Dropbox Referral program

Product Teardown

NextLeap's LIP challenge (2/5)

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About

Dropbox, an American company founded in 2007 was a revolutionary product that changed how we handle files to this day. It was launched as a **file hosting service offering cloud storage and file synchronization** for both **personal use and companies**. Dropbox has many products each serving its own purpose

Dropbox Business

offering storage solutions for large companies

CAROUSEL

cloud storage for photos and videos

Key Statistics

700 mil registered users

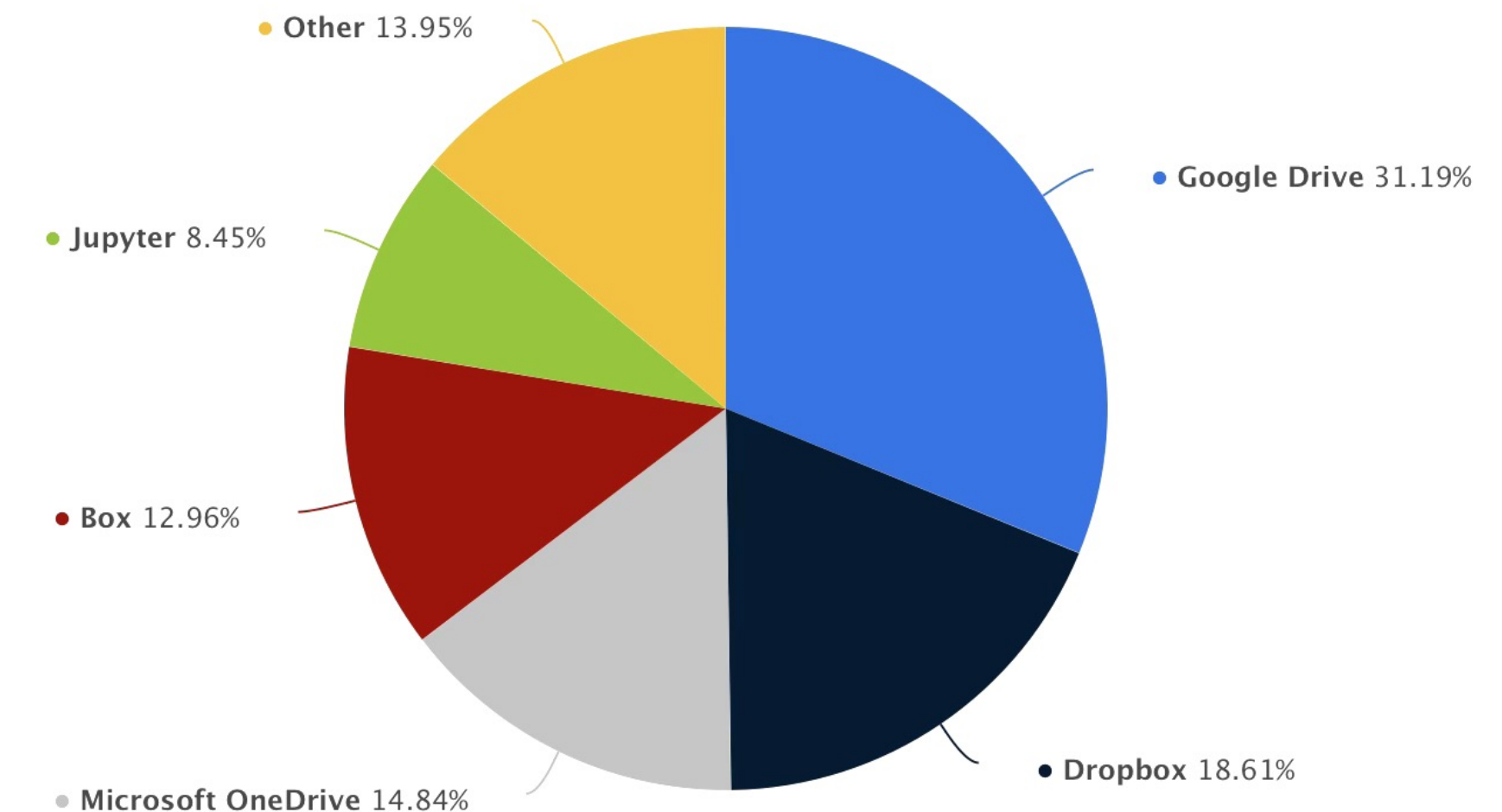2.5 billion USD in revenue

16 mil paid users

Market analysis

- Other 13.95%
- Google Drive 31.19%
- Jupyter 8.45%
- Box 12.96%
- Microsoft OneDrive 14.84%
- Dropbox 18.61%

Business model

Dropbox operates in a **freemium model**, offering users to use the product for free with limited storage. Customers can upgrade to a premium version with more storage and other features. The company was ahead of its time integrating its referral program into this model.

