

How To Grow Your Business Geometrically...

18 Immediately Actionable Ways To Windfall After Windfall...

Volume I

By Jay Abraham

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To Contact The Abraham Group, Inc:

The Abraham Group, Inc.
27520 Hawthorne Blvd., Suite 263
Rolling Hills Estates, California 90274
Phone: 1(310)265-1840
Fax: 1(310)541-3192

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Chapter One: Reactive Old Clients

I've got a question. Why in the world would you possibly want to go to the outside market and spend a lot of time, effort and money trying to attract, generate, convert and establish new customers or clients... until you have first focused a fraction of the effort, a tiny fraction of the time, and a millimeter of the expense trying to preserve and regenerate old, inactive customers?

Instead, turn your attention to those customers, clients or patients whose patronage you once enjoyed but who, for one reason or another, have stopped doing business with you.

Attrition Happens for Relatively Simple Reasons

There is a term in business called “attrition.” Attrition is a term that refers to the percentage or level of former customers who cease purchasing. They become inactive.

I see this all the time.

Most people don't realize it, but most attrition in most types of businesses occurs for relatively simple reasons. Either somebody stopped doing business with you because of an interruption in some other element of their life or business practices that had nothing to do with the satisfaction or desire — or lack thereof — of your product or service. They just went away.

They had something happen — they got sick, they had to travel, they didn't have time, or something else occurred that stopped them temporarily. And they had every intention of getting back in the fold and reconnecting with you or your business. They just haven't.

Or they had a bad experience — unintentionally, I'd like to hope, because I don't think you would be the kind of person who would be reading this if you weren't a man or woman who was massively committed to contributing extraordinarily superior service, impact, benefit and advantage to people's lives.

You Have an Obligation to Show How Much You Care

So if you or your product, service or people inadvertently, accidentally did anything to offend, dissatisfy, or under-perform on your promise to a customer or client, and that client was so negatively impacted that he or she stopped transacting business with you — you have an obligation.

You have a responsibility. You have an opportunity of the highest magnitude to communicate with them... to get them back... to do the right thing... to make it right... to extend yourself and demonstrate just how much better and more qualitative an organization yours really is, how much more you care, and how much more important they really are.

Even though you're not making a dime from them, they may think that if you commit and resign yourself... that if somebody never came back to you again, you're going to do everything in your power to make sure you right any wrong, and that you structure your arrangement and your relationship with them so that the last transaction they ever have with you will be satisfying, profitable and a very positive one — even if they never come back.

I know you will regenerate lost customers and clients in droves. What follows are a few wonderful examples of exactly how that's best done.

Look at your business. Do you have even a clue how many customers no longer transact with you? Have you ever looked at that as a percentage, so you could analyze what it really means? There are companies and industries that lose as much as 75% of their customers every year. Can you imagine the difference and the impact it would, could, and should make — if you could only reduce that loss by 10% or 15%?

Cutting your attrition by 20% is just like adding 20% to your bottom line. Why go outside if you don't first maximize what's inside?

Listen carefully to my advice. This is probably one of the easiest, most immediate, most overlooked, and truly important areas of tactical business conduct for you to really focus on.

Every business, unless you're really unique — and you could be — has attrition. Attrition, again, is nothing more than the customers who either move, stop buying, get perturbed because they had a bad experience, they didn't meet on time, don't come back or buy, had a

problem they didn't get resolved, went to an alternative supplier, went to a different product or service type generically. What happened?

If you look over your customer list (presuming you have a customer list and you've maintained it for a long duration of time) you will see that you probably, through attrition, have lost a not-inconsequential amount of customers. And in any kind of a business, losing many customers is consequential.

Reestablish Contact

Once you have pulled up those inactive names on your computer or fished them out of a file drawer, the next step I want you to take is one of very deliberately and very earnestly reestablishing contact with those "inactives."

I would write to them (or call them), and express your sincere concern. Ask those inactive customers if they have stopped doing business with you because of some disappointing experience they had with your firm — something that might have escaped your notice.

Were they offended by a salesperson's remark, or brusque treatment by a telephone operator?

Did a promised shipment fail to arrive?

Did they stop coming to your business because of displeasure with a service rendered, or a product you sold them?

Try to uncover whatever the reason might be, and if it was an adverse experience that halted their patronage of your business, immediately offer to make amends to the customer in a very specific, tangible and meaningful way. Offer them another product — free of charge. Offer them major discounts. Offer to redo a procedure totally without fee. Do whatever it takes — within reason — to reactivate your inactive customers, clients or patients.

You may discover that there wasn't anything in particular that caused them to stop buying from you. They may simply have gotten extremely busy or distracted, and that broke the link. In fact, it might even be a case of an individual with unusually tender feelings who is simply craving recognition — someone who wants the gratification of being asked to return to your fold.

If that's the case, ask 'em! Take down their comments, criticism, or coaching and be ready to act on it.

The trick is, with half of the customers you lose, you have abandoned them — they haven't really abandoned you. In my experience that happens for a couple of reasons.

If any of you have ever had something happen in your life... let's say you took yoga lessons from Warren... or let's say you took swimming lessons from Joe... or let's say you bought an ice cream from a certain vendor every Friday — but something happened. You're out of time. You had a death in your family. You had a business problem. You got sick.

Something happened where you stopped doing business for a while, and then you didn't start up again — not because it was something you didn't want to do. You just got out of habit.

Has that ever happened to you? Do you think that maybe if someone would have helped to nurture you so that you would get back in the habit, you actually would not only have responded, but you would have appreciated it as well?

So let's say you were doing some kind of transaction, and suddenly you couldn't afford — financially or time-wise — to keep doing it. But you could have, and would have liked to find a less time- or money-intensive way to do it. Perhaps spending less on each transaction, or doing it once a month instead of once a week. Does this come to mind?

I submit to you that you have an obligation to help old customers rehabilitate, rejuvenate, and return to their relationship with you, because they really want to. You have to have them want to.

Half of Your Inactive Customers Stopped for No Good Reason

After all, half of them stopped for no good reason. The other half stopped for a good reason, but half of those people when you call them, will be intrigued and engaged when you say, "You know, I'm really worried. You haven't been back.

And I'm worried for two reasons: 1) Something has happened to you, or 2) We've done something to you. Either way, it concerns me. Can I just ask you? Why haven't you been back? Is everything OK in your life? Is everything OK in your business?"

First of all, if it's not, they'll tell you. And nearly every time, there's probably some way you can do something noble and beneficial for them, and in the process regenerate a buying relationship.

If they had a terrible experience with you, that's market research. It will help you a) Hopefully correct this situation next time; b) Help you understand what they see as critical issues vs. what you think is important; c) Help you really identify the salespeople, sales support people, customer service people, or accounts receivable people that don't work out or who do the wrong things. You'll also find quality control problems.

Enrich Your Customers and Enrich Yourself in the Process

You will enrich your customers' lives, because you'll be putting back a benefit for them that they lost when they stopped doing business with you. Thus, the renewed relationship is a clear gain and advantage for them. But you'll benefit too, because you'll be winning back a good friend, and growing your business at the same time.

So it's beneficial for you long term. It will enrich you, and help you to enrich other people. And you'll connect with them.

Everyone wants acknowledgment and to be heard. Part of what you just did by contacting these former clients is to acknowledge them. They wanted you to recognize and acknowledge that you heard them, and that you didn't think that whatever happened to alienate them was right. You acknowledged that maybe they were right, and you apologized. And that makes them feel good.

There are a lot of options, but my main point is that if you lose 10% of your customers a year, you need to find ways to stop the loss. Just by doing that and nothing else, you could add at least 10% to your sales every two years, and that can be very profound.

I'm showing you instantaneous, easy, existing ways to get what a lot of other businesses don't even recognize or acknowledge — concepts I call “velocity in motion” and “critical mass.”

You have velocity in motion, and you have critical mass already working for you — but you don't take advantage of it.

A lot of people say, “Well, I guess I’m just going to lose 25%.” I would even venture to say that probably half of you, and maybe more, don’t have the slightest idea what your attrition rate is.

You Have Everything to Gain, Nothing to Lose

You have everything to gain and not one thing to lose by engaging them... by calling them... by visiting them... by sending them a letter... by having your salespeople contact them.

The worst case scenario is if they had such a bad experience that they are completely annoyed with you. But, you can still make it right. You can say, “I can’t make up for that. I was in a different place. I was not doing what I should have done,” or, “I was out of town,” or, “The person is not here but it’s still my responsibility.”

“I can’t erase the past, but I can only do the best job I can now. I’d like to send you this.” Or, “I’d like to do this, I’d like to buy you this. I don’t expect, nor do you have any requirements to ever buy from me again, but I want you to know that we do appreciate the past business you did.

We value you and we respect you, and we wish you such great success that I don’t want the last transaction you do with us to be a negative one. So please at least use this,” or, “Let me send this out,” or “Let me buy you dinner... Whatever it is, I’d like you to at least be able to say the last transaction you had with my business was a positive one, and a good one.”

It’s really fun. It’s not hard. And trust me when I say, it really works. It really works!

Stay Connected and Avoid Attrition

The way you avoid attrition is to listen, really hear, and be continuously connected to your clients throughout the process. That’s easy to do if you enjoy them. That’s expected of you if you care about them and their well-being. It’s a natural thing that you would do for any other important friend that you have. And your clients are just as important as any private friendship in other aspects of your life. So it should become a natural and easy way of doing business.

Depending on the kind of business you operate, that contact could manifest itself in your sending frequent letters. These letters are not about you. They are about them. You educate your clients, you inform them, you alert them to new developments, new opportunities.

You tell them about things that are happening. The fact that you're celebrating your 50th year in business is inconsequential. The fact that for 50 years you and your father have been protecting people, and in celebration you're working out new ways to give even more value. You want to tell them about some new developments, and what you're doing about them. That information may have a lot of value to your clients.

Go to your inactive customers with a special time-dated, private offer.

Most companies have hundreds of thousands of customers they can identify. They may be maintained on a mailing list of old records, or charge card slips, or any number of sources in everyday files.

By putting together a special "preferred customer" offer that you pass on to these people by either mail announcement, telephone or live sales call, you can usually reap a tremendous bounty of sales in a matter of days.

Remember, it's not about you. It's about them. It's about them. It's about them.

Communicate, Communicate, Communicate

Communicate often. Communication can be by phone, or in person. If you can't make the call personally, it can be a call from a secretary or an assistant.

A dentist client of mine in Huntington Beach, California, acted on my advice and hired a part-time person to call and remotivate his inactive patients.

He wrote me later, saying, "I did not think we could afford to do that. But thank goodness I had enough faith to try... this staff member works 10 to 15 hours a week and pays for herself the first half-hour."

There are tons of things you can do. But you owe it to yourself to communicate often. The more you communicate, the more you can help.

I suspect that half — maybe more — of your customers aren't being allowed to purchase as often or as much as they could and should, for their own benefit, not yours. That becomes easy to do when you're there for them, when they trust you, and when they know you care because of frequent communication.

You need to be really committed to the three things we've talked about — to enriching peoples lives at the highest level possible; to constant, never-ending improvement (which is the embodiment of what Deming teaches — the concept of having a standard and then exceeding it); and testing. It's not only advisable — it's necessary!

You've got to keep getting feedback even if it's a little shocking... even if it's a little unpleasant... even if the world isn't paying homage to you every moment. You've got to say, "Well, what's the opportunity? What can I learn? Where's the constructive insight that I can build on?"

If you look at it that way, you're the beneficiary. Nearly every negative that occurs in your life is enriching you. If you find that an approach isn't getting you the maximum outcome, why don't you try something different?

I'd like to share with you some thoughts that a good friend of mine, Michael Basch, one of the founders of Federal Express, graciously presented at one of my seminars. Michael tells the story of how FedEx found opportunity, focused on the client, recognized what the client wanted and needed (which changes over time) — and in doing so, built the company that it is today.

Reactivating Old Customers & Clients...featuring Michael Basch

Michael Basch: Business is tough, isn't it? We're in a climate of fast change, tough competition, and it's getting tougher. Companies are downsizing. That leads more people into small business, which most of you are in — small- to medium-sized businesses. It makes it tough. And there's two ways to look at that.

Opportunity is NOWHERE — one way to look at it. Jay talked about change of mindset, and just looking at those letters and that word, and how they go together... there are two ways of looking at it. **The other way is this: Opportunity is NOW HERE.** Same letters, same sequence, just a different look, a different mindset.

So what we're going to talk about is how you take advantage of the opportunity that's "NOW HERE," because it is. Never before has business been as exciting, even fast changing — but fast change brings opportunity. But it has to start with looking at what it is — ordinary.

It's interesting to me if you look at "ordinary, average, not different." Twenty years ago it worked. If I had 10% market share and the market was growing at 20% per year, I was growing at 20% a year, and everybody was happy. So "average" worked.

Today "average" doesn't work. It requires, in my opinion, the ability to escape the ordinary.

To bring that point home a little clearer, I'd like you to go back in time with me to the fall of 1972. A man named Fred Smith — 28 years old, just got back from Vietnam — was trying to start Federal Express. There's a venture capitalist in Boston, John Samuelson, who had heard about Fred Smith, and he's talking to Fred on the phone.

We'll go through that conversation. Use your imagination. Imagine this conversation going on:

He dials up the number and he gets Federal Express, and he gets Fred Smith.

John: Mr. Smith, my name is John Samuelson from the Boston Venture group. And David O'Donnell suggested I call you. He says you have a new idea that needs some venture capital. Mr. Smith, can I ask you, how much money are you after?

Michael Basch speaks... (continued)

Fred: \$80 million.

John: Well, that's more than anybody has asked from us — or anybody else in America — before. But all right, tell me, what's the idea Mr. Smith? You're going to start a new airline? Don't we have enough airlines in this country already?... Oh, but your airline is different. Well, tell me how it's different, Mr. Smith... Oh, it's an airline for packages. And where are you going to take these packages?... Oh, you're going to take them to Little Rock, Arkansas. Do packages really want to go to Little Rock, Arkansas?

OK, you're going to move these at night, and then they are going to go back out of Arkansas to wherever they are going. You mean if I want to ship a package from Boston to New York, it will go to Little Rock, and then back to New York?

Now tell me, what are you going to use to fly these packages? Oh, executive jets, little tiny jets. You're going to take the seats out and make these executive jets cargo airplanes. OK... Uh, Mr. Smith, is this a gag? Did David O'Donnell put you up to this? C'mon, you're putting me on. Look, don't call me, we'll call you.

Fred Smith got thrown out of literally more banks and investors than any of us combined will be thrown out of, because it was a "weird" idea. My point is...

To Escape The Ordinary You've Got To Look At The Outrageous

I'm going to talk today about ways of escaping the ordinary that are not quite as risky as risking \$80 million... ways you can escape the ordinary that truly do move your organization to different levels.

In my opinion, it takes three things:

1. To change the mindset of our people from "The company owes me" to "How can I add value?"

Michael Basch speaks... (continued)

2. To give direction to that value so that when the people add value, they know that's producing something that's making the organization work.
3. To have a system to apply that energy so that it constantly gets better and better.

Let me be more specific about each of those.

The primary business purpose of any team, organization, person or industry, is to add value in greater proportion than its cost. Few would argue with that. The day it ceases to do this, it loses its purpose, and therefore its reason for being.

The crime of American business today is that not everybody understands that. When you read it, you say, "of course," but not all of our people understand that.

The task is to get other people to understand that if I don't give value as a human being, I may not have a job here. Equally important is that if the team I work on isn't adding value to customers, then we don't have a job. And if the organization doesn't, I could get laid off. Or if the industry doesn't, we lose it.

If I had been in the buggy business and understood that concept well, I would have moved into the automobile business... or from the train business to the airlines business. So everyone understands that the primary task is to add value.

To drive this next point home, I'd like each of you to think of a time when you received such good service that it made you loyal to that supplier or whoever gave you the service. The way I define loyalty is the customer is willing to stay, say and pay more. You stay with that supplier. They were so good, you wanted to talk about it. And finally, you don't quibble about price. Price is a non-issue.

Most people look at customer service as doing what we say we'll do — under-promise, over-deliver, meet the customer's expectation, have satisfied customers. Yet research shows that there's little correlation between satisfied customers, more business and repeat business. Interesting, isn't it?

Michael Basch speaks... (continued)

On the other hand, when they substitute “love” for “satisfaction,” “hate” for “dissatisfaction,” there is great correlation for repeat business.

Here’s the point. If I took a scale of 1 to 10... and on one side of the scale is meeting my logical needs — doing what you’ll say you’ll do, meeting my physical needs... and on the other side of the scale is meeting my emotional needs, my informational needs, the things that make me feel better about myself... Don’t all success stories tend toward the emotional needs?

As you move from the ordinary to extraordinary, it’s looking at people’s emotional needs. That doesn’t say that you don’t have to deliver packages on time, or sell a car with integrity and honesty, and do the physical things as well. You have to do those well.

But once you’re doing those well, then move up to extraordinary. You have to move towards the emotional needs.

Who in our society today makes the most money? Celebrities, athletes, lawyers... If you went back to the turn of the century, who were the people making the big money? Carnegie, Rockefeller... they were the people supplying things.

Today the people who are making the most money are meeting our emotional needs. In our society today, if you look at what I call “the value-added curve,” setting direction means you have to move up the curve of meeting first of all the physical needs and doing that well, then the informational needs, and then ultimately to get value. And to make people willing to pay more for what you have — to add value to that extent — you have to move ultimately into the emotional needs.

Federal Express

Twenty years ago, the genius behind the marketing of Federal Express, Vince Fagan, said, “The emotional buying motive of our customers — which should be our direction for the next 50 years — is ‘Keep the boss off my back.’ It isn’t, ‘Get the package there on time.’”

Michael Basch speaks... (continued)

Because who buys Federal Express? Is it the CEO? Or is it the secretary, the shipping clerk — people who have nothing at stake in the actual delivery of the service other than to please somebody else within their organization?

So their emotional motive is “Keep the boss off my back.”

Now, what did that mean to us? Back then it meant, “Absolutely, positively overnight,” the Unique Selling Proposition that has to change over time. But in the beginning it was “Absolutely, positively overnight,” which was advertised nationally on TV. What did that do? It said that if I use Federal Express, as a secretary or shipping person, I’ve done the best I can do. I can’t be faulted.

IBM

IBM, in their selling of mainframes, became IBM the super giant because they understood that emotional buying motive. When I buy IBM as a mainframe, I’ve done the best I can do. The board isn’t going to fault me. The boss won’t fault me. I’ve done the best, because I’ve bought the best. Isn’t that how they succeeded?

What happened at IBM was the buyer changed. Instead of high risk — spending \$8 million on a computer — now it’s low risk — spending \$2,000 on a PC. And what I want is a buyer’s functionality. I want to be more successful.

IBM didn’t see that change in emotional buying motive, because the buyer changed, then got behind the power curve.

So Federal Express understood that in the beginning, it’s “Absolutely, positively overnight.”

But that wasn’t enough. We knew UPS could duplicate that system. So could Airborne... so could Emery — and they all did. So we had to begin moving up the curve. How do we do that?

Michael Basch speaks... (continued)

We have information. You want to trace a package? You have a bar code on the package so that you have positive tracing. When people called up you could tell them within 30 seconds where that package was last scanned.

And then as we moved up that curve to give better and better, more accurate, quicker information, we put terminals in the trucks. So when the driver delivers a package now, they scan it, you sign for it, they type in your last name, they go out to the truck, stick it in the terminal and that gets broadcast via satellite to the computer. Within minutes after the delivery, they can tell you who signed for it at what time.

Then we moved up a step beyond informational in their emotional motive. Most of you have seen the Federal Express ad where you have this woman, and the boss comes in like a jerk, and he's ranting and raving, and the woman says, "Yes, that package was signed at 10:20 by such and such." And the boss looks like he felt he had been put down. He walks out, and then everybody claps for the woman.

That's meeting an emotional need. How do I become a hero in my own organization?

You notice how cleverly they've done that, in the sense it's not the boss that's giving that woman the praise. It's her peers, which is more important, emotionally, to her than her boss giving her praise.

So what I'm suggesting here is you develop a system in your organization and continually move up that curve. You define as best you can the emotional buying motive of your customers.

The third thing is to develop systems that support that process — the value added process. Support the fact that every human being now knows I have to add value to my organization, and here are the kinds of value that are going to work for our customers, and now we have a system to develop that.

Service impact — that's my organization. I'm an inventor of systems. So most of this talk is going to be on this third element of how you develop a system within your organization to

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move your organization constantly up that power curve, that value added curve, so that you're constantly creating more and more value.

What's Extraordinary Today Is Ho-Hum Tomorrow

Few would argue with that. What really makes news today, tomorrow is going to be done by somebody else. Everybody will be doing it.

When Federal Express said, "Absolutely, positively overnight" and everybody else did it, it was no longer unique, and therefore it was no longer a Unique Selling Proposition. Our proposition now is, "Our most important package is yours."

So, I've invented systems — the tracing system at Federal Express... the Federal Express parts pairing... the Federal Express hub... the monitoring system... and now I've invented a system to build systems. First of all, let's talk about what a system is.

Number one, in my opinion, is diverse resources. People have different goals. A lot of people say a company has got to be of one mind, one goal.

The reality is, there are different goals. I say there is a constituency — or three of them — that have to be served in any organization. I call it the "C.E.O." The C.E.O.'s goals have to be served — except now the "C.E.O.'s" goals are "Customers, Employees and Owners."

Let's face it. Customers stay, say and pay. My goal is reached when I'm willing to stay, say and pay.

Employees love to add value. If you look at what motivates people, it's to see my personal value valued (in turn) by the organization. To be valuable and valued.

Thirdly, owners make lots of money.

Those are three goals. They are not the same goal, but they have to be in alignment. The sun's goal is to pull everything to itself. Planets' goals are to leap off into space. The combination, the dynamic tension is what keeps the solar system (intact), not the same goals.

Michael Basch speaks... (continued)

Dentist - Paddy Lund

Let's take an eight-person dental office, Paddy Lund's dental office (a client of Jay's). On a scale of 1 to 10, with what I call "high performing system," a system that puts those three goals in alignment and keeps them there in a never-ending cycle of increasing performance, I would rate UPS a 7, Federal Express an 8, Paddy Lund a 10.

First of all, (in Paddy's office) there's no sign, and the door is locked, and he's not listed in the phone book. Ten years ago, Paddy was working 60 hours a week doing average dental revenue. Today, ten years later, he is making 3 times the average working 20 hours a week. And it's absolute fun for him.

I go to the office. The door is locked. I ring the doorbell, a woman comes out. "Mike, how are you?" Mike? "You knew I was coming?" "Yes I did. I'm Marilyn."

Then we walk into a room, and the smell is like a bakery — fresh-baked goods. It doesn't smell like a dental office. There's a tea service, 38 different kinds of teas. Then instead of taking me into a waiting room, there's a room that's there for Mike Basch. Now I'm just doing interview here, I'm not a dental patient — but there is a room reserved for Mike Basch.

So I go into the room. Marilyn and I sit down. Pretty soon there's a knock on the door. This is their office, but it's my room, so there's a knock on the door. Mary Ann comes and said, "Mike, I'm Mary Ann. Paul said that you like decaffeinated cappuccino, is that correct?" Paul is my associate who called up and made the appointment and they asked him, "What does Mike like to drink?" So I get decaf. Then she brings in biscuits. Then she brings in tea served with perfection.

Then I took a tour. As you go back into the surgery where they work on your teeth, there's a TV in the ceiling with a remote control and a directory of what's on TV while you're there so you can watch the programs you want. There is a pain button that I can hold, so that if I'm getting any pain, I can notify the dentist to stop what he's doing.

I interview two customers. One had flown in from Sydney, which is an \$800 round trip, to go to Paddy Lund. I said, "Why on earth would you do that?" He said, "First of all, there's only

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two visits. Second, I hate dentists. I hate pain. So I come to Paddy because I don't have any pain and this isn't a dentist."

If you look at that curve, Paddy Lund basically said ten years ago, "The emotional need, the thing I want to sell, is dental happiness."

As they define that, one of the things that's in the way is the "hierarchy of horrors."

Look At It From Your Customer's Perspective

What's the worst thing that can happen to me in doing business with you or your industry? In Paddy Lund's case it was pain, smell, and waiting time. They tackled all three of these. They tackled it with their people. The fourth thing was barrier. As a patient going to a doctor, we're not equal in this transaction.

Smell is the most primal instinct known to human beings. Why? Because if I smell something that reminds me of a bad experience, I will immediately become negative about whatever is going on. They came up with the bakery. Now they have a "dental restaurant." You're there all day.

He got rid of three quarters of his patients. He had 4,000 patients. Now he has 1,000. He has three criteria for the selection of patients: they want what we have; they can afford it; and we want to do business with them.

How many of us really apply that 80/20 rule? 20% of our customers pay on time. They buy. They don't quibble about price. And yet we spend all of our time trying to appease the 80% who don't pay on time, who give us a hassle, and constantly quibble about price. Well, he applied that rule literally, and he made it work.

To become a patient of Paddy's you've got to agree to refer at least one person like yourself to him. He's got a contract. "Here's what you can expect from us, and here's what we expect from you. One of the things we expect from you, other than paying on time, is you will refer at least one patient to our practice. The reason we want you to do that is so we'll be in business to serve you next year."

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Employees — I interviewed Marilyn for about an hour and a half. Then I interviewed Mary Ann. I said to Marilyn, “If your husband got transferred to Sydney, could you duplicate this in Sydney?” She said, “You mean my husband gets transferred and I would go with him? I’d leave here? I’d divorce him first.” She said, “When I go home at night, when I leave this place, I go home with no residue. All the issues have been dealt with.”

Owners make lots of money, as I said. Paddy makes three and a half times the average dentist.

Be Constantly Innovative

They are constantly innovative. What they’ve got now is, since the door is locked, they are giving their clients a magnetic key that goes on the refrigerator with a gold apple and “Dental Happiness” on it.

They have done literally hundreds of things, but the point is this: If you set that target, “What is the emotional buying motive?” ... and then you have a system, a process for getting everybody in the mindset of adding value — gradually you’ll move to higher and higher levels where you create the distinction that we’re all after — to make a difference in my business.

Now let’s talk about systems. This is a basic building block of all systems. It came from Peter Senge’s *The Fifth Discipline*. **The GOE is the “Goal Of Essence.” That’s the emotional buying motive of your customer. That’s what is the essence of your organization, what drives you, the passion behind the organization.**

I suggest, like an eagle, it has two attributes: focus and passion. The focus attribute is usually sustained profitable growth. The passion piece, in my opinion, is adding value. What’s the value we add that makes this business exciting?

The goal of essence is so important. It farms out goals. Then the goal is tested against reality, which we’ll call feedback, and there’s a gap. Then based on the gap, there’s natural action. Then that creates feedback... and you go around and around. That’s how systems work.

If I want to lose weight, for example. My goal of essence is self-esteem, to feel good about myself, or feel energetic. One of the goals to do that is to lose weight, to be at the right

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weight. For me, that's 180 lbs. I look at where I am. I weigh myself, and I see I'm 195 lbs., therefore the gap is 15 lbs. I take action. I eat less, exercise more. Then I weigh myself once again. I set up a feedback so it's consistent. I check that against the goal. And I keep doing that.

Once you understand how that works, there's leverage in understanding that diagram.

For example, what most companies do to close the gap or to meet the goals is they get more and more disciplined on the action side — meaning, “The things that we're doing, we need more discipline in doing.” If I want to lose weight, I get more and more disciplined with not eating.

When you think about that, what happens is that I get really disciplined about losing weight. I swing the pendulum out until I've lost some weight. And then I get so sick and tired of not eating and not having any fun, and it swings back and I gain weight again.

The reality is when you understand systems, you look for the systems leverage point. The systems leverage point in that example is the goals are out of alignment.

In other words, there's part of me that wants to lose weight, but there's another part of me that is sitting down to dinner with a good friend. There's a different goal that's not in alignment with the first goal. So in understanding that, in my program, I just simply ask one question when I sit down and eat. “Is it worth it?” All that does is it simply gets the goals in line. If it is, I eat. If it isn't, then I don't eat.

The point I'm trying to make here is understanding that system diagram gives you tremendous leverage over making things happen in your organization.

“Goal of Essence” — the ability to find out, to determine in your organization what's the essence of the organization? What drives us? What's our passion? What's the vision?

Imagine it's five years from today and your business is doing incredibly well. You've come up with something, some primary core that has hit incredible power. You get up in the morning and you turn into a ball of light. That ball of light has the ability to visit anywhere, go around the world very quickly, and to listen and hear what is going on.

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As that ball of light, you go out and visit some of your customers. They are ecstatic about what you're doing for them, what your people did for them. You overhear the conversation. They are excitedly talking about your organization. It's bizarre and outrageous in a way — about what something someone in your organization did to solve a problem they had. You visit several customers.

Then you go and you visit your workplace, your office. If you have employees, they are coming to work, and they are glad they are coming to work. They are excited about coming to work. And they are talking about what's happened over the last five years. They go back and say, "This is why it's such a great place to work." What do they say as you're listening in on their conversation?

Then you go out and you listen to some of the owners. They are making lots of money. What happened? What allows them to make money? What's changed in the organization that helps them make money?

What To Do When You're Front Page on The Wall Street Journal

Then, as that ball of light, you go to The Wall Street Journal in New York. And the editor there has just written a front page story about your company, about this company that's doing something different, something exciting, in a new industry. They've written the article and the editor now is putting the headline on the article. What is the headline he is putting on? See that headline in your mind's eye.

Then as the ball of light, you're attending a funeral. The funeral must be of a friend or a close person, because you see all your closest friends and relatives there. You enter the church.

As the ball of light, you go up and you look in the coffin, and the person that's there is you. You calmly go off to the side and you listen to what your best friends and closest relatives and loved ones are saying about you. "Here's what this person did with their life that's exciting."

Then as the ball of light, you come back to this room. Take a second and write down whatever comes to mind. Whatever came out of that story that gives you a clue about perhaps where you want to take the company.

Michael Basch speaks... (continued)

Here's what I suggest you do. It isn't easy for everybody, but it's an incredibly powerful exercise if you want to try it. Go ahead five years and act as if you were a newspaper reporter visiting your company. Write a story about what you are experiencing in your company.

Get Really Clear About Where You're Going

Start with the end in mind, the vision. Try to get that vision crystal clear in your own mind, from an emotional point of view, not merely from an intellectual mission statement. What's the emotional passion? What drives us? So that's the goal, that's the "Goal of Essence."

Goals — In my opinion three to five goals in any work group is plenty. Any more than five is too much — you won't get them done. Three, in my opinion, is necessary, because you need to have the goals of the customer, the employee and the owners stated.

Systemize — My rule is this: systemize the routine, humanize the exception.

Federal Express is better at this than most big companies. The routine is systemized at Federal Express. They have "Power Ship." If I want to ship a package now at Federal Express, I've got total access. I can type out a label on Power Ship. It will put the bar code on the package, it will call up a schedule, a pick-up, and it will allow me to trace it. Totally systemized. But if I have a problem, I still have a human being I can talk to.

A perfect example of where companies don't do this, in my opinion, are the airlines. The airlines have this incredible ability to handle routine things terrifically well. It's easy to get a ticket, check my luggage, get on the plane, go fly, get off...

Everything is right, until I have a delayed or canceled flight. Then they die. And yet, as I'll explain in a couple minutes, that's the opportunity to build loyalty.

Now this story is kind of funny. It happened to an airline that systemized the exception. A person was flying on this airline, first class, and there were cockroaches on the airplane. So he gets back and writes this two-page letter about cockroaches on the airplane. His point was this: "Not just about cockroaches. But now my feeling is that you're not maintaining your plane well.

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If you can't keep your cabin clean, you're certainly not maintaining it well." Isn't that how perception works?

About a week later, he gets a letter back from the CEO of the airline, a beautiful letter, with all the specifics stating, "We debugged it all, and we apologized and we assure you of the maintenance..." Stapled to that letter back from the CEO of the airline was his original two-page letter to the airline, and somebody had forgot to remove the post-it note that was on his letter, which said, "Send the jerk the bug letter."

That's what I mean by systemizing the exception.

American Airlines had this great special. Businessman or woman, you fly and pay full coach and your spouse flies free with you. And that was good. It was a good promotion. A lot of people used it. They loved it.

Then they systemized it and they said, "Let's send a thank you note to all the spouses." Unfortunately, about 20% of the people traveling with the person were not spouses. It created all kinds of havoc.

Incentivize — I agree with Deming. He said, "Don't pay for individual performance." I'm not quite as black and white as he is. I say, "Salesman, if you own territory, yes you do."

When he said "Don't pay for individual performance," what he means by that is this: If I could measure 100% the value you as a human being gave me, I could pay you in direct proportion to that value. That would be terrific.

But Deming — who's the godfather of statistical quality control, the numbers guy — says clearly you cannot measure what's of essence to the organization. So therefore if you attempt to pay by performance — what you're doing by individual performance — what you're doing is setting up a dynamic where my job as an employee is to serve the boss, not my customers, and sub-optimize the system.

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Home Depot

Few would argue that Home Depot, wherever they are, are capturing that market. If you look at my systems philosophy, they understand very clearly that as a Home Depot customer, I don't want to go and buy a door for my home. I want to go and get the information I need to put that door up properly. And, by the way, I'll take the door.

The guy who started Home Depot said, "I'll have lilies on my grave before we pay anybody in our store for individual performance." Why? Because he knows that if I pay a salesman in this store for individual performance, I won't get people's emotional needs met.

A good example is a restaurant. You go in a restaurant that is paying waiters individually. So this great waiter is making great tips. Other people aren't making such great tips. Is the restaurant winning? No. That waiter is winning, but the team isn't winning. The restaurant may not be winning.

But if you share tips... and I know our culture says, "No, pay for performance, incentive for performance..." But when you share tips, the waiter says then, "I've got a stake in turning that new waiter who's coming on. I've got a stake at working together to make this a better place. I've got a stake at making the restaurant succeed as a whole, not just me as a waiter."

U.P.S.

UPS learned this back in 1957. They said, "We're moving into this common carrier business. We're going to grow beyond our wildest dreams. And we can't manage well enough, so we are going to put incentives in. We're going pay every driver a nickel a package."

At that time they were in the retail delivery business. They delivered for department stores to the homes. That was their business. They weren't in the business they are in today, but they were just getting into it.

They negotiated with the unions. Drivers go out and say, "I'm getting a nickel a package, and I've got 100 to this apartment complex, and there's a doorman here. How about if I give you two cents a package if you'll deliver it up to the apartment?" The doorman says, "Sure, it's an extra buck a day."

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So what happens? They implemented that, and production went through the roof.

Pretty soon customer complaints came in, then one of the major department stores cancelled their service. Why? Because that doorman was doing the same thing. “I’m not going to take it up there. As they walk through the door I’ll hand them their package.” So people who used UPS so that they didn’t have to carry packages home, now had to carry packages home. No added value there.

So they quit that, and they said, “We’ll never substitute incentives for poor management. What we’ve got to work on is good management.”

Incentives for team effort, teamwork, team results are fantastic. Profit sharing, revenue sharing, ownership... terrific. At UPS every manager of the company owns a share of the company. Incredibly motivated organization.

Bureaucratize — We all know it. 5% of all people and customers are untrustworthy. 5% of our employees are untrustworthy.

What do we do? We put in more and more rules, and we build a bureaucracy. And the 5% who are untrustworthy end up screwing us anyway because they figure a way around it.

Medicare is a perfect example. They instituted the DRGs as a way to control hospital costs, which means if I’m diagnosed with diabetes, they pay the hospital a fixed rate. And that’s how they are going to control costs.

Then the doctors who wanted to cheat the system now just simply prescribed more tests. There’s always a way around it.

The point is, you deal with individual... you deal with the individual customer.

Feedback — Probably the greatest mistake most organizations make with employees is that their feedback is not appropriate. The idea is to set up a system so you, the owner, can walk away and have that thing run without you. If you set it up well... Federal Express is now

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moving at one manager for 25 driver-type courier employees. Set up the system so the people doing the job are responsible for the output, not the boss.

Back to Fedex

To do that, you've got to have good feedback systems — direct, immediate, accurate, complete, and relevant. It means that at Federal Express — 90,000 employees to this day, worldwide — if you walk into a center you'll see two numbers up on the wall: One, the volume they had yesterday, which is a key service and revenue indicator; and two, our service quality index. So they get direct feedback, the next day.

By direct feedback, I mean from the customer wherever possible. It's not coming through a boss who's interpreting. It's accurate. It's complete. It's as relevant as possible. It covers all three goals, as I've mentioned.

And it's event driven. By "event" I mean this: If I'm working within an organization and somebody internally serves me, I just say "Thank you," or I give them an "ego card," which is a thank you note. It's incredible how powerful that is when I just say thank you or I give them a note. It shows that I care. I valued what they gave me. That's what I mean by "event driven."

Also, I mean as a team. You want to try something that is very powerful, very simple. You get a thing called "a liberty bell." It's a shifts bell. You put it in your office. Whenever your team breaks a record, gets a new contract — whatever is exciting for that organization — somebody rings the bell. And it's not you, the owner or the manager — it's somebody on the team.

You have the bell ring three to five times a week, and you fix it up so that's about the frequency you ring it. Watch people start getting excited, and watch people put more energy into the job, and watch people take actions that then begin to be very effective at solving the problems. It's that simple.

Here's a feedback device that's kind of typical of what I'm after. This is a customer feedback device. It was invented by a bunch of employees in a bank. And the teller, or the loan officer, gives you a chip and says, "On the way out, vote for my service."

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Now what you're after there is perceptual vote. You want them to respond out of their emotions as much as possible. You'll notice the colors and the faces and the words are meant to be of an emotional nature — “awful to great,” rather than “satisfied to dissatisfied.”

The customer puts the chip in there. The chips stack up and you get an index. And that's the feedback for those people constantly. Every day, one of the front line people goes and looks at it, records the score, and then that becomes part of their daily feedback.

What I've covered so far are actions around changing the system. In other words, making the systems such that the people within the system have a desire to perform at higher and higher levels.

Now I would like to talk about how — once you've got the goals clear, once your job, the manager's job, the gaps are relevant — you set up whatever processes are necessary. The feedback is direct and as immediate as possible — daily if possible, depending on your business. Then actions take place automatically.

Great service — often, the better the service the more invisible it is to the customer. Think about it. I go into a great restaurant with the best waiter in the world, always there when I need him, never there when I don't. When I leave the restaurant, if another restaurant has some kind of special going, it's invisible. It has no value to me, no perceived value.

We learned some interesting things in the beginning of Federal Express about how to make the invisible visible. And we learned these by accident. We were so busy trying to make good money for the company to survive at the top, we had no time to manage people.

We started business in March of 1973. I had been there since September of 1972, and my job was to set up the sales as Senior VP of Sales and Customer Service, which meant pick-up and delivery, operations, salesmen, selling, etc. We had decided to open up in ten cities from Jacksonville, FL, to St. Louis, MO. We had two planes picking up and they were going to come to Memphis. (That was our hub.)

We started selling January 2, 1973, with 28 salespeople, ten cities. Every day I'd have a flip chart, and the lead salespeople would call in with how much (projected) volume we were

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going to have from each city. We were up to like 3,000 packages per day. We thought we didn't have enough capacity. Then we realize that salesmen lie, so we brought it down to about 300 packages per day. We figured, "Day one, we'll open with 300 packages."

Picture this: We're up in New York City, and we have to sell stuff. We've got about a month's worth of cash left, then we're out of business. We were getting a lot of press.

On the first night I called down to Memphis and asked, "What's the package count?" He said, "Are you sitting down? There's good news and bad news." I said, "Give me the good news." He said, "Six packages." I said, "What could be the bad news?" He said, "Two are notes from the salesmen."

The second night we had three packages. By Friday that week we had one package. All these planes and pilots... We had 30 pilots. It was a disaster.

So we said, "Probably the key problem is we don't have enough cities open. Particularly we don't have big ones." So we're asking these little cities to sort out their overnight air packages. So we decided we had to open up 15 cities in 15 days, basically.

Now we were in Chicago, New York. We had to get volume going so we could at least convince investors to invest.

It was interesting how we started that. We would take a Cessna four-seater, and we put four people on the Cessna. We would fly into Rochester, NY. The pilot's job was to take care of that airplane. And then one person would go take care of where the jet would park and get fueled, and the other person would line up the building and the trucks and the employees... and the fourth person would go out to a bar. He'd be drinking, and he would stand up and yell, "Anybody want a job?" And that's how we recruited. So he would interview at the bar, and put the people on.

So we got 15 cities opened up in 20-some days. Now we had 25 cities.

One of the cities we opened up was a small town in Indiana. They had an RCA plant. The RCA plant, we knew, had 20 packages a night. So if we could get that... At that time we were

Michael Basch speaks... (continued)

about 40 packages a night, about two weeks after we opened to 25 cities. If we could get that, we'd be like 50% growth.

I sent a guy up there and said, "Your job is to camp on their doorstep. Whatever you have to do, but get those 20 packages." So he goes up there and he'd call every day.

He says, "I can't even get to see the guy. He doesn't want to see me." I said, "Look, sleep in their lobby. You don't have any other accounts in this town. This is it." So he literally stayed there for two days, and finally got to see the guy.

He calls me back and says, "I think the guy's on the take." Well, all salesmen tell you that. I said, "Why?" He said, "He's using Airborne and he doesn't want to use us." I said, "You offered him free packages to try it out with a note in them? You offered to pick them up yourself? What else did you try?" He said, "The guy likes Airborne, and Airborne promises overnight, and so do we, and he doesn't see any difference, and he's not going to switch."

So, two weeks after that, it was now about the beginning of May. We learned the most valuable lesson I've ever learned in my life.

Keep in mind, the only rule at Federal Express was, "Look, we don't have any volume. Do whatever you need to do to get the packages. As long as it's legal and moral, do it, get the packages."

Ann gets a call at 3:00 on a Friday afternoon. There is a woman on the other end who is crying. Ann relates to her and she said, "What's the matter?" And she said, "Well, I don't know who you are, but I'm getting married tomorrow. It's a small town. It's the biggest function all year in this small town, and my wedding dress was in Jacksonville, Florida, yesterday. I don't know where it is today, but they told me it would be here by noon. It's not here."

Now, when you're handling 40 packages a night, how you can mis-sort one, I don't know. But we did.

So Ann used our tracing system at the time. She said, "I'll call every station until I find somebody that has the package." So she finds the package in Detroit, Michigan, about 300 miles

Michael Basch speaks... (continued)

away. Takes it upon herself to charter a Piper Cub and fly that package down, billed about \$300 and gets that package to the town, and it gets delivered that afternoon.

I said to her later, “Ann, whatever prompted you to do that?” She said, “I figured we’re going bankrupt anyway. What’s the difference?”

So the woman gets married, calls from her honeymoon on Monday morning and she talks to Ann and she thanks her profusely for all the great service. She said, “Is there an officer there? Because I would like to tell them about this story. It’s pretty exciting.”

So she gets me on the phone. She took me through the story, and then she said, “But there’s good news and there’s bad news about that story.”

Everybody Was Talking About Federal Express

As Senior Vice President, I’m defensive as can be. “What could possibly be bad? You got married, didn’t you? You got your new wedding dress?” She said, “No, that’s not the problem. I wasn’t the center of attention at my own wedding. This bizarre, outrageous airline that would charter a plane to move a package from Detroit to Indiana was the center of attention. Everybody was talking about Federal Express.”

And that story got around.

To make a long story short, within a week, we had all those 20 packages because the executives of RCA were there.

Keep in mind that I said as you go up that curve information — emotion and so forth — as you saw the emotional needs of a customer, a customer who’s in trouble, is the huge opportunity most companies miss. If you can somehow take a problem and react to that problem... not just by solving it in minuscule ways, but in outrageous ways... you’ve taken what could be a lost customer and done the exact opposite and created a customer for life.

Michael Basch speaks... (continued)

IBM studied this and found that if they had customers without any problem at all, satisfied customers, they retained 86% of them. If they had a customer, on the other hand, who had a problem, and it was solved to their great satisfaction, they retained 95% of them.

Why? Because when I have a problem, I'm emotionally attached to you. If I have a problem, and you can solve that in an outrageous way, then you've got me for life.

Now, we begin to systemize this. We had this thinking that 95% on time delivery was ideal. Fred Smith, one day, began to challenge that. That's what I call "product-based" or "market-based thinking." He said, "Wait a minute. Let's say I'm one of the 5%. Let's not look at me as a statistic. Let's look at me as a person."

We're handling a million packages a night now, and 5% is 50,000 upset people. Since one ships to another, that's 100,000 upset people every day.

So let's begin to look at this thing very personally. As they began to systemize around those things, they found that in fact, now it's like 97.8%, and they haven't been able to identify one penny of additional costs. Why? Because they gave that problem to the front line people to solve, and they solved it.

So he created out of that a "hierarchy of horrors" for your service. What's the worst thing your customer could experience? What's the next worst thing? All the horrors someone could experience in your business or industry. Then make them a hierarchy.

The worst thing that can happen in the package business is to lose or damage a package. Then we put front line teams together, and the task is figure out a way we act outrageously that's not going to cost us a fortune, so if we lose or damage somebody's package, we can really convert that into a customer loyalty building event.

So they said, "Give us a checkbook. If we could somehow react immediately — clear that claim, pay that claim, cut a check and mail it that day — we'd blow them away."

What I'm telling you is to take that mistake and catapult it into a customer loyalty-building event.

Michael Basch speaks... (continued)

As we got down the hierarchy, we then got down to the people who simply answered the routine phone calls, the routine problem. What the system was is that they would write up the routine problem and pass it up a level or two of supervision, depending on the amount or the nature of the problem. Then three or four days later, they would get a note back saying, “Call the customer back, apologize again and offer them \$25 off of their next air freight bill.”

They came back to us and said, “That’s the biggest waste of money we’ve ever seen Federal Express go through.” We said, “As officers, we’re trying to react outrageously and so we want to do more than just simply make it right. We want to give them some kind of compensation.” They said, “If that’s what you’re trying to do, you’re not doing it.”

Basically, when they called in, they had a problem. If we can solve that problem now, then we’ve got a customer for life. But if we solve that problem four days from now... we’ve just spent \$25 — we’ll guarantee you for zero payback.

Why? Because I have moved, as a customer, from my emotional side to my logical side. How? Because I’ve told ten people how bad Federal Express is, and therefore I’m logical about it and I could care less whether you give me \$25 off or not.

Generally speaking, I’m an employee who’s doing it anyway, and it doesn’t mean a darn thing to me. If you’re going to react, react that way now. The person who answers the phone has to have the power to do it.

So the team came back and said, “Give us two numbers: maximum we can spend to make a customer incredibly excited about us, and the average. And we guarantee you, we’ll beat the average.” In a lot of cases they didn’t give anything away, and in other cases they gave \$200 away. But they knew, because they were in touch with the customer.

Pro-act Creatively — You’ve developed a reaction. Obviously you want service to be consistently good, so you don’t want to have to react all the time. I’m not suggesting we create problems to solve them. But let’s say you’re a company that works to create, make the invisible visible in a way that your customers stay, say and pay.

Michael Basch speaks... (continued)

Let me give you two examples. One was a tune-up garage in Grand Junction, Colorado. The problem with tune-ups is that if I give you good service, how do you know?

Remember Paddy Lund's tea service? The psychology behind that tea service was, "If I can show you some type of incredible quality with tea service, you will translate that to incredible mouth quality." It's just human nature.

There's no way to check a dentist... except over a ten-year period, the quality of the dentist's work. But if you walk in and you see a clean, pristine place, and the tea service is immaculate and perfect, you will translate and say, "There's quality going on here." And in reality there is, because if I get that detailed and that kind of thinking going on in my organization, I will get quality back there.

Automotive - Tune Up

The tune-up garage had 13 mechanics. I drive my car in; it works. I drive it out; it works. So why should I use you? Now if you think about the emotional buying motive of somebody buying repair services, it's trust. I trust you not to rip me off and to do a good job, but I have no idea whether you are or not.

So the mechanics got together. Two things were pretty obvious. One, they vacuumed the inside of the car. Two, they steam-cleaned the engine. The third was the break through. The mechanics — not some clerk, not the boss, not the boss' secretary — calls you up and says, "I'm the mechanic who worked on your car last week.

And, by the way, do you notice any difference in the mileage? If there's any problem at all please bring it back and I'll take care of it, because I'm the one responsible."

It started out with only one mechanic volunteering. He got such great feedback that pretty soon the other mechanics did it. And then the owner put in a profit sharing plan so the more they produced as a team, equally divided, the more money they got.

Pretty soon, the mechanics had added to their little speech to say, "By the way, can I schedule you for your next appointment?" Then they got booked six months in advance.

Michael Basch speaks... (continued)

Then the owner said, “Look, we don’t have any room to expand, and I don’t want to buy a new building, and we’re turning away customers. How can we handle more customers?” Now he’s trying to use our process, which is to give the problem to the front line people to solve. He figured, “If I impose a second shift they’re going to really resist,” which is right.

People don’t mind change — they mind being changed. You let them solve the problem. They will drive the change and you don’t have to worry about it.

The mechanics got together and came back to the owner and said, “We’ve got a solution. We want to put a van on the road. There are a lot of small towns around Grand Junction. We’ll go out and tune it up in their garage, parking lot or driveway. They will love it.

And they will get to know our schedule and they can call us in. We’ve added a lot of value so we could charge more. We feel we could get 50% more for that because people complain all the time about dropping their car off. For us it’s great because we like the outdoors, and we don’t have to be stuck in the shop all day.”

Now he’s got two vans on the road, and he’s still booked six months in advance.

The key to that is for you to get the goals clear... make the gaps relevant... make sure the feedback systems are in place... and then have your people solve the problem.

The message is this: “Let us do it. As your front line employee, let us do it.” Give them the responsibility and then they’ll feel the value. You set the goals and then let them do it.

Plumber - Drain Cleaning Service

Second example for pro-act creatively — Snake ‘n Rooter, Denver, Colorado, in the business of cleaning drains. Certainly it’s visible in the sense that, “My drain didn’t work, you came, now it works. But how do I differentiate you from your competition?”

As a driver, I come up in a crisp white truck, with a crisp white uniform. When I go up to the door, I have a red carpet in one hand and a vacuum cleaner in the other. I go up to the door and I knock on the door. “Mrs. Jones, can you tell me where the drain is to be cleaned?” I roll the

Michael Basch speaks... (continued)

red carpet to the sink. I walk up and I put the vacuum cleaner down. Then I walk back to the truck, I get my drain cleaning equipment and I come back.

Now what emotional need have they recognized? “I know you’re going to clean my drain, but I’m going to have to spend the next three hours cleaning up after you.” So they put that as pro-actively, right in the beginning. And as they do that it creates that image of quality.

Then the driver leaves his card and says, “I’ll call you tomorrow to make sure everything’s OK.” They own 60% of the market now in Denver; against Roto-Rooter, that has national presence.

You’ve got to think extraordinarily. You have to think beyond the ordinary, beyond the boxes.

I’d like to close with a metaphor of ducks and eagles. When we go out and do our consulting with the companies where we’re bringing them into the extraordinary, we move them up that power curve, that value added curve. We create a metaphor for the people — ducks and eagles.

The duck kind of waddles to work. If there’s a problem, they land in the pond and wait for somebody to throw it bread.

