

Small But Mighty Agency Podcast

Episode 99: 5 Powerful Reasons Top Agencies Have Referral Programs (and why you need one)

Speakers: Audrey Joy Kwan

Audrey Joy Kwan

Did you know that 70% of agencies miss out on this strategy?

It might be the most underused strategy in your marketing mix. It sits on the side of the desk and is treated as nice to have, with no strategic plans to maximize.

I'm talking about referrals. Referrals can be an afterthought because it can be inconsistent. So, let's talk about how to make referrals more consistent.

In this mini-series, I'll explore the different types of referrals your business can leverage, give you actionable insights on optimizing your referral processes, and introduce you to a community designed to make referral generation effortless and consistent.

Where to begin? Let's examine why top agencies have referral programs and why you need one. As I mentioned, 70% of agencies don't have a referral program; let's change that.

Audrey Joy Kwan

Welcome to the Small But Mighty Agency Podcast. If you're a marketer or consultant, or a creative on a journey of growth from solopreneur to agency owner, follow along because I pull back the curtains on the realities of growing and running a scalable, service-based business and building lean team. I'm your host, Audrey Joy Kwan, I know what it takes to build an agency, whether it's from solo to three, five or twenty. I've done it, including supporting an agency owner to sell and exit. I've coached and consulted over 120 marketers, creatives, and consultants. And I've been behind the scenes of seven figure businesses. I also have a master's degree in communications specializing in organizational development. All this to say, I know what it takes to grow lead and operate a multiple six, and seven figure small but mighty agency. And here on this podcast is where we'll dive right in.

Audrey Joy Kwan

Hey friends!

When I ask an agency owner how they get new business, what is the number one answer?

It's referrals.

Since referrals can feel more accidental than purposeful, you might not consistently focus on referrals as a marketing channel.

In fact, instead of seeking ways to maximize referrals, it might be at the side of your desk and treated as nice to have with little strategy to maximize.

Yet, referrals for a service-based business are the most valuable form of marketing.

In this mini-series, I'll uncover the value of referral marketing and why it's a high-value channel that's often taken for granted.

Then, I'll look at the types of referral sources in your business and the challenges of generating more referrals effectively so you can maximize your efforts.

We'll then discuss how to get more referrals, and I'll introduce you to a community we are launching to help you make getting referrals more consistent and easier.

If you love referrals. And You know they are massively important. But You think you might be taking referrals as a marketing channel for granted pull up a chair because you are not alone.

A study done by Heinz and Influidive found that only 30% of B2B companies have a formalized referral program.

So, why is it time to get strategic? Referrals are one of the most effective and affordable ways to build your client base.

Getting strategic about referrals would put you ahead of the 70% of B2B companies that don't formalize referral marketing in their business.

Here are 5 key insights that agencies who have formalized referral marketing as part of their marketing plan know:

#1 Referrals have Higher Conversion Rates

You might instinctively know that referrals are warm leads, and warm leads have higher conversion rates.

But did you know that referral marketing generates conversion rates 3- 5 times higher than any other marketing channel? So, the warmer the lead, the easier it is to hit your sales target with fewer leads.

What is just as important to note and identified in an article by Harvard Business Review is that 84% of B2B decision makers start the buying process with a referral.

You are missing these decision-makers if you are not strategically tapping into the 84% of decision-makers who turn to referrals first.

And why do decision-makers prefer referrals versus other channels? It takes us to our next point.

#2 Higher Trust

In a 2021 Nielsen report on trust in advertising, 88% of respondents indicated they most trust recommendations from people they know.

Yes. 88%.

Think about the last time you asked a friend for a recommendation. You may have been searching online to learn more, but when you are ready to buy, you likely asked someone with the same challenge.

People trust the lived experiences of others, so referrals come with a high level of pre-established trust.

I'm not saying not to do other types of marketing; on the contrary, I think a marketing mix is vital.

I am saying that referrals don't have to be an afterthought in your marketing.

Referrals are more effective than other forms of marketing because trust is always required to close the deal, and if you can close that trust gap faster, it's more effective.

#3 The Cost-Effectiveness of referrals

The cost of acquiring a client through referral marketing is generally lower compared to other marketing channels.

Outbound marketing and advertising require media buying, production and distribution. In contrast, referral marketing leverages relationships to attract new customers, often requiring minimal expenditure.

