

## CUSTOMER SATISFACTION

# Referral Marketing

Ignite your sales through word-of-mouth business.

**No one needs to tell you** how important marketing is to staying in business. Likewise, it's no big secret that not all marketing is equally effective at generating new business. With a housing surplus and lackluster sales, it's not enough to hit the target; you need to nail the bull's eye.

With referral marketing — promotions and advertising designed to generate referral business — the bull's eye consists of your happiest customers. Research by Avid Ratings Co. found referrals are twice as likely to bring you sales than marketed prospects. The leading home building companies generate 50 percent of their sales from referrals.

Target existing customers the right way and you can motivate each customer to make five or six referrals. Farnsworth Homes of Phoenix does it. It had 53.3 percent of its customers stating they made six or more referrals to prospective buyers.

## Producing Results

To produce results like Farnsworth's, you need to have a system in place to identify your happiest customers. The most common method is a customer survey. Once your loyal customers have been identified, you can target them with incentives for referring more prospects.

There are a lot of ways to encourage customers to refer more often. Every encouragement, however, is either an off-ramp or an on-ramp incentive. Off-ramp incentives are designed for the referrers; on-ramp incentives are designed for referees.

You should get as creative as you can with the incentives you offer. Pull your team




whether or not a referral has been made. For example, if your survey data reveals that 25 percent of your home buy-

may also offer them a \$500 credit at the design center for the referral. In essence, you're tapping into their generosity enabling them to express good will to their family and friends. This is extremely viral, so don't miss the opportunity to capitalize on it.

To monitor your success, institute a good system for tracking referrals. Not only do you want to know which prospects were referred, you also want to know who referred them and when the referral took place. This will help you gauge the effectiveness of your referral marketing efforts.

Any identified referral should receive high priority. Remember, research shows that a referred prospect is twice more likely to buy than a regular prospect. **IPB**

*Paul Cardis is CEO of Avid Ratings Co., formerly known as NRS Corp. Avid Ratings is a research and consulting firm specializing in customer loyalty for the home-building industry. He can be reached at paul.cardis@avidratings.com.*



**On-Off Ramp Incentives**  
**One example of an off-ramp incentive: give a home buyer a \$50 gift card to a restaurant or a home furnishings store for each referred prospect. An on-ramp strategy could be giving the same gift card to the referred prospect.**

together and brainstorm the best on-ramp and off-ramp incentives for your company and individual neighborhoods, but don't get hung up on the value of the incentive. How you deliver the incentive is more important.

Some of the most successful referral marketing programs include incentives

ers are extremely happy, you might decide to send each a \$50 care package to thank them for their business.

Next time you see them ask how things are going and finish the conversation with a reminder to contact you if they know of anyone else who might be interested in purchasing a home. You

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