

# The Power of Referrals

Prepared by:  
Drew Stevens, Ph.D.  
*Stevens Consulting Group*

**LORMAN**<sup>®</sup>

Published on [www.lorman.com](http://www.lorman.com) - August 2020

The Power of Referrals, ©2020 Lorman Education Services. All Rights Reserved.

# LORMAN<sup>®</sup>

Lorman Education Services is a leading provider of online professional learning, serving individuals and teams seeking training and CE credits. Whether you're looking for professional continuing education or an enterprise-wide learning and development solution, you will find what you need in Lorman's growing library of resources.

Lorman helps professionals meet their needs with more than 100 live training sessions each month and a growing collection of over 13,000 ondemand courses and resources developed by noted industry experts and professionals.

Learn more about Lorman's individual programs, economical All-Access Pass, and Enterprise Packages:

[www.lorman.com](http://www.lorman.com)

One of the key influencers for any seller are the number of referrals obtained from customers. Referrals are the hallmark to every successful Sales because they provide testimonials from happy customers. Customers referring you to their friends, colleagues, and peers are the ultimate sign of trust and respect; the biggest compliment that any one client can provide to a selling professional is a referral.

The chief concern about referrals is how well you build client relationships. Sales development today is achieved with a considerable focus on value and client deliverables. In our competitive society, client-to-client influences are exceedingly strong. Customers today demand relationships. What needs to be understood is that we are in a service-based economy. With that in mind, it is imperative that considerable focus be placed on client relationships. This is consistent with many of the theories of this book. As mentioned previously, the purpose of any seller is to acquire and retain customers. When retention rates are high, customers are more apt to tell others of the value they receive from the selling professional.

Referrals are linked to client loyalty. And customers are inextricably linked to sales value. As loyalty grows among your client base, so does the number of referrals.

#### *Case study*

Charlie had been in Sales for five years and was concerned about marketing and advertising costs. After reading a periodical article on referrals, he decided to begin the process. Having followed the example of a copier representative from years before, he was able to build a significant income in just a few short months. Rather than solicit one referral from a client, Charlie thought it best to ask for multiples. He asked each of his 120 customers for four referrals. He asked for ten months and had well over 3,200 referrals before year-end. Even if he had closed two percent of his Sales he still had more opportunities than he would have had if he had chosen traditional marketing routes.

Many organizations dismiss referrals. Because entrepreneurs and other business professionals are so busy, they often forget to ask for them. However, referrals decrease costs while increasing lead generation possibilities.

We currently live in a world where customer-to-customer influences are extremely vital. It was only 10 to 15 years ago when consumers needing products or services researched using the Yellow Pages. Today, consumers typically use the Internet and search engines such as Google to find information about required products and services. They typically seek counsel from friends, colleagues, and peers who have done business with needed vendors. The rationale here is that consumers want to immediately trust those that you trust. For example, if your parent or immediate family member were ill, would it be more useful to look up a position in the Yellow Pages, conduct an Internet search, or simply call someone you trust?

In addition, with the increased use of social networks, consumers are speaking positively and negatively about vendors they have done business with. Therefore it is imperative that if you sell

for a living you ensure that your name and brand are in good standing so that you can obtain third-party endorsements from those who trust you.

### Dispelling The Myths Of Referrals

Many entrepreneurs and business professionals believe that they do not have enough time to obtain referrals. This could not be further from the truth. If consumers are happy in doing business with you, they are more apt to give you a referral. All you must do is ask. Later in this chapter I will provide you with the tools necessary to help you ask for those referrals. For now just remember that if you want a referral, you need to ask.

Second, there are those who believe if you do a good job, a consumer is more than likely to provide you with referrals. This is not so. If you want a referral, you need to ask. Never make an assumption in business for which you truly do not know the answer. The only way for a consumer to provide you with a referral is for them to see the value and for you to ask for it.

Third, there are some individuals who believe that referrals lead to nothing. In other words, there is no correlation to future business. That may or may not be true. Just because you've received a referral from a present client, this does not guarantee business. The referral needs to be worked just like any new prospect.

Four, many individuals believe that getting referrals is easy. This also is false. Referrals are obtained only when a present or former client truly understands the value that you provide and promotes that to others. Referrals are not an easy business; they are merely a gateway to newer opportunities. Using referrals circumvents your need to spend obscene amounts of money on marketing and advertising to obtain leads.

### When To Ask For A Referral

One of the biggest mistakes when trying to obtain a referral is deciding when. Most business professionals typically wait for the conclusion of the sale, and days and weeks after, before even asking. If you want business you need to ask for it. Those who are passive do not get what they seek. Those who are more proactive will get what they want every time.

Proactivity means asking the client for a referral at the moment of *value impact*. Value impact is that that moment when the client understands the value that you provide and is ready and willing to do business with you. You understand the objectives that need to be delivered and the client sees the return on investment from your value. This is the best time to ask because the sale has hit its peak. Waiting until after contract signature, invoicing, or any other post-sale meeting provides too much time for cognitive dissonance. This is the time when clients think negatively about the product or service and might want to change their mind.

In this segment I want to focus on what do say so that you can get the best exposure and offer the most value to your clients.

I suggest using the following wording verbatim or practicing a similar vocabulary until you feel comfortable enough with a client. It is best to be comfortable yet confident so that you get the desired reward.

*“Dear Mr./Mrs. \_\_\_\_\_*

*Today's competitive economy presents a myriad of challenges to business growth. However, as you know, the bedrock of every business is the admiration and support from clients like you. Business is built on the foundation of clients who appreciate the value that we provide. I would like to ask you for the names of three to five friends, colleagues, or peers who might be in need and appreciative of the value that I can provide to their organization.*

I would like the opportunity to call you in the next few days to obtain these names so that I can continue to build my business and foster new relationships similar to ours.

