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Referrals Are Nuclear Power

Referrals are the most reliable, most rewarding, least expensive way of rounding up business.

—Ivan R. Misner and Robert Davis, *Business by Referral*¹

Referrals are your most powerful and least expensive source of new business. That point is so important that I'm going to rephrase it. Referrals are your best source of new business and your least expensive source!

A qualified, referred lead can be better business than a client expansion or cross-sell of services in two ways. First, you are likely to obtain a larger client if your source is strong and you have educated him or her well as to the type of companies you want as clients.

Second, a new client expands your client base, making you less vulnerable to client attrition and giving you a new center of influence.

Why are referrals such a powerful source of new business? If you ask any top rainmaker this question, her answer would be something like this:

“When I receive a referred lead, the prospect is presold. Somehow the credibility of the referrer rubs off on me. If I have communicated well with my source, the prospect is ready to buy. All it takes is making sure my referral source knows what types of clients I work with. Nine times out of ten, when a prospect calls as a result of a referral, I have no competition. I am usually the only person the prospect is talking to. I am in a more powerful position with the prospect in many ways. I can say no to the prospect and send him to an appropriate CPA either outside or inside my own firm. Or if the prospect is someone I'd love to work with, I can say yes. In most cases, fees are not an issue. The prospect needs and wants something done, so I am usually able to collect full fees. We do not spend time preparing a written proposal. And, of course, the best part is, of the clients I choose to work with, I have a very high closing ratio.”

Why referrals are your least expensive source of new business is fairly obvious—other people are doing the selling for you. This make the whole

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sales process a lot easier on you. You don't have to sell your services directly, you just have to develop people who want to sell for you! This concept also relates to why referrals are so powerful. The other people who refer you are perceived as relatively objective. Their opinion is more credible and trusted than yours is. They can say you're the best accountant in town and be believed. You can't. They don't feel ego-involved when they're selling you; it's easier on them.

Why don't you receive more first-rate referrals from clients and others? There could be one or more reasons:

- The person isn't motivated to promote you.
- They may not think you want new clients.
- They may not think about you.
- They may not be happy with your work.
- They may not know about all of your services.

PORTRAIT OF A SALES LEADER

LOU MILLS has been one of the most prolific business builders at Moss Adams for years because of his strong referral network. Lou is now retired.

Lou's father was concerned about raising his sons in the tough streets of a Chicago neighborhood, so he sent them to Washington state to live with relatives and attend school. Lou Mills says, "I really enjoyed the Pacific coast. But I took a job with Arthur Andersen in Chicago right out of school. About five years later, a horrible snow hit Chicago and I called a headhunter in Seattle. He got me on at Ernst & Whinney, and I was happy to be back in Washington."

Mills was one of the top rainmakers in his firm. "Some years you seem to get on a roll. Our firm is very niche-focused, and I really enjoy working with manufacturers. I have found that it's fun to see how things are put together and how the financial side of the business relates to the manufacturing process," said Mills. During his 15 years with Moss Adams, Mills has helped the firm grow from about \$6 million in Seattle to over \$22 million. The firm is dominant in the northwestern part of the country.

"My first sale was when I was a tax supervisor. The sale was to a well-known company that was using a national firm for their accounting and tax work," says Mills. This first sale created an excitement in Mills

Most of these reasons boil down to the potential referrer's perceptions about you and your relationship with him or her. Given the high value of referrals, it will pay you to think about different types of referral sources and how you can build the relationships that will motivate people to want to refer you.

Four Ways to Get Referral Sources to Send Business Your Way

If you are not getting your fair share of referred leads, here are four great ways to stimulate your referral sources to send you business:

1. Ask for a referral.
2. Build relationships with other service providers.
3. Enhance the revenue of your referrers.
4. Stay in touch with your referrer.

to develop his rainmaking skills. Today he serves as the leader of the Moss Adams firm-wide manufacturing and distribution services group.