Drew

20 y/o student
Resides in California

"I need a product that will allow me to collaborate with my friends easily on multiple projects"

Needs

- To share files with his friends easily
- To access his files on multiple devices
- To not use much of his device storage

Pain points

- Mailing every single document is very time consuming
- Documents get lost over time

Arash

29 y/o IT professional
Resides in Manhattan

" My job requires me to handles the files of multple projects at the same time, I need a product to help with that"

Needs

- Manage all the company files safely
- Share with all stakeholders at one go
- Allow his team to collaborate

Pain points

- Keeping files all files on mail is not safe
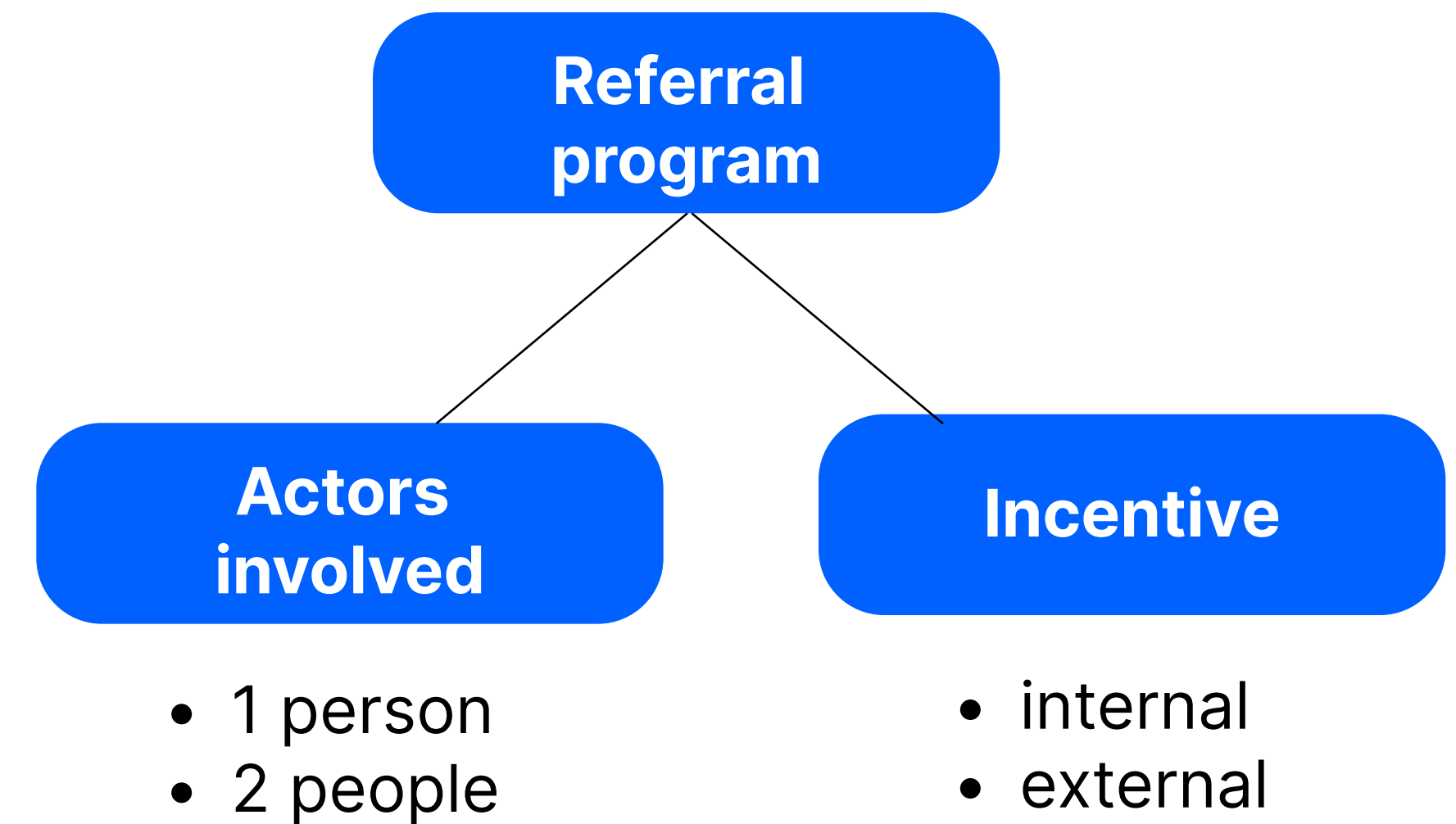- Has to send a file every time a new change has been made to all the stakeholders