The eagle, on the other hand, soars, looking for the opportunities, considering value added constantly. “How can I add value?”

You’ve all heard the saying, “When the going gets tough, the tough get going.” When the going gets tough, ducks go south.

If you look at value added, the eagle has taught us three lessons in terms of value. One is, they have the value of being part of the food chain. They keep populations in order and so forth.

Second, they have taught us on an informational side that the reason they were in danger of extinction wasn’t because we were killing them. It’s because we were making them impotent. DDT stopped them from reproducing. So they taught us that lesson — “Get the DDT out.”

Michael Basch speaks... (continued)

What we're doing to our employees fits that so well. It's not that we kill them. It's that we make them impotent for the most part. We don't give them the power. We don't give them the respect. We don't give them the information. We don't set up systems that allow people to perform at high levels.

And finally, the eagle on the highest level — emotional value — is the symbol. When you look at that picture you see focus and passion.

I'd like to close with a simple poem:

“Come to the edge,” he said, but they were afraid.

“Come to the edge,” he said. They came.

He pushed them... and they flew.

Please push yourself to fly, and push your people to fly...

Examples of Customer Reactivation

Think you can't do it, or it doesn't apply to your type of business? Here are some examples of how some of my clients in all walks of life have used various direct mail, promotions — you name it — to reactivate old clients:

Dentist

Rodney Burge, D.D.S., has brought in three to five additional patient visits per week by doing reactivation mailings. He has also tested his telephone reactivation with existing clients this past March, which yielded a productivity increase of 300% compared to last March. His first quarter for 1998 is up 102% from his first quarter in 1997!

Manufacturers

Carl Haggart makes kitchen accessories and sells to retail outlets. He found that sending a "summer special" direct mail piece to his existing customer base and following up by telemarketing, yielded him a 5% rate of return. He feels that their greatest success has been with old accounts that have not been active for over two years. This campaign has brought back close to 100 dormant accounts!

Interior Designer

Cheryl Bartlett sent out a “Pre-Holiday” sales letter to her inactive clients. There was a 10% response rate to the letters, which resulted in an additional net profit of \$14,500.

Dentist

Dr. Tim and Sue Dotson sent out a letter to patients (who had not had an exam in the last year) offering a free exam if they responded within ten days of receiving the letter. The mailing was just done at the end of June, but the results so far are nineteen calls with fourteen appointments set, and the telemarketing follow-up has produced an additional sixteen appointments.

They also did a mailing to inactive patients, received five calls resulting in five appointments, and return on investment \$3,000 so far.

Remodeling — School Furniture

Barry Schuster recently did a mailing to previous customers to introduce them to a new product that was now available — a menu board incorporating nutrition educational features. New business received so far \$10,200 (50% of which is profit).

Entertainment-Comedian

Adam Christing sent out 1542 letters to previous clients (the cost of the mailing was one dollar per letter). To date, he has received 16 bookings totaling \$5,952.

Chapter Two: Communicate Frequently With Your Customers

Get Your Customers to Buy More and More Often

Almost every business I look at makes one classic faux pas that is incredibly costly to their business wealth. They believe that it's an inconvenience, an intrusion, a nuisance, a mistake to communicate frequently with their customers or clients.

They don't want to "bother" their customers. (In too many cases, these businesses also don't want to *be bothered* by the small amount of effort it takes to keep in touch.) Both attitudes are costly, costly mistakes.

The truth of the matter is, if you have important information that supports, sustains, and advances the notion or the concept or the philosophy of using your product as often and as deeply and in the best combination as possible... *you owe it to your customer and prospects to keep disseminating that information as often as you possibly can.*

Why? Because in today's frenetic environment, your prized customers and prospects can't be expected to be constantly aware of the value of your product or service and the importance of sustaining it — the improved result that would occur by using it in greater combination.

It may be well and good to establish those facts initially at the time of the sale, but unless you keep reminding, reiterating, demonstrating, explaining, illustrating, and expanding upon it on a continuous basis, you'll fall victim to the out-of-sight, out-of-mind syndrome. And this is truer today than ever before.

I don't know about you, but I sometimes can't even remember who I talked to an hour ago, let alone what I promised to do and why I am supposed to do it. Unless I make something a continuous, standing operating procedure in my life, unless I'm reminded several times to do something, chances are I'm simply not going to remember it.

What do you think the statistical probability is that your customer, client, or patient is critically remembering you at all points in time in every day of their lives? Probably zero. You therefore have a personal responsibility — weekly, monthly, quarterly, annually, depending on the dynamic of your product or service — to adopt an optimum communications strategy with your customers.

The first step is to make certain that, at the point of sale, you clearly communicate and establish in the mind of your customer the benefit of using your product or service as frequently as possible or necessary. *You establish for them what that frequency should be and why it is optimal.*

For example, if you sell lawn and garden supplies, don't just sell your customers a bag of fertilizer. Explain the optimal benefit of regular, monthly fertilizer applications coupled with a bimonthly weed treatment. Help the customer picture his beautiful new lawn — a lush expanse of green without a single dandelion in sight!

Once you've clearly explained the benefits of repeated use, state that you will communicate with them regularly — as a service, as a courtesy, as an extra value. You will contact them in person, by phone, via letter or e-mail (whatever is appropriate) to keep them maximizing the benefit, the end result they came to you for.

You will update them and share with them other implications, other applications, other ways to benefit from your product or service. Bottom line: You will continually be there for them — a trusted advisor and friend.

By doing this, you establish the expectation on the part of your customer or client that you will communicate frequently. They'll be prepared and waiting for you to do so. (Of course, don't forget to get their name and address!)

Follow-Up

- Remember that most sales are made after several calls, rather than on the first one, so follow up inquiries and leads numerous times before abandoning them.
- Use a simulated “carbon copy” of your original letter for a follow-up mailing.

- Use telephone follow-ups to supplement your direct mail campaign.
- Send a special “thank you” letter to new customers as soon as you receive their first order.
- Thank your customers for every order.
- Send a letter every now and then — when no immediate purchase is involved — to thank customers for previous purchases, invite them to order again soon and enclose some promotional material to supplement the invitation.
- Cultivating customers with regular mailings containing special offers for customers only and saying “Thanks” for their previous business is one of your best investments.
- Send purchasers of big-ticket items a follow-up letter reassuring them that they made a good buy to offset possible “post-purchase depression or dubiousness.”
- Keep your customer sold on your products or service after he buys. Send him follow-up mailings to ask how he likes the product... whether he would like any further information about it... and, if appropriate, suggest ways to use it that he may not have thought about or may have forgotten.
- Increase your customers’ goodwill and purchases by sending them advance notices of sales or other special events.
- The New Year Season is an especially good time to invite former customers to become active again.
- One realtor builds goodwill by introducing newcomers to the neighborhood by mail.
- If you make a mistake in your printed material, follow up promptly with a letter of correction that also does some additional selling.

- If special circumstances delay or threaten to delay mail delivery, use an insert postscript, simulated rubber stamp imprint or follow-up mailing to notify the recipient that the cutoff date specified in the original mailing material has been extended to a specific date or for a specified number of days after the mailing arrives.
- If follow-up mailings to a prospect or customer are not generating any response, try sending a mailing to his wife explaining the importance of hearing from him.

Follow Up On Clients

Professionals often fail to convey to their clients that they are important, or that the clients' views and opinions are important. To overcome this, professionals should have an initial consultation form that solicits the names of the client's spouse and children, his or her interests, etc. This lets you know something about the client so you can make him or her feel important.

After the visit, you or your assistant should telephone to inquire how he or she is doing. Did the technique or medicine work well? Indicate that you are always available if they have any questions.

Sending Christmas and birthday cards or notes with a personal touch makes people feel important. It is vital not to drop patients once their problem is resolved.

Doctors and dentists especially need to pay attention to their waiting areas. Often the magazines are worn and out of date. Professionals should maintain a high tone by making new publications available on a rack or table. It would be even nicer if the receptionist kept some magazines at the desk, handing them to the patient when she or he signed in.

The receptionist should be warm, inviting and friendly. He or she should know something about the patient and be able to converse in a meaningful way. If the doctor is running late, the receptionist should announce, "The doctor is running a little late. Do you have an errand you need to run, or do you need to use the phone to call anyone?"

Do anything you can to make that patient feel important.

Have current magazines, a television, warm and cold beverages, possibly a bookshelf with books on a variety of topics. These are great ways to make the individual feel important.

Perhaps you could have a VCR with a selection of good G-rated or PG-rated movies. What's a \$400 investment? Nothing. If you are a pediatrician, have a little play area. Hire high school or college girls to come in and play with the children.

A professional can also acknowledge personal events like birthdays and holidays. And it pays to acknowledge these events for family members as well, not just for the patient. Cards are nice. What's even nicer is if the receptionist calls on the morning of your birthday to wish you a happy birthday.

Or if the patient has a little girl and the receptionist calls and says, "Dr. Luden couldn't call this morning, but he asked me to wish your daughter, Julie, a happy birthday. He is sending some McDonald's certificates so she can take some of her friends to McDonald's."

What is this worth in terms of goodwill? Give something meaningful that reminds them of you, something that will ingratiate them to you for rendering noble service.

If you can't allocate your staff's time, it's worth hiring a part-timer for a few hours or at Christmas time. Instead of sending Christmas cards, he or she will call your clients and say: "I'm calling for Dr. Wu, who is too busy to come to the phone.

He wanted me to call and tell you that he wishes you and your family the happiest of Christmases (or Hanukkahs) and the very, very best New Year. He hopes it will be a good year for you." What is that worth? It will cost you \$5 an hour — \$100 to call your clients or patients.

Reinforce The Buyer's Buying Decision

You must reinforce the buyer's buying decision. This simple action can be extremely powerful because it builds your long term and back-end sales. The marginal net worth of such customers can be enormous.

You must contact your customer after that customer has made an initial contact and have a program set up to reinforce that buying decision. Thank the customer and give him/her an opportunity to bump to a larger sale (if it's appropriate).

Also tell the customer in the letter that because you're concerned about him or her, because you care more than to just make a profit and leave, not to be surprised from time to time if you write to inform or alert him or her to find out about things.

You may have figured the number of times a customer will repurchase from you on their own, with no action on your part. But have you considered how the value of a customer increases if you actively solicit them again and again? The key to determining what a customer is ultimately worth to you is the extent of your back-end, or ancillary, sales to them.

Practice Perpetual Reselling and Cross-Selling

If you have a consumable, repeat-sale product or service, set up a *regular* monthly, quarterly, semiannual or annual contact strategy, based on testing.

For our purposes here, let's assume you have a product that your customers should replace two to six times a year. In that case, send out a letter to your customers every month or quarter acknowledging their importance as a preferred or valued customer. Tell them a bit about what's going on in your business, and then make them a preferential offer — like a special combination package that's not available to new customers.

Be the first to approach them about new products or merchandise you're willing to reserve for them if they'll call you, come in or send back the card. By working that customer and repeatedly communicating with him or her, you can stimulate more reorders.

How many more? Every situation is different, and you have to test various approaches to find the ones that produce best. But by “working” those good customers, and repeatedly communicating with them, *you should pull anywhere from 20% to 300% in additional business!* People are silently begging to be acknowledged, informed, given advance information and led to action.

It doesn't matter what business you're in, this concept will work! If you're in a profession, and have a handful of expensive clients, give them a call. You can use a Mailgram or a mock Mailgram, a cassette tape, a card or a gift bearing an offer. The point is to *follow up* and *test* new versions against your “control” approach.

The best way you can increase retail traffic is by having something very self-serving for customers to come and get — it can be an offer or it can be information.

Basically, understand the following: People don't come to you unless you offer them something they want. The more valuable, immediate or unique that something is, the more people come.

So, concentrate on offering what they want most. Until you understand what *they* want, you can't offer what they want. Spend some quality time identifying and evaluating what it is they really want — not just things, but the results or benefits those things give them.

Also, make constant offers. Promote.

A company in Australia that I work with has 365 different promotions a year. Every day they have a different promotion. They have different reasons to attract people. They make it exciting. They give incredible value. They give fun. They give enjoyment. They give bonuses. They give benefits. They give buying advantages. They make every day an event at their retail store.

A restaurant I work with has a different theme every night. Every night, something new is happening. You never know what's going on. They don't offer just good food. They offer an incredible experience.

My advice to you: Make it an experience. Make it an event. Make it exciting. Make it enjoyable. Make it fascinating.

Begin A Perpetual Communication With Your Customers

I believe anybody who has a moderate quantity of customers should immediately begin a perpetual communication with their customers to set the stage that they're a trusted friend and advisor.

I think it's essential that you send a letter within five or ten days from the time of the customer's first transaction where you 1) thank them in a way that lends dimension to the company; 2) resell the value of your company; and 3) resell the prudence of purchasing the actual product or service (if that is known and can be identified).

A letter like this essentially programs the customer to repurchase, revisit and rethink in terms of dealing with you. It's always a good idea to test messages, because it's different in every situation.

Perhaps make your customers an offer of either an additional product or service they can purchase on a preferred basis, or if what they bought can be exchanged or returned, up-sell them to a larger unit. In the powerboat industry, Sea Ray has a 100% guarantee, trade-in allowance every time you trade up.

The point is, you must reinforce the buyer's buying decision. This simple action can prove extremely powerful because it builds your long term and back-end. The marginal net worth of such customers can be very large. You must contact your customer and have a program set up to reinforce that buying decision.

Thank the customer and give him an opportunity to bump to a larger sale (if it's appropriate). Also tell them in the letter that because you're concerned about him, because you care more than to just make a profit and leave, don't be surprised from time to time if you write to inform him, to alert him, to find out about things, etc.

Repeat Business For Many Is An Untapped Gold Mine

Leverage off of the reasons your customers previously purchased from you and repeat the essence of those reasons once more.

Most business people don't work their past customers at all. And those who do work their past customers produce only a fraction of the potential they're capable of producing.

Satisfied customers like to be, want to be and are already favorably predisposed toward working with you or doing business with you. They are simply silently begging to be led. By that, I mean they want to repurchase — they honestly do. But it's up to you to expend the effort, the energy and the necessary overture to lead the customer back. There's an infinite number of ways this can be accomplished. For example:

Offer your customers one-time, preferential pricing to induce them to do business with you again.

Affinity is the goal. Look at everybody, including prospects, as if it is only a matter of time before you have a relationship in which your focus is to serve, benefit, enhance and create value for your customer for life, not limiting your involvement to the one area of your transactional involvement. After all, they are human beings with hopes, fears, problems and stress.

The more communication you have with your customer, the more trust is established, and the customer will do more clinically validated purchases. They will consider you a friend who cares, and will have a closer bonding and familiarity with you.

If you analyze the readers of weekly, bi-weekly, monthly, quarterly, semiannual, annual newsletters, you'll find that the weekly subscribers read them much more thoroughly and are much more closely bonded to the publication than the less frequent subscribers.

Do you think you don't have anything to say? Remember that you're dealing with people. Can you care about them, share ideas? You can talk about their families.

Let them know about what is new in the marketplace. Give them a chance to try things on a free trial or modified test basis. Alert them to what is coming from the new markets and give them a chance to pre-order. Doing things like this produces a lot more sales and business.

I obtained one client because he was very fascinatingly opinionated. He had views — *great* views — on topics from politics to farms to morality. He was so fascinating that every month I talked to him about anything, recorded him, and had it transcribed and turned into a letter, which was PS'ed with an offer. It turned into a profit center, and people loved him.

When was the last time you communicated personally with every one of your customers? You don't have time? You can have an articulate, highly professional assistant call everyone on your behalf just to say how much you appreciate them, and to share an idea you thought they might find valuable.

The more frequently you communicate from the heart about their interests — not yours — the greater the connection. You can also take your own interest in something, and ask yourself, "What about this is really *their* interest? How can I make this a benefit to them?" Communicate that you care a little more about them than just about their checkbook.

So communicate frequently by calling, writing, sending gifts such as booklets, reports, tapes — even little notes and newspaper articles about all kinds of issues you know to be important to both their business *and* human side. Look for elements of their business side above and beyond the one product area you deal with, and you will have a basis for perpetual communication.

Communicate, bearing in mind that *the key is to not be self-serving*. Always disseminate information that will benefit the person on the other end whether they ever do business with you or not. You get connected because they see that you care. Sometimes the smallest changes can result in increases of 10%, 20%, or 50% for clients or companies who are under-performing, and they will appreciate your help.

If your response is, “We don’t do that in this business,” I would ask you, “Why not?”

Check your own attitudes. If you’re reluctant to communicate, you had better look at what business you’re in — and why you’re in it — because you should have an honest, open, friendly, mutually supportive relationship with your customers.

Remember, people are silently begging to be led. They want to be acknowledged, appreciated, and to have someone help them grow. Nobody is static. Change is everywhere. It’s constant, and with change comes renewed opportunity.

Constant contact, and being aware of the growth and holistic aspects, the totality of the business and the implications are a great and immediate way for you to increase the back-end sales.

You must also remember to send thank you notes to your own people. Your employees take on your characteristics whether you want them to or not. Make sure they know how much you appreciate their efforts. That acknowledgment will make a big difference to them.

How many people have customers they never have called beyond the sale? Most of us have business sitting out there in past customers who are just waiting to be asked.

One of the maximum points of leverage is the relationship. We all spend hundreds of thousands of dollars attracting customers, and then as soon as they are seduced, they are

abandoned. The cost of retaining an existing customer may be as small as the price of a phone call or a postage stamp.

How often should you contact your clients? If you are proud of the jobs you do, then you should call them right afterward. At the very least, call quarterly and see how they are. Remember, they're friends.

There is a standard rule in direct marketing: If you do a mailing to a list which pulls, for example, 10 or 15 times your money, you can mail the list the very same thing again the very next day and it will pull at least 50% — and sometimes as high as 80% — again.

Why? Because certain people didn't even get the letter. Some may have gotten it, looked at it briefly, set it aside and it got misplaced. Some of them got it, looked at it, were interested in it, but never got around to taking action. You should mail communications, offers, and opportunities to your customers or clients, or call them, or visit with them as often as it continues to pay.

Don't think that while you are not re-mailing, (not wanting to be intrusive) that your competitors are staying off limits.

How do you measure response? It depends. If it's a mail order, for example, you can have a different colored coupon or a different extension number to ask for, or a specific person that they ask for on the second letter.

If it's a live response, they can ask for a specific offer, bonus, or something by name. You may not get a 100% accurate analysis, but we're not in a pure world. If you can't be absolutely definitive, you can be indicative.

Communicate regularly with your vendors and they become your friends, so that when there is a problem they will literally jump through hoops to correct it.

If you believe you are in fact the noblest, the most beneficial, the most advantageous product or service that they could possibly avail themselves of because you know you are going to extend yourself, protect, and enhance them — you owe it to them to continuously understand and appreciate that through demonstrated action.

Plus, you will know about the “moving parade.” You will know about changes in needs, and you normally can get business and referrals from it. It is a very lucrative and enjoyable process once you start, because the entire process of selling or doing business should be.

If you look at it from the perspective of making, keeping and expanding friendships and relationships, then business won't be hell — it will be an exhilarating, wonderful process. It just takes a refocusing of your attitude on the process of what doing business is all about.

I regard customers and clients as dear and valued friends. I feel very fortunate to have them. I feel deeply connected to them. I care about them far beyond their capacity to spend money with me.

If you share that feeling, you've got more motivation and desire to communicate to keep in touch, just as you would with any good friend. If you look at your customers or clients as dear and valued friends that you have the opportunity and the pleasure to serve, it makes the process of doing business a lot more enjoyable, exciting, and fulfilling.

As you become even more interested in your clients, you will soon discover many new marketing opportunities.

Moving Parade

It's almost trite to say that life is a moving parade. But the marketing consequences of that saying aren't trite at all.

In practical terms, “moving parade” means people's needs change. And that means never assume that a customer's response is final. For example:

- If a prospect doesn't respond to your first offer, don't give up on him. It may simply be that he doesn't need your product right now, but will need it later on. Stay in touch with the prospect. Keep on trying. People have been known to buy things only after they've received six or seven mailings
- If someone has bought from you, his needs may change. If you decorated his den, he may need the living room decorated next year. If he bought a boat, he may need a bigger boat two years later. That's why it's so important to communicate

with your existing customers and continue to offer them a range of products and services.

Follow Up... Follow Up... Follow Up

Every time you do a mailing, follow it up with a postcard that summarizes the offer for people who didn't receive the first letter or didn't read it. Give them a sense of urgency and a call to action. Then, five days after you send the postcard, follow up by phone. This combination can normally give a boost to aggregate response by 300% to 1200%!

Second, **one of the greatest revelations a businessperson will discover is how extraordinarily responsive a previous customer can be.** Unfortunately, the inability to develop this resource is one of the most prevalent causes of cash-short situations. Tapping this source can be the most lucrative profit center of your entire business.

Few business owners, I'm sad to say, ever recognize this golden opportunity, let alone reap its profitable benefits.

Ironically, most firms don't regard their previous customers as primary sales prospects to be resold. In answer to the question, "When was the last time you mailed a sales letter to your past and current customers asking them to buy some finite item or service?" most would answer something to the effect of, "Not recently."

Furthermore, even if a company's customer base has been worked recently by mail, chances are great that their public wasn't properly compelled into action. This is not to say that money was not made, but that up to 20 times more money could have been made from the same mailing if the company was aware of what to say, and most importantly, what action to take.

In marketing terminology, the process I'm referring to is called "back-ending." The principle is this: Once a customer has patronized a business and has been satisfied, that customer is then poised to re-patronize your products or service over and over again.

Simple as it sounds, the company usually has only to properly ask to receive that patronage. And normally, it doesn't matter what the business is. The dynamics of redeploying that customer are really the same.

As a specialist in back-ending (also known as “post-purchase” selling) I’m frequently called into companies of every type when substantial revenue-generating activities are desired and the company retaining me has a very limited amount to spend. On many occasions I’ve produced big bundles of profits just by sending out a properly crafted letter requesting action by the prospective buyer.

Can it be this easy? Yes!

The specific action I request the buyer to take depends on the needs and desires of my client. From a sales dynamics perspective, nearly everything imaginable is possible using back-end marketing. If a company is in a severe cash bind, I can usually produce tens of thousands of dollars — often much more — in prepaid (or the equivalent) orders for almost any client in just a matter of weeks.

We once provided a little company with a delightful \$250,000 worth of business (of which \$175,000 was pure profit) in four weeks just by writing a compelling letter to their old customers. Total cost to produce and mail the letter: \$12,000.

A larger company is using a post-purchase marketing program to generate \$70,000 a day in orders — just by mailing a simple three-part letter I wrote for them. Cost of the letter: 50 cents per piece mailed. And yet every 100 letters mailed out to the client’s existing customers produced more than \$10 profit per letter. Restated another way, every \$50 the client invested grossed \$1,000 and netted \$500.

The client I’m referring to happens to be substantial, relative to the size of his customer list. Subsequently, he mailed to his 250,000 customers five times over or 1.25 million letters and he achieved equally predictable results.

Despite results like these, I have to go to great lengths to overcome the “pooh-poohing” many businesses impulsively assign to back-end marketing.

The dynamics of post-purchase marketing are as easily applied to a retail store as they are to a manufacturing or high-tech company’s broader marketing program, and with equally desirable profit expectations.

A small, high fashion clothing store once came to me with an assignment to increase their average sale per customer by doubling their current yield, but they only had a few thousand dollars to work with. By developing a continuous system that started with the first sale and followed up with that customer six more times per year, we actually tripled the number of transactions per customer per annum and improved profit performance by nearly 12% — which on millions of dollars of sales amounted to a considerable sum.

On another occasion, a jewelry firm that was technically insolvent came to me for one last-ditch attempt to keep them out of bankruptcy court. They had misjudged the marketability of ten items and spent all their cash trying to promote them with no success. \$80,000 of their cash was tied up in useless, nonmoving merchandise and only \$1,000 in funds was available to market with.

I created a way for them to convert all their nonmoving inventory into \$80,000 worth of cash and, in the process, spawned a new marketing concept that, in a 12-month stretch, accounted for \$658,000 worth of new, profitable sales for the client.

These kinds of impressive sales and profit achievements are available to most businesses. I only do for clients what they should be doing for themselves: I teach them how much more responsive and profitable a customer can be when he or she becomes properly and continuously worked.

Whether the entrepreneur asks a customer to come in and make a specific purchase, send for a specific product or service, or allows a sales rep to pay a call, predictable results can be expected from various back-end marketing concepts I've been using for years.

To bring the concept of post-purchasing marketing into an easy-to-understand perspective, let me emphasize the crucial points to observe:

1. Every customer (or prospect) name that can be identified and captured, including address, city, state, zip, etc., is priceless to the businessperson. And the corollary: For every customer name that goes uncaptured, a company will lose money every year. It's that simple.
2. Most customers never expend anything close to their full purchasing capacity on the first transaction, for a number of reasons. First, they want to see how well the company and its

product or services perform. They want to feel valuable and appreciated, so they wait to see how they are treated and how they are communicated with during and after the sale. Also, their needs change and usually grow after that initial purchase.

By merely understanding the growth phenomenon and capitalizing on it through direct, one-on-one types of communication with that customer, the successful marketer can communicate personally with each customer and compel them to action over and over again.

3. A key determinant for the more analytically-minded marketer to remember is the “marginal net worth” of each customer. This statistic signifies the total stored profit value represented by a customer or prospect. To understand the meaning of “marginal net worth,” let’s look at a typical customer that is currently untapped as a post-purchase marketing prospect.

They come and go after only one sale, and that’s the last time they’re seen. As a neglected entity, they may return, but then again they may not. It’s totally unpredictable since their names are uncaptured and they’re no longer communicated to either by phone or letter.

Compare this with the company that understands and fully capitalizes on post-purchase marketing: They send a personal letter, or equivalent, out to every customer within ten days of the first sale.

But that’s just the start. Every 30 days they send the customer a specific mailing on some specific product(s) or service(s) they sell, romancing and educating the people on the function, desirability and advantage. And in that letter they actually ask the customer to buy.

It may be a request that they come in, or more directly, an offer to order via mailed coupon or phone call. It may also encourage the customer to request that a company salesperson come to their business or home.

The possibilities are endless; the results are usually extraordinary.

4. Once every quarter, you may decide, for cash generation reasons, to run a customer-only private sale. This provide two benefits: 1) It creates in a customer the feeling that they are

important to you, and 2) Such a mailing can produce cash at critically needed times and in droves once the right offers, approaches and frequencies have been discovered.

By the way, once the results are tabulated conclusively, they then provide, in a dollars-and-cents perspective, answers to the question of precisely how much a given mailing or offer will produce from each 100 or 1,000 customers every time it is tried.

From every \$30 in marketing expenses invested in post-sales mailing number one, \$1,000 may be generated. Then with \$50 invested in post-sale mailing number two, \$3,000 in profit could be generated, and so. The essentials, however, are: Communications tested and results tabulated.

Once the precise results of each marketing program are accurately assessed, the company gains an extraordinarily clear view of the value stored in a customer and how to predictably tap that value potential.

What is discovered, for example, could be that for every 100 customers properly developed (on the back-end) an additional \$300 to \$500 in sales could be produced before the first year is up and another \$200 to \$500 per year thereafter, ad infinitum!

Tallying up the \$100 customer could potentially be worth thousands of dollars in extra profit to a business concern over the time that customer is kept active. Startling, isn't it?

An equally dramatic case can also be made for nonpurchasing prospects. And, though the marginal net worth per prospect may be only a fraction of that of a current customer, the fact remains that there are usually 10 to 100 times as many qualified prospects as customers in a company's market area.

If the entrepreneur learns how to masterfully develop a prospect via back-end marketing, it could yield more revenue in aggregation every year than ever before experienced.

In conclusion, be proactive, not reactive. You'll profit as a result.

Follow Up... Again

This recommendation is a derivative of the first one. Today a study was just completed that said that 80% of the higher-ticket sales that occur today only happen after the fifth or sixth follow-up effort.

Why? Because today the buying market, whether they're consumer or business-to-business, are apathetic... ambivalent... diluted... and diverted in their attention.

They're apprehensive, they're afraid to trust anyone, they're eager to see how consistent someone will perform over a long haul before they make a commitment.

Because of all these factors and many other nuances in the mentality of man today, the person or the company that mounts a concerted, continuous, on-going, systematic and structurally sequential follow-up system that brings value, information and education (not just sales rhetoric and hyperbole), to people can be assured of closing more business, of acquiring more repeat customers than you ever dreamed possible.

Keep Following Up

An important result marketing recommendation and secret and quick-fix is keep following up. Don't give up prematurely.

You have the power to lead, to program, to direct, to proactively cause things to happen... but it requires you to do your part by following up and guiding people.

The marketplace today, more than ever before, is silently begging to be led. Take full advantage of that.

Work Your Customer List And Your Prospects

When I sit down and I give a series of recommendations to someone, this is the first one that I give. Work your current and past customer lists first. If you sell a product or service that is beneficial and qualitative, you should have enormously strong goodwill established in your customer base.

Most companies reactively wait for their customers to come back... deludedly thinking that the people are going to be so motivated that they are going to come back to them whenever they're good and ready. They don't realize that you have enormous control and capability of getting people to re-purchase from you at remarkably rapid and continuous intervals if you go to them and follow up.

Follow-up means

- Working your current customers and
- Working your inactive or past customers and prospects who didn't convert.

Following up and working them means you write letters to them reestablishing the basis of why the product provides a desirable result... You call them... and you advise them in a consultative manner. You keep doing this in a constant sequence of events.

I had a recent client, for example, who is in a business where they get a lot of prospects who don't buy. They leave and they don't come back. The company had never analyzed the cost of inducing those people to come in the first place. I had them do that and it was shocking. It was something to the tune of \$100 or \$150 just to get someone to walk into their facility.

I showed them that they owed it to themselves to expend at least a \$10 or \$20 follow-up cumulative effort over three or four or five sequences: letters... calls... letters... constantly informing... educating... and consultatively advising them before they gave up.

They grudgingly agreed to do it. I just got a call from them a week ago. The actual results were quite profound. In the first month alone of trying this system their sales were up \$465,000... In the second month they were up \$640,000...

In the third month they don't have the figures yet but they're forecasting that it will be at least \$500,000. Why is it down? Because it's Christmas — historically the worst time of the year, but it's still doing great for them.

Work your customer list and your prospects!

Why Follow-Up Selling Is Worthwhile

With a follow-up marketing strategy, the proof of worthwhileness is in the numbers.

If you phone, write, fax or have your salespeople personally call on customers within 20 days of their first purchase from you, between 10% and 25% of those customers will buy something else

A dentist in Ohio generates 40% of his business this way.

Follow-up offers you several additional advantages, as well. It gives you an opportunity to reassure your clients or customers that they made a wise purchase in the first place. It also reduces refunds and exchanges — and it will definitely make your customers more receptive to future offers.

The follow-up is also a great time to ask a customer for referrals!

Never Rule Out Telemarketing

After a mailing to your current or past customers — or to people who are *prospective* customers — follow up with an informational phone call.

Why? Because a telemarketing follow-up will improve your total sales results by as much as 1,000%!

I know many people don't like telemarketing. It conjures up memories of family dinners interrupted by a phone call. Or, it evokes repugnant visions of sleazy scam artists operating out of high pressure "boiler rooms" somewhere in the Caribbean. Or, it's ruled out in the misguided belief that you have to be a BIG company to telemarket.

Don't you believe any of those myths. Telemarketing fits enterprises of any size and can be one of the noblest services you can render to your customers or clients — as well as a bona fide generator of new sales and new profits.

Calling customers (or inviting them to call you through a P.S. in your sales letter) is a wonderfully easy way to show sincere interest and the desire to *benefit* your clientele.

Post-Purchase Reassurance

Post-Purchase Reassurance is the simple process of reselling your product your service and your company to the customer — reassuring the purchaser that he or she made a shrewd buy.

By doing that for your customer:

1. You allay any “post-purchase dissonance” (buyer’s remorse) that may be festering in the mind of your customer, his/her family or associates.
2. You dramatically reduce — and perhaps eliminate — the refunds, exchanges or costly service expenses that disenchantment always produces.
3. You make the customer more receptive to your next offer.
4. You develop a closer relationship with your customers and satisfy their cravings to be acknowledged.
5. You give yourself an opportunity to recommend a buying strategy that includes continuous repurchasing.
6. You get the chance to immediately “upsell” the customer to some more expensive product or service that you make available exclusively to them at a preferential price, terms, etc. — if they buy it within let’s say, 30 days of the original purchase. If you do it right about 25% to 35% of all original customers will respond, and the added profit will be considerable.
7. You can solicit a customer sales referral.
8. You can often turn the initial sale into a renewable annual contract by adding more products or services at a discount.
9. You can explain the use of the product so it will be used more often and reordered sooner.

Repeat Sales and The USP

Most businesses depend on repeat or back-end sales of some sort, so it's vitally important to indelibly etch a strong clear, compelling Unique Selling Proposition in the minds of your customers after they've bought from you. This way, your distinct advantage and benefits will pop into their heads when it comes time to buy again.

How can you ensure that you are in the hearts and minds of your customers after the sale? Here are a few good approaches:

Immediately following the sale — write, phone, or visit your customers. During this follow-up effort, see that the customers feel important and special, and that their initial purchases are “resold.” Repeat your USP and remind the customers how it helped them make their purchasing decision.

Reassure customers about their wise decisions, and show how the same USP that served them this time will be there to serve them in the future.

Again, state your USP, telling customers why you've adopted it, and why it's such an advantage to them. People rarely understand the benefits you provide them — unless you carefully educate them to appreciate your efforts on their behalf.

Teach the customers why that USP advantage is so much more important than benefits offered by your competitors. Then, again, remind the customers what wise buying decisions they've made — and attribute their decisions to your firm's USP.

A post-purchase follow-up incorporating the essence of your USP is vital; regardless of how frequently you back-end or resell to that customer, you enhance the customer's loyalty and value to your business by following up after the sale.

At the very least a follow-up call, letter, or sales appeal drastically reduces or eliminates cancellations, returns, refunds, complaints, adjustments and disputes and reassures customers of the prudence of their recent purchase.

Good marketing requires that you give customers rational reasons for their emotional buying decision. There is a formula for success, and the USP, my dear friends, is truly an integral part of that formula.

Communicating With Your Prospects

Communicate frequently with your customers to better nurture them. That's how you develop affinity, connect, and bond yourself to them. Communicate often. Do more, communicate more, care more, get more value, more information, more education that is self-serving to your customers. You will own them for life because you're the only one who cares about them.

Find out why your inactive customers aren't buying, and make contact with them in order to regain their business.

Most businesses don't have any idea what their attrition rate is, the portion of your customers who stop transacting business with you. They don't have any idea who's active, who's inactive, they don't know what percentage of the customers have stopped buying. First of all, find out the percentage, and find out who they are, then realize there are two primary reasons that people don't buy:

1. A change in their life circumstance caused them to temporarily discontinue purchasing with you for no adverse reason on your part, and they never got around to starting up again.

They went on a vacation, maybe they had to save for a wedding, maybe they were out of the country, maybe they got hurt. People stop for reasons that have nothing to do with you and never start up again because inertia keeps them on other things. Contact them write them, visit them, genuinely saying, "Have we done something wrong, we were worried about you..."

2. They've had a bad experience. These account for 60-80% of the reasons people stop buying.

They didn't get value. Something didn't get completed. Something's wrong and they aren't going to tell you. Contact them, send them a letter, humble yourself and say, "Obviously,

you're not buying for one of two reasons, either something happened in your life to change your circumstances, or we did something that annoyed you.

I want to make it right, whatever it is." If you've done something wrong, make it right. Do it again, give them something free, give them their money back. If they are still so mad that they won't deal with you anymore, say to them, "I can appreciate that, I can understand, but I don't want your last purchasing transaction with us to be a negative one, so let me do something to leave a good last memory of doing business with us."

Then follow up with a call, either on the phone or in person. They are going to do one of two things, either they will say that they have had something come up, and they've been meaning to get back, or they will share that they have had a bad experience.

You can respond by saying again, "Whether you ever do business with me again or not, it's very important to me that the last transaction you have with our company is a positive and satisfactory one." Then you do whatever it takes to make it right.

Statistically, if you do those two things, in person or through your designates, through calls, through letters, it will renew business activity from the people in those two categories.

If you do that, 90% of people will come back because you are being so gracious.

And, these regained customers have a very high propensity for referrals. So even if you may not have an immediate direct value, they will bring you value by the referrals they can bring.

Most people also never analyze their attrition. If you do, two very interesting factors become evident. First, every business has attrition. The question is, what is yours? It's large, and you can reduce that by better service or better communication or better affinity with the customer, or better expression of your appreciation of their plight, and your concern and confirmed commitment to make their life more rich, safe — whatever it is you're rendering.

That alone can massively reduce attrition, thereby enhancing conservation, making the whole process of doing business easier. If your attrition rate is 15%, and you can cut it down to 5%, you effectively add that 10% factor by that one transaction.

Most attrition, unless you sell a rotten product or service, is a pure oversight, or failure on your part to acknowledge the importance of your customer. If there's a mistake or a problem and you don't deal with it right, that's a failure to realize the importance of the residual value of the relationship. This is a really powerful point that will almost immediately add five or ten percent to your first column increase. By having communication frequently, you will increase sales at the same time, and probably find segmentation where you can get higher units of sale as well.

You could probably walk into a business, see what their attrition rate is, and could probably pay for purchasing the business out of improving the retention rate within a very short period of time.

“An extension of the attrition program is that in our copier company what we do is every time we go in to make a final presentation, and we're there with our competition, I call, and we bring salesmen in, and myself, and we call that person, and we find out exactly where we lost out along the way. Everything about our sales training that we tried before, that gets lost, that they wouldn't accept, they now accept. You often have to be number two before you can be number one.”

One of the concepts taught in management school is called an “exit interview.” It's a great idea that if you have an employee who quits or is fired by someone under you, before they walk out the door, you sit down with them and ask, “Why did you quit? What did you think about the company? What are we doing wrong?” It gives you some insights that are totally freed up, because they are on their way out the door.

You could apply that same concept to your clients. **You may surprise yourself and find that “lost” clients aren't really lost — they just had a completely fixable problem that no one paid attention to.**

Realize that most people's intentions are not to stop doing business cold with someone they benefit from. We are distracted by many appeals for our attention. I used to work out at a health club; I used to get a massage three times a week. I liked to do these things and I didn't mind the cost, but I started going out of town, and I didn't have the time.

It doesn't mean I wouldn't love to have that again. It just means that to look up the number and call would be a pain. If that person were to call me and ask, I would be appreciatively embarrassed, and I would start doing business with him or her again.

And so would a lot of your customers. Assume that half of the customers who have stopped doing business with you just got interrupted and never got realigned, and never started transacting business with you again.

Now assume that the other half of your customers had a bad experience that you, unintentionally, were directly or indirectly responsible for. Somebody was rude, something didn't get done, some follow-up wasn't done, any of a number of things.

You owe it to your customer to find out why they stopped doing business with you. If somebody had a bad experience and you call to say, "I am worried. I am concerned, you haven't bought from us in a while or you haven't been back. I'm not worried about the money. Is everything OK? Did we do something? Because if we did, it wasn't intentional. We appreciate you and are fond of your business, your company, your family, and if we possibly did anything to offend you or upset you, I want to make it right."

One of two things will happen. They will say, "Gosh, I meant to come back and I just basically haven't gotten around to it." Or they will say, "Well, the last time I bought something, it broke in three days, and I was really disappointed."

Your response should be, "I wish you would have called me, I want to make it right. Look, obviously you are a valued customer. We did a lot of business together, and you entrusted us with a lot of responsibility. We still look at you as a valued customer, and whether you do business with us again or not, I have a responsibility to make that transaction right and do whatever it takes to make it right." Tell the customer, "I want to know that your last transaction with us was a positive one." And be sincere.

If you start converting back past customers with letters, visits or calls, it's not uncommon to boost sales by 30-40%. Communicate frequently with your active customers and your inactive customers. The more people connect, the closer they feel. The more you communicate, the deeper, closer the bond and the connection.

Write people often, call them often, and have something of value to share: information, ideas, insights, possibilities, things you want them to try out, things that will help them save money or reduce stress. Just communicate constantly.

Communicate by letter, communicate by call or communicate in person. Realize that these people are not faceless, emotionless, checks, cash, and money orders. They are individuals in organizations; corporations and professionals who have invested their expectations in you and in the product you are selling. They have befriended you at the highest level of trust. These are great friends, treat them as such: communicate with them, let them know they are important, acknowledge them.

Regain the customers that you are losing by communicating with your customers and finding out what their needs are.

The Easiest Way to Grow is to Stop Losing Customers

The easiest way to grow your customers is to stop losing customers.

You must recognize what your attrition rate is and implement some kind of retention program. Address what it takes to keep them from leaving, if you keep half the people from leaving, you could double or triple your current growth rate. The easiest thing to do is to just recognize why they are leaving and deal with it.

The craziest thing most businesses do is once they've acquired a customer, they abandon them. They spend a hundred dollars to gain the customer, and once the customer has a problem that would take \$10 to cure, they tell them to take a hike. "We don't fix that, that's not under warranty..." Then they go spend a hundred dollars to get a new customer.

It costs nothing to resell a customer. All they had to do is rectify a problem, at a relatively low cost, but they thought they already had this customer, so there's no need to treat them right. They lose the initial hundred dollars and go spend another.

What does it take to give greater services? How are you going to protect, enhance, improve the quality of life, or results, or business, for your customer at a higher level that they appreciate?

Marketing is educating people to appreciate and recognize the value and the benefit and desire it. If you have a business where you do a lot of work behind the scenes, tell them in a genuine way, tell them what you do for them, especially if they can't see it. Communicate it at your point of sale, or your point of contact, let them know the care that you take.

Think of the closest good friend you've got. Do you talk to them once a year? Twice? Twenty times? Do you think that maybe the more times you talk, the deeper the relationship, the better the communication, the more you respect and enjoy each other?

Your customers and clients are friends, too. They want to feel special, that they're cared for and important, more than just the money in your pocket. The more you communicate, the more you connect, the deeper the relationship. Since these are dear and valued friends who have trusted you, who want to be respected and who respect you, it might be nice to keep communicating with them.

But it has to be more than just communication; it has to be with a "You Attitude." Communicate with a level of care, attention and respect. Caring about what is important to them. You'll get a chance to explain what you do. But if you start with them in mind, genuinely, you retain the relationship. If your communication is self-serving, and uninteresting because it's self-serving, you lose the relationship.

Build Relationships and Keep in Touch

Avoid losing your customers by keeping in touch and building relationships with them.

Every business, unless you are really unique, has attrition. If you look over your customer list, over a long duration of time, you will probably find that you have lost a not inconsequential amount of customers. And in any kind of a business, losing many customers is consequential. In my experience, half of the customers you lose you have abandoned; they haven't really abandoned you.

Let's say you took yoga lessons, or you took singing lessons, or you bought ice cream every Friday. But something happened. You had a death in the family, you had a business problem, you got sick — something happened, and you stopped doing it for a while, then you didn't start up doing it again. Not because you didn't want to. You just got out of the habit.

Do you think maybe if someone had nurtured you, had helped you get back in the habit, you would have not only responded, but would have appreciated that? Or maybe you were doing something, but you couldn't financially afford to continue, but you could have or would have if you could have found a lesser way to do it... doing it once a month instead of once a week, etc

I submit to you that you have an obligation to help old customers rejuvenate their relationship with you. If by chance they had a terrible experience with you, that's market research that will help you:

- Correct this situation next time.
- Understand what they see as critical issues compared to what you think is important.
- Help you really identify problems with employees, quality control, etc. so it's beneficial long term, and it will enrich you and help you re-enrich other people.

If you lose 10% of your customers, find ways to stop the loss. If you keep 10% of your customers, you'll add 10% to your sales, by doing nothing else. It's such an easy, instantaneous, existing method, and a concept most businesses don't acknowledge. You have everything to gain, and nothing to lose by contacting those customers.

If they are still so mad that they won't deal with you anymore, say to them, "I can appreciate that, I can understand, but I don't want your last purchasing transaction with us to be a negative one, so let me do something to leave a good last memory of doing business with us."

Communicate frequently with your customers. The way you avoid attrition happening is to listen and hear and be connected to them continually throughout the process. That's easy to do if you enjoy them, it's expected if you care about them, it's a natural thing in any other important friendship you have. It should become a natural and easy way of doing business.

You should send frequent letters educating, informing, alerting your customers to new developments and new opportunities. Celebrating your 50th year in business is inconsequential. Instead, tell your customers that for 50 years, you and your father have been protecting people and in celebrating, are working to find new ways to give them even more value. Tell them about some new developments, and what you're doing about it. It's not about you; it's about them.

Communicate often. There are tons of things you can do, whether it's a phone call, a letter, a call from your assistant. The more you communicate, the more you can help. You owe it to yourself to communicate often.

I suspect that fully half and maybe more of your customers aren't being allowed to purchase as often or as much as they could and should. Purchasing then becomes easier to do when you're there for them, and they trust you and know you care because of frequent communication.

Do you think your customers don't notice whether you call or not? Let me pass on the experience one of my clients had:

"I had a college student working for me. His name was Gus. I'd give him scripts, and he'd call our best customers. He'd make them specific offers over the phone that only these customers got.

"After about two months of this, we had customers calling back to the office if they hadn't heard from Gus for a while, saying, 'Where's Gus? I haven't heard from him for a while. I used to buy from him.' It ricocheted back. We had people calling the guy who was calling them to buy from him."

Bear in mind that this was not communication with the owner — this was with a college student hired for telemarketing. Your clients do notice, and they do care.

Telemarketing, by the way, can be very fulfilling when used in the right way with the right attitude. The right way is the right basis going in; it's a service. You're not doing it to make money for you; you're doing it to enrich them.

I did some work with a wholesaler who sells high-powered nozzles to people who supply fire stations. The wholesaler sent out a catalog twice a year. When I took them on, I said, "Why don't you send it out every month?" That worked very well.

"Then every month when we sent out the catalog, we gave them tips on how to improve their business. We incorporated the concept of selling through, instead of selling to, and it added about another 35% to the bottom line. He gave me this feedback:

"I've implemented a lot of things I've learned here, but of all of them, this has been by far the best for me. I had clients who I'd had for years that I'd never met in person, but now I see them all at least once a month personally. I talk to them constantly on the phone, we're probably

mailing at least two or three times a week, and it's incredible the amount of increased business we've had."

I was in touch with a mortgage banker who had the best month of his whole career in December, which is probably not historically the best month for most mortgage bankers. But he started doing this, and he says it's so much fun, he has all these friends he never knew he had, and they give him referrals, and they buy more, and they do all these other things.

If you are really committed to the three things we talked about:

1. To enrich people's lives at the highest level possible;
2. To constant, never-ending improvement, which is the concept of having a standard and then exceeding it;
3. To be getting feedback, and gaining the constructive insight from it to build on. You're the beneficiary; almost every negative that occurs in your life is enriching you, if you look at it as the world telling you that this approach is not getting you the maximum outcome, why don't you try something different.

You need to build affinity in your customer relationships in order to retain customers. That affinity comes from constant communication.

I can't stress it enough: Communicate with your customers frequently to nurture them. The name of the game you are playing is affinity. The more bonded, affirmed, and confirmed they are in their regard, their love for you, and their sense of your understanding of their needs, the more you demonstrate through actions, words, and communication on a frequent basis, the more affinity, the more consistency the more revenue, the more impervious those customers are for you. They will not leave.

The people you mail the most will probably buy the most. The more you get stimulated and acclimated, the more you want more. Most buying in life is impetuous and habitual. The more you get habituated, the more you buy. The more you have affinity and respect somebody, the more you trust someone and feel confident that they understand you and that they've got what you want, the more you let down your guard and just sort of let it all go, and you respond.

I think you should all commit to an ongoing frequency of continuous communication. That communication cannot be self-serving; it has to disseminate value, ideas, recommendations, experiences, case studies, whatever is necessary to make the customer more knowledgeable, more expert at what they are doing.

I suggest letters, calls, on a consistent basis. I suggest change-up pitches. You send them a report, you buy them a tape, you set up an interview with somebody else, you cut articles out of publications, you do all kinds of things that no one else in your industry would think of doing — always offering to interact, always offering your ideas, always telling them about another client.

Share your successes! If they're confidential, share them without acknowledging the client. Show them how they can benefit. Keep focusing on all you can do to help that client be the best they can be, to get the greatest advantage. Get them information that transcends the one area that you are involved in.

“I'm a public speaker and I travel around doing training. No one ever goes to bed over-acknowledged. One thing I do with my customers is, like Jay said, cutting articles out, sending to them... 90% of my business comes from referrals. Get their birthdays, send them Christmas cards — just keep in constant touch with your clients.”

Your objective, while creating value and communicating that value, is establishing affinity.

How often do you communicate with your customers? As often as you have something to say that's of value to them. If you're communicating by mail, it's easy to throw it away if you don't want it. If you're not providing valuable information, or feelings, or thoughts, then don't do it at all. You feel more positive with someone who communicates with you, who advises, counsels, and exposes you to information than with someone who doesn't.

If you know where critical junctures are in people's lives, when their birthdays are, when their kids graduate from college, when they get a promotion, etc., and you send a personalized note, you will stand out. It is a tremendously powerful, highly overlooked tool.

Your objective, while creating value and communicating that value, is establishing affinity. Affinity is attachment, it's loyalty, it's respect. People see you in a much higher order than just as a vendor. You do that by frequency.

Most of the truly valuable friends you have, you communicate with frequently. So you call them, you write them, you send them things, you clip articles, you send them books on things that will enrich their lives. You always communicate by giving them more information, more value, more direction, with a frequency that is substantial. For most of you, that's many more times than you are communicating now.

Keep Track of and Develop Relationships with Your Customers

Be persistent and gracious, keeping track of your customers and extending yourself in order to develop relationships.

How many people spend a lot of money in their homes or their business with vendors, suppliers, or companies that never communicate with them? I mean calls that help you see how to use the product better after you've already bought it, giving you ways others have helped, giving you other applications in your life or in your home.

If you're there in a nice, acceptable way, more than the other guys, if you walk in the door when they need it, you're going to get the order. The salesman who makes calls persistently, politely, always graciously no matter the rejection rate is one day going to get that order.

Extend yourself. Keep yourself in their heart, in their mind. If you recognize them and show that you know who they are, chances are that you win develop a rapport that leads to a powerful business relationship.

All you have to do is revisit your previous business experiences, examine, observe, keep a record of things that happen that tick you off in your life or business. Ask yourself what the implications are: What could we do differently in a similar kind of situation with our customers?

Hold to standards of integrity, educating and understanding your customers.

People don't appreciate who you are and what you've done for them until you go to the effort of delicately, authoritatively and respectfully educating them.

When you deal at the highest level, when you don't compromise your integrity, your own integrity of what you respect for yourself, the structural integrity of how you see yourself, when

you don't compromise those issues, when you always take the high ground, you are invincible. You are unassailable if you want to be, and if those are the rules you characterize.

Hold on to your initial customer contacts by growing affinity with your clients Learn from your mistakes, and use them to improve your business.

You spend such an enormous amount of effort and expense building that initial customer relationship, it's grievous after you've invested so much to let it go unattended. A lot of people operate as if once you've got a customer, you've got a franchised right forever. It's not that way. These people are prevailed upon for their attention, their buying dollar, and their loyalty by so many other people, that if you let them go, they're fair game for everybody else forever.

