



Generating **Business** through Referrals

NEARLY EVERY MARKETING BOOK ON THE PLANET SAYS THAT REFERRALS ARE YOUR BEST SOURCE OF NEW BUSINESS. BUT IF THAT'S THE CASE, WHY DO THEY SEEM SO HARD TO GENERATE?



BY MARK WARDELL

The ugly truth is that referrals rarely come simply by doing good work; there's an art to generating them. To be successful, you need to do more than ask; you need to be systematic in your approach. What you really need is a step-by-step process to follow each week. Turning your business into a referral-generating machine won't happen overnight, but with effort and a plan this is an achievable goal that you can use to grow your business. Here's how:

FOCUS YOUR EFFORTS

Identify your key 'centres of influence' (COIs) and focus your energy on these. COIs are the individuals or businesses with the strongest potential to bring you referrals. Ask yourself: who are your best referral sources? Hopefully, your customers make the list, but you should have a few others as well. By thinking more broadly, you may find referral business in places you never



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considered. For example, your suppliers, employees, and investors all have a vested interest in the success of your company and may be sources of new business. Identify the people and companies with the broadest connections to prospective clients and the influencing ability to send those referrals your way.

Step one: Develop an initial list of potential COIs.

TARGET 'OCTOPUS HEADS'

Referrals one at a time are good, but unless you have more business than you can handle, referrals in groups are better. For example, depending on your industry, some great places to start might be professional and trade associations, group buying organisations, or business associations. We call these 'octopus heads' because their connections spread out like tentacles. By getting to know the key people in organisations like these, you will be able to spread your reach wider and faster than normal.

For example, an IT support business I know has successfully used this strategy with their local law society. By focusing their efforts on building

relationships with this octopus head (the law society), they've ended up with a large number of law firms as clients. Of course, as with all relationship building, it does take time. So be prepared to network with organisations like these for several months before expecting new business to come your way.

Step two: Identify at least three octopus heads you could start networking with.

BE REFERRAL-WORTHY YOURSELF

Your service offering must add value to your COIs' own relationships. No matter how much you want access to your COIs' network, unless referring you will help them in some way, your COIs won't give much more than lip service to the idea.

Before asking for a referral, put yourself in your COIs' shoes and consider: why should they take the risk of introducing you into their network?

While part of the answer may simply be that you'll make them look great, you'll likely need something more concrete to be successful. For example, if you sell commercial audio equipment and you want a construction contractor to recommend it to his clients, it

might be important to show him how quick and easy it is to install, or how it offers significant cost benefits to his customers.

Step three: Break down the benefits of working with you as clearly as possible on paper. Make sure your COI understands these benefits.

GIVE BEFORE YOU GET

Put yourself in your COIs' shoes: what would you want out of these relationships if you were them? Most likely, they want what you want – referrals. So work hard at this. Try to be the first one on the giving end of the relationship.

Just because someone is a COI for you doesn't necessarily mean you are a COI for them. For example, business accountants make great COIs for my company because they often have a number of clients who could benefit from our services. But while we are glad to send referrals whenever possible, our clients rarely switch accountants, so our opportunity to return the favour is rarely equal. In a situation like this, one solution is to broaden your definition of a referral to include your COIs' COIs. In other words, ask yourself who you know that might be able to refer business to them, and make an introduction.

Step four: Identify the contacts you could potentially refer to your COI, and make some introductions.

HELP YOUR COI HELP THEIR NETWORK

What value can you offer your COIs that will help them look great to those in their network? Do you have any great articles or white papers they can forward on your behalf or perhaps even co-brand along with you? If they have a newsletter, could you offer to submit an article? Seminars and webinars are another great approach. You might offer to put on, or jointly put on, an event concerning a topic of interest. For example, many lawyers, bankers, accountants, and consultants offer joint seminars on the topic of succession planning for business-owners.

Step five: Brainstorm the ways you could collaborate to help your COIs and your own business.

CONSIDER FORMALISING YOUR RELATIONSHIP

If the referral relationship is mutually beneficial, adding some structure to it might be a great next step. You might be willing to offer a discount to all referrals that come through your COI, or provide a fee for all referrals. Another approach is to co-brand the marketing material that goes out to their networks and yours.

Step six: Brainstorm and outline the best possible outcomes from formalising your relationships, and, when the timing is right, float these by your COIs.



OFFER AN INCENTIVE

In some cases, offering a referral fee to your COIs can work well, especially when your potential for receiving referrals is greater than your potential for giving them. This could mean commissions or other creative arrangements. But the more flexible you are about offering incentives that benefit your COIs, the better. For example, one of our clients is a software developer with a program for managing private golf clubs. The owner provided free software to a select number of high-profile clubs, who in return became excellent COIs.

Of course, money works too. An associate of mine has built his entire consulting practice by offering referral fees. It's important to note, however, that referral fees on their own are not sufficient to form the types of relationships you seek with your network partners. So consider this step only when the relationship is solid.

Step seven: Document the best possible incentives you could provide to your COIs. Then, gather input from your staff, board, and trusted colleagues before you make the offer official.

DOCUMENT YOUR PROGRESS

A referral tree is a simple but excellent tool for tracking your progress and identifying your best sources of business. It works like a family tree, except that it tracks sources of new business rather than family connections. When I first built ours, I was amazed at how much business we generated from just a few key sources. This information allowed us to focus our company resources in the direction of greatest opportunity.

Step eight: Create and maintain a referral tree to track the source of new business.

When they work properly, referrals can be an amazing source of new business. Just remember, your ultimate goal is for everyone to benefit from your networking relationships, including your business, COIs, and, of course, the referrals. Keep this in mind as you strategise your referral-generating system and you'll have all the business you could possibly want. It may take time to implement a system that works well for your particular business, but I guarantee the effort spent will be well worth it. •

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