Mills says, "The system I was using was developing relationships with the commercial bankers in the Seattle area. I would open relationships with banks, then I'd go out with the banker and I'd say, 'I'd like to develop a relationship with you and have a really nice chat.' But basically I'd say, 'The reason why I'm here is to generate some leads. I'd like to help you too. Anytime there is an opportunity, I'd like to go your way and have you work on it and that way it can be a mutual relationship.' Some banks would be okay, but primarily I focused on younger bankers who were aggressive and had the same desire I had. So when there was an opportunity that came up, they would tell me about it.

"Then we would host some get-togethers. We would have our networking meetings, informal meetings, and then what I would do is just kind of tag on to one or two people and figure out what their interests were.

"The meeting would generally be off-site. We try to do something that is fun. I remember one time we went with a bunch of lawyers to a Mariners game and we had a box. Sometimes that works. The key is that, after the event, you need to make sure you follow up and continue at least a monthly meeting process via lunch or breakfast with those referral sources. If you don't commit to regular contact after the event, you've lost your investment."

Ask for a Referral

Many CPAs tell me they don't want to offend their good clients by hitting on them for new work. The truth is, these CPAs are really too timid to ask for the referral. Actually, everybody enjoys the feeling of doing something for someone they like. So don't deprive your good clients of this pleasure.

Some of your clients may think you don't have room for another client. Let them know your doors are open for business by asking for a referral.

Many bankers and attorneys feel that CPAs, as a group, are timid and afraid of asking for business. Bankers and attorneys are usually more aggressive. When you are meeting with another professional, you must strengthen your personal style—be bold—so that you relate to the professional on his or her level.

Six Direct Ways You Can Ask for a Referral

Ask a client:

- *Bill, you have been a client of mine for over six years and you know that I work strictly by referrals. I would be honored if you would do me a favor and give some of your business acquaintances one of my brochures. Here are the kinds of clients we want to serve.*
- *Jean, thank you for your flattering comments about my work. Who do you know who might need their tax situation reviewed next year as I have done for you?*
- *Sara, I am going to send you an extra tax organizer this year. Would you take a moment and pass this extra organizer along to your next-door neighbor or one of your family members? We are growing our practice this year and I would really appreciate your help.*
- *Jere, you have been a great friend. We are expanding our business this year, and I need your help. Who do you know who could benefit from the same type of assistance I have provided you?*

Showing your clients your list of targeted prospects is a good way to ask for referrals. Here are some examples:

- *Tom, we are expanding our business in the coming year and we have identified some companies that we would like to add as clients. [Show the list to the prospect.] Do you know anyone at these businesses? If so, tell me about them.*
- *Leslie, will you introduce me to Bill Jones at Acme Construction?*

Bob Gaida, a partner at BDO Seidman who you'll meet in Day 15, describes the routine he has perfected over the years to get referrals: "If a client had not referred me in a while, I would start my conversation with 'You must not love me.' And they would say, 'Why?' And I would say, 'Well, you're not happy, it must be my fault, I'm sure.' And they would say, 'What are you talking about?' And I would say, 'If I was really doing a good job, you would refer me to a good client just like you. And you haven't, so I'm not doing a really good job.' Of course, then they would want to refer."

Terry Orr says, "It was as easy as sitting down with someone and asking for help on a personal basis: 'I need help, can you help me?'" Terry Orr's strategy is simple and to the point, and it works.

Build Relationships with Other Service Providers

Get to know all of the other professional service providers your best clients use. This is one of the quickest-producing and most profitable marketing activities in which you can engage. Find a way to meet and work with each of the lawyers, bankers, bonding agents, insurance brokers, and other service providers your best clients have hired. These professionals are naturally open to you. You need no excuse to meet with them on behalf of your clients.

Easy Cross-Referring

Do as one professional does and arrange for other service providers to put a P.S. at the end of letters they send to prospects who are appropriate for you. The P.S. simply says:

*If you need the services of an excellent accountant who specializes in _____, I'd like to recommend my friend _____.
She has room for a few new clients and has given my clients first choice to fill those spots. If you would like to speak with her, call her at _____.*

—Rick Crandall, *1001 Ways to Market Your Services: Even If You Hate to Sell*²

These professionals have a natural inclination to help their clients' businesses—and that means meeting with you to generate new ideas for the benefit of your mutual client. During brainstorming sessions, business relationships get built that lead to referrals for you.

