

# CREATING A REFERRAL ENGINE

Building a consistent flow of leads without  
spending one dime on advertising

*Written by John Jantsch*



# Table of Contents

Design and Operate a Referral System . . . . .3

Design and Operate a Referral System – Part 2 . . . . .5

What a Referral Doesn't Know *Can* Hurt You . . . . .9

5 Sure Ways to Get More Referrals . . . . .12

The Art of Referral Conversion . . . . .14

How to Make Your Business Irresistible to Strategic Partners . . . . .16

How to Thank Someone for a Referral . . . . .19



# Design and Operate a Referral System

*“Marketing is the most important system in any business and referral generation is simply one component of the lead generation cog, and as such, needs it’s own documented system as well.”*  
- John Jantsch

## Design and Operate a Referral System

### Design and Operate a Referral System – Part 2

#### What a Referral Doesn’t Know *Can Hurt You*

#### 5 Sure Ways to Get More Referrals

#### The Art of Referral Conversion

#### How to Make Your Business Irresistible to Strategic Partners

#### How to Thank Someone for a Referral

## Design and Operate a Referral System

This is part one of a two part lesson – first is **Design the System** – next is **Operate the System**.

For most, referrals happen accidentally as a result of doing good work or being in the right place at the right time. What if those valuable referrals could happen intentionally, as a result of doing work and putting yourself in the right place, with the right source, always at the right time?



Marketing is the most important system in any business and referral generation is simply one component of the lead generation cog, and as such, needs it’s own documented system as well.

I could write an entire book on this subject, oh wait, I did write an entire book on this subject, and for my money, here are the referral generation system parts that must go into your design.

- **Become more referable** – before you pass go you must analyze every way that your business interacts with customers and prospects – marketing related or not – and inject positive, brand supporting elements into the each interaction – many referrals are lost because shipping or finance roughed up the relationship.
- **Target your sources** – 1) look at your customers under a microscope – what’s the profile of a customer that’s already referring business? Find that out and focus most of your attention on that kind of customer by making it easier for them to refer. 2) Who else has your ideal customer as a target? Strategic partners should be a major focus of attention. This is the place where you need to look long and hard at your ability to make referrals to others – give and you shall receive!



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#### Design and Operate a Referral System – Part 2

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\* In a recent survey I conducted on referrals respondents felt that less than 30% of their referrals came from strategic partners – I think that should be more like 60%

- **Educate your sources** – ever get a bad referral? It was probably your fault. We can’t or shouldn’t ask for referrals until we tell our referral sources in great detail – how they would spot our ideal customers, the kinds of things our ideal customer might say to signal them as a lead, and the exact way/words to use when telling a prospect about us.

- **Motivate your sources** – money for referrals is usually a crummy motivation, but a creative, on message kind of offer that turns referring business to you into a game is a great way to motivate your referral sources and shine a light on the subject of referrals for all. Of course, saying, “Thank you” never hurts either.



- **Follow-up with all** – a referred lead is different, you’ve got to be prepared to follow-up in a different manner – in all likelihood the sales cycle will be different as well, plan on it. Follow-up also includes your referral sources. Build feedback loops so that your referral sources get to know how much good they are doing by referring your business. Create key indicators of referral success and make them part of your marketing measurement dashboard.



Each of these parts needs to be thought out, documented and baked into your day-to-day marketing efforts. Plan to change, expand and moderate your system parts as you take them out into the real world.

Now that you have a system, you’re almost half way there – a system design is an academic exercise until you put the process into action – next I’ll delve into operating your referral generation system.



## Design and Operate a Referral System – Part 2

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Design and Operate a Referral System

Design and Operate a Referral System – Part 2

What a Referral Doesn't Know *Can Hurt You*

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible to Strategic Partners

How to Thank Someone for a Referral

## Design and Operate a Referral System – Part 2

Previously I covered the [Design the Referral System](#) part and now I want to finish up with the Operate part – after all, a system design is an academic exercise until you put the process into action.

Equally important to the design is the way that you systematically and automatically integrate your referral system into the everyday customer and network interaction. I can't tell you how many business owners admit that they don't get more referrals because they simply don't think to ask for them. By designing the ask into your day to day routine, it's more likely that it will get done.