Why's and What's of a Referral program

A referral program is a **word-of-mouth marketing strategy** that motivates your existing customers to tell their friends, family and colleagues about your brand, products, or services. Within a referral program, the **existing customer usually earns a reward** whenever someone they refer makes their first purchase.
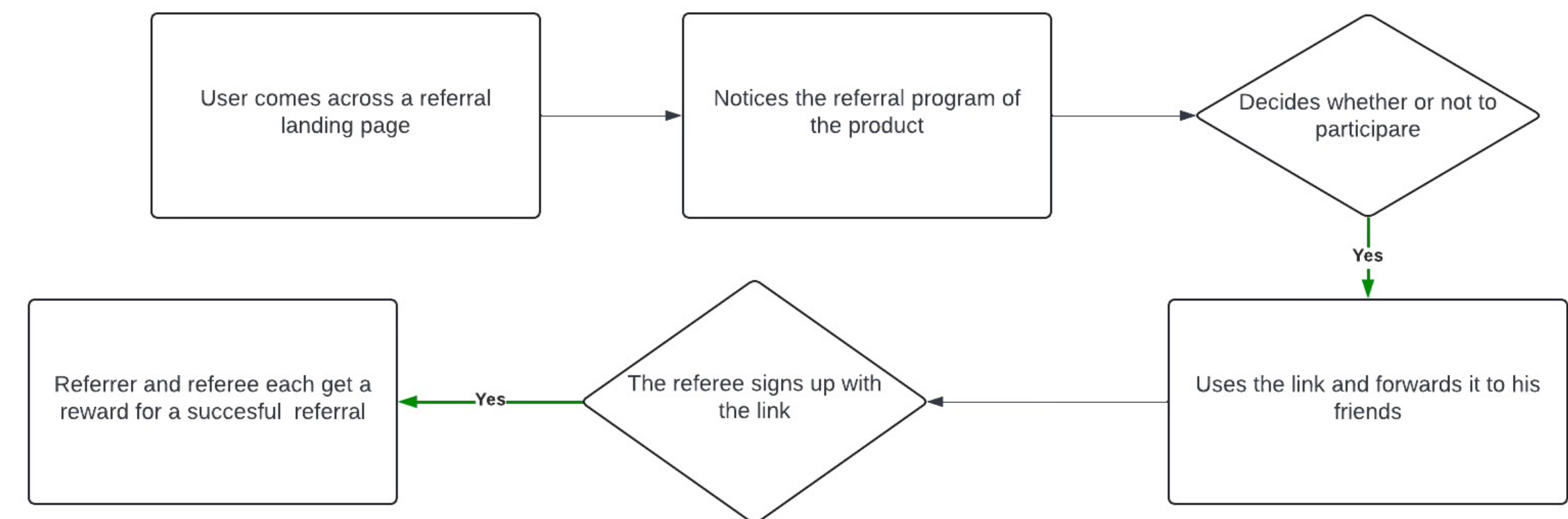
Referral programs work as people are more prone to believing their friends and peers over typical marketing campaigns. Research shows that customers acquired through referral programs have a **37% more customer retention rate.**

Curious case of Dropbox

Dropbox is synonymous with having one of the most succesful referral programs garnering a growth of over 3900% in the span of an year.

