

The Science and Art of Generating Referrals

In many businesses, referrals from existing customers are the greatest source of new business. Yet, many sales people don't effectively use this technique to generate leads. Understanding the referral process and establishing a technique to ask for referrals will generate qualified leads and increased business.

Why are referrals effective?

Once a sale is made and a relationship is established, that customer understands what you are offering and knows how your product or service has provided a solution for their specific need. They know your product and they believe it will work.

Most customers are likely to know others that have needs similar to their own. If the customer is a business, they know their competitors, their customers and their vendors. If the customer is an individual, their friends, business associates, family members or neighbors may have similar needs. In other words, they can provide pre-qualified prospects for you.

There is also a sense of trust once a customer-relationship is established. This trust is valuable and must be carefully nurtured. It can be leveraged by recognizing that most people want to help others, especially those whom they trust. Usually, your customers want to help you as well as others that they know and care about. Properly handled, this trust can make them *your advocate*.

Asking for the referral

Immediately after the sale and while the customer feels good about selecting you and your product or service is the ideal time to ask for referrals. At that point, customers often view you not as a salesperson, but as a resource who just provided a valuable service. You solved their problem.

Asking for referrals does not mean begging for a list. It means educating your customer about what you are looking for in potential customers and sales opportunities. Be sure to explain that you are seeking contacts that have similar issues to the ones you have just helped your customer deal with.

Avoid asking too direct, blunt or limiting questions. Don't ask, "Who else do you know that might want my product?" A better way to phrase the question is "Is there someone else in your company or that you know that is facing the same type of issue we just addressed with my product?" Most people are reluctant to provide referrals if they think you are going to pounce on them for a sale. But they are receptive to providing a referral if they believe you will become a valuable resource for those referrals.

There is usually a great deal of networking within an industry, even among competitors. As a result of an existing customer relationship, you are positioned to better understand the issues facing all those in the same business as your customer. Use this insider role when positioning yourself for future referrals. Consider this question, "What business functions or conferences could I attend to learn more about your business and find others that are facing the same issues we just addressed with my product?"

After the sale and referral

Stay in touch with the customer. Your relationships with customers are some of your most valuable assets. They may need additional products or services you offer. There may be others within the company that need your products or services. And, you want your existing customers to buy more of what they have already purchased.

If your customer has provided a referral, be sure to follow through. Contact the referral and keep your original customer informed. Sending a thank you note is the polite thing to do and further strengthens your relationship with the customer.

Finally, reciprocate. If you know people that may need the products or services your customer offer, make referrals to your customer.