The primary costs might involve setting up and maintaining your referrals and possibly providing incentives for referrals, which are typically less expensive than direct advertising or cold outreach.

An agency owner that I've worked with for over three years and is niched to service the tech start-up sector focused on and implemented a referral marketing strategy this year.

In November, we started working on his marketing plan and identified an opportunity to grow his strategic partners. By January, he was deep into implementation.

As a small business owner, quality is key, not quantity. By the first quarter, we identified a handful of quality strategic partners. Quality means the relationship has mutual benefits. One of those partners now introduces one to four referrals a month because my client solves a challenge that helps both parties grow together.

Before focusing on building up his referral marketing, he was spending thousands of dollars on media buying a month that brought in cold leads and leads that couldn't pay his retainer fees.

With referral marketing, the trust factor is higher, and the client is a better fit, without spending thousands on outbound marketing.

Imagine if you could get consistent referrals. All it takes is a consistent one or two a month to start, and you are on your way to having a consistent referral marketing channel.

#4 is Better Client Fit

When clients come through a referral, they have essentially been pre-screened by someone who knows your offerings and believes there is a good match.

This means that referred clients have the advantage of knowing how you've successfully helped someone they trust. This background knowledge can make communications more straightforward and effective because you have a common frame of reference. The frame of reference is your track record of success.

Plus, any stories shared by the person referring help clarify the benefits you provide and can directly address the prospect's needs or concerns.

This means the referred prospect often has a better understanding of what to expect from your services or products, leading to more aligned expectations right from the start.

When expectations are well-aligned, it reduces the likelihood of misunderstandings and increases customer satisfaction.

#5 take us to Enhanced Customer Loyalty and Lifetime Value:

When clients are referred, they start their relationship with your business already feeling familiar and confident, and that lays a strong foundation for loyalty.

Loyalty is key to an agency's long-term growth and profitability. It translates to higher monthly retained revenue, repeat business, and upsell opportunities.

Here are two statistics that underscore this point:

The Wharton School of Business discovered that referred customers possess a 16% higher lifetime value than non-referred customers, which translates into greater profitability for your business.

Additionally, a study by Deloitte indicated that referral marketing could increase retention rates by 37%. For an agency, this means reduced churn, which contributes to business stability.

Referral marketing is an essential strategy in your marketing and sales plans for sustaining long-term growth and profitability in your agency.

To wrap up this first installment of our mini-series on referral marketing for agencies, referral marketing should be a pivotal strategy in your business because it taps directly into the most persuasive form of marketing—trust.

Referred clients bring with them not only higher conversion rates and trust but also significantly lower client acquisition costs. Together, these elements create a powerful formula for sustainable growth.

To highlight this, I shared the benefits of referrals through stats and personal experiences. For instance, consider my client, who shifted his focus from costly media buys to nurturing strategic partnerships; he dramatically cut costs, improved the quality of his leads, and tripled his Monthly Recurring Revenue in six months.

Referral marketing is about getting new leads by creating a network of ongoing, mutually beneficial relationships that work together to generate business opportunities.

This series aims to not only highlight the importance of referrals but also to guide you in making referrals a strategic and consistent part of your marketing efforts.

In our upcoming episodes, I dive into the different types of referrals your business can leverage, provide actionable insights on optimizing your referral processes, and introduce you to a community designed to make referral generation effortless and consistent.

Stay tuned as we continue to explore how to transform your referral practices into a cornerstone of your agency's success.

Speaking of community.

I'm opening the doors to a community that will help you get more referrals. Join my network of niche agency owners and agency business development professionals who value collaboration to grow their bottom line.

Agency Together is a community and referral network that helps you grow your book of business through curated referral and collaboration pods. If you're curious about how Agency Together will help you uncover the untapped potential of referrals, go to [audreyjoykwan/waitlist](https://audreyjoykwan.com/waitlist).

Our mission is to help agencies collaborate to grow because there are more opportunities when we work together.

So go to [audreyjoykwan/waitlist](https://audreyjoykwan.com/waitlist). I'll share more details over there. The link is in the show notes.

That's it friends, I'll see you on the next one.

Audrey Joy Kwan

Hey, there. Thanks for hanging out with me at the Small But Mighty Agency Podcast. If you enjoyed this episode, it would mean the world to me if you hit the follow or subscribe button in your podcast app and share it with a friend and I'll see you in the next one.