



A New Way of Thinking About Referrals: 10 Things You Need to Know

Lee W. Frederiksen, *Hinge Marketing*



Referrals are the lifeblood of accounting firm marketing. Yet two research studies, which include a total of over 800 respondents, show there are many misconceptions about how referrals actually work.

In a joint study with the National Association of Certified Valuators and Analysts (NACVA), Hinge talked with 354 individuals associated with the industry to discover the strategies and tactics that drive referrals. In the other study, Referral Marketing for Professional Services Firms, we gathered responses from over 500 firms, including many in accounting and finance.

Here are 10 key findings that will give you a better understanding of how referrals function, enabling you to develop a strategy to attract more referrals and grow your firm.

1. Not all referrals are experience based.

When we consider referrals, we tend to think of our clients as the messengers who spread the word about how our expertise and services have helped them. The lion's share of referrals

(94.5%), however, are not based on a client's experience with a vendor, but on the firm's reputation and visibility.

2. Experience-based referrals have a natural ceiling.

There are two limiting factors to experience-based referrals. The first is the number of individuals in your client base. The second is how many of your people ask customers for a referral. While 80% of professionals say they would be willing to provide referrals, most are never asked for them.

3. Firms receive referrals from people they have not worked with.

You might wonder how someone who has never worked with you could feel comfortable making a referral. However, it happens frequently. There are two ways this magic occurs:

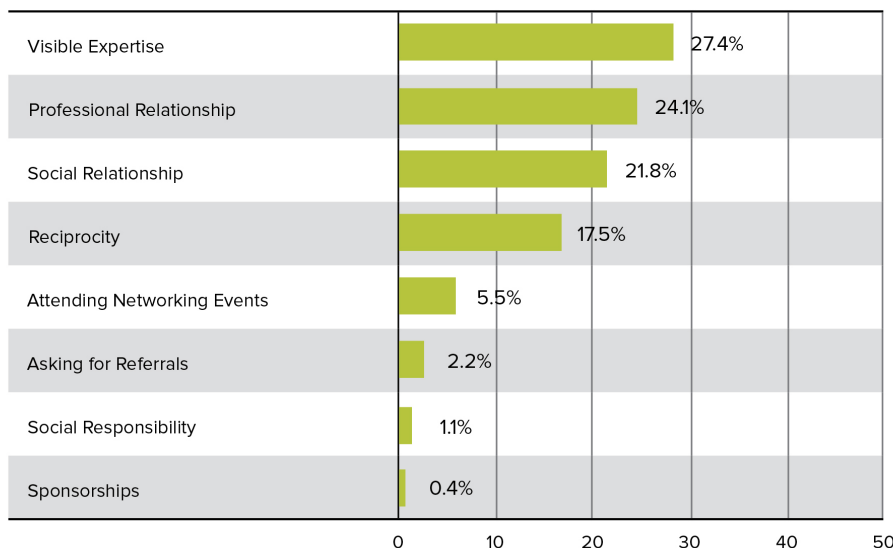
1. Because you have made your expertise visible in the marketplace, people may be aware that you specialize in overcoming a specific challenge. Based on this knowledge, they make referrals. Such referral makers may have heard you speak, read your content or interacted with you online. 2. Alternatively, people may be aware of your reputation, perhaps having learned about your firm from their peers.

