

Why referrals are down

And what you can do about it

By Michael Brizz, CMC

Recent events and emerging trends are changing the marketing landscape and driving up the cost of client acquisition. Agents confront a multi-headed monster of technology advances, regulatory changes, over-saturation of previously successful tools and buyer skepticism.

The broadening use of call blocking technologies such as CallerID, Privacy Manager, and voicemail together with the “Do-not-call” regulations have delivered a strong one-two punch to cold calling as a viable strategy to reach homeowners, and thus have driven up the cost of acquiring new business customers.

Scandals involving some of the biggest companies in the industry have caused a breakdown in trust and an increase in consumer skepticism. Agents and companies have tried to address this issue by hosting “value-added” education forums ranging from dinner seminars to online Webinars. While initially successful, this tool now has reached a peak in most markets. Response rates from mass mailings of seminar invitations have dropped significantly and the subsequent closing ratios are even worse. The common refrain we hear from agents and advisors across the country is that “seminars just don’t work like they used to.”

Education forums held off-site or in the evening require a significant investment of prospect time. This is a difficult burden to overcome in appealing to the time-starved prospect. Because so many of these “seminars” merely were disguised sales pitches, consumers have become skeptical and quality prospects rarely attend.

As a result, referrals have become the single most profitable and most important prospecting strategy. However, for just



the reasons mentioned above, people are more reluctant to refer. They don't want to see their family or friends get burned.

We are at a convergence point where both the need for referrals and the reluctance to refer has never been higher. To prosper in the future, agents and advisors must excel at utilizing both a broader range of referral strategies and a more refined approach. They will need new ways for current and former customers to introduce them to quality prospects in a risk-free, easy and personal way. A name and a number are no longer enough to secure an appointment. In-person introductions are essential.

Now we see the emergence of a new strategy—referral events. Referral events provide a vehicle for customers to personally introduce prospects to their agent. A referral event is where an agent or company hosts a special event and clients bring qualified prospects with them. Referral events can be based on an insurance or financial theme, or they can be based on a personal interest.

They can range in scope from shooting clinics to art exhibits and can be hosted in locations that vary from historic sites to your own back yard. Examples include a dinner with an industry expert, a private concert with a renowned musician or a golf lesson with a famous instructor. They can be family oriented parties or a wine tastings for selected executives. Any of these can work as long as you host an event that is appealing to your customers and prospects.

Referral events offer many advantages over traditional educational forums, such as seminars. First, you don't have to spend nearly as much money getting people to attend. Rather than mail out a huge number of invitations and hope that 1 percent actually attend, your clients drive the invitation process after consulting with you about who they should bring. There are no big postage bills to pay.

Second, referral events allow you to control the quality of prospects who attend. You can precisely target which prospects you want to be introduced. Let's say you were targeting the buyers of newly built homes in a development. You might jointly host a "welcome to the community" party for

the new homeowners to get information on their new community and meet their new neighbors. If you have clients in a neighborhood where you want other homeowners, you might co-host a summer picnic or holiday party.

If you are targeting small retailers in a certain part of town, you could hold a business briefing on a relevant issue. If they already have an existing business organization, you could host a special session with the cooperation of the business organization. You might sponsor a technical briefing on tax changes or insurance costs. Or, you can host the short game clinic at their annual golf outing.

If your business also offers investment services, you can sponsor events to target specific types of investors, such as those who are retiring from specific companies. You could hold a combination of educational and social events for people who are retiring.

In each of these cases, you can be precise with your targeting. And, you can have your current clients drive the invitation process. They will do this because referral events are a risk-free way for clients to introduce you. This issue becomes critical when you want introductions to people with higher standing in an organization, especially a supervisor or manager. A junior physician or middle executive may not feel they have standing to recommend their agent, but they feel comfortable inviting their boss to an exciting event hosted by the agent.

If you sponsor the right type of event, customers want to come and want to bring friends or colleagues.

Referral events create fun opportunities to distinguish your business. Hosting a cruise on a visiting tall ship or a private tour of a traveling art exhibition creates exclusive opportunities to get introduced to the hard-to-reach prospect. One of our financial service clients conducted an event where the collective net worth of the individuals who attended was more than \$1 billion. And, there are creative ways to conduct these on a small budget.

Referral events are replacing the sales seminar as the preferred vehicle to generate introductions to business

owners, working professionals, and high net worth prospects. The good news is that referral events generate more comfortable introductions to higher quality prospects. The bad news is that companies and sales professionals will need to develop a proficiency to create referral events or referral event/seminar hybrids. It will take creativity and developing a new skill set.

Where do you begin if you want to start utilizing referral events? Identify those customers who are uniquely well positioned to introduce you to dozens of quality prospects. Look for event ideas that are both fun and have personal meaning. If they are working and coming up on a big birthday, then think about hosting a birthday party for them. If they are nearing retirement, host a retirement party. If they are passionate about a charity, work with them to sponsor a fund raising event where they invite the donors and you provide the food.

Times have changed. Sales professionals need to update their marketing tool kit. By updating your tool kit with referral events, you can save money, better control the quality of prospect you attract, and provide your clients a comfortable way to introduce you.

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