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Most referrals come from people who are impressed with your work and who trust you to handle their friends well. After you have thoroughly networked with these referral sources, you can begin to network with nonrelated sources of referrals.

Enhance the Revenue of Your Referrers

When you get to know your clients' other service providers well, you can find ways to enhance their revenue. Send them a referral, include them as a team member on decisions affecting your mutual client, or ask them to help you (e.g., prepare your will).

When you enhance their revenue, you create a due bill of which you will be the beneficiary. There are many ways to enhance the revenue of your referral source. Here are a few:

- ***Do business with clients and encourage your staff members to patronize clients.*** When you or your staff members trade with clients, make sure the client knows you were there. Encourage your staff and employees to trade with clients by placing coupons, business cards, and ads from clients in your break room or in employees' paycheck envelopes.
- ***Encourage clients to trade with clients.*** Introduce at least two buyers per year to your best clients and referrers. As part of your marketing plan each year, identify two prospective customers for each of your best clients. Introduce the two businesspeople to each other.
- ***Refer potential clients to your best referral sources.*** Most people think of this step. In some cases, you can refer potential clients to more than one lawyer or banker. But don't play this game with your best referral sources: Treat them the way you want to be treated. "Tee it up" for them alone. Communicate the referral yourself with a phone call or a note.

Stay in Touch with Your Referrer

Asking for a referral is difficult for many CPAs. Opportunities to enhance referrers' revenue may be limited. But anyone can stay in touch.

I've conducted many interviews with attorneys who give referrals to accountants. These attorneys tell me they send most referrals to the accountant they think of first. That means the person who stays in touch regularly through a newsletter program, a letter campaign, a seminar, personal visits, and phone calls—for any business reason—is going to capture a portion of the referral source's mind. When you capture a share of their minds, you will get a share of their referrals.

If you want an attorney or banker to become a powerful referral source for your firm, he or she must get to know you well. To begin a development program, you might want to arrange get-to-know-you luncheons or breakfasts with an attorney or a banker on a regular basis.

Jim Belew describes the referral receptions his firm has hosted for five years. “We host at least one reception a month for our key referral sources. Our staff members are invited, and the ones who are serious about their careers attend. We stage the reception so that during the tour of our offices, we tell the group something about our firm. Then during the cocktail hour, we have something serious to talk about. It has really helped our partners and staff members get to know attorneys and bankers in Dallas.”

A Program to Cultivate Attorney Referrals

Here is a strategy for setting up a serious referral program. I’m focusing on attorneys because we find they are the best source of referrals for many CPAs.

Prepare for a Meeting

A good attorney never goes into court unprepared, and you shouldn’t wing your first meeting either. Do your homework—use the Martindale Hubbell Law Directory to get an up-to-date bio on the lawyer. Review your client files: Do you already have common relationships? Once you have this basic information, you can plan what you will say, ask, and do during your first meeting.

What are you going to accomplish at this meeting? Count the first meeting a success if you are able to make the attorney aware of your capabilities. Also, you should learn as much as possible about the attorney and the extent to which he or she refers clients to CPAs.

Rate Referral Potential

The next step depends on whether you’ve classified the attorney as a C, B, or A prospect.

A C attorney is one who says he or she rarely refers clients to CPAs, or one who has a well-established relationship with another CPA firm. At least initially, about half of the attorneys you meet will be Cs. Count these as successful calls anyway, because now you know where not to spend further marketing capital. Just calendar C lawyers for a call-back one year from now and put them in your keep-in-touch program (e.g., send quarterly newsletters).

