Step 1

Let’s first create a geometry for the demonstration. So, go to Modify Panel » Create and create a cylinder from there.

Step 2

Now, with the cylinder selected, press Ctrl + V or Shift + move your object to bring up the Clone Options dialog. Select Copy from the dialog and press OK.

Step 3

Now, we have a normal copy of our object and there is no linking between the original / master object and its Copy clone. If we tweak the vertices or apply any modifier to our original object, the Copy Clone will still remain unchanged.

Step 4
Let’s create an instance of the Cylinder. Press Ctrl + V again and select Instance from the dialog then click OK.

Now, unlike Copy, whatever changes we make to the original object, all these changes will reflect on its Instance clone and similarly, if we modify the instance the same change will also reflect on the Master/original object.

Step 5

Press Ctrl + V again to clone the object and this time create a Reference clone. Reference is pretty much same as the Instance, the only difference is that the Reference object has a grey line called Derived-Object Line (see the image). Let’s discuss its functions in the next step.

Step 6

If we add any modifier below the Derived-Object Line then it will also show its effect on the original object and it’s instances (if any) but If any modifier is added above the line then the applied modifier will only affect the Reference Clone whereas the original object and its Instances remain unchanged.

In the given image, two modifiers are applied to the Reference Clone. One modifier (Lattice) is above the Derived-Object Line so it showing
its effect only on the Reference but the one (Bend) which is below the Derived-Object Line is showing its effect on all the three objects i.e. the Reference clone, the original object and its Instance clone.

Step 7

In the Modifier Stack, you can see that some modifiers are shown in bold text and some are in normal plain text. It simply means that modifiers with bold letters are influencing multiple objects and the modifiers with plain text are affecting only one object.

Step 8

If you want to know how many objects are influenced by a modifier, just select the modifier from the Modifier Stack then go to View » Show dependencies. The objects influenced by the selected modifier will start highlighting in Pink/Magenta color. As you can see in the given image, the Bend modifier is affecting all the three objects in the scene as they all turned Pink but the Lattice modifier is influencing or affecting only one object out of three.

Step 9
mostly love to use instance whenever they do modelling. But the only problem with instances and references is that you can’t attach them to the original object. In order to attach any Instance or Reference to its master / original object, simply go to Modify panel and click on Make Unique button. Make Unique button will break the link between the original object and its Instance / Reference. Now, it’s a unique object and no longer an instanced or referenced object. You can attach it to the original object as we do with Copy.