### The Referral Operation parts:

**Get an expectation mindset** – first step is to believe that you deserve referrals and more than that, you are doing your customers and network a disservice by not allowing them an easy path to bring the tremendous value your products and services can deliver to those in need. If you can't get past this point, any system you devise will break down under the weight of your fear that you are simply begging for business.



The mindset must pervade your entire organization – it's everyone's job to create, nurture and convert leads by way of thrilled customers. In addition, your lead conversion process must contain the condition of referral generation as part of the deal. “We know you are going to be so thrilled with what we've agreed upon today, Ms. Customer, that in 90 days we are going to schedule a meeting to gauge just how great your results have been and at that time we are going to allow you to introduce us to 3 others that you know need these same results.”



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Design and Operate a Referral System

Design and Operate a Referral System – Part 2

What a Referral Doesn't Know *Can Hurt You*

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible to Strategic Partners

How to Thank Someone for a Referral

Now, some might find the above statement hard to get to fall from their mouth, but I'm telling you it's the most positive marketing message you can utter – we know you are going to be so thrilled you will refer us. You've still got to deliver, but when you do, you've established referrals as an expectation and condition in the relationship. It really is that simple.

**Segments customers from partners** – You need completely different referral approaches and offers for customers and strategic partners. By targeting your approach to these segments you can more easily develop programs that make sense and motivate for the right reasons.



For customers, the likely motivation is that they like what you do so much they want to refer you and you simply need to stay top of mind and make it easy for them to do. Hint: *Ask and remind!*

For partners the motivation is quite different. Your job here is to effectively position referring you in a way that helps them add value to the relationships they already have with their customer. In that vein, the simplest way to do that is create valuable education based content, in the form of a white paper or seminar, and take it to them and propose they share it, co-branded, with their customers. They know they should be doing this so you've just made it easy for them to do something they want to do and you win.

**Create turn-key tools** – The education process of your referral sources can be aided greatly if you put tangible referral tools in their hands. Create documents that teach them how they would spot your ideal customer, the trigger phrases your customers use when they need you, and your referral process.



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can Hurt You*

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

Create coupons and gift certificates and give them to your referral sources. Create jointly branded marketing materials for all of your strategic partners. Create a network blog that your strategic partners can all contribute to. Again, make it easy and it will happen.

**Plan for logical collection** – The place that referral systems fall down most often is in the actual collection. Expectations are set, customers are thrilled, the referral motivation is in place, but nobody thinks to actually ask for the referral – doh! – Create processes that involve customer results reviews, project reviews and satisfaction surveys and use these as triggers for referral collection – you might just find that it's a great way to really find out what a great/lousy job you are doing and course correct accordingly.

**More than one creative entry point** – Just as not all referrals are created equal, not all motivations are created equal. You must have multiple referral opportunities going at all times so that you can take advantage of the highly engaged customer who wants to set up a lunch to introduce your firm, the customer that needs the quarterly reminder gift certificate mailing, and the non-profit agency partner that would love to run a promotion with you to benefit their cause and promote you to their members.

Start with one or two referral program offers and gradually build to many as a way to keep the marketing focus on the subject of referrals and let everyone find a way to play.

**Measure and Adjust** – You should create a dashboard of key referral indicators as a way to set goals and measure the success of your referral initiatives. So, what are the key metrics? Page views, referred leads, appointments, closed deals? I would suggest that you have a logical path of indicators so that you can see where your programs might be breaking down and need focus. You may be receiving referrals, but not closing them or closing every referred lead, but just not getting enough.



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can* Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

This is a place you might consider including your referral sources by way of follow-up. What you learn from your measurement practices may help you adjust and create better education tools.

All this talk of a systematic approach to referrals is great, but never forget my golden rules of referral or no system will work – Don't be boring, don't be rude, give to get.





