

REFERRAL MARKETING STUDY



Referral Marketing Study

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EXECUTIVE SUMMARY

Referrals play a major role in generating new business for professional services firms. But what behavior drives these referrals? The Hinge Research Institute conducted a research study to find out.

Our research showed that the most successful firms tend to use a similar set of techniques to generate referrals. Here are the study's key findings:

- Visible Expertise plays the single most significant role in driving referrals (it made up 37.3% of all referral driving factors). Activities that create Visible Expertise include publishing educational content, speaking at conferences, and showcasing successful projects.
- Having good client relationships (23.1%) and social relationships with professionals who are aware of a firm's expertise (17.7%) are also powerful drivers of referrals.
- The more referrals a firm makes, the more it is likely to receive. The average survey participant received 7 referrals in the past 6 months, while the top 20% of referral makers received over 21.
- A high-quality website is essential to the success of any referral strategy. A poor website kills referrals.
- Traditional activities such as sponsorships (0.8%), attending networking events (3.4%), and asking for referrals (2.8%) are not viewed as strong referral drivers by the people who actually make referrals.

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WHY THIS STUDY? WHY NOW?

Referrals have long been a mainstay of professional services marketing. In fact, a [recent study on marketing priorities](#)¹ showed that increasing referrals is the top goal at 61.9% of firms.

Importantly, most clients (about 80%) are [happy to refer their current service provider](#)².

OF COURSE, CLIENT-BASED REFERRALS ARE LIMITED BY THE NUMBER OF YOUR CLIENTS.

But there is a way around this limitation. A [recent study](#)³ showed that 81.5% of firms receive referrals from people they have not worked with in the past. Most of their referrals (94.5%) are based on a firm's reputation and Visible Expertise.

NOT ALL REFERRALS BECOME CLIENTS.

The same study showed that over half (51.9%) of referred prospects rule out service providers before even talking with them.

These findings can have a major impact on the success of a referral marketing strategy. But we wanted to learn more. That's why we undertook the current study. We wanted to answer questions like these:

- What factors accelerate referrals and what factors are referral killers?
- Is your reputation more or less important than your relationships?
- How critical is your website? Social media?
- What do you need to do to build a successful referral marketing strategy?

To get to the bottom of these issues we went directly to the referral sources themselves.

1 <http://www.hingemarketing.com/library/article/2015-professional-services-marketing-priorities>

2 <http://www.hingemarketing.com/library/article/book-inside-the-buyers-brain>

3 <http://www.hingemarketing.com/library/article/referral-marketing-for-professional-services-firms>

HOW WAS THIS SURVEY CONDUCTED?

