

The Number One Mistake People Make When It Comes to Referral Marketing.

Hosted by John Jantsch on The Duct Tape Marketing Podcast

John: Getting referrals is only half the battle. You know that, right? For this episode of the Duct Tape Marketing podcast, we're going to talk to Bill Cates, author of Unlimited Referrals, about turning referrals into customers.

Hello, and welcome to another edition of the Duct Tape Marketing podcast. This is your host, John Jantsch. My guest today is Bill Cates, president of Referral Coach International, author of Unlimited Referrals, *Get More Referrals Now!*, *Don't Keep Me A Secret*, and we're going to talk about his upcoming book called *Beyond Referrals: How to Use the Perpetual Revenue System to Convert Referrals into High-Value Clients*. Those of you that have been listening along this month know that referrals are the topic for January 2013, and so that's what we're going to talk about today. Welcome, Bill.

Bill: John, thank you very much, and I'll put a plug in for your book, *The Referral Engine*. It's a good book on referrals.

John: Thank you. Thanks, I appreciate that.

Bill: You bet.

John: I have to say, especially since you went as far as trademarking this idea, I want to know what a perpetual revenue system is.

Bill: Well, it's something we all want, and it's a pretty simple concept. Essentially it's this, and it's all referral, related to client acquisition. We have a client or customer, we're serving them well, we're doing a good job, and it becomes a leverage relationship so we ask for referrals, we get referrals unsolicited. What I've found is ... and everyone knows this ... referrals are not the end game, right? Referrals are a means to an end. Everyone wants more referrals, but what they really want is new clients and new customers from referrals.

The key is to keep it going, and so after we get the referral, we have to get an introduction, we have to get connected in some way to this new prospect of ours. We have to set an appointment, whether that's an in-person appointment or whether it's a telephon1.1.e appointm1ent or getting them on whatever our webinar is as an appointment. Every business has some form of appointment, and then we want to convert them from a prospect into a client or a customer. Once we have the client or customer, we serve them

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well and we get referrals and introductions and appointments, and the thing just continues and continues.

The beautiful thing about referrals is that a study I saw showed that any client or customer that comes into a business through a referral is two and a half times more likely to give referrals. They're predisposed, and it just makes common sense that they would be. It's able to create that perpetual flow. You just need to have the right mindset and awareness and attention to do it, and then of course having the right tools in place and the willingness to use those tools will get these things going, and you create a perpetual flow of revenue to your business. I've done it for my business; you've done it for your business. It's very profitable to deal with, when we think in those terms.

John: It's funny. I also find that typically somebody that comes by way of referral is less likely to ask, "Can I get a deal," as their first question at least, anyway.

Bill: Exactly right.

John: They tend to kind of already understand the value of why they should hire you or buy from you.

Bill: That's right. Product sensitivity tends to be less with a prospect that comes in from a referral. Not to say it's not there, and it depends a little bit on the business model. Different businesses have more price sensitivity than others, but clearly if someone recommends you and vouches for you, you come in at a higher level of trust. That's what makes the referral work. The prospect comes in at a higher level of trust.

I like to call it "borrowed trust." We borrow the trust in one relationship long enough to earn our own trust in this new relationship. Because they come in at a higher level of trust, everything gets easier. That's why people want referrals in the first place, and what we need to do is understand that how you pursue the referral process ... how you set the appointment, how you attempt to make the sale ... is different with a referred prospect than it is from someone that comes from another source.

John: I know you spend a lot of time working with financial professionals, and one of the things I find ... and I'm sure you've discovered this too ... a lot of it really comes down to having the confidence to ask. I can't tell you how many people have told me t2hey're worried that it's going to be off putting, that it seems like they're begging, and I know you've even gone as far as creating something called a referral confidence quotient. I wonder if you could talk a

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little bit about the role of confidence, and then this tool that you've developed.

Bill: You're absolutely right. Being proactive for referrals, asking for referrals, without looking like an overaggressive life insurance agent, is all about confidence. It's not rocket science. The fact that I teach it in a lot in financial services, although not exclusively, it's probably one of the toughest environments to get referrals because we're dealing with people's personal financial matters. People get more private, more reserved, when it comes to referrals around financial matters, than they might if they're referring someone to buy a car or a copier, or a marketing guru such as yourself. It's more ... it's a little tougher.

