



## HOW TO GET CLIENT REFERRALS WITHOUT ASKING - PARTS 1 & 2

BY BILL GOOD

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### SIX WORDS CAN GET CLIENTS TO VOLUNTEER MORE REFERRALS

*Author's Note: Over a period of several years, I have written several articles on "referrals without asking."*  
[www.billgoodmarketing.com/real-referrals](http://www.billgoodmarketing.com/real-referrals).

*I also posted a link to a webinar "How to Get Referrals without Asking." A deep understanding of the "real referral" process is necessary for you to have a growing referral-based practice. Start with this article. But then pop over to my "real referrals" page. Go through my webinar.*

Every sales manager since the dawn of time has told you, "Your problem is you don't ask for referrals. Our studies have shown that 85% of our clients would give a referral if asked. Only about 3% of your clients provide a referral, so you are not asking enough. When you speak with clients, ask each of them for the names of people you could contact today."



So you set out to do it — or not, because it just does not feel professional.

Advice is abundant. Just Google the phrase, “how to ask for referrals.” Enjoy these gems.

- “Act like you are already in their circle.”
- “Don't feel sheepish about asking for referrals.”
- “Always ask for referrals in person.”
- “You mentioned your sister and brother-in-law last week. Let's start with them. Do you think they should at least know about what I do? Can we craft a way for you to introduce me to them that will feel comfortable for all concerned?”

Just reading this makes you want to clean your eyeglasses or get the smudges off your monitor. You know down deep that this stuff does not work. People whose names are solicited rarely become clients. Why? Because they are not referrals. They are just names, and perhaps only slightly better than cold-call names.

Plus, consider this “benefit:” You hate the process so much that you rarely if ever discuss referrals. Your clients may not be aware you accept additional business. Sad.

### *What Is a Referral?*

**Merriam-Webster:** *A referral sends someone somewhere, often for help or advice.*

**Your dictionary:** *Telling someone about the positive features of a person or a business or the person who is being referred.*

**Wikipedia:** *Referral marketing is a process to encourage and significantly increase referrals from word of mouth, perhaps the oldest and most trusted marketing strategy. This can be accomplished by encouraging and rewarding customers, and a wide variety of other contacts, to recommend products and services from consumer and B2B brands, both online and offline.*

**Bill Good:** *A referral is a name of a person who needs financial help volunteered by a client.*

A “real referral” occurs when your client Bob calls and says, “I want you to call my sister-in-law. I spoke with her yesterday. She said she is inheriting some money from her Aunt Martha. She has no idea what to do with it. I told her she needs a good financial advisor and said I would have you call her.”

Isn't that what gets your blood racing? Since the beginning of time, sales managers, coaches, gurus and others have assumed the way to get more of these names is to ask. But if my definition is correct—that a referral is a name volunteered—asking does not generate referrals, it only generates names.

So quit asking for referrals: Get more clients to volunteer them.

## REFERRALS WITHOUT ASKING: PART I

I can summarize my strategy to get your clients to volunteer more referrals in six words: Advice, TOMA, Engagement, Promote and Thank You.

Sadly, these words don't make a good acronym, though maybe ATE PTY may help burn them into your mind. Let's start with the first two.

### Advice

Your first strategy is: Provide good investment advice. This is just common sense. Clients with even a trace of unhappiness will not refer their friends or family to you. If your new car spends more time in the shop than on the road, would you refer your best friend to the dealer?

Consider this: Clients happy with your investment advice do not necessarily refer. You know this to be true just from experience. Bob and Betty Barking have been happy clients for years, but there's never been a whisper of a referral to Bob's four brothers, Betty's colleagues at her law firm, their adult children or their wealthy parents.

Yes, some referrals will trickle in, though rarely enough to grow a business. Conclusion: Good investment advice is necessary but not sufficient to have a vibrant referral-based practice.

### TOMA

This stands for top-of-mind awareness. TOMA is a subconscious thought, always there, that produces the first mental recall in a category. What does this have to do with referrals? It's very simple. Your wealthier clients have more than one advisor.

“Fifty-five percent of consumers with more than \$500,000 in investable assets work with at least three firms, up from 49% the year before,” according to a study by Hearts and Wallets (as reported by [Thinkadvisor.com](http://Thinkadvisor.com).)



When a friend or an associate of one of your clients (who also is the client of two other advisors) approaches you about help with a financial matter, whose name should come to mind first? The other full-service advisor? That nice young lady at the bank? If your name pops to mind first, you have an excellent chance of receiving the referral.

To make sure you understand this concept, when you read each of the next three words, pause for a second and notice what thought comes to your mind first. Ready?

Smart phones. Hotels. Rental cars.

How do you think Apple, Marriott or Hertz stay “top of mind?” They are applying the three basic principles of mass marketing: repetition, repetition and repetition. Assuming you are providing good investment advice, creating and maintaining TOMA will increase referrals. There is a back story to how I know TOMA creates referrals.