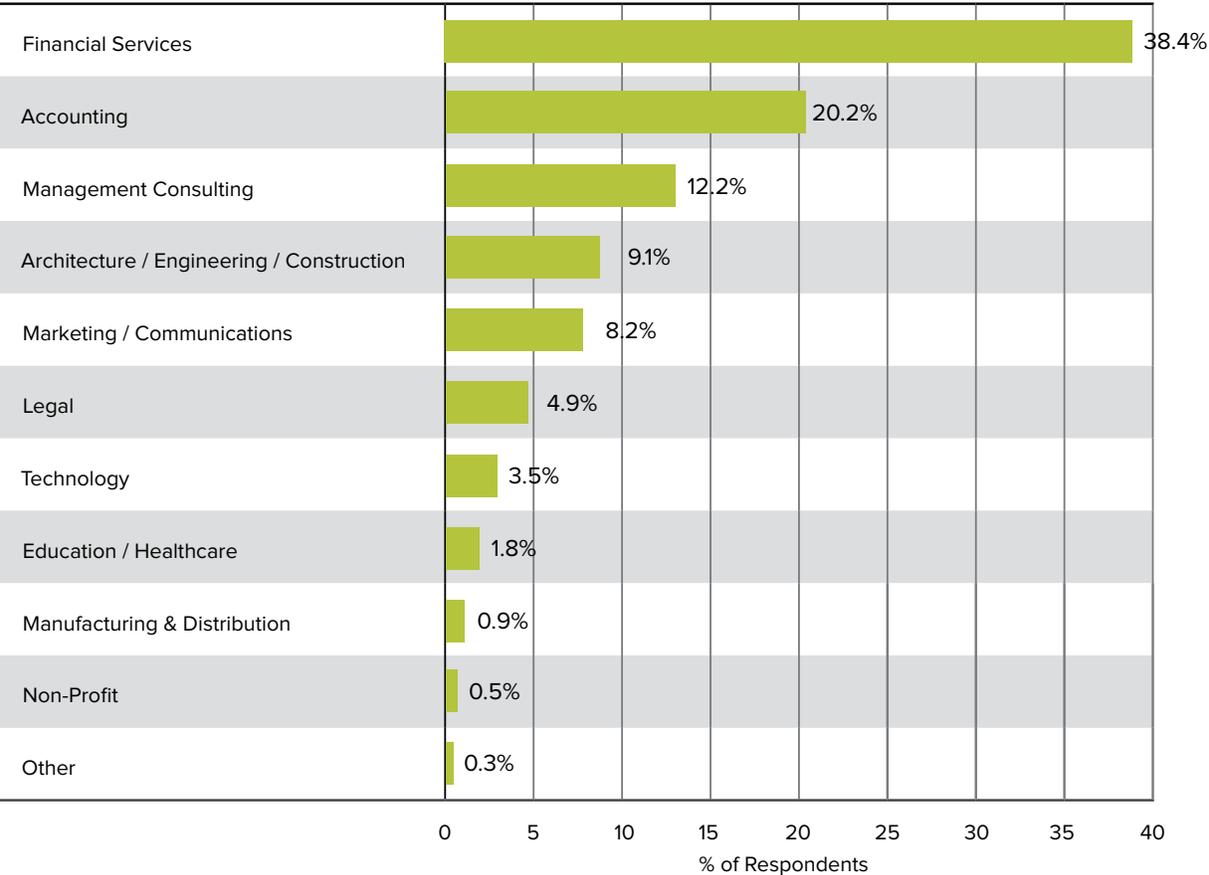
We partnered with two organizations to conduct a comprehensive online survey of professional services referral makers, NACVA (National Association of Certified Valuators and Analysts) and XPX (Exit Planning Exchange). This report combines the results of these surveys, along with responses from participants in Hinge’s survey, providing data from 1168 study participants.

Questions took two forms:

1. Closed-ended “select all that apply” questions included an array of possible choices.
2. Questions answered with a rating scale (0-10, for instance).

Below, we have broken down the professional roles of individual respondents.

Fig 1. Sample Composition by Respondent Industry



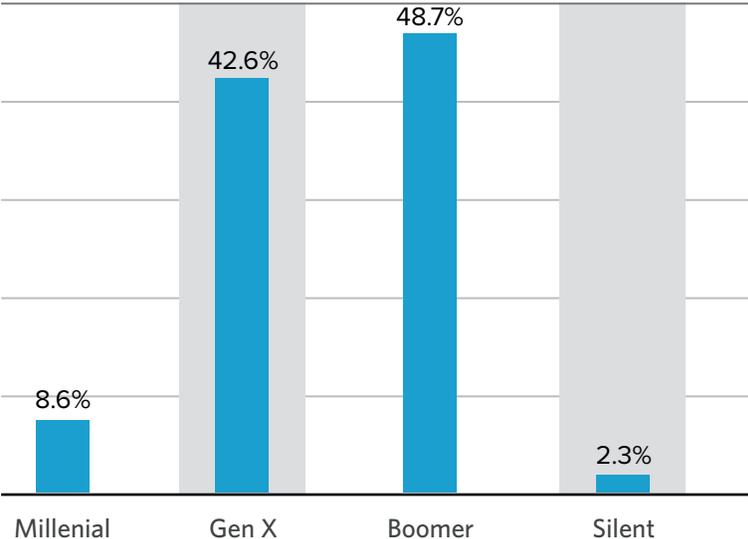
The most common industry in our study was Financial Services, comprising 38.4% of survey respondents.

Fig 2. Sample Composition by Role



The most common roles were Senior Executives / Partners, comprising 59.6% of survey respondents.

Fig 3. Sample Composition by Respondent Generation



Baby boomers made up 48.7% of respondents, while 42.6% were Gen X.

