

Ep #414: How Much of Your Business Should Come from Referrals?



Full Episode Transcript

With Your Host

Stacey Brown Randall

Stacey Brown Randall: Hey there, do you love referrals but hate asking for them? Well, then you've come to the right place. This is the Roadmap to Referrals podcast and I'm your host, Stacey Brown Randall.

Roadmap to Referrals with Stacey Brown Randall

Ep #414: How Much of Your Business Should Come from Referrals?

Every week, I break down why you don't have to ask, pay, be gimmicky or promotional or network all the time to generate referrals for your business.

We take a science-backed approach with our methodology, frameworks, and strategies. The goal is simple, to help you take control of your referrals on your terms.

In a recent conversation with a client, we were discussing her referral goals. Setting goals or metrics that you are aiming for goes for referrals as pretty much it goes for anything, right, that you want to accomplish.

It's important to know where you are heading and it's just as important to know, of course, where you are starting from.

But the question becomes how much of your business should be from referrals? It is a constant question that I hear from folks.

And so I want to answer it in two ways. First, well, that depends on where you are starting from. And second, it depends on where you ultimately want to land.

Now, I have talked about this over the years on this podcast. It's crazy to think I've been doing this podcast for almost nine years. But I have talked about this over the years on the podcast.

I don't advocate for business owners to feel like they need to be 100% referral-based, meaning like every client comes from a referral. It's great if you are. I'm not taking that away from anyone.

But for the businesses that I have seen that are actually 100% referral-based, usually they think they are and they're actually not, right?

But for those that are pretty darn close to being almost all referral-based, there's typically a major reason, right?

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Either they have a main or a major referral source who is funneling them most of their clients, right? Which is like great in theory, until that one source stopped, they would actually probably be in trouble, right?

Or they're the only ones who do what they do in their area. Wouldn't that be nice? I'm sure we'd all love that, right?

But sometimes if you're the only one who does what you do in your area, then it makes it easier for you to get the referrals.

And sometimes it's because they've just been around forever, right? Longevity and business doing the same thing certainly creates a reputation and a known factor, right?

And so sometimes people who are referral-based has a lot to do with just how long they've been in business.

And in some cases, another option is sometimes I hear that it's the types of clients that they ultimately work with. Those are usually the couple of big ones that I hear when people are truly as close to as possible a 100% referral-based business.

So if we remove the expectation for 100% of your clients that will come to you from referrals, if we just remove that expectation, and we also recognize that zero coming from referrals is not an acceptable answer either, it means that you're gonna land somewhere between those two numbers.

For my clients, we really wanna understand how much of your business comes from referrals now, and then we determine what do we ultimately want it to look like.

We talk a lot about numbers, and metrics, and we spreadsheet things out. So we are tracking things and we know what's happening, and we're looking at things on an ongoing basis, but definitely on a quarterly basis.

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I just recently did an episode walking you through how to do a quarterly review, and with screenshots of the spreadsheets that I, the quarterly review tab on the spreadsheet that I actually use, the exact one I use with my clients.

So definitely go check that one out. We'll put the link to that episode in the show notes. ([Episode 412](#))

So it's important that you're tracking this, and you know what you're looking for, right? And you know what you're trying to accomplish.

So let me walk you through understanding what we're looking for in terms of numbers, but for this perspective, I want you to think about it in terms of percentages.

Because sometimes I think this talking about things in terms of percentages is actually like an easier way to kind of wrap your arms around the idea that what you're looking for when it comes to referrals.

So let's use an example from one of my clients. 75% of my clients, before I started working with them, 75% of my client's clients came through an online marketing strategy that they were doing that required either an in-person or a virtual presentation to a group of people on an ongoing basis.

So 75% of their clients came because the clients, when they were prospects, had attended this either in-person or virtual presentation.

20% of their clients were repeat. So they were clients who came back because actually the firm started offering something new. They started offering a new service.

So 20% of their clients, I mean, we were just looking at like last year's numbers, 20% were actually clients who were clients before, but were coming back because they needed the new service that the firm was now offering.

