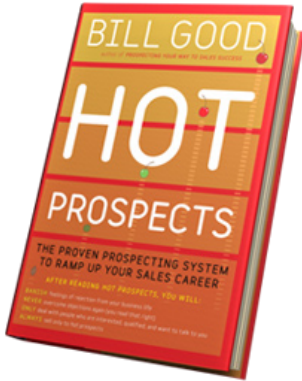


Referrals Happen

The One Secret to Real Referrals



“The only relationship marketing most companies undertake is to occasionally harangue their salespeople to ask for referrals.”

Hot Prospects
P. 22

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I am going to revisit a topic I covered in one of my past Research Magazine articles, “Referrals: Tread Carefully.”

I keep running into all kinds of systems that supposedly produce referrals. One chap was paying \$750 per month to a coach who was helping him put together a “board of advisors.” When I poked into this, I found one introduction, and zero referrals.

I have seen these systems come, and mostly go. But recently, more seem to be coming than going. So I decided to revisit the topic and hopefully get you pointed in the right direction as far as referrals are concerned.

State of the Art

If four words would put an end to all the bad advice I’ve seen lately, they would be: Quit asking for referrals.

Obviously, those four words require some elaboration. So let me add this:

Do not sign up for a system that sells 44 different tools to ask for referrals.

Do not buy anything that promises a “referral flood” or “referral fountain.” Undoubtedly, there will soon be something promising a “referral tsunami.” Don’t sign up.

Do not form a “board of advisors” to persuade customers to take an “active role in introducing you to prospective buyers.”

Do not attend referral boot camps, sign up for referral newsletters, and waste time on referral websites, or sign up for referral e-zines.

Finally, do not consider a “four-step process,” a “simple 7-step system



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for financial advisors,” a “12-step approach” or even “five secrets” to generate referrals from CPAs and attorneys.

I do know of cases where organized networking groups have produced good business; BNI is one such case. But you have to allow time for it to work.

For the others cited above, none generates referrals. They do, however, generate tons of names and legions of annoyed clients.

Strong words. I guess I'd better back them up.

What is a Referral?

To begin to cut through the fog of false and misleading information on “referral marketing,” I have put together a “Real Referral Resource Page.” I only have about 1,500 words here. And I have a lot more to say than that. This page is free to readers of Research Magazine. Registration is not required. There, you will find a copy of this article, suitable for printing, links to other websites with helpful information on referrals, as well as a link to our “Referral Deficit Survey.” Answer a few questions, and it will tell you how many referrals you are not getting. Go to www.billgood.com/real_referrals.

As a further fog cutter, let's define the word “refer.”

“To direct someone or something to a different place or person for information, help, or action, often to a person or group with more knowledge or power.” Cambridge Advanced Learners Dictionary.

The best definition was in Webster's 1828 “Dictionary of the American Language.”

“A person whose opinion is requested sometimes refers the inquirer to another person or other source of information.”

Let me repeat the key concept: **A person whose opinion is requested ...**



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Asking for Referrals Doesn't Work

This is not hard. A referral happens when a friend or acquaintance of a client asks for an opinion.

If you understand what the word means, it's not hard to understand why asking for referrals does not work. Let me tell you of my own enlightenment.

In about July 1991, I became the first sales manager in world history to tell his sales force, "Quit asking for referrals. It's killing us." But until I saw the light, I fit the classic sales manager mold, constantly haranguing my sales force to ask for referrals. I actually taught people dozens of questions to get names, and then I called the names given "referrals." In retrospect, those names were no more referrals than monkeys are gorillas. You can call names from the white pages referrals if you want. And you can call names you sweat out of your clients referrals. But that does not make it so.

Here is "the rest of the story."

It's summertime, 1991. I had done an analysis of where my business was coming from. I found that 30 to 40% was coming from referrals. I thought, "If I can just get more referrals, I can cut out some of this expensive direct mail. We won't have to attend as many trade shows. Blah blah blah."

So I made up "Ten Referral Questions." (Maybe I should have called these "Ten Referral Secrets" and sold them.) I had them laminated. Then I posted the sheet at eye-level. I hung a big chart in the front of the room, met with my computer operator to determine how we would track these referrals, had a big "Rah Rah" meeting and off we went. My "referral graph" moved up sharply. "Smug" would define



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my state of mind.

In August, our sales turned down. My thought was, “summer vacation is coming to an end, it’s August, even more blah blah blah.” In September, our sales went into free fall. I started looking for what went wrong.

One of the things I asked for was a list of all the referrals we had developed from our “Referral Marketing Campaign.” My computer operator brought me an 11-page report. There were 50 names on each of 10 pages, and three names on page 11. The math is easy: we had generated 503 referrals.