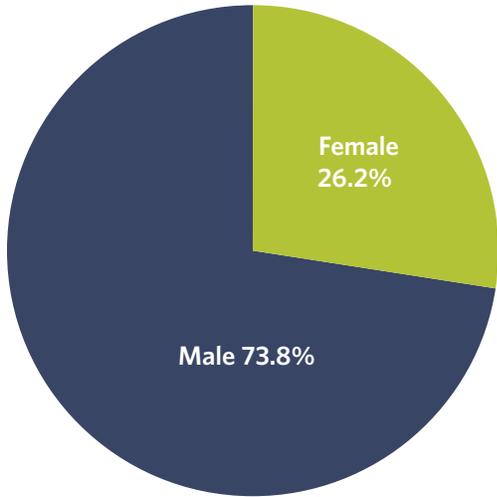
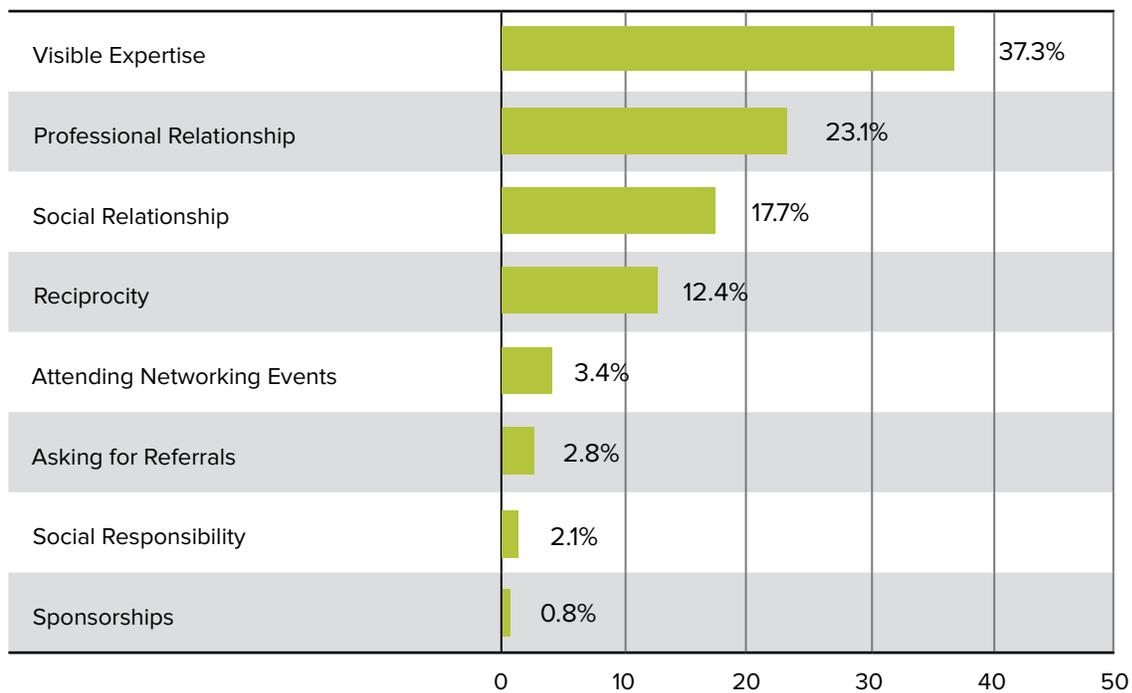


Fig 4. Sample Composition by Respondent Gender

The majority of respondents were male, comprising 73.8% of the total sample.

HOW DO YOU GET INFLUENCERS TO RECOMMEND YOUR FIRM?

Fig 5. Factors that Increase the Probability of Referrals



The data reveal a shift in the way people learn about the firms they refer. The visibility of a firm’s expertise is the single factor most likely to drive referrals. However, relationships — on a variety of levels — continue to be important referral sources.