A previous era in this industry could be called “transaction heaven.” In the ‘80s and into the ‘90s, it was not uncommon for a financial advisor to open 150-plus new client relationships in a year. You could sell 1,000 shares of a \$10 stock. All of the firms were fine with that.

### *The Challenge*

How do you keep the clients that you are adding while continuing to bring on new ones? I was wrestling with this issue in 1989. My own clients were asking, “How do I keep my clients from wandering over to the neighbor's pasture?” I had some pieces of an answer but not all of them.

One day I was flipping through The Wall Street Journal and came across an article with a headline like, “Why Investors Leave Their Broker.” The survey gave three reasons: “poor investment advice,” “poor service” and “don't even hear from my broker.” Guess what? The reasons are substantially the same today, just the terminology has changed from “broker” to “advisor.”

As I read that article, I thought, “If these really are the reasons people leave their advisor, and if I can handle them, then that's the formula I’m looking for.” The work that I did back then has evolved into the “client relationship retention formula”—a key strategy for advisors to keep their clients. I have reproduced the entire formula for you on [my “referral challenge” web page](#).

Initially, the formula required 18-22 touches a year. Every client received a letter each month, every client received a phone call at least four times a year from someone in the advisor's office, and every client and spouse received a birthday note. (We recommended writing the letters with all the proper etiquette.)

### **New Formula**

Because of the torrent of information your clients receive, I now believe that 8-22 touches are no longer as competitive as they once were. I still believe “every client must receive a letter each month,” but I also believe you better send an e-mail once a week too. That boosts the number of annual touches to around 72.

What does all this have to do with referrals? Top-of-mind awareness! A year or two after we started using the client relationship retention formula, my clients said this: “Since I started using this client retention formula, we’re getting more referrals. And we are not even asking for referrals. Why is this happening?”

For a long time, I had no answer. And then I stumbled upon the definition of “top-of-mind awareness.” Bingo! Advisors who are executing the client relationship retention formula create top-of-mind awareness. When your clients are in a social situation in which a referral to a financial advisor is appropriate, they think of you first. You get the referral, not the other two advisors!

As long as you are providing good investment advice, if you get to work creating top-of-mind awareness, your real referrals will increase. You will begin to enjoy more “referrals without asking.”

(And stay tuned for more insights on this topic in the January issue of Research on Wealth magazine.)



## REFERRALS WITHOUT ASKING: PART 2

*Author's Note: I have a lot of "real referral" resources at [www.billgoodmarketing.com/real-referrals](http://www.billgoodmarketing.com/real-referrals). A deep understanding of the "real referral" process is necessary for you to have a growing referral practice. I have also posted a copy of Part 1 of this particle. It was published in September.*

In Part 1 of this series, I wrote, "I can summarize my strategy to get your clients to volunteer more referrals in six words: Advice, TOMA, Engagement, Promote and Thank You." I covered two of those words: "Advice" and "TOMA" (top of the mind awareness). If you are thinking "Huh?" please read Part 1 right now.

To summarize: If you fail to provide good investment advice for, let's say, a year or so, you can survive if your relationships are solid. Referrals will, however dry up. So the first of the six words, "advice," is vital. Good investment advice does not guarantee referrals. Bad advice will bring them to a screeching halt.

TOMA, like all the ingredients in this recipe, is vital. It's defined as "that thought which first occurs to someone when presented with a category." Suppose your client's brother-in-law says, Liz and I are not happy with our financial advisor. Do you have someone you could recommend?" Your client, who has two other advisors better think of you first. TOMA kicked in on the category of "financial advisor." You got the referral, not the other advisors.

### **Who Refers? Engaged Clients**

On to the third word, "Engaged." It's maddening, isn't it.

You have done a great job for Bob and Liz Barking. Their portfolio has grown consistently with only occasional dips. He is the Managing Director of a mid-size law firm. Liz is an ophthalmologist. Between them, they are earning high six figures. But nary a referral has passed their lips. They are happy but they do not refer. Why? First of all, they might have referred you. You just don't know it.

Here are the numbers.

"77% of clients give their advisor an average satisfaction rating of 8/10 or higher. 93% of clients are somewhat or extremely likely to continue working with their advisor. 83% are comfortable providing a referral. 29% provide a referral."

In Liz's mind, she provided a referral. These numbers were discovered by Julie Littlechild, President and CEO of Advisor Impact. They were released in 2010 in her pioneering survey, "Economics of Loyalty."

The numbers were updated in "The Rules of Engagement," February 2013. This latter study reported on Canadian investors. In my experience, there can be some minor differences between Canadian and American investors. But these do not affect the conclusions you would draw from her data. For all intents and purposes, let's consider the data apply equally to American advisors.

You should read this "The Rules of Engagement." To do so, Google "The Rules of Engagement Economics of Loyalty." When you put that exact search string in Google, a PDF of Julie's study pops right up. Read it.

So let's get back to our problem. 29% (or 23% or 24% depending on the year) of your clients are providing referrals. When I first read in "Economics of Loyalty" that 29% of clients were providing referrals, my initial reaction was, "This cannot be true. I have been in this industry a long time and I have NEVER heard of an advisor getting 29% of clients to provide a referral. Not close.

