

Referral Marketing: Basic Do's & Don'ts

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Consistent lead generation is key to fueling sales growth. One way of generating a steady stream of *qualified* leads is by implementing a referral marketing strategy.

Let's distinguish a lead from a referral. A lead is someone who *may* be interested in your product or service while a referral is someone who *definitely* is interested in your product or service – and they already know and trust you before you ever talk to them. A referral is a qualified lead.

A referral marketing program shortens the sales cycle. This occurs for two reasons: 1) the referral enters the sales funnel as an already qualified lead and 2) the negotiation & close phases of the sales cycle are shortened due to the referred trust that comes with the referral. The following illustration shows a traditional lead entering the sales funnel and going through a 6-month sales cycle, while a referral enters the sales funnel further into the process and exits earlier – shortening the sales cycle to 3 months.



This 50% reduction in the sales cycle (ideally) equates to a 100% increase in sales revenue. Implementing a referral marketing program is one of a couple of ways I know of to significantly reduce the sales cycle (see Steve Hindman's "Strategic Nerve" article elsewhere in this newsletter for another idea).

How can your organization evolve from where you are today to consistently execute a high performance referral marketing program? The long answer, as you would guess, depends on the specifics of your organization. But the short answer includes the following "do's and don'ts":

What to do

- Develop a referral marketing strategy: What's your goal? What does a successful program look like (time to ramp up, # of referrals per month, etc)? Who in your company participates?
- Review your ideal customer profile. Which industries / companies / roles do you want to get referred into?
- Who are the speakers / connectors / influencers that have access to your ideal customer(s)? These people are called Centers-of-Influence (COI's).



- Create a list of COI companies and roles (for example, IT consulting services – specifically Business Intelligence practice leaders). Who do you, and others in your company, already know? Brainstorm with others in your company.
- Strengthen your relationship with the COI's you already know. What can you offer them that they value (this may – or may not – be referrals in return)? What organizations and groups (on-line and physical world) do they belong to? Which groups could you join?
- Build your relationships with new COI's (keep in mind that having more relationships with more COI's is not necessarily better than having deeper relationships with fewer COI's).
- Practice and refine your “elevator pitch”: your offer, target market and value proposition. Be crisp, clear and specific. Have a spoken and written version; tailor as needed for different COI's and target markets.
- Help your referral sources help you by sharing exactly the kinds of referrals / customers you are looking for; specific is always more effective than general. What clues might a referral partner see or hear that would have them think of you?
- Measure and track the success of your referral marketing efforts.

What NOT to do

- Assume people will refer business to you.
- Have an old, or non-existent, LinkedIn profile.
- Have a “me first” philosophy vs. a “give to get” philosophy.
- Ask for referrals before you have established trust.
- Be vague about how your referral partner benefits from referring someone to you.
- Be slow to follow-up with people after you meet them.
- Be slow to follow-up with referrals that are provided to you.
- Never provide updates to your referral source about the person / opportunity they referred to you.
- Forget to thank the person who referred business to you.
- Take a referral source for granted.

Once you establish your strategy, work diligently on executing it one step at a time. Give it time, work with confidence, be consistent, and you will reap the sales rewards that come from having a strong referral marketing program.