



## Point of View

# The Power of Referrals

by Joanne S. Black

**W**hy is it that every salesperson will tell you that referrals are the best way to generate new business, and yet so few people run a 100 percent referral-based business? This puzzled me, so when I started my company more than ten years ago, I conducted an informal poll of salespeople across many industries. I asked them the rather obvious question: Why are referrals so great? To the person, they told me that a referred client is pre-sold, the referred salesperson has credibility and trustworthiness, the competition decreases or disappears, and that they end up with a new client a minimum of 50 percent—but more likely between 75 and 95 percent—of the time. Oh, and not only are referral customers more profitable, but they also will be the first to give a referral to others.

And it didn't matter whether the salespeople I asked were new to their field or had been selling for twenty or thirty years. Their answers were practically the same: They agreed that referral business was the most effective and highly leveraged business development strategy. Nothing else could come close.

Then I asked the next logical question: Do you have an intentional strategy to build your business through referrals? Meaning do you have a plan, goals, and a way to track and measure your results? Silence. This was a huge gap for me. On one hand, referral business is unsurpassed; and on the other, people are passive about developing their referrals. It's common sense, but not common practice. I eventually discovered that there are four reasons why companies aren't using the most powerful sales strategy they could ever have:

- 1. It feels uncomfortable.**

When we ask for a referral, it feels as if we're asking someone to help us, and it's not easy asking for help. If we have to ask, maybe it means our business isn't doing very well. It feels as if we're intruding on a relationship, and we're asking a busy person to do more. And the biggest fear of all is that she might say no. Unlike other business development strategies, asking for referrals is very, very personal.

- 2. It's a skill.**

People don't know how to ask in a way that will get them demonstrable results. They've never learned a reliable process. Typically, a salesperson's idea of asking for a referral is

---

*Asking for referrals  
is common sense,  
but not common  
practice.*

---



to say: “By the way, if you know anyone who could benefit from my services, please pass my name along.” The only thing that achieves is we can check “Ask for a referral” off our list. It actually gets us nowhere.

**3. There haven’t been metrics.**

Referral selling appears as something nice to do, but historically, there haven’t been any hard numbers on the success rate of referral business. There are metrics for cold calling, direct mail, advertising, but few widely known for referrals. What the typical metrics for referrals should be are the number of people asked, the number of referral meetings held, the number of new customers, the amount of increased business with existing customers, and overall increases in revenue and profitability.

**4. It hasn’t been part of our sales process.**

Referrals need to be the way we work every single day. Asking for referrals must be integrated into all the work we do, rather than an afterthought. It is a proactive strategy and not something we leave to “word of mouth.” Word of mouth is passive, waiting for the phone to ring; referral selling is active and results-oriented.

I have also collected comments such as “I forget” or “It’s not the right time.” These are typical red flags that indicate the downward spiral of never asking. We can easily “forget,” and justify that it’s never the right time. These comments reflect our discomfort and reluctance to ask. The easy part of shifting to referral selling is learning the skill, establishing metrics, and integrating referral selling into our sales process and our goals. The biggest roadblock to referral selling is our fear of asking.

One way of getting past the fear is to think about a time when someone you knew and trusted asked you for a referral. It could have been to a service provider, such as an accountant, attorney, mechanic, hairdresser, or day care provider. Were you delighted to give a referral? Of course you were. Many of us love to give referrals even when we’re not asked. Now translate that referral process into the business world. Think about all of the times that you’ve given referrals to business associates. You are the first to tell others about the best resource that you found, or a particularly brilliant article you’ve read, or an interesting solution to a business problem. You give referrals all the time. So, why wouldn’t others do the same for you? Of course the answer is: They will. All you have to do is ask.

Remember, I said someone you knew and trusted asked you for a referral. You wouldn’t ask someone you just met for two minutes at a networking event for a referral. Rather, you will ask a

---

*The easy part of shifting to referral selling is learning the skill, establishing metrics, and integrating referral selling into our sales process and our goals.*

---



person you know and like—someone you connect with immediately. At the end of the day, you're only going to do business with people you like, and you're only going to refer people you like.

The Power of Referrals is endless. If you want to run a referral-based business, begin by examining your strategy and your process.

- Do your salespeople know the importance of referrals?
- Where in your sales process should they ask for referrals?
- What metrics can you put in place to reinforce referrals?
- How will you recognize people for their success?

It's now time to move referral selling from common sense to common practice. Determine how the four excuses for not asking for referrals play out in your company. Talk to your salespeople and build a plan to shift the way you work. Your sales life will never be the same again.

---

### Take the first step...

**Build a referral system that will leave your competition in the dust.  
Call Joanne Black at No More Cold Calling™ NOW! 415-461-8763.**



Joanne S. Black

*Joanne Black is America's leading authority on referral selling and the author of **No More Cold Calling™ The Breakthrough System That Will Leave Your Competition in the Dust**, from Warner Business Books. She developed her No More Cold Calling practice in 1996 and now reaches thousands of people each year. Her Referral Selling System has increased the performance of many top companies including: California State Automobile Association, CCH Knowledge Point, Charles Schwab, Colliers International, KPMG, The Marlin Company, and The Mechanics Bank.*