I emailed Julie and then spoke with her. In my 2011 Research article, "Making Referrals Happen," I quoted from an email she sent. I am reproducing that quote here. "The bigger issue is likely to be that they felt they provided a referral – which could have been a mention to a friend, but the introduction may never have happened, which may be a different issue."

So in the clients' minds, they referred you. Your client Liz told her brother-in-law to call you. He never called. She provided a referral. But you never got it.

So there are two numbers here you need to manage.

1. Clients who provide referrals
2. Referral that arrive

So how do you increase clients' referral activity—people telling their friends about you. Read "The Rules of Engagement." But I want to add one element to the strategy Julie has outlined. Events.



In “The Rules of Engagement,” Julie analyzed advisor perception during the downturn. There were six important drivers. One of these was “Added value above and beyond investment performance.” In my experience, where you have strong service and investment model, events are vital to referral activity.

Consider this: when Liz’ brother-in-law needed some investment advice, how did he know to talk to Liz? Why not his cousin? His attorney? Any of a host of successful people he knows? The likely answer is: Of course he knew Liz and Bob are successful. He knows a lot of successful people. He trusts them. He trusts a lot successful people. Why ask Liz?

*Most likely Liz or Bob have said something to indicate they were happy with their advisor.*

Referrals are created in part by happy clients spreading the word. It’s called “word of mouth.” So what do your clients talk about? “I get really great service from my financial advisor.” I don’t think so. “We beat the S&P by 2 points last year.” Really? No, I think in social situations people tend to talk about what they do.

**Brother-in-law:** Hey Liz, did you guys do anything fun this week-end?

**Liz:** We went to a shredding party Saturday morning?

**Brother-in-Law:** A what?

**Liz:** Our financial advisor puts hires a shredding truck every year a week or two after April 15. They cook a pancake breakfast. They got a kid playing the banjo. Bob and I get rid of all that stuff we don’t have to keep any more. It was a lot of fun. Bob met a guy he’s going to go duck hunting with next winter.”

Your clients talk about what they do. That’s one of the reasons you entertain and educate. Another is to build deeper client relationships. By batching clients up, you can see groups all at once.

To increase referral business,

- Engage your clients.
- Schedule events.
- Schedule fun events and educational events.
- Read “The Rules of Engagement.”

### *Promote Referrals*

Julie uses the term “referral gap” as the gap between motivation and action. In a blog post, “Clients Who Refer Were Asked for This,” she writes. “...85% of clients say they are comfortable and 51% go a step further and say they are likely to refer in the next 12 month.” But only 29% refer. In her dictionary, the difference between motivation and action is the “referral gap.:

In my dictionary, the “referral gap” is the difference between 20+ percent of clients who refer and 3% -5% or so of referrals that show up. If you are providing good investment and great service, your clients are referring.

Liz did tell her brother-in-law. But he never called. That’s the “referral gap.” Julie points out that there are two motivations people have to refer you. The stronger one is, “Clients are more motivated to help their friends than to help you grow your business.” But they are motivated to help you. They can really do that by referring AND giving you the contact information of their referral.

**YOU:** OK, Bill. how ow can we close that gap?

**ME:** Create a referral consciousness.

I define this as “That state of mind in which a client, when encountering a referral opportunity, thinks of you first AND provides the name of the contact.”

**YOU:** How do we do that?

**ME:** Repetition, repetition, repetition.

In countless conversations, you gently and persistently remind your client that you value their referrals. I call this “promote referrals.” You never ask. It doesn’t work. You do it in meetings. Phone calls. A PS in your monthly drip letters.

**YOU:** Hey Liz. Sometime in the new few months or year or so, you are going to run into someone who tells you they are getting an inheritance or bonus or proceeds from a property sale. We call this a lump sum. All too often, their kids or their friends will get them to do something stupid like buy a boat or invest in a tanning franchise. They really should talk to me. Can I send you a couple of my business cards in case a friend or relative mentions something like this?



**LIZ:** Sure. I don't know anyone right now.

**YOU:** I understand. But sooner or later, a good friend or associate will mention their good fortune to you. What would really help me help your friend is for you give them one of my cards and tell them you are going to have me call. I will put a couple of my cards in the mail to you, OK?

**Action:** Send a hand-written note with two business cards. Send a laminated business card she will keep in her purse. On the back of it, write "Help me help your friends by emailing or calling me to discuss their opportunities."

**FYI:** On my "real referrals" website, you can download "Referral Conversations." There are a lot more conversations just like this one.

### **Thank You**

The very day your client sends you a referral, send them a "Thank you" gift.

*Dear Liz:*

*Thank you so much for referring me to your brother-in-law Muggle.*

*I am honored.*

*Here is a gift certificate for some movie tickets. Take a couple of your friends or your kids and have a fun night out on me.*

*Warmly,*

*Jim Sellers.*



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