## What a Referral Doesn't Know Can Hurt You

*"If your referrals, or perhaps your referral sources, don't understand how, why and when to make a referral, chances are you're not going to build much momentum with your referral generation efforts."*  
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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know Can Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

## What a Referral Doesn't Know Can Hurt You

Referrals are a great way to build a business, unless they're not. Here's what I mean... We all love the referral that's a perfect match. They have the right kind of need or problem, they know how we work and what we offer that's valuable, and maybe they even expect to pay a premium to get what they've learned we have.



But then we've all received that awkward referral – one that's not such a fit at all, one that wants to know why they can't get a deal.

If your referrals, or perhaps your referral sources, don't understand how, why and when to make a referral, chances are you're not going to build much momentum with your referral generation efforts.

Below are five things that everyone that you may recruit to refer your business, customer and strategic partner alike, must be taught in order to effectively refer business. Don't view this idea as a selfish act, teaching those who want to refer how to do it more effectively makes their job easier as well.

### 1) How I would spot your ideal client

Be prepared to describe in glorious detail the exact type of business, person or problem that fits your ideal client profile. Of course, this means you've got to have that narrowly defined description internalized in all of your marketing efforts, but this is step one in making sure you don't get the wrong kinds of leads.



### 2) How to describe in simple terms what you do best

Don't tell your referral sources all the glorious details of your business and expect them to demo it for you. Give them a core talkable phrase or image that they can use to simply define your unique benefit – they're our outsourced CFO or they help us get paid faster. Keep it



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

**What a Referral Doesn't Know *Can* Hurt You**

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

simple, benefit laden and short and teach them to use the simple and short version only. Do you really want a referral source explaining your process? Again, I hope you see that this requires you to understand what it is that makes you unique in simple terms.

Hint: You probably don't fully understand what it is, ask your customers to tell you what it is to them.

### **3) What phrases prospects use to trigger me to know to refer**

If you sell accounting software, don't count on a prospective referral asking his golf buddy if he knows anyone that sells accounting software. But, what he might share during a round of golf is his frustration over the fact that he can't ever get a handle on his receivables aging or that his data is housed in two places and neither seems to be up to date. These are what I call trigger phrases. If you were in front of a prospect and they said something like that, you would know immediately that they needed what you have to offer. Create a list of these kinds of tell-tale phrases and offer them to your referral sources in a kind of a – if you hear a business owner say... give them our card. Don't know what these are? Ask your salespeople, I'll bet they do.

### **4) What your marketing process looks like**

The single greatest hold back when it comes to referrals is the unknown factor. So, if I give you the names of my book club buddies what are you going to do with those referrals? Spell out your marketing process step-by-step. First, we'll invite them to an online seminar, and then we'll send them a guide to getting more from XYZ, etc. Show them you have a professional, special and non-threatening marketing process. And please, no phone calls during dinner!



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

**What a Referral Doesn't Know *Can* Hurt You**

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

## 5) What others say about you and your results

It can be helpful to share success stories and testimonials as a way to offer a little social proof that you've gotten other people results. In some cases, these might be quotes from the referral source or success stories from specific industries.

You can create a formal referral marketing brochure, web page or even mini presentation on your iPad, but taking the time to educate your referral sources will produce wins for all.



## 5 Sure Ways to Get More Referrals

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Design and Operate a Referral System

Design and Operate a Referral System – Part 2

What a Referral Doesn't Know *Can Hurt You*

**5 Sure Ways to Get More Referrals**

The Art of Referral Conversion

How to Make Your Business Irresistible to Strategic Partners

How to Thank Someone for a Referral

## 5 Sure Ways to Get More Referrals

If you're doing good work, have products that people enjoy, and provide a service and experience that exceeds expectation, chances are, your business is benefiting from word of mouth referrals.

While this occasional lead generation windfall may be great, there are things you can do to shine a light on referral generation and generate significantly more referrals.

Below are five foundational approaches that can help you keep referral top of mind. There's no reason you can't employ two or three of these approaches at the same time.

### Offer 100% refund

The idea of a 100% refund is pretty compelling. In reality all you are doing is offering a reward for people who refer. The idea is to tell a customer that they can receive 25% refund for each customer they refer up to 100%. This way you turn giving referrals into a game and get the added benefit of a creative marketing message.