We know we can do it with financial folks, we know that the system works with everybody, and you're right, it's about confidence. That's true for any aspect of our life. When we feel confident about something, we take action, and the more confident, usually the more effective the action. When we don't feel confident, what do we feel? We feel fear, doubt, uncertainty, inaction, and so it's about creating that confidence. What creates confidence, particularly around asking for referrals ... because most people, many people, are reluctant to ask ... is a couple things. First and foremost is to have a path to follow. We have a very specific path we call the VIPS method of how to ask for referrals.

John: Repeat that again. What's the name of the method?

Bill: VIPS. Think of it this way. Referrals are the VIPs of our business, right, the Very Important Pieces of our business, and I can go through this real quick in a second if you'd like. We have a very specific method with which to ask. I encourage people writing out a script, not sort of memorizing a script, but just getting a real clear sense of what they're going to say ... that builds confidence ... and then practicing it a few times with a friend, a colleague, anybody. You see, whenever we try out a new sales skill or marketing skill, anything we're going to say that relates to a customer or client or prospect, we don't want the first time we say it to be to that prospect or customer.

We want to practice it a couple of times, and that's what builds the confidence. As the confidence builds, what happens is not only are we more willing to do it, but we get a better response. When you ask someone for referrals in a very confident ... not arrogant or in a senseless way but in a confident way, just feeling good about the work you do and feeling good about wanting to bring your good work and your value to other people ... you're going to get a better response from folks.

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John: Yeah, I like that idea of practice. Think about all the things that people do that are high-level, that they generate a lot of money from, other things that you do in business, and to think that you're just going to go out and master that without practicing it I think is ... there's probably no other ... I think about professional sports or any other industry, music. Who would do that, right?

Bill: Right. When do professional athletes stop practicing? Well, probably when they retire. When do musicians stop practicing? Possibly never. If you view what you do as a profession and you want to get good at it, then ... and it's not just with referrals, it's with any aspect of the sales and marketing process. You've got to think through it, practice it a few times.

I can't tell you how many times I'm driving down the road, I've got my Bluetooth in my ear so people think I'm talking on the phone, and I'm just talking through the script. I'm talking through what am I going to say to this person, and I'll talk through it two or three or four times, to when I get in front of them or on the phone, I know what I'm going to say and so I'm confident in it, and I don't bumble through it.

John: That's awesome. You leave the Bluetooth device in so that people don't think you're crazy, right?

Bill: Yeah, that's right. Not that I care I'll never see these people again, but you know.

John: Let me ask you a subject that comes up all the time. I have a definitive opinion and I bet you do too. Of course in the financial services industry they're regulated a lot, but a lot of people want to talk about should you or how should you incentivize people for referrals.

Bill: Well, I believe you should thank people for referrals. I believe that it's always good to say thank you. It could be something as simple as a handwritten note, it could be a small gift, things that are flat and easy to mail like a Starbucks gift card or something like that. I'm not a strong believer in purely incentivizing, in other words saying to someone, "If you give me a referral, I will give you this," this coupon, this cash card or whatever. I've done a lot of work with a lot of different kinds of companies ... financial services, home improvement services ... where they've tried that. They tried giving out a gas card, or one home improvement services company in Indianapolis used a government savings bond ... and they found that it didn't increase their referrals at all.

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People don't give referrals, for the most part, because you're going to give them something back. They give you referrals because they see the value in the work that you do, they like you, they trust you, they want other people in their life, a businessperson or whatever, to experience your value. I think it's, number one, a waste of time and money in most cases. Now, have I seen it work occasionally, yes. Occasionally it works, but usually the best thing to do is make the referral all about the value, the relationship, the value that you can bring to whoever they refer you to, and then you have to make a gesture saying thank you. It could be a small gift. If you want to tailor the gift to an individual ... I do that a lot. When I get a referral, it's usually worth a fair amount of money. I'll tailor a little gift for someone, and you get more bang for your buck when it's tailored to their interests.

