

Workplace The Flexibility Gap

Employers know that employees want flexibility, and many companies say they offer it. But lots of people who need flexibility don't have access to it. To better understand the problem, researchers at Werk, a start-up using technology to create flexible workplaces, surveyed 1,583 white-collar professionals representative of the U.S. workforce. The graph below shows the gap between the flexibility workers need and what employers allow. ■



Source: "The Future Is Flexible: The Importance of Flexibility in the Modern Workplace," werk.co/research, 2018

Marketing The Upside to Gaining Customers Via Referral

Companies enjoy getting new customers through referrals by existing ones for obvious reasons: Among other things, it reduces marketing costs. And previous research has shown that customers acquired in this way deliver higher margins and retention rates than others, yielding as much as a 25% boost in lifetime customer value. Marketers have theorized that referred customers are better customers for two reasons: They're a better match for the brand's products or services (because the person making the referral knows both the company and the referee), and one friend can help the other understand or use the products or services. But until now no one has tested those hunches.

A recent study examined 1,800 new customers of a German bank and the existing customers who referred them, along with 3,663 people who became bank customers through other means. The researchers found similarities in profitability between referrers and referees, suggesting that the former believed that the people they were sending to the bank would be a good match for its services. (They also found that people referred by older, nondivorced, longtime, and highly profitable customers became more profitable new customers than other referrals did.) Referred customers were 40% more likely to leave the bank after the person referring them left, suggesting that social ties play a role in retention. The study sheds new light on the benefits of customer referrals—and may be particularly useful for firms with a limited ability to profile potential customers or with complex products for which it may be hard to identify the best potential consumers. And it suggests that companies could gain more-profitable new customers by encouraging their highest-profit existing customers to send others their way. ■

ABOUT THE RESEARCH "How Customer Referral Programs Turn Social Capital into Economic Capital," by Christophe Van den Bulte et al. (*Journal of Marketing Research*, 2018)



Harvard Business Review Notice of Use Restrictions, May 2009

Harvard Business Review and Harvard Business Publishing Newsletter content on EBSCOhost is licensed for the private individual use of authorized EBSCOhost users. It is not intended for use as assigned course material in academic institutions nor as corporate learning or training materials in businesses. Academic licensees may not use this content in electronic reserves, electronic course packs, persistent linking from syllabi or by any other means of incorporating the content into course resources. Business licensees may not host this content on learning management systems or use persistent linking or other means to incorporate the content into learning management systems. Harvard Business Publishing will be pleased to grant permission to make this content available through such means. For rates and permission, contact permissions@harvardbusiness.org.