



The Referral Engine

Teaching Your Business to Market Itself

by John Jantsch

From THE REFERRAL ENGINE by John Jantsch. Summarized by arrangement with Portfolio, a member of Penguin Group (USA) Inc. 256 pages

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Take-Aways

- People like to recommend the products or services they enjoy to friends and family.
- Companies that go out of their way for customers earn the most referrals.
- If you receive regular referrals, you don't have to spend heavily on advertising and promotion; customers will come to you.
- Most companies understand that recommendations are important, but few try systematically to secure them.
- Frame a referral request as a benefit your customers can provide to their network.
- Ask for a referral when a customer praises your product or service, when you solve a problem, or when you finish a successful project.
- Drive referrals through quality content about your company in speeches, advertisements, public relations stories, bylined articles, e-books and blogs.
- Aim to raise your "referral number," or the percentage of referring clients, to 100%.
- Create a "referral community" with other companies to share referrals.
- Consider a joint marketing campaign with firms offering products and services that complement your offerings.

Rating (10 is best)

Overall	Applicability	Innovation	Style
8	8	7	8

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Relevance

What You Will Learn

In this Abstract, you will learn: 1) Why people instinctively like to make referrals and 2) How to develop a robust system to generate continuous referrals for your business.

Recommendation

People love to recommend the purchases they make to their friends, relatives and colleagues; in fact, referring something you like to someone else is instinctual. Smart companies can leverage this natural tendency to earn more business and make more sales. In this book, respected marketing authority John Jantsch shows you how to develop a referral system that will pay off. You can use his ideas to sell your products or services without an expensive marketing budget. *getAbstract* recommends this savvy book to small-business owners, entrepreneurs, solo practitioners, professional partnerships, and any other commercial or professional entity that wants to make better use of referrals for future business, professional engagements, and profit. Now, make the most of this referral and tell your friends about this book.

Abstract

Crackers to Fiji

FreshBooks is a Canadian online service that tracks work time and creates invoices. The company's founder, Mike McDerment, recently used the firm's blog to write about how much he likes Triscuit-brand crackers and their "tasty new flavors." A FreshBooks customer posted a lighthearted comment that McDerment shouldn't write about the crackers because they are unavailable in Fiji, the customer's home. "I am right now dying to try cracked pepper and olive oil Triscuits," the customer wrote. "I am seriously considering canceling my FreshBooks account because of this irresponsible posting. Have a heart."

When FreshBooks staffers saw this note, signed "Jonathan," they quickly bought a few boxes of cracked pepper and olive oil Triscuits and mailed them to Fiji. When the Triscuits unexpectedly showed up 8,000 miles across the planet, Jonathan immediately went to his blog and began writing about the wonderful thing FreshBooks had done for him.

From such a small seed, plentiful referrals can grow. FreshBooks did not send the Triscuits to Jonathan to curry favor or solicit a favorable blog entry. The employees who saw Jonathan's posting just wanted to do something nice for their customer. Because of their altruistic act, the Internet soon was afire with positive stories about FreshBooks.

The idea of sending Triscuits to Fiji to make a single customer happy is perfectly natural at FreshBooks, which devotes itself to developing terrific experiences for all its customers – a surefire formula for securing referrals and a great way to power up your "Referral Engine."

People Like to Give Referrals

Winning referrals does not have to be difficult. Indeed, doing so can be quite natural. People are instinctively predisposed to alert others to positive experiences. This tendency

"The pull of a fully developed Referral Engine is so strong that your brand supporters will feel as though they have no choice but to sing your praises."

"In the business of referrals, trust is the most important reason a recommendation is made."

“The perfect referral motivation lies in our deep-seated human need for community.”

“Your employees probably treat your customers about the same way you treat your employees.”

“Even though your referral sources may be willing and able to refer you, you still need to help motivate and stimulate them.”