Let me tell you something around saying thank you that most people don't think about, and it goes like this. Client A gives you a referral to Prospect B. You say thank you to Client A in some way. When Prospect B becomes Client B, what you really want is Client B thanking Client A for that referral to you, right, because that reinforces [inaudible 00:11:10]. There are different ways you can do that. You can take all the parties out to lunch. You can just suggest, "Hey, John, would you thank George for putting this together? He needs to know he did a good thing here." There's a lot of ways to do that. We want to say thank you, but what's really powerful is when a new client says thank you to their friend or colleague.

John: Yeah, because that keeps that tap flowing. I think you're absolutely right, appreciation is actually a tremendous incentive for a lot of people. One time I referred somebody and they sent me two lottery tickets. I thought that was kind of fun. I didn't win anything, but it was kind of fun.

Bill: Yeah, I've done that. Sometimes I'm in Maryland and they're in California, and I tell them, "Look, if you win, I'll cash it in for you and take a 10 percent service charge." Any way you can have fun with this is good.

John: How has, in your opinion, the Internet really changed the whole game of selling and referrals and introductions?

Bill: Well, it's interesting. I think it's changed it in some ways, and some things it hasn't changed at all. In other words, the Internet and social media on top of that, it's one big word-of-mouth machine if you think about it, right? It's one big referral machine. The dynamic isn't any different. In other words, you have to provide value; you have to do a good job. If you do a good job, people will talk about you. The good thing, of course, about social media and the Internet is that a lot of people can hear a lot very quickly. Obviously the downside, if you don't do a good job ...

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John: A lot of people can hear very quickly.

Bill: Very quickly. It forces us to have impeccable standards around serving our customers or clients. You look at the video that went viral on YouTube, "United Breaks Guitars." That's nothing United wanted out there, right, and it just happened again on Delta and Delta's working very fast to squash that very quickly. People learned a lesson from that one. When people like us on Facebook or they link to us on LinkedIn, again, it's just one big word-of-mouth machine.

We've got to provide a lot of value. We've got to do good works with people and enjoy good relationships with them and nurture those relationships, and then what we can do, of course, is to encourage them to take advantage of the different social media that are out there, whether it's to like us or link with us or whatever. What a lot of people are doing, especially in business-to-business type of situations, they're getting involved in LinkedIn. Of course you can go on someone's LinkedIn file and you can see who they're connected to if you're linking with them, and sometimes that's your referral conversation. "John, I see that you know George Smith over at XYZ. I think I can be a good resource. How do you feel about introducing me? You can introduce me via LinkedIn."

I've also found, by the way, in my own marketing and prospecting efforts, that when I can't reach someone over the phone or with a conventional email, if I can link with them and send them a LinkedIn message, they'll very often respond. I think there's still a certain novelty with LinkedIn with a number of people that they just seem to be more responsive to it than they might a regular email. It's changed in the sense that it's much easier to create a reputation; it's much easier to hurt a reputation. It's much easier to create a reputation very quickly, because that, the dynamic of why people refer you, hasn't changed at all.

John: One of the things I find kind of interesting is that it gives you sort of a public platform to demonstrate that you do what you say you do. I see people all the time on Twitter where people are praising them or they're connecting people. They're basically doing good deeds or adding value, and they're not necessarily doing it so I see it, but I do. I think that that's another really powerful aspect of that.

Bill: I'm sure you've preached this to your folks, the whole thing with Twitter and LinkedIn and Facebook is that you just can't be hitting people over the head with promotion. You have to provide value, and what happens is if they like what you say, they want more of it. It's really one of the leading edges of your pipeline; right, to get people into your pipeline through Twitter, through

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Facebook, through LinkedIn. In a free way, they experience some of your value, and then eventually they say, "Hey, how do I get more? How do I get more of you?" That's when you can start to monetize things [inaudible 00:16:04]

John: You use the terms "introductions" and "referrals" as different elements of the Perpetual Revenue System, and the ultimate end game of turning referrals into clients. Explain to me maybe the difference, because I do know that some people that I've talked to, when we talk about referrals, they'll actually say, "You know, what I'm really trying to get is just introductions. Introduce me to people and let me build this network." I'd love to hear kind of how those line up for you.

Bill: I make a distinction between a referral and an introduction, but clearly you can kind of put the two together and make it one. That's what I look for these days, I look for connections. I look for introductions. When someone says, "Hey, you can probably help George Smith," I'll say, "Great, how would you like to introduce me to him?" I'm always working through that connection, and that's what we need these days.