Referral program

Actors involved

- 1 person
- 2 people

Incentive

- internal
- external

User flow

User comes across a referral landing page → Notices the referral program of the product → Decides whether or not to participare

Yes ↓

Uses the link and forwards it to his friends

The referee signs up with the link ←

Yes → Referrer and referee each get a reward for a succesful referral

Dropbox

Dropbox's referral program is possibly one of the most famous cases of referral marketing.
Almost a decade later, it's still used in numerous case studies showcasing how referral programs can contribute to a company's growth engine- or even be the engine itself. A look at the companies metrics reveals:

- September 2008: 100K registered users
- December 2009: 4M registered users
- September 2017: 33.9M registered users, 10B evaluation + 1B revenue.

Dropbox used a internal reward strategy offering more storage to customers with a successful referral, not only the referrer even the referee was awarded an incentive for joining. Let's see how they did this.

User journey

Refer customer during on boarding

referral was the last step of onboarding

↓

They incentivised the customers need

they knew customers needed more storage so they gave it as a reward

↓

It was very easy to refer the product

customer had to simple invite their friends via messages or social media which simplified the process. They also allowed to sync contacts from Gmail
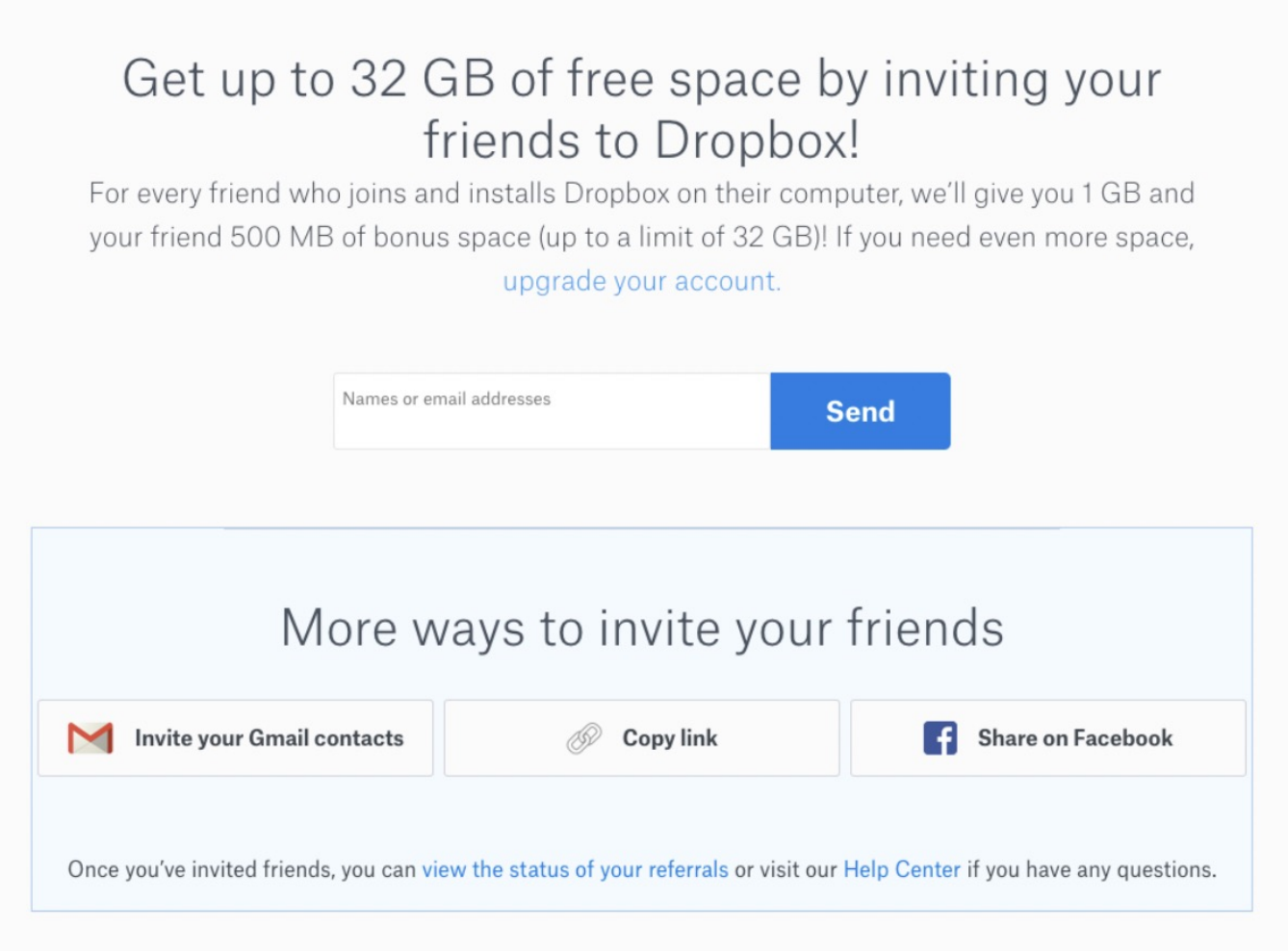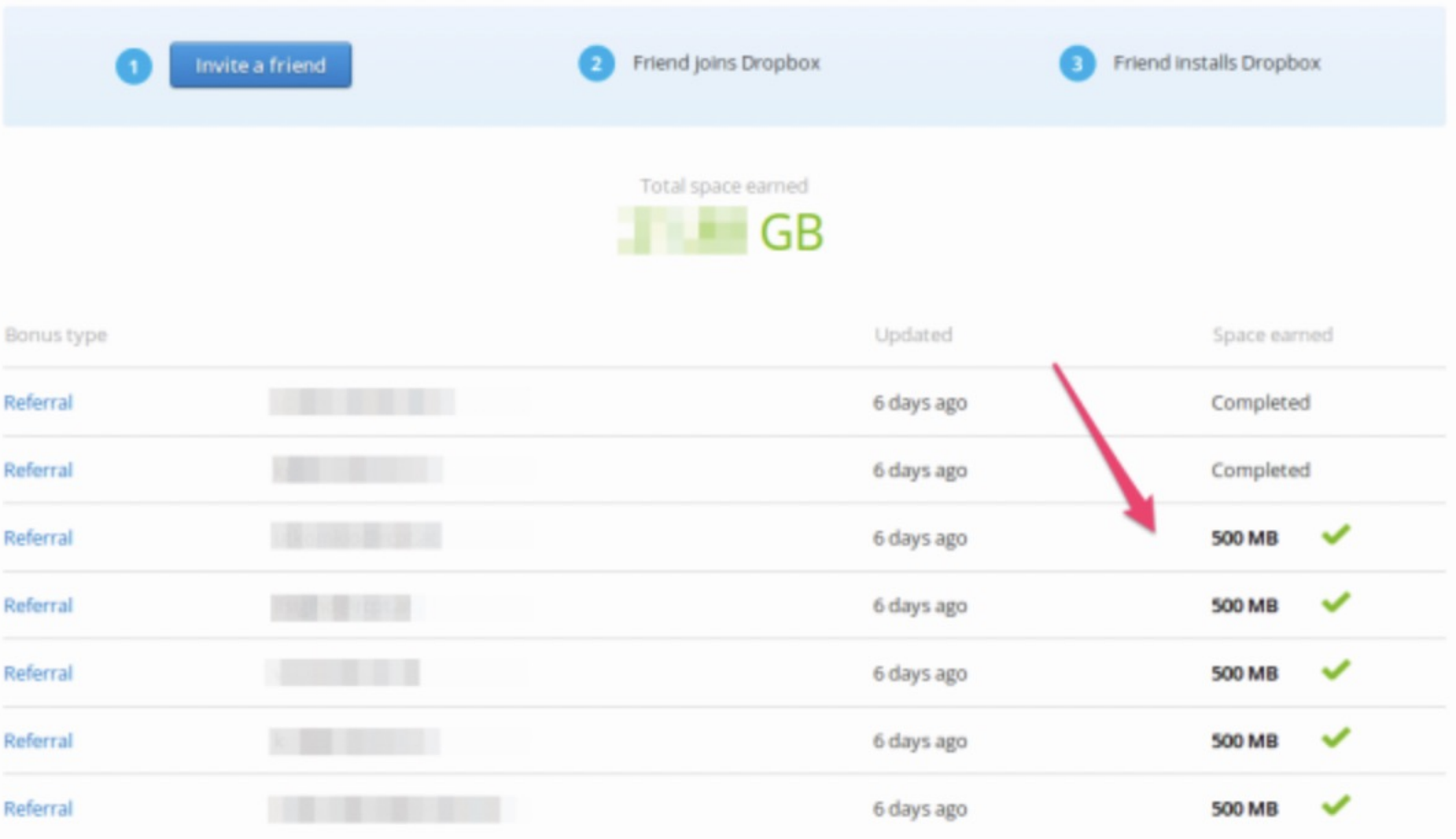
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Real time tracking of referral process

