

# WORKING BY REFERRAL

In The Relational Shift we discussed transitioning from a Transactional to a Relational mindset as a foundational step in breaking through the Ceiling of Complexity and avoiding the commoditization trap. Let's take that thought a step further and explore what it means to build a business on this "Relational Approach" and "Work by Referral."

First, here are two fundamental truths about people in the marketplace and how they transact.

## TRUTH #1 - PEOPLE INSTINCTIVELY REFER GOOD THINGS (PRODUCTS OR SERVICES)

When people eat at a good restaurant or watch a good movie, they have a tendency to tell friends, family, and colleagues about their experience. Why? There is no benefit to them for sharing their experience. They don't receive a kickback or commissions! Rather, it feels good to pass on good things, and it offers value to those around you. When we pass on good things to our social circle, we all benefit. This happens millions of times a day in offices, around dinner tables, and on social media feeds around the nation.

## TRUTH #2 - PEOPLE INTUITIVELY ASK FOR REFERRALS WHEN THEY HAVE A "HIGH STAKES" NEED

When someone is new to town and needs a baby sitter, they don't go to the yellow pages. They ask friends, family, or trusted colleagues for a recommendation. Likewise, when someone needs a good hairstylist, they don't go to Google. They ask people close to them for a referral to someone they trust. This idea doesn't need much explanation for the very fact that we all know this to be true.

## LET THE NUMBERS DO THE TALKING

Let's consider the data that the National Association of Realtors provides every year through the National Survey of Home Buyers and Home Sellers. First off, yes...the vast majority of all home buyers start their search (and ultimately find their home) online. This is indisputable. A more telling, and relevant fact, is that more than 61% of all home buyers, and 60% of sellers **found the agent they used to purchase or list the home** either by referral or through repeat business.

	Buy	Sell
Referred by SOI	42%	39%
Repeat	11%	25%
Referred by agent	5%	4%
Referred by Company or Relo	3%	2%
Total	61%	60%

Source NAR HB&S Report - 4-12 and 7-1)

In contrast, less than 3% of buyers and 4% of sellers chose an agent as a result of some form of direct unsolicited communication from an agent (such as a cold call or door knock). Less than 1% and 2% of buyers and sellers, respectively, found their agent as a result of direct mailing.

	Buy	Sell
Direct Contact from Agent	3%	4%
Website	9%	4%
Direct Mail	<1%	2%
For Sale or Open House Sign	4%	2%
Open House	6%	4%

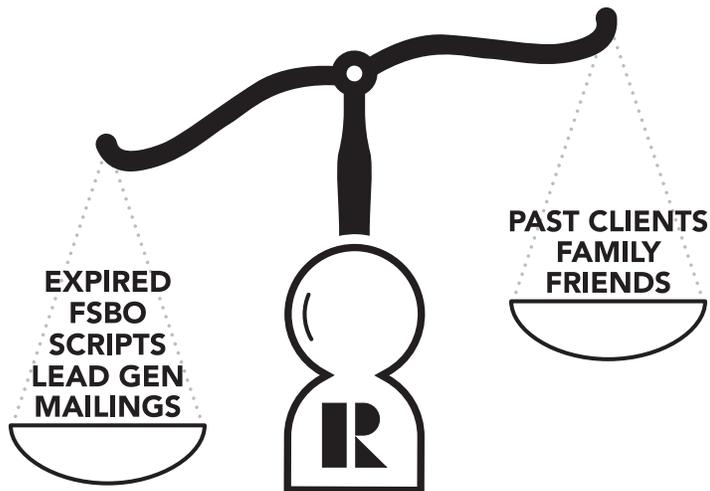
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Despite the obvious picture painted by the data provided by NAR, and the natural inclination we have to refer, our industry continues to focus the vast majority of its lead generation coaching and training (as well as marketing expenditure) on strategies targeting...everything else. Cold calling, door knocking, direct mailing, and online lead generation strategies are somehow still taught as primary approaches to business development.

## AUDIT YOUR BUSINESS

Consider the amount of marketing funds allocated towards mailings and/or online lead generation in your own business. Consider how much coaching time and effort is spent on dialogue and script training for Cold, FSBO, and Expired cold-calls. Now contrast that with the amount of money and time proactively and intentionally invested into nurturing and deepening relationships with friends, family and past clients. If the comparison isn't obvious, we challenge you to run a budget within your business



to take note of just how much money is being poured into the lowest ROI channels. More importantly, notice how little is being poured into the highest!

## PASSIVE, PROACTIVE COLD, PROACTIVE WARM

It is our experience that agents have an immense opportunity to outperform their colleagues and build successful and sustainable businesses through a strategic shift in their lead generation strategy. This requires a shift in time, attention, prospecting efforts, and marketing dollars away from *passive* and *proactive-cold* lead generation strategies towards an intentional plan to deepen referral channels within their SOI. This is a marketing plan focused on leveraging the natural inclination to refer good things to friends and family.

## LEAD GENERATION STRATEGIES:

- Passive: Floor Duty, Open House, Print and Social Advertising
- Proactive Cold: Cold Calling, Door Knocking, Pay Per Click lead Capture, FSBO's, Expired's
- Proactive Warm: Intentional Investment in Referral Business.

This seemingly intuitive and obvious idea is embarrassingly counter-cultural to our industry's current focus and approach. This, however, is exactly what makes engaging in a **relational approach** and intentionally building a referral-based-business such an immense opportunity for the few agents and companies that recognize the advantage to this strategy.