4. Traditional approaches no longer produce many referrals.

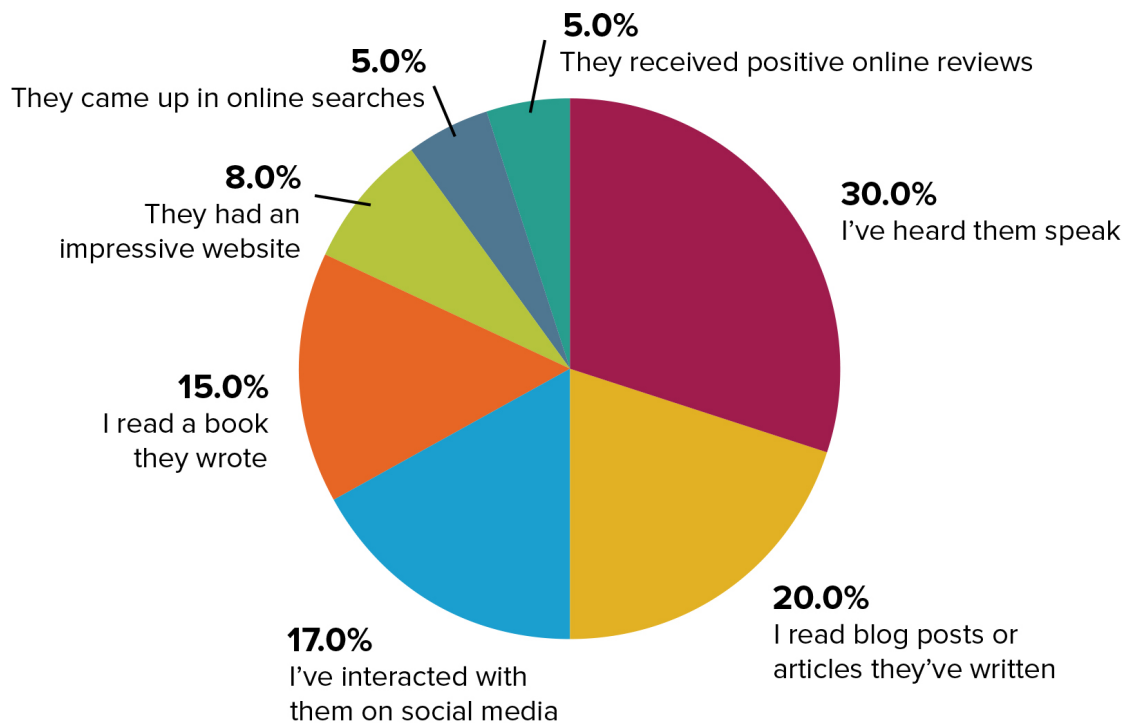
We asked respondents, "Which factors increase the probability of referrals?"

The answers revealed that what we have been doing for decades is practically as obsolete as the Edsel. Sponsorships, community service, asking for

Factors that Increase the Probability of Referrals



Sources of Expertise-Based Referrals



referrals and attending networking events are rapidly becoming things of the past.

5. Reciprocity and strong client relationships still work.

Among the age-old referral getting tactics, a couple still hold some firepower—reciprocity and social relationships.

“You scratch my back, and I’ll scratch yours,” maintains some muscle to pull in referrals. The more referrals you give, the more you are likely to receive in return.

Likewise, whether social or professional, relationships matter. Your professional relationships are those with individuals with whom you have worked directly. Your social relationships are those with people you have met through networking and, of course, your friends. Nurture them carefully.

6. Visible expertise is the strongest source of referrals.

A Visible Expert® is a recognized industry leader who influences a target market. With more than 27% of research respondents saying visible expertise increases the probability of referrals, this strategy earns the prize as the top referral producer.

7. Visibility is about sharing your knowledge.

Given the referral-generating power of a Visible Expert®, you likely want to know how to become more visible. It’s all about sharing your knowledge with others. While the best way to become visible is to stand up in front of a room of people and speak, fear of speaking or lack of opportunity to take to the stage need not hold you back.

Creating a robust online presence can do the trick. To increase your online imprint, write informative blog posts, interact with other professionals on social media platforms and create a website designed to impress.

8. You may be losing referrals before you talk with them.

In addition to the challenges of earning them, the gold dust of referrals may be slipping through your fingers without you even knowing. That’s because the referred individual never makes contact. More than half (51.9%) of our research respondents said they ruled out a referral before speaking with the firm.