A B attorney is one who might be able to make from one to five referrals to CPAs with your expertise each year. This attorney may have a relationship with another firm, but you sense potential. Initially, as many as 40 percent of the lawyers you meet will be Bs. These attorneys are ideal candidates for

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receiving your firm's client or specialty law firm newsletter and for invitations to seminars you sponsored. Then contact these attorneys twice a year, just to stay in touch. If your talks prove fruitful, schedule another face-to-face meeting.

An A attorney (we call them aces) either needs accounting services for his or her own practice or has the opportunity to refer clients to a CPA more than five times a year. Of course, you probably won't meet too many of these—probably 10 percent or fewer of all the contacts you make will begin as A contacts. But, for these few, you will want to undertake the highest level of follow-up.

You can invite an A prospect to your office right away. To convince the attorney that he or she will also benefit from such a meeting, you might say: "Our associates are always looking for excellent attorneys to whom we can send our clients. Could you come by for an informal meeting?"

Build the Relationship

What are the objectives of this second meeting?

- To communicate how your firm is different—and better—than your competitors
- Perhaps to ask for a referral

If, during this meeting, you discover that the attorney you thought was an A is really a B, you might say something like this. "We share many clients with attorneys just like you, and we hear they like our service. If you have an opportunity to refer one of your clients, I assure you they will receive the best personal service I can provide." After saying this, wait for a response. Many times an attorney will say something like this: "We send our clients to Chasem and Crook." Respond by saying "I'm glad you respect them so much. I hope one day to earn your trust, and I'm willing to wait for you to be comfortable with me."

If the attorney remains an A prospect, you can afford to be a bit more subtle and take the long-range approach. Take the time to get to know the attorney's practice better, make sure he or she meets all of your associates, and establish mutual trust and rapport.

When the meeting is over, there are three possible next steps:

1. Invite your new attorney friend to meet with a client who may be a good match for him or her.
2. Offer to host a "mixer" for all of the attorney's associates.

3. Invite the attorney to an upcoming special event, such as a play, concert, or sports event.

At this juncture, it is vital that you move to enhance the relationship. Do not let the relationship drop now.

From the Horse's Mouth: What Attorneys Say They Want from CPAs

I recently worked with a panel of attorneys to help CPAs stimulate referrals. Here's what they said:

- **Take charge.** Attorneys respect CPAs who help them anticipate the future and prevent problems. CPAs who are overly cautious will not earn an attorney's respect.
- **Produce results.** Vague statements about quality don't impress attorneys. Give them clear examples of ways you can make a difference.
- **Shoot straight.** Get to the bottom line, and never sugarcoat the bad news. Tell attorneys what is wrong, so it can get fixed.
- **Understand the attorneys' needs.** Talk to attorneys about how to improve their own profits and how to satisfy their goals.
- **Share your professional expertise.** Teach attorneys how to use your services to their benefit. Allan Koltin, CEO of PDI Global, has developed deep experience in helping accountants consult with and develop referrals from attorneys. His firm publishes several newsletter programs accountants can purchase to send to lawyers.

Once you have established this kind of relationship with an attorney, you shouldn't have to come right out and ask for referrals. They should begin to flow. Remember, there are three attorneys for every CPA in America, and most CPAs are not courting any attorneys. Your chances for success are excellent.

Use Attorney Panels to Get Staff Involved

If you've been looking for ways to encourage staff members to ask for referrals, they might appreciate a few pointers from the very attorneys they are to approach.

When you've established a solid relationship with an attorney or a law firm in your town, you might want to ask them to serve on a panel discussion attended by your staff. Invite the attorneys to tell your staff members how they should go about asking for referrals. Encourage the attorneys to provide stories and examples of people who have successfully tapped into their referral network.

Your 12 Aces

“Twelve aces” is the systematic approach I recommend to obtain a steady stream of referrals. If every partner and manager in your firm focuses on deepening relationships with 12 referral partners, you will unlock the doors to steady business.

Each of your aces can generate millions of dollars in business for you over your business career. Just think: If you can get one of your aces to refer one client to you with \$15,000 in recurring fees, over a 10-year life span this client will generate \$150,000 of fees. If one referral partner can lead you to just one new client like this per year, over a 10-year span, this one ace will bring you \$1.5 million in potential business. What is that worth to you?

