

Ah, referrals.

Referrals are far and away the most powerful way to generate business. People would rather do business with people they know—or know of—than with strangers. When you're introduced to a prospect through a personal recommendation, that prospect has a vastly greater trust level than if they were doing business with a complete stranger plucked from the Yellow Pages.

It follows, therefore, that cultivating good referral habits is essential to good business practice. That's the subject of this education minute.

First Habit: Change Your Thinking

Imagine your business as an infinite web of relationships. Every one of your business contacts has the potential to connect you to dozens of other contacts. The relationships are out there, but they'll likely remain out of reach unless you actively pursue them. It may never occur to your current contacts to broker an introduction. Put the idea in their heads.

Don't feel sheepish about asking for referrals; there's nothing pushy about it. People won't give you referrals unless you ask for them, nor if you don't deserve them. In fact, getting a referral is the highest compliment you can receive. Let your customers know you prize referrals, which you'll earn by providing excellent quality products and services.

Second Habit: Make It a Discipline

One entrepreneur built a successful business almost entirely on referrals. His discipline was to let his watch remind him that it was "time for a referral." So whenever he'd check the time, he'd be reminded to ask for a referral. This practice became second nature for him.

When you begin working with a new customer, make referrals part of your initial agreement. "If I do a great job for you—and I will—you agree to give me X number of referrals." Chances are your customer will be impressed by your dedication and drive.

Whenever a customer compliments you, respond with a thank you, quickly followed by a referral request. For example, "I'm so pleased you're happy with my work. Do you know anyone else who can benefit from my services?"

Use every client meeting as an opportunity to collect referrals. To keep yourself on track, jot a reminder down in your meeting preparation notes. Make it one of your standard talking points.

Set a weekly goal for yourself. Keep track of the number of referrals you ask for each day. You don't need to limit your requests to clients; you can also ask business associates, acquaintances and prospects.

Make the most of every networking opportunity. Step out of your comfort zone at networking events and set a goal to talk to at least three new people. Plan in advance what you might say. We're all drawn to interesting, enthusiastic people.

Always be specific when asking for a referral. Looking for high net worth individuals? Say so. Interested in midsize companies? Let them know. If you don't tell your contacts who your target customer is, you'll waste time pursuing leads you can't use.

Third Habit: Give and You Shall Receive

One of the most powerful ways to elicit referrals is to give them generously yourself. Whenever you have the opportunity to refer an associate or bring two contacts together, do so. And when you're attending the aforementioned networking event, make a point of introducing people to one another.

Fourth Habit: Always thank someone who has given you a referral. Send them a note, keep them informed of your progress and maybe even treat them to lunch.

What's the close ratio on referral business, compared to other prospecting methods? I don't have a definitive answer for you, but I've seen estimates that range from 50 to 500 percent more. Those are big numbers. Whatever that number is for you, you can bet it's a whole lot higher than cold calling, advertising, web marketing or virtually any other sales technique you might employ.

The referral is the number-one tool in your tool kit. Get in the habit of reaching for it often--say, as often as you might glance at your watch.