By the way, there's a perspective I'd like to try to impart especially to people who might be afraid of the selling process. It's that it is a lifetime process of making friends, of understanding people's needs, hopes, problems, of serving them and trying to better fulfill and protect all their concerns.

At the same time, if you lose a transaction, it's like an inning in a game. Most people, if they don't get an immediate sale, move on to greener pastures. It's just an inning in a game. You can build on it, with integrity and sensitivity, and empathy and respect.

Value Customers by Communicating Frequently

Make your customers feel that they are valued by communicating with them frequently.

One thing I do when I can't call someone is I'll have my assistant call and say that I wanted to check up on them, even though I couldn't call personally. The point is that the more you communicate things that are of interest to them, and you communicate your general concern, the stronger that client relationship will be.

Everyone wants to feel that they are important, that they matter more than just their wallet. Most of you have ongoing contact with your close friends. That makes your friendship stronger, dearer and richer. Same thing with your customers.

Show concern for inactive customers, find out what the problem is, and do what it takes to solve it, regaining their business.

Keep in touch through newsletters, keeping your customers informed. Telephone them once a month. If they're important to you, it's not hard to send out a letter, just saying, "Hi, how are you doing?" keeping abreast of what's happening in their company.

Keeping in touch with your customers will also increase the number of times they will buy from you.

Increasing your transaction frequency, the number of times a customer buys from you, depends on communicating with your customers over the phone or through a letter in order to maintain a positive relationship. The more continuously you communicate, the stronger the affinity of your customer.

Find out about their families, tell them about upcoming news or events, about other customers or clients who have found new applications or new breakthroughs that you can share, research, equipment, services on the way. There was one client I had who sent out a newsletter that was fascinating, full of his unique opinions on all kinds of subjects.

If you travel, send cards or letters from a foreign country. Make them informational, and of value to the customer. You have to get an assistant to make the phone calls, make the contact. Have an assistant call to share some information that would be interesting and valuable to the customer, offering to answer any questions or needs that come up.

More frequently communicate from the heart about their interests, not yours. Ask what you can do for them to share, inform, suggest, tell them how others are benefiting, about management ideas, etc. This will help them to feel that you care more about them than just their wallet or checkbook.

Continually communicate with your customers in order to have more opportunities to sell and to build strong client relationships.

A lot of people like to be unobtrusive, but that's wrong. The more you contact people, the more they will buy, the stronger their affinity will be. Communicate often, by phone or by letter, but the conversations must have value. The more often you communicate, the more opportunity you will have to offer new products, sell them, make special offers, chances to buy ahead of the market, etc. There is no such thing as communicating too often as long as you have something of value to communicate.

Most people don't communicate with their customers as often as they should. You can salvage 50-70% instantly just by using a system of communicating with them. If you communicate often you're not going to have problems, because you'll solicit and encourage them to communicate with you.

One last concept that I suggest you employ, an attitude that makes it really easy to just blow the minds of your competitors and have a glorious relationship with prospects that might turn into customers, is to adopt an attitude that every customer will be a customer for life. My job is to make sure they get the best outcome.

I take the attitude that every prospect will turn into a customer for life, so why wait until money changes hands to start helping them? And it blows people's minds, because even their own primary vendor doesn't treat them that way. It is really a powerful philosophy, but you have to believe it.

Should I wait for money changing hands before I give you my loyalty and my trust and my expertise? I don't think so. Because I know in my heart that it's only a matter of time. Once we get started, you're not going to leave. I'm not going to let you because I'm going to care too much about you, I'm going to enrich you and protect you at such a high level, and we're going to become such dear friends that you'd feel terrible not talking to me every week.

37 Ways and Examples to Nurture Customers Through Communication

1. Stop acquiring and then abandoning your customers for trivial reasons or expenses.
2. Do not neglect your customers.
3. Marketing is educating people to recognize and appreciate the value and benefit from working with you.
4. If you do a lot of work behind the scenes then tell them so. They don't know it if you don't tell them.
5. Let your customers know the care you take preemptively. Tell them what they are likely to say and see.

6. If you have a good friend in your life, how many times a year do you communicate with him/her? Should you communicate with your customers any less? Do you think your communication “goes deeper” with each and every communication?
7. People want to feel special, unique, valued, respected and care for. Your customers are dear and valued friends who have trusted you and valued YOU. Reciprocate by letting them know what you mean to them on a consistent basis.
8. Let the customer see the business through your eyes. Let him view the relationship through your eyes.
9. If you can't establish contact personally then have an operative do it on your behalf.
10. Treat your customers as dear and valued friends or relatives. If you did, how would your relationship change/evolve?
11. The name of the game you are playing is affinity. The more bonded you are to your customers, the more your business will grow broader and deeper. The more affirmed, valued, appreciated they are the more they will reciprocate. You must demonstrate through your efforts.
12. Try ongoing frequency of continuous communication with your customers.
13. Do not be self-serving.
14. Disseminate information.
15. Give them valuable ideas, recommendations, experiences, studies. Anything for the customer to be better educated, informed, knowledgeable.
16. Let in on the reason “why.”
17. Letters, calls and more letters on a continuous basis.
18. Try “change-up” pitches so a customer does not become acclimated to your information.

19. Send tapes.
20. Send interview transcriptions.
21. Buy the copy rights to a book and send it to your customers.
22. Tell them how you help another client.
23. If confidential material, do it without acknowledging the client.
24. Show them how explicitly they can benefit from the information you are sending.
25. Focus on doing all you can do, to help that client be the best they can be.
26. Send them valuable information on activities outside of your area of expertise. Show them that you care.
27. “Over-acknowledge” your clients.
28. Telephone them once a month. Keep them abreast of what’s happening right now.
29. People don’t appreciate what you are and what you’ve done for them unless and until you go through the effort of authoritative and respectfully educating them.
30. Offer free education.
31. To increase your affinity with your customers, send your communications more frequently.
32. Communicate from the heart about their interests, not yours. Make it a benefit for them. Educate, inform, suggest, share, recommend, tell them about new breakthroughs, etc.
33. Have your salespeople or service technicians communicate with your customers if you can’t personally.
34. Make offers.

35. Ask customers what you are doing wrong. But be humble and don't make them wrong for doing so. But look for the opportunity.
36. Send personalized notes, letters and cards. The less institutionalized it is, the more value it has.
37. Send thank you notes or notes that acknowledge their situation.

Be Proactive to Outsell the Reactive

Trust me, those gloomy estimates we've all seen are not exaggerated: As many as one-half of the small businesses launched in the United States this year won't be around by the end of next year. They will be little more than painful memories in the minds of the disappointed people who launched them. They will be business "failures."

The big question is, of course, "What causes so many businesses to fail?" Bad location? Lack of nurturing capital? Inexperienced owners? Massive miscalculation of market demand?

I blame "passivity." *Too many new owners passively wait for business to find them, instead of aggressively going out and finding it!* They think that hanging out a sign or a shingle is enough.

But it's not. That's a "reactive" way of doing business. Whether a company is brand new or has been around for years, it won't endure if its owner doesn't adopt, adapt, and constantly implement a "proactive" business strategy.

Which are you? Proactive or reactive? One quick way to tell is to count the number of times in the past year that you made a conscious, all-out effort to work your active and inactive customer lists.

You should be doing that all the time, because you spent a bundle of money to build your customer base in the first place, and if you leverage it properly it will give you a better dollar for dollar return than you'll ever get from trying to pull in new customers.

Let me prove that for you: Jot down the names of your ten best customers. Then, contact each one — first by phone and then by follow-up letter — and simply tell them that you want them to know how much you appreciate the business they've done with you.

Then, a week or two after mailing your follow-up letter, send those same customers another note and offer them a one-time preferential price on your product or service, or an opportunity to buy something in advance of the crowd, or an opportunity to buy a limited-supply item, or an opportunity to buy in advance of a price increase.

You might even offer them a *combination* of all those purchasing opportunities. I predict that you will get a surprising and wonderful amount of business simply by taking this one, simple, caring “proactive” step with your very best customers. *Do it, and let me know the results.* I can't wait to hear! I also predict that, when you write to me, you'll say “Jay, I can't wait to use a similar approach with my ‘next best’ customers.”

Contact with customers — active or inactive — is something you can't overdo. Please fix that firmly in your thinking. Unless you stay in close and constant communication with your patrons, you won't know what is happening in their lives — and that information can be invaluable business intelligence.

The Gold Mine Under Your Nose

Unless you're just starting out in business, or in a professional career, I'll bet you spent a ton of money to woo the customers, clients or patients you have.

And the same thing could probably be said about your competitors. Your customer list, or database, is a gold mine you may be overlooking.

But, a question: How effectively are you working that hard-won list of customers, clients or patients? Your existing customers are a resource that should be constantly worked and reworked because — if you faithfully do that — you will power up your sales and profits to a degree that can be absolutely astonishing.

And the cost of doing it — compared to the cost of going out after new customers — is incredibly cheap!

Yet, many people in business and the professions fail to recognize the importance of mining for gold in their own customer lists. Like prospectors with poor vision, they walk right over or past the gold mine without even realizing that it's there!

Even worse, they never stop to figure out what a customer, client or patient is worth to them over a lifetime of patronage.

To prevent marketing myopia from striking you, this is what I hope you will do — and right away:

Write or call your five or ten or 20 best customers, clients or patients and tell them how much you value their unflagging loyalty to your business or practice.

Don't be shy about letting your grateful feelings hang out. Tell your customers you're grateful. And — to make your appreciation of them more tangible — use the occasion to offer them a great price break on a new service or product. Or tell them you're sending them a free gift.

If you're in apparel retailing, you might alert your best customers to the coming arrival of a new dress line you think might interest them, based upon earlier purchases they've made, or certain style preferences they've indicated.

A friend of mine who is a roofing/remodeling contractor in California hit a dry spell about a year ago, and decided to go back to *his* best customers. He later wrote me a letter, explaining how his "mining" expedition turned out.

Here's an excerpt from his letter:

"I was able to land several jobs in the \$3,000-\$5,000 range, and one that will bring me in excess of \$30,000 clear profit for less than a month's work. The best part is the fact that I will not be involved in any of the hands-on work, and can devote my energies to getting more business."

Or, you might send out a raised-letter invitation, asking your top customers to attend an in-store "Best Customer Night" apparel showing and have a wine and cheese event.

There are many creative and compelling ways to express your thanks for the business that people do with you. And, when you unabashedly show your appreciation, you're also assuring that their support of your business or practice will continue — and will continue to grow!

Remember, your customers already like you. If they didn't, they wouldn't be doing business with you. In their minds (whether or not they have consciously thought about it), you are a leader, someone they respect. Voicing your appreciation for their business can only enhance your leadership image. Go out of your way to show them that you appreciate them, and the business they bring to you.

After the initial follow-up, communicate regularly with the customer. Again, this may be by phone or letter or some other means. The frequency will vary according to the type of business or practice you own, but a good benchmark is to stay in touch *at least* once every two months.

Use these communications to advise your customer of any new or expected merchandise or services they may be interested in. If you're writing a letter, start out by acknowledging them as a valued customer, client, or patient. Then go on to educate them about the beneficial product or service.

Make a solid, qualitative, benefit-based case for your product or service. In other words, tell them why you think they'd be interested. Then, if possible, ask them to try it out at your risk. Be sure to give them a next step. Ask them to call your office or store, request that they return the enclosed order form, suggest that they pay you a visit for a free demonstration.

Show A Continual Interest In Your Past Customers

People's circumstances keep changing. By merely showing regular interest and continually communicating with old customers and prospects, you increase your chances of a sale.

Use a combination of call/letter/call/letter/call, a sequence that is well honed to get new customers. Years ago I sold an expensive lead-generating service for companies that sold investments and life insurance — difficult sales. Our minimum sale was \$25,000. The only way I could sell the product was to contact a prospect through a series of seven different calls and letters over an 8- to 12-week period.

If I didn't do all seven — an introductory letter, followed by an explanatory educational phone call, followed by another letter, followed by another telephone call, all of which imparted product and marketing knowledge the prospect didn't already possess — I never closed a sale

Whenever I worked the system of call/letter/call/letter/call, I never failed to close at least 7% of the people in process in a 60- to 90-day period. I never knew who they would be, but anytime I tried to shortcut or consolidate, sales flopped.

Don't be afraid to try sending somebody seven consecutive letters to see what happens. Make each one a complete sales pitch and give full instructions and a request to order. Keep giving them reasons to avail themselves of your product.

Most people don't put forth a concerted, ongoing effort to sell. They don't persevere, they're not tenacious, they try one time and then give up. If you nurture and purvey a series of overtures, new business will enhance its closure rate many times. Experiment and find out for yourself. I think you will find it worthwhile.

To establish inroads with customers, your marketing must master the principles of successful human relations. The primary book on the subject is **Dale Carnegie's *How to Win Friends and Influence People***. Although you may have read this book before, it pays to thumb through it again and again. Anyone starting a business or buying a business or a franchise needs to carefully read this volume, clearly understand and apply its lessons.

. The older I get, and the more wonderful business people I meet and get to know and share experiences with, the more I am convinced that you have to put passion into everything, and anything, you sell.

Many people tend to get into business enterprises or activities they don't really love. But how can they expect to achieve superlative results if they're ambivalent, or even half-hearted and listless about what they're doing?

I don't want that to befall you. Not to scare you, or turn you off, but let me say that of the hundreds of clients I've worked with, I can almost tell — in advance — whether they are destined for success or failure. And I do that by assessing their degree of commitment to the product or service or industry they're in. In other words, I try to see how “passionate” they are about the work they're doing.

If you can't pump up real enthusiasm for what you do, then I say get into something that you can love. Close one door in your life and open a new one! Fall in love with what you're doing now — or find a new love.

Communicate personally with your customers or clients by phone or letter to maintain a strong, positive relationship. The best single example I have of this is American Express. I have three different American Express cards, two for my businesses and one personal.

I get more wonderful letters, more surprised certificates and gifts, more updates, more alerts, more communication from them than anybody else I have a business relationship with, and guess what? That subconsciously prejudices me to want to use my American Express card over the other cards I carry. Simple? But powerful.

Let's look at how other businesses use continual communication to increase their frequency of transaction. A chiropractor I work with sends letters out to his patients every four months. He calls patients personally twice a year. He alerts them to self-administrable screenings they can do, he tells them about new procedures he's got, and he offers them continual opportunities to come in for free services.

Does it work? Well, all I can tell you is that this chiropractor has a waiting list of people standing in line figuratively to try to get an appointment with him every day because he's booked solid for weeks in advance. That was not the case when I first met him.

I have an auto dealer in Australia who started following this procedure after he met me and he's reported that his business has improved 20%. They call, they send letters, they actually go out and visit their customers, they communicate constantly and strategically. There's an important distinction here. "Constantly" doesn't work if it's not strategic. And by "strategic" I mean it's got to be ongoing and purposeful, and it has to be self-serving for the customer.

Communicating to a customer or client and telling him how great you are doesn't do the customer a lot of good. Communicating to the customer and finding out how well their car is performing, offering them a free checkup, offering them a free oil change, offering them advice that will help them get longer use out of their tires, or be able to go further between tune-ups is a great service to your customer.

You've got to make certain that whatever strategy you use to communicate constantly with your customers or clients is one that always puts the customer or client's interest ahead of your own.

And, while we're talking about communicating continually with your customers, I'd like a distinction here. It's a very powerful one. I look at customers and clients as dear and valued friends. I'd like you to consider doing the same. The way I look at, I'm so lucky to have customers who are valued to me; they are old friends.

I'm deeply connected with them. I care about them far beyond their capacity to spend money with me. I celebrate for them, I empathize with them; I'm there for the agony and the ecstasy.

If you share that feeling, you've got more motivation and desire, just as you would with any good friend, to keep in touch. If you look at your customers and clients as dear and valued friends that you have the opportunity and the pleasure to stay connected with, it makes the process a lot more enjoyable, exciting and fulfilling. That's what I recommend you consider doing in your business situation.

Know where your customers are and where your prospects are — that's the first thing, and most people don't have that. When you know, then you've got to direct them, and you've got to continuously and ethically program them.

You've got to communicate with them frequently and direct them to bigger, better, continuous buying transactions by calling them, by writing them, by visiting them and by advancing and demonstrating to them why it's to their best interest — not yours — for them to buy more, for them to buy more often, for them to buy other components of products and services you sell.

Their life, or their business, or their situation, or their well being will be enhanced, protected or improved because of it.

But if you deny your customer or client access to you, you would be doing them a severe disservice. You *owe* your customers access to you. You also owe that access to anyone who's important to your customers. And if all those people are *not* important to you, you shouldn't be in

business... because then you're a sham, and sooner or later you're going to lose that relationship to somebody who cares about them on a deeper level.

If you really care about your clients, you owe it to them to communicate with them frequently — not just when they buy — and to care about *and for* them at the highest level. From time to time, make sure they know that you enjoy them, respect them and are deeply concerned about them and everybody in their lives.

People need a third perspective. People need an opinion. They need to be able to talk to somebody who really knows the score... who understands the situation... who lives and operates in the arena all the time. But they also need to be able to talk to somebody who is not going to answer them in a self-serving way — somebody who's not going to put their own self-interest ahead of theirs.

You should genuinely establish that conviction and commitment, and say to yourself, "I'm not going to offer advice or information that benefits me. I'm just going to tell the truth — the truth as I see it best... the truth as I think it serves the referral at the highest level, but the truth nevertheless.

And however the chips may fall, whether I'm the beneficiary or not, I'll know in my heart that the information I'm sharing is so valuable and so unique and so critically important to that person or business...that I have served my own referring customer or client so well — that they will be proud and know that I prize them at such a level that I would never sell out my own self-interest to somebody important to them."

If you can conduct yourself that way, it's remarkable.

In other words, if you come to me and I say, "Just talk about your situation and let's figure out whether you even need my consulting. Let's figure out what in the world you're trying to accomplish. Because you might have, right under your nose, more revenue and more profitability and more opportunities that you can capitalize on, long before I ever have to get involved. And if I have to get involved, maybe I have to get involved in an area you haven't even thought about that's going to be much easier, simpler and faster and far less expensive and far more profitable to you.

“I don’t want to just sell you my services. That would be doing you a grotesque disservice. I want to first of all give you the lay of the land... tell you the situation as I see it... share with you my point of view and my perspective. And then together, we’ll figure out whether or not you even need my services. Maybe there’s an easier, better, less expensive alternative. And maybe it’s my competitor, or maybe it’s doing it yourself. Maybe it’s buying a book. Maybe it’s going to night classes.”

Communicate Personally, Formally, and Consistently

Communicate personally, formally, and consistently with your customers by telephone or letter to maintain a positive relationship. Develop and establish an affinity with them, expressing your concern and acknowledgment of *their* situation — not yours — and communicate properly and powerfully.

Your role with your customers should evolve to the point that you are their most trusted and valued friend — as they are yours. Because a customer is a friend, and whether you realize it or not, when they have made a buying decision through you, that’s a commitment of faith and trust of the highest magnitude. It’s not just an economic decision.

So communicate frequently. If you don’t, why don’t you? If you do, how much more could you do? If you do, what are you doing now, and is it in the customer’s best interest or in yours? People don’t really care that much about what’s important to you. What they care about is what’s important to them, and not just about your product, but in their lives. In running a business they have customers to worry about, cash flow to worry about, management to worry about, personnel to worry about, growth to worry about, regression to worry about...

Individuals have families, health, love, physical problems, dreams and hopes — and all those things are things you should communicate with them about.

Chapter Three: Risk Reversal

Reverse Risk to Put Your Sales in Forward Drive

Reversing risk by offering a prospect your guarantee on anything they buy from you is a wonderful way to overcome buyer hesitation. And, yet, an incredible number of small-business owners and professional people are unwilling to assume full — and sometimes even partial — transactional risk.

That's shortsighted. It's also terribly unfair to customers.

Look at it this way: If a business owner doesn't think enough of the products or services he sells to stand behind them, why should customers buy from him? Why should they have to extend themselves and assume all the risk that the transaction involves?

By lifting risk from the buyer's shoulders and carrying it yourself, your sales proposition will be so much more powerful, appealing and embraceable that many more customers will break out of their shells and take advantage of your offer.

When companies use risk reversal, it's not rare for them to double and even triple their sales. A few customers will take advantage of your guarantee, to be sure. But so many more will buy that it will make refunds only a minor headache. And, even if you do get refund requests, it's not difficult to turn those complaints and requests into profits.

Skeptical about that last statement?

Then consider this:

I once signed a client whose main product was an item of poor quality. As a matter of fact, his returns on the item almost equaled his sales! He was in real, real trouble.

Recognizing that fact, I crafted a letter that apologized unreservedly for the poor product quality and offered each person who had purchased one of the substandard items a big savings on

some kindred products of good quality that we had picked up at incredibly low wholesale prices. We invited the customers to simply call and tell us which product, or products, they wanted.

The customers were assured that immediate shipment would follow, and that their account with us would be adjusted accordingly — refunding the difference, or billing their charge card the additional amount.

The customers loved us. They were able to dump a terrible purchase, and pick up some quality things they really wanted.

Everybody — including my client — came out of that experience a winner.

The standard guarantee is to offer customers their money back if they return the product within 30 days. A stronger guarantee is to let them try your product free of charge, billing them only after 30 days have expired. Stronger still is the “pay only if it validates” guarantee: The customer pays only if your product or service delivers them a value that is, say, five times the product price.

Carpet Cleaner

One client of mine who does industrial-scale carpet cleaning New England tied a skyrocket to his growth by using risk reversal. He talked a furniture chain into letting him test an offer of “lifetime” upholstery cleaning with each sale of their furniture pieces.

The effects were immediate and dramatic. Sales of furniture jumped, and my friend got all kinds of referral business and back-end sales in the process. And he hadn't spent a dime of his own money on advertising. The furniture people worked the lifetime cleaning offer into their own ads.

My friend told me that the fallout from that strategy — one combining risk reversal, joint venturing, and (for him) the use of no-cost outside marketing — gave him more business in just three months than he had done all of the preceding year.

Sure, a few people may take advantage of your generous offer. But many, many more will buy from you because of your guarantee. They will like the feeling of security and control that your guarantee gives them.

But if you still feel uneasy about offering customers a guarantee, ask yourself this question:

“How many of my customers (clients or patients) openly express dissatisfaction with my product (or service) over a week’s time? A month’s time? A year’s time?”

If your product or service is of good quality, the figures should be low, even negligible. So, if your customers are generally satisfied, you have nothing to worry about. Offer a risk-free guarantee, one that is very clear as to what it means.

For example: “If you encounter a problem with one of our machines, we will have a repairman at your house within 24 hours.” Include the strongest pledge you can live up to, and stress it in your advertising.

Removing the Risk

My best sale-closing principle is to take away the risk. Yes, I’m talking about a guarantee — but I want you to go beyond offering a standard money-back guarantee.

Suppose you sell photocopiers. A good risk-reversal approach might be to offer the machine on a ten-day trial basis. If the customer isn’t convinced of its merit and value after ten days, you’ll remove the copier and the client will owe nothing. No purchase should be considered binding until satisfaction is assured.

Removing the risk helps instill a high level of confidence in your prospects while costing you next to nothing on the downside. After all, even if a small fraction opt to return the merchandise, you’re still not out any product.

Don’t be afraid to be aggressive with your risk-reversal strategies, either. Every single time I have seen a business strengthen its guarantee, I have seen them increase business with no perceptible increase in refunds. Have confidence in the performance dynamics of your product or service — and be creative!

Put Your Business in Fast Forward Through Reversed Risk

Whenever any two parties come together to transact business, one side is always asking the other to assume most or all of the risk. That's a simple fact of business. The problem is, when the person who must assume the risk happens to be your customer, the natural inclination is to hesitate, to be suspicious and uncertain, to not buy.

What makes them hesitate? They're concerned that once they've paid you their hard-earned money, your product will not perform or your service will not meet their expectations. They may also be afraid of looking foolish or being embarrassed if the purchase doesn't turn out right or sound or astute.

In the end, your prospect's decision whether or not to buy will be motivated by two things: (1) their confidence in your product or service, and (2) the level of risk (consciously or unconsciously, explicitly or implicitly) you are asking them to shoulder in the transaction. These two factors are often inversely related: Lowering the level of risk for the buyer can increase the level of confidence.

Your challenge is to figure out the best way you can reduce or eliminate the element of risk or fear on the part of the buyer. *Take away the risk, and you lower the barrier to action — you make it easy to say yes.* And if your selling proposition carries less risk than your competitor's, customers not only will be more inclined to say yes, they'll be much more likely to buy from you over the other guy.

Three Ways to Reverse Risk

So, how exactly do you reverse risk? It's important to realize that risk reversal is a promise to your customer: "If you're not happy, I'll do whatever it takes to make you happy." Most companies that use risk reversal offer a simple money-back guarantee. That's one way to do it, but there are other, even better ways.

Although the number of potential risk-reversing offers is limitless, there are three basic types:

1. Total monetary risk reversal: The most common type of total risk reversal is the money-back guarantee, in which the seller promises to refund the buyer's money should the product or service not live up to expectations. A stronger (and more advantageous) variation is the "free trial" offer, in which the buyer does not spend any money up front. Instead, the buyer pays only after he or she has received, examined, and evaluated the product or service over a period of time (e.g., 30 days).

If you offer a risk-free guarantee in your business or you're thinking of adopting one, let me stress the following advice: Denominate what you're guaranteeing. So many businesses simply say, "Satisfaction guaranteed or your money back," or "You don't pay unless you're satisfied." But what does that mean?

The problem with these generic statements is that you force the customer to figure out what "satisfaction" should look like. It's much more effective to dimensionalize exactly what the customer can expect from the product or service. Speak in terms of specific performance measures.

For example, suppose you're selling vitamins or some kind of nutritional supplement. Don't simply say to your customers, "Your satisfaction is guaranteed — or your money back."

Instead, say, "If you buy a 60-day supply of this vitamin, we fully expect you to feel more energy, focus at a higher level, lower or eliminate altogether your sense of anxiety or stress, sleep more soundly, think more clearly, and work more productively — getting more things done in four hours than you used to get done in a day. If that doesn't start occurring before the 60th day of diligently using this regimen, you are fully entitled to a complete refund."

Do you see how much more concrete that is? You have denominated the outcome. You have painted a vivid picture in the mind of the prospective customer of exactly what satisfaction should look like. Specifics such as these will give your guarantee credibility and measurability — and make your business stand out in the process.

2. Better than total risk reversal: In this approach, the seller not only guarantees a complete refund if the buyer is dissatisfied, but also offers a bonus incentive that the buyer retains even if he or she seeks a refund. The bonus is usually a product or service that complements the primary focus of the transaction, although it could be something totally different.

For example, a magazine publisher may offer a duffel bag or camera as a bonus gift with a paid subscription. If the subscriber opts to cancel, he or she receives a full refund and also keeps the gift. The customer is given the privilege of keeping the bonus in exchange for their time, consideration, and efforts.

The better than risk-free transaction acknowledges and rewards the customer or client for having enough faith to commit to purchase, incorporate, and use your product or service in their life or their business. By adopting a better than risk-free proposition, you dramatically increase the appeal of the offer, because there's a bonus incentive on top of a risk-free deal.

3. Emotional risk reversal: With “emotional” risk reversal, you take steps to increase your potential customer's level of confidence (and reduce their fear) before they purchase. This type of risk reversal is often practiced by businesses and professionals for whom complete monetary risk reversal simply isn't practical.

For example, if you're a Realtor, it may be impossible to offer a 100% money-back guarantee on every house or piece of commercial real estate you sell — but that doesn't mean you can't reverse risk for your clients.

Using an emotional risk-reversal approach, you could urge prospective clients to first contact a dozen or so of your past customers. Your prospects could ask these previous clients about their overall satisfaction with your knowledge, skill, and commitment. By learning this information up front, your potential client gains confidence in you and faces substantially less risk than if he or she knew nothing about you.

Professionals

Medical practitioners, lawyers, and other professionals can use emotional risk reversal by offering free initial consultations to potential clients. For example, if you're a chiropractor, you might run into trouble with the state licensing board if you tried to guarantee results.

However, by offering a free initial exam, you get the opportunity to evaluate your potential patient, outline a course of treatment, and discuss potential costs — all without initial risk to the patient. The result: More prospects will visit your office, overcome their hesitation, and become regular, paying patients.

Who's Afraid of Reversed Risk?

Even though risk reversal has been documented to tremendously improve sales, it is still aggressively practiced by only a small portion of businesses. Why? One reason is fear. Many people in business and professional practice lack faith in the quality of their product or service — and they fear that reversing risk will ultimately hurt their business. They fear that people will take advantage of them, leaving them holding the bag and paying out excessive refunds.

Trust me — there's no need to worry. Risk reversal may sound scary, but I can tell you from experience (with hundreds and hundreds of companies) that your sales will increase many, many, many times over what you might pay out in refunds. Most consumers aren't looking to take advantage of small business owners — they just want to make sound, confident purchases from companies and professionals they trust.

Video Rental Store

Let me give you an example. One of my seminar attendees owned a video rental store. When Blockbuster Video muscled its way into town, almost all the independent video stores were driven out of business. But this guy decided to do something Blockbuster didn't dare do. He made his customers this incredible guarantee: They would enjoy any video they rented from his store, or it was free.

That's right. That was his offer — no strings attached. If you rented a video from him and didn't like it, you got your money back. Simple as that. Needless to say, his friends thought he was nuts. Surely everyone would take advantage of him, and he'd be out of business in a matter of weeks.

But guess what — this guy was flooded with customers. In fact, over the next three months, he increased his revenues by over \$96,000! And during that entire time, he had only one single refund. One. That's \$2.50 worth of refunds vs. \$96,000 in increased sales.

The point is, even though you may have a small number of customers who ask for their money back, these refunds are apt to be nothing compared with the tremendous business growth that an aggressive risk-reversal policy can generate.

If right now you have a 1% refund rate, there's nothing wrong with having a 3% rate when you begin promoting risk reversal — especially if the strategy increases sales 30% to 300%. You're way ahead of the game!

Can You Profit from Refunds?

And, in some cases, you might even be able to convert your refund requests into profits. Sound impossible? It's not. Some people may not really want their money back — they just want to move up to a higher level, to a better product or service. In these cases, you may actually make more money out of their dissatisfaction than if they were content!

Consider this: A friend of mine recently bought a lawn mower at one of the homeowner superstores. One of the reasons he bought it there was the store's liberal, no-questions-asked, 100% money-back guarantee. When the lawn mower didn't work the way he wanted it to, he brought it back. Sure enough, he got a prompt and courteous refund.

But no one asked him why he was dissatisfied. "I walked out of the store without a lawn mower," he told me, "but I still needed to cut my grass." If only the customer service clerk had asked what was wrong, my friend might easily have been convinced to try a different lawn mower — probably a more expensive one. It was a complete missed opportunity.

Remember: in one way or another, all refund requests are opportunities. Even if they're not an opportunity to upsell to a better product or service, they're at least a chance to learn something about your business. You can take what you learn and use it to modify your future sales approach.

Put Your Offer to the Test

If you're still concerned about the effect risk-reversal might have on your business, there's a very simple solution: test it. Before you make a full-blown commitment to a particular risk-reversal proposition, don't be afraid to try it out on a smaller scale.

You can try it out with one salesperson calling on ten or 20 people that come into your store. You could try it out one day at a trade show. You could try it in 25 or 50 letters you send out.

Ultimately, you are testing for two things: Number one, to find out how many more people say yes when you offer risk reversal than when you don't. I've seen this figure expand by as much as 200% or 300%.

It will definitely increase at least 20% or 30%. That's 20% or 30% more customers saying yes now — and presumably again and again in the future, generating recurring income and telling other people about you.

Number two, after you've sold to 20 or 50 or 100 people on risk reversal and seen that it increases your sales, do nothing for 30 or 60 days. Find out what (if any) the incidence of increased refunding or dissatisfaction is — and whether that dissatisfaction even cost you anything. You'll be able to determine your net advantage, how far ahead of the game you are.

Half-Hearted is Half-Baked

Once you've tested your risk-reversal approach and demonstrated, validated, and fine-tuned for yourself the maximum improvement it has on customers and sales generated, you're ready to make risk reversal universal throughout your business. The only other piece of advice I would offer you is this: Don't sabotage a great risk-reversal offer by adding a lot of qualifiers or conditions.

If you put excessive conditions on risk reversal, you are thwarting the very power and advantage this selling booster offers you. Don't make it hard for people to do business with you. Don't make it difficult for them to start a relationship. Don't put a huge hurdle up.

Of course, it's okay to require that the product be used within its recommended guidelines, that it not be subjected to factors that would interfere with its standard performance. Beyond that, however, any conditions or "fine print" you impose on a risk-reversal proposition will be counterproductive.

Don't make your prospects think you have something to hide. **State your guarantee and stand by it. Period. That's the high road to respect — and lasting customer commitment.**

Spread the Word!

If you think about it, most businesses out there — including yours — probably already have some sort of “silent” money-back guarantee. If a customer came in and complained strongly enough, you’d give them their money back. The key to turning this into a competitive advantage for your business is to develop the strongest possible risk-reversal offer and shout it from the rooftops.

Tell the world! Make it a prominent part of everything you do. Every selling communication that you employ should incorporate risk reversal. Make it a part of your ads, your sales letters, your promotions, your catalogs, your brochures, your sales and trade show presentations, your service policies, your customer service language — everything.

Remember: Your entire risk-reversal attitude should stem from the following philosophy: “My product or service is going to perform with greater results, greater benefit, and greater tangible advantage to my customers than anything else they could purchase. I believe this and I stand behind it.

I will make every effort to earn the trust, commitment, and satisfaction of my customers in the process. And if for some reason they don’t get this tangible advantage, I’m going to do whatever it takes to give them satisfaction, whether that means immediate service, replacement, or refund.”

If that’s the basis and grounding behind the way you operate your business from a risk-reversal standpoint, you will annihilate your competition!

Emphasize Risk Reversal

It’s not only important that you adopt a risk-reversal approach, but also that you trumpet it in your ads as well.

When your customers and prospects look at your ad and consider your product or service, they inevitably think about the potential risks of doing business with you. Your challenge is not only to eliminate the slightest possible perception of risk in the minds of your prospects, but also to take that risk away from your customers and place it squarely on your shoulders. I strongly believe that every ad should provide some sort of risk reversal.

Keep in mind that your risk-reversal offer has to be more than simply slapping the word “Guaranteed” on your ad. It has to be compelling, strong, believable, and, above all, legitimate. Instead of saying “Satisfaction Guaranteed,” you might say what that really means: “No questions asked, 100% money-back, 90-day guarantee.”

If you can honestly say that our product didn’t meet your expectations, we’ll refund your money with no hassles.” The latter obviously carries more weight in your prospects’ minds.

An Offer They Can’t Refuse: Develop a Powerful Risk-Reversal Approach

The key to developing an effective risk-reversal proposition for your business is to figure out what your customer wants most (results-wise) from purchasing your product or service. Then you guarantee them that outcome, using the strongest, most risk-free pledge you can make.

Before we develop the optimal approach for your business, let’s look at some of the companies or practices I’ve worked with that use risk reversal quite effectively. I’ll bet one or more of the following examples could be adapted to your business:

- A medical doctor guaranteed that you’d be satisfied with his service or there would be no charge — just tell the receptionist at the end of your appointment that you were dissatisfied, and the doctor would waive the charge.
- Tire chains and electronics stores doubled the difference back if you found items for sale at a lower price.
- A dentist guaranteed that if you had any pain in the procedure, there would be no charge.
- A real estate agent doesn’t guarantee to buy a house back, but he does guarantee that if you’re unhappy with any house you buy as a result of doing business with him, within one year he will sell the house free of commission. He also pays moving expenses to any other home up to \$2,000 and pays to connect the utilities.

- An optometrist who has the largest practice in Dayton, Ohio gives the first examination free of charge with no strings attached. Dermatologists and chiropractors also have conducted free screenings and initial examinations.
- A management consultant guaranteed his clients a minimum of 15% measurable improvement in productivity in the first year, or he would refund 100% of his fee.
- A book publisher would not deposit your check for 30 days to ensure that you had enough time to read his books and to see whether they provided you value.
- A mini-warehouse added \$1 million by giving you the first three months free for signing a 15-month program. If you were dissatisfied at that time, you got to move out and received a 100% refund. They also provided a moving van and the equipment free of charge and gave you the locks too, as a gift.
- A specialty newspaper publication in San Diego guaranteed people a minimum return on their ads if they allowed the newspaper to help create them.
- An independent grocery store would say, “I think you would enjoy eating lunch in our deli, but let us buy you a light lunch today.” They would give you a little half-sandwich and a glass of lemonade or coffee for free. They built a \$50,000 lunch business that way!
- A carpet cleaning company more than quintupled its cleaning service by sending out certificates good for two rooms cleaned for no charge — no strings attached. They did such a good job cleaning the carpets of the first two rooms that the people would have them extend the service in their home to an average of six rooms.

As you can see, the possibilities for reversing risk are practically limitless. Now that you've got your brain warmed up, I want you to answer the questions in the worksheet below. This simple exercise will help you come up with a risk-reversal offer that's ideally suited to your business — and your customers.

Once you've put it to the test, I want you to write me a quick note and tell me what risk-reversal approach you chose — and how it worked for you. Every time I talk about risk reversal, I'm always impressed with the unique, innovative propositions people send me. Chances are, your new risk-reversal approach will become one of those shining examples. Better still, it will put you on the fast track to tremendous business growth. I guarantee it!

Don't wait another minute. Grab a pencil — and grab success.

Risk-Reversal Questions:

1. What does your customer or client want most from purchasing your product or service?
2. Based on the end result your customer is seeking, write down a very clear and specific description of what "satisfaction" should look like for them. (Be sure to specify a time frame: immediately, 30 days, 12 months, etc.)
3. Describe the strongest possible approach you could take to guarantee that specific result to your customers or clients (complete refund of purchase price, no-risk trial prior to purchase, etc.).
4. What free bonus products or services (of nominal cost but with high perceived value) could you offer to make your guarantee better than risk free?
5. If your business doesn't lend itself to money-back guarantees (such as real estate, medical practice, legal practice, etc.), what alternative ways could you reduce risk for your clients, customers, or patients? (Consider partial guarantees, informed decision-making aids, free initial consultations, etc.)
6. Write out your risk-reversal offer the way you would state it to your customers.
7. Given your current approach to marketing and sales (use of display advertising, telemarketing, direct mail, sales force, etc.), write down the best strategy for testing your new risk-reversal proposition over the next 30 days.

Turn The Tables on Risk in Your Sales Proposition

Turn the table on the risk factor when making a sales proposition.

Customers always see risk as being predominantly borne by them — not the salesperson or business.

If you are the first company in your field to remove that obstacle and assume the risk for the customer, you'll gain an incredible advantage. Most businesses de-emphasize the guarantee. If you emphasize the guarantee and give customers something valuable as a bonus, you'll probably get the sale

If you can't guarantee your product or service, we strongly suggest you find another line of work. Believe in your offering and guarantee it. If you don't believe in it, find a product or service you do believe in.

You know more about your product and service as the vendor than anyone could ever know as the potential buyer. The fact that you want someone to give you money when you're not willing to stand behind your offer makes absolutely no sense.

Risk Reversal Is A Strong Conversion Technique

Face the facts. The marketplace is ambivalent — even apathetic towards purchasing anything (especially making major purchases). And people are practically paralyzed by the fear of making wrong decisions. If you can overcome that fear or reluctance to take action by offering to guarantee their purchase and reverse the risk of buying, you'll get a lot more business.

Think of it this way... If a customer comes back to you with a problem, a complaint, or a change of mind, you'd probably give him back his money anyway, right? But few companies have the willingness to make the guarantee of risk reversal a strong part of their sales proposition.

Far too often, companies make the buyer bear the risk. That's a big mistake. By turning the tables and taking all the risk off the buyer and assuming it yourself, your sales proposition is so much more powerful, appealing, and embraceable that considerably more customers will break out of their paralysis and take advantage of your offer since there's no risk on their part to do so.

Body Builder

Here's some sample copy to get you going. I wrote this as part of a promotion for a bodybuilding client:

Your Bullet-Proof Protection...

"If, by the 90th day of training on Power Burst principles, you haven't nearly doubled your strength and improved your size and/or muscle definition a bare-bones minimum of 20% or better, I want you to write and tell me, and I'll gladly refund your entire purchase price on the spot – no questions asked.

On the other hand, if my Power Burst Training method produces incredible results for you, I want you to not only write and tell me about it — but tell your friends too!

Even if you decide to stop the program or send for a refund, I want you to keep the \$500 weight training video program for your faith in me now.

Leo Costa, Personal Weight Trainer"

My Most Liberal Guarantee Ever

Here is the most liberal guarantee I've ever written (or seen):

Jay Abraham's Totally Risk-Free 100% Money-Back Double Guarantee...

Purchase as many sets of transcripts as you like. Read them over thoroughly (perhaps several times each). Then, take the ideas you get from them and immediately put them into action.

If you discover that the ideas you use don't pay off, you can get a refund of every penny you paid up to nine months after you order your transcripts! That's right, TAKE NINE MONTHS TO DECIDE IF THEY'RE ANY GOOD OR NOT!

Or, if you read Jay's consultation transcripts and you feel right away that the information isn't useful or appropriate for your situation – and you honestly can't use any of the ideas you get from it – Jay will refund your entire purchase price on the spot. No questions asked. No hard feelings, either.

And here's the best part: Even if you decide to ask for a refund, Jay will send you Gary Halbert's Advertising Brainstorming Transcript (valued at \$2,500) absolutely FREE. Why such a generous guarantee?

It's Jay's way of assuring you that – in the remote possibility that your business is so unique or difficult that not even his principles can help you – you won't have to pay for something you can't use. Jay is purely "performance based," and if you honestly can't benefit from what he teaches or advises, he doesn't want your money. It's that simple.

However, you'll never know until you try. And that's why he's giving you nine months to validate his concepts beyond any question – not that they merely can help you make money, but that they have helped you make money. If they don't, you're not out a dime. Instead, you get a \$2,500 bonus just for your trouble! He can't possibly be any fairer.

Before you get scared about reversing the risk to your customers, let me tell you this irrefutable fact. When a company reverses the risk and assumes it for the customer — double or triple sales increases are often the result.

Yes, a few customers will take advantage of your guarantee. But, as a rule, so many people will buy from this strategy of reversing the risk that the refund or return levels are virtually unimportant. Even if you do get refund requests, it's easy to turn those requests and complaints into compound profits.

Guarantees And Warranties

- State your guarantee and warranties in the strongest possible, legally permissible terms — and repeat or refer to them often throughout the mailing package.

- “Sell” your guarantees and warranties right from the start — beginning with the front of the mailing envelope.
- If your guarantee or warranty is stronger than most others in the same field of business, call the recipient’s special attention to this fact.
- A full, one-year, money-back guarantee on a new business book was a powerful selling point.

The Power Of Risk Reversals And Preview Periods

Most companies offer customers 7, 14 or 30 days to try a purchase or own it. I came up with 60, 90, 120, even 360-day money-back offers. I take the risk on my own shoulders (or my client’s shoulders) instead of leaving it on the customer’s.

Furthermore, I give that customer two or three times the needed review period to make the purchase non-threatening and non-intimidating. Finally, I throw in a bonus worth almost or more than the cash purchase price I’m trying to get. And the customer keeps the bonus even if he or she asks for their money back thus, a better than-risk-free proposition.

In many cases, it has tripled up-front response and increased returns by a negligible amount.

I always use it risk reversal. When most people give their customers a short-term purchase guarantee, I give mine many times that usually offered. If the industry norm is a 10-day guarantee, I’ll give 60 days; if the industry average is 60 days, I’ll give nine months or a year.

If the industry norm is to ask the customer to make a great effort when seeking a refund, I require virtually no effort. I tell my customers, “Don’t even send back the product, you need not tell me why you want a refund. I’ll send you an immediate refund the day you ask for it. No questions asked, no hard feelings.”

Taking the risk off the customer and placing it solely on your shoulders indicates how confident you must surely be in the performance, quality and level of customer satisfaction of your product or service.

Furthermore, it costs them nothing (in risk or difficulty of seeking a refund) to try your proposition out.

Better Than Risk Free Guarantees

THE BETTER-THAN-RISK-FREE-GUARANTEE is a concept I use constantly. (It's an extension of the "ethical bribe.")

Allow the customer to keep the most valuable bonus or bonuses even if they ask for their money back. Even if the customer asks for a refund, they come out hundreds or thousands of dollars ahead just for having tried your proposition.

By adding a better-than-risk-free guarantee to a standard offer, you can increase the response or profit of that offer.

Granted, you will have to pay off more on this basis, but the two-to-three-times increase in front-end response overwhelmingly makes up for the modest increase in refund expense.

Again, by offering the better-than-risk-free guarantee and allowing the customer to keep a valuable product or service even if they ask for a refund, you convey your confidence in your product's ability to perform to their satisfaction.

It's obvious that if you had to pay off often, you'd lose your shirt. The better-than-risk-free guarantee implies that your offer lives up to its promise.

By offering to reward the customers for their effort or trouble, the better-than-risk-free guarantee acknowledges their value to you.

Performance Guarantees

Offer risk-free assurances of satisfactory performance. This can be done several ways. Tell them what your guarantee really means. You could say:

"The bill isn't due until the machine is functioning properly for at least one hour," or "We will bill you instead of asking to be paid on the spot,"

Or,

"The job is not considered complete until the repaired unit performs perfectly for at least six months,"

Or,

"After the job is repaired, a senior supervisor will personally reinspect the repairs to assure absolute satisfaction and performance."

Let your imagination run wild and you'll formulate a list of assurances that works best for your business.

Offer Extended Guarantees and Incentives

I don't think enough companies who are contemplating any type of marketing endeavor consider the importance of giving their customers and prospects adequate incentive.

Typically, we think more about our needs rather than the needs of others. Most marketing failures can be attributed — at least in part — to failure to provide your prospective customer with adequate incentive to buy.

Incentives can take on many forms and are conveyable in many ways. The most logical marketing incentive is in the form of a money-back or risk-free or better-than-risk-free guarantee, but incentive is conveyed in many other ways, too:

One example is the incentive of benefits (bonuses) that will accrue to the purchaser if he or she acquires your product or services for the first time or as a repeat sale.

Or, the incentive of the lack of problems, grief, distress, failure or loss that acquisition of your product or service represents.

Or, the incentive of being an elite or privileged member of your corps of buyers who enjoy possessing the Cadillac of performance or status, or whatever other attribute your product or service can promise.

Other incentives include the informative, attentive, and pleasurable experience that dealing with your company represents to the prospect. Convenience and after-purchase support are additional incentives you might offer in your marketing. Incentives should become the key focal thrust of how you craft all of your future marketing concepts.

The Definition of Incentive

Look at the literal definition of incentive:

Something that incites or has a tendency to incite determination or action.

You want customers to determine that they want or need – or at the very least desire – to try out your product or service risk-free. And the more incentive you can offer them to compel them to want the generic product or service you vend, and to compel them to select your product or service over all the other generic alternatives available to them — the better.

Incentive impacts virtually every facet of successful marketing. What is the incentive you offer your sales, advertising and promotional employees and outside vendors? If the incentive you offer isn't compelling enough, they'll either only modestly perform or they'll favor someone else — someone who offers greater incentive for their effort, loyalty or achievement.

Look at every facet of possible incentive to determine how to incorporate its bounty into all your marketing endeavors.

Keep in mind that the flip side of incentive is penalty. Sometimes it pays to underscore the negative side of not responding to the incentive such as loss of value, comfort, prestige or wealth. The same goes for lack of performing in your service. Punitive incentive for nonperformance is also a powerful contrast factor to compel someone to act.

Here are a few other thoughts on the subject of incentives as it applies to your marketing endeavors:

State your guarantees and warranties in the strongest possible, legally permissible terms — and repeat or refer to them often throughout the mailing package, sales presentation, or telemarketing script.

Sell your guarantees and warranties right from the start — beginning with the front of the mailing envelope.

If your guarantee or warranty is stronger than most others in the same field of business, call the recipient's special attention to this fact. A full, one-year, money-back guarantee on a new business book is a powerful selling point.

You Must Sell The Incentive

Don't presume that people clearly (or perceptively) comprehend a given incentive you may abstractly broach upon. Take plenty of time to clearly and progressively educate, explain, and develop an incentive-based advantage to your prospect so you're certain they fully understand it and its impact upon their possible buying decision.

In contrast, review in summary all incentives or penalty aspects of your offer at its conclusion to restate the proposition clearly for your customer.

Without incentives, few people will be attracted to your products or services. Write down all the direct, indirect, and impacting incentives that affect your business, and experiment with presenting them in your next marketing affects.

Offer A Guarantee That Is So Extraordinary And So Profound That No One In Your Whole Marketplace Would Dare Compare With It

Take this example: I consulted with a gentleman who owns an insurance company. I asked him what kinds of guarantees insurance companies currently offer. He told me that most insurance policies take 35 days to be issued, and then the company gives the customer a 15-day look-see to allow them to cancel the policy if they decide it's not right for them. So, this gives the customer 50 days to decide whether or not to keep the insurance.

So I suggested, "Well, why don't you add ten days to it? Tell your customers that you'll give them 60, not 50 days before you'll consider the sale final. So after they sign up, anyone who finds a better value in the total value package in the next 60 days – not just price, but coverage and everything else (and they can go to every insurance company they want to) you'll give them all their money back. You yourself could offer, if you have to, to underwrite any loss. No one else in your market does that."

I also told him, “The truth of the matter is that 99% of the people who are going to exercise a cancellation are going to do it up front. They’re not going to wait until the 51st or 59th day. So your risk is minuscule in adding those 10 days, yet it really sets your offer apart from your competitors.”

Elaborate on the Concept of Risk Reversal

Even if you’ve done a fabulous job of selling, people may be reluctant to buy from you because of the competitive marketplace, fear, or simple inertia.

How do you overcome their reluctance and close the sale? The key is to transfer the risk from the customer to you.

After all, you already know that your product will meet your claims. The customer, on the other hand, has to go on faith. So you should be willing to back up your product with a strong guarantee.

The standard guarantee is to offer customers their money back if they return the product within 30 days. A stronger guarantee is to let them try your product for free, billing them only after 30 days have expired.

Stronger still is the “pay only if it validates” guarantee: They only have to pay your invoice after your product has made them, say, five times the price of the product.

Or, you can offer them one of my favorites: The “better-than-risk-free” guarantee.

Will customers take advantage of you when you offer a strong guarantee? A few will, but the money you lose on those customers is a tiny fraction of the increased sales you’ll get by offering the guarantee in the first place.

The Better-than-Risk-Free Guarantees with a Bonus

This is one of my favorite forms of risk reversal. Here's how it works:

In addition to the usual money-back guarantee, you offer the customer free bonuses that they'll receive along with the product. (Ideally, these bonuses cost you very little, but have a high perceived value.)

The better-than-risk-free offer is this: The customer gets to keep the bonuses even if he returns the product.

I recommend that when you make your offer, you explain it this way: "These bonuses are worth more than \$150, so even if you decide to ask for your money back, you'll be \$150 ahead just for trying my product." Stated this way, it's almost irresistible, isn't it?

