

Work Smart: Turn Customers Into Cheerleaders

Build a system to stay in touch and reap referrals.

| BY [G.M. FILSKO](#)



As you walk out of the transaction closing, you breathe a sigh of relief. The papers are signed; the client is happy; all you have to do is pick up your commission check.

Not so fast. From the day the deal closes, your follow-up plan to get referrals should be firing on all cylinders. Any top performer will tell you that ongoing cultivation of customers and clients is the key to long-term success in real estate. According to the 2007 NAR Profile of Home Buyers and Sellers, 43 percent of buyers and 41 percent of sellers found their sales associate through a referral from a friend or relative. That's a figure that would make or break most sales associates'—even top performers'—profitability.

What makes referrals so valuable? Ed Hatch, CRB, CRS®, a trainer and coach based in Gambrills, Md., explains: "When people come to you based on a referral, they know you as someone they already trust—as Ed, not just a voice on the phone or a picture on your Web site."

That's been true for Jeff Matlock, a sales associate at Crye-Leike, REALTORS®, in Goodlettsville, Tenn. "Most of the time when people call me from a referral, the people who've referred me have already sold the prospects on my services, and I don't have to spend time doing interviews," he says. "When they call, it's pretty much a done deal, and I'm going to get the listing."

Referrals are not only easier to acquire than new business but also cheaper. "It's a whole lot less expensive to maintain the attention of people who know you, like you, and trust you than to get the attention of people who don't know you," says Hatch.

Teri Herrera, CRB, CRS®, a sales associate at John L. Scott Real Estate in Bellevue, Wash., agrees. "New business requires advertising dollars," she says. "Referral business is free because clients are walking advertisements, and they have a much broader exposure base than you could ever afford to have."

How to Build a Referral Business

Here's how to build a referral business that grows your client base and increases your profits.

Ask early and often.

"If you don't let people know that you need referrals, don't assume they'll magically deduce it," says Susan RoAne, president of The RoAne Group in Greenbrae, Calif. Even if clients really like you, they may not understand how valuable referrals are to your business.

The best and most immediate source of referrals is current buyers and sellers, says Hatch. "There's a phrase we all use—top-of-mind awareness. Whatever's on the top of your mind falls out of your head and into your mouth, and you talk about it. So when clients are immersed in a process, like buying or selling a home, they're probably talking about it to everybody. That's why I have my sales associates, in a purposeful, proactive way, ask their current buyers and sellers about referrals even during listing presentations and when they're showing homes."

After you've made your initial referral request, make it again and again. "When you tell clients once, they're happy to do it, but it's not important to them," says Hatch. So every couple of weeks, remind them. "The key is not pushing so hard you annoy them," he says.

Ask everybody.

Talking to clients immediately after closing is an obvious referral opportunity, but don't stop there. If you're professional about it, everyone you know is a potential source of referrals. "My daughter goes to a private school, and I've done several million-dollar sales for people whose children go there. I also have horses, and I'm not shy about letting people in the show circuit know that the next time they're looking for an equestrian property, they should call me," Herrera says. "My dentist and doctor also have my business card. You can't be shy or uncomfortable about letting people know what you do for a living."

Create an ongoing contact plan.

Asking for referrals as the opportunity arises is great. But it's also essential to make referral building a regular part of your marketing activities. You need to continue to remind friends and past clients you don't see on a regular basis to refer you to their friends, family, and coworkers. As Hatch suggests, you need to stay top of mind to keep getting the business. Here's how.

If you don't already have a database that contains every past client and customer, start one. Then make time every week or two to add new contacts and update information on current ones. Should you add parties to the transaction that you didn't represent to your referral program? "That's a little sticky because you also don't want to destroy your reputation within the industry and your relationships with other sales associates," says Herrera. "But you can make contact in a way that's professional and nonthreatening."

Herrera does that by sending a friendly letter to both the buyers and sellers at the end of every transaction, along with a CD on which she's stored all the transaction documents. In the letter to the party that Herrera didn't represent, she says,

"It's been a joy to work with you and your sales associate. We've included all the transaction documents for your records. If you have any questions about your new home, please don't hesitate to contact us." That technique has worked. "I've received business from that because many people never heard from their sales associate again after the transaction," she says. "But they have my CD."

Keep the contacts coming.

Once you've got a basic list in place, prioritize clients by their referral potential, just as you do contacts when you create a prospecting plan, suggests Hatch. "Designate your current, card-carrying fan club—the people who've already given you at least one referral in the last year—as A clients," recommends Hatch. "B clients are those you've sold a house to in the last seven years who might have sent you a referral in the past but not recently."

Concentrate the majority of your effort on A clients, he says. Send out a personal letter with information of value every month. And call or visit these sources at least quarterly.

What about B clients? "Go back and reestablish your relationship with B clients," recommends Hatch. "Treat them like A clients for a year. If they make a referral in that time, they stay on your list. If they don't, they're off."

Herrera's system is similar to Hatch's, but she skips the step of categorizing customers and clients. "From a referral standpoint, every client is an A client," she says. Herrera maintains contact by sending material of interest, like an update on interest rates or changes in the law, to former clients and customers two to three times a month. She also does two mailings a year asking specifically for referrals.

Still, nothing beats the personal touch. "The best referral builder for me is that I try not to let more than a couple of days go by without taking a previous client out to lunch," says Herrera. "That helps us relate on a one-on-one level." She also hosts several client appreciation events each year, ranging from an Academy Awards party at a private theater to a harvest party in the fall on her own property—complete with a hog roast and games for the kids.