Now work those numbers out with 12 aces.

Your 12 aces program begins by building on what you have. If you have no relationships, establish one referral relationship this year. You may have to sort through 5 or 10 prospects to find your ace, but if you focus, you will succeed.

After you have one ace, focus on adding two more until you have three. Each succeeding two will be easier and faster to obtain as you learn what to look for and how to create the deep trust you need for this program.

The 12 aces program will provide many benefits to you. It will:

- Eliminate the need for expensive advertising
- Build long-term solid relationships with other professionals
- Decrease the pressures of bringing in new business

There are many ways of initiating and staying in contact with referral sources. The key to success is to use a variety of methods. The most successful referral developers focus their attention on a few sources (your 12 aces). Lee Iaccoca said that he turned Chrysler around with 12 good managers. You can build a large firm with 12 aces (referral sources) working for you.

Keep in Touch with Your Aces

Your aces will be the most helpful in building your business over the long term. Here are a few ways to stay in touch:

Mail. Send your aces a personal note at least four times a year.

- Newsletters, personalized with sticky notes
- Articles of specific interest
- Idea letters, referral letters, and thank-you notes

Meetings. Meet with your aces at least four times a year.

- Personal, one-on-one meetings for lunch, breakfast, or coffee
- Meetings to introduce your partner or a prospective customer
- Seminars in your office or theirs
- Receptions, dinners, and cocktail parties
- Client business reviews, focus groups, advisory boards

E-mail. Add your aces to your ezine list. Forward items of interest and send quick notes or thoughts.

Telephone. Speak on the phone with your aces as often as possible.

Staying in Touch with Specific Types of Referral Sources

You can use letters, phone calls, e-mails, breakfast, lunch, dinner, and coffee for all categories of referral sources. Use these suggestions to stay in touch with specific groups.

Clients

- Client seminars and reverse seminars
- Client business reviews
- Focus groups and client surveys
- Advisory boards

Attorneys

- Attorney newsletters
- Continuing legal education (Cle) courses
- Mutual client meetings
- Office receptions

Bankers

- Banker newsletters
- Annual update sessions
- Boardroom meetings

Other CPAs

- Focus on practitioners who limit their practices
- Align with the Big Four
- Establish local network for sole practitioners

Insurance Agents, Sureties, and Stockbrokers

- Mutual seminars
- Send client newsletters

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Real Estate Agents

- Send client newsletter
- Annual continuing education

Attorneys. Lawyers are the best general source of referrals. Some people keep track of their lawyer contacts in their head, some keep a file folder, and some keep a business card file, Rolodex, or PDA. Still others haphazardly accumulate telephone messages, business cards, letterheads, scraps of paper, or names on cocktail napkins.

Most progressive accounting firms today are using a fast, efficient, and affordable contact management software package. Good programs will allow you to track all contacts with your current and potential referral sources, maintain a list of new clients generated by each referral source, remember when it is time to reward key referral sources, and generally maintain regular communications with all referral sources based on your needs.

For example, when you return from a meeting with a lawyer, you could log in all the key information and have it available for review weeks or months later. You could send “customized” form letters to selected groups of contacts or have the program remind you when it is time to contact a particular attorney.

One of the greatest benefits of such software is that it lets you know who has been sending you business. Any action that is rewarded is much more likely to be repeated. When an attorney sends you a referral, send a thank-you note the same day and follow up with a telephone call within 30 days. A small gift would be suitable, especially if the referral turns into a client. You may want to entertain your most prolific referral sources. Keep track of referrals, and keep in touch with your referral sources. The payoff is huge.

Summary

Referrals are your best source of new clients. But to achieve a consistent flow of referrals, you must take control of the process.

To be successful at developing a strong referral base, there are several key elements you should always employ in your practice:

- Track all contacts with your list of current and potential referral sources.
- Maintain a list of new clients generated by each referral source.
- Have a system for rewarding the referral sources.