Use risk reversal

Whenever two parties come together, one is always asked, whether it be implicitly or explicitly, to bear more of the risk in the purchasing transaction. To the extent you can assume almost all, or even all of the risk in the transaction ... when you can make the proposition so risk free that the other side has more to gain by trying than not trying your product or service ... you're going to make it easy for people to get started dealing with you. You're going to lower the barrier of entry.

It's just plain smart to reverse the risk whenever possible.

Offer extended guarantees and incentives...

Offering extended guarantees and incentives is similar to the concept of risk reversal. The longer you offer a performance guarantee, the more people will avail themselves of your product... but the lesser number of people will execute on the guarantee provided the product really performs.

If the product doesn't perform, don't give any guarantee, because truthfully, you'll get burned. If it does perform, and it performs better than most everything else you're competing with (or at least as well as), you've got very little to lose as long as you sell it on a high integrity basis and with proper acknowledgement of its attributes.

You have almost nothing to lose by giving very aggressive guarantees. When we sell things we give very long (18 months, 26 months, 3 years) guarantees on many products — because the longer a product is out, the less people are going to worry about performance; the more they're going to really get into the product, and the less fearful they're going to be about getting taken advantage of.

Use long and generous guarantees. It will save you a fortune.

Take the Risk Out of Relationships

Unfortunately, not all of your customers (or clients or patients) are sweet or responsive. Some, in fact, are stereotypically tense and suspicious individuals who approach any transaction filled with fear that they will spend money and regret it later on.

If you can melt their icy worry about monetary loss, you will win them over as customers for a lifetime.

The way to make that happen is to guarantee every purchase they and all other customers make with you. Completely dispel any notion they might have that they, not you, are at risk. Risk reversal is one of the most powerful of all business-building tools, and one that can give you a major edge on your competition.

In risk reversal's most effective form, the seller (that's you) assumes all risk. All of it, and the buyer (your customer) assumes none of it.

Each business will have a potentially different reversal, and it may be dictated by your product or offer. For example, if you perform a service, you might agree to take no payment until they tell you they're more than satisfied with the work you did. Or, you could offer to do a job over at no cost to them.

Risk Reversal in Action

In my office and home in California I have stacks of testimonial letters I've received over the years from consulting clients, or from people who have participated in one of my many marketing seminars or purchased my books. Many of those letters were written by people who wanted to tell me about their successful use of risk reversal.

Some business people I've known have adopted risk-reversal policies that don't go far enough to truly attract and benefit and advantage their customers.

I call that "half-hearted risk reversal," or "reversing the risk with your fingers crossed." In a few cases, it's even worse – it's a grotesque form of self-delusion. If you give the customer a tiny little advantage, and then talk yourself into thinking that you have given them something that is immensely generous and of great and overarching value, you're only fooling yourself!

I urge you not to fall into that trap. Don't load up a risk-reversal offer with a lot of qualifiers and conditions and fine print. If you do that, your customers, clients or patients will quickly see through the offer you're making and react negatively, instead of positively.

Customers like to think that they can't go wrong taking a risk-reversed offer. They don't want to read a "risk free" headline that is followed by fine print stating "risk-free every day except Monday, Tuesday, Wednesday, Thursday, Saturday, and Sunday." Customers want Friday, too.

And they don't want to read fine print that tells them that, to get a refund, they'll have to go through some contorting, complicated, legalistic procedure.

So, again, my recommendation: Reverse the risk, but do it straightforwardly and to the absolute limit that you can go so that your customers will clearly see the benefit and goodwill in what you are doing.

Risk Reversal Should Be Integral to Your Selling Process

Many more business and professional people should make the guarantee of risk reversal an integral, powerful part of their sales offer just as the people I told you about are doing. But risk reversal, especially total risk reversal, is still a struggling concept.

It's not in wide use. That's sad, because if we in business believe in what we're selling, we shouldn't hesitate to take all risk off our customers' shoulders and put it on our own.

How often have you seen the very prominent display of a "Your Money Back With No Questions Asked" sign in a retail store or restaurant?

Could you quickly cite an advertisement that you've read in a magazine or newspaper recently that highlighted a full-refund policy?

Don't be afraid to reverse the risk. Your customers will respect you for doing that and your business will flourish. I have used the concept in my own seminar business and I can tell you from that first hand experience that it is a winner.

How to Build an Effective Guarantee

As you no doubt realize by now, I strongly believe that all business and professional people should be willing to guarantee the satisfaction of their customers, clients or patients.

Once you embrace and accept the concept of "your money back, no questions asked, if you're not satisfied," here are two steps that I want you to take:

1. State your guarantee in the strongest language permitted by law or local business regulations. Don't whisper the guarantee. Make it easily heard or seen in all your written or broadcast advertising, and in your oral sales presentations. If you are also in the mail, put it on your envelopes.
2. If your guarantee is stronger than that of your competitors, be sure to say so, loud and clear. That way, prospects will recognize your uniqueness, and be motivated to deal with you instead of with "them."

Use the Strongest Guarantee You Can Offer

Guarantees give customers a sense of security and control in transactions. A strong guarantee can remove the last measure of doubt in the mind of a customer who is "on the fence." That's why I say: Use the strongest guarantee that you can live up to.

Turn the tables on the risk factor with a complete "safe-purchase" guarantee, since the customers usually see the risks being borne by them — not the merchant

If you are the first company in your field to assume the risk for the customer, you gain an incredible advantage.

Most businesses de-emphasize the guarantee. But make sure you state a long enough term within which the no-risk guarantee is in effect so that the customer feels very secure about his/her purchase. If you emphasize the no-risk guarantee for a comfortable amount of time and give customers something valuable as a bonus, you've probably got a sale.

Take The Risk Out Of Buying

Most companies make it extraordinarily difficult to do business with them. I make it easy. Here's how.

Let's say I'm selling you a product. I tell you about the silly guarantees other people make. I tell you that's too short a period of time, that I wouldn't buy it and risk my money.

Then I tell you about my guarantees, which are 12 times better. I don't stop there. I add bonus that are better and more valuable than the product itself. I make it clear that if you try it and don't like it, you can send it back, and you keep the bonus.

Most businesses put the risk on the customer, not the company. When people call in, staffers aren't cooperative. They're abrupt. There's no continuity or harmony. Because the employees aren't plugged into the main theme – the USP – they actually make it very hard for people to buy.

That's disastrous. Getting a customer is the hardest thing you'll ever do. Keeping him (once you have good will) is like coasting downhill on a bicycle.

Make it easy, delightful, exhilarating and pleasurable for people to buy, and buy again from you. Make it inviting; make it nice. Extend yourself to people. Do what the other businesses don't do.

If you own a restaurant and you've got a regular customer, buy him a free piece of cake or pie and know his name. If you operate a dry cleaners, surprise the lady who always comes in on Wednesdays with a free service.

Extend yourself. It's the cheapest and most worthwhile investment you can make. It costs so little to make things easy for people to buy, and it can make you so much!

Build Trust with Your Guarantees

Most people take for granted the implications and the perceptions the marketplace has on the subject of guarantees. Don't assume, for example, that just because you unequivocally guarantee money back, or you say "money-back guarantee," or you say "full guaranteed," that the ramifications are completely evident to the customer or the prospect.

For example, I had a client that I wrote a very compelling subscription offer for. In the offer we gave the people a couple different provisions. If they were uncomfortable with going full term (which was approximately \$100), we encouraged them to go for a short-term preview sampler for only ten weeks at only a fraction of the cost.

When the client saw the ad, he nearly freaked out. He was appalled that I would consider a lesser-priced option. His comment was, "Well, we're giving them a guarantee. Why would they worry?"

I explained my concept of risk and stair-stepping your prospect to your level.

I explained that you've got to garner their trust, and sometimes it's a lot easier to compel somebody to spend just a little. Try it out. Take it for a ride around the block. Kick the tires. See if it is what you want. See if it can help you. See if it really makes you money. If it does, I want you to go forward. If it doesn't, I want you to take all your money back and not be put out.

I think it's very important that you pay more attention to crafting your own marketing for your salespeople, telemarketers, clerks, ads, commercials, direct-mail pieces, and service people out in the field. Really focus on the guarantee and place more attention on the risk transference.

I read an ad recently. I loved what the ad used – the concept of a quibble-free guarantee. I've used the concept of a better-than-money-back guarantee for a very long time, where I'll always give somebody a bonus that they get to keep even if they ask for their money back for having taken the chance on me.

Years ago Howard Ruff conjured something up, and I've actually used it myself. After he talked about the guarantee, he told you that if you want your money back, there's "no hard feelings and no questions asked."

Take Your Customers on a Journey

Taking the customer or prospect on a quick journey to explain to them what you expect them to do to avail themselves of the guarantee is important in your marketing.

For example, you tell them that you expect them to try it, you expect them to paper trade, you expect them to see if it makes the money, you expect to see if it makes their life more enjoyable, more fulfilling, makes them money, or whatever, before you'll consider the sale firm.

And only then will you consider the sale firm, and you'd want them to keep the product or consider that you really deserve to bank their money.

Something else a lot of people have been very successful with is the concept of holding the check for 15 days, or 30 days, or 45 days, and letting the customer avail him/herself of the product or the service, before considering the sale complete.

There's a lot of different possibilities. It's just so very important for you to be more mindful of the fact that just because you say "guaranteed," the customer you're addressing doesn't perceive the risk-freeness that you may intend.

Marketers are afraid sometimes to embellish and really put the ramifications and essence of their guarantee in the forefront. They're fearful that people will take undue advantage of them.

That's not the case. Rather, the more you confidently extol the no-strings-attached comprehensiveness of your guarantee, the more alluring you will be, and far more people will avail themselves of it.

Certainly, a finite fraction will ask for their money back, but it's normally inconsequential to the enhanced number of people who will take advantage of your offer because of the guarantee.

If you're not really addressing that guarantee and really not focusing on the risk-freeness, and the risk transference, and the better-than-risk-freeness, and kick the tires, and the quibble-freeness, or the other ramifications of resistance alleviation in your marketing... Shame, shame, shame on you.

Improve your focus on the guarantee, improve your salesperson's ability to embellish it, and chronicle the application that you expect them to go through before you consider the sale complete.

Incorporated into your letters, into your ads, into your commercials, into your telemarketing, into the presentations your clerks make when they're trying to close a sale in your stores, and you will be very pleasantly surprised at what a minimal effect it will have on refunds and the like.

But you will vastly improve your sales, and you will profoundly improve the repeat factor.

How to Strategically Implement Risk Reversal

So the strategic mindset in risk reversal is multi-faceted. The first is to succeed today, you don't have to have just an advantage. You have to have the only solution to the problem that no one else sees. You've got to have the only understanding of the opportunity that nobody else perceives.

You've got to have a distinctive, differentiated superiority that is so massively, instantly and compellingly superior to: 1.) the alternative 2.) doing nothing.

And the alternative is not just your generic competitor because the problem may be singularly, but the means to solve it today are multiple. It's not just other generic competitors that you deal with. It's all kinds of other alternatives and the biggest alternative is #2 --- doing nothing. Equivocating, procrastinating, contemplating. You want to avoid or overcome all those.

So how do you do it? Well, the easiest and best way is to first of all commit to make it easier to say yes, than to say no or to say I don't know.

How do you do that? You convert the selling proposition to an offer to try out the product, the service, its result, or the equivalent (we'll talk about that in a minute) in a way that is more practical, appealing and compelling than doing nothing.

Keep in mind any time two parties comes together to transact anything, business, romance, fraternal --- anything --- one side is always consciously or unconsciously explicitly or

implicitly, knowingly or unknowingly asking the other to assume all, most or even more than all of the risk in the transaction and the risk is not tangible. It's intangible.

In a business transaction, it's the money. It's the time. It's the disruption. It's the element of it not working out and compromising the inner workings of the success or the continuation of the business. It's looking bad. It's blowing up. It's all kinds of different things.

In a relationship, it's making a bad interpersonal decision. In a fraternal regard, it's trusting someone who buries you. It's aligning with somebody who turns out not to be the right person. If you're involved in a civic or charitable activity, it could be people rallying around you and finding out that your idea's wrong.

So what you need to do is figure out, first of all, to be able to identify in the transaction every tangible and intangible, what I'll call flashpoint. Risk point. Point of concern. Point of impediment. Hurdle that people have to mentally, transactionally, financially, credibility-wise, work through.

You've got to think through everything that could go wrong afterwards that they may be subliminally be struggling with, every future paced negative that could happen and you've got to figure out, first and foremost how to overcome that potentiality ahead of time in your sales approach by performing the due diligence for them, by affirming to them that this could happen with some people but here's proof that it won't and here's proof that it doesn't.

But after you've allayed their fears by addressing all those possible scenarios, you do it in the pre-sale approach, and then you make them a proposition which eliminates any of those potentialities from happening.

To the extent that you can, depending on the product or service you sell, you don't just guarantee the sale because that doesn't really deal with the issues. People say, "Well, I guarantee the sale. I told them money back if unsatisfied." But that doesn't really deal with the issues.

The way you deal with the issues is to incorporate them dimensionally and contextually into the selling process --- the risk reversal. And how do you do it?

Well, you take them on a journey through what in N.L.P. (Neuro-Linguistics Programming) is called future pacing, which is taking them forward into what it should and would and must be like in the future or you will not consider the purchase binding on their part.

There's a lot of ways to do this. A couple of the more universal that you might want to choose from are: 1.) saying to somebody, We don't even consider the purchase, complete or binding on your part until _____ (and then you fill in the blanks) --- you've had a chance to have our product or service working in your business for thirty full days.

Or you've seen at least seven examples of it working, or you've gotten a chance to look over the shoulder of your accountant and see that you've saved at least 15%. Or that you've gotten at least ten people to tell you how great you look.

Or until your wife has told you what a finer person you are. Or until your sales people have closed at least seven more sales. Or whatever tangible method of denominating and validating improving. So that's the first thing.

Or if it's intangible, then you denominate that: We won't even consider the sale binding on your part until _____ (and then you fill in the blank)...you've had thirty solid days of feeling like a million dollars or you've jumped up in the morning with more energy than you've had in the last ten years or that you honestly wake up in the morning and look in the mirror and say, I feel like I did twenty years ago or I look better than I have or your pants aren't a full size smaller. And you figure out whatever demonstrable reference point clearly presents an irresistible outcome they want.

You tie the guarantee preferably and firstly and whenever possible to a clear outcome and then you disclaim it, not to be wimpy, but you say, is there any catch? Yeah. Only one, which I think you'll consider quite reasonable.

You've got to do your part. We can give you massively more energy. We can give you a youthful looking body. We can give you a handsomer, sexy body. We can give you 20% improvement in productivity. We can give you a vacation to die for but only if you do your part.

If you don't follow the regimen, if you don't apply the software, if everybody doesn't use it, if you don't basically follow the itinerary, then you're not going to get the end outcome, so we

only ask that you agree in the transaction on your part. You do that and we have no problem guaranteeing you, in writing, that if it doesn't do _____ by _____ then your money back.

Now that's optimal. **The strategy is making it so hard for them to say no because you take them forward in time to the result they want and desire. You've eliminated all of the restrictions, the reticence, the uncertainties, the concerns,** then you take them forward and project what it should and must be like and if it isn't that way, as long as they also do their part, you have no problem taking away the risk.

Because you say, "All we'll ask is you to prove to us that you did your part. If you don't want to do your part, you shouldn't do it, but why would not want to do your part because I can't believe someone wants to go on being twenty pounds heavier or someone wants to be only 80% of productivity, that someone wants to go on being only a third as handsome, or somebody going on looking twenty years older than they have to."

Risk Reversal Improves Your Performance

About 80% of all products or services can be sold on a risk reversal basis and when you do something very important will happen. It'll make you and your product and your team perform better. You will go to lengths to ensure the product does perform at that level if they do their part, and if they don't it negates the guarantee anyhow.

So the other approach is there are certain situations you just can't fully guarantee the outcome. Unless you're extremely wealthy or omnipotent you can't fully guarantee the transaction so instead of saying, I can't guarantee the transaction. You've got to use the part of the transaction that you can guarantee. And the strategy here is you look at the competition and realize that if they guarantee nothing and you guarantee even part of it, you've got preemptive superior advantage.

Two Examples of Risk Reversal

Real Estate

The easiest example I give is real estate. Most realtors can't afford to reimburse the purchase price for a house. So you would say risk reversal doesn't work. And I would say, Au contraire. Strategically, it does.

Here's how you do it. You go to somebody and say, I'd like to tell you, Mr. Prospective Buyer that if you're unhappy with this sale that I'll write you a check back for it. Unfortunately, I can't. But I'll tell you what I will do that no one else I know will do.

The first thing I would do is I would not even let you make the offer until I first got you to call and talk to ten past clients of mine who bought a house from me and asked them: Did Jay counsel you to buy the house you should for the reason you should? Are you happy you did it? And is it a better decision? Then you walk them through a bunch of scenarios.

1. I will tell you that I will negotiate this house for you as if it were for my own family or for my mother or father or son or daughter. That means I will not let you commit a dime more than I think you should. I will not let you relinquish one concession that I think you should. I will not let you pay one point more than you should or one-tenth or one-mill of a point and you could ask that same question to everyone and I will write it down in blood for you.
2. Finally, I will tell one more thing. If, after buying that house, or selling your house, you have regrets of any kind for any reason up to one year afterwards, while I can't give you back your money, I'll do the best thing I can and something no other realtor does. I will either help you sell the house. I will sell the house for you or sell you both and charge you zero commission on my end.

And if I do the whole transaction it will cost you zero for the transaction, and I will pay up to \$2000 or \$3000 of any moving costs you've got. Now that's how confident I am and I'll put that in writing. So that's pretty good, isn't it, Earl?

Plastic Surgeon

If you're a dermatologist or plastic surgeon, you can say, "I can't guarantee the outcome but I can guarantee you that of 100 patients I've done in the last three months, the satisfaction is 98% and the 2% that aren't, I will introduce you to and they will tell you that I did the makeup work necessary for free to adjust it. Some wanted it a little tighter. Some wanted their breast a little fuller.

Some wanted their nose a little smaller. Some wanted their eyes a little wider. I did what I thought was right and if they were unhappy I corrected it at no charge. Fortunately, I'm lucky.

I don't just have before and after pictures. I have thirty-five recent people I have operated on that will confirm to you their happiness with the outcome.

I have seven that will confirm to you their fundamental happiness but that they had a couple of issues they didn't come out the way they wanted and they will confirm to you that I adjusted and I corrected it to their absolute satisfaction, free.

And I would encourage you to talk to all of those people because most physicians don't have anybody they'll let you talk to. I've got thirty-five people who recently had a satisfactory procedure and ten that had a mostly satisfactory procedure but some issues that I had to correct at my expense and then make your decision."

Chapter Four: Referral Systems

Turn Your Best Customers Into Voluntary Sales Representatives

Have you ever wished you could clone your best customers or clients — potentially doubling or tripling or quadrupling the number of people just like them who come through your door? The truth is, you can!

I'm not talking about scientific cloning. (In spite of what's going on with Scottish sheep these days, creating genetic duplicates of your best customers is still probably a few years off...) Rather, the "cloning" I'm talking about is simple, ethical, and doesn't require millions in research grants to accomplish. In fact, it costs next to nothing!

So, what's the easiest, most effective, least expensive way to get many more customers like the ones you value most? Get them to do it for you. All you have to do is systematically ask your present customers to recommend your business or practice to people just like themselves.

Don't Settle for Passive Referrals

Chances are, your best customers or clients are already referring friends, family, and business associates to you from time to time. And these people are probably very similar to your best customers — similar interests, similar desires, similar buying habits.

Your customers refer people to you because they value the benefit you bring to their lives or businesses — and they want the people they care about to benefit as well.

For most businesses I've seen, however, that's the extent of it. They settle for the small amount of business these passive referrals bring in — without ever actively soliciting referrals from their customers.

Think about the amount of business you currently get through passive referrals. Now imagine five or ten or 20 times that amount. That's the leverage potential of a formal, "active" referral system. And the best part is, a customer referral program will bring you immediate results. Your customers and profits will begin to grow as soon as you put the system in place.

And because they're similar to your best customers or clients, a referral-generated customer will normally spend more money and buy more often. They're almost always the most profitable, loyal, and likeable portion of your customer base. Best of all, referrals are self-perpetuating — referrals beget referrals.

Some business owners hesitate to ask for referrals because they feel it is somehow "inappropriate." They fear that customers will see it as overstepping their bounds — getting too personal. Don't make their mistake.

Most people do it wrong. They say they hate to "beg" for customers. There's no reason to be embarrassed or timid or unduly sensitive about asking your customers or clients to direct other customers to your door. In fact, it's not only appropriate and ethical, it's your benevolent obligation. Let me explain...

You've got to remember that the vast majority of your customers or clients or patients really do have a bonded relationship with you. They trust you. They trust your company. They trust the product or service they acquire from you.

They have grown dependent on realizing a high level of results, satisfaction, protection, prestige, enjoyment, experience, well-being, or whatever else your product or service provides them with.

And you owe it to everybody that your customers know to at least arrange the opportunity for those people to make your acquaintance, to experience your business philosophy, to get your best perspective on their need, their opportunity, their problem — and how your product or service can help fill it.

Every satisfied customer, patient, or client you have is in a position to know, live with, live next to, hang out with, do business with, buy from, sell to, or otherwise associate with an abundance of people or enterprises that are prime target prospects for your business. But you cannot expect your customers on their own volition to be responsible for, or even aware of, the

opportunity they have to bring their friends, neighbors, coworkers, employees, employers, church members, club associates, and colleagues into your business for you. You've got to program them — and program them benevolently, not self-servingly.

Reverse the Benefits You Give

Remember: You cannot have an effective referral system until you first and foremost reverse — not your product or service or company — but the impact, the implication, the improvement, the protection, the transactional value and benefit your product or service has on somebody's life or business.

You've got to be very keenly connected to what occurs in their life or business when they have your product or service functioning, operating, protecting, working in their lives.

When you start with that operating philosophy, it's easy to make the constant generation of referrals an essential responsibility, obligation, and commitment you have to have to the families, friends, and associates of every one of your customers or clients.

And to help your customers or patients see the connection, you've got to have a formalized referral systems in place. These systems have to be so automatic, so continual, so authoritative, so revered that they work continuously and automatically for both sides.

Referrals in Four Easy Steps

So how do you structure a strategic referral system for your business? The options are limited only by your imagination. However, most effective referral systems have certain key elements in common.

For example, the first thing you need to do is set the stage. Do a little “romancing.” Here's a simple four-step process you should follow — one you can use regardless of whether your referral request is being done in person, over the telephone, or via letter:

1. **Tell your best customers or clients that you enjoy doing business with them** more than any other customer you work with, and that you realize they probably associate with other people like themselves who mirror their values and qualities.

2. **Tell them that since they obviously know the exact people you prefer working with, you'd like to extend to them the opportunity of referring their valued and trusted associates to you.** Tell them you would prefer their referrals to any other source of customers or clients.

3. **Then help the customer or client see a clear picture of who in their lives could benefit most effectively, and naturally, from your services or products.** Tell them what kind of person or business it might be, where they are, what they are probably doing — and why they'd benefit by doing business with you. Show them what that person or entity would be doing or buying right now so that the picture is vivid.

4. **Then extend a totally risk-free, totally obligation-free sales offer.** Willingly offer to confer with, review, advise, or at least talk or meet with anyone important to that customer, as a service to that customer. In other words, offer to consult their referral without expectation of purchase, so your customer sees you as a valuable expert with whom they can put their friends or colleagues in touch.

If you follow this procedure every day to every customer or client you talk to, sell to, write to, or visit for five days straight — and you also get your key team members to try it out, too, for five working days — you can't help but get dozens or even hundreds of new customers. I have seen businesses literally triple in six months or less when the owners followed a customer-referral process.

Offer a Special Incentive

If you want to make your referral program even more powerful, tie a service or merchandise incentive to your request for referrals. There are many creative and compelling ways to thank people for referring customers, and to thank them for the business they have transacted with you in the past.

If you're in retailing, for example, you might promise a major discount on a customer's next order if the customer refers a friend or relative. If you're a CPA, you might offer to do a mid-year tax review at no cost, in exchange for one or more new-client leads.

You might even consider holding a referral-generating contest, in which a substantial prize is awarded to the customer or client who brings in the most referrals.

You also should consider making a special bonus or reduced rate available to the people your customers refer. For example, a dentist might offer a \$25 discount on an initial exam for new patients referred by an existing patient. Why do this? Because your clients or customers are more likely to approach people if they can provide them with some sort of “inside deal” only available through their referral.

Make Referral Sales by Forming a Club

Another approach to generating referrals is to organize a preferred customers “club.” Think of your best customers as a select group of people with similar interests (in other words, as a club.) Doing that will help you form closer relationships with them and, at the same time, help you set up an effective system for generating customer referrals.

Here’s an example to show you exactly what I mean:

Retail Shop

Mary owns a small retail shop in the Midwest. She sells sewing goods — things like fabric, patterns, needles, and thread. To expand her business, Mary lets a few of her customers who have a passionate interest in dressmaking use a back room in her shop every other Tuesday night for meetings. Mary calls the group the “Tuesday Dressmakers’ Club.”

In addition to providing a place for the club to meet and some light refreshments, Mary attends most sessions and gives informal talks on dressmaking techniques. She also brings in an occasional guest speaker.

Notice what happens as a result of Mary’s efforts:

- Word of the dressmakers’ club spreads, and more people express a desire to join it, including some who have not been customers of Mary’s small sewing-goods shop in the past.

- Members of the dressmakers' group themselves start to invite other people to join the club — people who have a keen interest in dressmaking. A referral system is in motion!
- Attendance at the club's dressmaking sessions increases. As it does, purchases of dressmaking supplies from Mary's shop also increase. Bottom line: Mary's sales and profits rise. In time, Mary can even afford a much larger inventory, and a larger store.

Clubs Can Work for Any Business

Sponsoring a customer club is something that almost any business or practice owner can do. It's a natural for any hobby-type business, but it can work well in other lines, too. Clubs made up of car owners are a good example.

Professionals also can use a club theme as a way of attracting new clients or patients. It would be no stretch for a doctor of sports medicine to organize a Saturday Morning Jogger's Club.

Accountant

CPAs might not be able to use a traditional club angle, but they could achieve some of the same effect by sponsoring "information nights" on subjects such as how to comply with new tax rules. The invitation to a valued CPA client could say, "I'd like you to attend — and bring a friend along. There's no charge, we'll provide refreshments, and we'll get you both home early." Each friend accompanying a client would, of course, be a potential new client.

The club concept also fits naturally into niche businesses.

Bookstore

A bookstore that specializes in selling mystery books might sponsor a "Sleuth's Circle Club." Members who brought new customers into the club could be rewarded with discounts, or with a gift of new mystery novels personally inscribed by the authors.

Customer clubs generate customer interest, and that interest can be infectious. It spreads. Notice, too, that once you have formed a club, you don't have to do all the word spreading unassisted. Your enthusiastic club members will do it for you. Clubs can help you grow your

customer base through referrals and also increase the average size of purchases by your best current customers.

Try More Than One System

As you're considering the many approaches you could take to generate referrals, keep this in mind: There's no law that says you should have only one system. Why be content with just one when you know that different people are moved to action by different stimuli? Don't be afraid to try a number of methods, because each one will excite people differently.

You could have one system that is introduced and explained at or right before the point of purchase. You might have another where you call or write to customers at certain intervals every year. You might have different referral propositions or incentives depending on the season (such as Christmas) or the type of customers you are targeting.

Here's another tip: As you develop your referral system or systems, think about anybody who's ever asked you for a referral. Think about whom you've responded to and how you responded. What was the incentive that drove you to action? Is there any reason you can't directly or indirectly modify that approach, that system, that process, that incentive to your business? Absolutely no reason!

Start Right Now!

Okay, here's what I want you to do: Over the next week or two, I want you to write or call five, ten, or twenty of your best customers, clients, or patients and tell them how much you appreciate the business they do with you.

And tell those highly valued people that you're trying to find more nice customers just like them, and you want their help in recruiting the new customers.

Remember to revere the customer and revere the benefits of your product or service. And explain to the customer why generating a continuum of referrals is integral to your ability to keep doing business the way you have — it enables you to invest more time and money into the appropriate staffing, products, services, and other business aspects that ultimately benefit the customer.

Here's a great letter to your current customers that I've developed for you, explaining that it's a privilege for someone to be your customer. Use it to help you get started on referral business:

LETTERHEAD

Month DD, YYYY

Mr. Business Owner
Business One
123 Main St.
Anywhere, CA

Dear Mr. Business Owner,

I'm writing as a service to alert you to the fact that my consulting practice is getting extremely full, and I'll only be able to accept maybe a dozen or so more businesses.

But before I accept new people from the outside, I want to alert you, because if you would like to refer any of your associates or friends to me, I'll give you first priority. I ask only that you don't dally.

Give me a call and register their names so I'll know how many spaces I should reserve for you. I appreciate your business.

Sincerely,

Jason W. Leonard

Or, go to companies and offer them a service where you will send a letter to all their employees saying:

"As a service, we've bought every one of you an hour and a half with John Schmidlapper. It's paid for; he's not going to charge you. He's going to overview your taxes and financial situation, etc. If,

after he's done, you'd like to avail yourself of him, we've arranged a preferential rate with him. There's no obligation. It's just a service we thought you could benefit from."

Another twist: If you're a lawyer, have your accountant send a letter to his/her clients endorsing you. Here's an excellent example that could work for you:

"It's rare for me to ever write to you in the first place, much less write to you about someone in another business. But I'm writing to tell you about my attorney, John Schmidlapper, and tell you about all the things he's done for me. (Then give a litany of all the ways he's saved or made you money.)

"Because I appreciate the patronage you've given our firm for so many years, I was thinking about sending you a letter or a gift box, but I decided the most noble thing I could do for you is buy you an hour of my attorney's time.

So I've arranged to do that, and there's no charge or obligation to ever use him again. It's not going to cost you anything, but you've got an hour with him to talk about any subject you want, whether it's over viewing your business, financial planning, contract negotiation, or whatever. I can't recommend him enough. Here's his number. Just tell him that you're the person I've bought the hour of time for."

Give it a try. I guarantee you'll get more customers before the month is over...conceivably a lot more customers. And since it doesn't cost a thing in terms of advertising or commissions to generate substantial ongoing referral business, I hope you will jump at this chance to put one of my best, instant, no-cost leverage tools immediately to work.

And don't forget: A referred customer or client will buy a higher quality and quantity of product or service on average than customers acquired through general advertising or marketing. They will buy more often.

They will buy more products and services to add on to the initial purchase. They will refer more people and they will buy for a longer period of time. Referral-generated customers or clients are the best category of business you can develop!

How My Clients Have Profited Through Referrals

A client of mine makes exclusive, expensive golf clubs — clubs that are tailor-made for his customers. His clients fit a certain profile. They are affluent, avid golfers who want to improve their golf games, and his clubs seem to help them to do that.

My client reasoned that his customers, who loved him and his custom-made golf clubs, would know other people like themselves. Although a lot of his business came from word-of-mouth advertising, he'd never put a formal referral system in place.

At first, he tried his referral program on a small basis, so he could test and refine his pitch. Here's what he ended up saying:

“Joe, you've been coming to me to make your clubs for several years now. I know you've been getting positive results — you've taken a few strokes off your game, and you like the look and feel of the clubs, right?”

“I have to tell you that I'm getting a little frustrated in my business. I have plenty of customers, but my favorite customers are people like you who truly appreciate my work. That's where I get the real satisfaction in my business.

“I've decided to reduce my client base to people who enjoy my work — those people, like you, who appreciate my clubs. I've decided to limit my business to only a select few customers, and since you've been such a good customer, I don't want you or the people you respect and care about to miss out.

“Here's my proposition: I'll provide your friends free use of a set of my clubs for a month at no risk. If they like them, maybe they'll buy a custom-made set of their own. If they don't like them, if they don't shave a couple of strokes off their game, all they have to do is return the clubs, no questions asked.

For every friend you refer to me, I'll add a new club to your set, just because you've been such a loyal customer. There's no trick or hidden agenda, Joe. I get the satisfaction of dealing with customers who respect and enjoy my craftsmanship — people just like you. And, if your friends happen to enjoy the clubs and order a set, they'll be grateful to you for sending them my way.”

How did it work? It was a hole-in-one! My client soon had more business than he could shake a golf club at!

Real Life Success Stories

Here are some other examples of real-life success with referral systems. See if you can't adapt one of these to your own business or practice:

- A client of mine is an expensive consultant in the Far East. He goes to new clients and offers them two compensation choices: The first is a large consulting fee. The second is a respectable discount on that fee in return for two referrals. Ninety percent of his clients accept the lesser-priced referral deal. (By the way, my client expects his satisfied clients to not merely provide names, but to actually call or visit the intended referral and get them to contact my client. It works!)
- Another client of mine holds regular customer briefings at a prestigious hotel every month and invites every one of his customers to bring along one qualified guest. Fifty percent of the customers attending do bring a guest, and half of the guests become my client's customers. Why so many? Because they wouldn't want to come to the briefing unless they had a strong interest in my client's area of business.
- A photo studio I've worked with asks for referrals each time it completes a photo shoot for a customer. As an incentive, the studio operator offers the customer free 8x10 glossies of the photos that have just been made. (His actual cost on the bonus pictures is \$4. Each new customer's average purchase with him is around \$100.)

When he gets referral names, his telemarketers call those prospects and offer them an introductory photo session at a reduced price. Since he started using this referral technique, my friend has become the largest volume photo studio in his area.

- Another client of mine sells training materials. He put together a \$5,000 package that he sells to customers for just \$2,000, and he throws in free attendance at two

\$600 training programs — as long as people buying this package agree to persuade two of their business friends to attend at least one live \$600 training program a year.

If they don't get at least two people to come in any 12-month period, my client actually "short-rates" them — in other words, he'll bill them for the \$3,000 savings and the free training sessions. This approach has sparked many people to really work hard getting him referrals. Over 60% of his business now comes from referrals — up from only 10% a year ago.

- A client of mine in tax preparation tells each of his clients that if they will send him two referrals, he'll give them 50% off on their tax-preparation work. He supplies them with an introductory letter explaining his credentials. Over half of his new business is produced by extending his valuable service to relatives, neighbors, and friends of his present clients.

Now that you've gotten into the referral mindset, write down the names of your ten best customers or clients — prime targets for your referral efforts. Read through the list below and ask yourself if you've taken these steps with those clients. If not, work through the five-step plan, and watch the results pour in.

Five Step Plan for Getting Referrals

1. Have you contacted your best customer or clients and asked them to recommend you to their friends?
2. Do you offer incentives, such as product discounts to those customers who send you referral business?
3. Do you ask other business owners or professionals to recommend you to their customers or clients?
4. Do you offer special price breaks or share-profit deals to businesses that send you referral business?
5. Do you use the holidays as a time to offer your customers special incentives for giving you referrals?

Never Turn A Customer Away: Referrals Are A Two-Way Street

I was on a call-in radio show once talking about my marketing concepts. I stated that if you spend money to get a prospect who's interested in your product but your product doesn't quite fill the bill, the dumbest thing in the world to do is say, "OK, sorry we couldn't help you" and forget about that prospect.

The smartest thing you could do is say, "Look, Mr. or Ms. Prospect, I understand you're a sincere buyer and I understand that I just don't have the right product for you. But I've made arrangements with a company that has what you're looking for.

Although they normally charge \$2,000, I've arranged for them to sell it to you for \$1,800. Normally it comes with a 90-day warranty, but I can get them to give it to you with a six-month warranty. Everyone has to pay for it in three installments, but I've worked it out so you can pay for it in six installments."

This concept was so unorthodox that it blew people away. A guy called in to the show who sold for one of the major photocopier companies. He had never heard of selling your competition's products. I did an illustration for him.

"Look, let's say your company does a mailing to a thousand local businesses and the mailing costs a dollar apiece. They get back a 3% response or 30 people. Since the mailing cost you a \$1,000, each one of those people cost you \$30 to identify. How many will you close?" He said, "If we're lucky, 10%."

"OK, you sell three. That means you're throwing away \$810 on the other 27 people whom you couldn't close. You're adding that \$810 to the cost of selling the three customers you did close. Or, more accurately, you're losing \$810 in profit from the sales to those three customers.

"Now, what if you could get half of those 27 people you didn't sell to buy somebody else's machine and on each sale you made \$1,000? Half of 27 is 13 new customers, so that's \$13,000! That's probably more than YOU made on the three sales of your product."

It's so obvious when you put a pencil to it, but no one sees it! They all say, "Well, that's ridiculous. I don't want to sell my competitors' products!" I say to them, "Look, if you want to

give up 90% of the profit available to you and know that the prospect is going to buy from your competitor anyhow, that's your prerogative.

But I'm suggesting that you make a deal with your competitors so you can share in the business that they would get anyway. What's so bad about that?"

A Referral May Not Be Worth As Much As A Sale, But It's Something

Naturally, a referral is not worth as much as a sale, but it is worth something. You could make a deal with your competitors whereby they give you so much money per lead against so much per sale.

Office Equipment Sales

What if you're the beneficiary company? Well, let's say you sell a very inexpensive photocopier and you know that many people can't afford the expensive copier like Xerox. Yet Xerox brings in 1,000 prospects for every 10 they sell and they just basically abandon the other 990.

You should go to Xerox and say, "Look, you're spending \$10,000 on the 990 people you don't convert. You're just wasting your money. How would you like to get back not just the \$10,000 you waste on them, but a \$10,000 profit on top of that so you could quadruple your advertising allowance? I'll make you a deal that's irresistible."

And then you propose to them two things: First, you'd like to get them to sell your photocopier when they can't sell their own. But if they won't do that, you want them to give you their leads they're finished with them. In return, you give them a share of the profit from every sale you make. It's so logical, but no one does it.

Car Dealer

The same thing applies in spades to car dealers. I once addressed a group of car dealers and told them, "You spend \$10,000 a month in advertising to bring customers onto your lot. You sell to 5% of them. You know that of the 95% you don't sell, 20% to 50% are serious buyers and they're going to buy from someone else."

“Why let them leave your lot without a car? If you can’t sell them one of your cars, why not say, “OK, I understand you want to buy a Toyota and I sell Mazdas. I think you’re foolish, but if you’re going to buy a Toyota anyhow, I can get you a good deal on a Toyota because I have very good relations with the Toyota dealer.

I can make a deal with you right now and you won’t even have to go anywhere else. Just tell me what you want and I’ll give you the best price. If you buy it from me, you’ll save at least \$1,000.”

I then asked these car dealers, “How many more sales do you think you would make if you had a program like this? Quite a few, right? So why not make them? Conversely, you could also go to other dealerships and try to get them to sell your cars.

You say, ‘Look, if you know someone’s not going to buy, why let them off the lot when you could still make \$500? You can actually reclaim your lost marketing expense! All you have to do is sell my car as a backup when you can’t sell yours. I do it and it works great!’”

Referral Systems Are The Key to Optimization and Exponential Growth

Why do you want referrals?

You want referrals because this is the least expensive, has the least risk, and has the highest leverage and highest potential payoff of any of the different ways to acquire new customers. An additional benefit is that the customer who comes from referrals is much less likely to “price shop.”

A side benefit is that the person who provides you with a referral will not suffer “buyer’s remorse” either. The law of consistency is such that if they recommend you to someone else, they have committed themselves also.

Why do you want a referral system?

You want a referral system so that you consistently get referrals no matter what else is going on because it is a formalized, sequential process.

Why do you want multiple systems?

Because this the best way to attract new customers, if you want to optimize any business, then you will have at least four to five different referral systems. Plus, after reviewing the templates and the referral systems examples that follow, you will see how easy, simple and effective it is to set up multiple referral systems.

Ready, Fire, Aim!

The best approach to optimizing any business is to determine four or five new referral systems you will test immediately. (If you were a hunter, we would say “Fire!”) Then as you determine what works best, you adjust what you are doing to optimize the referral systems. (If you were a hunter, we would then say “Aim!”)

Information You Should Know In Order To Optimize Your Referral Systems

The initial information you would ideally want to know before you go to the referral system template is discussed below. (If you don't know this information, you will want to get it to be able to optimize your referral systems.)

1. Who are your ideal prospects? The ideal prospects are the customers you would like to have hundreds more of.
2. What is the benefit (or benefits) your ideal prospect wants and needs?
3. What does your competitor(s) provide? What things does he do better than you and worse than you?
4. What do you provide? What things are better and worse than your competitor(s)?
5. What is the ideal prospect's biggest problem that is not being met? How could you help him solve it?
6. What are your goals? More money, more free time, more control, to be able to sell your business in five years, to be able to have the business run itself, etc.

Referral System Template

1. What are the demographics of your ideal prospects?

- Income
- Financial worth
- Age
- Gender
- Ethnic group
- Neighborhood
- Geographic region
- Type of business
- Marital status
- Religion
- Hobbies
- Political views
- Membership in associations or groups
- Type automobile
- Subscriptions to magazines, cable or newspapers
- Educational background
- Type investments (home owner, savings account, stocks, bonds, etc.)
- Physical health
- Mental health
- Health interests (alternate health, vitamins, vegetarian, etc.)
- Smoker or non-smoker
- Alcohol use, (social drinker, etc.)
- Drug use
- Vacations
- Buying preferences (retail — upscale or discount, direct mail magazines, phone)
- Position
- Other

2. Who can refer these prospects to you?

For each of the following groups include both existing and former. For example, you would consider existing and former vendors, customers, employees, competitors, etc. Or you could consider combinations such as former employees of competitors.

- Vendors
- Customers
- Employees
- Competitors
- Relatives
- Prospects
- Prospects who did not convert
- Neighbors and friends
- Church members
- Association members (Fraternal, social, industry, charity, or interest based.)
- Other businesses and professionals who your prospects trust in your area.
- Other businesses and professionals who your prospects trust outside your area.
- Leaders or celebrities who your prospects admire, respect and/or trust (Such as Tony Robbins, Fran Tarkenton, Vic Conent, Denis Waitley, Tom Phillips, Michael Jordan, etc.)
- Magazines editors, writers for publications.
- Special interest groups (Cigars, travel, music, whale watching, etc.)
- Who do these prospects do business with before, during and after the prospect does business with you? In other words, who has the customers you want?
- Governmental regulatory agencies
- Listing of businesses they expect to use.

3. Set the stage for getting referrals

- First make sure you have a good or valuable product or service. If not, improve it.
- Reverse what you do.
- Position yourself as different from your competitors,

- Show interest in them by asking them about themselves,
- Tell them why your product or service is of better value. Educate them. If they are a customer, tell them what buying from you means to them both in the present and in the future. Explain that they owe it to their friends, relatives and associates to refer them to you if they care, really care about them.
- Explain that even if that the referral does not buy, you will provide a valuable service for them by letting them know what they should look for, what they should avoid what they should expect, what they might overlook, and anything else which could negatively or positively affect the referral,
- Explain that you will be a professional and the referral will thank the person who passed their name on to you.
- Give them reasons why they should give you referrals. Explain that you get much or most of your business by referral. Because you do get referrals, you are able to invest your money and your time in providing a better product or service,
- If they are a customer, explain that the product or service you are giving is based on them giving you referrals, and that is a condition of doing business with you.
- Offer to give them an incentive for the referral. (Note: In the case of some professionals who cannot ethically take pay for referrals, you can do things to help them grow their business, donate money to their favorite charities, etc. In some cases you will need to make sure that any compensation is not based on a per-referrals, per lead, per buyers or additional profit basis.)
- Offer to give their customers a product or service for free or at a discount and tell them that this is something that the person referring you to them has bought them.
- Offer to give the referral a special incentive. These special incentives could be bonuses, money back guarantees, additional service, a discount, or anything else that has perceived value to the referral.

- Tell them the person who you are asking for the referral from that they are the kind of person who you want to do business with so you want to have referrals just like them.
- Have them call or directly contact the referral.
- Do something for the person who you want to get referrals from in advance of asking for the referral. This will induce the law of reciprocity. This could be a birthday card, buying them lunch, giving them a referral, giving them a report or book, a complement, or anything else that has perceived value.
- Keep in frequent contact with the people who have provided referrals in the past. Acknowledge the people who have provided referrals who become customers.
- This can be something simple like having their name on a big board in a health club, a simple thank you note, flowers, etc. or something major like having a sky writer write out a thank you or buying cable time to say thank you. Get back with the person who provided referrals to you and let them know what happened.
- Ask for referrals when they are most receptive. This could be when they have just bought your product or service. This could be when you have done something great for them such as gotten them a large refund, a good sale, gotten them off the hook for a large liability, paid off a claim, fulfilled your promised service or obligation, etc.
- This could be when something special has happened in their lives such as a marriage, the birth of a child, a promotion, a special honor, being elected to a special office, retirement, a transfer, etc.
- Send them articles, books, and information about their special interests. This could be about golf, working out, health breakthroughs, sports, their profession, their hobbies or whatever special interests they have.
- Don't be bashful, ask for those referrals.
- Ask them, "How I can grow my business?"

- Thank them for referrals.

Help them locate the referrals for you. Ask them “Who do you know who _____? (and fill in the blanks for as many different groups of people and scenarios as possible to jog their memory).

Add these suggestions to the ones I’ve already given you:

Group 1. People They Think About Because Of An Event

- Someone who comes in your office;
- Someone you meet in professional circles;
- Someone who has retired (or is planning to);
- Someone who has gotten married, (or is planning to);
- Someone who has had a child (or is planning to);
- Someone who has gotten divorced (or is planning to);
- Someone who has bought something (Such as a house, a car, a pet, a boat, a home entertainment center, a computer, a business, a building, an investment, etc.);
- Someone who has sold something (Such as a house, a car, a boat, a home entertainment center, a computer, a business, a building, an investment, etc.);
- Someone who wants to buy or sell something;
- Someone who has just moved;
- Someone who has just remodeled their house (or is planning to);
- Someone whose children have grown up and moved out or are planning to;

- Someone who has had a death in the family;
- Others you can suggest to them based on your knowledge of their activities.

EXERCISE

Pick a candidate company of your choice and then pick two or three referral systems from the above list. Describe how you would apply each referral system to your candidate company.

For each referral system, answer the following:

Industry

Company

Company USP

Referral system example used

Describe specifically how you would adopt the referral system to this particular company
Why do you believe it would work effectively?

How will you know if it did?

How specifically will you measure the results?

“What Do All These Referral Systems Have In Common?”

- All begin with a highly valued product and/or they have rendered their customers a great service.
- Almost all of them ask for referrals up front as part of the ‘deal.’

- The best ones ask for referrals at the moment of peak customer satisfaction or interest.
- Good referral systems build on strengths and advantages.
- The best referral systems further educate the customer to the value and benefits they are receiving.
- Almost all of them give meaningful value in return for a referral.
- The best ones say “thank you” for the referral in a way that creates an almost “perpetual motion” machine.
- All of them actually follow up on the referrals they get.
- The best ones are long term persistent at follow up once they get a referred name.
- The quality of the referrals is much higher than any other form of lead generation and converts at an average of 20-30%.
- The best referral systems are synergistic with other companies, geographically and industrially, and with other “in house” programs.
- They are direct and specific in the key action they are asking the customer to perform.
- The referrals they ask for and get are targeted to their specific market because there is a bias in the way they ask for a referral.

The Exponential Effect of Referrals on a Business

Every week you place an ad and get 100 calls. From the 100 calls you make 20 appointments. From the 20 appointments, you close five sales.

In a month, if your ad still pulls and your scripts consistently get you appointments and sales, you will have run four ads, answered 400 calls, kept 80 appointments and have 20 sales to show for your effort.

	Ads	Calls	Appointments	Sales
Week 1	1	100	20	5
Week 2	1	100	20	5
Week 3	1	100	20	5
Week 4	1	100	20	5
Total	4	400	80	20

Referral System Example

Now lets assume you ask for and get two referrals for each sale and each ten referrals result in three sales (30% close ratio), a higher number than appointments (25%) because of the quality of the referrals.

In just four short weeks, you are getting almost as many sales from referrals as you do from costly ads, and referrals are free for the asking! From this point on you will only get more and more referrals and quickly you will find that you get the majority of your business from referrals.

	Ads	Calls	Appointments	Referrals	Ad Sales	Referral Sales
Week1	1	100	20	10	5	
Week 2	1	100	30	15	5	3
Week 3	1	100	36	18	5	6
Week 4	1	100	40	20	5	7
Total	4	400	126	63	20	16

*Note: You will ask for and get referrals from referred customers too!

As you can see, the number of referral sales is growing exponentially and in just four weeks the number of sales from referrals is more than the number of sales from ads. This is true in many businesses, like real estate for example; referrals are commonly 80% of sales. Good real estate agents depend on getting at least 4 referral sales for every conventional sale.

Referral Strategies

Do you care about your customers, your clients, or your business? If you do, you owe it to them to be there. If you think you do a better job for them, you serve them, and their lives are enriched, protected or enhanced at a higher level than they could possibly be with anyone else serving them, you owe it to them and to everybody important to them to make sure that they know you're available to counsel, advise, collaborate with and answer any questions.

You owe it to them to feel comfortable directing and bringing anybody important in their lives to you for your help.

If you fail to do that, you're allowing somebody important to them to get less than optimal outcome in their lives or their business — in their purchases or decisions. But you've got to make sure they know that, because on their own they won't do it, so it's worth your while to call and contact them, and not just out of the clear blue with your hand out.

First of all you've got to care about them on a greater plane than just the fact that they buy widgets from you. You've got to care about their lives, their family, their business, how it runs, what it's all about, their health — all kinds of things that require you to be interested.

Real Estate

Once you do that, you're connected at such a deeper level that you'll be able to say to them:

"You know, I thought about the house that I helped you buy. I was thinking back on what happened, and I remember you came to me you said you had a budget of \$400,000.

I remember that the house that you first wanted to buy was an OK house, but I really previewed it talked you out of it. I think it was wise, because I saw the person who eventually bought that house had a lot of problems about six months later.

"But then I remembered I was able, through a lot of interesting contacts and research, to find a house that was originally on the market for \$550,000, but they were in trouble. And I was able to work with the realtor and the bank, and we got this for you for \$375,000.

"You actually saved the \$25,000 of what you would have paid that we got you \$175,000 greater house. And I remember also that we got costs covered by them, and living expenses in the deal. It saved you a lot.

"But more importantly, when I think about all the richness, and the happiness, and what it's like when I come and visit you, and how happy you are, and the kids, and I look at the value and I see that that \$550,000 house is now probably worth \$625,000. And I don't know that it will keep rising, but there's a good case that five or ten years from now we actually made you a lot.

"I think about the fact that we were able to sell your other house, and we got you \$20,000 more than you wanted, and we got you out of it three months earlier than you thought. It just brings me such joy, and I realize that that's really what I'm all about. It's not about making money. I mean, I like to make money.

"But it's about basically giving people so much greater value and achievement and richness in their life. And it's working with people that I really love working with the most are people just like you.

"And frankly, I spend a lot of money on advertising and sales, but you know what? It's logical to me that the people I want to reach probably are the people you hang out with.

"They're probably even people you work with, who live next to, you're related to, because the quality of person you are is the exact kind of quality that I want. You probably know a lot of people in your life who would be benefited by me.

"I would like to offer, if you want, to extend myself, and I'd be available for anybody you wanted if they needed someone to advise them. If they're thinking about buying a house, selling a house, if their family has grown, they're going through a divorce... It's a real traumatic or exciting time. The difference between making the right decision and the wrong one, as I think you know, can make a profound impact, good or bad, for the rest of your life – or certainly for a long period.

