

Generate More Profitable Sales Faster and Lower Your Cost of Sales

Written by Paul McCord, President

McCord and Associates, a sales training and sales management consulting firm

Having spent the majority of my adult life selling, training and managing sales forces in a number of industries, and as a sales management consultant, it still amazes me just how disconnected most salespeople--and many in sales management--are from the reality of what is going on in their sales process.

One of my key training seminars is titled "The Referred Sale." In this seminar I train people how to generate a very large number of referrals from each of their clients and prospects. Close to the beginning of the seminar we talk about the obvious benefits of generating referrals such as the increase in sales volume, the typically shorter sales cycle, the increase in income that comes with higher sales volume, the decrease in the cost of selling, and price being less of an issue in the purchase decision. Whether the seminar has 12 people or hundreds, I ask two questions that receive the same answers almost without exception from every salesperson in the room:

What are your primary methods of generating prospects?

and

Where have your customers in the last 12 months come from?

Let's look at the answers to these two questions:

What are your primary methods of generating prospects? Depending upon the company, I'll get a list of 4 to 6 primary methods of generating prospects. This list will usually look something like this:

1. Advertising leads
2. Referrals

3. Cold Calling
4. Trade Shows
5. Walk-ins/call-ins
6. Direct Mail campaign

As mentioned above, depending upon the company and industry these will change somewhat. Any of numbers 1, 3, 4, 5, or 6 (and in some companies and industries others) could be in place number 1 and places 3 through 6. But virtually every person in the room places referrals in the second position—every time. No matter the industry. No matter the company. According to my seminar attendees referrals are their number two method of generating sales.

Now, let's look at their answers to question 2:

Where have your customers in the last 12 months come from? Figured out the answer?

You're correct. On their reality list referrals are either non-existent or come in dead last.

Why the disconnect from reality by the sales force? I believe it has a lot to do with the attraction of referral business combined with an expectation by management that the sales force generate referrals. However they either lack the training about how to generate referrals or, more likely, have received erroneous training about how to generate referrals.

Studies show that less than 15% of all salespeople in the country generate enough referrals to have a significant impact on their sales volume. That means less than 1 in 6 professional salespeople in the US generate enough referrals to impact their income or their company's sales volume. And the majority of the sales people who do generate significant referrals are in real estate, mortgage, and insurance sales.

Anyone who has been in a professional sales position for more than five minutes has been told that to make a living in sales they must find a better way to generate customers than cold calling, praying someone will walk through the door, or relying on the company's advertising. That's a full 50% of the training they receive on generating referrals. The other 50% is they are told to ask for referrals. That's it. That is the sum total of the referral sales training the vast majority of professional salespeople ever get. And the result of such in-depth training? IT DOESN'T WORK. In defense of the person training the sales force to "ask for 'em" and "get 'em," they've probably never been trained on how to generate referrals themselves; so, unless they have discovered in the course of their careers how to generate referrals, they can't teach what they don't know.

There are, however, sales relationships that generate significant numbers of referrals. This method of relationship building can be taught, and if a salesperson applies it religiously they can have a virtual 100% referral base business within just a few months--doubling, tripling or more their sales volume, increasing per sale profitability, decreasing cost of sales, and significantly increasing their personal income.

6 steps to converting to a 100% referral based business (and some common objections):

1. Set the expectations from the beginning. The traditional referral gathering formula is: you make the sale, you do a good job, you ask for referrals. Well over eighty percent of salespeople can attest this formula doesn't work very well. Even in the more sophisticated "relationship selling" industries (with the three exceptions mentioned above) the traditional referral formula is used—with the same results. To generate large numbers of referrals you must establish the

expectation of referrals from the beginning. Literally from the initial meeting with the prospect, throughout the sales process, and after the sale you should be making it perfectly clear that you work on a referral basis and fully expect the client to have referrals for you at the appropriate time. Just as important as communicating the company's terms and conditions, you must communicate your personal terms and conditions—and one of these is multiple referrals upon completion of a quality job.

Objection 1: *I can't get a lot of referrals in my industry.* I had a software salesman who sold highly targeted software in the healthcare industry give me this objection. According to him all of his potential customers were competitors of one another, so would have no reason to refer him to a direct competitor. I told him that I could understand his skepticism but that my experience has been that if he followed the plan from the seminar and implemented it as suggested he'd be surprised at how open his customers would be to giving referrals. He has been selling using my training for over 7 months and has no problems getting referrals. As a matter of fact, his first referral was from one company to the competitor literally across the street. If the relationship is built correctly and the job done well, people, whether individuals or presidents of Fortune 100 companies, will not have any problems giving referrals—even into their direct competitors.

2. Use referrals in negotiations. In most sales situations negotiation is a normal part of the process. No matter how the sale is made—fact-to-face, over the phone, by bid, whatever. In very few industries or sales is negotiation not a common practice. Make it a common practice to include referrals in your

negotiations. Though a little too complicated to go into in this article, referral negotiation can be a significant benefit to you, your client, and the referred party-- and if done correctly will not come across in an undignified or groveling manner (of course, done poorly, that is exactly what it will come across as).

3. Get agreement on terms. If you want to be successful converting to a 100% referral based business you must take the extra time with your customer to make absolutely sure you are both on the same page. This means defining and obtaining agreement on three key issues.

