to fully grasp what you're getting into. Just as DIY home renovations are rarely as straightforward as YouTube videos and online tutorials make them seem, the process of building a referral program in-house is rarely as simple or cost-effective as you might think. In fact, in the vast majority of circumstances, the costs associated with building a referral program in-house greatly outweigh an investment in best-in-class referral marketing software.

Beyond those direct costs, however, is another factor that must be weighed heavily: By diverting internal resources to a custom in-house referral program, what other internal projects are you pushing to the side? And what are the opportunity costs associated with not focusing your time and energy on those initiatives and activities?

If you do the math, we think you'll come to the same conclusion that thousands of other companies already have: Best-in-class referral marketing software gives you the best of both worlds. You get the look and feel of custom-built software, but at a price point that makes it easy to justify the investment.

Ambassador empowers marketing teams to increase revenue by leveraging the power of referrals.

Our flexible relationship marketing software automates the process of enrolling, tracking, rewarding, and managing affiliates, influencers, partners, and fans. This allows B2B companies, consumer brands, and agencies to quickly build, scale, and optimize referral marketing programs. Ambassador's API also seamlessly integrates with existing technologies, enabling companies to create a custom experience while tightly integrating with their brand.

Founded in 2010, Ambassador's referral marketing automation technology is used by thousands of companies, including CIBC, JLo Beauty, Visible, Oportun, Lumio, and Universal Music Group.

For more information, visit www.getambassador.com.