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Introduction

This book is about referrals, but it offers much more than just another set of tips and tricks for generating new leads. *The Referral Engine* offers a systematic approach to generating word of mouth as a comprehensive marketing strategy. In a larger sense, it proposes a new and better way of doing business.

There was a time when marketers would simply create a product or brand, broadcast a compelling message, and send the sales folks out to hunt down new business. Over the past few years, in large part due to the explosion of online tools and networks, customers and prospects are now active participants in the creation of products, services, brands, positioning, messages, and subsequent buzz—for good or bad.

This book will show you how to craft a strategy that compels customers and partners to voluntarily participate in your marketing, to create positive buzz about your products and services to friends, neighbors, and colleagues. While it may feel a bit odd to suggest that you can actually compel someone to perform a voluntary act, you'll find that the pull of a fully developed Referral Engine is so strong that your brand supporters will feel as though they have no choice but to sing your praises.

One warning before we begin: Building the ultimate referable business is not a weekend project. It will require you to look at your business and marketing in an entirely new way. If you come along for this





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ride, you will need to completely rethink your current marketing strategy, dispense with much widely accepted business “wisdom,” and possibly alter the foundations of your business model.

I’d like to share a little experience of my own to help get you in the Referral Engine frame of mind.

One day my wife and I hit a sale at the outdoor gear retailer REI. During the trip she found a coat that she loved and bought it. A few weeks later, we went to an outdoor event and she took the opportunity to wear her new coat. As we went out the door she reached into the pocket and found a little slip of paper.

She pulled the slip out fully expecting something along the lines of “Inspected by #48.” Instead, the note read “You are a goddess!” That simple, unexpected message made her day. Of course, we both wondered, who made this coat? I checked the manufacturer’s Web site and discovered a very cool little garment company called Isis (www.isisforwomen.com), located in Burlington, Vermont.

This creative act, unrelated to the quality, cut, or color of the coat in question, compelled us both to think fondly of this company and voluntarily refer them to anyone who would listen. Something I’m doing right now.

Let’s get started on your Referral Engine, shall we?





CHAPTER 1

The Realities of Referral

Despite what some might suggest, there are no real secrets in business; only truths you haven't yet figured out how to apply. This book will help you move these truths into the realm of execution—the place where innovation and action come together to make growth happen.

But first, a tiny physiology lesson. Want to know why referral generation is one of most effective yet elusive forms of marketing?

There is a tiny part of the brain, the hypothalamus, that—among other things—helps regulate sexual urges, thirst and hunger, maternal behavior, aggression, pleasure, and, to some degree, your propensity to refer.

The hypothalamus likes validation—it registers pleasure in doing good and being recognized for it, and it's home to the need to belong to something greater than ourselves. This is the social drive for making referrals.

Human beings are physiologically wired to make referrals. That's why so many businesses can grow and thrive by tapping this business-building strategy alone.





Reality #1: People make referrals because they need to

If you're one of those people who feels a bit shy about focusing on, let alone actually asking for, referrals, then the first thing you need to understand is this:

We rate and refer as a form of survival. Think about it. What happens when someone asks you for a good tailor? If you know one, you spill; if you don't, you think about it and maybe make a call or two. Instinctively, we know we are going to need a good tip someday, so we pass on what we know to others to build credit in the community. I imagine the roots of this notion go back to a time when relying on a good hunting or fishing tip may have meant the difference between life and death.

We refer to connect with other people. Being recognized as a source of good information, including referrals, is a great way to connect with others. Think about how eagerly you responded the last time someone asked you for directions, offering up your favorite shortcut and tips for avoiding traffic. We all do it. Making referrals is a deeply satisfying way to connect with others—asking for referrals is just the other side of the same phenomenon. I think the growth of many popular social networks can be traced to the fact that people love to connect and form communities around shared ideas.