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And 5% was from referrals. So clearly right there, we know there's massive, massive opportunity for this company, right? They're getting some referrals, but 5% is like definitely not where they're planning on staying.

So when I look at a business and they know their numbers that well, which is always such a nice thing to be able to see, and they know that, hey, 75% of our clients come from this one strategy, 20% come from this, right? And the other 5% are coming from actual referrals.

When they're looking at that in its totality, it gives us a starting place to be like, okay, number one, our goal is to reduce the reliance on the online marketing, right? That's not to say it's not working. It's working, it's definitely working, right?

And it's well done, but it is expensive and it did require a monthly presentation, whether that was virtual or in-person, sometimes more than that.

And only the main business owner could do that presentation. So it was like a heavy logistical lift for the business owner of the company as well.

Now, again, like I said, it was well done and it worked. Clearly it was driving leads. It wasn't driving the conversions as much as they wanted.

So even to get 75% of their clients from those lead gens coming from that online marketing strategy, they were having to go through a ton of leads to get to the 75% that ultimately become clients.

But again, it was working and it did make up 75% of their leads that turned into clients.

And it wasn't something they wanted to necessarily abandon. They just wanted to reduce the reliance they had on one main source of how they received their clients.

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And that is the big takeaway I want you to have with this episode. I'm a big believer in diversifying how you bring in leads and diversifying how you bring in prospects to get those prospects to ultimately become your clients.

And when I talk about diversification, I don't need you to have 15 things, right? I do want you to have a couple of things.

So technically they've got three ways that they're bringing in clients. There's online marketing strategy, repeat clients, and referrals. The issue though is how the numbers are very lopsided.

There's no evenness to it. They are clearly reliant on their online marketing strategy that they are using. And the goal again is not to get rid of it. It is to just level set with what they're receiving.

So 5% coming from referrals, obviously we know there's room for improvement there most definitely without a question. And we're like, again, that's why they hired me, right? That we know that 5% is what they wanted to increase.

I mean, duh, it's like only 5%, right? So we know that was the increase we were looking for.

But when you're looking at these numbers, the first goal isn't, well, let's try to flip them, right? Let's go from 5% of referrals to 75% referrals and let's flip that number.

We could ultimately get there with this firm, right? They have enough for us to work with and we're putting the strategies in place and all the things. We could eventually get there.

I'm not gonna guarantee we would get there in one year, but it's not so much about, hey, we're trying to flip the numbers and 5% come from this online marketing strategy and 75% come from referrals. That could ultimately be where they land and where they end up.

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What we were trying to do is as we're getting started, increase that 5% of referrals and bring it up, right? And try to like, hey, what would it be like if we got to 15% or 25%?

And then we could reduce the reliance on the online marketing strategy and drop that down to maybe closer to say like 50%, right? And so it's looking at where their business is coming from.

But here's what's more important than knowing we're gonna increase the number of referrals is knowing their numbers in this way was a key indicator to my client.

Knowing where their leads came from and then the percentage that was converting into clients was a key indicator for my client that there was an untapped opportunity in her business.

And that is what I want you to figure out if you have as well. Do you have an untapped opportunity for referrals in your business?

Let me give you another example. Working with another company and having a conversation with that business owner and had just crossed the threshold of the million-dollar mark with the firm and the one growth lever he wasn't pulling yet was referrals.

So hitting a million dollars in the firm, some of that coming from referrals, of course, but some of it not and the majority of it not and knowing that his ability to maybe continue to increase that, maybe hit a second million, right?

Whatever those revenue numbers are for him, he knew he had an untapped lever that he needed to start pulling on.

And that was referrals because it was the one thing that he wasn't really optimizing and he wasn't really trying to increase. And so he knew he had an opportunity.

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That's the same realization that this other client had. Only 5% of business coming from referrals. A million dollars in revenue.

And I don't know exactly how to consistently generate referrals. It reveals to them where the opportunity is. So this isn't like a, oh, only 5% is coming from referrals and 75% is coming from this other thing, right? We got to change that or that's bad.