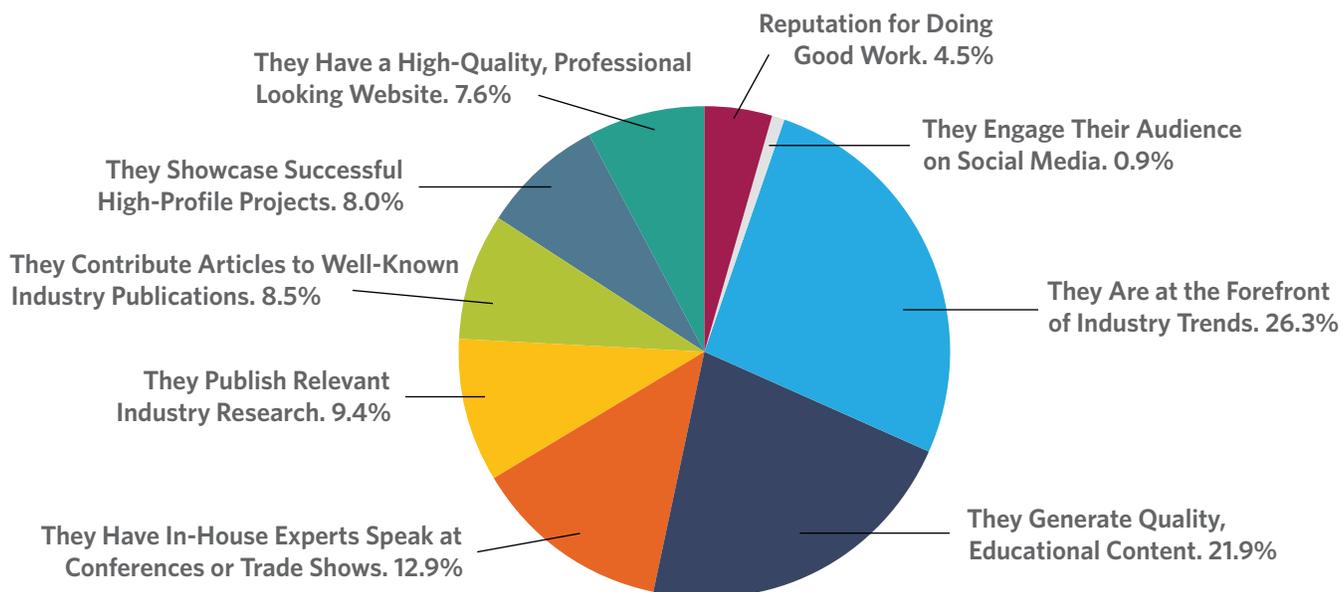
Even though attending networking events and asking for referrals weren’t among the top drivers of referrals, they will always play a role in opening doors and creating opportunities.

WHAT MAKES UP EACH OF THESE FACTORS?

Visible Expertise

In previous research on professional services buyers we documented that perceived expertise is the most important criterion when selecting a new professional services provider. Certain activities, such as public speaking, publishing, and visible client success, drive that perception. This intersection of knowledge and communication (sometimes referred to as thought leadership) is what we call Visible Expertise.

Fig 6. What Are the Components of Visible Expertise?



Professional Relationship

The two major components of a professional relationship are 1) having worked with a service provider on a project, and 2) being a previous client of a service provider.

Social Relationship

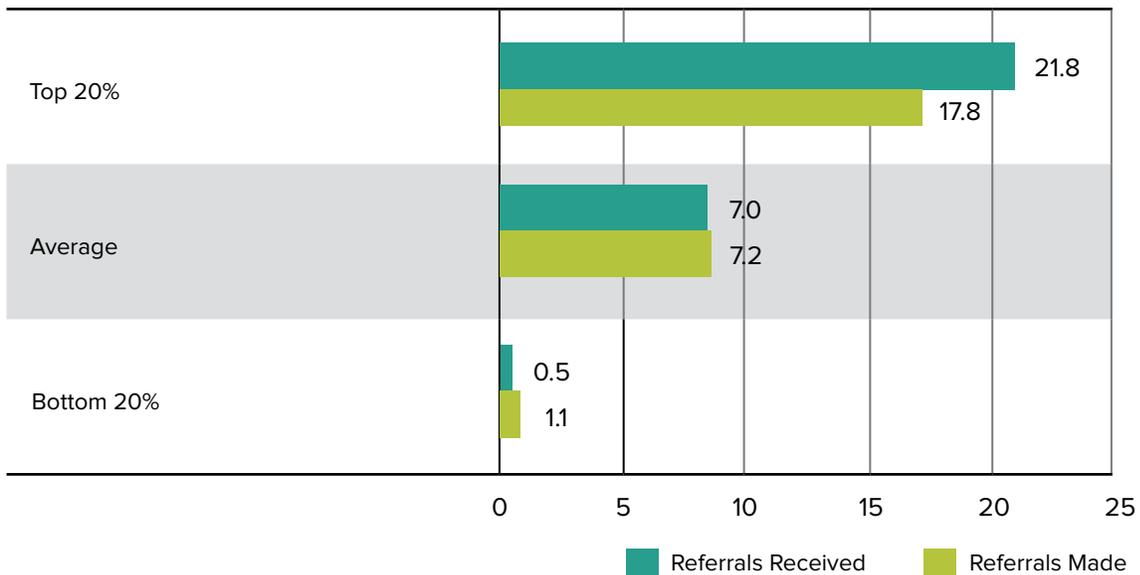
Social relationships develop in a wide variety of situations. For example, a social relationship could include a friend who works for a service provider or a person you meet at a networking function. Referrals often happen when a social relationship and a professional relationship intersect.