What a lot of people will do is they'll get leads, right? You have the groups like BNI, Business Network International, and [inaudible 00:17:11] and some of those groups, which are great. Sometimes you just get leads, right, like, "Hey, you should talk to so-and-so. You should see this guy down the street," or whatever. Well, that's not a connection. These days, with the do not call regulations if it's business-to-consumer, it's just so darn hard to reach people. It's just so hard to reach people that we need to get connected, we need to get introduced.

I use the word "referrals" a lot, but what I really mean, and I think if we're talking to a customer or client, I think we want to use the word "introduction." "How would you like to introduce me to George? Let's talk about how you introduce me to George so he'll be interested in hearing from me." When you do that, what happens of course is now that prospect has heard about you, they've heard something good from their friend or colleague, and now they're certainly more willing to take your call or respond to your email.

John: Yeah, or maybe even feel obligated to some extent.

Bill: Well, a little bit. Some people ... it depends on the nature of your relationship. What really makes referrals work is the level of trust between the two parties, between the referral source and the prospect. The more that prospect trusts that referral source, the more weight that referral carries. In

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fact, I know one small business owner, when he asks for referrals, he point-blank comes out and says, "You know, we're just brainstorming here, but let's see if we can identify a couple of people who you think would take my call just because you asked them to." What he's looking for there is really high-trust relationships. We all have a few of those people in our life, right? They would take the call just because we asked them to.

John: I actually had a client one time that would go see a consultant and he'd take a list of eight or ten people that he thought they might know, be it because of their neighborhood or industry or whatever, and he would actually put the list down and say, "You know, these are some folks I'd really like to help. Could you introduce me to any of these people?" It was amazing how that simplified the process for them, because it was like, "Yeah, I remember them," or, "No, I don't."

Bill: Yeah, I'm a huge advocate on that. I really think that when you ask for a referral, the last thing you want to do is just say to someone, "Hey, who do you think we could help?" Unfortunately, that's how most people ask for referrals. They throw open the whole universe to their client or customer and say, "Hey, who else can we help?" Then the client or customer draws a blank and says, "Wow, I don't know, I'll give it some thought," and then the conversation fizzles. Treating it with confidence, having that confidence quotient come into play, is all about coming prepared to the conversation.

Number one, we're prepared. We know what we're going to say, so we're prepared in that regard, but we know where we're going to take the conversation. With the specific individuals that we already know exist in their lives ... it could be the board of directors, the leader of an association, could be their business partner ... we identify specific people in their life. We can get that from LinkedIn. We can target [inaudible 00:20:20] if we're doing some vertical marketing. We can print out a list of members of an organization and you can say, "Would you be willing to open a couple of doors for me here? I've got a list of folks I think I could serve pretty well. Who do you know on the list? Who do you think I should call? Who should I not call?"

You can have a little fun with it and say, "Who shouldn't I call on this list," and that usually gets a smile. That eases any kind of tension you might be feeling, and you have a great, productive brainstorming. I see the referral process as a brainstorming, together. We're collaborating together to figure out how we can help other people. Again, how we can help other people. That's where it's got to come from.

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John: Yeah. Then to throw in some of these technology tools, for example, you can have a client and you can actually look at they follow 273 people. You can see who they have conversations with a lot, and sometimes that can give you some great clues on where you ought to be mining as well.

Bill: No question. Some people may not be willing or agreeable to refer you specifically, to specific individuals. Just bringing this up, they may be very willing to tweet about you, to put something out on their Facebook page or LinkedIn. Just bringing this up, "Help me reach some other people," it's amazing. When you're dealing with other sales and marketing type people, you can be a very experienced parent around this. You can say, "If you were me, who would you be trying to reach in your industry?" Then you work together, you collaborate to help people.

John: We talked about this idea of being very specific. The fact of the matter is a lot of times, even if you say, "Here are some people I want to connect with," maybe the person doesn't know anybody right now. Maybe you're in a business where somebody has to be selling a home before they're a prospect, something like that that you can't predict. What are some ways that you stay top-of-mind, so that when those moments of truth kind of crop up, they continue to think about you?

