



Referral generation

A valuable tool for new client acquisitions



New client acquisition

One priority that most financial practitioners set every year is new client acquisition.

Whether you're looking to expand your business, improve the quality of your clientele or replace lost business, generating referrals can be a timely and cost-efficient strategy. Generating referrals from your best clients is a great starting place, as they will almost always refer friends who are similar in profile to themselves.

According to the Nielsen Global Trust in Advertising Report, 83% of people in 60 countries said they trust the recommendations of family and friends. Another study by Pennsylvania's Wharton School reported that referred customers generated 25% higher profit margins.

Clients who come through on a referral basis are less likely to churn – because someone they trust has already given a stamp of approval. They typically advance through the sales process faster, have healthier margins and show more loyalty. And finally, perhaps the best part of generating referrals is the low cost of acquisition.

In summary, while the internet has given people far more choices than they had before, when it comes to personal services like financial planning, personal referrals are still incredibly powerful.



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Before we start... why don't we refer?

Any time a person makes a referral, there is risk involved.

Referring a friend or colleague to a coffee shop is fairly low risk. The worst outcome might be an average meal or cold coffee. In comparison, the risks around referring a financial planner are significantly higher – getting it wrong could cost your friend or colleague dearly and ruin your relationship in the process.

For this reason, it's important not only to be mindful about the individuals you seek referrals from, but to also honour commitments, deliver services on time, and ensure authenticity in all dealings, which can go a long way to mitigating the risks of referring.



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Making your business referable

There are a number of things you can do to help make your business more referable.



Provide high service levels

Set expectations with clients up front and then seek to exceed them. To do this, consider setting goals – both for your clients and for yourself – and establishing regular communications to check in with them and discuss their progress. Over time, this can show your clients that you have their best interests at heart, while also building a rapport with them and gaining their trust.



Develop a process for referrals

Most organisations have processes in place for just about every function of their business – except for generating referrals. Implementing a process means it will become second nature and not forgotten about. If you don't already have one, a CRM system can help in designing and managing the referral process.



Promote positivity

Make sure your website is up to date and your reviews are strong as both clients and referred clients alike will check you out. While many businesses have online ratings or written testimonials, very few have video testimonials. These types of genuine endorsements can be very powerful. If you're not sure what clients think of your service, then generating a Net Promoter Score (NPS) will be beneficial. An NPS is a metric used for customer experience programs. In short, it measures how likely your client would be to refer your service to a colleague or a friend.



Build credibility

Being seen as an industry expert builds instant credibility and means existing clients will feel more comfortable referring – being mentioned in press articles, industry magazines or appearing in radio interviews/segments all build trust and industry cred.



Focus on education

Another way to build credibility, and demonstrate that you can solve a potential client's issues to boot, is by providing education. This might be through a client portal, an e-book, or other literature housed on your website, such as blogs or reports.

A referral usually occurs when a potential client has a need – and demonstrating you have the solution is a powerful motivator for a client to act. A side benefit is that educated customers are usually less fee-conscious and may be easier to deal with as they know what to expect from the service they are looking for.



Make your business exciting

One key to generating referrals is to get your clients excited. That's because exciting businesses are often memorable, and clients are far more likely to refer when you are top of mind.

'Exciting' doesn't have to mean grandiose – sometimes it's the little things that make you different from the rest of the field. For example, clients may be excited by firms that are decreasing their footprint and working towards becoming carbon neutral.

Consider your CVP as a starting point for this exercise and think of things that differentiate your business. Once you've identified your points of difference, they need to be documented so they can be easily explained to clients. Consider the following examples and see if you can come up with some of your own.

Examples	Your business
A focus on behavioural finance to dictate investment strategies	
Partnering or sponsoring a charity organisation	
Running a carbon-neutral office	



Broaden the net

Make sure your clients know about everything you do. A client who came to you to establish a retirement pension may have no idea that you also offer debt reduction, insurance or budgeting strategies. Take a couple of minutes out of each meeting to remind clients of your other services – these may also be relevant to people your clients know.



Become a quarterback

The more needs you can look after for a client the more you will stay top of mind, even if those needs aren't financial planning. You want to become the 'go-to' person for your client, so have a list of other professional service providers you can refer to and work with – such as solicitors, aged care providers, brokers, general insurance providers and accountants etc. People are more willing to refer when they feel you go out of your way to help them in other areas for no reward.



Ensure the fit is right

Many advisers have an overwhelming urge to service referred clients even if the fit isn't right. Have a clear picture of your ideal client and stay focused on this segment. In these situations, consider helping the client find an adviser who is better suited to their needs. Being selfless is memorable and will educate referral partners as to the clients you are best positioned to serve.



Look inward

Consider how you track and manage referrals, as well as how many referrals you want or need. Consider where your best leads currently come from and what produces them. This will ensure you dedicate resources to generating referrals in the right areas. Tracking and monitoring of referral targets should be shared with all your team – don't rely on one or two team members to get you over the line.