customers could see in real time how many of their referrals were successful which brought a sense of trust
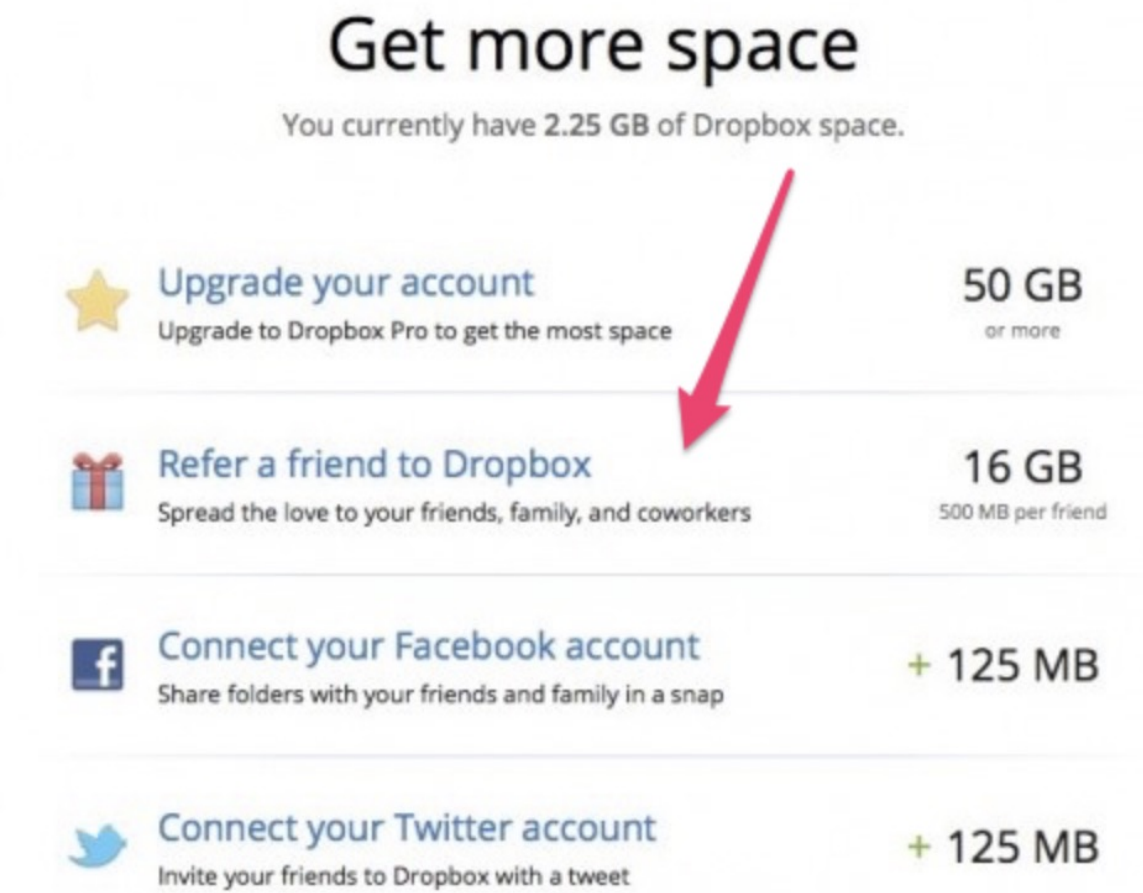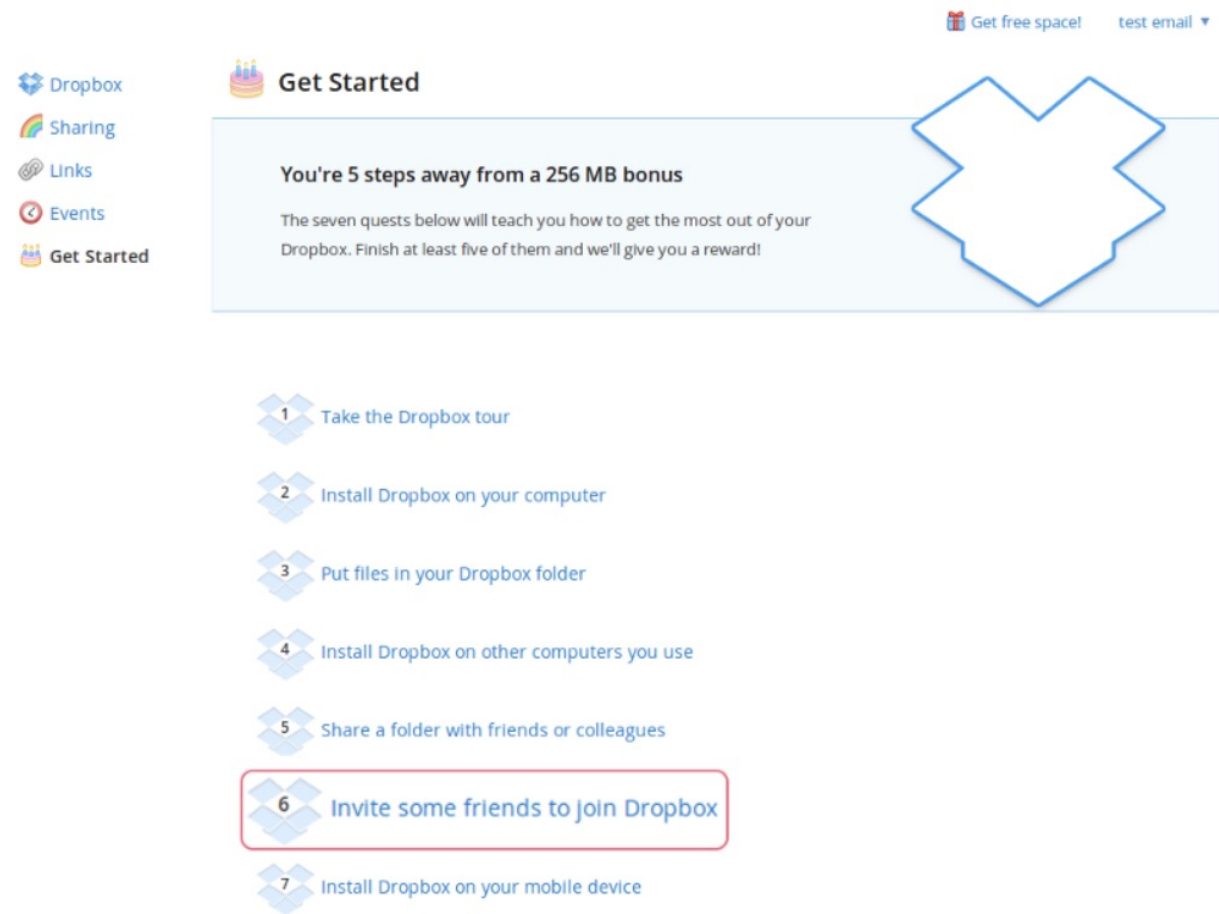
Attract users while onboarding