9. Poor marketing crushes referrals.

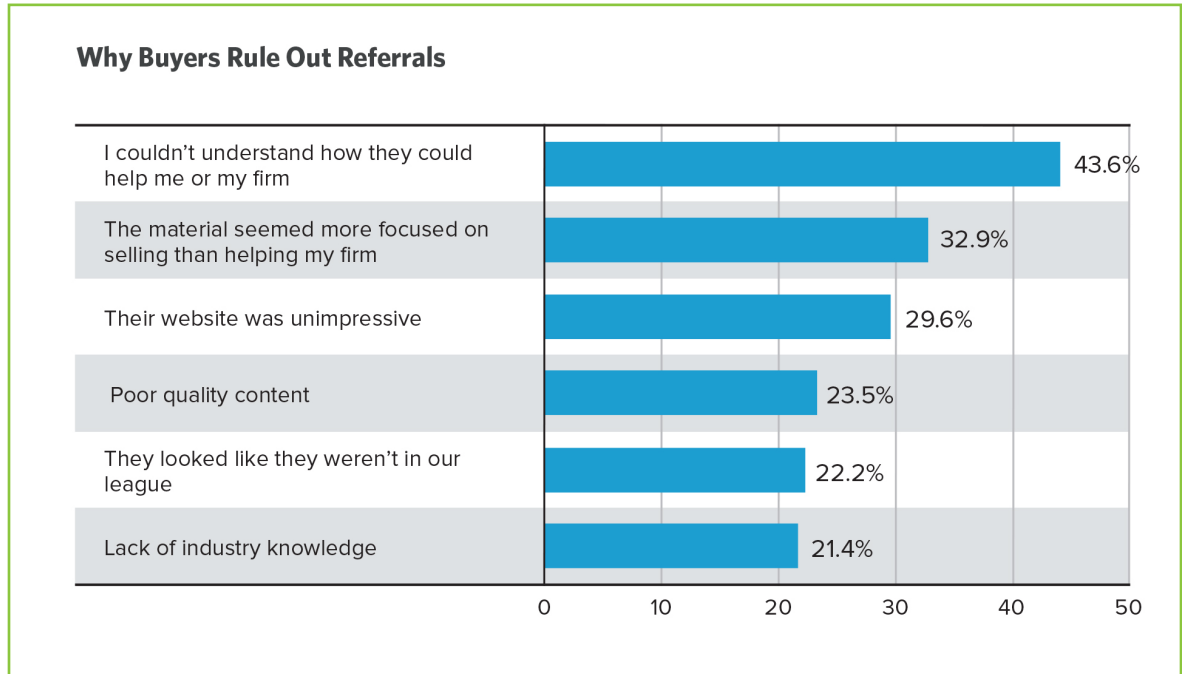
The truth is, people do follow up on referrals. Before contacting you, however, they check you out. And all too often marketing materials fail to do the heavy lifting.

Almost half of all referrals (46.3%) turn away because they cannot figure out how a firm could help them. Alternatively, they feel materials are geared to sell them, not help them (32.9%). And 29.6% cast referrals aside when they encounter an unimpressive website. Clearly, they see your site as being indicative of the quality of the firm.

10. There's good news in bad news.

It's disappointing to learn that you could be losing out on critical referrals. But there is some good wrapped in this bad news. You can flip the negatives around. Take time to be sure you are communicating well, and make sure prospects understand how you can help. Show them that you can help by using the techniques that increase your visible expertise. That means projecting your capabilities across multiple channels via speaking engagements, online content, websites and social media participation.

Obviously, how we gain—and keep—referrals has changed. We are no longer confined to building a reputation with our accounting clients. In fact, far more of your referral potential resides with those who have never sampled your services. Because of this, you must be generous with sharing your knowledge both online and off, which makes your expertise visible and shows you want to help.



About the Author

Lee Frederiksen is an award-winning marketer, Visible Expert®, researcher, author, and renowned business strategist who helped pioneer the field of research-driven marketing. As the Managing Partner of Hinge, a leading marketing firm for the professional services industry, he draws on his Ph.D. in behavioral psychology and his entrepreneurial experience as CEO of three successful firms to help clients achieve high growth and profitability.