I thank you so much in advance and look forward to speaking with you."

This model illustrates three vital components:

1. the value of your existing relationship
2. the importance of the continued relationship
3. the appreciation of your value and how it can be perceived by others

Clients who feel so strongly about the relationship and value will be more than happy to provide you with the names of others who can extend the loyalty and admiration. Remember, you must be confident and articulate clearly yet succinctly what you seek. I also suggest not beating around the bush. Make the statement, pause, and then listen intently. Allow your client time to process the request to consider how to assist you.

One final point. Do not end the conversation without having received what you seek. Allowing too much time between the initial request and its conclusion will create dissonance. And in today's busy world, you may not get another opportunity to ask a similar request.

Referral building depends on value and the best evidence of this is through customer service. Research illustrates that between 45 and 60 percent of every customer interaction involves customer service. The key differentiator in a competitive environment is the quality of service customer's receive when doing business with your organization.

It is widely known that customers are 18 percent more likely to remain with organizations that treat them well. Customer service clearly reduces expenses when current clients remain with the firm due to loyalty. Most important, customers help to acquire new clients by becoming marketing avatars. Loyalty has a lot to do with how well companies deliver on their basic promises.

When customers believe that they are treated fairly and have a marginal equity in the organization, they become loyalists. Loyalty and value are directly correlated to customer

referrals. Please note that I am not merely speaking of the customary customer referral programs, but the true level of appreciation of clients that have been doing business with you. When clients believe in you they will refer the clients. For example, if your local barber or pharmacist did something for you during each visit which saves you time and money, you might be more tempted to tell all of your friends about a fabulous experience. Or you might even bring some of your friends with you on your next visit.

This clever form of customer acquisition is known as a referral program. While many organizations use a formal referral program such as punch cards or stamps, nothing is better for increased business than a loyal customer telling others. According to a study in the *Journal of Marketing*, customer referral programs are indeed a financially attractive way for firms to acquire new customers. These value-based programs illustrate that good referrals from existing customers generate higher margins than any other customer program. Customer referral programs stemming from a culture of customer service have even higher gains than any other organization. Simply put, loyal customers generate more revenue at a lower cost to the firm and any traditional marketing approach. It is therefore imperative that organizations become more proficient and embed customer service in their culture; this lowers expenses and produces more profits while lowering acquisition costs.

### **Activities to Help Gain Additional Referrals**

Several traditional and nontraditional resources for creating a referral network are available. Some traditional resources are sending gift cards or writing letters to clients. Many individuals still send handwritten notes and greeting cards to their clients. Keep track of anniversaries, birthdays, or other noteworthy announcements. Customer relationship management software facilitates this process. Electronic delivery does not require constant use of electronics.

However, if lack of time affects the ability to remain in constant contact, other resources are available. Business professionals can use a wealth of electronic sources to assist them. Some of these include e-mail marketing campaigns, electronic newsletters, electronic tip sheets, and even electronic greeting cards. “Send Out Cards” is a relatively new service. Simply upload your database into their Internet software and choose a greeting card of your choice. This service then uses your electronic signature and manually mails the card to your customer. This is a great service if you lack the time and energy to sign and mail an important announcement. No matter what you do, remain focused on your client. Most important, it is imperative that your clients appreciate your value and can articulate it to prospective clients. Remember, “Out of sight out of mind.” To build up your referral network, you must remain in harmony with customers.

### **Best Practices and Action Steps**

- Make it Easy – Allow others to know your value. It is beneficial for you to develop a value proposition so that others can repeat your value to others within their community. For more information on creating a value proposition, see the marketing chapter in this book.
- Remain in Contact – I mentioned earlier that in order to get referrals you must remain in constant contact with your customer base. If you do not, your competitor will.
- Communicate Often – Ensure you're communicating with your clients at least once per month. More is fine as long as it is not overdone.
- Network Aggressively – It is necessary to meet others frequently. Attend regional and national events to be known within your local community.

### Things to Remember About Referrals

- Referrals are linked to loyal customers; ensure they remain loyal by remaining in contact.
- Use the 25x30x50 method to remain in touch with customers monthly.
- Always asked for more than one referral; it builds up your future base quicker.
- Ask for referrals at the peak of the sale, not at the end. Do not leave time for dissonance.
- Referrals nurture value. Ensure customers understand your provided value.
- Use traditional and nontraditional methods to remain in contact with customers.
- Build community or join one so that others understand and can articulate your intended value.
- Create a value proposition so that customers become marketing avatars.
- Never stop asking for referrals; it is an endless process.

Selling today requires that you make as many relationships as possible. Therefore, selling to a certain extent is very similar to marketing whereby marketing is meant to establish relationships so that others can understand the value that you have.

© 2019. All rights reserved. Drew Stevens.

Drew Stevens is CEO of the highly successful Stevens Consulting Group a strategic operations and business turnaround partner to small business with specific emphasis in sales and marketing. His accomplishments include being acclaimed international keynote speaker, bestselling author of 14 books, and a regular media correspondent.

The material appearing in this website is for informational purposes only and is not legal advice. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship. The information provided herein is intended only as general information which may or may not reflect the most current developments. Although these materials may be prepared by professionals, they should not be used as a substitute for professional services. If legal or other professional advice is required, the services of a professional should be sought.

The opinions or viewpoints expressed herein do not necessarily reflect those of Lorman Education Services. All materials and content were prepared by persons and/or entities other than Lorman Education Services, and said other persons and/or entities are solely responsible for their content.

Any links to other websites are not intended to be referrals or endorsements of these sites. The links provided are maintained by the respective organizations, and they are solely responsible for the content of their own sites.