

Pro-Active Techniques for Getting Referrals

By Robert A. Normand

SUMMARY: The typical business loses as much as 20% of its customers every year because of errors, changes in customer's buying influence or personnel, customers moving or going out of business, customers that are acquired and lose local purchasing authority or customers whose need becomes obsolescent. Prospecting new accounts is crucial to the survival and growth of businesses and many companies spend countless dollars on cold calling via direct sales people or telemarketing. Referrals are often readily accepted when offered but not pro-actively solicited. Solicited referrals can be an exceptionally good and inexpensive source of new business.

Become an Expert at Soliciting Referrals

A referral takes you out of the realm of purveyor and into the mode of being a problem-solver. When you need a new lawn service, do you look in the yellow pages or ask a few friends for their advice? When referred by a friend to a personals service, you already have an idea that the referred party has successfully solved your friend's problem (often the friend describes the referred party in glowing terms). When a new potential is referred to your business, you can get to their needs quicker with a minimum of sales pitch. Why not make the process pro-active?

Get Referrals from Existing Customers

Sales personnel need to be trained and required to ask for referrals. Satisfied customers are more than willing to suggest potentials if asked. Every meeting with a customer should end with a request for a referral to companies or people your satisfied customer knows personally.

Pay Incentives and Bonuses for Referrals

Reward sales personnel for pro-active solicitation of referrals by adding a component of the sales compensation plan that pays on the number of referrals. Pay a higher commission rate on new customers for an initial period of time on new customers. Offer a reward program (that meets corporate governance criteria) to customers who refer new business.

Get Referrals from Brand New Customers

You just completed your first order and determined your new customer is very happy with your service. "That's great, I'm really happy we did the right thing by you. You know, our success depends on growing our business with great customers like you. Can you think of any of your colleagues, friends or business acquaintances that could use our services?" Ask about the business you noticed down the street. Have a telemarketer call and audit the first sale and ask the same question.

Get Referrals from Potential Customers Who Have Not Yet Bought from You

"Well Mr. Smith, it doesn't appear that there is any business that we can do together at the present time but I'm sure that you have many business acquaintances in the area. Would you know of any other business in the area that could use our products or services?" The point is: whether or not you do business, ask for referrals.

Get Referrals from Employees

Most people know at least 200 people by acquaintance of friendship and employees also know who might use your product or service. If you have 10 employees, that's 2,000 potentials and a 1% conversion would produce 20 new customers. Encourage employees to refer. Make it a topic at regular employee meetings. Set up a quarterly reward program (dinner, concert or game tickets

for 2, a Microwave, \$100 cash). This not only produces additional business but increases team spirit, morale and pride in the company.

Get Referrals from Suppliers

Who knows your business better or is more willing to help you (and themselves) grow than the people that provide your raw materials, re-sale product or services. Make it a point to interview or supplier reps and ask for referrals. If you're big enough to have a purchasing department, train your purchasing people to ask for referrals and reward them for successful leads. Don't forget to ask your referrer if you can use their name.

Get Referrals from Your Delivery Service Personnel

UPS, FedEx, Roadway and other delivery services visit a myriad of accounts regularly. Ask them who might use your products and services. It is amazing how much you can learn by asking questions of delivery people (including competitive information or whether or not a customer's operation has any problems). Give a UPS guy or gal a brief, clear description of a type of business that you're looking for and it's likely he or she has been to several of them in the vicinity.

Get Referrals from New Hire Training

Consider some real world training when you hire a new sales or administrative person. Have the new hire call some of your existing customers and set an objective to learn about various products and why they use them. In the process, they can also ask for referrals that can lead to new business. This exercise also provides input for after-sales quality control and can be a very valuable source of market research.

Get Referrals by Networking

Other business owners who are your friends or acquaintances are constantly in contact with still other business owners, friends, relatives and acquaintances that could provide suggestions and new business possibilities. Describe your business to them and ask for suggestions. Start a brain trust, disguised as a breakfast group and include your banker, lawyer and other small businessmen. Talk about what's happening in the area and what new businesses are developing or moving in. It is not unreasonable to expect that more than 50% of your new customers will result from diligently practicing the solicitation of referrals. This will reduce the cost of acquiring customers and provide an ample supply of new business to reach your growth goals.

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