Incentive schemes

Cash incentives for clients to refer others can be costly. Sometimes it pays to provide access to premium services and features instead as this will have a lower cost to your business. Other options are subscription services – for example, a finance magazine/AFR subscription, or donations to a client's choice of organisation. Consider whether you really want to formalise an incentive scheme – it could lead to generating referrals for clients that you really don't want!



Actively ask

Comments such as "if you know someone who might need us then let us know" are not referral requests. If you're comfortable and confident in your rapport with a client, ask them who they know and, if they need time to consider the question, follow up with them a few days later. Most clients who are satisfied with your service will be happy to refer to you, but only a smaller percentage will do so without prompting.

You can also make referring easy for clients by providing them with helpful, pre-prepared materials that they can share with their friends and family to explain your offering and approach to working to introduce prospective clients to your business. This could be as simple as a sample email, a one-page factsheet, or a link to your website.

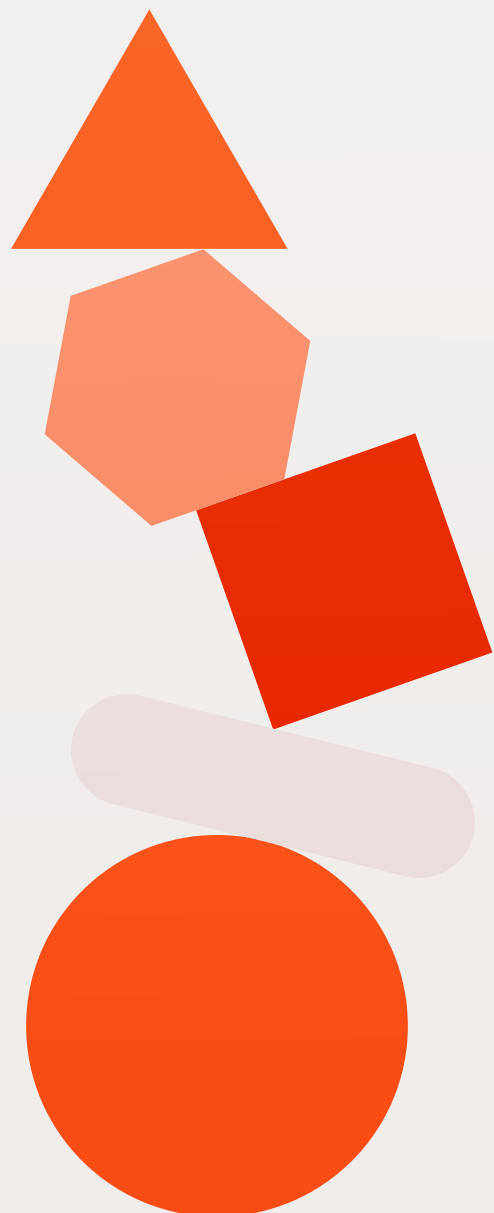


Get the personal/digital balance right

While financial planning is a face-to-face business relying on the personal touch, don't ignore the benefits of technology.

Search engine optimization (SEO), social media strategies and paid advertising can all form part of your referral generation strategy. You can combine these with the services you provide personally. In these areas, it may pay to seek out the advice and counsel of experts in the field of digital marketing. As a bare minimum, though, you should consider the following tech referral strategies:

- 1 Social recommendations and sharing** – social recommendations have exploded over the last 10 years. This is largely attributable to channels such as LinkedIn and Facebook. When used correctly, they can provide a great opportunity to contribute to conversations surrounding your industry and firm, as well as interact and share content with prospective clients. People will want to remain engaged with you when you share relevant information. You may also want to consider paid targeted advertising on these forums – referred to as content marketing.
- 2 Deal with online reviews** – the viral nature of online feedback in the internet age means business reputations can be destroyed much faster than they are built. Monitor your reviews on sites such as Google and Yelp and respond to dissatisfied clients. Responding positively may help you retain the client, while also making a good impression on prospects who are researching you online.
- 3 Email referrals** – email can be very effective as it is a direct conduit between your business and your clients. Emails to a client's inbox tend to stand out more than information on social media, which can be lost in a constant stream of information. Emails with high-value content and clear buttons for easy sharing can also add to your referral armoury.



When is the right time?

The time to ask for a referral is when your customer is the most engaged. Usually, this is at the time when they have implemented your recommended financial plan and have realised the value you've delivered – i.e. when they are at their most appreciative of you and your service. There are a few methods to help evoke a state of appreciation from clients – one of which includes asking them what they most enjoy about working with you. Asking for feedback at this time is also important, as it will help you improve your service delivery and generate testimonials.

Show gratitude

When someone has gone out of their way to refer your business, it always pays to say 'thank you'. Stand out by writing a thank-you letter and consider including a small gift to the referrer (in lieu of an incentive program). This shows that you appreciate the trust they have placed in you.

Final thoughts

Many professionals fail to generate referrals because they are held back by fear – fear of feeling they are asking their clients for a favour, fear of looking desperate, and fear of rejection.

A change of mindset may be required. Start believing that you are extending your clients an opportunity to offer your services to their friends and family. By reframing the referral generation process in this way, the task of asking for referrals should start to become a whole lot easier.



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