

Do Referrals the Right Way

Don't ask for referrals. Here's how to properly use your customer base as a source of new business.

By John Graham

Is there ever a good time to ask for a referral? To make it as easy as possible to understand, the answer is no. That's right. Never, ever ask for a referral. Here are the reasons why:

1. Asking for referrals harms the customer-salesperson relationship. More often than not, the salesperson asks for referrals just as the sale is concluded. "There's just one question I would like to ask you, Ms. Yeager. Who of your friends and associates could benefit from my services?" However the question is phrased, it sends a powerful message: Am I being used?

Worse yet, it places the customer in an uncomfortable position of having to do something more for the salesperson. "I have just given her the order, and now she wants me to do more for her. It should be the other way." Asking for a referral just after the deal is done is courting disaster. It says to the customer that the sale is all about the agent.

ASKING FOR REFERRALS CAN BLOW THE OPPORTUNITY TO WRITE NEW BUSINESS.

2. Asking for referrals sends the wrong message. A few days after buying a new car, but before I took delivery, a letter arrived from the salesperson congratulating me on my purchase. I appreciated the gesture—until the last paragraph. It was there that the letter lost its effectiveness; the salesperson asked for referrals. I didn't even have the car, and

I was being asked to make recommendations. How much more effective would it have been if he had sent a letter congratulating me on my purchase, expressing his personal commitment to serving as my liaison and advocate with the dealership? How would you respond if salespeople described how they were going to serve you and then did it? You'd be comfortable recommending them to just about anyone.

3. Asking for referrals can blow the opportunity to write new business. This is, by far, the major reason why referrals fail. The customer gives you a couple of names or even contacts the people on your behalf. While this may seem to give you a proverbial leg up, it doesn't mean you're going to get the account or make the sale—or get an appointment.

The referral problem

Just because you receive referrals doesn't mean they are either interested or ready to buy—even though they are qualified prospects. It's the process that's the problem. Here's what happens: You give me a referral when I place the order, renew the policy or make the purchase. Then, a day or two later, I call the person to get the appointment. In reality, it's little more than a cold call. I may get a courtesy appointment. The chances of closing the sale are diminished. *(Continued)*

What does all this mean? The goal of the astute salesperson is to find ways to create customers, not just to find someone to make a pitch to; it's to prepare the soil properly so the seed (lead) grows into a customer—someone who places the order.

Turning referrals into customers

It's absolutely true that customers can be a source of new business. And implementing a process that achieves this goal can maximize their effectiveness.

Here are four suggestions for accomplishing this objective:

1. The post-sale letter. After a sale, write a letter to the customer expressing your personal appreciation and indicate you will be staying in touch regularly. If the customer doesn't already receive your newsletter or e-bulletin, let them know they will be getting it.

Then add, "Most salespeople ask for referrals at the time of a sale or in the days that follow. That's not what I do. I want you to be satisfied with your purchase, with me and with our company. I recognize this takes time. Some months from now, I will ask you for suggestions of those who might benefit from receiving my newsletter and e-bulletin and seminar information. My approach is to give them an opportunity to get acquainted with what I do and how I work before contacting them. I find this is a good way to build my business."

2. The prospect contact letter. After receiving the names from satisfied customers, the next step is to start the cultivation process. The first contact letter includes who gave you the person's name, the length of time the individual has been a customer (very important to show satisfaction) and how you are helping the customer. The letter then indicates that you will be staying in contact with the prospect and that they will be receiving information regularly. Finally, invite the prospect to contact you if he has a need.

3. The 90-day call. While it might be longer, you should not make the call sooner than 90 days. The goal is to let the prospect get acquainted with you and what you do before making personal contact. The call may result in an appointment; if it doesn't, let the person know you will continue to stay in touch. If an appointment doesn't lead to a sale, let the prospect know you will continue to remain in contact.

If it seems as if this process is demanding, requires careful management, good planning and consistent execution, it does. That's what makes it work. Without it, it's just business as usual.

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