“Businesses that get talked about are driven by a higher purpose, one formed by a passionate owner or by a passionate team mission.”

may trace back to primitive times, when swapping tips about the best hunting grounds kept people alive. If you do something good for people – for example, treat your customers royally – they naturally will want to do something nice for you, and that’s when they’re most likely to give you a referral. Ironically, more than 63% of small-business owners believe that most of their business comes from referrals. Yet almost 80% of these same small-business owners do not have formal systems for developing referrals; they receive most of them by accident. This is completely backward. To win referrals, go after them as actively as possible.

How do the most successful firms accumulate their referrals? First, they earn clients’ trust by delivering what they promise; customers know they can count on them. Second, these companies treat their employees the way they treat their customers. Third, they work hard to develop a “referral culture” by training their staff to prioritize customer service. These firms always ask themselves, “How can I serve?” rather than the more common question, “What can I sell?”

Ask and You Shall Receive

Companies with the right attitude and practices learn to expect referrals, and they readily ask for them without timidity. Such “inbound referral” firms do not need to advertise heavily to seek business; customers come to them. Often, these companies can sell their products or services at a premium, and customers are happy to pay the price.

When you ask for a referral, frame the request as a benefit your customers can provide to their friends, relatives and colleagues. When you present the matter this way, you are not asking customers to help you. Quite the opposite; you are enabling them to look good to others.

Golden opportunities to request referrals come up when a customer fulsomely praises your products or services, sends you a testimonial you did not request, or explains that you have solved a major problem. Freely ask for a referral when you finish a successful project or even when a strategic partner joins a new professional group or trade association. Take full advantage of these openings. When it comes to referrals, it is even “better to give than to receive.” If you expect to get referrals, be prepared to give them.

Find referral opportunities by following your prospects and clients through the seven-stage “Ideal Customer Lifecycle”:

1. **“Know”** – Your marketing tells prospects about you. Stand out from the competition.
2. **“Like”** – If prospects don’t like what they see at your store or website, they will leave. Make sure you always project a good image.
3. **“Trust”** – Allow prospects the time to feel comfortable about your product or service.
4. **“Try”** – Help prospects test your goods or services before they make a major purchase.
5. **“Buy”** – Selling a great product or service is only half the battle. You must deliver it on time and back it up with excellent service.
6. **“Repeat”** – The key to recurring sales is to provide maximum value on the first sale.
7. **“Refer”** – Your customers can become your “uncompensated sales staff” through their referrals. Facilitate events, either in person or online, that bring clients together for education.

Handled correctly, this life cycle can transform your customers into enthusiastic evangelists for your firm and its offerings. Always be systematic in seeking referrals.

“There’s simply no denying the impact that a third-party endorsement in the press can have on awareness and trust building.”

“Companies that are very actively involved in social networking platforms...seem to be the ones that just naturally generate more referrals.”

“Widely referred businesses have very active blogs.”

“The relative health and success of most businesses can be gauged by this simple factor – how many clients refer friends, neighbors and colleagues.”

Create a calendar that shows the last time you had some type of contact with your customers. Never go longer than 30 days between such contacts. Make sure your customers benefit when they refer business to you. Thank them, of course, but also send them unexpected gifts. Make it as easy as possible for customers to refer business your way.

Your Strategy for Referrals

Develop a formal strategy to elevate the number of referrals you receive. To begin, you need to have a “core talkable difference,” something that makes your firm or your product exceptional and sets it apart from your rivals. Your core talkable difference should delight and amaze your customers. You want prospects to know your company is special. For instance, the Cheeseboard Pizza Collective in California has turned the simple concept of a pizzeria on its head. Rather than offering an assortment of options, they serve only one type of pizza each day. People religiously queue up for the daily special, making the Cheeseboard Pizza Collective a unique success.

You also need a profile of your “narrowly defined ideal customer.” Don’t try to win every prospect. Paradoxically, keeping your focus on a preferred client type gives you the time and energy to focus on good clients. And you can always refer less-suitable prospects to others, thus building your referral system.

Marketing used to be about the 4P’s: “products, pricing, place and promotion.” Today, thanks to the Internet, marketing is about the 4C’s: “content, context, connection and community.” Content refers to the information companies provide their customers and prospects through blogs, workshops, webcasts, white papers, and so on. Context relates to your ability to fit your product’s value to the client’s life. Connection means enabling prospects to join with you on their terms and schedule. Community often develops online and concerns shared interests. A “converged business” touches all these bases and wins by being both “high-tech [and] high-touch.”

