

## **Harnessing the Simple, but Effective Art of Referral Marketing**

*Paul B. Brown*

"Business owners tell me every day that the way they generate the most new business is through referral marketing," John Jantsch writes on [ducttapemarketing.com](http://ducttapemarketing.com), a Web site devoted to helping small businesses with their marketing. "Yet they don't seem to grasp the power of this statement. Few if any businesses harness the true power of referrals by making the receiving of systematic referrals a cornerstone of their marketing efforts."

Referrals, he says, work because they are credible. "When a trusted friend tells you about a business, you transfer that trust to this company, he writes, "even if you've never heard of them before."

In addition, the people referred to you "tend to spend more money," he says. "Research has proven this beyond the shadow of a doubt and it is likely because people tend to refer others who are highly qualified and not just tire kickers or price shoppers."

And, of course, it may be the least expensive form of marketing there is.

A GOOD THING Denise O'Berry, who works with small businesses to help them get referrals, is quick to stress the difference between a referral — a good thing — and a lead — which is not as helpful.

"When you receive a lead, the person sending it your way thinks they are sending you to a prospect who may need what you offer," she writes on [targetreferrals.com](http://targetreferrals.com). "A lead is a mere step up from a cold call. Ugh! That's why so many leads go nowhere and just waste your precious time."

She describes a referral, by contrast, as a "warm contact." The person referring you, she says, "has confirmed that the prospect not only needs, but wants what you offer and the prospect is ready, willing and able to talk with you."

WHAT TO DO The question, then, is how to get your current customers to give referrals. It could be "because you have not instructed them, motivated them, made it easy for them, asked them or initiated the process," Gary Lockwood writes on the Web site of International Cyber Business Services, a Web services firm. "Like most worthwhile endeavors, getting referrals requires planning and preparation.

He makes the following suggestions:

¶ "Start by making a list of all the people who might be a referral source for you. These may include people you do business with, such as your banker, accountant, attorney, printer, consultant, broker, and so on. This list will also include at least some of your existing clients."

¶ Then, zero in on the people who are already frequently recommending prospects to you. "Almost always, you'll have better results by developing stronger relationships with a few referral sources rather than shallow relationships with lots of sources."

¶ Help those referral sources help you by telling them exactly what kind of clients you are looking for, explaining in detail how you can help those potential clients. Also, be sure to point out the types of clients you do not want. "When you are clear about describing the recommendations you want, you make it easier for your referral partners to identify prospective customers for you."

WHAT NOT TO DO There is no guarantee that asking for a referral will get one.

But writing on [Horseshmouth](http://Horseshmouth.com), a "business-building resource for financial advisers," Miriam Lawrence offers four approaches that will most likely get rejected.

Here are our two favorites:

1. "I can either spend my time looking for new clients or providing better service to your account. You determine that via the referrals you send me. Which will it be?"
2. "I'd really appreciate it if you could refer me to a few of your friends. I need new clients to stay in business — it's so hard these days to find prospects."

LAST CALL "Are you skittish about initiating a frank family discussion of the challenges of intergenerational wealth transition," Barbara Spector asks in Family Business.

"GenSpring Family Offices has developed an enjoyable, nonthreatening conversation starter, the Shirtsleeves to Shirtsleeves board game."

The object is not to run out of money by the time the company is run by the third-generation of family members.

The game takes its name from the old adage, From shirtsleeves to shirtsleeves in three generations: the first generation builds the business creating wealth; the second generation inherits it and the third generation destroys it.

It is, unfortunately, an experience that countless family-owned businesses have gone through.

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