### Partner with a non-profit



There are so many not for profit agencies that need and deserve support from businesses. From an organization standpoint, partnering with a local agency is a great thing to do on many levels. One way to take this up a notch is to run a campaign for a new product launch or

special promotion in which you donate a percentage of new sales to your chosen partner. This is a great way to incentivize anyone who wants to help your non-profit partner to make referrals to your campaign.



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Design and Operate a Referral System

Design and Operate a Referral System – Part 2

What a Referral Doesn't Know *Can* Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible to Strategic Partners

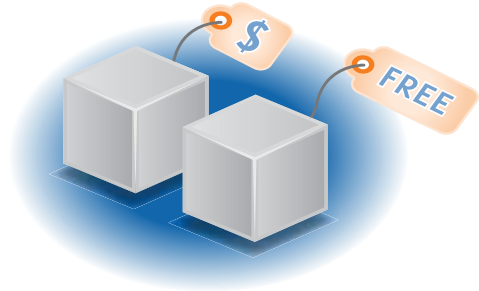
How to Thank Someone for a Referral

## Co-brand your content

If you've created a series of tip sheets, how to articles or other useful information to use in your own lead generation efforts – the accountant: 10 little known ways to cut your taxes in half – consider reaching out to strategic partners and offering to let them use your free report. Let them add their logo and contact information and send it to their customers and prospects. In many cases partners will readily accept the offer of educational content that's already a proven winner.

## Buy one get one free

If you are promoting a new product or service, one of the best ways to get the word out is to allow people who buy today to make a gift of an additional product or service to a friend. This is a particularly powerful tactic when promoting a starter or lower cost item that can produce upsells and future business from those who receive the free version.



## Win-win workshops

Many businesses have taken the free report concept mentioned above and turned it into the free 10 ways to avoid XYZ seminar. If you've created a compelling, non sales oriented workshop you can get in front of prospects by offering to present this workshop to a strategic partner's customers. To really ramp this idea up, offer to do the workshop for two non-competing partners. This way they both get to offer great content for their customers and get to meet and greet each other's customers. They both see it as a marketing opportunity and you get ushered in and referred as the expert. It's a win for all.



## The Art of Referral Conversion

*"It's a simple reality of business – if people need what you sell, they are more confident about purchasing it if they get a vote of approval from someone they already trust."  
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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can Hurt You*

5 Sure Ways to Get More Referrals

**The Art of Referral Conversion**

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

## The Art of Referral Conversion

If you provide a product or service that delivers value and customers find the experience of obtaining those products or services is at least satisfactory, there's a good chance you are receiving some quantity of leads by way of referral or word of mouth.

It's a simple reality of business – if people need what you sell, they are more confident about purchasing it if they get a vote of approval from someone they already trust.

Most businesses realize this and put some energy into generating referral leads, but my belief is that firms that also put energy into act of converting referral leads can dramatically amplify the power of referral.

The funny thing about this is that the more referrals you convert to customers the more referrals you'll receive from customers.

Below are the elements of the system you must put in place in order to convert more referrals to customers.

### A special lead



A referred lead is different than a lead that found you online and moved through your education system. Some folks make the mistake of lumping referrals in with every other lead in the sales funnel. I believe that you owe it to your referral source to make a big deal about the fact that this lead was referred. Go out of your way to let them know they are special. Acknowledge the fact that you are going to honor the referral by giving them access to something special, invite them to a unique event or assign them to your referral specialist.

The impact of this step is two-fold. First, the lead is different and likely does need some special handling to become a customer. And, imagine the message this treatment sends when they consider referring their friends at some point.



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can* Hurt You

5 Sure Ways to Get More Referrals

**The Art of Referral Conversion**

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

### Close the cycle

The dangerous assumption some people make about referred leads is that they have done all their research, are ready to buy, and understand how you work. The problem with that thinking is in some cases they don't even know they need what you offer.

In some cases their friend recognizes they need your help, before they do and this calls for special handling.



Now, there certainly are instances in which a referred lead shows up at your door ready to buy, but you should have a process that allows you to discover where your lead is in their thinking and motivation and employ one of several education tracks to gently bring them up to speed on how you work, why you charge a premium and how they will receive the most value from becoming your customer.

