



The sales improvement people

KoruConcepts™

Building a Referrals Based Sales Strategy

A Concept Paper from Koru Consulting Limited

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Management Overview

Many sales people will tell you that a referrals based business is the best way to generate new customers, yet few companies have a really good strategy that produces and/or exploits referrals.

A recent survey showed that companies that had a referral strategy benefited as follows:

- Referred customers were pre sold – reduced sales cycle time
- The referred sales person had instant credibility and trust worthiness – reduced selling time
- The competition was diluted or non existent – better margins
- Conversion rate was higher (50 – 75%) – better productivity
- Referred customers were more likely to provide referrals – more qualified prospects, more business

There are issues that need to be overcome when building a referrals based business. These include:

- Asking for a referral is on a lot of sales people's "don't like" list
- The sales process offers little or no reward for generating referrals
- Asking for a referral is a skill which needs to be addressed
- It needs to be part of the sales review process

There are simple ways of overcoming these issues by clever use of the company's sales incentive scheme, through role models, training and behavioural observation. On this last point, everyday we give referrals without ever being asked for them. If you have a good meal at a restaurant with good service and value you tell all your friends. So if a customer has had the business equivalent of a good meal then ask for a referral. Probably the most important aspect of a referral strategy is service; **you must deliver the highest level of service to your customers and partners for them to become and remain your advocates** – it's also good for extension business from them too.

While customer referrals are probably the best form, they are not the only ones and there are number of other referrals which can form part of your strategy. Here is our list and brief description of other types of referrals:

1 Customer to Prospect

It's amazing that, whilst salespeople are happy to ask for high value pieces of business, they become reticent when it comes to asking for referrals or testimonials. If you have done a good job for your customer, just ask him/her to refer you to one of his business acquaintances. If they don't, then you know the relationship is not as good as you thought and you can work on improving it. If they do, you have an entry into a new account and a potential buyer who is willing to listen.

2 Customer to Colleague

In big companies, most sales start off in one department and then proliferate as your company increases its account penetration. Getting into the next department, though, can be a chore, but one which is made so much easier if your customer facilitates it through a referral. Once again, though, all you have to do is ask. As in 1 above, you will have a quality lead.

3 Synergy Referrals

These are referrals from organizations where your company is part of a supply chain or project or where the products and services you offer can form a complete business solution for your customers and prospects. To identify how these referrals can be established, there are a number of considerations which are best described through some examples. If you are an IT services company identify non competitive organizations in the business services sector with whom you could work. These could be accountancies or legal firms. If you are an office furniture company or shop fitter your synergy partners could be an architectural practice. If you are in haulage and storage your partners could be similar companies in different geographies. In selecting partners it is important to ensure that all parties benefit. One way referrals do not last long.

Having identified potential referral partners, it is a matter of establishing a mutual referral system where all parties benefit. This can be achieved through simple word of mouth, which is probably the

least formal though most effective, through carrying mutual links on websites or through co-registration.

4 Co-Registration

This form of referral is growing in popularity particularly among the internet marketing community in the United States. It is very simple and has no additional costs involved. In section 3 above where we covered synergy referrals we said that once you knew who your partners were it was just a matter of setting up mutual referrals. This is a way of achieving that. What you do is on a specific page of your web site, for example your contacts or newsletter sign up page, you place a check box saying "If you are interested in *your partners products or services* check here" and the visitor can then leave their email address. Your partners obviously reciprocate. This way you can exchange email addresses as and when you receive them.

5 Supplier Referrals

With the emphasis having been on cost reduction over the last decade, many buyer/supplier relationships have become almost totally commodity based. The supplier tries to minimize everything around their products and services so they can still turn a profit, and buyers keep asking for another percentage point off the price, bigger rebates or some other form of soft margin. Rather than this, why not ask for some referrals? Suppliers have other customers and can easily refer you, and it makes for a better relationship. Incent your buyers on referrals as well cost reduction - after all, one good lead could be worth a lot more than 1% off the price.

6 Affiliates

This is a growing route to market, especially in the e-business field. What you do is create a group of partners, most likely in some allied trade, and pay them a commission on any successful sales you make as a result of referrals they pass to you. If managed well, these can be a source of both volume and quality leads. It does need more investment than some other referral methods. However, if you are planning to expand your channels to market, it is cheaper than agents or resellers.

7 Consultants

Before the regulation of the big four consultancies, many sales organizations spent huge amounts of time and money building relationships that would open doors, or influence the outcomes of tenders. While this may still be necessary, referrals can be more easily achieved by working with local and/or industry focused organizations. For example, smaller companies can work with local accounting and legal practices through mutual website links (enhancing all parties' visibility) and mutual back scratching. Local branches of consultancies are also a good source of referrals and are much easier to work with than dealing with the major players. For smaller companies, these are effective ways of getting referrals.

8 Case Studies and Testimonials

It matters not that you have the best products, or the best prices, or the best customer service, prospective customers will want corroboration of your claims. Your sales and marketing people should be tasked with getting either a testimonial or case study out of each and every customer. Preferably, they should quote some tangible financial benefit, like "We improved sales by 15%" rather than "It helped us save money".

Building a referral based sales strategy is high value in the Business to Business environment. If you have not yet considered it, undertake a simple ROI analysis against your current marketing and lead generation programmes.