"I don't care if they buy it from me or not, but I treasure you enough, and I know that there's some well-meaning people out there doing what I do who aren't intentionally doing it, but they can really do a complicated disservice to somebody's life by allowing them to buy something that's less than they should – or more than they should.

"I would never do that. I'm here for you, and I'm here for anybody you would want. I'm going to give you the opportunity if you want (and there's no problem if you don't) but I've only got a limited amount of time. And I thought for the next couple of months rather than advertising I'd make it first and foremost to anybody who is important to you. I'm going to tell you who it might be.

"Think about your life. Who do you know at work, in your neighborhood, in your family, professionally, working for your employer, your vendors...?" (Draw a picture of what the situation is like.) "Who is on the verge of getting married, had a baby, or their kids are going away to school, or they had a divorce, or somebody died, or ...?" (And you draw pictures of who they are.)

Most people make it so hard for somebody to refer them to. Did you ever say to somebody, "Who do you know...?" And they say, "Nobody." And is that really possible that they have no one to refer to you? What you're saying is, "Hey, do you mind wracking your brains, trying to figure out how you can make me a lot of money?" Well, that's really what you're saying, isn't it? I wouldn't be very cooperative, but from the context that I just presented it's a little more powerful, isn't it?

I'll tell you a quick story. Where I bank, I'm the largest customer — not because I'm that big. It's just basically a local community and I do a lot of business through it. The bank manager's a very nice, relatively attractive woman about my age who's very pleasant, and we have a really nice relationship. I go to lunch with her about once a month.

About a year and a half ago we went to lunch, and she was lamenting how she was divorced, and she would like to have a significant other in her life. She doesn't meet anybody and she's frustrated, and she would like to have a nice relationship, someone to go to movies with, dance with, dinners... It was touchingly sad.

And I said, "Well, you're going out with the right people. Aren't they introducing you to a lot of really quality people?" She said, "No. They all know that I'm single."

I said, "Maybe you're not approaching this right. Try a little experiment when you get back. Pick out 12 people in your sphere of influence — customers, clients of the bank, management people, friends... and call them up and say this. 'I just had lunch with one of my clients who is a marketing expert.

And he challenged me. He said, "Your Mr. Right is already known by at least one, and maybe multiple of your friends. They just don't know it because you've made it hard for them to help you find him."

‘And he asked what my Mr. Right looked like, and I said, “Well, he’d be 35-50. He’d be in a professional or white-collar type of a job — a manager or executive. He’d be nice-looking, not necessarily terribly handsome, but not repugnant.

He’d be somebody who had balance in his life. He wouldn’t be a fanatic about sports, but he’d like them. Maybe he’d like to have a glass of wine, but he wouldn’t be an aggressive drinker, and he wouldn’t smoke. Balanced interest in movies, sports, music, restaurants...fun, real, like to do quality things that I liked to do.”’

I told her to draw a real picture, and tell these people that I told you there’s probably multiple people known like that by your friends, colleagues, employees... You’ve just never helped them see what you’re looking for, and where they would be. “And tell them I gave you this suggestion:

Call and tell them what you’re looking for, and describe them and where they’d be. And say, “I’m supposed to ask you this question: Who do you know in your life who is either recently divorced or recently moved in the area? Who doesn’t have a girlfriend, but basically you know that he likes girls.

Somebody who you know is a quality person. Think about it. Maybe a neighbor, somebody you used to work with, the ex-brother-in-law of a relative who you really liked, but they split up. Maybe he’s somebody you meet in professional circles. Maybe it’s somebody who comes into your office, or your customer, or your vendor.”

She called me up, and she had four dates by that weekend. She’d had none for weeks or months.

See, you have the same capacity in referral systems. Now let me set the stage for the next section.

Dentist

In Australia, the average dentist works 60 hours and makes about \$60,000 Australian. There’s this man that we met who works 23 hours, and when I last heard about him he was making about \$400,000 Australian, and having the time of his life. How did he do it?

Well, he didn't do it by doing what every other dentist did. He did it by first of all almost going so crazy with depression that he did himself in, and then he realized he had to change the way he approached his business. And he analyzed what he liked and didn't like about his problems.

He liked the people he could befriend. He liked getting into people...and not just into their mouths, but really learning about them, their family — becoming a dear and valued friend. He liked the certain quality of people who treasured and revered what quality dental hygiene meant...people into cosmetic who really valued the way they looked...people who did regular frequency of checkups.

He didn't like people who came at the last minute...who were unpredictable...didn't appreciate...didn't maintain...didn't pay him.

So he started to do something wild. First thing he did was he purged everybody — nicely — and gave them to some other dentist. Then he took his whole waiting room out and just gutted it out and put salons in there, sort of like booths. And he made it like a restaurant.

When they came in to see him, he would basically first sit down with a new prospective patient and he'd have a cup of tea with them. He'd talk to them as a friend. He'd learn what was going on with them and their family, and he would be not in a hurry.

He would connect with them on a much deeper, holistic manner, and he would then sit down with them the first time and tell them what they should expect from dealing with him. He would set the criteria. He'd tell them what satisfaction looked like, and draw a picture.

Then he'd flip it. After he'd gone through ten things they should expect, and dimensionalized, very specifically and tangibly, put words in their mouth and visions in their mind of what satisfaction and expectations they should have.

He then tells them what he expects from them. First thing — if they make an appointment, they keep it. Second, that it's not just a professional relationship, but it becomes a fraternal one too, because he can't just deal clinically.

He wants to deal personally. He loves people, and he wants a long, dear association with them, their families, etc. Third, if they have any dissatisfaction, they respect him enough to tell

him. Fourth, that if they are dissatisfied, they honor his request and they don't sustain him, because he doesn't deserve them.

Fifth, if they are satisfied with his performance on their behalf — his professional services — #1, they pay their bill in full every month. He doesn't want to carry a receivable. (And as I recall, he has no receivables.) #2, the moment they get what he promised them, they have to immediately render to him at least two referrals. And rendering doesn't mean giving him names, but making people call him.

And when I last heard he had a waiting list. But he changed the whole rules of the game.

Require Your Customers To Give You Referrals

Referrals are the best possible source of revenue. The way to get referrals is to make them a condition of doing business with you.

Referrals can become a condition of doing business with you only if you can first of all believe in the high level of value you offer your customer. Then you make it known to them that you only deal with quality people like them . . . that you have found through experience that people like them know and circulate in the sphere of friends who are also quality.

You tell them that you will only accept them as a customer and transact business with them if they agree that if/after you perform at a certain level of qualitative performance (that you pre-agree upon) they will willingly and enthusiastically call and direct their friends, their colleagues, their co-workers, their relatives, their neighbors to favor you with their business.

By making a request for referrals a condition of doing business with you based on your getting the people to respect and revere what you do and you revering yourself also enormous achievements will occur.

Stop Spending A Lot Of Money On Advertising Use Cost-Effective Alternatives

What are these alternatives?

- Calling your customers.

- Visiting your customers.
- Writing your customers.
- Contacting all your old customers and getting them to recommend and refer people to you.
- Engineering endorsement relationships . . . where other people who have a very strong good-will factor with their customers introduce you and your products (recommend and endorse you to them).
- Going to prospects who you've never really concertedly tried to work with and trying to persuade them to renew their interest . . . Making them offers that are irresistible and inducing them to avail themselves of your product or service on a risk-free proposition.

Developing Referrals With And Without Your Customer Base

Let me once more recap the two basic techniques for developing referrals within and outside your customer base. It's so important, that I want you to have it firmly embedded in your strategy mindset. Then I'll go on to give you numerous examples that you can contemplate, play with, and put your own twist on to come up with your original applications.

In my consultations with people, I continuously give two recurring recommendations:

The first is to go to your existing customers with a charming letter acknowledging their importance to you, telling them about how busy you are, and how much your business is growing.

Alert them to the fact that you are so behind or successful that you're actually considering cutting down on the amount of advertising or the new customers you bring in so you can accommodate the old ones better. But explain to them that you have a standing rule that you will always accept new referrals from your existing valued customers.

Tell them that business is booming and bristling. You're thinking about cutting back, so you're encouraging them now, if they have contemplated referring a friend, a relative, an

associate, a partner, or someone to you, that it would be very propitious for them now while you're still willing to accept them. That little approach has made a lot of money for more people.

The other one is the concept of going to businesses who are noncompetitive with you but complimentary, persuading them to allow you to drop a letter that ostensibly emanates from them that will appear on their letterhead, signed by them, mailed to their customers endorsing your business, and making a preferential offer to them under the auspices of trying to award their customers for their valued service.

Restaurant Clothing Store

I've done it for so many people. I worked with a clothing store owner that also had a restaurant send a letter that started something like this:

"It's unusual as can be for a restaurant to write a letter in the first place, let alone a letter promoting and recommending a fashion clothing store, but I had to do it because..."

Go into the reasons why, then make an offer.

Tell them about the clothing store owner, and the people, and how neat they are.

Tell them about the offer. The offer's simple.

The clothing store's having a sale and it's not public knowledge. Only their inner group of preferred customers and a few friends are being apprised of this. Because I am a customer, because I am a dear friend of the owner, and because I'm so certain my restaurant customers will want to avail themselves of it, I asked and secured the approval of the owner to also alert you. But you've got to promise not to tell anyone else.

I strongly suggest you get your tail down there on the first two days, since they rarely ever have a sale. Since they're only advertising to their own customers, and the products they sell are so superlative, when they put them on sale they rarely last the entire sale period. They sell out that fast.

And that kind of approach is very powerful. Internal and external endorsements work very well.

How do you get someone externally to endorse you? One of four ways:

1. You agree to reciprocate and endorse them;
2. You offer them a rental fee for their list;
3. You offer to trade your products or service to them for the right to mail their list one time;
4. You give them a percentage of the business emanating from it.

Here are some effective, workable examples of techniques for securing referrals:

- Write satisfied customers a letter telling them you are about to make a major marketing effort for new clients, but before you go to the mass market you'd like them to have first chance to tell their friends or associates.
- Offer inducements to customers for bringing in referrals.
- Offer special incentives to their friends on their first purchase.
- Offer to perform a free service or consultation for any referral prospect.
- Give a clinic, seminar, or training session for your customers and one or two guests.
- Offer free service for one month or one quarter to anyone your satisfied customer refers to you as a "gift" from that customer. That way your customer gets the credit. But make sure they are qualified prospects.

Make certain you re-convey to your customers the essence of your Unique Selling Proposition, and explain how that USP has benefited them in the past how it will benefit them in the future, and, finally, how it can benefit the person they refer.

The purpose of referral solicitations is to secure new customers, but what if you only get a small number of referrals? After reading your referral solicitation letter, your existing customers should feel great about the USP benefits they've received and will continue to receive. That alone makes it worth doing.

How to Use the 93 Referral Examples

When you read the 93 referral examples at the end of this section, you've got to be able to intelligently extrapolate. Just because Company A does it this way and that doesn't directly work for you, you can't say, "Well, that doesn't work." You've got to say, "What about that might work if tempered, if made more sophisticated, if modified."

So what you do is you decide that referral generating is going to be a formalized, strategic, systematic mode of doing business. So that means that you do it in many ways. It's not intermittent. It's not occasional.

It means that you identify every impact point, every touch point from inception through when they're not longer active, even inactivity, that you're basically contact or communicate to them a referral generating proposition that has integrity and congruency with it.

So how do you do it? Well, in the beginning, for new people, you start by saying, Let me just tell you something from the beginning. We're going to bust our butt, we're going to do pretzels to give you a greater value, greater outcome, greater attention, to protect you, to enhance you, to make this the most happy satisfying enriching, protective transaction you ever do, but once, and if we do it, we are going to ask one thing from you, which I hope and I know you will have no problem doing.

And that is once, and after, we've rendered exactly what we say and more, we'd like you to contact over the six month period thereafter at least two equal quality people to you who are not competitive but people who would appreciate our "____," our "____," our "____" and you know aren't getting the same outcome or don't even know about this and invite them to contact us.

If you give us their name and address and ask us to contact them, the dynamic won't work. They won't appreciate it. They'll feel they'll come into it in a much different mindset.

They will be disserved and so will your intent and ours. That's why we ask you with passion and honesty to do that for us.

What's in it for you? The greatest payoff that you could want. It frees us up both in time and in capital to spend a pot full more money and people to increase, enhance the value-added, the service, so you get a better outcome. The more people you refer and the more people that you refer, the less we spend in time, money and effort on marketing, the more we can mobilize our forces to add things free to the transaction, to provide technical support, _____, _____, _____, the more you come out ahead. It's mutual self-interest at its highest.

So that's the first part. Then you do a schematic or a template and you start thinking of every touch point. And, again, when you go through the 93 Referrals, you might do a 93 Referral template where you say, O.K. Here are the situations, what dynamics in my business correspond? Setting up for the first call, reminding them when you close the first sale, inviting them to bring a referred person to special events.

I'm of the opinion that most compensated referrals don't work. That's tacky. That doesn't mean don't try it. There are certain businesses that it works. I think converting it to something else is usually better.

Giving them a certificate for a dinner. Giving them a bottle of wine. Giving them a basket of goodies. Giving them a private tour of the wine country. Giving them a plaque of appreciation. Taking them to dinner, which is something that's a little less.....

If you go through these 93 Referrals, you'll see lots of variations. I suggest you, first of all think about what's congruent with who you are, what you do and how you would be perceived. And also the psychology and the mentality of your market. And that you literally experiment. But I recommend that you have all kinds of different, what I'll call impact points, touch points throughout the life of the client, including when they've got no more use for you.

I've already told people that if you look at attrition, one of the biggest reasons that attrition occurs is that people have outgrown their need for your product or service. But that in no way, shape or form means they didn't get an incredible benefit.

They're perfect endorsers. I mean, some of the best endorsers I've got are people I've already worked with that got what they want from me but they don't want to keep paying me, but

they loved it. I helped them. It's like I was on the phone a couple of weeks ago with a guy with a car dealership that used our stuff, paid me a lot of money, outgrew it --- but he was exhilarated to tell somebody else about it.

93 Referral Examples

Here, as promised, are 93 examples of how clients of mine have put the referral systems to work for their business. As you read, think of what customized twist you can put on their methods to make them work for you, too.

Video Services

I've been going to some of my competitors for referrals. One particular company in Texas does basically exactly the same thing I do. We were doing a job, a shoot in our area and the producer came back to us and said, "Do you know anybody down in Texas? I can't really afford to fly your crew down there to do this."

So we went to the other company and they paid us a percentage of their price.

There was another production company down in Orlando, Florida. We asked, "What shows are you dealing with?" and we found out that we were doing business with a lot of the same network shows.

We were so far away – 1,500 miles – that their customers weren't necessarily going to hire us and our customers weren't necessarily going to hire them. So we were able to pick up the telephone and call their customer and say, "XYZ Production Company gave me your name." And basically we had an introduction to them.

A new thing I'm now starting to do is offer some of the people I have built relationships with my entire customer base, with the history, the pricing structures, everything I've done. Giving it to them with basically, "I won't step on your toes, but you give me back your customer base."

Hotel

We have a very simple referral program. For every nine people you send to us, we'll give you the presidential suite, valued at almost \$200, plus dinner.

Those people (who got the comped room) talked to an editor of a magazine who wrote up an international article. That triggered another sequence of events. Two, three other national magazines picked it up and wrote about us. That one referral, regardless of how much it cost us to give away that room, (or for you to give away that product, to give away that yearly subscription) for us easily translated into probably half a million dollars worth of publicity.

Land Sales Company

I was involved with the sales of Rexford Plantation and Indigo Run Plantation on Hilton Head Island in South Carolina. Both plantations were going to be released simultaneously. There was a pent up demand and I knew that all of the established brokers would probably get most of the sales.

The first person I took out and showed property to in Rexford Plantation selected a home site and gave me a check. I refused to take the check unless he filled out a form and gave me at least five referrals and signed a release allowing me to call them that night and tell them about his purchase in Rexford Plantation. In 120 days I sold 113 lots in Rexford and Indigo Run Plantation. Of that, 74 were referrals over the phone.

Precision Heating and Cooling

I've started a duct cleaning service. I went to my competitors who also sell heating and air conditioning equipment but who do not have a duct-cleaning facility, and I gave them a covenant letter not to solicit or interfere with their customer base, but to have access into their customer base for the duct cleaning service.

And then, whoever sold my service to the customer got a direct percentage on whatever the gross sale of my duct-cleaning service cost. Probably 30% of the work I've done from September until now is a result of my competitors introducing my service to their customer base.

Video Service

Somebody dragged me into a National Speakers Association meeting, which now turns out to be a major segment of my business that is 100% referral. Once I got into the association and started taking an active role and doing good work, now out of this 3,500-member association over 500 are active clients. If you do the math, it's exciting.

Walk-in Medical Center

We would give tours to the school kids, like of the emergency room on career days. Then the schools starting sending all the kids who needed school physicals to us.

Then I took that concept and said, “Kids go to camp every summer. They need physicals.” So we would mail and call the camps. And it was a service to them, because they could tell them, “You can get a physical today, just go right over here.”

I built relationships with fire, rescue and police departments. We would do educational programs. And if they had an accident with multiple people...I remember one that had someone hurt badly and sent to the ER, and they had one who was just wounded with a cut — and they said, “We’ll go over there.”

We did workman’s comp. We gave cards to give out to all their employees. We gave them some discount for their own health care. They would come in a lot of the time and give us those cards.

Consultant

I rely 100% on referrals. I conducted several seminars for other consultants. I found journalists who understand our business well, and I asked some of my best clients to allow these journalists to interview them. The tape really gave me and my people deep insight about our work from the customer’s point of view.

We then offered these tapes to potential clients. “Listen to the tape and make up your own mind whether you think it’s right for you and for us.” And it’s given us complete understanding and another position to the customer.

Because he now asks us, “Well, does that mean that you have to decide whether you want me as a customer?” It means we both have to agree. Not only you – we both do.

Insurance and Benefits Consulting Group

We serve a very narrow niche in the marketplace, people who are 55 to late 70’s who have a net worth of \$3 million or more. And so you can’t just say, “Who do you know?” Because the services don’t apply to a broad segment of the marketplace. So we try to make it as easy as possible for the people to refer us to people they know who fit that demographic profile.

First of all, your referral source has to be one of those people. And secondly, we, for example, have a list of all the landowners in North Carolina that own more than a thousand acres of land.

And if we're dealing with somebody who is in the real estate business, and it's grouped by county, we can take them through that list and they'll say, "Oh yeah, I know so and so, you can use my name." We'll take a DMV list and we will subsort that list prior to asking.

Another thing we'll do is, if I have a particular community that I'm targeting, I will first go to the key CPAs and attorneys in town and say, "I'm not asking you for a lead. I just want to know who are the key, wealthy people in this community."

And then I'll go to my client base with a subsorted list and they'll say, "OK, bang, use my name, bang, use my name." That way, I have instantly subsorted the list for them so that they just check off the names.

Computer Software Company for Retailers

We get about 35% of our leads from referrals and about 35% from direct mail. Our market size is about 7,500 clients. We do a direct mail piece to all of our prospects every other month.

In the interim months we send a personalized letter to our clients, our key prospects — people who are in the queue, someplace between demonstration and proposal enclosed — and industry consultants. And we try to do a value add with that, whether it be an educational piece or a premium.

One of the best things we did was to send Howard Sewell's book, *Consumers for Life*. Howard is a Cadillac dealer from Dallas. We negotiated to buy five hundred of them at about \$3.50. But we mailed them out on our direct marketing list and we ended up with doing about \$200,000 worth of business off of that base list of referrals.

So the way we get referrals — I guess we actually give people bribes. I guess we give them education. We try to position ourselves as a value-added resource.

And I guess also part of that is we teach all of our sales people to ask for referrals. I mean, I'm just amazed so many people don't ask. We ask people who elect to go with someone

else for referrals. Because they all know who all is looking. So we found just by having a systematic method of communicating with key consultants or clients — which in our case is every other month.

By the way, we have a budget for that of \$5.00, on the average, over a year per person. So that's \$30 per person times 500, or \$15,000. Which is probably one of the best returns we get on our marketing dollar today

Photographer

We have a three-step program with our high school seniors. I photograph about 300 seniors in an eight-week period every year. And when the kids call in to initially book, we educate them about the whole process, but we also recommend that they bring in their friends at the same time.

About half of them bring in someone else. And we photograph as many as seven, eight kids at a time. Which makes it sort of a zoo in the studio, but each of the kids who comes in then gets a free 11x14 of the group shot. It takes nothing away from our individual sale, but those 11x14's normally list for \$94. We develop goodwill and get the kids in.

Second stage is when the photographs come back, we put in a gift certificate either for a friend of the family or a family portrait. And then after that, when the photographers come back and they're in their hands for a few days, I do write them a thank you note. And you'd be surprised how many people call us back with thank you's for the thank you note.

Unknown

We do business with institutional investors, so they're very hard to reach. How do you reach a CEO? How do you reach the top person? It's very difficult for telemarketers to do that, direct mail or anything else.

So by going out to retired executives, former regulators, anyone who has contacts with the decision makers we approach them, show them the contract they can sign. We pay them 10% of the gross production we do, because 90% of our business is now in non-regulated products where we're able to do that. (We can't do it in the regulated products.) They get excited.

Now we've got referral people bringing us other referral people who are friends of theirs. About 20% of our business is from referrals, but it's growing rapidly. One customer will average \$250,000 a year. So, you know, 20% of our business now is about \$20 million a year.

Product Development and Marketing Company

A source we discovered not too long ago was vendors. Vendors love to give a referral, because that gets favor in their column, and they also generate more distribution for their product.

Consulting Firm for Executive Information Systems

We create graphic systems for executives. If you want to visualize it, Boston Chicken has a map of the U.S. with all the locations of their stores and they click on a location and the statistics related to that location come up. Currently, in our industry, a large majority of the marketing dollars goes towards educating our audience, executives, about technology reducing the fear.

As a small start-up company, we really couldn't afford to educate our potential buyers so we needed a way to, in a sense, let our industry educate our buyers to the point of sale and then strike. We needed some indicator of companies that were going to make the shift to executive automation.

One was the software they were purchasing in-house. A large expense that software companies don't like is having a field sales force go and do one-day demos. So we partnered with the software vendors to go do the one-day demos in our geographic area. And, in return, we get the first crack at all the companies who are at the point of purchase.

The cost of educating, contacting and closing a sale for a customer in our industry is typically \$3,000 to \$5,000 per customer. But now, we receive ten qualified, ready-to-buy leads per week, and our biggest problem right now is a marketing campaign to hire people. And so we reduce the cost of attaining a customer from \$3-\$5,000 to approximately 30 cents in e-mail messages that go from our sales force to their internal sales force.

Bargaining Business

One of the things that I have used successfully is offering two for the price of one. If you have a seminar, this applies to anything where there is participation. If you have a seminar and you're selling it for \$195, you say, "For three to four it's \$175 apiece. For five or more it's \$150

apiece.” That way you have the people who get the brochure going out and doing your selling for you. And really, that’s a referral system on the front end.

Tape Resources

We had a system of referrals that seemed to be working. And I did it rather unscientifically. Whenever somebody would call and say, “So and so told me about your business,” I would send the referee a certificate good for 10% off. We have a certificate all printed up, and I would send it out. And it would say “Thanks for referring your friends and associates.”

But then, when I was listening to your tapes, I decided to get real scientific about it. I wanted to find out what it cost us to get a customer. We were figuring it must be about \$50 to bring in a new customer. And an average customer probably spends \$300 at a crack. And I don’t know what the volumes are over the course of a year.

But I was just looking at the \$50 figure and I was thinking that we could even instead of sending a certificate — which could be worth anywhere from \$50 to \$100 (if they spend a thousand it’s worth a hundred.) But we might just send them a \$50 bill in the mail every time they refer someone to us, because we’re going to spend that \$50 anyway.

And so we were looking at relatively scientific ways to pay people to do what they’re already doing. But to really get them excited about it and send cold cash in the mail.

Industrial and Homeowner Rental Equipment

We deal in large stuff – skid loaders, trenchers, back hoes... After I had spent all my capital budget, one of our competitors decided to go out of business. It was a father’s business; and the son had a first love for training military and police. And he wanted to set up a new company dealing with a new targeting system. So we bought some of their equipment.

I asked, “Can we send you and your family on a vacation to Disney World for your customer list?” So I got him a corporate American Express Card and told him he could spend \$5,500, and he gave us the list.

Then I said, “I’ll help you put together a new business plan if you’ll help us implement this customer list. First, write a referral letter that we can send to all of them. Secondly, we’ll follow up with our own packet, and third, we need your contacts and support.

Since you really don't have anything for your general manager to do while I'm getting your other business funded, and I've got a real problem in terms of losing managers, can he work for me this summer while we're waiting to get you up and going for about 60% of what he was making before?" Now, he's working for us as a manager and helping us in the purchasing area and some marketing, as well. It's working.

Automobile Dealer

The luxury car business is a big referral business. We're about 60% new car referral and about 30% used car referral. Just to give you an idea, there are 180 Lexus dealers in the country and we're about number twenty.

First when we deliver a car to a customer we ask them if it's all right if we send letters to the neighbors. We keep crisscross directories, and then we send what we call a "beautification letter" to the neighborhood and say, "If you noticed your neighbor got a new car, here's where he got it. If you're interested we'll be happy to come by and show it to you."

All of our salespeople are totally computerized and have a bank of maybe 100 different letters available. And we do about 300 to 400 letters a day, just normal business.

Second, for people who buy, we send a big white thank-you cup to the office. They walk around with this cup that has "Thank you" on it, and on the other side it has our name. So people are always asking, "What is the cup?" And we get referrals that way.

Third, after about the third week, we call the office asking for referrals. By that time the cup and things have hit — so they're using those as instigators to pull referrals.

We get and exchange a lot of referrals from other automobile dealers. We say, "If you've got somebody who asks about a Lexus, send them to us. We're not going to bury your product. We won't say bad things about you. We will just explain the thing." The other salesman who refers them looks good because he sent them someplace where they've been well taken care of. Everybody's polite and everything is nice, so he looks good and we're happy.

And we do the same exchange with them. We will send somebody over to them, and it's very effective. We get a lot of people here. We find that most people that refer to us just want the people to be taken care of. I mean, we do have programs where we pay referral fees, money and all types of things.

But most of the people just want their people they refer to be taken care of. They want to be proud that they referred them to somebody that's going to take care of them.

We've done things like art shows for the community. We would bring in art galleries, hang three or four hundred pictures, keep them up and invite the community in that had nothing to do with cars. We don't allow any selling at that time.

What it does is exposes people who are somewhat intimidated to come in and visit us, or someone who's never been in to visit us. We get people we normally wouldn't see. And they come in and they enjoy the art. But then people start saying, "What an experience we had there. We should talk to them."

We do golf tournaments. We do hospice. We're a big hospice supporter. Things like that. Follow-up is the key – referral is generated from follow-up. We've had some people we've followed for three years before they buy a car. You know, I have one guy that I personally waited on. He came in at least ten, fifteen times. I mean, we're real good friends now.

Apartment Complex

Our industry typically asks residents to refer other potential residents to the apartment communities, and generally pay somewhere around \$100 to \$200 for that referral. We made a game out of it and gave everybody a little card that said, "For the first one, we'll give you \$100 and we'll go sequentially all the way up to \$900 if you refer nine people.

And every time you refer somebody after the ninth, you will receive \$900 as a rent credit off of your month's rent." That's worked real effectively. And we expanded that and said, "We're going to offer you a lifetime referral fee, so that if you live in one of our properties and then you move out — assuming we didn't evict you — then we'll pay you a referral fee of \$150 for as long as you live." And that's worked also very, very well for us.

Consultant

When the client is a large company, the client itself is a big market. Earlier this year, we made a conscious decision to start asking for referrals within the client organization. When someone came to us with a complaint like, "You know the work we do and we've really helped you. Would you be willing to recommend us to that other person in your organization and to formalize that process?"

It's worked tremendously. What we've found is that, maybe the company has, let's say a million dollar consulting budget, and we're getting \$200,000 of it, but there's also these departmental budgets over which these people have discretion.

And if you get through this referral system you can tap into that departmental budget, which is a completely different source of revenue within the client than the main contract you may have with the total organization. So if you're inside a big organization like that, it's a really tight referral system. Very lucrative.

Audio Tape-Set Publisher

On the back of all of our business reply envelopes we have an area where we ask for referrals. It's something to the effect of "If there's anybody who you think would benefit from the types of programs we offer, give us their name and address and we'll send them a free catalog." We get thousands of referrals every year, a good portion of which turn into customers. They tend to be good customers.

Life Insurance Business

I would have meetings with my clients for their birthdays. And I'd either take them out to breakfast or lunch. And in those meetings I'd sit down with them and ask them to tell me how they started their business. What makes it different? What are some of the things that are different about you? What makes it great?

I'd say, "Tell me one or two things I could do to really improve my business. Who would you call on if you were in my position? Do you know two, five, ten, a hundred people?" And they start listing people. "Tell me about them. Tell me about them." What happens is you end up with a referral system. And of course, you just keep going with that.

Optometrist

I send very simple, blank thank-you notes, which I handwrite, to patients who have referred me to other patients. If you have "Dr." in front of your name, lay people are really not used to being acknowledged, much less thanked, by doctors for doing anything for them. And so, when you do it, it creates such a large impression on people.

Multi-Level Health Products

I'm accredited by the State of California to give continuing education credits to nurses and, now, certified nursing assistants. A lot of nursing assistants were calling me because the people in Sacramento, from the main office, refer people to me.

I also have a tennis coach who is now referring me to other people, too. And we've worked out a contract so he's getting a percentage.

Mortgage Banker

I help attorneys close probate in about half the usual time by making loans to executors, administrators, and trustees or trusts. Referrals are more than 90% of my business. I consider the attorney my client, and I tell him or her so.

What I make very clear is that I have a selfish motive for doing a very good job. It's because I want you to be so impressed that you're going to go back to the attorney and tell him or her what a great job I did. Because I not only want your business, but I want that attorney to refer me to that second, third and tenth deal. And now I've been doing it about four-and-a-half years.

I do a lot of other things to generate referrals, too. Even though I'm not an attorney I belong to twelve bar associations, probate sections and paralegal groups. And I do seminars.

Real Estate Agent

Referral business is the biggest way to get clients. I try to educate them right from the first appointment how important referrals are to me. And I let them know that when they list their house what typically happens is a sign goes on their house the next day.

And they're going to go to work and tell their coworkers that they're selling their house. And they're going to come home and their neighbors are going to ask where they're thinking of moving. And their friends are going to ask the same kind of questions. Ultimately, they're going to run into other people thinking of buying or selling real estate.

So what we've done is we've been asking right from the first interview for referrals, and we ask all the way through the process, not just at the end of the sale. And we're usually getting at least one referral from each one of our listings, because now they know how important it is.

And we do give them something to thank them after the referral, which is good. We give them a 500-minute calling card, good to call anywhere in North America. We don't tell them that until after the referral, then they get the gift.

We kind of program them that they get something for every referral.

Holistic Herbal Medical Products

My company is primarily mail order. I teach natural medicine through the mail. And I have a lot of students internationally. I'm also a private membership company, so that when you become a member with me you get a little number.

Well, what I did with referrals is I made up "Thank You Bucks." And all my students have to do is take my brochures and put them in health food stores in their local town, put their member number on there, and, any time that comes in, I automatically send them "Thank You Bucks."

Dance Studios and Instructional Dance Videos

We did a referral program last year. We gave away free dance lessons or money to people who brought me customers.

Mail Packet for Engaged Couples

I capture the names of engaged couples, and it's given to businesses. They pay a certain amount per month and then they can put something in a packet that goes to an engaged couple. I ask not only for referrals but most for businesses that are interested. I've made a sheet, 8½ x 11, and I've listed all of the possible businesses that are applicable.

While I'm filling out the agreement — or even if they don't become involved with it — I ask, "Would you help me with this?" Because it's important who you're involved with in this program.

So, it's just as important to know who not to go to as who you'd like me to go to. So what they do is, I just have a box, because if they have to think and write down names I'd probably only get three or four. I have categories like florists, jewelers...

You know, different businesses so they just check off boxes. And then a lot of times I have blanks at the end of categories that a lot of the time they fill out. People I haven't thought of.

I do this before I go into an area. I look in the phone books where the bridal registries are, different things to get those names. And I also ask them, “Would you please cross off those businesses that you’ve heard something about?”

Internet Publisher

I started in business on the Internet in July of 1994, and in July of 1995 I had a little over 100,000 customers in 80 countries.

I wrote newspaper columns that, at the time, appeared in no newspapers. And it’s very entertaining. What I do is retell what are generally are called human interest stories. I take stories out of the newspaper, I retell them and I make some nasty comments on them.

I encourage people to forward them by e-mail to whoever they want. And every single piece of e-mail I send out has a marketing message saying, “If you want to get this every week, here’s how you do it.”

Just recently a reporter from The New York Times ended up doing an entire article on me and my product. Twenty-six column inches in The New York Times! It was very nice.

But the question is, how do I get paid? Because I’m not using the traditional syndicate route, my first several clients were not in the United States. I used this international reach to expand locally from day one. So my first client was in Canada.

My second client in Sweden. And they’re translated. And they’re paying me \$3,000 a year to run my stuff. And all I had to do was put their name and their e-mail name on my distribution list, who not to be referred to. I know who or what.

Cooking Food for People With Allergies

Basically what I’ve been doing is cooking privately for people who cannot have any meat, wheat — which is regular flour — dairy, and very little sugar in their diets. They have an allergy, sensitivities to them.

What I’ve been doing is creating products, and cooking all of their meals – everything from their breakfast items, their snacks, all the way through to their dinner items, their rolls and also dessert items.

I've been taking that and creating products to put out in the stores, in the market and mailing. And what has happened from these couple of clients I started with is I've gotten more clients by referral through them. People are calling me up saying, "I hear you have this, I'd like to buy."

Insurance and Investments

We have a genuine insurance crisis in California that was fueled by the Northridge Earthquake in January of 1994. In June of 1994 there was a moratorium placed on homeowner's insurance within the state.

I am also a licensed insurance broker and we created some markets for homeowner's insurance. And as a result we have people calling us from title companies, realtors from counties all throughout the State of California.

I market a particular investment. We took the investment and we put it in graph form, and I hand those out to existing clients. And a client can see graphically where they started with this particular investment.

And this particular investment has increased by 950% in the last 15 years. So, when they can see where they came in it makes a significant difference. And we only started doing that about two months ago, and our sales are up ten times what they were.

Commercial Real Estate

The Society of Industrial and Office Realtors, about 1,400 elite, very accomplished and high-reputation realtors all over the country and now all over the world, exists strictly for referrals. And I get referrals from all over the country. I give them out, too. We have a referral fee format set up, as well.

Coaching Program

A great way of getting referrals. He really focuses on his client base and works only with twenty relationships. He just works on those core clients. He spends all the time with those twenty people and he does such a good job for them, he becomes so valuable for them, that they automatically give him referrals.

Take a look at all of your files and pick out the twenty people giving you the most business. And then go hire someone to look after the others who are giving you minimal business.

One thing I do that I think is valuable: I spend a lot of time with my core clients. And then I'll sit down with them and say, "Let's go over individually who are the people you can recommend to me." Then I have them personally call the people they put on that referral list. I get back to the people who gave those referrals so they know what happened in the process. If we get a sale or a new client from their referral, we send them a nice gift.

Recruiting Consultant

I depend on having people to place, and of course companies and people to place them at. So I started giving away names of people I trusted, knew were good, to other recruiters who I knew also needed, good people that I couldn't place right now. Because you turn up an enormous number of names percentage-wise that you can't use. I place maybe one percent or less of the names that I actually generate.

So what ends up happening is I've started this reciprocal process where I was giving away stuff. And then when I got in a jam I could call the same person back up again and say, "Here's some more."

On the client side, when the contract was winding down I would ask them, "Who would you like to see me work for?" Which implies who don't you want to see me work for, which is namely their competition. So I would get all of these high level referrals to new clients from existing clients because they didn't want me to work for their direct competition.

Antenna Company

We have about a \$40 million business that started with referrals. We wanted to sell the top twenty cellular phone companies in the country. Each one had about 100 locations. We tried going to the twenty buyers and I got thrown out of about twenty offices.

So what we did is we went into their markets. First call, competitors had no problem. Second call, maybe they had a few. By the third call, I had listed ten things.

Every single branch of every single carrier wanted the same thing. So what we did is we went back, basically gave them what they asked for. Each one of them thought we custom-designed a product based on what they told us. And what we did is we'd go in and say, "Here, is this the product you described?" They would say, 'Absolutely.'

They are so thrilled that they wanted to help us. When we asked them if there were any other market; where they might know somebody that might give me an opportunity to get my foot in the door, they'd give a list of names. And when we'd go there they had already called. Because in their mind we were marketing the product they "invented."

Training Company

I've heard people say how important referrals are. The statistic is that one referral is worth 15 phone calls.

And what we teach is that most people agree on the value of referrals, but they have an unfounded or founded fear of rejection for asking for them, or what they do with them when they get them.

First, you've already got reciprocity by getting value to your customer. That allows you to go back and ask for something in return. So you go to those customers and ask, "Did I provide value for you?" If they say yes, say, "Here's what I would ask in return. Give me the five names of like-minded, similar customers."

When you call that person, you say, "So and so asked me to give you a call. And I hear you're very talented at X." And then you can say, "Is that true or is that just a rumor?" That gets them to laugh.

You introduce yourself last, because if you introduce yourself first, then they're going to want to know, what this is all about and they feel sold. So add value, get the referral by giving more than he expects to receive, then find out what they like about the referral and then follow through with a phone call.

Painting Contractor

A customer asked me to strip all the paint off her house. I said, "I can't really do it with any estimate. We'll do it by the hour." And I gave her a very low, rate. And I said, "I think it will take four or five days,"

On the ninth day I said, "I don't want to make any more money from you." And she almost cried. I said, "I just want you to pay this particular worker by the hour." And we came to a fee that was two dollars more per hour than he was earning. So she said, "You're going to get a lot of referrals,"

Health Club

Fifty percent of my business is based on referral. When I join up a member and I sit them down, the first thing you do is you tour them around and sell them on service and results. I say, “There are two things I ask of you. First thing is that you come consistently to the club and use it. And the second thing that I ask of you is that when you have friends, make sure you refer those fiends over to me so I can take care of them.”

After I get the results, the key thing that I ask from them is, “Can you write me a letter of recommendation? Can you take five minutes of your time-since I’ve taken my time to make sure you get your result?” Out of a hundred people, fifty people will do it.

Mortgage Business

The referral system is 100% of our business right now. I am in the top one percent in my industry in the country.

When I sat down I transferred my knowledge to them. I shared with them. I made a point to tell them that I expected to get referrals from them if my performance is what I told them what it was. And so it was very important to us that we did deliver the service that we promised them.

After nine years I noticed that I was only getting the transactions other people in town couldn’t figure out how to put together. And the first time through we’d go ahead and put the deal together for them. Then it would be three or four months before we heard from them again.

So I informed them that we’re not going to be able to do business together. Because the quality of leads they were giving us was not fair to those other people that we were doing business with. I had explained to them that there are a lot of judgment calls that go into making loans to people.

And the relationships that I have with underwriters and incumbents’ calls that I have with our staff as to how we put together those packages play a very important role. And if we were to start submitting these tougher deals then the quality and the respect we would receive from them would go downhill.

So I would explain it to them that we’re more than happy to assist them get through the transaction because we are probably one of the few people in town that could get them into that

home and to let them know what our value was. From that time forward the growth of the company has just been tremendous.

Fitness Club

Our clients are our friends. We really pamper those people who come to see us. We give to each one of our new members two invitations to invite a friend of theirs to come to the club with them and many times we get requests from our older members as well. This is very effective for us because we rely 100% on referrals.

Stockbroker

Clients are hesitant to give you referrals because they fear that you might not do a good job for a friend of theirs. Or they may lose a lot of money even though you've made money for them.

Once or twice a year, I go from A to Z to every single one of my clients. And say to them, "Almost my entire day is spent managing your money and taking care of your investments and keeping track of what's going on with everything you own, and then disseminating that information to you. I don't really spend a lot of time bringing in new customers.

By referring someone that you really feel would benefit from my service to me, I will have more time to spend doing what I do, which is servicing your money." So, I would ask, "Who do you think would be in the league that you are in, or higher, that would benefit from the type of service that we do?" And people would just start giving me a list.

The quality was phenomenal and the closing ratio was extremely high. But the guy that just started reading names out of a Rolodex, a lot of times you did not convert maybe more than one out of the ten. But the guy that gave one or two I would close a higher percentage of them. The average commission per client per year, worst case is about \$3,500 per person take home.

Complimentary Medicine Practice

I'm a medical doctor, and it was essentially 100% referrals through word of mouth. Patient to patient, family member to family member. We took information on what we did and brought it out to the media, to the politicians, to the legal system. We then were essentially invited into the system by the physicians.

And now I get referrals from the President of the Canadian Medical Association – very high-level physicians with very, very tough cases. At first they were test cases to see if we could produce. And now, we’ve got so many cases that it’s impossible for me to see these patients on my own. We have a waiting list that is well over a year.

Dentist

We wait for the compliment before we do any type of asking for referrals, because if we do it any other way it’s pushy. And so we have our referrals in holders at every work area and every room on the counter at arm’s length on both sides.

And when the patient says, “Gosh, that didn’t hurt at all,” we say, “That was very nice, thank you for the compliment.” And we reach and we get a card. And we put it in the patient’s hand and we just clasp the hand. And we say, “You know, we do no advertising. It’s only through word of mouth that we get real nice patients like you. If you have a relative, friend or co-worker that you’d like to refer to this office, it would be real nice.”

Service Business

We have high-volume consumer bankruptcy offices. We’re seeking to sell our system to other attorneys elsewhere. Most of you know what Chapter 13 trustee is. Basically, a person pays their debts out of a Chapter 13 bankruptcy, to some extent anyway, and they pay a person called the trustee who distributes the money.

Well, that trustee works with attorneys and creditors. He’s basically a conduit between the two, and the attorney, of course, represents the debtor on the debtor’s side.

We have contacted trustees in other cities to refer us — to give us names of attorneys who they believe in that they can trust, that they have rapport with. Then what we do is contact that attorney and say, “You have been referred to us.

“ We write them a Jay Abraham-style letter — a very long and voluminous, extraordinarily adjective-filled letter — to the attorney and we already have three in the process. And I’ve written three letters. So, those are potentially probably half a million to one million dollar deals, each of them.

Furniture Store

We have a multifaceted store in which we sell retail refinishing. We don't ask for referrals, but that is our backlog of work. It's just referrals. People just come to use because we delight each and every customer.

I have four guys working in the back and we have approximately six weeks worth of work for them, and I don't advertise at all when we refinish.

We do send out questionnaires and we ask, "Would you recommend us to a friend?" Whether we sell a new piece of furniture or refinishing, we really believe, from the guys putting their hands on the work, to getting it in to the customer's hand, our purpose is to absolutely delight them. Whether I lose money on a job or not, it goes out the door right or it doesn't go out the door.

Chiropractor

Most of my practice is referral. I haven't treated a patient in four years myself who hasn't been directly referred to me. I have associates who treat the ones we get from other things. But what we have found is that you can have many, many satisfied patients who don't refer.

We have what we call "regiment reaction." We have something that we say specifically, or a topic that we cover specifically for the first fifteen times we see the patient. And it just takes them through a whole bunch of things. And it's basically education.

And you modify it to the patient and the situation. But the beginning of it is built towards building your confidence. The second phase of it is geared more towards educating them. And then the third phase is more specifically asking them for the referrals. Because by then they have confidence in you. They know what it is you do.

We have a game we play with our staff called the "Gotcha Game." I have patients who are begging you to ask them for referrals, and they don't even know it. For instance, they may say, "Boy, you're busy today."

Normally a doctor kind of downplays it. He doesn't want to look too busy. Well, my line immediately is, "Yeah, I am. You know, I've got lots of great patients just like you. And they're constantly sending in their friends and their family. Who are you thinking about sending in?"

They say well, “Yeah. I’ve been talking to my neighbor.” Or, “I’ve been talking to so and so.” Or they’ll ask a question, “Well, do you treat headaches?” But they always have someone, because we’ve raised in their mind the idea that we really appreciate referrals, that our patients get a lot of attention for referring. And they want recognition. They want attention. They don’t just want to be helped on a health basis.

You’ll have to be extremely consistent. You’ve got to never stop looking for a chance to ask, or what I call “plant a referral seed.”

You’ve got to be so excited about what you do that the patient also feels that excitement. Then it’s a natural occurrence to want to ask them to send other people in. You’ve got to be so excited that you couldn’t possibly feel bad about asking them for a referral. In fact, they should feel great about referring people to you. But if they don’t feel that from you, they’re not going to do it.

Management Training Seminars

I get names and addresses and then I call people and ask how they’re using the materials. And I’ll make a comment like, “Well, I don’t suppose your senior management would be interested in any of this.” And they’ll say, “Oh, no, they really would.” And then they start selling me on the referral.

Trainer for an Advertising Agency

I train Realtors on how to do personal marketing. What I discover is at the end of my presentation, which is in essence a sales presentation, they are excited about what I do. When I look at them and I say, “Guess what? I’m still in the area. I’d still love to visit some more people. Who do you know that would really enjoy this presentation?” I make them look good to their peer group, because they’re able to say, “You’ve got to hear this.” Usually, I get between two or three referrals out of each person.

If I get a person who is that excited about what I do, they feed me into other people. I pick up the phone and say, “I talked to so and so. They told me to call you. They were really impressed. Let me tell you what I’m here doing. I’d love to do the same for you.”

Unknown

What I’ve noticed in my practice is that a lot of the results that I’ve produced come out of where I’m standing and the direction of the conversation that gets generated from that position.

At times, when the practice was down, what I noticed was that if I was speaking from a position of need — really, coming from a past event — no matter what I said, no matter what I communicated, came out really unclear with very little result.

When I'm speaking for the possibility of something greater in the future, and talking to them about what can be generated for their families, what's possible for who they know and it's something that has yet to happen, the results that get produced are much greater.

European Skin Care Business

We basically placed ads and said, "Free facials, limited number." And since it's empty anyway, when you start, you just give away free and it results in \$75. For every ten people who come for a free facial, an infinite number will go forward. And what that total is the average person coming for free is worth \$75.

Fifty percent of the people who come buy at least a hundred dollars worth of product. And if you buy a program, which is six facials with a 33% drop in price, we give you four referral cards. We put your name on the back, and they're for your friends. And if your friends come in, for every friend that comes in you get a free facial if they buy a program.

And we also do that with all the women who work in the department stores who sell skin care and cosmetics. And when the cards come back through, we track back to who had gotten it and we notify them.

And anybody that sends in a referral, they get a nice note saying, "Thank you for the referral." And if they sell a program, they get a different version of the note saying, "They did buy a program and you have a credit toward a facial."

Heating and Air Conditioning Replacement Business

We step them through a process that's very orchestrated, very scripted. We show them referral letters and we explain to them exactly what we're going to do for them with their heating and air conditioning system.

As they're looking at these referral letters, we say to them, "Now isn't that the type of letter you'd be willing to write if all of the things that we were saying were absolutely true?" And, of course, they answer yes.

At the end of the presentation after we close the sale — and we've used a lot of assumptive techniques as we close that sale — the last thing we do is we hand them a business card after we've closed the sale and say thank you. "No" we say, "I have a surprise for you.

Your business has been referred to us by such and such, and you get fifty dollars off of the price that you've already negotiated and that you thought was a good price. And further, if you get to do this with one of your friends, we'll be paying you fifty dollars for the referral and also giving the same fifty dollars to your friend."

Unknown

When I do get referrals — which are the majority of my sales — I call them personally and thank them. I offer ten percent off to any of their clients who are referred to us.

Shooting Range

We give away special business cards to our members. On the back it says, "Free Range Time." We ask our members to put their initials on the card when they give them out. We encourage them to give out three to four at a time because people like to come with friends or family.

We allow members to bring up to 24 guests a year at no charge. Probably 30% of these guests become members and a great many of those that don't will return as customers on a pay-as-you-go basis.

So I'm known and my business is known. So this new liberal radio personality mentioned it on the radio, today that he's going to go out tomorrow and he's really going to find out what guns are all about. So the members and the customers really do excellent PR for us.

And in addition, we let our members bring 24 guests a year at no charge. Of the 24, probably one-third end up becoming members, and those who don't buy memberships. They'll just pay as they go and we make more money on that, anyway

One of my members called me up and asked this liberal, anti-gun, left wing radio commentator to come and shoot with him on Saturday, and he wanted to know could we reserve a lane for them.

Now, I do a business report for this radio station every month which I don't get paid for. But I don't pay for the airtime and puts my name and the name of my company in front of the public every month for free.

Financial Planner

I explain to people up front the first time I meet them that part of our fee is that I need to get five introductions from them. And I explain to them why it is that I need five – because out of the five, two people will probably say, “No thank you.”

One person will probably already be working with somebody, which leaves two people for me to sit and speak with. Which is what I really need from each person, because out of two I'll get at least one, or in most cases two.

But the second part, as I explained to them, is that the vast majority of the people in my business spend a majority of the time cold calling people, so once I get in front of you, the pressure is on. You know, “You've got to buy something” or “I've got to sell you expensive products or higher fees,” or what have you. And because I spend probably less than 10% of my time doing that.”

Only 1% of my time is spent on the phone trying to get appointments. Because of the success that I have calling people who have been referred to me, probably about 65% or 70% of my business comes from referrals a vast majority of it. But then they understand the reason, the rationale. The additional time I save that I'm not doing the marketing or the cold calls I can spend doing the research and the planning and things.

Bar Code Company

We have two referral programs. One of them we call “Happy Letters.” These are endorsement-type letters. And we blatantly pay our sales reps \$10 for each one they can get.

“I'd like to have a referral letter. I'd like to have you write down how to use our product” — and they do. I've been very successful at just asking. And we take extracts from those and put them into collateral sheets by market segment so that we can send out a piece of paper to an industry.

And our second referral program is for our resellers. We have a very complex product to produce and a very long lead cycle to close a sale. Sometimes six to eighteen months. And most

resellers, if they get into something they don't want to handle all the way through the process, they'll just turn it over to us and we'll give them four percent of the revenue for the first year.

Plastic Surgeon

I send out letters quarterly to our old patients, and in there we describe a case history, someone who's interested in a type of surgery. What they've had and how they felt about it. And then we enclose a certificate for them to give a friend with a free consult to come in and see me about a cosmetic procedure.

Life Insurance, Annuities and Mutual Funds

Life insurance and annuities I sell have, as an investment feature, mutual funds. I get probably 60-70% of my business as repeat business because I've been in the business about 30 years. And I got a lot of referrals from my present clients primarily because I've helped them make money. It's not hard to get people to give you recommendations when you've helped them make money themselves.

Any time I make a sale I ask for a referral. But not just for anybody. I ask for the referral I want — that might be the fellow, down the street who is his competitor. And I usually ask the direct question, like, "Do you have a brother?"

Or if you're in the plumbing business, for instance, "Who is your biggest competition?" But I never ask the vague question for a referral. I always ask a question that a man has to have an answer to. And then usually I ask him, you know, to do some follow up. Either make a phone call or to write a note.

