

10 Tips for Using Referrals to Grow Your Business

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For most small businesses, the holidays are a time to connect with customers by sending gifts or greeting cards or hosting special events. With everyone feeling a lot of good will, now is a great time to start using referrals from satisfied customers to build your business. Here are 10 tips for doing so:

1. **Ask for referrals.** Many entrepreneurs fail to benefit from referrals because they're simply too shy to ask. Most satisfied customers are happy to give you referrals--but they won't think of it if you don't ask them.
2. **Know the right time to ask.** Aim to gather referrals at the completion of a project or upon delivery of a product. The goal is to approach the customer when they are happy with the purchase and the transaction is still fresh in their minds.
3. **Create a system.** Set up a procedure for capturing referrals. This can vary depending on your industry. A business-to-business company might ask for referrals during a post-sale phone call or email. A retailer could enclose a card with each purchase that customers can fill out to refer a friend.
4. **Offer a reward.** Encourage customers to give referrals by offering incentives, such as a discount on their next purchase, a free month of service or a small gift. Making rewards contingent on whether the referral makes a purchase can encourage higher-quality referrals who are more likely to buy.
5. **Build trust.** Customers don't want their friends bombarded with marketing messages. Make them comfortable providing referrals by explaining how you will use the contact information they provide. Will you send direct mail? Will you contact the person by phone?
6. **Follow up in a timely fashion.** If you let referrals languish for months, their value can fade as the relationship between your customer and the prospect changes or your customer becomes less enthusiastic about your business. Set up a system to contact referrals within two weeks of obtaining them.
7. **Mention the connection, but don't rely on it.** When you contact a referral, be sure to let them know who referred them to you. However, don't assume that this connection alone will spur the prospect to buy. You need to put forth as much effort as you would with any sale.
8. **Get to know them.** Don't give a "hard sell." Lay the groundwork for a relationship by offering the referral something useful as an introduction to your business. This could be a whitepaper related to their industry, a free consultation, or a discount on their first purchase.
9. **Provide great service.** When you win business from a referral, always provide outstanding service to the new customer. Otherwise, you will make the referring customer look bad for having recommended you, and you might lose not only the new customer's business, but the old one's as well.
10. **Repeat the cycle.** Be sure to ask your new customer for a referral when the time is right—and watch your business grow exponentially!

By Rieva Lesonsky

Rieva Lesonsky is founder CEO and President of GrowBiz Media, a content and consulting company that helps entrepreneurs start and grow their businesses. Before launching her business, she was Editorial Director of Entrepreneur Magazine. Follow Rieva at [Twitter.com/Rieva](https://twitter.com/Rieva) and visit SmallBizDaily.com to sign up for her free TrendCast reports.