### Appreciate and communicate

The final step in effectively receiving leads is to develop a way to shower appreciation on your lead sources. If you make some sort of offer to incentivize referral sources you certainly need to honor that, but I find that a little token of appreciation such as a handwritten thank you, flowers or fruit goes a long way towards letting them know you appreciate the effort and support.

In addition to simply thanking your sources, you should also develop a path of communication that helps them know the impact their referrals have on your business and on those that they refer. If your referral sources learn that many of the leads they send your way enjoy the process so much that they become customers, this fact alone will often motivate them to continue sending referrals.

If you're already receiving a steady stream of referrals, focusing on improving your referral conversion rate by 5 or 10% could dramatically impact your bottom line.



## How to Make Your Business Irresistible to Strategic Partners

*“Identifying a group of “best of class” providers in your market and finding ways to gain access to their customer base is one of the quickest ways to flood your business with new opportunities.”*

Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can* Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

**How to Make Your Business Irresistible  
to Strategic Partners**

How to Thank Someone for a Referral

## How to Make Your Business Irresistible to Strategic Partners

One of the most overlooked sources of leads for any small business is the rich pool of non-competing businesses that serve the same target market.

Identifying a group of “best of class” providers in your market and finding ways to gain access to their customer base is one of the quickest ways to flood your business with new opportunities. Many businesses get this idea, and some even actively strike up the occasional strategic partner deal or lead-swapping campaign, but few tap this approach to the full extent.

For the right business, a strategy devised to make your business irresistible to potential strategic partners may indeed produce the greatest ROI of any marketing activity.

Below is a systematic approach for doing just that.

### Step 1: Discover

The first step is to identify the partners you would like to attract. You may be able to find some of these potential matches from your own experience and research, but your customers can also be a great source of suggestions. Ask them about other businesses they like doing business with.

Think in terms of building an entire team of first-rate providers as though you were going to go to your best customers with a suggested list of partners for every need they have.

### Step 2: Recruit

Now that you have your initial list of candidates, it's time to reach out and introduce yourself and your idea for partnering. This is an important step and one that many get wrong. Instead of simply cold calling these prospects and suggesting you could work together—a step that others are probably pitching them—reach out and ask





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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can* Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

them to show you the best way to introduce them to your customers. If you are recruiting potential partners that your clients recommended, make the common connection between your shared customers a starting point.

**Want to read more about finding partners? Check these out:**

- [Finding Money Online](#)
- [Dominate a Networking Scene in 5 Simple Steps](#)
- [7 Tips for Choosing a Business Broker](#)

When you make this type of invitation, you get their attention in a way that is potentially beneficial to them. This can make all the difference in helping you stand out.

## Step 3: Ignite

If you've completed Step 1 and 2 as stated above, you should have a handful of potential strategic partners interested in telling you more about their business and open to allowing the same from you.

This is the place where your plan is going to really stand out. Most potential strategic partnerships fall flat because neither partner takes the initiative to make partnering both easy and logical. Simply sending a letter to all your clients saying you are now partnering with ABC Corp. isn't going to benefit you, your partners, or your customers.

If you want to ignite your strategic relationships then come to the table with a winning, prepackaged way for them to immediately benefit while introducing you to their customers.

**Here are two examples:** Create a valuable report or e-book that provides lots of great information that you know your customers will gobble up. (You should be doing this routinely anyway.) Take this field-tested free report and offer it to your partners as a tool they can provide to their customers and



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn't Know *Can* Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

How to Thank Someone for a Referral

prospects. Allow them to co-brand the information and use it freely. They know they should be providing this kind of education to their customers and now you've just made them look good and gotten your name in front of their customers in a logical way.

**The win-win workshop:** Take your same valuable information from the above example and turn it into a workshop. Now you can go to your partners and offer to provide this workshop, either in person or online, free of charge to their customers. No selling, just great information. Now, if you want to really get them excited, go to two potential partners and suggest they co-host the free workshop. This way they not only get to provide great information to their customers, they also get to meet and mingle with some potential prospects from the other partner's business.