Bill: Sure. Well, there's a lot of tools. Obviously newsletters, a lot of people have e-zines. Interestingly enough, I've met a number of people in different professions that are going back to paper newsletters. The open rates on e-zines are slowly diminishing, and so they're actually mailing things out now. They do a combination of mail and electronic.

One thing that I've done that's been very effective for me, I recommend it for others, is to develop a VIP list. The VIP list could be made of key clients and advocates, it could be centers of influence who may not be clients, and it could be from key prospects. It could be roughly a hundred people of your VIPs. These are the people that you want to stay top-of-mind. You find different ways to assure them, bring value to them. Some can be very much informationally-oriented. We'll send out a CD, we'll send out somebody else's book, we'll send out a report.

You can also have fun with this. When my daughter was a little younger and she was selling Girl Scout Cookies, she won her troop in sales one year because I bought 270 boxes of Thin Mints to send out to a couple of our VIP lists. I'll tell you, of all the things we've sent out, that got the biggest reaction. I was inundated by email and a few phone calls, and they'd say, "I'm sitting here with a glass of milk and Thin Mints. Thanks for making me fat. It doesn't have to always be value, sometimes it can be fun.

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We have a plan. The key is to have a plan. Whether you send something every month or every quarter, you have to stay top-of-mind. Usually after about a year, if you have not been in touch with a client, a customer or a prospect after that year, you can pretty much be assured they're going to forget about you. They might even forget your name. I saw a study once that said that as each month passes when you haven't been in touch with a customer, when you get to the point of about a year, the odds of them doing business with you or someone else are about equal. You've really lost all of that good will that you've created if you've not been in touch with them within that year.

John: That makes total sense. One of the things that I know you end your book up with, your upcoming book, *Beyond Referrals*, is this idea of getting an entire organization involved. I really do think that that is essential. I think a lot of organizations really still have the mindset that the salespeople do the selling and the referral generation, and I think the new way of doing business is that everyone sells, that everyone participates in marketing, that everyone could or should be enabled to participate in referral generation. I wonder if you've got some ideas on how you do that, organization-wide.

Bill: Yeah, sure. Not everyone is necessarily going to ask for referrals, but everyone has a role in building an organization that's a referral-based business. For instance, people in more of a customer service type of mode of serving the customers; those help create the referability of the organization. They help create a situation where someone is willing to talk about the organization. The salespeople, the rainmakers, those are usually the ones that are going to be asking for referrals. People inside, deeper inside an organization that don't have customer contact, are serving people who do have customer contact.

What we want to do is put to the organization, whether it's three people or a thousand people, that we want to build our business through referrals and word of mouth. Why? Because it's how people want to meet us. It doesn't cost us anything. What is the cost for a referral? Virtually nothing, maybe a little thank-you something at the most. Most businesses pay attention to their cost per lead, what are the costs to get that lead. In some cases, they're very hot. I worked for a window replacement firm where their cost for an appointment, to be having a salesperson sit down with someone in their home to talk about window replacement, was up to $500 for that appointment. That puts a lot of pressure, and it reduces profitability for sure.

When you make a decision to build a business based on word of mouth and referrals and introductions, and you tell everyone in your organization what their role is in making that happen and why it's good for them and why it's

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good for the customer, you've always got to link it to why it's good for the customer and why it's good for the new prospect. We know that with most businesses, people would prefer to meet you through a referral or an introduction, above any other way. Other marketing things do work, no question about that, but they prefer, especially in financial services and personal services and things like that. Referrals can't be an afterthought. They can't be what I called in my first book "forgotten gold." People think of referrals as icing on the cake. No. I believe referrals should be a marketing plan or a big part of your marketing plan.

John: Yeah, absolutely, no question. We're talking with Bill Cates, the president of Referral Coach International and author of the upcoming book, *Beyond Referrals*. This is January 2013 when we're recording this. When you're listening to this, *Beyond Referrals* will be out in April 2013. Bill, we'll have you back for that and we'll talk specifically about that, and help you get some more referrals for that book. How would that be?

Bill: Sounds good to me, John. I appreciate it.

John: Well, I sure appreciate you taking the time, Bill, and we'll probably see you out there on the road somewhere.

Bill: Thanks.

Listen to the audio version of this interview: [The Number One Mistake People Make When it Comes to Referral Marketing]

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