Such events inevitably lead to conversations about real estate, says RoAne. "In the course of small talk, people will say, 'I'm in touch with my old neighbor, who's thinking of selling.' That would have never happened through e-mail or snail mail."

Handwritten notes and personal phone calls are a daily part of Matlock's referral business plan. "I write two or three personal handwritten notes each day," he says. "I just go through my list of past customers, and if I know it's someone's birthday or I've seen someone in the newspaper, I'll write a note. Sometimes, I'll contact a person five times before contacting another one once, but eventually I get through the list. I also call as many as 10 people on my client and customer list each day. And, occasionally, I'll take people out to eat."

Show your appreciation.

When you find out from prospective customers that they came to you through a referral, make sure you thank those who sent the business your way. "I call to thank the person immediately and back that up with an e-mail, and then we send a small gift," says Herrera. Her gifts range from movie tickets to gift baskets, depending on the size of the referral and whether it's the first or fifth referral from the same person.

"I'll also keep the referrer in the loop by saying, 'By the way, I'm meeting with John and Mary on Tuesday. Thank you again for the referral.' Or, 'I just want you to know that we sold Mary's home tonight. Again, thank you for the referral,'" explains Herrera. "That makes people feel important and want to refer to us again."

Also remember that to get referrals, you must offer them. "The biggest mistake people make in a referral plan is thinking that it's all about us," says RoAne. "It should be a give and take."

Davis offers an example. "I was talking to a friend who sells Pampered Chef products. She asked if we'd sponsor a show, and we agreed," says Davis. "She didn't ask me if I knew of anybody else who might want to sponsor a show, but I voluntarily got on the phone calling other people to hook her up with another show."

Assess your payoff.

As with any system, your final step in referral building is to see if what you're doing is working. "We track calls as they come in to see if the business came from a referral or another form of marketing," says Herrera.

What's a good level of referral business? "You want 50 percent of your relationships to be referring to you each year," says Hatch. "If you do the right things, your referrals will keep growing."

3 Tips for Getting More Referrals

- **Tip 1: Impress; don't beg.** You can avoid being a pest by sharing information that positions you as an expert instead of simply asking for business, says Darryl Davis, a speaker and sales trainer in Wading River, N.Y. For example, if friends, family, or past clients put down less than 20 percent when they bought their home years ago, you can remind them how private mortgage insurance works and let them know they may not need it anymore. "Keep sharing your knowledge so that people say, 'Gee, she knows her stuff,'" says Davis. "Once friends and family recognize your knowledge, the questions and phone calls will come."
- **Tip 2: Watch how you make contact.** Although e-mail messages and phone calls are easy ways to keep up contacts with past clients, make sure you follow federal laws that govern phone and e-mail contact with consumers. Federal do-not-call regulations prohibit businesses from calling consumers on the do-not-call list unless they've had a business relationship with those consumers within the past 18 months or received an inquiry from the consumer in the last six months. The federal CAN-Spam Act permits you to send an unsolicited e-mail so long as the e-mail meets requirements

of the act, which include a clear identification that the e-mail is an advertisement or solicitation, a legitimate postal and e-mail address, and an opt-out mechanism, providing the consumer has not previously decided to opt out of receiving e-mail from your company. (Search the Letter of the Law archives of *REALTOR.org* for more details on these laws.)

- **Tip 3: Keep those gifts legal.** The Real Estate Settlement Procedures Act prohibits payments, in any form, for the referral of business. Therefore, when you host customer appreciation parties or give customer gifts, make sure they aren't predicated on past referrals or the promise of future referrals. If they are, then those events or gifts have violated the terms of Section 8(a) of RESPA.

Money Savers: Referrals on a budget

Try these no-cost and low-cost tips for generating referrals.

- **Shave your gift budget.** Acknowledging referrals is what matters, not the size of the gift. If times are tight, hand-deliver a bouquet of grocery store flowers tied with a beautiful ribbon or a dozen bakery—or better yet, homemade—cookies instead of a restaurant gift certificate. You might also want to give gifts only for multiple referrals. If you do scale back on gifts, however, don't cut back on showing your thanks through personal phone calls and handwritten notes.
- **Take the food out of face-to-face meetings.** The whole point of face-to-face meetings isn't to eat or drink. It's to build relationships. So be creative in your get-togethers. Invite people for a healthy lunchtime walk or a game of tennis on the park court. Say something like: "I'm going to be in your area tomorrow during lunchtime, and I'm trying to fit in a daily walk to stay healthy. Would you like to join me?" Or if you ride your bike each evening, use the same dialogue to invite people to join you.
- **Stay connected electronically.** While there's no substitute for the personal touch, social networking sites such as LinkedIn, Facebook, and YouTube are a great way to supplement one-on-one contact, especially with younger clients. Update your profile on LinkedIn and you can immediately e-mail it to all your registered contacts. Or create a clever holiday video, upload it to YouTube, and send it to clients. It's much more memorable than another card.
- **Give back to others.** Hosting and participating in charity events not only helps a good cause but also provides a great reason for you to reach out to past customers. Ask if they'd like to contribute to your rummage sale for the homeless or sponsor you in a breast cancer walk.
- **Leave a trail of cards behind you.** Be sure that every place you do business—the sandwich shop, the dry cleaners, the barbershop—has a stack of your cards beside the cash register.