

The value of referrals



The more referrals our businesses get the more prospects we get to meet and the more prospects we meet with, should result in more sales, simple stuff.

But most businesses are only in a reactive phase when it comes to growing their businesses through referrals and this needs to change.

Business owners must start identifying the value of referral business over other strategies to grow their sales, once this is done it is then time to implement a strategy that proactively seeks referrals.

Before we start with referrals ask yourself, who is the best prospect for your business to make its next sale to?

The answer is simple, an existing client because hopefully they are doing this because they are happy with your products or services because you have spent time building valuable rapport. This is extremely important because the second best prospect for your next sale is the company referred to you by your satisfied client.

Your client has already built credibility with this referral for you, these are the situations every salesperson dreams of, all prospects being referred and not hunted.

This leaves the third best prospect for your next sale and this is the prospect referred to you by another trusted professional, family or friends. This happens every day in business and companies react to these situations and yet many businesses still do not have a proactive plan to create these situations.

Think of the investments you make each and every year to grow your revenue, then think of the return you could receive by implementing a proven strategy on how to grow referrals into your business.

On the next page is an example of what could be achieved by implementing a referral strategy, read through it carefully and then perform the task using your business information.

This information is from a resource called "Business Goldmine" the complete resource focuses on growing your revenue by targeting; referrals, testimonials and lapsed customers.

Analysing the Lifetime Value of a Customer

1. What is your annual turnover? \$1,000,000.00
2. Approx how many active clients do you have? 2000
Active meaning that they buy at least once a year or have bought within the last 12 months
3. What is the average annual sale per customer? \$500.00
Divide Item 1 by Item 2
4. Approx how many years do you retain your customers? 5 years
Statistics suggest that around 20% of customers are lost each year, meaning that customers will stay on average 5 years.
5. Thus, the lifetime value of your customer is? \$2500.00
Multiply Item 3 by Item 4
6. How many referrals do you think you could get per customer? 1
Studies show: High = 3 per customer, Average = 1 per customer, Low = 1 for every 5 customers
7. Possible number of referrals: 2000
Multiply Item 2 by Item 6

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| 8. | What percentage of referrals do you feel you could convert?
Use the following as a guide: High above 40%, Average 10 to 30%,
Low below 10% | 30% |
| 9. | Potential new customers as a result
Multiply Item 7 by the percentage ascertained at Item 8 | 600.00 |
| 10. | How much on average will this add to your turnover?
Multiply Item 9 by Item 3 | \$300,000 |
| 11. | Over the lifetime of these new customers, how
much will the referral process generate for you?
Multiply Item 9 by the lifetime value as ascertained at item 5 | \$1,500,000 |
| 12. | How much revenue does each referral name generate?
Divide Item 11 by Item 7 | \$750.00 |

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