



Microsoft Small Business Center

Learn How to Ask for Referrals – and Grow your Business

By Joanna L. Krotz

Summer 2005

Marketing by getting referrals is not only simple, it's wonderfully cheap.

The idea is to find new customers just by asking peers, associates and existing customers to recommend likely prospects for you to target.

So what's the hitch?

Few business owners actually ask for referrals. Fewer still ask in the right way at the right time. And even fewer ask for referrals as an ongoing marketing strategy.

Here's how to leverage the incredible reach of referrals.

Trust is key

The reason referrals (and their cousins, testimonials) are so effective is because they carry immediate credibility. If your dentist recommends an orthodontist for your kid's braces, you're much more likely to act on that referral than if you hear an orthodontist's ad on the radio or get a flyer in the mail.

The price tag for the referral might have been a lunch, a phone call or the cost of attending a conference. But buying advertising airtime or producing direct mailers racks up significant dollars — and typically results in much lower response rates.

If you want to develop referrals and testimonials, which are more public and generic forms of referrals, try using these tactics:

- **Don't forget to ask.** "Many people believe that doing a good job is all that's necessary to generate referrals," says Patrick Galvin, who says referrals have boosted revenues by at least 75% for his two-year-old Portland, Ore. public relations (PR) business. Even when customers are terrifically satisfied, they forget to refer business mostly because your needs are not on their minds. Galvin is now in the habit of asking every satisfied client if he or she knows somebody who would also appreciate his services.
- **Wait until clients are happy.** Going the extra mile can pay off big time. A recent study conducted by NRS Consulting, a Madison, Wis. research firm which specializes in home building, found that builders that rated 91% or better in customer satisfaction garnered six or

more referrals from previous buyers, while builders with ratings of 67% or less got nary a one.

Every time you get positive feedback, you have an opportunity to ask for a referral.

- **Don't worry about rejection.** There's nothing wrong in asking for a referral. "Not everyone is going to need what you are selling, but a quality product has a market. Ask. Ask. Ask," says John Chappellear, a Fairfax, Va.-based executive coach who has founded and sold two successful businesses.
- **Flatter egos.** Make a big deal about a referral or testimonial, so customers know how important it is for your business. Vickie Sullivan, a marketing strategist in Tempe, Ariz., turns client testimonials into multimedia presentations that she posts on her Web site. "An objective third party interviews them over the phone, and we work up a multimedia file with photo, Web site link and so on," she says. "These stories have been instrumental in converting 'mildly interested' prospects into clients."
- **Invest in customer relationships.** Keeping your best buyers up to date is a sure route to getting referrals. You can, for instance, use Microsoft Office Small Business Edition 2003 to integrate customer contact and sales information. Within Microsoft Office, Outlook 2003 with Business Contact Manager can help you follow up on leads and opportunities. Also within Office, both Publisher and Word allow you to create cost-effective cards and mailers, which can be saved as templates.

Office applications enable you to conveniently build a customer database to send out a variety of timed and appropriate customer communications, whether surface or e-mail, including:

- Holiday greetings or event invitations with discount or premium offers that have a sweetener if the buyer refers a new customer.
- Press releases about company growth or changes, so clients feel valued and in-the-loop when you later call to ask for a referral.
- Monthly or quarterly newsletters or e-news about your industry, which include a feature about the reciprocal benefits of referrals or a coupon that rewards recommendations.
- Thank-you notes when a customer buys your product or, if it's a big-ticket item, on the anniversary of a contract. Then call a week later to check their interest in more work and also to ask for a referral. Do not ask for referrals in the thank-you note—it will drain all the gratitude from your message.
- **Join a networking group.** Trade associations and professional organizations are good places to generate referrals. Don't forget community service or religious groups, the chambers of commerce and charitable organizations. There are also groups specifically set up for

referrals, such as Business Networking International which has local chapters around the country.

- **Offer incentives.** Five years ago, Erin Saxton quit being a television producer, including a stint working for Barbara Walters, to start a media/PR agency in Whippany, N.J., called The Idea Network. "Since so much of the entertainment business is word of mouth, I value all types of referrals," she says, estimating that 90% of her business has come from referrals.

So Saxton makes referrals worth her clients' time. "As a thank you to anyone who refers business my way, a percentage of the money earned goes back to them. If they cannot accept money, I will send gifts," she says.

You can also offer incentives for online customers by using Web analytics applications, such as Microsoft FastCounter Pro, which lets you track user traffic. If you ask customers to register, you can send them a reward for referring other customers. Plus, such software tells you which sites are referring your most lucrative traffic, so you can make the most of affiliate links.

- **Think vertical.** The customers of your suppliers, vendors and support services might also want your product. Create a reciprocal arrangement.

Also target complementary businesses that might refer customers to you. Judi Henderson-Townsend, for example, runs a three-year-old mannequin liquidator business, Mannequin Madness, based in Oakland, Calif., which grosses about \$200,000 annually. "I have grown my business primarily through on- and- offline referrals," she says.

She has contacted display merchandisers at department stores in the area because people looking for mannequins often call large retailers. "These stores typically don't rent or sell mannequins, but they're happy to refer those calls to me." She has also contacted wedding and special event planners, trade show hosts and exhibit builders.

For online referrals, Henderson-Townsend became a power seller on eBay. And she researched organizations whose members might need mannequins, such as the National Association of Resale and Thrift Stores, and requested links to her site from those Web sites.

"The credibility of a personal referral has much more impact than a direct mail or advertising campaign, especially for a niche business such as mine," says Henderson-Townsend.

- **One last tip:** Try to set up a system that includes client referrals as a seamless part of your marketing plan. Mariette Edwards, an Atlanta-area executive coach, encourages referrals by offering a complimentary gift certificate for an hour of her services to any client who requests one. "Clients love being able to pass along my services to people they know, which are value-added for them and an effortless referral program for me."

Similarly, find a way to automate your referral process and you'll discover an easier and cost-efficient way to grow your business.

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About the Author: Joanna L. Krotz writes about small-business marketing and management issues. She is the co-author of the "Microsoft Small Business Kit" and runs Muse2Muse Productions, a New York City-based custom publisher.