

# How many referrals do you need?

One of the things we often do in the sales situation is over complicate the process and overthink the activity.

What we are aiming to do here is simplify what we must do down to some very simple action points and numbers.

At the end of this exercise, you will know the number of referrals that you will need to gain every week or month, and this becomes your total focus in this area.

I am a firm believer in having goals to shoot for, but experience has shown how they can overwhelm and frustrate sales professionals as they can fragment efforts with too many goals to shoot for. The simplicity of this process has made a huge difference to so many people we have worked with.



Keep faith that if you gain this number of referrals the rest will flow, and you will gain an expected number of sales. This allows you to focus on the simple action of gaining referrals and releases you from the worry of the other figures. Do the simple things well on a regular basis and success is much more likely.

While this exercise is talking about referrals, it is equally applicable to any other form of marketing. It is valuable to know how effective that marketing idea is and if it is more or less effective than other ideas.

For me, referrals, centres of influence and business relationships, and being in front of a live audience are the three most effective ways for me to market my services. It allows me to demonstrate why I am different from other people that do similar things.

I can also look at it from the point of view of the amount of effort it takes me. I enjoy interacting with people I know and being on stage. These are things that take less work, thought and effort and so increase the payback for the time, energy and cost I need to put in.

## Working our way through the example.

You can see that the first part of the form is designed to work out how many sales you would make from 10 referred leads.

- If you contacted 10 prospects from referred leads, how many appointments would result. The worked example says 8 which means that you have gained 8 appointments from ringing 10 referred leads.
- The next step is to determine how many of those turn into sales in the worked example we have suggested that five turned into sales.
- This gives us a ratio to work with that we can see clearly 50% of the referrals we gain turn into sales. This is part C in the form.
- Now we look at our goals and we see that we are trying to achieve \$150,000 in sales.
- We deduct from this the number of sales we expect to get from current customers. Our example suggests this is \$50,000. This means that there will need to be \$100,000 of new sales generated from our chosen marketing activity - in this case, referrals.
- We can see from the example that the average sale is \$2000. This obviously means we need to create 50 new sales from referrals a year if referrals are how we choose to grow our market share.
- With a 50% closing ratio we will need 100 referred clients a year to create the 50 sales.
- Very few people work 50 weeks a year and so we have put in that we have 45 weeks to sell this many clients.
- The result is that we need to produce 2.2 referrals a week, or about 9 referrals a month.

From this number we can now focus on gaining 9 referrals a month as a core marketing activity. We can take our focus away from the result if figures are accurate and minimise our efforts so simply gaining the referrals. This simplifies so much about what we must do and takes a lot of pressure away from us.

Our major goal is simply 9 referrals a month.

Sometimes when we do these equations, we find that the math simply does not work. Imagine if we gained \$200.00 as an average sale. This would mean that we would need 90 referrals a month to achieve our target. This is possibly not realistic.

When the numbers show something like this, we must give ourselves a reality check and see if our proposition really works. Should we raise the price? Are referrals the right way to generate this many leads?

Remember that referrals are only one way that you could market yourself. You might determine that you can only generate 4.5 leads a month and so you will have to find another way of generating the rest.

To summarise, by creating a simple and basic target to aim for you simplify the whole sales process. In the example here we focus on nothing but gaining 9 referrals a month. Obviously, we check on progress, but we have faith that if we do this, we will create the sales we need. We know this by tracking our results and looking at our previous performances.

Always review these ideas and figures on a regular basis because circumstances and the market will change overtime and you may need to realign and recalculate the numbers.

# How many referrals do you need?

## How many referrals are needed each week?

### Prospecting

A. If you contacted 10 prospects from referred leads - how many appointments would result?	8	
B. Of the people you contacted and had appointments with, how many are likely to turn into actual sales?	8	

### Ratio

C. This result is your closing ratio ( $B \div 10$ )	50%	
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### Goals

D. What is your yearly quota or sales goal, in dollars?	\$150,000	
E. What are your projected sales totals, in dollars, from current customers?	\$50,000	
F. The amount of new sales dollars needed this year is ( $D-E$ )	\$100,000	
G. The dollar amount of your average sale	\$2,000	
H. The number of new sales needed this year is ( $F \div G$ )	50	

### Bottom line

I. The number of new 1st appointments you'll need in the coming year to reach your yearly target is ( $H \div C$ )	100	
J. Number of weeks to sell	45	
<b>K. Referrals needed per week (<math>J \div I</math>)</b>	<b>2.2</b>	