It's not bad. And yes, it should be changed, but I'm biased, right? But what it does for you as a business owner is it helps you understand the opportunity that you probably have that you didn't realize. Knowing where your business comes from.

So when a client says to me, I am trying to figure out how much of my business had come from referrals.

The first thing I'm always thinking is, I wonder how much of an opportunity you're probably leaving on the table. I know with these two clients because they know their numbers exactly what we're looking at.

So yeah, our goal for this one client will be to level out. If we could get referrals up to 40%. And if we could drop their reliance on that online marketing down to 40% and then they could keep getting new clients, they'll repeat clients as well.

That in and of itself gives us a really more balanced approach to how they're bringing in business.

Now, I mean, 40% is never where I want someone to stay for referrals, but like we look at this in stepping stones of where we ultimately want to go.

So yes, there's work to be done. Yes, my client recognized, okay, at the end of the day, the number one thing is the opportunity that exists.

And that's what you should be looking at. So instead of asking yourself, how much of my business should be referral based?

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Why don't you start by asking yourself, what's coming in from referrals now? And how much opportunity am I probably leaving on the table if I don't have a strategy to actually generate referrals on an ongoing basis?

And if I don't have a strategy to actually increase the number of referrals that I receive. Look at where your business is coming from now.

Look at what lead gen sources are working for you. And ask your question, where are you leaving opportunities on the table?

Where are you leaving, where do you have gaps that you could close, other levers that you could pull in the business from a referral perspective that has opportunity to it?

Now, here's the thing. The firm I'm talking to that has 75%, 20%, 5%, the goal may be to keep the online marketing strategy at 75% and increase referrals to that as well.

And now we're talking about a massive growth, versus just kind of leveling out where the business is coming from but staying where they are.

When we wanna increase that, maybe we don't wanna decrease where the business is coming from. We just wanna increase referrals and that's how they would grow.

So let's just say for sake of argument, if they have 500 clients and they wanna get to 700 clients, well, then we know the growth mechanism is gonna come from referrals to move them from that 500 to the 700 based on where they are right now.

Or it could be a lack of reliance on one strategy over any other strategy. There's so many different ways you can look at this. And as a business owner, it is your responsibility to pay attention to that.

You may not know all the answers, right? But at least understanding where your business is coming from, what you're trying to accomplish with that

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and looking at your percentages or your numbers and deciding, is there another lever that I'm not pulling in my business?

Maybe it's referrals. If it is, it's probably why you're here. Do I not get enough referrals, and I need to increase my referrals so I'm not reliant on any other singular strategy to fill the bucket of new clients for me?

Or am I looking for a massive growth opportunity and referrals has the opportunity to get me there? That's how I want you thinking about, should your business be more referral-based, right?

That's not what we wanna say is how much of my business should come from referrals. It's like, what is it now? And then what are the opportunities that you can foresee?

Just some food for thought for you to think about on this wonderful Tuesday, if you're listening to this on the day this episode dropped.

And as you're looking forward to the rest of this year, just something different for you to consider about increasing referrals in your business and what that would look like but paying attention from how referrals sit amongst all the other ways that you're currently bringing in business into your company.

It's just one of those things as business owners we need to have our finger on the pulse of. So very, very important.

All right, remember, if you are looking for the transcript of this episode, you can certainly find that on the show notes page at staceybrownrandall.com/414, or of course, you can look at the links if you're watching this on YouTube below the video.

If you want more referrals this year, the first tiny step to take is to get a better grasp on the referral reality you have now inside your business and figure out what's possible.

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To do that, you need to complete our referral reality application at staceybrownrandall.com/application.

Of course, there's no obligation after completing the application to work with me, right? But you will have greater clarity on where you are and where you could go.

And you'll also understand the best way to work with me based on how you like to work with experts that you hire.

Complete your application today. Go to staceybrownrandall.com/application. Thanks for making it to the end.

Until next week, take control of your referrals and build a referable business. Bye for now.