Make the reward clear and attractive

Allow users to track their referrals
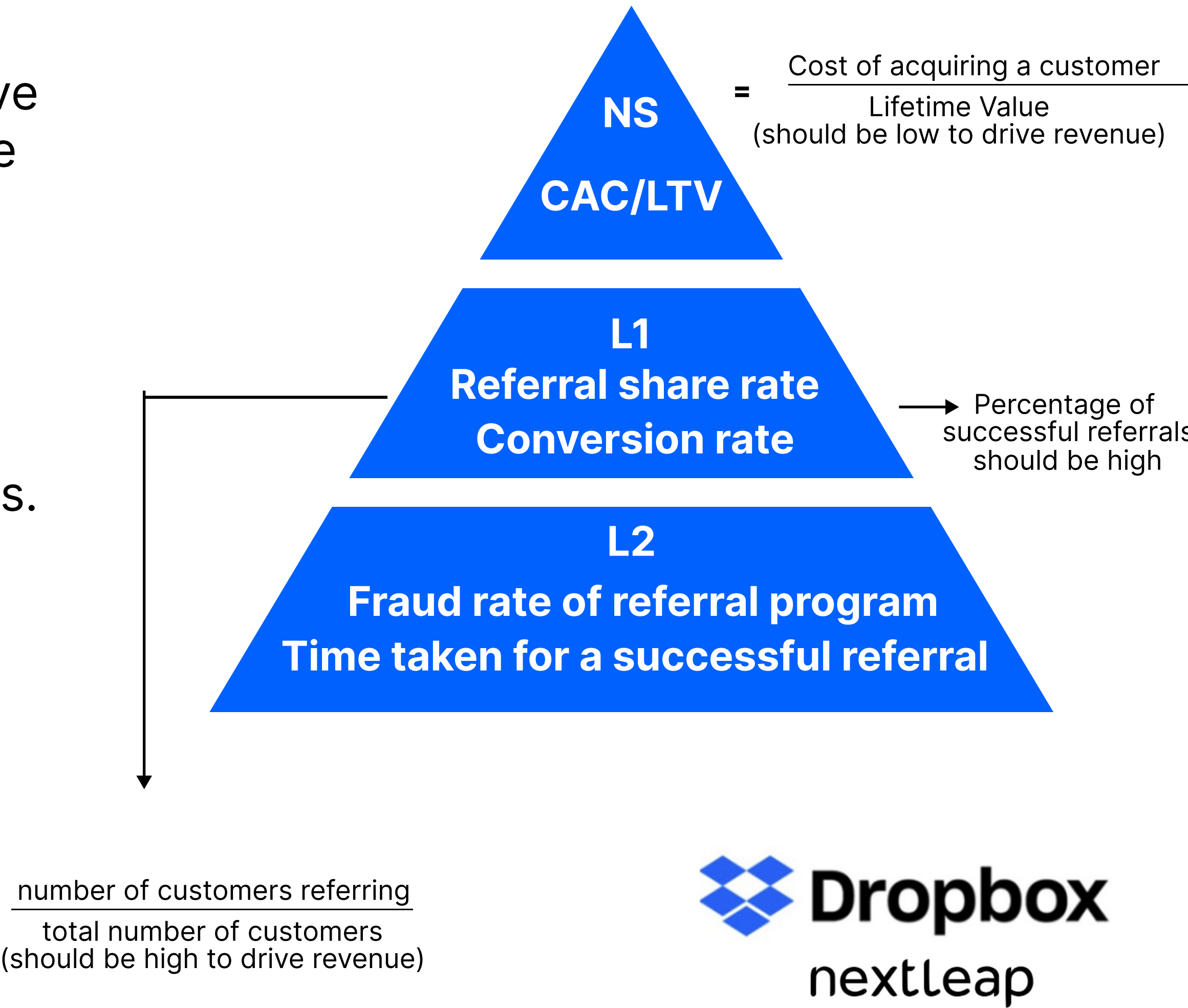
Make it very easy to refer

Key learnings

Key metrics

For Dropbox a successful referral meant that the referee makes an account via the link shared. This kind of an incentive structure leaves it open to frauds but Dropbox has a software to track and prevent the same. Dropbox's referral program had 2-side rewards and was an overall success because:

- It was part of the onboarding process.
- People had a clear view of the benefits.
- It made it ridiculously easy for people to invite their friends.
- People knew their referral status at any given time.
- They managed to build a Viral Loop.

By following the above steps Dropbox successfully managed to launch a referral program attaining a user growth of **3900 % in 15 months** which still is a remarkable feat 15 years later.

NS
CAC/LTV

$$= \frac{\text{Cost of acquiring a customer}}{\text{Lifetime Value}}$$
(should be low to drive revenue)

L1
Referral share rate
Conversion rate

Percentage of successful referrals should be high

L2
Fraud rate of referral program
Time taken for a successful referral

$$\frac{\text{number of customers referring}}{\text{total number of customers}}$$
(should be high to drive revenue)

Dropbox
nextleap

THANK YOU