

# WHAT ARE YOUR CUSTOMERS AND CLIENTS SAYING ABOUT YOU BEHIND YOUR BACK?

GET TO GRIPS WITH REFERRAL MARKETING AND REAP THE REWARDS WRITES ROY SHEPPARD, A SENIOR PARTNER WITH THE REPUTATION MARKETING CONSULTANCY PEOPLEPORTFOLIO® INTERNATIONAL



**“...OUR REPUTATION BECOMES A POWERFUL PARTNER OR A FORMIDABLE FOE IN OUR EFFORTS TO ACQUIRE NEW CUSTOMERS”**

Ask any professional marketer if they fully understand referrals and they'll hiss “of course!” Some may even add a rolling of the eyeballs to complete the effect. The more open-minded acknowledge that word-of-mouth marketing is the easiest and most cost-effective way to increase sales. And that's it.

Unfortunately many people do not understand how to harness referral business. When we don't understand something, it is so much easier to sidestep its importance by proclaiming that it doesn't apply to 'our industry sector'. A tiny minority of companies have a process to proactively encourage, track and profit from such sales and I hope I can encourage more of you and your clients to do the same.

**So here is my challenge. First an easy question:**

- What is the lifetime value of each new customer or client attracted to your business?
- Now – what is the lifetime referral value of each customer?
- Lastly, to determine how serious you are about taking a systematic approach to referral generation; how much of your business development budget is specifically allocated to word-of-mouth/referral marketing? Does it show up as a separate itemised figure? Most of the time it doesn't appear at all.

Referrals are often left to a chance, ad hoc element of our marketing mix – despite their supreme effectiveness – and low (or no) cost. They are viewed as an unexpected bonus rather than being an integral part of a business development strategy.

Traditional business development focuses on creating marketing materials and messages you want people to believe about you so when someone is ready to buy your services, your offer will be chosen over that of a competitor's. Information overload or 'infoglut' is reducing the effectiveness of direct mail and other mass forms of commercial communication. For an increasing number of businesses, the escalating cost of acquiring new customers by conventional means has become horrendously expensive. In a recession, these costs may become too high, whilst their effectiveness will fall as potential customers pull in their own purse strings or search for the best deals in other ways.

You do it. I do it. Before significant purchases, we tend to 'ask around' rather than rely wholly and exclusively on what the company chooses to say about themselves.

At this point, our reputation becomes a powerful partner or a formidable foe in our efforts to acquire these new customers. This reputation is the memory and summary of every experience from past transactions with you and your colleagues. Glossy brochures and

attention grabbing advertisements certainly have their place – but real experience by real people who have used your products and services will ultimately carry more weight with many prospective customers – than anything you could say about yourself. Your company is experienced directly (first-hand) and indirectly (by word-of-mouth) – by what present and past clients are saying right now about you.

Planning a honeymoon and getting it wrong is NOT an option. I took a recommendation from a trusted friend and booked into the Echo Valley Ranch Resort and Spa, north of Vancouver high in the Caribou mountains of British Columbia. Echo Valley's brochure certainly caught my attention – but they, like so many other resorts made similar promises. It was the client testimonials on their website that clinched it. Real people who had already experienced being there. My sister-in-law has subsequently visited. Her comment was "It didn't live up to the brochure – it was better."


Low Level of Referrals		High Level of Referrals
Emphasis on transactions/ short term sales.		Emphasis on longer term value of client relationship.
Inwardly focused company.		Client focused company.
Closed-book mentality.		Commercial transparency with clients.
Inconsistent and/or incongruent corporate values and behaviours.		Staff and clients feel alignment with corporate values and behaviours.
Selling function monopolised by business development and sales staff.		Widespread involvement of staff working closely with sales and business development department.
Ad-hoc referrals.		Planned referral generation.
Weak or non-existent sales processes.		Robust sales and business processes.

Fig. 1 Factors that determine an organisation's referral gathering capabilities

What we think about ourselves has never been so unimportant. Increasingly cynical customers don't care. They want the wisdom of hindsight – but as foresight. With limited available time to research and evaluate their options, more and more customers want specific experience of your products or services as they relate to their particular circumstances and needs.

The real power of a referral system occurs when a company of what ever size develops a collective understanding, referral mindset and implementation strategy. This is unlikely to occur unless there is a top level commitment combined with an operational framework within the company to recognise, empower and reward those who choose to participate. Increasingly, as non-sales staff develop such close working relationships with customers, they are particularly well placed to solicit referrals if motivated and trained to do so. This poses a number of profound questions for any organisation.

- Are staff merely paid to perform a narrow range of tasks, or are they encouraged to assume additional responsibilities such as helping the business to grow?
- How do you reward such staff if commissions and bonuses are not traditionally awarded to non-sales people?
- How will this be greeted by those responsible for marketing and/or business development?

Add together the existing and potential value of all your referrals, your business growth potential and that of your clients is truly exponential – but are you, and they, too busy chasing new customers?

Roy Sheppard is author of *Rapid Result Referrals*. A free download of Chapter One is available at [www.RoySpeaks.com/rrr.htm](http://www.RoySpeaks.com/rrr.htm)

## TOP 10 TIPS ON ASKING FOR REFERRALS

1. Many of your customers would love to give you referrals if only they knew you wanted their help.
2. Make sure your business is worthy of being referred.
3. Write a profile of potential clients. This will help the people you ask to understand what kind of clients you would like.
4. Target anyone you know who is most likely to want to help you. Dismiss no-one.
5. Choose the right time to ask for a referral. Ideal opportunities are when a client is most happy with your product or services.
6. Ask potential sources open questions such as "Who do you know who...?" rather than questions requiring a "yes/no" answer like "Do you know anyone who...?"
7. Ensure the person does not feel under any pressure to comply with your request. Give them the opportunity to say "no".
8. Always thank the source of your referral as well as the new customer. Sending 'thank you' notes is a priority – an essential part of your referral system.
9. Tell every new customer at the earliest possible moment in your relationship, that your entire business is based on satisfying your customers so much they choose to recommend their friends, family and colleagues.
10. If you can't or won't ask for referrals, get therapy!