Then I asked her, “Let me see a report of the referrals that have sold.” She brought back a one page report with three names on it. At first I thought this was page 11 because it is IMPOSSIBLE to close only three out of 503 “referrals.” (We were closing one in eight direct mail leads.) Further investigation convinced me that we had not generated 503 referrals. We had generated 503 cold call names, whereupon I became the first sales manager in history to say, “Quit asking for referrals.”

What Does Work

This led to even more research. Thirty or forty percent of our business was coming from referrals. Detailed checking, however, showed that referrals that became clients were “unsolicited referrals.” They were referred by happy clients.

The final blow to my old life as a sales manager happened one night as I was just drifting off to sleep. I bolted upright when I remembered a chance conversation some years earlier. An advisor had told me, “Bill, I have this little old lady client who owns a hundred shares of



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a dog stock she inherited from her grandfather. She calls me every morning when the market opens to find out what it did yesterday. I tried everything I could think of to get her to stop calling. Finally, every time she called I would ask her for a referral. She quit calling.” Whoosh. It had sailed right by me. Asking for referrals does not work. Worse, doing it can damage the client relationship. It puts clients on the spot. You know that in your heart. And to the extent you have refrained from asking for referrals, well done. You were right.

To verify that what was true for me had broader application, I then called 30 or 40 advisors and verified that the people opening new accounts that were referred were unsolicited referrals, not solicited.

Obviously, this creates a problem. You want more referrals, but if you ask for them, you don’t get referrals, you get names, plus you damage the relationship that ultimately does produce referrals. So how can you increase referral business without asking for it?

Let’s learn a little bit more, and then I will tell you.

Referrals Happen

Referrals happen when a satisfied client recommends you to a friend or associate who needs financial advice.

In this context, let me now contribute my own definition of “referral.”

“A name volunteered of someone in need of, or wanting to know about, your product.”

This definition, which is consistent with the actual meaning of the word, makes it clear why an actual referral cannot be solicited.

A referral is a name **VOLUNTEERED**. To ask for a referral is to get a name, not a referral.

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How Referrals Do Not Happen

You are sitting with a client. We'll call him Bob.

You have recently signed up for a 12-step program and learned a script which you decide to try.

YOU: We are looking for _____ (Describe your Ideal Prospect). Who do you know who fits this description?

BOB: Uhhhh. Well, you could call my Uncle Farnsworth.

Come on now. Did you get a referral? Or did you just extract a name?

Here's another gem:

You are in Bob's office.

YOU: Let me explain to you exactly the kind of client I am looking for. Like you, he or she is a successful business owner. They're looking to retire in the next 5–10 years, and they need a plan to get the equity in their business into a retirement account. Let's go through your contact list. You tell me a little bit about each of your associates. And then we'll settle on two, but not more than three of what we call "preferred recommendations."

BOB: (Obviously uncomfortable. Sweat is running down his sides and back) Well ... uh ... mmmm I guess you could call Adam Ames. He's my lawyer. He owns his own business. But he might be a little younger than you want. You could call him.

Why Doesn't Asking for Referrals Work?

It's not because Bob is not a happy client. He is.

It's not because he doesn't know people. He does.

If asked, he would be among the 80% or so who are willing to



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provide referrals.

So why is he uncomfortable? And why are you among the 99% of advisors who hate asking for referrals?

Answer: Bob wants to help but doesn't know anybody right now who needs your service. And he does not want to turn a salesperson loose on friends or associates who do not need your service.

Let's put the shoe on the other foot—your foot. You are sitting in your doctor's office.

DOCTOR: Do you know anyone with a similar disease that could use my service?"

YOU: (Stunned silence)

Or try this shoe on for size:

DOCTOR: I'm putting together a patient advisory board to help us improve our practice. Would you like to join? Every two months I buy dinner.

YOU: (Hmmm. He needs help on running his practice? The business part? Or the medicine part. I need this?) You know, Doctor Grynd, I spend all my spare time with my wife and family. I would love to but I just can't do it. (I'm done with this guy.)

These two situations are recommended frequently by referral coaches, books, and websites. But if your doctor used these "tools" on you, you would be SHOCKED. How do you think your clients feel?

How Referrals Happen

Bob and Adam are having a monthly lunch, client and attorney.

ADAM: I'm sure you know I won that personal injury case where a driver rear-ended my client. My share of the award will be substantial.



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BOB: Absolutely. She does great work. I want you to call Sue Brokerman at 801-555-2346. As soon as I get back to my office, I'll shoot her an email and tell her to expect your call.

That's a referral!!!

Please understand this: Referrals happen when a satisfied client learns about a situation requiring your help. To make that referral, the client needs, obviously, to be a happy client. You need to have provided good investment advice, great service, and stayed in touch. The client has to regard you as an expert financial advisor, a caring, trustworthy, well-mannered individual, as well as a good citizen. These are the ingredients in a successful recipe for producing referrals.

And you have to promote, not solicit, referrals.

Promote: Gently and persistently remind your clients you value and accept their referrals.

Solicit? Never.

Promote: Frequently.



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