## Step 4: Promote

The last step is to find ways to promote your partners and make them glad they got on board with your program. Create opportunities for them to meet your customers; teach them how to create and promote content; provide a blog for all your partners and allow them to contribute posts related to their field; conduct video interviews and tours of their businesses and run these on your site; put together events and allow them to make presentations and invite guests.

When you take this platform approach to partnering you go from being a nice idea they may get around to some day to an irresistible marketing partner they can't stop raving about.



## How to Thank Someone for a Referral

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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn’t Know *Can Hurt You*

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

**How to Thank Someone for a Referral**

## How to Thank Someone for a Referral

Showing your appreciation for a referral is one of the best forms of motivation that exists. People who go out of their way to voluntarily tell someone about your business are generally motivated to do so because they like doing it rather than expecting something in return, but a simple thank you, or the more elaborate flowers, candy ([9 Burdick Penguins in a wooden box](#)), coffee and hand-written note of thanks are all in order.



However, in addition to this I suggest that one of the best ways to thank a referral source is to also do it publicly.

Where appropriate, acknowledging your referral sources’ activity on your behalf publicly can prove quite powerful in terms of motivation. Almost everyone enjoys a little pat on the back for being a part of your team and I believe doing this in the right forum has several other benefits.

1. Your referral source feels very appreciated and socially validated
2. You reinforce your organizations’ referral worthiness
3. You display tangible examples of referral partners
4. You demonstrate your appreciation for the relationship



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Design and Operate  
a Referral System

Design and Operate  
a Referral System – Part 2

What a Referral Doesn’t Know *Can* Hurt You

5 Sure Ways to Get More Referrals

The Art of Referral Conversion

How to Make Your Business Irresistible  
to Strategic Partners

**How to Thank Someone for a Referral**

The flip side of this idea is that you should also consider making referrals publicly as part of the entire cycle. By letting people know the kinds of business you deem referral worthy you:

1. Show what you think quality is
2. Provide more leads for your referral partners
3. Share resources that benefit your customers and prospects
4. Demonstrate how highly you value referrals

There are many ways you can go about promoting your referral activity publicly. You can add a referral box to your newsletter, create a referral news page on your web site, promote referrals in your blog posts, or tweet it to your followers on twitter.



If you enjoyed the content in this book...

## If you enjoyed the content in this book, why not get the full training?

Created by John Jantsch, the [\*Referral Engine Pro Course\*](#) is a self-guided course that will show you how to craft a strategy that compels customers and partners to voluntarily participate in your marketing, create positive buzz about your products and services to friends, neighbors, and colleagues.

*Referral Engine Pro* is broken up into four lessons housed in an online portal. Each lesson includes a video overview, PDF version of slides, video transcript, action steps and supplemental content

### Here's an overview of each lesson:

#### **Session 1: Your Referral Marketing Strategy -**

Before you can begin creating the tactics aimed at generating more referrals you've got to make sure you are referable. This starts with developing a marketing strategy that ultimately leads every customer down the path of becoming a referral source.

#### **Session 2: Educate Your Referral Sources -**

If you've ever gotten a referral that wasn't a good fit for your business then you know that one of the most important elements of referral generation is to teach your referral sources who makes a great referral and the right way to make an introduction to your business so that a prospect fully appreciates the unique value you bring.

#### **Session 3: Customer Offers and Campaigns -**

Once you've built your strategy and education process you can go to work on creating the tools and campaigns that make it easy for your referral sources to share, introduce and refer business.

#### **Session 4: Launch and Follow-up -**

In the final session you'll discover how to activate your strategic partner network and create the follow-up that turns introductions into clients.

[Click here to learn more about the \*Referral Engine Course\*.](#)

### About John Jantsch

John Jantsch is a marketing consultant, award-winning social media publisher and author of two best-selling books, [\*Duct Tape Marketing\*](#) and [\*The Referral Engine\*](#).



His blog was chosen as a Forbes favorite for marketing and small business, and his podcast, a top ten marketing show on iTunes, was called a "must listen" by Fast Company magazine.