I asked some people in one of my business networks to tell me about some of their favorite businesses. Seattle business coach Tammy Redmon's (www.tammyredmon.com) response illustrates this point nicely: "One of our favorite destination points is Voodoo Doughnuts (www.voodoodoughnut.com). It is an incredible little hole-in-the-wall on Third and Burnside in Portland, Oregon, with room inside the door for about eight to ten people. Their signature Voodoo Doughnut is out of this world, and the creativity they put into each creation is awe inspiring. It doesn't matter if you like donuts or not, you must go for the experience.





It is not to be missed when in Portland. Just plan on waiting in line; each time I have gone the line has been thirty-plus deep around the block. No kidding! “The magic is in the hole!”

We refer to build our own form of social currency. Providing a referral is a little like making a deposit. There is a natural law most humans ascribe to: If you do something for me, I am implicitly obligated to do something for you. Building up large stores of social capital is what makes some folks tick. This thinking is what drives some to become human databases. Their “go to” status when someone needs a referral is a carefully crafted asset. But understand that the laws of social currency and financial currency don’t operate in the same manner. Social-currency building comes from a place of help rather than gain. Building social currency doesn’t involve any strict form of accounting—the universe seems to sort that out with a give-to-get mentality.

Reality #2: All business involves risk

Unfortunately, a small but very distinct region of the hypothalamus also monitors, controls, and analyzes that powerful emotion known as fear. We constantly balance and measure, often at subconscious levels, pleasure and fear, gain and pain, and every action’s likelihood to produce one or the other.

While we are indeed wired to give referrals, they also represent a potential risk. When we make a referral, we are putting the trust we have established with the recipient on loan to the person or company being referred.

Of course, risk varies in degree according to the magnitude of the referred party’s need. There is more risk in referring a friend to, for instance, a good accountant, than in referring one to a place for authentic Thai. But as we dive into the strategies and tactics of some real-world referable businesses you’ll see that a trust-building approach to marketing reduces fear and risk for a referrer in any scenario.

The surest way to remove risk is to build a business or product that connects with customers on both logical and emotional levels.





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Or, as Fred Reichheld, author of *The Ultimate Question* puts it—head and heart.

People make decisions about the businesses they refer the same way they make decisions about a purchase. We simultaneously weigh whether something is affordable, fits well, or addresses a need—the head part—and whether we will look good, feel smart, or enjoy ourselves—the heart part. If the emotional pull is very strong, you can rationalize away what may otherwise stand out as a logical shortcoming, like a steep price.

Most businesses focus on the logical elements—price, features and benefits, a desired result—while ignoring the emotional rewards that are essential for the total customer experience.

People don't get emotional and passionate about ordinary products, a satisfactory result, or a fair price. They talk about things that surprise them or make them feel great about themselves—and, in effect, remove the feeling of risk they might have about doing business with that firm.

It's not enough to have a good solution. Buzzed-about businesses have a good solution draped in a total experience that excites, delights, or surprises the customer and motivates them to voluntarily talk about their experience.

Nona Jordan (Biznik.com/members/nona-jordan), a life coach and yoga instructor in Italy, related this story to me about a surprising experience she had: "I ordered a singing bowl from Fabeku before vacation. During vacation, I checked my e-mail to discover a really wonderful e-mail thank-you from him, telling me that he had sent the bowl. In addition to that, he also complimented my Web site and said some things which indicated he actually took a look around, which made my day.

"Even more impressive, when I picked up the package today, I ripped into it in the parking lot, unable to wait to see the bowl. Imagine my surprise, and utter delight, when the first thing I saw was a handwritten card! Digging through the little white packing kernels excitedly, I then found a package of incense! Brilliant! *Then*, just to make it even more amazing, the bowl was wrapped like a gift, and really, I still can't stop grinning."





Reality #3: Nobody talks about boring businesses

I interviewed marketing philosopher extraordinaire Seth Godin, author of books such as *Purple Cow* and *The Dip*, for an episode of the *Duct Tape Marketing* podcast. We talked about referrals and word of mouth and, in typical Seth fashion, he shared this profound nugget.