Sales Rep for AT&T

I use referrals 100% of the time. I have two referral systems I use in order to get business, and I don't have to do a lot of cold calling.

The first one externally I do a referral system where I'm a member of the Chamber of Commerce in my area. And, because I'm really involved in the Chamber of Commerce and people know that I have successfully helped other members of the Chamber of Commerce, they automatically give me referrals. About four times a week I get a referral from the Chamber of Commerce. I have about a 75% closing ratio.

And then my internal referral system is within my sales organization. I have built a certain niche of expertise. I handle certain customers who are with resellers. Like a customer, a reseller named Syntex.

I have a certain expertise in selling against Syntex, including implementation that's less than twenty minutes, but because all of the other sales reps had heard my success with Syntex, they are willing to split the commission just to have me come out and do a call with them in order to have implementation go so quickly. I usually do about seven to eight calls and normally close seven to eight.

Another thing I do is network with the other AT&T sales reps who sell data and hardware equipment. And they'll call me for referrals. So I've been around for a while.

Unknown

I have several different businesses that we ask for referrals. It's probably one of the easiest methods of sales we have. We offer premium incentives to the individuals who give us referrals. We're very aggressive in asking for them and training our sales people to ask for referrals. About 80% of our business comes from referrals.

Carpet Cleaning

For years, we had our technicians trying for referrals as soon as the customer starts to "ooh and ahh" over how well we're cleaning their carpets. They pass them a strip of three postcards to address and fill in and sign to send off. I've made one change. My sales staff is now alerting the customer that we will be asking for this when they see how good a job we do. I get a 20% return on this. At \$20 a person per year, times 500 people a year that makes a big difference.

Festival Promoter

When we do our follow-up calls after a festival, we have our telemarketers request a referral from each participant. The best telemarketer can usually do about 75 out of 100. The worst one will get about 30% of our business is referral generated. Each client can earn between \$3,000 and \$30,000, so the income is not inconsequential.

Positive Thinking Seminars

I give weekend seminars and people can re-attend if they pay \$50, which is an advantage over all other ones, because usually they have to pay the whole price again. And if they refer somebody to me, then it's free for them. And also I have 10% value that I give them if they bring

new customers without being asked. And it's been going very well. I moved my business from \$125,000 a year to double in a single year.

Unknown

I get referrals from car dealership salesmen – without compensation. What they achieve by doing this referral is I give the customer a lower price. And give a favor to the customer, does that make sense? I don't make as much profit through this referral. But I get a referral, which I never would have seen.

Network Marketing Seminars

We have a very low-key but very profitable referral system. At our seminars we have a handout sheet in the folder. And we offer a free one-year subscription to the network-marketing seminar. We'll say, "If you have anyone in your organization who wasn't here today, and you'd like them to get a one-year subscription..."

For each hundred people, we probably get 60% who turn in at the seminar with at least one name. Usually ten, twenty. We get another 10% who will send us hundreds, and sometimes thousands of names after the seminar. We convert 30% to 40% of those people.

Seminars

There are a number of different ways that we've done this over the years. We have something we call the "14 Gold Sheet" that we use at the end of a seminar. In a large group like this we would ask each of you to suggest people who would be able to come to us and we could help them. We find in one-on-one sessions that more often we get a larger list.

I was in an elevator the other day and I had a ten-second window of opportunity to pick up a client. He just looked like he should be a client. And he happened to be an environmental attorney. And we meet just this past week. Not only can I help his clients, but he wants me to talk to his managing partner, as well as his marketing director. So I think all of us need to look at everybody as being a potential referral source.

Customer Appreciation Gifts (helium balloons)

My business is all about generating referrals. I realize that referrals were leverage because I could close twice as many of them as a normal cold lead.

I started having balloon packages delivered to my customers where they worked after they bought their new car. The balloon didn't have advertising, but they're sitting at work with a balloon floating overhead.

Everybody thinks it's their birthday, asks about it. They would start bragging about their new car and what a nice person I was for sending it.

And within nine months my business from repeat referral customers increased about 58%. Now, we work with about 800 companies around the country delivering balloons.

Personal Injury Claim Settlements

Typically we deal with an insurance company's claim office. And our referrals will usually be within that same office. If we're doing business with an adjuster, we will ask for a referral to somebody else within that company or that particular office.

And that is usually immediate because it will be somebody who's sitting over here. Not only does it work, but you get the endorsement of the person you're working with immediately. So you've got the referral and the endorsement.

Workshops and Seminars

I ask people for referral letters before I do a talk. Customers could say to his or her friend, his or her colleague, "This person is good. He did a good job fortune and I as a customer will benefit by sharing the association." And that's become our full compensation. I do the very best job I can of making my old customer look good. They appreciate it, and now I get people calling me out of the blue with referrals.

That's the compensation that works for me.

Orthodontist

Most referrals come from general dentists. And instead of us going to visit them, taking them a basket of muffins or whatever, now we invite them to our office for what we call a "Lunch and Learn."

We have every office about 25 dental offices usually about every six months. So a couple of times a year they all come. They come with their entire staff. We always provide a professional courtesy for the doctors' family and for his staff.

But the interesting thing was we never told them. So now that we have them coming to our office for lunches we give them a tour of our office. We show them what we do there. And during that lunch it's our opportunity to share with them all these things that we can do for them and, as partners with them, to be a team for their patients in orthodontic care. And the results have been incredible

It's very seldom that an office comes and, as a result of their being there, we don't at least start one of their children or their assistant's child, or their hygienist, or one of their assistants starting treatment. And our feeling is if we start their staff and their children and their families in treatment, then they're going to tell their patients that's who I go to. We give them preferential rates.

Where we started eight years ago, our practice — we were producing about \$300,000 a year, had 27 employees at that time. And today we have ten employees and we had our first million-dollar year this past year.

Cosmetic Surgeons

One of the things I've done especially in the field of hair transplants, which is one of my specialties, send a letter out to the client base offering free transplants. You pay by the transplant. You pay by the graft. Say, "If you would bring in a friend, I'll give you thirty free grafts. No charge."

It's worked very well. Out of 600 pieces of mail, we got 100 new clients. The 600 pieces cost pennies because they're all computer generated. Each client is worth over the long term \$30,000.

We look at referrals in two ways. One is our client base. And the other is a professional referral — hair salons. We can't pay them any commission. But we can buy advertising. We can pay them a monthly. We can't split the cash. But we can pay them a rate to advertise.

Basically what I did was start my own organization, and paid the salons to keep my payment as a rental fee to keep my brochures there. It has worked well. Most of our upper-level clients, especially in the entertainment field, came through that venture. I rented space from the hair salons. And that rent could go up and down, depending on the viability the advertising medium.

Mortgage Business

On our quality control letter that we send out asking them to grade us on how well we did or didn't, there's a place for three names, referrals.

A couple other things we do is send out a letter once a month to all of our old clients, talking, educating them about something that's going on in the mortgage business. I call them approximately once a quarter to see what's happening, if they have any needs and, again, to give them some value for the phone call, not just to call them up and bug them.

And probably the simplest and most effective way is when I get done taking their loan application, and everyone has shaken hands and is getting ready to leave, I'll say something to the effect of, "By the way, who else do you think might be in need of my services?" And it's real simple but it's very, very effective

I would say right now probably 70% or more of the business we get is referral. And it's better business too. Because it's what we would call a "warm call." The referrals say good things about us. People aren't going into the situation blind. Plus, referrals cost next to nothing.

Photographer

Over the years we built a wedding business that did thousands of weddings by using two referral systems. The brides would come in. We would tell them they could get a couple hundred-dollar wall portrait for \$20 if they sent us two more couples who hired us to do their weddings.

Now, most of the couples would take a year or so to do this. So a year later they would not want a photograph of their wedding. They would want a new one and they would buy copies of that for their parents. They would buy frames, etc., so we would actually make more on the referral gift than it costs.

The other referral that came from that was to have every bride and groom bring us a list of the names of everyone in their wedding party. All the girls, all the guys. And we would send them each one of them thank you letter saying, "Thank you for helping us that day, for putting up with us and being there early. And to say thank you, we would like to give you a portrait of your family."

Business Centers (instant offices)

We realized that it wasn't really the distribution — owning the distribution — that was important. It was having the ability to find the client or the prospect. And then create the distribution around that.

So, in addition to the centers we own, about a year ago I formed what we call Alliance Business Center Network, which is essentially a group of people in our industry I used to think of as competitors that have come together. We just closed a deal out in Europe where we added over 50 locations throughout Europe.

We have 150 locations all over the world right now of people like us in our industry. And we're getting them to focus on who the key decision makers are in the organizations that they are doing business with, because we realize that a lot of the companies that are going into centers are going into centers all over the country in multiple locations.

And if we can identify multiple-office users through people who are already predisposed to using our product, it's very powerful if we can try to control that account.

So what we've done in essence is gotten all of these people that used to view each other as competition all operating under our trademark and referring business and identifying who the key decision makers are in the various organizations they are doing business with.

And then we've got a centralized national marketing department that contacts these accounts, contacts the key decision makers and tries to explore a little deeper on a national basis what their needs might be, because often the local operator doesn't think beyond just their center and they haven't even identified the opportunity. They don't even realize that this company might be in 30 other locations all over the country.

First of all, we're making a lot of money on it. People are paying us a monthly fee just to be a part of the network, because there are other benefits besides referrals that we built. We are also getting paid fees for bringing the sale back to a center — any individual center. So it's basically funded an entire national marketing program and allowed me to build a brand name and get a great distribution on my trademark risk free and without any real investment.

Executive Recruiter

I specialize in placing engineering and marketing talent with our client companies all over the country. I handle companies up to maybe a thousand people. I like to work directly with the decision makers who are actually doing the hiring. Our business is based entirely on the referral system. I am always asking people, “Who do you know who would be qualified for this opportunity?”

There are two sides to my business. I’m talking to managers making the hiring decisions. And I’m talking to candidates whom I hope to place with my client companies. So I have two sides to every sale, if you will, that I’m working on, every placement.

The two principles that are really fundamental to my being successful is that first of all, people want to be helpful. They want to give you referrals. It makes them feel good. Everybody wants to be helpful.

The second principle is that you don’t have to only get referrals from people whom you know who are happy with your services. Because you can say, “John, who do you know whom I should be talking to, who can point me in the right direction?”

And then John will point you to Bob. And you can say, “Bob, I’m calling you because John referred me to you. This is the purpose of my call. Who do you know?” This is short cutting the whole phone call. But, “Who do you know that would be qualified for this opportunity?” And you ask that of just anybody.

Physical Therapy

It’s called a “Care Enough To Share” program. Say somebody comes in and they have a back problem, and I’ve worked with them for a few days and they’re feeling better. And I say, “Oh, Mrs. Jones, your back is doing much better now.

Do you have any friends or relatives who also have a back problem, or neck problem, arm problem or leg problem? We have a screening program here. We can give you a little card and they can come in within the next couple of weeks, and I’ll give them a 15-minute screening and it won’t cost them anything.” Often, of course, almost everybody knows somebody with a neck or back problem.

If I do it, say, five times a day, two or three people will take cards and one or two will come in. And of those one or two-by conversion rate when they come in — we get about 30% of them.

Public Relations Firm

We've been built almost exclusively on referrals. Most of our client base is conservative, political and Republican-type organizations. And all of our account reps came from the political community. So what we developed early on with our initial clients was a very trusting relationship.

Our account reps have a very high passion for the work they do. It's the same passion that our clients have. They're both heavily involved in these political issues. Because of this passion that the employees have for the client's work, I've gotten a tremendous amount of referrals. And they haven't hesitated to talk to other organizations about us because they know we go the extra mile. A retainer client can be worth \$50,000 a year to us.

Professional Speaker

Most of my business is referrals. When I do any kind of program — be it a keynote or a seminar — I always stop right before the end and have them fill out an evaluation form for the meeting planner. The key part is at the bottom of the form.

There is a space for the name and address block, phone number. There is a place they can check off saying, "Yes, I'm interested in having Jerry come speak to my organization. Please send me a pack of materials." Under that it says, "Here is somebody else you can contact" and a place for them to fill out that person's name and address, phone number.

So I follow up on the phone after finding out what they're needs are in, finding out what they really meant in checking the box. We will then ask them if there are any other associations they belong to, any other organization, any other people. If a meeting planner can't meet my full fee, I'll ask if they will agree to send a letter out to all the other state associations or whatever if I do it for a lower fee.

Land Sales Company

We sell affordable land in Arizona or in Colorado to the people in Hawaii. But we did find that we wanted to encourage our sales people to get referrals. And what we came up with

was an idea where at the time of purchase, we would tell the client, “If you are like most of our clients, you probably want your friends and relatives to find out about this opportunity.

Because most of our clients want their friends and relatives to end up owning property close to them. Would you agree?” And of course, they say yes.

At that point we say, “We have a special program we’d like to make available to you. If you give us the names of ten such people, ten referrals, we will give you a discount of ‘X’ number of dollars right now.” And we found that 99% of the people take advantage of the program and they give us ten referrals right there. Possibly about 30% to 40% of our business then comes from those referrals.

All it takes is the actual following up, which some of the salesmen are excellent at, and some are not.

“Your friend or associate Mr. So and So asked us to call you. This is regarding an opportunity to own affordable property. It will only take a few minutes to explain and Mr. So and So felt that it was a great opportunity and he wanted you to be aware of it.”

We meet with 30% to 40% of the people that we follow up on. Some will say that it’s not a good time. And unfortunately a lot of those people are not dealt with as they should be.

What we’ve picked up from Jay’s methods is that if we had a series of letters that we could give to the sales people so that they could just immediately start corresponding with those other people, a lot of them also could be converted to sales.

Mortgage Company

About 60% to 70% of my business comes via referral from about five to six different sources. My two primary sources are real estate agents and previous borrowers I’ve worked with. A lot of my real estate agents call and pass on a lead to me to have me either pre-qualify or pre-approve them. And then nothing would ever happen with that borrower. The agent would never find them a house.

A lot of them didn’t really want to work with that particular buyer. I asked if I could continue to keep in communication with that client. I’ll find an agent who does want to work with them. I’ll get you a 20% referral fee. And then I get the buyer as a client. It worked.

I contacted a lot of the listing agents that I worked with knowing that they get calls on all their houses. They don't like to work with buyers, but they're always getting buyers calling a lot of times without agents. I said, "Well, why don't you give me those clients I will get them pre-approved. I will refer them to an agent who does work with buyers. And I'll get you a twenty percent referral fee."

I expect to see probably somewhere between a 30% to 45% increase, minimum, in my business this year from that plain.

Association

One thing that was very successful in getting referrals was a discount off our annual convention. If we get a referral, the person who sent us the referral will get a gift. And the gift is \$25 to any charity they chose.

We had a membership base of about 1,200. The membership dues were about \$275 to \$300. We would generate between 40 to 50 leads and convert those into between 30 and 35 memberships.

Vacuum Cleaner Sale

We sell a \$1,200 machine, and our business depends totally on referrals. We do about \$7 million a year. But our best customer, we've found, comes from customers. We require eight names to close a deal called a "first call special."

As far as qualifying the leads, we have a contract that we ask for certain qualifications. We ask for the customer to be 21 to 65, married, with a full-time job, and homeowners. We have what we call a 14-day special on the referral program.

If they'll call their friends, ask them to look for us and introduce us, we'll give them a gift that has a retail value of \$200. After we've shown the four presentations, whether anybody buys or not, we also super quality them by using a letter program. It's "A-H", so the dealers can remember what is it they're asking.

"A" for people with allergies. "B" for people with better housekeeper, picky housekeepers. "C" for people with small children. "D" for people with pets, dogs. "F" for people who buy everything. "F" for people who their vacuum just broke last week, And "G" for

grandparents, older people who can show during the day. And the “H” for people who work odd hours who we can show during the day.

We also have another vacuum program. If they’ll clear four names within 48 hours we give them a separate gift. Which we’ve found that the quicker they do it, the better chance we have. Our business is based on the more we recruit the more we sell. We have a second gift if they buy and come into our open house, check out the opportunity.

Photographer

We’ve implemented a service referral system in our business. There are about five different steps to completion of the delivery of a finished photograph, finished portrait. In the box with the finished portraits we include a “How did we do?” kind of business reply for them to either tell us we did great or tell us we didn’t do great.

On the back of that we also ask if there are any other friends or relatives who would be also interested in having a portrait made. And if so, could they put their names on their names and addresses — so we would send them a certificate good for a \$90 photography session in their name?

And we get the two names of the referrals and the name of the referee, and enter those into a computer, which prints out every nice, personalized letter.

The database will also print out a very nice looking certificate saying “Good for a complimentary session.” It’s dated for “90 days from today.” So whatever today is, it automatically adds 90 days to it.

The teaser on the envelope — if Suzie Cream Cheese gave us the name of Bill Smith, we’ll say at the bottom of the envelope it will say, “Bill, a gift for you enclosed from Suzie Cream Cheese.” So it gets opened every single time.

Chiropractor

The first day I see a patient, after I’ve gone through the consultation exam, I explain to them we don’t accept everybody as a patient. But if we do accept you as a patient we expect you to refer other patients to us, too, if we’re able to help you. Is that fair enough? OK, and then the next day I give a report of findings and I go over everything with them. And I give them a little pamphlet to take with them.

And then also I give them my business card with my home phone number. So if they have any problems they call me. So this way, they've got my business card with them all the time. If they haven't referred anybody lately I'll just say, "Are you mad at me?" And they'll say, "No, why?" "Well, I was just wondering because you haven't referred any patients to me lately. Haven't we helped you?"

And then on down the road maybe we'll say to them, "Well, do you have any friends with problems over the years? Anybody in your family have any health problems?" And they'll say "Yeah, OK," or if they don't I just leave it at that.

But if they do I'll say, "What seems to be the problem?" They tell me and I'll say, "OK. Give me their name and address and their telephone and I'll send them some material."

Of course, I don't mention who told me about the condition because that's patient privilege information. And we probably run about 25% to 30% referrals, and I want to increase that now, too. Also, if they say they have some friends or relatives who need some care, I'll give them a free coupon.

Hearing Aid Dispenser

When I sell a hearing aid, I tell them they can get all their money back if they refer four other people. The referrals have always run a fairly high rate, 25%, 30%, but now they're running 50%, 60%.

Network Marketing Company

We recruit and train people to set up their own businesses — affiliated with a multinational company.

Network marketing is a vilified industry. It really takes a paradigm shift for many people to start thinking of a company within that industry as different from what their concept of Amway, or any other company that they've heard of is, and their own ideas about it.

So, the way I approach many people is just to specifically say, "This probably isn't for you, but who do you know who might be looking for another career? Who might be dissatisfied in their job? Who might be looking for some part-time income along the way?"

It's a multi-step process and what ends up happening, once people really see what the company is all about, preconceptions drop away and they see what a tremendous opportunity it is.

Consultant

I help small businesses improve their profits through a number of various techniques. One of the ways I get my future business and keep it going is through referral technique. But every client I get, I analyze their contacts and their sphere of influence.

For example, I'll look at a company, and if I've done a good job for them and they are selling to other businesses, I immediately say to them, "Listen, I just helped you with your business, we can help all your customers who also happen to be businesses.

What's that going to do for you? So why don't we set up a marketing program where you endorse me to all of your clients?" That generates a huge amount of business for me.

Likewise, if they don't service other businesses. I sit there and look at them, "Well, what about all your vendors? What about all your suppliers? They're all businesses."

And I demonstrate to them the benefit it will have on their business by even benefiting and doing good things for their suppliers and vendors. Because it all adds to the relationship and the profitability and the effectiveness of their business.

Financing to Probate Estates and Trusts

About 70% comes from secondary referral sources. On almost of my printed material that goes out, I ask, "Is it all right for me to refer business to you?" That gets them thinking this guy's looking after their interests.

I offer a certificate to attorneys that says, "I'll offer a one-hour consultation and I'll review up to three of your cases." One of the things that I've learned in surveys is that about 80% of the probate attorneys do between one and ten probates per year, which is a surprisingly small number.

So after we've pretty well exhausted the number of cases that will fit the conditions of which I tend to like to loan, what I try to do is to push them or to see if there are other attorneys who have similar types of clients.

I recently learned that by asking the right question and me shutting up and listening, I can hear some pretty good things.

Investment Capital for Real Estate

The majority of homes that we buy are not financed through bank financing. They're financed through investors. They offer the investors a real good deal. They usually get an 11% or 12% return on their money. And that's backed 100% by real estate. But when you're asking somebody to loan \$50,000 to \$100,000, even if it's backed 100%, they tend to be a little hesitant, especially if they don't know the company that well.

So we find referrals by far are our biggest source of new investors. So what we've set up is, for any investor who has got money loaned to us, we give them a one percent finders fee for their first year of that money that's loaned. So if somebody loans us \$100,000 and they bought that new investor in, they get \$1,000 up front.

And what we found is — well, we have one lady that came in and invested with us and she was really happy with what we were doing. Next thing you know, seven of her family members were also investing with us. She was helping them out because it was a good investment. And she was also helping herself out because of the referral fee we gave her.

Sales Training

About 75% of my business currently is repeat and referral business. It's a very strong part of what I do. What I have done as a matter of practice during my training is find out a lot about the clients who are in the training and seek out leads I can give to them.

So throughout the program I'll say to somebody, "You know, I've thought of somebody who might like to do business with you. Would you like that name?" And then I'll generally be seeding the audience with leads throughout the training. So they're pretty receptive to the possibility of giving me leads. And I'd certainly recommend that.

Also, at the end of each half day just before noon and then also at the end of the day, I'll do an evaluation to see how I'm doing and get some feedback from the group. And some of the questions would be, "What are the three best ideas that you've heard since you sat down here today?" And if it's at noon I'll say, "What are the best ideas you heard this morning?"

Then I'll also ask them to announce to the group what is one action item that they plan to take action on — so it's not just a theory, but it gets used in their day-to-day work. I also ask them to announce to the group how they're going to benefit personally. So they're really having to search through some of the things that we talked about and focus on how they're going to apply it.

Then I ask them to rank the value of the program on a scale of one to six. It's a little different than one to ten, so they have to think a little bit more about it. And then, one of the questions on the evaluation is, "If you were to recommend this program to someone else, what specifically would you say about it?" And I give them some space to write.

And then, at the bottom of the page there is a spot for them to write down three names. And I just ask the group if they could think of three people or more, and ask them to put down the names and phone numbers of those people. And I promise to call them before I call the individual, and would it be OK to use their name?

The reason I say I'd like to call you is, one of the things I teach in the program is that it doesn't do much good to call on somebody if they're not expecting your call. And I would much rather that they say to somebody, "You know, I went to this program the other day. It was really great. I recommend it and I've given your name." So, it's real clear up front that there's no surprise telephone call coming, no pressure.

And then, as a gift to people who give me the referrals, I give them a two-cassette audio album "22 Proven Ways to Double Your Sales." So there's a gift attached to it, as well. And the referrals keep rolling in.

Financial Planner

I think one of the things that we miss a little bit is that you don't necessarily just have to get referrals directly from your current clients, but you can get them indirectly from those clients, also.

We specialize in the retirement field, retirement planning, 401K's and profit-sharing plans. And it kind of hit us in the face after reading some of your materials that some of the companies we work for — we deal with about 40 different companies that represent thousands of employees — can now be our clients. And we had never marketed to them before.

We're in the process now of setting up mailers and newsletters, and everything else to go out to these people. But what happened was, in the course of doing a great job for those employers, we got several employees coming to us saying, "Can you help us, too? If you're doing business with our boss, you wouldn't be there unless you were really good. So we want you to do it for us, too."

So indirectly, it's a reflection from us based on their boss. So now we are basically going after those. It's just incredible. For everybody else, how about all the employees of the people you do business with if they're business people, or where they work?

Reading Genius Training Program

As soon as I tell them what I do, they meet it with a tremendous amount of skepticism, reservation, and withdrawal. And I charge a very high price for it, as well.

At the end of my seminar I say, "How many people here could see applications of getting the Genius State into other areas of their life?" and everybody raises their hand. Then I say, "How would you like a free seminar on how to apply it to any area of your life?", and everyone raises their hand.

So I say, "All right, next Tuesday night I'll give you a free seminar on how to do that, and I'll let you bring a friend." And the room basically doubles or triples in size.

Transpersonal Hypnotherapy Institute

We give trainings in certifications in LLP and hypnosis and personal transformation seminars in Sedona, Hawaii, and Boulder. We found our referral rate going way up. What we normally did was just pass out a form and said, "You get a \$100 referral for every person you refer to the training." Referrals went way up.

The best way of doing a referral is to really follow through in the moment. We had at one of our programs a guy who does, at the end of the session, he has banks of phones in the back and he makes everybody — that's the confirmation, and he does it for their own good, so they'll be committed publicly — he makes them call four people. And three-quarters of his business emanates from that.

It's aggressive and it's a paradigm-shifting approach, but you might even try that. That's good thinking.

Dentist

Anytime I referred someone to my dentist, he sent me a written thank you note and a lottery ticket. And I will never forget that. Every patient that was referred you'd end up with a lottery ticket in your mail.

Want to see even more? Here are some inspiring success stories with truly considerable returns from some of my clients:

Retail

Wink Jones, owner of Winfield's Jewelry is 30% ahead of last year's entire quarter thanks to the referral techniques that he has learned under Jay's tutelage. He sent out two \$100 gift certificates to 500 existing clients to give to their friends so that they will visit his jewelry store. Three clients came in – and sales to these new clients exceeds \$10,000.

Marketing Consultant

Bill Bishop sent a \$10 check to some of his customers requesting referrals. This mailing yielded 15 new members resulting in \$250-\$400 per year in membership fees alone! In June, he did a split run postcard mailing to a list of about 250 prospects or people to sell an ongoing direct mail program. As of July 1st they have had 28 responses and 6 orders for a minimum expected revenue of \$9,128.

Security

Sean O'Brien, owner of a security company in Toronto, has all of his staff asking for referrals. All evaluation forms that he sends out ask for referrals as well. The result? \$5,000 gross sales of which \$2,500 is profit.

Video Services

John M. Sullivan, who owns a video service company, has his office manager contacting former clients asking for referrals and doing "up-selling." So far, his efforts have brought back a "lost customer," who typically spent \$10,000-\$15,000 in the past.

Medical

S.A. Manohara, M.D. specializes in psychiatry and neurology and states that increased business hours and generating new referral sources have resulted in \$2,000 of new business so far.

Consulting

Jim Ackerman reports that his business is up 100% over last year. He has added a telemarketing department, published a catalogue and installed referral systems for all of their products. They anticipate a 20% increase for the second half of the year. Jim has topped \$100,000 in monthly sales for the first time in their history.

This is almost double their previous monthly high of \$56,000 and change! How? A sales letter to an existing base of newsletter subscribers, which yielded 47 leads and a follow-up telemarketing effort. Ten people signed up at a cost of \$4,400 each for the month. This resulted in \$44,000 in sales on a \$600 direct mail investment!

Interior Design Services

Interior designer Cheryl Bartlett received incredible results from using referral systems. She contacted on-site realtors of two large home developments in her city.

She has already reached her preliminary goal: 5% of 111 lots = 6 houses; at an average sale of \$100,000 = \$600,000 total. Another project reaches completion in the year 2002: 25% of 111 lots = 28 houses. At an average of \$130,000 per sale = \$3,640,000! This is just one of her referral programs; she is currently at work on others.

Medical Equipment

Shlomo Sayvon sells medical sterilizers, and has tracked down \$10,000 worth of new gross business due to the referral system that he has implemented in the past three months.

Direct Retail

David Long of Specialty Engraving has kept his referral program going strong since the beginning of the ULMRL. In April, sales were up 197%! (\$46,323 up from \$15,577). Referrals made up 16% of April's sales.

He expects his annual sales to go from \$400,000 to more than \$700,000 based on the current year-to-date results. For the month of June, they had 11 more referrals totaling \$4,741 in sales. Also, sales were up 85% this June with the same salespeople as last year. Sales in general are up 68% for the year!

Health Club

Brad Adams developed a direct mail membership referral program for his private sports club. All members were sent a letter and coupon to sponsor new club members. The new member got a \$75 club credit. This program resulted in 28 new memberships: total mailing was 400 with only 7% return. The sports club sent an invitation for membership to the members of an adjacent golf club.

Eighteen golf members signed up for these memberships, about 5% out of three hundred letters sent. Though the initial first year fee is waived, these new members will generate over \$15,000 in revenues during the next 12 months. The cost of their mailing and printing was \$300. Not a bad return on investment!

Consulting

Mike Stay has been asking his existing clients for referrals. Out of twelve requests, eight provided a total of twenty referrals. So far, this has resulted in two sales worth \$8,000.

Boat Manufacturing & Retail

Eric Grimstead has three businesses: a car dealership, a boat manufacturing company, and a retail boat dealership.

The referral program has been implemented for the car dealership and although it's too early to see any "real" results, the highest grossing sale for last month (\$3,500) came from a referral.

For his boat manufacturing company, he's doing a cross promotion with a national and international TV sport fishing program; this has yielded \$96,000 in gross sales already. This account intends to purchase four more boats in the next year which will result in \$120,000-\$150,000 in gross sales.

For his car dealership, Eric has formed a relationship with one of his competitors whereby each has access to the other's inventory to sell, thereby doubling his inventory at no added cost to him. What this means is that they should sell an additional 7 cars per month at an average gross profit of \$1,500-\$2,000 front end only. Over the course of a year this could be worth \$125,000-\$168,000.

Mortgage

Dan Holbrook has offered free reports via the Internet and through small classified ads. Each respondent is then sent a video. This program has generated 1,200 e-mail responses with specific, detailed client information.

Health Club

John Maturo has used referral marketing to grow his business. Each client recommends a new prospect to their service whether they are happy with them or not. Either way, it's an opportunity to generate more leads or to fix a problem. Using this concept, one sales counselor created 48% of business for that month alone! Production, in general, increased by 60%.

Landscaping

Tony Bass, a landscape and design specialist, implemented a referral system using a vendor instead of a customer. He asked several plant suppliers to help him sell some trees that he purchased from a start-up grower.

He faxed the growers a brief story on the trees. In April, one grower referred him to three of his clients who needed this special variety of tree. These people have purchased \$3,000 in trees in just the first 60 days of his program.

In June, Tony expanded distribution of his company newsletter to include all past clients as well as a mailing list that he's developed of influential people in his local area. This has resulted in over \$5,000 of re-assignments per month. Based on the current result, this one strategy will add \$60,000 to sales in 1998 alone!

Travel

George Wendt owns O.A.R.S. River Rafting Company. By writing to 100 passengers currently signed up for summer trips and asking them for four referrals, he has found that many of them have given him the names of three to four additional prospects with whom he can follow up.

Natural Health Medicine

Dr. Beverly Yates found that using four different referral sources yielded 11 new patients, all of whom are now ongoing patients of hers. The bottom line is that her income has increased this month by 50% – again!

Attorney

Rick Harmon developed a system by which he increased the number of referrals while developing his existing clientele. The implementation tools were primarily: direct mail, outside sales calls and his Internet website. The result was that from February to May, 13 new clients were generated, adding \$102,000 to his business.

Consulting

Douglas Anderson of North Central Training Center mailed a letter to existing clients asking for referrals. One of their best clients offered to give him 500 referrals! To increase the sales skills of his staff, a new salesperson accompanied project managers to sales appointments. This generated \$115,000 more in proposals for May alone.

Physical Therapy

Grace Walker has recently hired a new Director of Public Relations. This has enabled her to concentrate on the top 30% of her referral sources and send out weekly fax communications. As a result of this added attention, referrals have jumped from 74 in May to 91 in June.

Music Publishing

Rick Kuethe has gotten nine new customers from distributing his "referral" offers.

Computer Network Integration

Chip Chapman of ADC Information Technology has implemented a "lunch and learn" seminar series to generate referrals. He promotes these seminars doing a "fax blast" to his customers, listing them in the calendar of events in the local business magazines and on the company's website. This new program has yielded two new clients totaling \$150,000.

Golf Catalog

Torn Anderson owns a national golf component catalog company. The most effective technique that he has implemented so far is a double postcard for referrals, inserted into the latest catalog. This referral system has generated 300 new customers to date. Collectively, these customers should represent a total minimum lifetime value of \$300,000.

Banking - Real Estate Loans

Rick Harmon, of the Suburban Group, has focused on increasing the number of referral sources and grooming existing sources. Out of 76 lead sources, 18 new clients emerged with a total incremental value of \$142,000 – and that's just between February and June!

Consultant - Business Development

Ed Bonel owns a business development company. He has been getting more referrals, converting one to a sale worth \$5,000-\$10,000 per year. In his direct mail campaign he has achieved a 300% improvement in response compared to previous mailings by having a direct call to action.

Consulting

James O'Donnell, a business consultant, used a third party referral to close an order for a seminar – \$2,500, all paid in advance! When he was having a problem closing the sale to an insurance company, he asked a well-known third party to call the decision-maker and endorse him.

Photographer

Edward Deguzis has an ongoing referral system with the Connecticut Humane Society which he gives a gift certificate for a free photo session whenever someone makes a \$25 donation to the Connecticut Humane Society. Result: two pet portraits so far. He has asked each of his clients for referrals of families or friends that might be interested in his services. Result: 30 possible future clients.

Consulting

Robert Middleton generated 300 referrals in just ten days by sending an e-mail message to his e-zine list of clients.

Entertainment

Bill Kerwood called 104 past customers and asked them for referrals. This one-month campaign yielded 41 performances booked from the referrals he contacted.

Law Firm

Anthony Zecca has found that asking for referrals from other lawyers and establishing a relationship with a large trade association has really paid off...to the tune of a \$140,000 project!

Chiropractor

Dr. Stanley Miller has generated 15 new patients per week by simply asking those who are thrilled with the service and results to refer other patients to him in exchange for a coupon with a free offer.

Network Marketing

Margarete de Gaston is a consultant of better business innovations. She currently represents two products. One is called “Essential Oils.” By asking for referrals she has more than doubled her commission check for the month of May and expects it to increase each month.

Another is Telechron, a small computer company that hooks to the user’s line to save them even more money on their long distance service. She has built this business by offering key businesses risk-reversal so that the businesses only needed to pay her after they had experienced the savings.

Construction

Mark Lesicka of Lesicka Construction has closed a deal worth \$250,000 with great long-term potential. He is also working on two more deals worth \$400,000 each. He projects that 1998’s sales will be double that of 1997, and profitability has gone “ballistic” thanks to Jay’s seminar!

Construction

In April, Jerry Neal, owner of Sugarloaf Chimney, has received one week’s worth of work exclusively from referrals – totaling over \$4,400. Two smaller jobs, with a total volume of \$650 were a result of risk reversal. In June, he received a total of \$20,600 of referral work. Currently, Jerry has more jobs under contract than in the last 18 years.

Publishing & Therapy

Pamela Sudano, a therapist/author, has generated ten new clients per month via referrals. This represents \$3,000 more per month, a 30% growth. This is huge for a mental health practice!

Consulting

Pierre Morency has experienced positive results with his various referral techniques for his marketing/coaching company. He offered 400, \$50 credit coupons for his marketing seminar participants and received more than \$15,000 worth of business for his \$2,500 cost. Instead of doing 25 one-day seminars per year for \$250 a day, he now does four-day seminars with 150 participants twice a year for \$2,000. T

his system will up revenues from \$312,000 per year to \$460,000-\$500,000 a year with much less work. A great example of “working smarter, not harder”!

Consulting

Linda Dixon, a consultant from Canada, has been developing referrals. By just networking and speaking with someone at a party, she has landed a \$12,000 job.

Service

Ignatius Piazza has implemented many strategies: hired a marketing letter writer, offered a referral buddy system, used “drip marketing” instead of “one-shot,” held a special host-beneficiary event, and sent out an up-sell letter. Whew! Did it pay off? In four months he has generated \$600,000! His results will be double that, \$1.2 million by the end of June!

Mortgage

David Brimley, of Security Lending Corporation, reports that after having a company-wide contest on referral ideas, more referrals are coming in than ever before. The stronger the program gets, the more it feeds on itself.

Attorney

For referrals, Larry Levin has created a new “client relations” department that goes back to existing clients and rejections to prospect for new businesses. Their monthly business has increased by 15%. This means they have probably put in place an additional \$250,000 of future income for this year – the ultimate goal is an additional \$2,000,000 over the next five years. Host Beneficiary and Joint Venture relationships have led to over 300 new clients.

Radio Station

William “Bill” Payne used a combination of advertising, testimonials and referrals (generated by his sales force) to grow his radio station’s business. The combination of these actions resulted in this month being the best month ever for one of his radio stations!

Consulting

Mike Stay has been asking every unconverted prospect for three referrals. Out of 11 unconverted prospects, seven gave him a total of 19 referrals. To date, four out of the 19 have been contacted and two have been sold, resulting in sales of \$6,000.

He developed a new sign for a florist that increased the sale of roses from \$1,400 a month to \$5,100 per month. By listening to Brian Tracy’s “Advanced Selling Techniques” he has increased confidence in selling, and has learned how to develop a new selling strategy. This resulted in closing two new clients totaling \$85,000 over three years.

Software

Doug Hughen of Logicdata has used “a straightforward, by the book” referral system with fantastic results. They partnered up with a major bar code manufacturer. They agreed to represent their products exclusively into Logicdata’s markets.

In turn, they would refer them to any prospects they found to use their software nationally. The result was \$366,000 in product sales with an additional \$30,000 in fees for a total of \$396,000 in sales!

Consulting

Nikola Grubisa, a marketing consultant from Slovenia, has used referral systems to get 90% more attendees to his business seminars – 25% of these people have taken other seminars or business consultations from him.

Financial Services

Joey Lowe is a broker for the secondary money market. He sent a direct mail piece tailored after Jay’s letter and sent it along with a book on PEO’s to five business brokers asking for referrals – all five brokers have responded. One broker alone referred him to a client which netted him 575,000 in commissions!

In June, he continues to work on referrals and has added a monthly newsletter as well. He has contacted his existing client base and offered them five free hours of consulting work for each referral. In two weeks time, he has gotten six referrals and has converted five of them into clients!

Financial Services

Michael Leary has generated \$300,000 of annual premiums for his financial services business. New mutual funds deposits totaled \$90,000, all by simply identifying and working customer lists – both past and present, by phone. All six new referrals came from the contacts made.

Accounting

Tom Schnack, a CPA, has been asking his existing clients for names of potential clients in Phoenix (the targeted area). He then sent letters to each of these new leads and used risk-reversal in his letters of introduction.

The result was that he had four face-to-face meetings with high level officers. One has resulted in an outstanding proposal for \$100,000 of consulting services, a second is pending and the other two are receiving more information.

Medical Consulting

Dusan Djukich gave a \$500 kick-back for referrals into his clinic booster program for doctors. He got 18 referrals of \$2,500 each for his \$500 each investment. This is a 400% return!

Security Management

Sean O'Brien began asking his current clients for referrals. One referral alone resulted in \$80,000 additional revenue.

Chimney Restoration

Jerry Neal contacted his competitors and just talked about business in general. This casual, friendly talk resulted in one competitor giving him a referral worth over \$10,000. Other referrals generated an additional \$7,000.

Retail Sales

Margarete de Gaston began asking each of her customers for three names of customers or associates that could benefit from her product. In the first month her income increased 450%.

Consulting

Matt Lapitsky sent out 100 letters resulting in 52 referrals (the cost of the mailing was \$500.) The result was a \$7,400 in new business with approximately \$2,000 on the front end.

Retail Golf Sales

Tom Anderson added tear-outs in his catalog to help increase referrals. The offer was that the referrer got \$10 off their next order and the referee got free shipping on their first order. To date they have gotten over 1,500 new customers.

So don't delay. It's time to mobilize the latent, untapped gold mine of referrals that are just sitting idle, waiting to be unleashed upon your business. Don't let the opportunities in referrals pass you by. Believe me, they are golden! And, as always, I'd love it if you'd drop me a line and tell me about your new referral system — and the newfound profits it brought to your business.

Chapter Five: Host/Beneficiary Relationships And Joint Ventures

Reap The Rewards From Someone Else's Advertising Budget

Building a solid customer base can be an expensive endeavor. As you are probably *painfully* aware, you can spend tens of thousands, hundreds of thousands, even millions of dollars on promotion, marketing, advertising, building goodwill, your sales force, and the development of loyal customers — all in an effort to bring in potential customers.

Even the cost of obtaining prospects can be enormous. (Most businesspeople don't realize it, but they are in the customer-and prospect-generating business. That's the goal of all marketing. Don't ever forget it!)

When you advertise and market you pay to get people you don't sell to. For instance, let's say you do a direct mail, lead-generation campaign. The mailing costs you \$1,000 per thousand. If you do well, you'll get 10% response.

That's great. You've got 100 people as a result. Now, each one of those prospects has cost you \$10 to bring in. If you're good, you'll convert 10%. But that means you didn't convert 90% of your prospects! So you've got \$900 "wasted" on those prospects, and that cost takes away from your profits.

It's probably true for your business. You've probably spent your marketing dollars to reach a vast audience, and then only do business with a fraction of this audience. In conventional marketing, this is taken for granted.

Wouldn't it be nice if rather than spending your own money to lure potential customers to your door, you could *eliminate a lot of the expense of "prospecting" and only spend your time and money on people who are ready to buy*? Conversely, what if you could recoup the investment you've made on past prospects who you couldn't convert into customers — money you have written off as a cost of advertising? Furthermore, what if you could do all of this with very little effort?

How would you like to profit from the sizeable investment and customer targeting efforts of others? The truth is, you can! It's what I call the "host/beneficiary relationship." And of all my business-building strategies, it's probably the one that's made the most money for the most people over the years.

My memories of a biology course in school inspired the name "host/beneficiary" and, as the name implies, in these relationships one party (that could be you) enters into a joint venture with another party. The object: to sell something you've got (or they've got) on a continuing basis.

The "host" is the business that owns or controls a customer list that the beneficiary wants to use to sell its products or services.

This principle is just like it sounds — just like you might remember from your high school biology class, like the mistletoe growing on the host oak, or the protozoa living in the termite that enables it to digest the wood it consumes.

The host/beneficiary relationship occurs when a beneficiary — another business — actually contributes to the well-being of the host, and the host provides a reward, in return, to the beneficiary.

And these benefits that result are ones that one party alone could not capitalize on. This is a much closer relationship than simply back-ending. A host/beneficiary relationship occurs when you knowingly enter a joint venture situation with another business' interactive cooperation, to try to better exploit something you have, or that they have, on an ongoing basis.

Put yourself in this scenario... If you have a business, and you have a customer list, and you have exploited that customer list for all its worth, and you've established a great rapport and a good deal of trust among those customers, what is your next step?

How can you more fully utilize the relationships you've established with those you work with — employees, vendors, contractors, sales reps, landlords — all of whom have spheres of influence? How do you profit from these relationships? You establish a host/beneficiary relationship.

It's time to put it to work for you.

Host/Beneficiary Defined

In short, host/beneficiary is the process of identifying who else in what I call the “cycle of business life” has established strong relationships and earned the trust of people in the same categories as the ones you're trying to target.

This process has application for every business but is grossly underutilized. Properly employed, this idea can rapidly increase your enterprise at little cost to you.

Stated a little differently, who's already doing business with somebody who's most likely to buy your product? To find out, you have to start by asking yourself several questions: Who has my customers right before they come to me or my competitors? What do they buy? What do they do? The key here is to figure out who has a great, strong rapport with your customer.

Reaping the Rewards

Once you've figured out who that is you're in a position to approach these businesses and propose a number of host/beneficiary arrangements. These relationships might involve having that business give referral information about you to their customers.

Or you may want to be allowed to mail or visit with them directly. Depending on how they sell, the host/beneficiary relationship might even involve joint sales efforts out of the same location.

Targeted, Leveraged Approach

The most exciting thing about host/beneficiary is that it's extraordinarily targeted. It also gives you massive leverage with minimal investment. Dozens, or even hundreds of those

complementary companies have spent millions of dollars to create and acquire the relationship, the trust, the credibility, the stability, or the goodwill they enjoy with their customers.

People turn to them because they trust them. And you get the full benefit just by accessing their customers or prospects.

Most people trust a reliable advisor who makes a recommendation, as long as it's evident that it's not self-serving. And because you are trusted by most of the people you approach to do a host/beneficiary — to be a host for you — they will let you have the benefit of accessing the enormous cumulative assets, investment and time and effort they have already put into goodwill. They have never breached that. Their integrity is intact. The trust level they enjoy with their customer is profound.

When you access it, the payoff you'll get is so out of proportion to the time and the effort you'll expend, it's unbelievable.

Does it sound too good to be true? I assure you it is possible — for all types of businesses and professional practices. Let's walk through the process together...

Start by Making a List

The first step in the host/beneficiary process is to make a list of types of complementary businesses. Start with those businesses, services, organizations, or publications that are apt to have your customers right before they come to you.

For example, if you own a bridal gown shop or a tuxedo rental shop, you would probably want to establish a very strong relationship with jewelry stores that sell diamonds and engagement rings.

Next, add to the list any businesses or services your customers might seek out concurrently with yours. Using the same bridal gown shop example, concurrent businesses might include caterers and reception halls, entertainment firms, photography studios, florists, and custom invitation shops, among others.

Finally, make a list of places your customers are likely to go after they come to you. In the case of a bridal shop, the next stop might be a travel agent (to plan the honeymoon.) Your

customers might be looking for a new apartment or a new home, and therefore be in need of an apartment manager or Realtor.

Target Specific Companies, Starting with the Small Ones

Once you've made your generic lists, it's time to get down to specifics. To do this, you need to go to the appropriate directories. If it's local, go to the Yellow Pages. If it's national, go to a directory or trade publication and try to find all the companies in this field.

There are two sources I recommend: One is called the *Directory of Directories*. The other is the *Standard Rate and Data Service Directory*. A good business library will have both of these.

Now that you've got a list of specific businesses to target for host/beneficiary relationships, how do you know which ones to start with? That's easy — start small. Especially if you're new at host/beneficiary, you'll want to cut your teeth on the smaller companies. That way you can refine your pitch and improve your approach as you work up to the bigger fish.

What exactly do you say to these businesses? How do you pitch the host/beneficiary relationship to potential skeptics? It's not as difficult as you might think — especially when you explain all the benefits the host will be getting out of the deal.

Set Up the Appropriate Relationship

There are a number of arrangements you can set up with your host. These vary according to the level of endorsement the host is willing to give you and the dynamics of their selling environment.

The ideal situation is to get the host to endorse you to their customers and prospects. In this case, the host recommends you as a credible, quality provider of goods or services that the customer is likely to need.

While direct endorsement is the gold standard in host/beneficiary relationships, don't despair if potential hosts will not initially agree to endorse you. This may come in time.

Meanwhile, you still can profit immensely simply from gaining access to their list of active (or even inactive) customers or prospects.

This targeted approach is infinitely more valuable than going to the outside market. Why? Because most people — including your competitors — are forced to spend (i.e., waste) the bulk of their marketing effort, energy, and human and financial capital on activities that are marginal at best.

For example, let's say our hypothetical wedding gown company decides to run an ad in a major Sunday paper trying to reach brides-to-be. First of all, their ad would likely be one of about 30 similar ads. Second, a modest-sized ad could cost \$5,000 to \$10,000 on a Sunday. Third, it may get buried. Fourth, it may not get read by the right people. Fifth, even if the right people see it, the ad is only one of 30.

Now, instead of running the ad, let's say the wedding gown company was able to establish host/beneficiary relationships with several qualified companies — a couple of caterers, a jeweler, and maybe a photography studio.

These businesses agreed to furnish the names of potential customers at either a modest rate or on a direct profit-sharing basis. The up-front investment is far less than with the newspaper ad. But even better, the effort is acutely focused — the potential customers you're reaching are ready to buy.

A Two-Way Valve for Profit Flow

Another wonderful thing about the host/beneficiary strategy is that it's a two-way valve. Ask yourself, "What kind of business do I have? Why do people come to me? What do they really want? What related products or services do they want, need or could they be interested in? What are they predisposed towards? Who would like all those people or prospects that I serve? Who can I do reverse transactions with?"

That's When The Wheels Start Turning

No doubt you can make additional money from repositioning your company as a host to bring leads, prospects, and customers to owners of complementary businesses. It's a wonderful two-way revenue stream!

You have already established tremendous goodwill and trust with your customers and prospects. Another business that comes in cold would have to spend a fortune in advertising and marketing to create that trust. Your clients already have that established — and that’s worth a lot.

For example, one of my clients, IRI, is a “hard-asset” company, which means they sell gold and silver to investors. I went to diamond companies because their customers are also hard-asset investors. I got the diamond companies to endorse IRI, and then we did special promotions to the diamond company’s customers.

Those customers were already predisposed to hard-asset investments, and they trusted IRI because of the diamond company’s endorsement. (Needless to say, the diamond company was paid a percentage of the profits for allowing us to use the endorsement.)

This concept was so profitable that we decided to turn the tables and set IRI up as the host instead of the beneficiary. For instance, after IRI had saturated its customers with all the gold and silver they wanted, we sought out other firms that sold something that IRI customers could buy, such as a newsletter or book about precious metals. Then IRI endorsed that product in special mailing promotions to IRI’s customers from the other company. Not a bad arrangement, is it?

In one instance, IRI was playing off the assets of the diamond company (customer goodwill and trust). IRI in that case was the beneficiary. In the other instance, IRI acted as the host by allowing other companies to play off of IRI’s assets. (Again, goodwill and trust — two valuable assets most companies don’t exploit to their full potential.)

Keep in mind that you have to wear two different hats. When you are negotiating to acquire the leads, the prospects, the endorsements of all these host enterprises, your goal is to give them fair (but not too fair) compensation.

However, when you’re on the flip side — when you are potentially the host, feeding qualified prospects to beneficiary companies or organizations or professionals — you should be avowed and steadfast in revering the value of your role and the benefits you offer. Don’t sell yourself short.

Structuring The Deal

Know all you can about your potential partner. Ask plenty of questions, like:

1. What business are you in?
2. How many customers do you have? How are their names maintained?
3. How many inquiries do you have?
4. Do you make any profit money/surplus currently?
5. What is your most profitable business area currently?
6. How do you sell? Do you use direct sales? Do you use advertising? Do you use direct mail? TV? Radio?
7. What would you like to accomplish?
8. Have you been in the business a long time?
9. Tell me a little about your business.
10. What is your greatest strength?
11. Who is your competition?
12. Who is your prize customer?

Ask enough questions to figure out whether or not the product or service is a “one shot” or has a back-end component. If it’s a one shot, offer to split profits or sales (splitting gross sales is always preferred) with them. If it’s got a good back-end, try and get all of the front-end profit and even some of the back-end.

Value and respect the real worth of your endorsement to your list. Keep control. Have the orders and even the money — if appropriate — go through you. Also, maintain

quality control on the product, promotion and customers. Stipulate going in that all resulting customers are your proprietary property and cannot be re-solicited without your written approval.

Put all of this in writing. Once you've made the deal, don't do things too big. First, test small to make sure the hosted product sells. If it does, offer it to all your customers. If it doesn't sell, the problem could be the choice of product/service, or it could also be your execution on the endorsement. Find a different product or service and try it all over again.

If you don't succeed at first, it's no problem. Keep trying until you hit pay dirt. The first time you tap into your goodwill with your customers or clients by endorsing something — sales should shoot to the moon.