In the 4C paradigm, content comes first. Quality content must drive all your marketing, and your “white-hot paper” can lead the way. Use this “primary tool” to inform your prospects, clients, suppliers and employees about what makes your company tick. Be creative: Compose a snazzy headline, include a compelling explanation of how your firm can help the reader, add quotes and testimonials from your customers, and close with a call to action and contact information. Other forms of quality content include your speeches, advertisements, public relations stories, bylined articles and e-books.

Your company blog can serve as a catchall for creating all 4Cs. Firms that generate the most referrals usually have popular blogs. If you write gripping blog posts, you can create an outsized share of traffic from search engines. To get started, subscribe to blogs about your industry, including your competitors’ posts. Comment on the blogs you read. People who read your comments may track back to your blog to learn more about what you have to say. Blog often (at least every other day) to make a notable splash. Your blog posts should include key words that your ideal customers will use to search for information. Podcasts and online videos also are excellent formats for quality content.

What’s Your Number?

Your “referral number” expresses the percentage of your customers who refer business to you. Your objective should be to attain a 100% referral rate. If yours is low, find

“The lifetime value of every single customer is unlimited when you factor in a customer’s ability to make referrals.”

“Systematic follow-up is probably the one of the most unheralded secrets to marketing success, but done well, it’s the catalyst to long-term referral momentum.”

“Acquiring testimonials from happy clients is a great way to get great content to sprinkle throughout your marketing materials.”

out why. It may indicate that your company has a serious problem. Ask customers who refer business to you why they feel comfortable doing it; ask customers who don’t refer business to you why they don’t. Once you identify the problems within your firm, fix them.

Be confident about your company and the benefits it offers your customers. Let new clients know you are sure they will be pleased. Tell them you expect them to be happy and to refer business to your firm in the future. Establish a “customers’ bill of rights” to show new patrons what they can expect. Tell them whom to contact in your organization if they encounter any issues. Detail how they can get the most out of your products. Outline any guarantees you offer. Explain what customers can do if you do not meet their expectations. Provide some type of owner’s manual or “getting started” guide with your bill of rights.

Your “customer success quotient” (CSQ) measures your product’s or service’s value to your client divided by its cost to that client. Aim for a positive CSQ, otherwise you never will get the referrals you want. Once you earn a high score, use it to establish credibility with your customers.

Win-Win

Leave no stone unturned in your efforts to generate referrals. For example, you could organize a “referral community,” that is, a group of complementary businesses targeting the same type of ideal customer. They sell to the same people you do, so it makes sense for you to refer business to each other. Such firms can make up “your strategic partner network.” Support them with referrals, and they can do the same for you. Ally yourself with quality firms so you are confident in referring colleagues to your clients.

You even may want to form partnerships with your competitors under certain circumstances; for instance, an alliance might be helpful when prospects request complex proposals that are too challenging for your firm to handle on its own.

Lining up strategic partners should not be difficult if you let them know how they will benefit directly through referrals that you and other network members will generate on their behalf. To this end, ask your potential strategic partners such questions as: “How would I spot your ideal customer?” and “How would I best describe your unique benefits, approach, products, services or value proposition?”

Collaborating in conducting shared client workshops is a great way to work with your strategic partners. Organize and promote them as win-wins for you and your referral community. Consider a joint marketing campaign with like-minded firms. For example, an electrical firm, a plumbing service and an air-conditioning company could form a natural alliance. You can distribute each other’s brochures and other promotional materials on service calls. Tell customers about your strategic alliances by developing a joint blog that can become an “online network hub” to help you and your partners. Make sure all your strategic partners are completely engaged in sourcing referrals for all the firms in your network.

About the Author

John Jantsch is a social media publisher and business coach in digital technology and marketing. He wrote *Duct Tape Marketing*, a marketing manual for small businesses.