“If the marketplace isn’t talking about you,” he said, “there’s a reason. The reason is that you’re boring. And you’re probably boring on purpose. You have boring pricing because that’s safer. You have a boring location because to do otherwise would be nuts. You have boring products because that’s what the market wants.”

Author and speaker Scott Ginsberg gets talked about—all the time.

Encountering Ginsberg in a crowded room, you would most likely find him to be an unassuming, polite, energetic, nice guy. He’s probably wearing faded jeans, sandals, and sporting that intentionally unkempt hairstyle common with the twenty-something set these days. At first blush there’s nothing extraordinary about Ginsberg, except that everywhere he goes people approach him.

At the diner, in the airport, at a meeting, standing in line at the coffee shop, on the bus—it’s always the same. It starts with a look, then perhaps a whisper to a friend in a cupped hand, and finally people are drawn to approach Ginsberg and say something like: “Dude, you’re wearing a name tag.”

And sure enough, there it is right on his coat—“Hello, my name is Scott.” The conversation begins.

Scott Ginsberg has made a business out of doing essentially one thing—wearing a name tag every single day, all day, for, at the time of this writing, over eight years.

The way Ginsberg tells it, he went to a social event in college where attendees were asked to wear name tags. Afterward, he went about his business but forgot to remove his name tag. (We’ve all done that, right?)





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What Ginsberg found was that his name tag made him more approachable. Wearing it, he stood out and got attention. So he decided to keep wearing it, and made the wearing of a name tag his core personal branding element.

Today, Ginsberg speaks to thousands of businesses and individuals on the subject of approachability, a subject he's also written eight books about. Ginsberg is very, very good at what he does, and that's why people keep hiring him. But Ginsberg's secret referral weapon is that people can't help talking about his commitment to wearing a name tag every day for the rest of his life. It's simply remarkable.

To build a business, territory, or practice based primarily on referrals, you must first discover or create the remarkable thing about you or your products, the thing that gets people talking, that almost forces them to tell others about you. Boring people, products, and companies are hard to refer!

Ginsberg is highly referable because he's found a way to clearly differentiate himself from his competitors. People can't help talking about him.

Reality #4: Consistency builds trust

In his presentations, Scott Ginsberg often recounts stories of people being so threatened by his name tag that they actually wanted to fight him. He tells of people hurling insults at him, ripping the tag from his coat—he's even received e-mailed death threats for his tag-wearing ways! (People obviously not getting enough ketchup in their diets.)

Next time you see Ginsberg, I invite you to (gently) peel the name tag from his topcoat; it's okay, he's got one on his blazer, and another on his shirt. And just in case your group needs him to present at your next pool party, he's got his name tag permanently tattooed on his chest. So yeah, he's committed to his brand and to his primary referral strategy.

What Ginsberg adds to this equation is an unquestionable commitment to his differentiation, his consistent talkability factor.

It does very little good to create this week's publicity stunt in an effort to get folks talking for today. Referability is a long-term game;





it's not a drive-by event but a well-planned, precisely calculated marathon. Repetition, consistency, and authenticity build trust and are the foundational tools of the referral trade. People can sense when you are attempting to draw attention for attention's sake, or are stepping out of your authentic self so far that it doesn't feel right to you or anyone associated with your business.

Commitment to a remarkable difference demonstrates that yours is not a gimmick.

Reality #5: Marketing is a system

At the core, a fully functioning business is basically a set of systems and processes. Marketing is a system, finance is a system, and management is a system. If you follow this line of thinking, then referral generation is a set of processes within the overall marketing system. And yet, the most common objections I hear when I suggest implementing a systematic approach to generating referrals—I don't deserve referrals, I feel funny asking for referrals, my parents told me it's not proper to beg for business—are other ways of saying, "I don't really have any idea why someone would want to talk about my business." These feel more like excuses steeped in self-doubt than reasons.

I've witnessed excuses like these melting under the bright light of a step-by-step referral generation system, one based on a complete understanding of the value you bring and that enlists the complete cooperation of customers and partners in bringing that value to others. You must embrace the true value your organization produces and develop a referral system that allows you to bring the best of your authentic self to every opportunity.