It's usually necessary when you're the beneficiary to offer the other guy's customers special inducements because of the relationship between you and his company. For instance, in order to really garner the customer's trust, you may have to give a longer guarantee or more product options or a lower initial investment.

This overcomes their natural sales resistance and it helps make the host company look good in the eyes of its customers because it's offering them a special deal.

In deals like this, the payoff is always negotiated. There are no hard and fast rules for who gets what. Usually the beneficiary company pays the marketing costs and gets repaid off the top. Both sides share in the remainder of the revenue. In some cases, the two sides split the marketing expenses and split the revenue.

Not all the splits are 50/50. It depends on the offer. Sometimes it makes sense for the beneficiary company to forego any profit on the front-end because there are heavy repeat sales. The beneficiary may give the host company all the profit on the front-end and nothing, or very little thereafter, because the beneficiary plans to make all his money on the residual sales.

As an incentive, offer the prospective host reverse access to your customers — or, simply offer them some percentage of any sales that you make as a result of their help. Point out to your host that at the very minimum their customers will thank them for introducing you to them and helping them gain information about your beneficial product or service.

If you wanted to be the host, you just turn the tables. As I've said, the first thing you would do is find companies with products or services that your customers would want to buy. Then you negotiate a host/beneficiary deal where you give your endorsement to their products or services in exchange for a percentage of the profits. Again, this percentage is negotiated and so are the expenses.

However, when there are residual sales, you want to get the largest percentage of the profit. For example, you could go to a company and tell them that you'll allow them to market their product or service to your customers, and you'll give them an endorsement and pay all or half of the up-front marketing costs — *and* you won't take any percentage of the profits on the first sale. All you want is 25% or 50% of the profit from all the residual sales that company makes to your customers.

This is an enticing offer to the beneficiary company because it allows them to access a whole new group of customers with little or no up-front marketing expenses. They'll acquire customers they probably wouldn't have been able to get and all it costs them is a certain percentage of the profits from future sales.

My wife has a skin care salon. She went to a neighboring hair salon with the following proposal: "We'll send a mailing to one another's customer list endorsing the other's business. We will give a number of special gifts and incentives to encourage these new customers to come in. For the cost of a small mailing, we can each generate a number of new clients."

Inexplicably they turned the idea down. It now appears they are going out of business. It's no wonder.

What are some of the benefits to you, acting as the host? You are making money you otherwise wouldn't have made. You're generating outside streams of cash flow without any cost of sales or overhead. And you're able to recoup the investment you've already made in your customers and prospects and all the other assets you've built up in your company over the years.

New Profit Centers Change Customer's Marginal Net Worth

But wait — there's more. These new profit centers will allow you to revalue the marginal net worth of your customers and prospects, thereby enabling you to allocate more money for advertising and marketing.

You'll know that every time you bring in a new customer, you're not only going to make \$100 from your own product or service, but you're also going to make \$1,000 because of the host/beneficiary deals you've got lined up. With that in mind, you could probably afford to triple your current advertising budget.

You need to think about this concept more than a few minutes. Don't discard it if you can't come up with a good fit immediately. You should try to make this idea a permanent part of your thought process. Think about it for a few weeks on an ongoing basis and the ideas will start to flow.

Remember I said you could use this concept to virtually eliminate the exorbitant costs of "prospecting" and only spend your time and money on people who were ready to buy? Let's say that you're spending \$12,000 to bring in 100 customers, and you gross \$20,000 in sales from those 100 customers. Your profit is \$8,000.

What if somebody were to give you 100 new customers from whom you would gross \$20,000? These customers wouldn't cost you a dime. Would you be willing to pay that person \$10,000 for those customers? You should, because that person (the host) has just saved you \$12,000 in marketing expenses.

You Are Not Going To Gain A Customer For Free

That's what I mean by eliminating your marketing expenses. No, you're not going to get your customers for free. But you can significantly reduce your marketing expense. Furthermore, this kind of relationship is usually not a one-time deal. The host will be constantly bringing in new customers for you to play off, so it's a perpetual stream of income for both of you.

What you're leveraging off has significant value. The beneficiary company leverages off what the host company has built up — the years of existence... the hundreds of thousands of dollars worth of advertising... the tens or hundreds of sales people and employees... the hundreds of thousands or millions of dollars worth of capital invested in equipment, offices, furnishings and inventory... everything that the host company has invested in over the years.

You get to play off of all this for no more than a share of the profits. That's why I always encourage people who are contemplating being the beneficiary to offer the host (the one with the

customer list) the maximum front-end and residual profits because it's worth a tremendous amount to play off of those assets.

Making It Work for You

If you work ardently on this and you put together five or ten or 15 host/beneficiary relationships that are feeding you prospects every day, every week, every season, it's like having these companies investing hundreds of thousands of dollars every month on your behalf.

And your only risk is your ability to nurture, close, and service the prospects and turn them into valued customers. It's stimulating and exciting — not to mention extremely profitable!

And the best part is that very few people in the world — not only in your city or your industry, but in the world — understand the evident opportunity, the high leverage, and the viability of host/beneficiary relationships. This gives you quite an edge over your competition. You're sitting on a gold mine!

I'm confident that there is *nobody* this can't work for in some way, either front-end, back-end or both. There's no one who can't establish a complement of feeder relationships that provide quality prospects. And there's almost nobody I've ever seen who couldn't do the reciprocal for other people — and profit very, very handsomely from it.

A Challenge

Nevertheless, I understand you might still be skeptical. So I'll tell you what: I'll issue you a challenge. Sit down right now and make that list of businesses we discussed earlier, businesses that serve the same customers you want to reach.

If you really can't come up with a single one, I invite you to try to stump me. Send me a letter with information about your company or practice — or any business you think couldn't do this — and I'll show you how they can.

Take a look at the “script” below and see if you can put it to work in your business this month.

Here's How to Get The Relationship Going

Here's what to say when you approach another business to propose a host/beneficiary partnership. It's always preferable to talk to potential hosts in person. If this isn't practical, try using the phone. (But use letters only as a last resort.)

The example below assumes I'm in the retail wedding gown business. Keep in mind, however, that the approach is no different if you're in wholesale, if you're in high-tech, or if you're in professional services. You start by contacting the appropriate hosts and introducing yourself...

"My name is Jay Abraham. I own and operate Jay's Wedding Gown Salon in Torrance, California. I'm proud of the fact that we have enriched and added wonderful memories and sentiments to the weddings of 4,000 newlywed couples in Southern California.

As we were thinking of marketing strategies, we realized that there probably is an overlooked opportunity for both of us. It's an opportunity to help you accomplish something that, as a bottom-line-oriented businessperson, you should recognize and appreciate – a chance to reclaim the profound cumulative investment that you and your organization have made in the process of acquiring and generating customers and prospects.

"The way I calculate it, no matter how you market – whether you have prime space in a retail facility, whether you run ads in the paper, whether you send out catalogs – you have invested massively, and continue to invest massively, in building your relationships with your customers. Once they buy from you, they have a residual value down the pipe, but the odds of your reclaiming that investment are very low.

"With this in mind, we have come up with a non-competitive, logical, and practical way you could reclaim that investment, reap a very handsome, highly ethical profit, and, in the process, do an incredible service for those people. And here's what it is...

"I would like to engineer with you a way that, on an ongoing basis, we can access the customers and prospects you deal with, during or right after the time they deal with you. Ideally, we would like you to agree to endorse our company to these people by a number of different means:

Number one, we would furnish you with brochures and promotional literature that you can actually include in any packages you mail or gave out.

Number two, we would provide letters for your signature to introduce us to your customers and prospect base. And we, or you, would mail them at regular intervals.

Number three, we would like to have booth space in your facility on the heavy days, the Fridays and Saturdays.

"If these options are awkward, we would still like to establish a relationship with you. Our alternative recommendation would be for you to allow us to have the names of your customers and prospects without acknowledging where we got them.

"We would agree in writing that we would only use them to contact these people and introduce them to our company and its products or services. Either way, we are willing to provide you with one of the following compensations:

Number one, we could pay you an initial rental or lead generation fee, which would differ depending on the quality, the quantity, and the recency of each name.

If someone has just recently made a transaction with you and hasn't yet purchased a wedding gown, they would be very valuable. Someone who is just inquiring also is valuable, but the relative value is obviously less. Someone who has already bought three or four months

ago may or may not have any value, but we still would be willing to try it.

- Number two, we could give you either a very handsome and generous portion of the revenue generated, or simply a flat rate for every transaction generated.

"We will agree in writing to only conduct ourselves with the utmost of integrity and professionalism. We will pre-communicate everything we're doing and the way we're doing it, and you can maintain editorial control over it.

We will set up very effective controls so that we can easily identify, track, and report to you on a regular basis the results this activity will have for you. If we are right, you stand a chance to earn as much – and arguably more – money than you earned from all your previous efforts. And you'd be required to do nothing. Basically, we'd do it all for you.

"Now, I cannot absolutely promise you your list will work. But everything I know about the psychology of human nature, about marketing, about logical symbiotic relationships tells me your firm is a perfect strategic alliance for us, a perfect host, and we could be a great beneficiary. If I am right – and I've figured conservatively – the 22%, or \$12 a sale, or \$112 a gown that we are willing to share with you could conceivably be worth... (try to conservatively project a dollar figure here).

"I don't know about your interests, needs, or desires, but that much money could do the following: You could pay all your rent. It could pay for you to run full-page newspaper ads every Sunday. It could pay for you to mail out one million catalogs every year.

It could pay for you and your partner or your wife to lease or purchase a new Mercedes every year. It could pay for 12 trips around the world for two people. It could pay for six kids going to college.

It could pay for you to purchase and service the debt on a \$1.5 million home, etc., etc.

"If you don't want the money to profit yourself, we could instead do some incredible, noble charity work with this. This could fund feeding 10,000 homeless at Thanksgiving. This could fund planting 100 trees in your city. This could fund a scholarship for 25 deserving youths.

"We're willing to start small. All we ask is that if we go to the effort and the expense and the time and the human capital commitment to put together this strategy and it succeeds, we can have an agreement allowing us to expand it and continue it, as long as we perform and conduct ourselves in strict compliance with the integrity and the procedural arrangements we agree to in advance."

Naturally, you'll want to tailor this script to your business, the host you are approaching, and your own style of speech. But I've found the above approach will be successful with 80% of the people you talk to. Give it a try, and let me know how you do!

Here's another very generic sample script you might use to approach a potential host:

"Hello, I'm _____. I own _____ company. We sell _____ and specialize in _____. Our service is a natural mesh to your customers and prospects. I'd like to offer you the following:

After you have garnered all the sales or profits you can out of a customer, allow me to sell them my product, either through an endorsed letter from you that I will prepare and pay for, or through a telemarketing campaign that you design and pay for, or through ongoing sales pitches that we'll create together.

In return, you'll share in the resulting profits. I understand this offer may be far different than anything you've heard, but please consider it seriously. It may make you a ton of money."

I'm sure you get the idea. The approach is the same, no matter what your style. Ask a simple, graphic and overwhelmingly appealing proposition. Would the host company like to make \$10,000, \$20,000, \$30,000 or more for no effort, risk or investment? Virtually no profit-oriented business could turn that down and would at least want to know more.

Point out the following facts:

- Your product or service is absolutely non-competitive to the host's product or service. In the case where you approach a competitor, point out to them that any ancillary profits will result from reworking their list, after they have drawn all the profits they can from it. This may be especially appealing to companies that own large, "one-time" purchaser lists.
- It's not going to take away or supplant any income or profits the host would ordinarily realize.
- It augments their profits.
- They don't have to lift a finger or spend a dime. If they wish to participate in the marketing expense, that's even better. You will be able to reduce your capital risk.
- You will create all the marketing material — subject to their approval. You will pay all the printing, postage and other costs (avail them of the opportunity to joint venture with you wherein their profit share is greater).
- You'll indemnify and hold them harmless — plus you'll unconditionally guarantee everything sold.
- The host company can have all orders routed through them for verification.
- Repeat over and over, it's purely bonus for them.

Address the Fears of the Host Immediately

Address any fears the host may have immediately and confidently. Most often, the potential “host” won’t totally understand the concept and how it will work for them. Educate them, tell them about yourself, your company, spell out and stress the potential profits.

Hobby Shop

Here’s another example in a slightly different application:

Hello, my name is Dan McLean. I own Dan’s Hobby Shop. We sell collectibles and specialize in stamps. Our products have a natural mesh with your customers and prospects.

I’d like to offer you the following: After you have garnered all the sales or profits you can out of a customer allow me to sell them my stamps either through an endorsed letter from you that I will prepare and pay for (or through a telemarketing campaign that you design and pay for or through ongoing sales pitches that we will create together). In return you share in the profits.

I understand that this offer may be far different than anything you have heard, but please consider it seriously. It may make you a ton of money... enough to pay for several months of your payroll... or enough so that you needn’t worry about your taxes this year. I’ll be paying you out of the profits we share.

If you don’t feel comfortable approaching possible hosts, hire a full time person to do it for you. Compensate them with a percentage of the profits that are generated from the relationships they have created.

You have a high potential for profits and the risk of loss or failure is low. At worst you will gain a good deal of experience for no more than the cost of a mailing. If you have done your homework, you won’t approach hosts with lists that won’t be profitable. You’ll approach those with compatible lists.

Typical Objections You Should Be Prepared to Answer

Objection #1: “How do I know it’s not going to take away my customers?”

Answer: “First of all, we’ll do a pilot test to see if it works. We’ll test it on a small percentage of your customers, not all of them. Then we’ll compare the revenue from this test against the revenue you’re making from the rest of the customers who were not approached in the test.

“We just want to augment your business, never supplant any part of it. We’ll take as long as is necessary to get accurate results and we’ll be as conservative and as analytical as you want so we can prove to you that it’s only going to make you money.”

Objection #2: “I want control. I don’t like you having control of my customers.”

Answer: “To assure you that you’ll have control over the quality of our product, you can check us out as thoroughly as you want and you can impose any kind of controls or standards that you want. We’ll even create the kind of product or service you feel most comfortable with. We can repackage it to be anything you want. If you want it to have a longer guarantee... a lower price... a higher price... it doesn’t matter. We can do whatever you want.”

Objection #3: “How do I know I’ll get paid?”

Answer: “Simple. You control the money and I’ll collect from you. I’ll trust you even if you don’t trust me. Or if you prefer, we’ll have a separate account with a separate bank of your choice and we’ll give the bank some escrow instructions so that every time I deposit a dollar (and 20% of sales is real profit), 10 cents out of every dollar is automatically transferred into your account. There’s no risk that you won’t get paid.”

Always remind them of these important points:

- Tell them that, from your vantage point at least, they’ve invested so much in building their relationship with their customers or clients that they owe it to themselves to reclaim a greater yield.

- Tell them that — again, from your perspective — they owe their customers or clients whatever additional benefits or advantages they are in the position to give them.

Next, bring it all together by showing them how you can bring tremendous advantage to their customers by rendering your product or service to them on a preferential basis. Establish why and how your company or practice is different, better, superior in the results, performance and advantages you bring to a customer or client (refer here to all I've taught you about risk reversal, Unique Selling Propositions and bonuses).

When you're negotiating these ground rules and costs with the other party, I recommend that you be conservative and honest with one another. The greatest wealth this kind of program produces comes in the residual effect of enduring relationships.

If you cheat somebody by building in false costs, it makes the return marginal and the other party may decide they don't want to keep doing it. *You're better off making it obscenely profitable for the other person.*

When you cut the deal with the host, try your hardest to get a guarantee that when the test does a certain amount of business, your relationship with the host is automatically renewed on an exclusive basis for a period of time.

This way you lock up the relationship so the host can't bring in a competitor or do it himself. You want to be duly rewarded for showing him how to make all this money, so be sure to get an "automatic renewal and exclusive" contract.

On the other hand, when you're the host you don't want to get involved in a perpetual or exclusive relationship. You want the flexibility to be able to work with whomever you please. So if you approach a beneficiary company and they want a perpetual exclusive, don't give it to them.

Things to Watch Out For

By the way, depending on the amount of ingenuity, you don't have to split 50/50. The split can be anything the market will bear. Your goal is to optimize and leverage everything you do... every dollar you spend... every customer you bring in... every resource you have... every effort you've formerly extended and can reclaim... over and over again.

The worst thing you can do (when you're the beneficiary) is to have a short-term deal where your brilliance brings something to somebody... and then they dump you after they see how well it works.

On the other hand, if you're the host company, you don't want to show a beneficiary company a good idea and not profit yourself. Tie the beneficiary up.

It may turn out that you could make more money letting all your competitors use your concept if it's an exceptional idea. To secure half the profit, you want all that business to go through you. That's the only way you'll be sure to make any money.

The bottom line is, you want to tie it all up in the beginning. You want to get all the important concessions squared away at that point, and you want to have a very binding, long-term contract to protect yourself

Now, nobody in their right mind is going to give you a perpetual contract on something, so I recommend making it provisional. As long as the initial market test does a minimum amount of business, the relationship is automatically renewed for a finite period of time.

When I did a lot of work in the financial newsletter field, I often acquired the rights to do inserts in the various newsletters. The first time I did it, I tied up a minimum performance renewal, which automatically gave me a two-year relationship with my client. As a trade-off, I had to give them a percentage of gross sales — not the usual profit split I normally do.

One time I did inserts on a 50/50 deal. Another time the client didn't want to pay me out of profits so I gave them all the profits and they gave me their mailing list for my unlimited use.

So sometimes you've got to go around and around to get these considerations. Sometimes the people are going to drive a hard bargain and you won't be able to make the profit split you want. Keep in mind that if you can find a way to make the deal profitable, you should be willing to trade the profit for other considerations that make you money. In other words, be flexible.

If It Doesn't Cost You Time or Resources and Makes You Money, Do It

And don't lose track of the fact that if I gave you \$100,000 for no effort on your part, would you give me back \$90,000? Well, in theory, everyone would say "yes." But in reality, most people get offended for having to "pay" you so much.

So just because you can't get exactly what you want, it doesn't mean it's not a good deal.

I advise you to be generous with the host company when setting up the deal. If you can't get the host company to pay for the mailing, offer to pay for it yourself. Or offer them 60% instead of 50%.

Or offer them 100% until they double their money, and a lower percentage thereafter. Offer them whatever it takes to get them to do the joint venture with you. What do you care how much they make, since you're investing so little up front and have so much to gain yourself?

If you get something and it doesn't cost you any time or resources, you are a fool not to make a deal. But most people don't see that.

For instance, if you want 50% of the profit and the guy says he's only going to give you 20% — and you do everything in your power but you can't get more than 20% — that 20% is still more than you had when you started. And if it doesn't cost you anything — if it's pure profit with no expenses — what have you got to lose?

But here's the biggest reason why you shouldn't be too choosy when you're negotiating the test deal:

You need validation!!!

Start Out with a Pilot Program

When you put together a host/beneficiary relationship for the very first time, it's an abstract concept. That's hard to sell. But once you've done a pilot test and it works, then you've got validity. You've got an empirical example. And that's easy to sell.

So if your idea can be replicated — meaning you can do it with more than one company and in more than one area — you would be a fool not to go for almost any deal you could get when you're trying to validate your concept. As long as you don't get tied up, you're fine.

By the way, be sure to get all the documentation you can from your pilot test. It's crucial so you can prove your concept to other people. Sometimes the host company is apprehensive about entrusting their customer names to you.

What do you do then? Personally, I always warrant in writing that, under penalty of incredible punitive damages, I will not make their names available to anyone else and I will not use them for anything other than the express purpose designated in our agreement.

Host/Beneficiary Relationship Examples

An illustrative example of a business missing out on the host/beneficiary relationship is the real estate agent who sells someone a house, and then misses a ton of opportunities to make money after the house has been sold.

You've just moved into a new city. The real estate agent worked her tail off to get you the right house for your family. She really earned your respect and your trust because of the good job she did finding your new home. But what does she do when the escrow closes? She may send you a housewarming gift, but after that you'll probably never hear from her again.

What should she do? First of all, you're new in town and you don't know who to trust or where to go to get all the things you need in your new home. You'll probably need an interior designer... a gardener... you might want to have a swimming pool put in... maybe an alarm system... you need to know where to get your car fixed... who the best pediatrician is... etc., etc.

All these things are services that could easily be arranged for you by the real estate agent if she wanted to make a lot of extra money. All she would have to do is set you up with each one of the services you need, and then get a percentage of the sale from each company that sells you something.

In essence, she acts as the host — bringing other companies to you and getting a certain percentage of the profit. And if she does this thoroughly enough, she may end up making more money on the back-end than she does through her commission on the outright sale of the house!

That's the power of the host/beneficiary relationship. It means going beyond the conventional sales and marketing routines and tapping into related products or services that your customers need. It means offering your product or service to somebody else's customers in a related field.

Garden Shop

Here's another example:

In my neighborhood there's a young man whose mother owns a garden shop in the area. They have 2,000 or 3,000 customers. Of those customers, 80% of the business comes from 500 people.

I spent some time teaching this young man how to tap into some of the back-end business opportunities that are inherent in his business, and so he's going to those 500 people who are spending lots of money (they just need to be led) and suggest other services they can buy from him.

For instance, he's going to coordinate such services as swimming pool cleaning and ordinary gardening and landscape maintenance, and then put it all together as a package deal. He'll pay the laborers their regular fees and then mark that up to the customer as his compensation for bringing all these services together and making sure all the jobs get done right.

He'll basically be the middleman or broker, playing off of the business his mother's garden shop has already generated and adding value to it by bringing in other services. He figures he can make \$200,000 a year, which is what the garden shop makes.

Video Store

In the same city I helped a little video store that didn't do much marketing. However, they did have 2,500 customers. So I questioned them one day about the kind of host/beneficiary relations they could have.

I said to them, "Tell me about your customers." "Uh, they all have video players," they replied.

"And what do we know about video players?" "Well, they need to be cleaned and reconditioned about once every twelve to eighteen months."

“What’s the average age of a video player?” I then asked. “Probably two-and-a-half years.” “How many do you think have been cleaned and maintained?” “About 4%,” they said.

I then asked them, “Do people know where to take their video players for cleaning?” “No.” “Is it an inconvenience?” “Yes.” “What do people normally do?” “Wait until it breaks down.” “And what does it cost when it breaks down?” “About four times as much, which means they’ve got to buy a new one.”

“OK then,” I said, “What’s the essence of your cleaning and reconditioning service? The essence is how to quadruple the life of your video player, right?” “Yes.”

“Do you know VCR cleaning shops that are good?” I asked. “Yes, we refer people to them all the time,” they replied. “Do you make anything from referring people to the repair shop?” “NO.”

So I said, “What do you think about this? You’ve got 2,500 customers, probably 80% of which need their VCRs reconditioned. What does it cost to have one reconditioned? About \$50, right? OK, let’s say you charge \$100 and you had a deal where the customers just brought their video players to you and you gave them a free loaner while theirs was being cleaned.

And you even gave them two or more free tapes until their player was returned. Then you sent it out to the repair shop, and they charged you \$50. You would end up making \$50 on each sale. And if you got 50% of your customers to do this, you’d make \$50,000 — which is about what you make per year on the business alone!”

That was the first thing I suggested they do. Secondly, I told them they could make deals with companies that sell expensive sets of video movies. The company could pay the cost of mailing their offer to your customers, and you could get 50% of the profits. They would get business they never had before, and you would get more income.

Now, if that works, you could take the same direct mail package and the same offer and sell it to a hundred other video stores throughout the state or around the country. That way you can continue to make money off the project long after you’ve exhausted the profit potential within your own customer base. Do you see the possibilities?

Car Dealer

Let's say you are a Mercedes dealer. Rather than run inefficient and expensive display ads in your local newspaper, you would be much better off contacting companies who already have a strong, credible presence in the affluent marketplace.

Jeweler

You could go to a luxury jeweler and propose an arrangement where he or she sends a letter to all his or her better customers, introducing them to you and offering them either special pricing, a special free option package or a certificate for \$5,000 worth of jewelry (that you pay for) when their customers purchase a Mercedes from you.

You'd write the letter, subject to the jeweler's strict editorial approval. You'd pay to mail it out. The jeweler would receive a generous profit share — say \$1,000 per sale.

When you present the concept, you might say — “I can't be certain, but if my most conservative estimate works out, you'll help me sell 145 cars over the next six months. That would produce \$145,000 for you.

You could use that money to either... pay to run a full-page ad in the local newspaper every week for a year... put a massive down payment on a new home... pay the build-out costs for another store... retire or pay down debt... put your kids completely through college... take your wife around the world five times... or retire with an extra \$20,000 a year income for life!

By transforming the profit share issue from an abstract to a super tangible example, it makes the proposition far more attractive to the potential endorser.

Some endorsers won't want the money. So how do you motivate them to want to deal with you?

Get them to recognize and agree that they owe it to their customers to extend any and every advantage they can. And what you're offering is a definite advantage. Show them that if they don't want the profit you'll pass it on to their customer in more options or bonuses, or buy them more jewelry from this jeweler, or pay for their insurance, or use the profit to pay for advertising or promotion for the jeweler.

Everyone has a hot button of ethical interest. By exploring numerous alternatives with the potential endorser, you can usually find the one thing — or combination of issues — that will get someone excited about endorsing your product or services.

Most companies had to invest years and tremendous amounts of money on facilities, equipment, training, inventory, advertising and overall customer performance in order to establish the level of trust, respect and credibility they enjoy with their customers and clients.

If you can tap into that huge investment of effort and assets, and get it working for you, it will almost always produce a tremendous return of new customers at a much lower acquisition cost than you could get in any other optional, customer-generating method available — except referrals.

Perhaps you're wondering why — if these concepts are so great — why don't more businesses make use of them? Well, these concepts are great, but most people are not capable of implementing them, and I'll explain why.

Three Reasons Why Businesses Do Not Implement Profitable Activities

1. ACTUALIZATION: It sounds great when I explain it, but the person thinks there's a trick to it, or they think I'm a fast talker, or it's too theoretical. They don't understand that simplicity and logic are disarmingly powerful.

2. PERPETUATION: Even when I do get my clients to do it, they don't have the ability to perpetuate my concepts on their own. I find that people tend to do things only as one-shot transactions — and that's a big mistake. They don't understand that to make these things pay off, they've got to become ongoing parts of their business. Otherwise it's just a flash in the pan, and it appears not to be worth the time and effort to set it up.

3. VALIDATION: Because it's so simple and so logical and so apparent, people don't really think it's real. People think it's got to be complex or unusual. It doesn't! I've always found that the most simple, most logical, and most obvious techniques are the ones that are the most powerful. It's so easy, it causes me to lose clients.

I show them how easy it is to implement these concepts. Once they start paying off, the clients have to pay me, and they think I'm not working hard enough to earn all that money. Then I lose them!

That, by the way, is a ludicrous reason to discontinue a partnership. I only make money by making my clients money, because I get paid out of the increase in profits. But you know what? Most people *still* have a problem with that.

Even when I make them a million dollars (and that happens quite often), they don't like to have to pay me a quarter of a million in return. In theory they agree to it, but when the money goes into their bank account and the time comes to pay me, they no longer see me as a cost of sales; they see me as an expense. Worse yet, an expendable expense. So they discontinue our relationship.

However, that's as much their loss as it is mine, because invariably the clients fail to upgrade their marketing efforts (as I would have done had they retained me). Eventually their programs become deprived of oxygen and they die. They die because they cut me off. It's dumb to kill the goose.

I hope this will convince you not to do the same thing to someone else when you're the host. Remember: These deals will be lucrative for both parties. If you need to re-negotiate, that's fine. Just don't kill the goose.

Generate An Ongoing Stream Of Business

If you are in a business where you have a good product or service, but you're having a hard time making a profit because you've got to spend so much on advertising, this is a wonderful way to generate an ongoing stream of profitable business.

You won't have to spend \$10,000 to get \$8,000 worth of sales. You'll know that every dollar coming in your door has a guaranteed profit attached to it because you didn't have to pay any up front marketing cost. What a wonderful way to do business!

Here's what you should be thinking right now. "How can I add somebody else's product — even a competitor's product — to my business and make more money than I'm making on my

own?” Or... “I can’t add anything to my business, but I can take my product to other businesses and take advantage of their assets!”

Almost every business can go both ways. You can bring all sorts of things to your business and you can take your business to all sorts of other people. I call it the “two-way valve” effect.

Moreover, if you don’t have a business but you’d like to start one without any overhead, this is a great way to do it. All you have to do is be the middleman between the host and the beneficiary and tie up the rights both ways. You go to as many businesses as possible and say, “I want to market your product for you by having other businesses in related fields sell it for you. All I want is 25% of the profit.”

And then you go to the other business (in this case, the host) and say, “I want to bring products to you that you can market, and all I want is 25% of the profit I make for you.” This way, you’re putting the deals together and profiting both ways. You will make a lot of money! By doing this, you can put yourself into business immediately.

What I’m trying to teach you is a new way of seeing things, a new perspective. Unfortunately, most of us suffer from inertia and are risk-averse. Everyone is worried about failing, or they think there’s a risk I haven’t mentioned. “Oh, it’s going to ruin my business,” they say.

What they don’t realize is that people respect a business that can ethically recommend its competitors. It’s like the scene from “Miracle on 34th Street.” where Macy’s was telling people to go to Gimbel’s if Macy’s didn’t have what the customer wanted. The customers loved Macy’s for that!

Let me recap for you. The host/beneficiary concept works three ways: You’re the host and you’re bringing other business to you. You’re the beneficiary and you’re taking your products to someone else’s business. You’re a guy who doesn’t have any assets, but you want to leverage somebody else’s assets.

If you understand the leverage, it’s incredible! You can do it all without really investing any money yourself. Amazing!

Here are a few of my recommendations to my clients:

Cleaning Service

To a home and office cleaning company, I recommended contacting every carpet dealer in town. Offer to pay the cost of a mailing to their customers. You write the letter — ostensibly emanating from them — and in it you recommend your cleaning service to their customers. You give the carpet dealer a percentage of sales.

See how both parties win? Since you're accessing only qualified prospects, the cost of acquiring a customer via a host relationship is a fraction of what it would be if you ran an ad or did a cold mailing on your own. This, of course, gives you higher profit on every sale.

And assuming that your company offers a good product or service, the host company (the carpet dealer in this case) has nothing to lose by recommending you. Yet it could mean thousands of dollars in found profits for them — with no effort on their part.

Stop Smoking Program

To a man who teaches a stop-smoking program, I recommended contacting doctors, dentists, and other health professionals.

I suggested drafting letters for the doctors to send to their patients, inviting them to a free introductory seminar on how to stop smoking. At the end of the seminar, people could be signed up for the stop-smoking program; the doctors would get a percentage of sales. To help close the deal, point out to the doctors that this could easily add \$5,000 or \$10,000 a year to their practices.

Real Estate

I recommended that a real estate agent who advertised vacation homes in out-of-state Sunday newspapers contact everyone else advertising out-of-state vacation homes and get the names of inquiries who did not convert.

I advised a carpet company to tie in with local real estate agents. The agents gave them the names of their clients who had recently purchased a new home. An endorsed mailing from the agent recommending the carpet company pulled very well.

I advised an upscale remodeling company to contact fence companies, security services and swimming pool companies. The clients from those other companies were most likely to be interested in expensive remodeling.

Here are some examples of how you might benefit from a host/beneficiary relationship:

First, the most obvious... have you ever received a bill in the mail from a credit card company or a bank with inserts offering another business' products or services? This is a prime example of a host/beneficiary relationship.

In your own business you've got relationships with all sorts of suppliers, customers, employees, etc. If my store was in a shopping center and I wanted to maximize my business, I would have all the other merchants write their customers about me, and ask them to give gift certificates of mine to their customers.

If I were in another kind of business, I might have distributors I sell to, and I would think about how I could use their facilities more — how could I help my distributors or suppliers make more money?

You see, a lot of people think about making profits strictly in terms of the product or service they're involved in.

Physician

Let's say you're a physician and you have a friend who is a CPA. As a physician, you have established a good sphere of influence among the medical community.

By letter, or word of mouth, you can offer your CPA friend's services, at a good price, to the medical community — perhaps offering a special deal at income tax time that would enable the doctors to better capitalize on tax savings for that year. You, the doctor, could endorse the viability, integrity, and outstanding work of the CPA.

And the outcome? The CPA gets plenty of new clients, and you get a percentage of his earnings from your referrals.

Pizza Restaurant

Here's another interesting twist: Someone had the idea to create what he called a "Beneficiary Pizza" franchise. He figured that any place that had traffic was a prime spot to sell pizza. He set up pizza vendors, at no cost to the host, in dormitories, laundromats, nightclubs, and so on.

One dollar from every pizza sold went back to the host of the location. So the hosts earned substantial income without investing any time, thought, effort, or capital. And the beneficiary pizza man made a killing.

Auto Detailing

Here's another idea. Say you own an automobile detailing shop. Approach an obvious potential host: A car dealer. In the dealer's follow-up mailing to people who recently purchased a new car, he could include a coupon for a discount on a full-service detail job at your shop. For every coupon brought in to your detailing shop, the car dealer gets a percentage.

Just your association with credible and respected host companies will make your offer more powerful. Riding along with somebody else's offer, having a place next to them, just because you're there — with their implicit approval — is enough to differentiate you from most of your competitors.

Every asset that your company has must be fully maximized if you expect to succeed and compete in the future. One of the most powerful assets your company has (and it won't be found on a balance sheet) is your customer list and client base. To rephrase an old adage: The customer is always right... for your business and mine.

Joe Karbo's Horse Gambling Paid Off

The late, great Joe Karbo used a host technique and made a lot of money from it. He had a horse race gambling list but he never rented it. Instead, he went to everybody who had direct mail offers appropriate for that list and said,

“Look, I won't rent my names to you, but if you'll give me your mailing piece, I'll print it with my address. I may or may not endorse it. The money will come to me, we'll take the cost off the top and then we'll split 50/50.”

Do you know how much he made doing this? \$400,000 a year from only 50,000 names! Normally you could expect to make only \$50,000 a year off 50,000 good names. But Joe made eight times that much money just by one little transactional difference.

You'll Be Amazed At What You Can Come Up With

What can you play off of? Ask yourself that question every day. You'll be amazed at how many possibilities you can come up with. If you want to be a beneficiary, look for ways to play off of somebody else.

Think of different ways you can get your product or service sold by somebody else. Where does it mesh? Who could host it? How could they sell it to their customers? How could they give you access?

Supermarket

An interesting example that you might be familiar with is one being done right now by Ralph's Supermarkets, a Southern California chain. (Given their acumen, you may have one near you soon!)

Right there in the supermarket there are other businesses operating on a joint venture with Ralph's! There might be a delicatessen, a bakery, a flower shop, a seafood shop... you name it. They're all separately owned businesses that are playing off of Ralph's enormous assets (such as location, traffic, advertising, etc.). It makes perfect sense and it's working beautifully!

Liquor Store

I've seen several other places where this is also being done. A few miles from my home in Palos Verdes there's a Vendome Liquor Store. But inside that liquor store there's a Giuliano's Italian delicatessen. They're leveraging off of Vendome's assets.

Office Supply

And in the nearby city of Torrance, there's an office supply store called OMNI that has two other businesses operating within its building. One is a PIP Printing Shop and the other business is called "Freeway Stores." They sell office machines, computer equipment and photocopiers and things like that. They're all there, right under the same roof, leveraging off of the office supply store's assets.

Those Methods May Be “Unconventional” But They Work

I’m delighted to see people using the concepts I advocate. And I hope you will use them, too. But perhaps you’re asking yourself, “Why aren’t more of these kinds of deals made?” A big problem is people’s perspectives.

They don’t believe it can be done. They think it’s unreal for them to be able to make so much more money with so little effort. They’re used to a conventional way of doing things because everybody else does it that way.

They’re afraid of the unknown and they’re afraid of making things happen.

As a matter of fact most businesses are reactive, not proactive. They’re not innovative or experimental, and they’re certainly not adventuresome. Believe it or not most businesspeople are not entrepreneurial.

They don’t have that deal-making, creation-of-wealth perspective that’s necessary to come up with winning concepts and make things happen. They make a living in spite of themselves, just by feeding off the momentum of the marketplace. If only they realized how simple it is to do so much more.

I was once asked, “If you could have only have one marketing technique to use, what would it be?” My answer was the endorsed relationship.

Stockbroker

Let’s suppose you’re a stockbroker. You know that the great financial guru, Moses Jones, writes a financial letter read by 100,000 avid readers. When he recommends a stock there are so many buyers the stock jumps.

You find a way to get his endorsement. In his next issue he recommends a hot stock and also mentions your name and gives your 800 number for people to call and buy the stock from you. That’s a big league moneymaking endorsement.

There are all sorts of celebrities or well-known individuals whose endorsement would help your business. Any newsletters that give advice or information on your products and service can be a tremendous ally. Don’t hesitate to call them.

Newsletter

One of the great financial endorsements of all time was the one that Jim Cook of Investment Rarities secured from Howard Ruff, the newsletter publisher and best-selling book author.

When the “Ruff Times” was a small start-up newsletter, Cook cajoled an endorsement from Ruff for his gold business. This was in 1976, just before the gold market quadrupled and just before Ruff grew from 2,000 subscribers to 150,000 subscribers, many of whom were worried about inflation and wanted to buy gold. As Ruff’s subscriber base expanded dramatically, Cook’s gold business kept pace.

I do endorsed relationships all the time and they always come through. Think of someone who could spread the word about your company. Get the “connections” you need by getting help from other companies. You can do endorsed promotions that will get you three to ten times the yield you’re normally used to.

When you get an endorsement, you eliminate all the steps of trust development that are necessary for a business in the marketplace. It is immediate and efficient and the cost of accessing customers is a fraction of what it would be to the outside market — but the yield is many times more than it would otherwise be.

Take a look at the examples below of some of my clients — and best students — who have surprised themselves and their partners with the success of host/beneficiary relationships:

Client Success Stories

Direct-Mail / Marketing Consultant

David Young hit a home run out of the park when he formed a partnership with a writer who has an information product. The product’s hard costs are about \$25 and it sells for \$149 plus \$10 shipping and handling.

They approached two well-known personalities who have e-zines with 20,000 subscribers each. The personalities posted announcements in their e-zines endorsing the product and instructing subscribers who are interested to download a direct mail piece (copy-written by David) from an autoresponder.

Of the original 40,000 people to receive the announcement, more than 10,000 (or 25%) downloaded the mail piece. In less than 30 days it generated nearly 600 sales totaling \$95,000 in gross revenue, with a total marketing cost of \$114 for two autoresponders! Return on investment: 8333% in less than 30 days!

Business Broker

David Smith, a business broker, has received \$15,000 based on a host/beneficiary relationship that he has created with a former seller of an accounting practice.

Business Incorporation in Nevada

Scott Letourneau is in the business of forming Nevada corporations and LLC's for people. His challenge was that he needed to create a sense of urgency with clients. He formed a relationship with a former IRS expert who offers a program worth over \$500.

Scott's company gave these materials away for free when someone incorporated within 14 days (or forms an LLC) of the initial inquiry or letter. This strategy will double the company's business this year!

In addition, they are generating new leads by sending out an eight-minute extract tape of this expert's workshop to entice people to get started or buy his program! Scott mailed out 8-minute audio "teaser" tapes to sell back-end Sandy Botkin tapes.

To make a long story short, twenty-eight sets were sold at \$267 each for a total of \$7,476 in May. "Strategies that don't work in Nevada" produced seven new clients for a total of \$8,500 in June alone!

Financial Services

Tim Stiles, a financial planner, sent 30 referral letters out which generated 24 appointments.

Sterilizer Equipment for Dentists

Shlomo Savyon made arrangements with a vendor to include a two-page letter inside every shipment that is sent out. So far, three out of thirteen leads have closed totaling \$9,000 in gross sales at about 35% gross profit.

Aircraft Service

Mike Bowles of Helicopter Applications Inc. has aligned his company with servicing the gas and utility markets. As a result, sales are up 20-30% and they have saved their customers money! So far, the two current contracts with the utility companies have grossed \$50,000. Recently, he has received two more contracts with other utility companies that will probably generate about the same results.

Manufacturing

John MacKay's firm manufactures store fixtures. By teaming up with a firm of designers and involving them with their specific clients and prospects, they were able to cover all aspects of a client's needs — design and fabrication. This program has secured them an account with an important international firm, which has so far generated \$250,000 and could generate significantly more in the future!

Computer Consultant

Hugh Barclay does computer networking and software installation. He approached one of his vendors, a custom personal computer manufacturer, and arranged for him to recommend his services.

In exchange, Hugh recommended all computer hardware purchases to him. He has gotten two queries so far. One of which resulted in a contract for \$1,000. If the client accepts it, the second proposal that he is currently drafting will be worth \$5,000–\$10,000.

Printing Company

George R. Platt has negotiated commissions at 5%–10% for a supplier at Quick Copy Printing to access his large accounts. The annual revenue will be \$5,000–\$10,000 for one relationship. The bottom line is that this relationship will enable George to make \$5,000–\$10,000 annual commission while he sleeps!

Telephone Equipment Sales & Service

Patrick Flanagan has used joint ventures with a competitor, building referral systems and setting up a selling system to generate about \$200,000 in new business with about a 20% profit. He has also expanded his geographic area and market potential by 400%.

Landscaping

Tony Bass was attending a seminar and ended up being a substitute speaker. After his one-hour presentation to seventy people, he immediately sold seventeen copies of his book for a total of \$6,715. This also led to back-end sales of three \$40,000 Super Lawn Truck systems.

Gas Utilities

Arlene Langer: A relationship was formed with a company who can make arrangements for all utility hook-ups for a person with just one phone call. The company recommends them as the choice provider, and 90% of individuals sign up with them. 1,000 new customers were gained in three months, with each being worth an average of at least \$60 per year.

Locksmith

Nickolas Kokoron formed a deal with AAA and AMOCO Auto Clubs to do lockout work for them. When the Auto Clubs receive calls from their members who are locked out of their cars, the Auto Club contacts Nickolas and he responds to the call in the Auto Club's name and performs the work. This has added \$12,000 per month so far (almost all of it being profit) and he has become AAA's largest contractor.

Nickolas also struck an agreement with a garage door and home security system company, with each recommending the others' products and services. In the first two weeks, four sales yielded an extra \$1,200.

NLP Trainer & Jeweler

Wink Jones endorsed Greg Gibson to speak at a jewelers conference and shared profits on back-end sales (back of the room) of tape sets.

Electrical Cord Manufacturer

Kathi Van Dusen: The company only manufactures electrical cords and small wiring harness assemblies, but would receive requests for large harnesses as part of a company's package to bid on.

In the past they would not bid on these items, and sometimes did not receive any of the business because they could not provide a total solution. They found a company in a similar situation, partnered with them, and receive commissions by linking them up with the companies they would not have been able to do business with.

Consulting

Hugh Barclay has a vendor who recommends Hugh's services to his customers; one of the recommendations resulted in a contract worth \$7,500.

Ink Manufacturing

Greg Stromberg set up a relationship with Amazon.com and other vendors who advertise on his website. Results are 100% profit.

Security Company

Sean O'Brien formed a relationship with a company where for every referral resulting in a contract that the company gives, Sean pays them a commission for it. These referrals so far have yielded Sean contracts worth \$200,000.

Publishing

Bret Ridgway approached a company about the possibility of selling a CD-ROM product, which he produced. The company said it would be a good fit if they could private-label it as their own.

Bret agreed to ship them unlabeled CDs for them to sell as their own product with their own label on it. The product costs about \$22 each to produce and is sold to the company for \$197 each. So far this has generated \$8,450 and has no ongoing marketing costs.

Computer Services & Consulting

Rick Duris closed a deal for over \$200,000 as a result of a joint venture arrangement with one of his vendors.

Natural Medicine

Dr. Marijah McCain used hyperlinks to cross link with other related Internet sites. This resulted in an additional 60,000 hits to her home page each month.

Landscaping

A landscaping firm persuaded a real estate firm to introduce its shrub and tree-planting service to recent home-buying clients. The landscaper reaped orders galore as a result! Sales rose 40%.

Swimming Pool Distributor

A swimming pool distributor persuaded a house-painting company to introduce its “Early Season Above-Ground Pool Installation Discount” to people who had recently had their houses painted. Again, there was a strong response.

Attorney

An attorney who handles heavy-duty tax cases wrote a letter to his clients and, in the PS, told them they might want to look over a checklist of tax-filing hints given him by a new tax-preparation service. The tax preparer got all kinds of new business as a result of that link-up.

Beverage Company

With endorsements, a beverage company increased its distributor base by 25%. They mailed endorsement letters from distributors and consumers, and persuaded five new distributors to represent their soft drink brand.

The Economy Is Making It Easy For You!

There are hundreds of companies suffering reduced sales and lower profits. They’re very nearly desperate for cash flow. It’s a perfect time to contact them and propose host/beneficiary.

For no cost and little effort, other than organizing and preparing the sales programming, you can get dozens of companies to let you access their customers, prospects, distributors, employees, vendors, and so on.

Any vendor that respects you may be willing to endorse your product or service. The most logical entities for endorsement are professional services: accountants, lawyers, doctors, and the like.

Accountant

If you’re a professional — an accountant, for example — you could work a deal with one of your vendors. Have the vendor introduce you to his customers and buy his own customers the first hour of your services, ostensibly as a gift.

The vendor could tell them a story about how you saved or made him money and how he now wants to tell all his customers and friends because he appreciates their patronage.

You can have your vendors contact not only their customers, but also their own vendors. Your vendors can give you lists of other people they vend to who are not competitive and who are perfectly compatible to buy from you, represent you, or sell through you.

Or, you could do the reverse of this... If one of your vendors is a professional — another accountant for example — you could send a letter to all your vendors, suppliers, or customers telling them that in appreciation for their continuing service (or continued patronage) you have bought them two or three hours with your very talented accountant.

Tell them that this guy, in your opinion, is the sharpest accountant in the world and he found deductions no one else ever thought about. He's taken the time to learn about your business, he cares about your business, or he found an extra \$50,000 in savings that your previous accountant didn't.

Explain how you appreciate the support of your vendors and suppliers (or customers), and decided a small box of candy, a bottle of wine or liquor, or tickets to a ball game would show some cursory level of appreciation, but you thought that if you could do something for somebody that would save them a huge amount on their taxes, that would truly be a wonderful gift.

In light of that, you've bought them two hours of this accountant's time, no strings attached, no obligation whatsoever.

One point: Most companies forget their vendors. They take their vendors for granted rather than giving them a second thought. Acknowledge your vendors. Use the same techniques as you would your best customers. And thank your vendors for serving you and acknowledge that they are appreciated.

I submit to you that the profit-oriented business person figures out how to make the maximum profit from all assets he has an investment in. And that doesn't limit you to just the skilled trade. It means your distributive network, your sales network, your customer network, your employees. I think if you inventory all you've got, you'll find an infinite number of possibilities.

The host/beneficiary relationship is vitally important because of its low-cost, high-impact value. As important, however, are the relationships you develop now, which will continue to reap

untold benefits to you in the future. These relationships alone can magnify your exposure exponentially, and multiply your profits many, many times over.

An adjunct to this technique, which is equally rewarding financially, is formulating joint ventures. Again, the principle of opening new avenues of approach is incorporated, even if those avenues run right through your competitors.

Keep Your Eyes Open For Opportunities

You need to attain (and retain) an opportunistic outlook to spot the endless possibilities for host/beneficiary relationships. Consider your friends, people you presently do business with, even those you deal with on a personal level, like your barber or your dry cleaner.

Reassure them that your product or service is absolutely noncompetitive to their product or service. Let them know that you'll draw profits from reworking their customer list, but only after they have milked those customers dry. This is especially appealing if the company you approach generally only uses their customer list once — an escrow company, a roofing company, or a medical testing lab, for instance.

Remind them that such a relationship does not require of them any capital or effort. But if they do wish to participate, that's even better. You'll get some help and may be able to reduce the capital risk.

You should volunteer to create all the marketing material — subject totally to their approval. You can offer to pay all the printing, postage, and other costs — or avail them of the opportunity to joint venture with you (correspondingly, their profit share should be commensurate with their capital and time commitment).

Nurture that newly found host/beneficiary relationship to keep it going and growing. Continually come up with new and ongoing promotions and direct mail ideas. You'll be delighted with the financial rewards that will result.

Specific Applications

Endorsed Mailings

This is a particularly powerful form of host/beneficiary relationship. You first find a company whose existing customers would be likely to buy the products you sell. You then ask the company to send a letter to their customers endorsing your products.

You and the endorsing company split the profits. The exact split depends on what you can negotiate and on which party pays for the mailing. You can even offer to write the endorsement letter. The main thing is that the letter ostensibly emanates from them.

This technique is a great way to access likely prospects — but more than that, it's bound to pull a greater response than a cold mailing, because of the value of the other company's endorsement. Examples:

Office Cleaning Supplies

If you sell office-cleaning services, likely candidates for doing an endorsed mailing would be office supply companies, office furniture companies, and commercial realtors.

Software

If you sell personal finance software, likely candidates for doing an endorsed mailing would be accountants, lawyers, and insurance agents.

Restaurant

If you own a gourmet restaurant, likely candidates for doing an endorsed mailing would be specialty clothing stores, health food stores, bookstores, fitness centers, or any other local establishment that caters to wealthy or discriminating clientele.

Piggyback

This concept is similar to an endorsed mailing, except instead of asking the host company to endorse your product, you simply ask them to let you insert your brochure in with one of their mailings. You either pay a fee for the privilege, or give the host company a percentage of sales.

A piggyback mailing lets you reach likely prospects for a fraction of the cost of doing your own mailing.

You've probably received dozens of piggyback mailings yourself — that's what all those offers are that come with your credit card statement each month. Obviously they work, or the companies that do them wouldn't keep doing them over and over again.

Of course, the piggyback concept works both ways. If you do mailings of your own to a well-defined audience, it shouldn't be hard to find other companies interested in using your mailings as a vehicle for piggybacking their brochures. Your share of the profit should at least pay for your mailing costs — and could even represent a major source of income — all at no cost to you.

Any small business or practice can and should use a host/beneficiary approach several times a year because it rarely fails to generate new business. One of my clients has compared it to “finding money in the street.”

But, perhaps you are still just a little bit unsure of whether or not the host/beneficiary technique will work for you. If so, let's run through the steps one more time.

First, figure out who already sells to and enjoys the strong goodwill of people in your target audience. (The list could be almost endless.)

Landscaping

If you're in landscaping, look at who deals with your intended prospect one, two or three transactions before they are ready to buy from you. Once you identify who those generic companies are — e.g., contractors, real estate agencies, painters, movers — then move to more specific identification.

Turn to either the Yellow Pages, or turn to a business directory and locate every builder or every contractor or every real estate company or every moving company in whatever geographic or industry segment to which you currently are marketing. And then contact them. When you do, you might tell them this:

- (a) I am a highly-respected landscaper in our community.
- (b) I would like very much to forge a strategic alliance with you.

(c) The reason I'd like to do it is that I realize that you have spent an enormous amount of time, effort, emotion, energy and expense building goodwill with your customers.

(d) Those customers — when they're done transacting business with you — may have nothing else to bring you in the way of new business for many, many years. But there is a way — an ethical, valuable, worthwhile way — you could reclaim the time, effort and expense that you invested in that relationship and do your customer or client an incredible service. See how that prepares them to listen?

Okay, if you are a landscaper then do this:

Tell the host, and ultimately the end customer, that the difference between great landscape and just average landscape is not only the difference between beauty and mediocrity. It's the difference between potentially tens or hundreds of thousands of dollars of difference in the long-term value of a property.