First, you must define for and make sure your client understands what you mean by referral. Sound ridiculous? Everyone has their own idea of what a referral is and what it isn't. You cannot expect your customer to fully know what you want from them. You must explain in detail what a real referral is--otherwise you stand an excellent chance of just getting names and phone numbers. Just as letting the client know early in the relationship that referrals are part of how you do business, you must let them know early in the process what you mean by referral. Is it a particular size company? A particular job title in the company? Are there geographic limitations on where you can work? Etc. If you sell BMW's and you get referred into a company whose fleet budget calls for Kia's you may not have what you'd consider to be a real referral, but your customer feels they has met their obligation by referring you to a company that leases autos for its sales force. Second, there must be agreement on the number of referrals expected. Leaving this open-ended will lead to receiving the minimum number of referrals your customer feels he/she can legitimately give you. Consequently, unless you're

happy with two or three referrals, you must let your customer know what is expected. I typically ask for 5 referrals initially and have no problem getting them. I will eventually get more than 5, but for the initial sale I ask for a reasonable, un-intimidating number.

Third, there must be agreement on what constitutes a quality job. As discussed below, if you and your company haven't performed, you haven't earned your customer's referrals. But, as with the term referral, there must be agreement on what a quality job means to your client. You absolutely must make sure you understand their expectations—and they must understand your capabilities. If you don't understand what your customer expects and your customer doesn't have a reasonable understanding of what you can deliver there will be issues.

4. Over deliver. The old cliché of under promise and over deliver is an absolute in referral selling. Part of your relationship agreement with the client is that if you perform you will get referrals. You earn the referrals—they are part of your compensation. Though all of the steps in generating a large number of referrals are critical, none are more critical than this. You simply cannot expect referrals from a customer that isn't impressed, no matter how well you have set the stage. Once you have come to an agreement with your client on what constitutes a quality job, you must make it your single-minded goal to *exceed* your client's expected performance.

Objection 2: *I don't know who other people sell to, but my customers usually don't know anyone needing my product/service.* This is a common objection resulting from a lack of establishing expectations upfront. Usually salespeople ask for referrals after the

sale. That is when to expect referrals, but it isn't the time to ask for them. If referrals are asked for in passing, as is most often the case, there is a good chance the customer can't think of anyone right off the top of their head that has a need or is in the market for your product. It isn't that the customer is lying or avoiding the issue. It's the salesperson's fault for not giving the customer time to gather information and become comfortable with the idea of giving referrals.

5. Get the referrals. So, the deal is done. The customer has enough information to know you exceeded expectations. It's referral time. More than likely when you bring the subject up to your client, since you've done a great job in establishing the expectations of the relationship and communicating what you mean by referral, your client is probably ready to give you several names and phone numbers. Don't accept them. Thank your customer and then ask a few pointed questions about what he/she liked about your service, your company's products and/or services, your delivery, and other pertinent items regarding you as salesperson, your company and your product/service. Be sure to be taking lots of notes. Then ask about each of the individuals and companies on your customer's referral list. Get as much information as you can about each. After you have gathered this information, ask if the customer would write a personal referral letter to each person or would they prefer you write the letters for their signature. Since you have copious notes about their experience with you and your company and you have more detailed information about the referred person and their company, you are in a position to write a better letter than your client. Or, better yet, ask your client to call

the person and introduce you—or arrange a lunch for the three of you. No matter the format, call, letter or lunch, you're virtually guaranteed a meeting on terms favorable to you and your company.

Objection 3: *I'm not comfortable asking for referrals. Seems pretty sales-y to me and I want more business from my clients, I don't want to irritate them.* So, you're more comfortable cold calling? You're more comfortable starving? You're more comfortable working leads your company bought (along with several other companies which purchased the same leads)? If you have set the relationship up correctly, if you've done an extraordinary job, and if you've treated your client well, there is no reason asking for referrals should make anyone uncomfortable. If it does, you may need to examine yourself, your company, and your product/service to figure out where the deficiencies are that are causing you to believe you haven't earned referrals.

6. Work the next generation of referrals. Congratulations. You have successfully worked with your client to establish a referral relationship, you've exceeded their expectations and you have a pocket full of referral letters. Mail your letters, set the appointment, make the sale, build the relationship, exceed expectations and acquire your second generation of referrals. Shortly you'll find your sales career gets easier, sales volume increases significantly, quotas are busted (and increased), and your income increases quarter to quarter. Don't stop. Take your second generation of referrals and convert them into your third generation—and your fourth and just keep building. There doesn't have to be an end to the generations—unless you drop the ball.

A final word: didn't get the sale? Don't fret. Even with strong referrals you won't be able to make every sale. Your product or service can't help everyone, and not everyone is in a position to take advantage of your product or service. But that doesn't mean they can't or won't give you referrals. Prospects are just as likely to give strong referrals as clients—IF the relationship is build correctly.

About the author: Paul McCord owns McCord and Associates, a sales training and management consulting firm in Houston, Texas. Mr. McCord has over two decades of sales, management, recruiting, and consulting experience and has worked with companies of all sizes and numerous industries across the US and Canada. He may be contacted at pmccord@mccordandassociates.com or by phone at 281-216-6845