While some people may think of a "system" as a tool for process freaks to lean on, this book will show you how your referral system will be essential to holding yourself accountable for getting your head and your butt in gear.

Ivana Taylor runs a company called DIY Marketers, and by her own admission is painfully shy. Painfully shy and asking for referrals don't normally go hand in hand. Taylor did some strategic soul-searching and





realized that asking a customer for a referral felt too personal, so she just didn't do it. Unfortunately, she had successfully targeted a narrow niche market and knew that her business would sink or swim based on her ability to get referrals from happy customers. There simply was no other form of marketing or advertising that would allow her to get her business in front of the key CEOs in her chosen area.

Taylor's solution was to take advantage of her years of experience in consulting with businesses on the creation of productivity processes. She established a set of processes that she could put on autopilot. Now, when a CEO became a client, they would begin to automatically receive a series of communications that subtly outlined her process of working by referral. When she let her processes do the asking, she began to feel less negative about asking for referrals—and potentially being rejected by a prospective customer—and consequently she got over her fear, asked consistently for referrals, and dramatically increased the number of referrals and customers she started to receive.

Many people I encounter get tripped up over this same idea. Your belief that asking for referrals is like begging for business is a personal problem. One of the ways to get the “you” out of the way is through a system that energizes others to voluntarily promote you and your products for their own reasons.

But if you don't feel strongly enough about the value you or your products deliver to expect that your clients will voluntarily make an effort to see that others receive it, then there is little chance that you will ever come to depend on a consistent flow of referrals. Expecting referrals is not about you; it's about getting the customer what's possible. Find a way to detach yourself from any personal feelings of pride or self-doubt and get to work on creating a brilliant system that's focused on getting results for your customers.

Here's the really magical thing: For Taylor, overcoming her personal fear of asking for referrals through the use of a system allowed her to be more authentic and available for her clients. A major component of her referral system was the formation of roundtables that brought her customers together to network and build referrals among each other.

So don't get tripped up on the system concept. As we move to design





and implement your total referral system you'll discover that there is no one system that works for everyone. In fact, that's the shortcoming of much of what's taught on the subject of referrals: Experts try to cram everyone into the same box and the same set of steps for generating referrals.

Maybe you've tried to develop some referral or networking techniques, only to discover that they either didn't work for you or you didn't work for them—either way, eventually you may have simply given up on the notion.

In this book we will present a framework—beginning with the set-up of realities addressed in this chapter—a set of overarching strategies, high- and low-tech engagement tools, and a methodology for finding your perfect culture of referral. We will also provide a host of specific tactical examples in an effort to help you design the only system that will bring you the results you desire, because it's the only referral system designed by and for you and no one else.

In fact, the ideal referral system, based on a strategy that gets people voluntarily talking about your business, can eliminate the need to ever actually ask for referrals again.

The most tragic referral reality

Before we move on, I want to share something that I find astonishing about this referral business. In preparation for writing this book, I conducted an informal survey of several thousand small business owners. Unsurprisingly, I found that 63.4 percent felt that over half their business came by way of referrals. But of that same group, 79.9 percent readily admitted that they had no system of any kind to generate referrals.

This is somewhat puzzling. How can a business owner know that word of mouth is so powerful and then do so little to take advantage of it?

Consider this direct response from a survey participant and the plight of what I like to call the accidental referral becomes a little easier to frame and dissect:





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We have trouble getting and asking for referrals from our customers. When we ask they say, “I’ll keep it in mind.” When we try to offer an incentive, we still get nothing. Because of that, we just don’t ask! I would think getting referrals from happy customers would be easier!

In this survey, participants were asked what gets in the way of generating referrals. The answers included “fear,” “desperation,” and “don’t think to ask,” to name a few, but, in the end, the real reason is a multi-layered portrayal of the most tragic business reality of all.

You know how powerful referral can be, but you’re not doing anything worth being talked about. Or, if you are, you lack an authentic and systematic approach to stimulating conversations, collecting leads, educating prospects, and converting those referrals into customers.

