

Making word of mouth count

The power of referrals for generating new sales cannot be denied. However, not enough SMEs are utilising it to maximise profits.



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If you ask pretty much any seasoned sales person or business owner where the majority of their highest quality new business come from, 92% will say from referrals, networking and word of mouth (between 50% and 100% of landed new business). These figures are backed up by a recent study by Dr. Ivan Misner, Founder of global networking organisation BNI, which gathered data from over 12,000 business people from all over the world.

If these findings about referrals hold true, then why is so little done to or maximise its potential? Ultimately, there are only four categories of landing new business and most people have a plan and system for most:

1. Marketing and advertising
2. PR
3. Cold calling
4. Referral marketing (including networking and word of mouth)

For anyone wishing to grow their business they will tend to know what to do with the first three approaches mentioned above.

For marketing and advertising, one invests in an "all singing all dancing" website that utilises search engine optimisation. You can advertise in a newspaper, on TV or radio, and hopefully track which medium is most effective above and below the line.

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Phil Bedford is the franchise owner of The Referral Institute, an international referral training and consulting company with branches across the world. He holds a Master's Degree and brings over a decade of experience in sales training. business development and consulting to his role as Master Trainer at the Institute.

While these are effective methods of business generation, they are often too costly for an SME to take seriously, especially if they want to stay in business. Larger businesses can afford to do so but is it the most effective and efficient?

With PR, setting oneself up as an expert in the market through a third party medium is extremely powerful. Being interviewed on TV, radio or in magazines as an expert certainly improves your brand and encourages people to come to you with more of a "buy" mentality. Of course for most people, you need to pay to get PR because many people do not know how to leverage the system.

Cold calling is strangely popular with many managers because they get to watch their staff work and record their efforts. Historically, 20 calls made will result in one appointment. The disadvantages of course will result in cold calling are many. At the least, you need a resilient sale person, then you need to pay them AED 10,000-15,000 a month. Other less intangible are the perceptions in the market of your brand, particularly if excessive cold calling is the norm. Finally, and more importantly, cold calling was recently made illegal in Dubai.

So what's left? Referrals (or leads), word of mouth and networking. But what's the difference and do we really know how to make the best of these methods and techniques that we hear tossed around the market place with little true understanding. Because we as humans have a natural ability to communicate, we often think this makes us immediate experts in networking. Networking is not about charging into a room full of people and ramming our business card into as many hands as possible, collecting other cards like a harvester and then following up with a sales e-mail once back in the office. This is actually "cold calling" face to face" and again does our brand little good because we are often seen as annoying.

Networking

This is all about being remembered favourably by the people you meet so that they will want to meet you again and get to know you further. I advise people when networking to find individuals with whom you can develop relationships. Someone with whom you share a common client and could actually refer each other multiple business. It might take a bit more time than handing down the one deal in the room but ultimately it is more efficient and doesn't annoy everyone you meet, which is often the case with the "networking pounce."

Word of mouth

These are the clients that "land" because people "heard about you" but are not sure where from. This is the buzz in the market that can be developed by utilizing social media, radio, TV, magazines, or by just doing a good job. Remember, there is also bad word of mouth and this can be generated in many ways including poor service, poor business ethics, not returning calls, emails turning up late, networking badly, and so on.

People know referrals are the best business, but they really do not know how to get more out of them. Yes, in the end, they are clients and you might not be able to get this from them everytime.

The ability to leverage all of this and apply the system is not something we are born with, it's something we need to learn. You can buy books, download MP3s and use YouTube to get tips. Just be careful when learning that's its not old style "how to hunt a room" networking, but a rather more productive "farming method" that is becoming increasingly popular. Many of the local networking groups are looking to help their members get more business, so encourage your group to provide networking and referral training. I am sure they will happily oblige; many of the groups are always looking to increase value for their members.

Referrals

We need to set referrals apart from "leads". Leads are little better than cold calls. The lead generated client does not necessarily know you exist, nor have they given you permission to call. This is still technically a cold call. Unfortunately many people are making themselves feel better thinking this is a referral. While it can be called such, it will by no means be as efficient as a "prepared" referral; where someone you have developed a relationship with has prepared the client by explaining what you do in depth, assuring there is a need, possibility even helping to develop one through questioning and then providing you with a high level introduction.

What is your system to generate more business by referral marketing? Who are the key individuals you need to motivate and educate them? If you needed to double this business tomorrow what would you do differently or more of?

Most people would not even know where to start because referrals historically come by chance. People know referrals are the best business, but they really do not know how to get more out of them. Yes, you could ask your clients to give you more referrals, but in the end, they are clients and you might not be able to get this from them everytime. Harvard Business Review recently revealed that 68% of clients will promise to refer you but only 11% ever do and this is not usually reliable; it's "as and when" they feel like it.

Here it is in a nutshell: there are eight sources of referral and one of these includes six types of networking groups.