And, if it's a rental or an income-generating property, landscaping alone could make a difference in the rental building being filled — and commanding a premium in rents — or having a high vacancy rate and renting for a pittance.

Give Your Host a Real Gift — Special Treatment

Whatever your business or profession, offer the host (and the host's customers) whatever is appropriate. In the case of the landscape example, it might be a \$20,000 landscape job for \$10,000, or any other landscape job for 50% off its normal rate with a bonus of \$500 worth of decorative stonework absolutely free, or something like that.

The key is to offer preferential advantage to customers. Something they wouldn't get on their own in the outside market if they stumbled into an office and bought landscaping on their own.

Special treatment is critical to the whole dynamic of a host/beneficiary relationship. Why? Because it's critically important that the customer or client or patient feel that the host — the recommender, the endorser of the product or service — has gone to the mat and negotiated a *below-market price or an above-market benefit or bonus or guarantee that gives them extra*

value. It's important that anybody you get to endorse you distinguishes their customers as being special, important and unique.

You've got to show somebody that by teaming with you they have an opportunity to bring a great benefit, a great advantage, a great result to their customers or clients that they've never thought about. You've got to do that with sincerity.

A Host/Beneficiary Works With Anyone

If the company or the professional you approach has an ongoing selling relationship with their customer or client, then your tack in a host/beneficiary setup should be a little different. You should then focus on the fact that you are not going to take a dime away from the host. Show the host that there's no conflict whatsoever, that there's only a complementing connection between what they do and who they do it for and what you will do.

And make your offer economically appealing enough to get the host excited. Show them that because you expect the advertising/marketing costs to be lower and the response rate and the average sale to be higher, you feel very comfortable offering to share what may seem a very generous but to you a very justifiable amount of all new purchases resulting from their endorsement with them.

Then tell the host what the arrangement would be, and that there are options, obviously. It can be a share of the profit. It can be so much per customer. It can be so much per prospect or lead or inquiry. It could be a fixed fee for doing it or any combination thereof.

Once you've told them what the financial consideration to them is, denominate it into terms the host can get enthusiastic about. What does this mean? It means using what experts call "future pacing." Project ahead and show your prospective host what that money you give them or pay them or the stream of income it generates for them could be worth, could buy, could control or could produce.

Moving Company

For example, if you were a moving company, and I was talking about sharing 12% of my landscape fees with you, I would say: "Let me tell you what I think that means, Mr. Moving Company. Worst case, if my projections are correct (that's a key phrase to use — "if my projections are correct") I expect to be giving you a check for \$187,000 six months from now!

That alone — that lump-sum figure — gets people excited. But then I recommend you take the process to a higher level of leverage. Show them what they can buy with that money and with subsequent money. For example, you might say, “And if it works out, and if I’m right, you can expect a check similar to that every six months forever!” Then you say, “What could you do, Mr. Mover, with a \$187,000 check twice a year for life?”

And you don’t ask them to think; you tell them! “Well, I suppose you could basically pay off all the debt your moving company has. Or you could run ads every month in every newspaper in town. Or you could hire five new salespeople. Or you could buy yourself a million-dollar home. Or you could expand your facilities. Or you could...”

It’s important that you instill in the mind of the prospective host or endorser the fact that he or she is going to get most of the benefit from the proposition. Tell them this is a wonderful way for them to perform a market test to see how much leverage they really have with their customers because if you’re right, they can do this for a lot of other people, and you’ll even assist them if it works out!

If it doesn’t, the loss will be yours because you’ll be the one who will have funded the program; you’re the one who has extended all the effort! They will be the one who will benefit either way. And then you give them indemnification. You give them a written warrant that you will only do great work — that if there is any problem, you’ll make it right.

Joint Ventures

To me, the “marketing joint venture” isn’t a single marketing concept — it’s a way of life.

If you need to advertise but don’t have the money... if you want to do a mailing but can’t acquire the right list... if you have a great marketing idea but can’t afford to pay for a test... a joint venture may be the answer.

You can do joint ventures in a thousand different ways — there’s no set formula. The only thing that’s common is that you find a joint venture partner who supplies one or more ingredients you lack (capital, labor, contacts, mailing lists, etc.), and you and the partner split the profits in an agreed-upon way.

Real Estate

If you give a real estate seminar for homebuyers, you could set up a joint venture with a large realtor. He pays for marketing the seminar, and you and he split the profits. Or you might be able to convince him to let you keep all the profits because sponsoring the seminar will bring him business he wouldn't have had otherwise.

If you can't afford to pay for advertising, you may be able to do a joint venture with a newspaper, magazine, radio station, etc., where they agree to run your ad on a "per inquiry" (PI) basis. This means instead of getting paid up front, the newspaper gets a certain amount for each person who responds to the ad (e.g., a percentage of sales).

Most publications won't accept PI advertising, but some will. (Some publications will run PI ads on a "standby" basis — they'll run your ad only if they have extra space to fill.)

In approaching media about PI you'll have the best chance of success if you can demonstrate — in dollars and cents — that they stand to gain more from the PI deal than from being paid in advance for ad space.

Joint ventures are very much like the host/beneficiary relationship. In essence, you serve as a host introducing someone else's complementary and appropriate products or services to your customers — preferably under your express endorsement.

You can do this in many different ways. First, you could send out a letter offering the product or services to your customer or clients. (Of course, you recognize this as the classic host/beneficiary that we've talked about at great length.)

Then you could follow that letter with a phone call. If you can't do this because you don't have the people, time or money, then get the company whose product you're endorsing to do it for you.

A second possibility: Let representatives from the beneficiary company set up a table, booth or desk in your office — or let them make sales rounds with your salespeople.

Or you could put out a promotional announcement or sales letter about the beneficiary's product or service in packages or statements you send out. Or you could allow the beneficiary company to share exhibition space with you at trade shows, or in ads.

Here are some examples you'll recognize: All-State insurance booths at Sears stores. Offers for electronic goods and watches tucked in with your charge card bill. The FedEx logo and add-on shipping offer with catalog pages.

You can set up a host/beneficiary deal in one of two ways — depending upon which role you're playing. Most of this section assumes you are the one who'd be introducing customers, clients or patients to someone else's product or service.

But, of course, the exact opposite works just as well. You can get tons of businesses and professional people to endorse you and your product/service to their clientele. It's easy.

Here are a few of the profitable joint ventures I have engineered over the years:

- I got one of the largest financial newsletters in the industry to create a special bonus eight-page interview with me to promote my Protégé-Training Program. It produced \$2 million in profit.
- I got a business opportunity company to recommend my program to all of their unsold prospects. That sold \$250,000.
- I got a famous best-selling author to endorse one of my client's financial services. That sold \$20 million.
- I got the largest magazine of its kind to endorse one of my other client's financial investments.
- A karate school owner persuaded a local gym to help him get started by letting him use their space for a fee. The only problem: The karate school was so successful, and grew so fast, that it had to move to larger space in a new location!

Exceed Their Expectations

Going the extra mile (or going the extra "inch," as they say in Australia) is what famed success expert Napoleon Hill called possibly the single most important trait he identified that existed in virtually every one of the world's top 500 super-achievers. He wrote a great little book highlighting the importance of exceeding expectations.

When Hill analyzed what made people like Ford, Carnegie, Rockefeller and Firestone such forces in the world of business, he realized that they always did far more than was expected. They always worked harder, tried more things, bounced back higher after reverses and stretched themselves and their people farther than any of their closest competitors dared do.

Charles Schwab, the president of U.S. Steel in the early 1900s, got his job by always doing ten times more than he was paid to do — or was even expected to do.

In your business, I want to challenge you to start exceeding your customers' expectations in everything you do. And please remember: Your customers are all three groups of people — your vendors, your team members, as well as the people and businesses who pay you for your goods or services. Exceeding your customers' or clients' or patients' expectations can and does mean an abundance of things.

It means changing the way you think about, deal with and speak to your customers. Greet them on the phone and in person with the same joy, sincerity and enthusiasm you'd show any other valued friend.

Respect the importance of their time, their sense of security and their comfort. Don't make them wait too long on "hold" or in your waiting room or at their home.

Joint Venture Marketing: A Broad Umbrella of Opportunities and Possibilities

Joint venture marketing entails a broad umbrella of opportunities and possibilities. It can mean going to other businesses and working deals on behalf of your client, or arranging deals strictly for yourself. But, instead of receiving 25% of the increased profit dynamic, you (or your client) puts up either all or half of the money and takes 50% or 75% of the profits and first monies back.

It can mean going to a business owner and not increasing the profits or sales from existing operations, but adding totally fresh, heretofore un-contemplated, unrecognized avenues of ongoing business, a new profit center, if you will, that you operate in concert with the business owner.

Another derivative of it is buying the rights to exploit in outside markets some facet of the business' operation, whether it's their techniques, their technology, their end product, their marketing, their resources, their people — whatever. I use the concept "private labeling," and I think it's a very powerful concept that most people don't understand.

For example, I had a friend once who was talking about his dreams for the future. He was a bright man with a very respectable job with a big firm in New York, and he was very savvy about marketing. His goal was to open a car service center that would service automobiles all night long for people who wanted to drop their car off after hours, leave it and come back during the day to find it finished.

I said, "If you really believe that's possible, instead of waiting for someday, why don't you go to any of a thousand different car service bays who close at 5:00 p.m. and make a deal where you buy the rights to use the facility, equipment, etc. from 5:00 p.m. to 7:00 a.m.?"

Give them half of your profit, pay the incremental cost to keep the lights on and pay the incremental insurance, which is probably a fraction of what he pays. All you'd have to do is put your money into marketing and selling it, and, for a fraction of what it would cost for the car dealer to do the actual work, you can have a private label deal with him right there, couldn't you?"

The same guy said, "Well, I'd also like to have a dry cleaning facility set up with drop-off and pickup kiosks at all the train stations to Connecticut and New York. Anyone going into the City could drop it off in the morning and get it back in the evening."

I said, "Why would you want to sink \$100,000 or \$200,000 or \$500,000 into cleaning equipment and facilities when you could just go to somebody who's under-utilizing their equipment and personnel, make a net deal where they agree never to go into competition with you, and all you've got to do is put your money into marketing and the kiosks?"

It's all in the way you look at things. For example, I made a terrible mistake over the years. By one transactional difference, I would have made ten million dollars more on everything I did. Let me tell you what it was.

All these newsletters that I promoted, all these newsletters I took all the risk on, all these newsletters I sold over the years, instead of doing what I did, I should have gone to them and said,

“Look, I’m going to put up my money. I’m going to sell your newsletter. I’m going to take all the risk. When I get a name, I’m not going to give it to you.

“I’m going to have you furnish me once a month with the actual art boards for priming, and I’m going to go fulfill it as if it were my own newsletter but simply your product. I’m going to operate a private label distributorship on your newsletter and just give you a pre-agreed upon fixed minimum profit per unit every month.”

I never did that. But if I had, I would have made tens of millions off the million or more names I generated for various newsletter publishers. Plus, I’d have none of the overhead, none of the editorial, and the best database in the world.

It’s a transactional difference in the way you look at things.

And it’s also a confidence level. In other words, I didn’t have the confidence.

I think joint venture marketing opportunities are wherever you see them lying. I’ve found people who had under-utilization of employees and made a deal where I could use their people and pay them a minimum. In other words, if you’re paying somebody for 40 hours and you’re only using them for 30, and I gave you half of what you’re paying for your non-utilized time, you’re making money on the deal.

Opportunities in Distressed Businesses

There’s a whole area of opportunity in distressed businesses.

Do they have too much inventory? Do they have too much capacity? Do they have too much retail space? Whatever they have too much of, see how you can benefit from that. Keep in mind that utilization, or loss reduction, is just another way of saying “profit,” isn’t it?

If you know of a company that’s losing \$20,000 per month on their business, and you can help bring in additional volume that mitigates that loss so the business only loses \$5,000 a month, you’ve actually earned that company \$15,000.

And when you recognize that insight, it opens up huge vistas of expansive opportunity to you.

Link Your Business with Competitors

It may surprise you, but I even believe strongly in developing ongoing relationships with competitors. Everyone seems to have this terrible desire to drive competitors out of business. They hate them. They don't want to talk to them.

But isn't that more than just a little bit silly? I mean your main competitor is a hard-working person just like you — someone who has a family and is trying to build a successful business. Your competitor has the same kinds of problems you have. And, where there are differences between the two of you, those *differences* could be a profitable *opportunity* for both of you!

Let me give you an illustration:

Let's suppose that X% of your sales prospects, for one reason or another, don't buy from you. It might be that the machinery you sell is a little too complicated for them, or not complicated enough — or maybe they don't like your location! Whatever it is, their decision not to buy from you doesn't have to mean that all is lost.

Not if you can refer them to one of your competitors, and earn a percentage of the profit from the business they do with him!

There may be a lot of procedures, manufacturing or service functions that your business can't handle as profitably or as efficiently as your competitor can. Rather than lose business, set up a private-label relationship with your competitor and let him do work for you that you can pass back to your customers.

To find competitors who will agree to do that, consult your vendors, because chances are they know who all your competitors are, and even how their interests and yours might be brought together in a mutually profitable way.

But if you do work out a deal, ask your competitor not to try to take any business away from you. I know that's a delicate point to bring up, but if you have any doubts, try to get the promise in writing.

Chances are your competitor will agree without any complaint, because he may want to reverse things in the future and job out some work to you! In any event, it all comes down to

delivering convenience, quality and overall good service to your customers — which is the main reason you're in business.

Most people don't think about strategies that can help them profit from their competitors, or from the people their competitors sell to just one time. They don't see the joint venture possibilities, or the ways in which they can take what their business competitors have and work it themselves, or work it for themselves *and* their competitors! I realize a lot of this might sound crazy but, really, think about it.

I did a consultation with a contracting firm that had always thought of itself as fiercely independent. But, it was losing out on more than 95% of the bids it made by just a small margin. I persuaded the owner of that company to join forces with a competitor who was also losing bids by a slim margin. Working together, they brought their bids down 3% and got 10 times the business that the two of them had been losing.

Another time I was on the phone doing a consultation with a gentleman who sold oxygen, beds, post-surgical supplies and other hospital items. I convinced him that a number of his competitors who sold only one or two of the things that he offered were perfect prospects for the services he offered that they didn't offer.

He had never thought about going to them and suggesting a joint venture. I talked it through with him and showed him that there could be a million dollars' worth of undiscovered income in his small city alone.

So what are you waiting for?

Sit down right now and make a list of every kind of generic business that has the same customers you'd want to reach.

Make a list of the following products or services:

1. Those products or services bought just before they buy my client's products or services.
2. Products or services purchased along with or at the same time as my client's products or services.

3. Products or services purchased after customers buy my client's products or services.
4. What professional practice(s) or business(es) does my client already have a relationship with that could be turned into an endorsement?

When you've made the most comprehensive list you can, look up actual companies in each field. Have your assistant, secretary or a part-time college student find you, in directories or Yellow Pages, the company names, phone numbers, addresses and the names of the owners, presidents or general managers — whoever the highest-ranking reachable P&L decision maker might be.

Once you've done that, I want you to contact at least five targeted endorsers and propose this kind of endorsed relationship to them.

I suspect two out of the five will say "yes" immediately. The ones that don't will become doable if you keep in strong and confident contact for six weeks to six months. Almost every company that ever turned me down initially came back and said yes within six months or less when I consistently communicated my certainty of the fact that this concept benefited their customers greatly.

Keys to Endorsements

- The cost of acquiring a customer or prospect is enormous — an endorsement relationship can dramatically reduce the costs of acquiring a new client.
- Many times an endorsement is merely a formalization of an already existing relationship(s) between two or more businesses. Almost any business will already have referrals coming in from other businesses.
- Endorsements increase the marginal net worth of a customer producing more revenues that can be directed to marketing.
- Endorsements must serve the needs of the clients or customers by giving them more of the end result they are purchasing from your client.

- The benefits and value to both the Host and the Beneficiary must be clear and specific to both parties before the deal is done.
- Endorsements can be “fee” or “contingency” based.
- Be persistent in pursuing an endorsement relationship — follow up carefully and continue to enumerate specifically the benefits and value to both parties.

Grow Through Endorsements

You might hesitate to request endorsements from your best clients, patients or customers, but please don't be bashful about doing it! An endorsement can be a powerful business booster, particularly when the person doing the endorsing is well known and respected by the people who read or hear what he or she has to say.

Your endorser doesn't have to be a famous general, a film star, or a university president to command respect; someone who is “visible” in your community's business life will do just fine!

Also, the endorsement's wording doesn't have to be (in fact, *shouldn't* be) run-of-the-mill. It can say a lot more than “Jane runs a fabulous beauty salon, please drop by there and see for yourself.” An endorsement can be creative, compelling — truly novel.

Endorsements can be presented through direct mail, TV, telemarketing or a simple personal letter. I use endorsements all the time to approach my new, potential clients — I find that it boosts response and lends instant credibility to a sales message.

Attorney

Here's a real-life example that I've mentioned before: When a lawyer wanted more business, he approached his accountant and asked him to send a letter of endorsement to his (the accountant's) best clients.

The accountant readily agreed to do that. This is what the letter said:

“It’s rare for me to write, much less to write about someone in another field. But I’m writing to tell you about my attorney, John Schmidlapper, and to tell you about some of the fine things John has done for me.” (At this point, the accountant mentioned several ways in which the lawyer’s advice had saved him money. Then came this creative kicker.)

“Because I appreciate your loyalty to our accounting firm over so many years, I was thinking of sending you flowers for your office, or a gift box, but I decided that the noblest thing I could do for you is buy you an hour of my attorney’s time! I’ve arranged to do that, and there’s no charge or obligation for you to ever use him again.

The session won’t cost you a nickel, and you can use it to talk about any subject you want to discuss, whether it’s a trust issue, a contract negotiation — or whatever. I can’t recommend John enough. Here’s his number. Just tell him that you’re someone for whom I’ve purchased an hour of his time.”

Now, *that’s* an endorsement! One that worked very well, by the way. Most people who received the endorsement letter did in fact go to see attorney John Schmidlapper, not once but several times! The lawyer’s business increased dramatically, and the accountant’s business benefited as well, through a referral percentage.

Competitors Can Help You

Keep this in mind, too: Competitors can actually help you grow your business.
Here’s how:

Go to a competitor and show them that if they’ve lost a customer that, for all practicality, it’s a sunk cost they’ve written off. Tell them that if the customer doesn’t want to buy from them, they can still make a profit by introducing the customer to you. Both sides win.

Go to your competitor and say, “Let me have a chance to access your inactive customers, not your new, active ones.”

Or tell them, “Let me have one of your salespeople call on your old customers to say, ‘You didn’t buy from us, we understand. We’ve done something to lose your goodwill, but we want to introduce you to somebody we respect. We think that we’re superior and superb, but if

you don't want to do business with us, let us introduce you to the next best thing. We really respect these people.'"

If you do just that, the law of averages says that you're going to get 30% to 50% of those "old customers" to buy from you.

Pay the referring competitor as much as 100% of the first transaction. Show them that you could write them a check for tens of thousands of dollars, which they could use to pay off debt, to run ads to build themselves new customers, to pay themselves raises, to add to their facilities, or to hire salespeople.

After they get over the shock of a competitor wanting to do business with them, many of them will agree to your plan.

If they say no and tell you to take a wild leap, don't let that upset you.

Say to them, "I'd say the same thing if someone came to me with this proposition. But let me make a point: You've got a lot of lost assets. You spent thousands, or even millions of dollars to build them.

These old customers are not buying from you now and they probably won't. Every week, every month, every year that you do nothing with them, it's a lost asset worth less and less. If you can convert a thousand of those 10,000 customers over to me — and I'm willing to pay you 100% of the first revenue — I can write you a check for \$20 or \$220 or \$2,000,020. How bad is that?"

If I haven't convinced you by now, I doubt I ever will. But don't equivocate any longer, or stick your head in the sand about this unbelievably valuable, sustaining technique. Opportunities are around you every day. Don't let them pass you by.

Let's talk about the front-end affinity of a joint venture, and what that does to the dynamic.

I believe a strategic alliance, a host/beneficiary, is one of the most valuable forms of leverage you can have.

Somebody else spends ten years — or a lifetime — an enormous amount of human and financial capital, effort, going to huge audiences to find a few that resonate with them, committing themselves over and over again transaction by transaction, month by month to keep goodwill and keep advancing and regenerating that, spending tens, hundreds, thousands, millions of dollars every month, quarter, year on staff to fulfill and technology to do it, to research, on production.

And with a joint venture, I am able to come in and, either for underwriting the cost of a letter or for basically making a profit deal of some kind, get access to e-mails that may have cost them a hundred million.

But I have an advantage most people don't. (This was part of my strategy from the beginning.) I have invested in, created and now enjoy the wonderful pleasure of having a reasonably substantial amount of goodwill accrued around the world. And that's always my plan. I was going to invest forward. If nothing ever came, I'd still get a payoff someday, somehow, somewhere. I could help people.

At nearly every one of my seminars are people who attend as guests of mine — that I hounded to come even though I took money out of my pocket. Well, I believe in helping, and I've helped my colleagues many times. A lot of them have paid me. A lot of them are joint ventures.

I have an ability. I can go to somebody who has either benefited from my services or has a relationship with me, and I can get them to basically do about anything because:

- They know I'm not going to ask them to do something that isn't in their client's best interest;
- They will benefit, but their clients will benefit more;
- I won't ever breach the integrity or the sanctity;
- I'll do it right.

I can go to almost anybody else in the entrepreneurial arena, and odds are if they're entrepreneurial they know of me or my reputation, which is pretty good. If they don't know me, I

can normally have a conversation with them in an hour or so and give them so much value that they're honor-bound to reciprocate.

But my attitude — which should be yours — is that there are tons of people out there who have already spent a fortune and more time and more goodwill and more human capital to build the relationship. Why not figure a way to collaborate with them?

When you first came to me, it might have been because somebody you had a relationship with — Tony Robbins, Nightingale-Conant, Gary North, Phillips Publishing, Agora Publishing — some organization or entity that endorsed me in the very beginning when you started a relationship.

I strongly advise you to take advantage of your similar situation.

If you own an office furniture store, you may want to make additional profit by selling office supplies. So, look for a joint venture partner who has an office supply business. You could work a deal with the office supply person where he would fulfill your orders for a share of the profits.

Explain the benefits he would receive from this venture: He would get to access your customer base, and could get new customers he never would have had without you. (You would both be benefiting.)

Another approach is to hire a person who can build profit centers for you. That person would make deals and arrangements like the one I mentioned above. This could be very appealing if you told them that they were really building their own business and would get 100% commission.

In the beginning, you'd split the profit 50/50. You take half because you've got the knowledge, and you're going to train this person. Your new partner would get 50% because he or she's doing all the work. Eventually, the sweat-equity partner would make 60% and you'd take 40%, until the sweat-equity person virtually owns the business. This would really give them incentive.

Think of someone who could spread the word around about your company. Get the "connections" you need by getting help from other companies. Don't be satisfied with routine

business methods. Put in more effort to adapt to the changes the marketplace brings on. Try something different — try endorsements!

Look at the Dynamics They Offer You

When you do a mailing, you have to rent a list of 5,000 or 10,000 or 20,000 people trying to find the handful (relatively speaking) of qualified prospects. When you run an ad in your city's largest daily newspaper, you could be paying to reach one million readers for just 50 to 100 people who will become your customers.

But when you do an endorsement, 60% to 100% of the people you reach are usually already qualified. You eliminate all the steps of trust development that are necessary in the outside market by using endorsements.

The Wall Street Journal had a special settlement on business education and they had a lot of statistics and numbers from various university programs, etc. I have trained more people and made infinitely more money for everybody with bigger results than all the university programs put together. (I'm not talking about undergraduate education, but rather post — business, executive, small business.) It was incredible how small some of those programs were with all the clout that Wharton has, for instance.

I'm not saying this to show you how great I am. I'm trying to show you the opportunities for yourself if you joint venture.

Let's say, for example, you're an employee now, and you really want to start your own business or get into business. How should you evaluate the type of business they want to be in, and the type of business they would not want to be in? I have some tools for how you guarantee most businesses fail and how you guarantee that a business would succeed.

Look For Business Assets That Aren't Being Maximized

First, you look to see what businesses have customers they're not maximizing. You could create a business that would be a joint venture relationship with them, or take advantage of the enormous investment and goodwill they have already made, the enormous money they are continually spending on facilities, equipment, personnel and advertising — to sell or offer other logical extended products or services under the confines of the companies.

Most businesses I look at sell one product or service. They only think of themselves in the context of “I sell this product,” when in fact the very acquisition of that product means that a customer has to have “pre-done” one thing and then “post-do” something else to make that product work because it integrates with other products or services.

All you have to do is discover what other products or services before and after a customer buys yours that they need or want. Find a way to make an association with somebody else who represents that, come together with a company who sells one, do a joint venture with them, and you can make more money.

Find somebody who has a customer base and a great relationship, but they’re only selling one facet of the process. Find other people who represent other needed aspects of the process and make deals with them where you become their representative because you can deliver a market they don’t have.

I’d like to share some “stories from the front lines” — success stories that my own clients have enjoyed using joint ventures.

Woodworking

We started doing some of the joint ventures that Jay Abraham suggests. I put together a letter and sent it to everybody in the woodworking industry, except those who were competing with us, by selling files.

It was an offer to include one of our brochures in their orders with their name stamped on it, and for every order we got from that, we’d give them 25%. We experienced almost \$2,000 in sales from 5,000 brochures that other people mailed for us. And it didn’t really cost us anything, except for about a penny a brochure.

General Manufacturing

We’re heading towards being strictly a manufacturer, rather than selling direct to customers. Using Jay Abraham’s methods, we’ve started sharpening files for free. We print up a flyer for distributors that says that as a goodwill gesture on their part, they’ve asked us to sharpen their customers’ files.

All the distributors do is pass out the flyers, the customers then send us their files, and we sharpen them at no charge and send them back. The product sells itself.

We have just started implementing this with the distributors. So far, we've picked up three national distributors, which has meant almost \$100,000 in sales to us, just from this one little gimmick.

Here's an article that I found in *Forbes*. There's actually two — one is the commentary article, same subject, from the editor and chief. The other is the article itself.

Chrysler and Daimler Benz merged in 1988 to the blare of trumpets. That was globalism made fresh. It was what the 21st Century was all about. But Nemesis was soon on the scene. This year, the Chrysler division will lose \$2 billion and lay off 26,000 employees. Daimler has problems of its own. DaimlerChrysler stock has lost half of its value, dropping by \$50 billion.

Who blew it? Detroit blames Stuttgart. But others say Chrysler was already an accident waiting to happen. Either way, the mess has given megamergers a bad name.

The example probably wasn't lost on Coca Cola's board last year when it decided not to buy Quaker Oats...

It goes on and on. It talks about the fact that buying into the wrong company would destroy it:

Happily, mergers and acquisitions aren't the only way to go for companies trying to quicken sluggish growth. Strategic alliances can work as well or better. Never mind the pretentious term — this is nothing more than old-fashioned partnering.

The logic of partnering is becoming increasingly obvious among Forbes 500 companies. Ericsson and Sony; Ford and Navistar; AT&T and NTT DoCoMo. IBM is doing so many strategic alliances it's hard to keep track.

Trying to create a competency your company lacks is costly, time consuming and often doomed to failure. Buying it via mergers and acquisitions is expensive and tricky. Partnering is the cheapest and safest way. No dilution, no dangerous leverage of the balance sheet. If the deal doesn't work, dissolve it. In this issue, we list the 40 companies that top their industries in partnership skills. This is a quality we think will take them far in the next few years.

Look at the Coke/P&G deal again — Proctor and Gamble is a lot stronger than the company Coke was going to buy. And for P&G, Coke was a dream partner. ‘We couldn’t compete in the away-from-home market — restaurants, ball games, delis and the like,’ P&G said of Coke. ‘We needed Coke for that.’

Technologically too, strategic partners are the wave of the future. Partnering on the current scale wouldn’t work were it not for the Internet, which can connect the joint venture with its parents in a nearly seamless web. (I’m skipping through it.)

With the spectacular collapse last year of the dot-coms, etc., many companies can no longer use stock to buy their way to growth. But they can form joint ventures.

Take Amazon.com. Instead of trying to bully its way into the toy business, this fallen angel of the Nasdaq teamed with ToysRUs. Amazon gets to spread its overhead over additional volume. ToysRUs gets an efficient Internet distribution system after failing to build one on its own.

A recent deal between mall bookseller Borders and Amazon shows that even direct competitors can find common ground with partnerships. Thanks to strategic alliances, Amazon will probably survive.

Mergers have a place, but frequently partnering is the better way. ...the two proud companies could have collaborated on what counts.

Partner or Perish

And then the article here, “Partner Or Perish.” I’m just going to read through the underlying parts and give you the gist of the article.

Good-bye mergers and acquisitions. In a global market tied together by the Internet, corporate partnerships and alliances are proving a more productive way to keep companies growing.

Just one week on the job and Coca-Cola’s new head of strategic planning is already talking about revolution at the \$20.5-billion soft-drink conglomerate. “My mission is to jump-

start, to energize this company,” Steven Heyer tells FORBES. “The question we will be asking from here on out is, can we do it faster, smarter or cheaper? If not, we partner.”

An admission of weakness? Not at all. Simply a recognition that the old hierarchical corporate structures are not flexible enough to assure growth in the age of globalization.

This may be the most powerful trend that has swept American business in a century. Strategic alliances are hot. They take many forms — outsourcing, information sharing, web consortia, joint marketing. The most radical is...the Coke/P&G deal, wherein two proudly independent companies together spawn a new company, in many ways independent of its parents.

Technology companies like IBM and pharmaceutical companies like Pfizer already have partnering built into their operating plans. Eli Lilly hosts partnering training classes for its managers and for its partners. Many young companies, like wireless access provider GoAmerica, have built their entire business models around teaming with companies like Sony and RIM.

There were 5200 new strategic alliances formed in '96. The next year the number more than doubled. While mergers and acquisitions, so beloved on Wall Street, have garnered the headlines, corporate and other strategic alliances are just as numerous, but strategic alliances are more important for growth. Companies with at least \$2 billion in revenues each formed an average of 138 alliances from '96 to '99.

Strategic Alliances Aren't New

What is new is the way they are fast becoming the instrument of choice for companies seeking to accelerate growth. The corporate world is in the grip of changes of historic proportions. The three most important reasons companies form alliances are growth, access to competencies like technology, and expansion into new markets.

For years, business tried to solve the problem of growth with mergers and acquisitions. What you lacked you could acquire. But most mergers don't work. All too often the best of the acquired assets are soon e-mailing resumes to prospective employers.

One of Wal-Mart's overwhelming advantages is its efficient buying...

They talk about how Wal-Mart partners in a lot of things with people. I could go on and on, but the point is, I want to get your mind thinking on it.

In 1985, in my first published product, “Your Marketing Genius At Work,” I urged people to make strategic alliances. I laid it out. It intellectually stimulated, captivated everybody... And it’s the most hilarious thing in the world.

When I stopped doing redundant programs (because they were nuances and refinements and high advanced versions of the basic message, because I thought it was so powerful) my associate Carl Turner would say to me, “Well, the biggest problem this person has is they already know that.”

And I’d say, “Carl, did you ask them to tell you how many strategic alliances they have in place right now? How many powerful premises they have tested? How many things they’ve really actuated on?” And he said, “Jay, the answer is usually none, few, not many.”

Don’t make that same mistake. I earnestly urge you to consider using host/beneficiary relationships. These relationships can help smaller businesses and professional practices grow their sales and profits very quickly.

They can also give you a formidable advantage over your competition.

I think if you have a great competitor, it’s your opportunity. You should be fully ecstatic because they’re out advertising, and the bigger they are, the more they focus on branding.

On the Net it means that the big companies are going to stay with the top 100 sites, and buy ads, and go crazy... and it’s proven not to work.

And what I *really* know is that when on the Internet, the customer’s experience of your business is the brand. Focus on that, because I can guarantee you, the bigger they are, almost across the board, the less they respond to the customer. They don’t even answer e-mail, much less pick up a phone.

So instead of focusing on keeping price down, and selling a dollar for ninety cents, go back and focus on people. Personalize and customize — and this doesn’t mean any techie trick, either. Pick up the phone.

I've picked up the phone and called everybody who bought my book last year and developed big consulting contracts on the back-end, simply by saying "Thank you." People were knocked out.

We forget that in all this rush around of everyday life, the person who picks up the phone and says "Hello," "Thank you," "Keep in touch," "Keep contacting me" — those are the people who succeed. There are few exceptions.

Most big businesses don't do this. So remember that it's about you, your business, and if your competition is going out there, remember the other rule I always focus on. (I learned this from Netscape.) Online, your competitors are your partners, and your partners are competitors. *Everyone* is a possible joint venture.

You will be amazed at how many people who in the brick and mortar world would be considered my cutthroat competitors are some of my best partners, because we know that working together, we can offer added value to our own lists and really focus on the direct marketing maxim right off.

A lot of times the bigger companies aren't focusing on the right lift. They're focusing on branding, and that's your opportunity.

Endorsing Other People's Products To Your List

Increase transaction frequency by endorsing other people's products to your list.

When you are endorsing other people's products there's one rule. Do your due diligence. Make sure you get more for your customer than they can anywhere else. You can do that because you are delivering the market to them on a platter.

Put yourself into a control position wherever possible. Where you have a shut-off valve where you can keep people performing and financially honest of the highest integrity, even if they already have systems in there.

An endorsement could mean literally endorsing them; it could mean making your customers and their very defined buying interests know and just making the list available without an endorsement; it could mean making your salesmen actually taking the representative from that

company or their product or promotion or a sample out, or it could be telemarketing. It could be any permutation that works.

You have to be that non-linear in your thinking or you'll miss an opportunity.

For the first year that some colleagues in Australia endorsed me, they did about a million dollars in business. The year before they endorsed me the two partners drew about \$150,000.

The year I did the first program with them we split about \$400,000 in profit and then I showed them a way where they could endorse 12 other people and not split, just pay them a nominal amount for their product and they made another million dollars for that.

They made basically four times as much money from their back-end endorsements than they made from their mainstream business.

A point of distinction. You have to have an enlightened attitude that says, "I'm in this business to provide the optimal benefit to my client, and in the process it doesn't really matter where I make my profit. All that matters is that I make a profit."

If all KFC stores are is a self-liquidating mechanism that pays the rent, buys the real estate, generates customers but feeds the Arby's, and Arby's makes you all the money... but when all the dust settles you still make \$200,000 a month you didn't have — who cares?

I did inserts originally with Howard Ruff. He had a newsletter at the time called *The Financial Survival Report*, and I had something that was parallel. We had an insert that said, "We're going to go out and negotiate for you better deals, better terms, better bonuses, better risk protection, and added advantages that no one else will."

And we always did, we gave them better deals and it worked massively. We did \$7 million off of a back-end.

Occasionally there are products that are so profound in their significance, but they also may be so expensive and unique and so sophisticated that's it's not appropriate for you to offer them yourself, but it is appropriate for you to endorse them.

Strategic Alliance Template

Send a letter, dispatch a sales person with your people, or have a road show or trunk show at hotels or at facilities or at branch offices and invite people.

A great letter to use could say something like:

I've never done this before, and I'll probably never do it again, but there's somebody that I have met (or there's a company I have been introduced to) that has a product or service that is important, valuable, worthwhile, right, applicable, appropriate seemingly for you.

I would be remiss if I didn't at least introduce you to them, tell you about them, give you a chance to learn all about its benefit, negotiate for you a preferential price and engineer a way you could try it out in your business or home without any risk or obligation.

That's a great form letter. It's a pretty standard one that I use, and it works about 98% of the time. It won't work 1.1% of the time for you. It's pretty secure. You just fill it in and tell about the product, the person, the service and the proposition.

You can have your salespeople talk about them in their sales calls. You can have a whole department telemarketing their products through your facility. It could mean giving them space in your facility like a consigned department.

Do you know that a lot of the jewelry in big discount places are just consigned departments on a variable? They're the equivalent of an implied endorsement. Do you realize that many operations like some of the perfume counters are of that ilk?

There are a lot of ways to structure your compensation on that. Don't take 10%. It all depends on the residual. If somebody has something they're going to get 47 back-ends off of, you can have every right to benefit from a relationship with them if you walk them through marginal net worth theory and the dynamics.

Don't just go to the bottom line. Let them come to the realization by working on the numbers.

You can get all the front-end, a big piece of the first couple of back sales and a residual like insurance forever — and give them a right to buy that out for a lump sum in the future. If that lump sum intimidates them, then convert that to monthly payments.

The power of endorsement is so strong it may be the most overlooked tool in anyone's kit. I've made more money for myself and other people with endorsements.

You don't have to do lesser transactions. You can get the lion's share or all the profit if there's a back-end for that person.

Also, negotiate preferential deals. In my offers, I've got to make sure that whatever bonuses I give, that there are a number of them they get to keep if they are unhappy. And then I make them stand behind everything. If they won't, I won't make the deal.

It's not just the deal, not if I can get 60, 80, 90, 100% of the profit. That's not even as critical as the quality of the product, the value, the deal and the way they will stand behind it.

You have to look at all those factors, but it's easy.

Make a list of the five most logical products or services for which you are in an excellent position to introduce to your customers, either through recommendation or endorsement or through strategic alliance or private label. Then look up in the Yellow Pages and find who does that. Every name on that list could be worth more on the back-end than the front. To increase your transaction frequency, you can focus on endorsing other products to your list.

Your Most Valuable Asset is Your Goodwill

You have probably the most valuable asset in your rapport, relationship... goodwill between you and your customers.

I have personally generated for myself and my clients something in excess of \$300,000,000 by going to people and getting them to allow us to pay for a letter or a display or to provide a sales person to go along with their sales people or pay for someone to call on the phone to their list to present an offer that is emanating from them or endorsed by them with the full force and credibility of their organization behind it.

It's pretty simple. I've used a derivative of that example letter above much more elaborately to produce massive amounts of profitable income. When you endorse something you can almost certainly — if it's consistent with the profile of your customer — expect it to make a profit.

How much? You have to experiment.

I have another client who specializes in representing sports celebrities — current and former athletes, coaches, Olympic stars who speak at public events.

He had never quantified the results, and I made him go and measure and analyze what the difference was in the outcome. In the sales performance of a sales team who was addressed by a sports celebrity, and the draw of the events that had a sports celebrity either as host or speakers, it ranged from 20% to 500%.

We're talking about little changes that don't cost very much on the fixed cost side. It could cost more on the variable, but who cares if you triple or quadruple your sales and you've got to give somebody 3% — because you're still going to be net ahead, and there's repeat business after you pay them once ... or you pay them on an ongoing basis.

My clients are essentially very jealous of the relationship they have with their vendors. If someone is planning on leaving a company, and you can make them look like a hero in the industry — that endorsement may come back to benefit you.

One of the greatest value-adds you can do is if you can help people relocate — if you can be a networker for them. I know a printer who is one of the biggest headhunters in the industry because once they place someone in a job that person is theirs for life.

I'll let a few more of my clients tell their own stories:

Retailer

For many years we had a recommended supplier list of all of our suppliers. One day it occurred to me that I was a dummy. Now all of the suppliers have our name on them. We've chosen some suppliers that basically we're endorsing; we don't have to deal with it on a day-to-day basis, and they drop ship. They fulfill the orders and just send us the checks. It accounts for half of my profit — \$175,000 to \$180,000 a year just for that one shift in thinking

Academy

We help Japanese women coming inbound into Canada. I began in this business in 1988 and it was purely by endorsement from a person who had seen me doing some consulting. Within one week of that he took me to Japan and introduced me to my primary customer in Japan.

After two years of supplying a three-week package in the summer time, I went back to do my evaluations with this gentleman, who is the chairman of a 15,000 student private school in Japan; I was introduced to two other friends who were also chairmen of large schools.

One of the most humble experiences was to watch this gentleman sell on my behalf in this boardroom. It was very exciting because I understand that a referral or an endorsement means so much.

Data composition — Bar codes

You can get a big company to endorse you. We have an exclusive arrangement with Sears to identify their fine jewelry. We have two different letters from department managers. We had to ask for them about 20 different times a piece but we got them. They are not interested in helping their competitors to get better. One of them even allowed a quote in a magazine article that we have reproduced.

We developed an entire system to make their jewelry look better. They recognized the marketing value of having high quality labels on their jewelry and appreciated what we had done. They had nothing to gain but self-appreciation.

Electrical Contractor

I had a situation where a contractor was trying to get a customer and he was relying on our 24-hour service. What we did was we taught him to use our name directly alongside of his and that pulled the contract for them.

State Chamber of Commerce

We endorsed Jay's seminar. It was the first time we have ever done it. There are some of our members here and some on the correspondence course.

The benefit was that if both companies benefit they can pay our membership at the end of the year. I'm here, I benefit so it's a win/win situation.

Consulting — Education

Strategic relationships are good for our clients. We have a client in the education business, and we set up an alliance with a direct competitor of theirs — except they sold a product that was a fraction of the price of our client's product.

What we did was we approached them and said we will give you about \$300, which was about twice the value of what they were selling, if you endorse our client's product to our members.

We've just finished a test of 10,000 and 30% of their clients requested a free package from our clients. 20% of those people to date have spent just over \$3,000 each purchasing the product. The campaign stands to make \$660,000 out of the relationship. They are excited because they make more money from not selling their product than selling it.

Rafting

We get every single manager of every resort in Cuff's Harbor (of which there are five) to actually stand on TV and they endorse our product to everyone across the whole state. It gives us the perception of every 5-star resort recommending our product. It actually scares away our competitors. We fax people daily and say good day, what a beautiful day for rafting, sunshine, whatever, so that we have contact with our clients daily.

Reinforcing Steel Manufacturer

I had a painter do a great job for us whenever we built a new house. I wrote an article that got published in a trade journal and he has massively increased his business because of that article.

Fitness Club

We had celebrities come in, including the local anchor of Channel Nine and got front-page exposure on the *City Morning Herald* with a photograph. We couldn't have paid a million dollars for that. At that time we only had a two-week waiting list and it jumped to seven weeks.

Then the television stations approached us and we got on TV five times in that year. We got more personalities in for free sessions and contacted the papers. They flooded in and did the photos and everything. We came from nothing a few years ago and now we're a who's who of who comes in to exercise.

Consultant

I was able to get God to endorse us in two unique ways. An emerging phone company here in Australia leveraged the church and we were able to grow the business to \$140 million in twelve months ... from nothing. Just by leveraging the biggest network in this country.

The next one was even more exciting. I had a client who was the second network carrier in Ireland for mobile phones. He had a huge problem that by contract he had to get a network up in 12 months that brought the traffic to 80% of the country. In Ireland every village has a church. The highest point in every village is the church spire. Where do you think we put his receivers?

Interior Design

Cheryl Bartlett went to a client's house to do a photo shoot and brought with her various accessories, lamps, knick-knacks, etc. that she borrowed from a vendor. The client ended up purchasing all of the items for \$18,808 and Cheryl's net profit was \$5,177.

Retail Fortune Cookies

Mike Fry's conversion rate went up more than 25% after he started sending out more pages of testimonials to prospects and customers.

School Furniture

Barry Schuster formed a relationship with a manufacturer (of cafeteria serving carts and food preparation equipment). Barry lets his prospects and customers know that in addition to the design services he offers he can also provide the equipment and other necessary products they'll want.

It is offered as a "one stop shop" approach, making it very simple, convenient, and a time-saving way for customers to do business with him. The manufacturer also offers this to their customers. Barry has profited \$10,000 in the first month.

Consulting

John Eggen has had a couple of "successes" to report. A mailing, an endorsement letter of John's by him, was sent to 1,800 people with a special offer attached. They received 185 inquiries and two sales worth — \$104,000! Many more sales meetings are in the works. John tested a small classified ad for \$80. The result was 3 purchases of \$240,000, \$45,000 and \$80,000 for a total of \$365,000! Not bad for a return on an \$80 investment.

Transportation

We do all the transportation for a company. If they have cargo flowing in, we do the transportation.

It seems if we were to make an offer to one of our good customers that we have a special rate and we're offering it to you because you're one of our best customers and offer them for whatever time for your next shipment we're going to lower your rate by \$10 per cubic meter — that would have the effect of saying to the customer they are passing on the savings to me. W

hen they get something special they are passing it on to me. That's not something people normally do in our business so that would differentiate us.

Furnace Dealer

We have about 1400 ESA customers. We clean their furnaces twice a year, like a maintenance agreement. First thing I'm going to do is send my special customers a letter for a duct cleaning special.

Gun Shop

We had a special event where Smith and Wesson flew in the world's fastest revolver shooter. What we did is to have a reception for him and sent out a special invitation to all of our members.

They got to come out and have dinner with him and talk with him and have him on a very limited basis whereas the next day we had huge crowds and it wasn't such a one on one. What it really did was to make our members feel special.

Endorsing Other Products or Services

Endorse other people's products or services to your customer list. As you've done business with your customers or clients, you've established a connection with them, an affinity, a trust and respect. We talked about that a little while ago. I want you to use that relationship now in a stronger, more concentrated manner.

I want you to formally use the power of endorsement, your recommending and endorsing other suppliers or vendors or professionals to your customers in a concerted and strategic way. If

you do it correctly, it can't help but produce an enormous flow of new business for you and for the company or professional you are endorsing.

Now in order to do an endorsement, a few things must occur.

Number 1: you must have your customers organized in a list form. That means you've got their names, their addresses, their city, their state, their zip, and their phone numbers on file somehow and you can get it organized for purposes of either calling or mailing.

Number 2: hopefully, you're in a position where you can identify customers or clients by area of interest or purchase, because you probably have within your general customer or client base a substantial number of people with special interests who will be more receptive to specific types of products or service endorsements than others.

So you want to isolate them and identify them. It's a very simple process, but it requires you to look at your customer makeup in a different way than you ordinarily do.

After you've done those two things, ask yourself this question: What other products or services does my customer or client tend to buy or need before, during, and after they purchase their basic product or service from me?

In other words, there are obvious products or services your customer needs or desires before they come to you, there are products or services your customer can use along with those that you sell, and there are products or services that are appropriate only after they have acquired whatever it is you offer them.

I want you to make a list of what all their products and services are on the continuum — before using your product your service, during, and after.

Then, I want you to do something really simple: Go to either the Yellow Pages if your business is local, or go to directories which are easy to find in a business library if you're national or regional, and get the list of the names and the phone numbers and the addresses of all the best companies who provide the products and services that appear on these lists.

Then I want you to call these companies up, ask for the sales manager, the president, the owner, depending upon the size of the companies, and make a deal with them.

Make a deal to offer their products or services to your customers or clients through endorsements, through letters you write, or through calls you make, or through offers you communicate through your sales force, or through various displays you might do in your stores if you are a retailer or if you have customers coming into a fixed facility.

A typical deal would look something like this. A newspaper I know went to a marketing consultant and introduced his services to all their advertising clients. They benefited in two different ways.

They made a deal where they got half the consulting fees from every client who engaged the marketing consultant, but that was only the first tier of the profit they realized.

Because every one of the clients who engaged the consultant learned how to use advertising more powerfully and effectively and they were able then to justify running a lot more and a lot larger ads. So the newspaper, through endorsement, benefited in two different ways.

A dating service I worked with puts together trips and cruises and has a limo service and turnkey dating package that they offer as an endorsement to all their customers. The first letter they ever tried sold 100 cabins on a luxury cruise and over \$300,000 of revenue that they got a large profit share on. Endorsement has turned into a large profit center for this business.

A number of newsletters I work with endorse investment firms, financial advisers, insurance companies, financial planners, and seminar companies. And in any cases, it's not at all uncommon that your mainstream business gets overtaken by all the successful endorsements you do.

Two more examples to help you see the possibilities, and they are very different. The AARP (the American Association of Retired People) makes millions of dollars a year by endorsing insurance carriers who offer specific types of retirement insurance and health insurance for their members.

Sears Roebuck made hundreds of millions of dollars by endorsing Allstate to all their customers in their stores. The concept of endorsement is one of the most powerful tools you've got to easily and automatically expand the sales and revenue you get from an existing customer or client.

You're doing that customer or client a fine service also if you introduce them to a worthy company or professional they would not ordinarily be familiar with. Everybody wins big when you start using endorsement. So I want you to start thinking very seriously about adding endorsement to your business operations.

Harry C. Picken's Cross Promotion Ideas

How You Can Use "Cross promotions" To Let Other Businesses, Organizations, and Non-Profits Bring You Tons Of New Customers — For Pennies

*Harry C. Pickens Swears Under Oath That None Of The
"Supercharged" Cross-Promotion Ideas In This Report Are Illegal ...
No Matter How Much Money They Make You!*

- Rolodex review — Two non-competing business owners go through database to discover potential clients and brainstorm how to approach them
- Host companies — endorsement letters/coupons/gift certificates/etc.
- Fundraisers with nonprofits
- Affinity discount clubs — send package of coupons to club president for members with special offer
- Interview influential people for your newsletter and cultivate them
- Outside salespeople/ reps currently serving your target prospects — add to their existing line
- Go through phone book Yellow Pages for hosts, parasites, niches, associations, nonprofits, etc.
- Buy leads from other businesses (unconverted leads)
- Host newsletter inserts/articles

- Find sales organizations currently working your target prospects — offer generous deal to get your product out — include turnkey pitches, letters, sales aids, etc. (Who could instantly have 100 people around the US calling every prospect for you?)
- Hire college students to call vertical applications for host companies
- Who can give away my product as a premium?
- PI deals/Joint Ventures
- Solicit other mail order companies to sell your product for a percentage
- Get others to promote you for a percentage of the action
- Who would have lists of people who could be your customers? (example: car dealers' credit turndowns = prospects for credit repair service)
- Organizations — send letter for the next mtg. "Fill out these needs and send back — we'd like to send everyone at your meeting a 60-minute tape, and when you listen to tape..."
- Check Yellow Page/news ads for retailers who work your prospect base — get them to carry your line, give out inserts, etc.
- Go through magazines read by your customers — contact every advertiser, ask them to take on your line — give them big percentage
- Commissioned person (on site) in host retailer with info on your product service
- Relationship with competitors to extend their product/service lines
- Offer great deal to hosts for doing mailing (if they're current clients — free service for two years, etc.)
- Look to current client base for host relationships

- Become “official” provider (dentist, chiropractor, etc.) for their employees/customers (with special discount) — or special gift/deal to host
- Retailers — go onsite and have special day when all their customers/employees can get a free X
- All host concepts equally valid for customers and employees and peers (like letter from one general manager to all his peers)
- Have reps sell intro seminar tickets — keep 100% commission (You get back-end, names, etc.)
- Exclusive supplier to conventions, meetings, special events
- Hold a seminar for charities /nonprofits — “how to raise \$100 to \$1000 per day for your group”
- Consignment in host companies (example: book on Europe in travel agencies)
- Barter for space in retailers /merchants establishments

12 Points Of (Often Free) Distribution:

1. Neighborhood businesses to their customers
2. Employers to employees
3. Associations to their members
4. Educational institutions to their students
5. Business suppliers to their customers
6. Special event promoters to their audiences

7. Nonprofits to their supporters
8. Employees to their friends
9. Customers to their friends, clients, suppliers
10. Self to customers
11. Customers to suppliers
12. News media to paid media