Reciprocity

People often make a referral to a firm that sent a referral their way in the past. We asked respondents to provide the number of referrals they have made and received within the past 6 months.

On average, respondents made 7 referrals within the past 6 months while receiving an average of 7.2 referrals. Our analysis shows a strong positive correlation ($r=+0.70$) between the number of referrals made and the number of referrals received among respondents. In Figure 7, the impact of reciprocity is evident when looking at the top 20% of referral makers compared to the bottom 20%.

Fig 7. Does Reciprocity Affect Referral Generation?



Asking for Referrals

When service providers are looking for referrals they may ask a common connection to recommend them.

Attending Networking Events

Many firms attend live events with the goal of finding and nurturing professional connections.

Social Responsibility

Donating time or money to a charitable cause or the community are two examples of social responsibility.

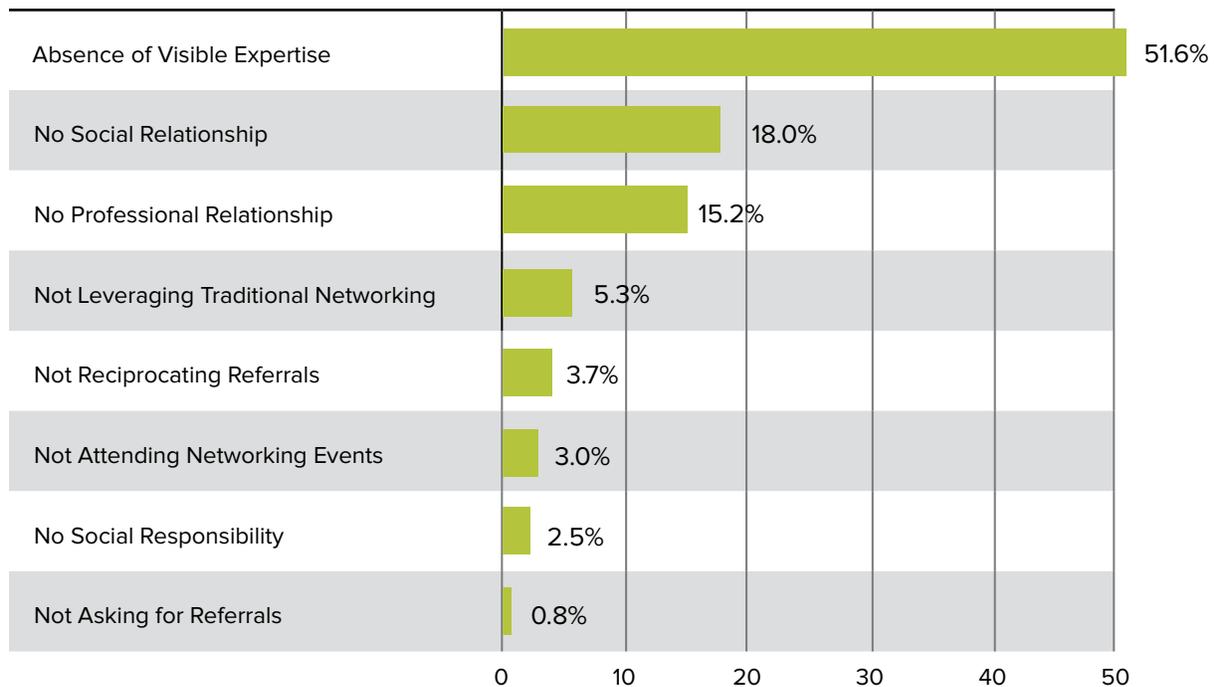
Sponsorships

Sponsoring a conference, booth, or table are activities associated with sponsorships.

WHAT KILLS YOUR CHANCES OF GETTING REFERRALS?

Next, we asked respondents to identify the top three things most likely to decrease the probability of referring a service provider.

Fig 8. What Are the Biggest Referral Killers?



A lack of Visible Expertise topped the list of factors that would decrease the probability of referring a service provider. The absence of a relationship with a service provider, both professional and personal, came next.

These findings are consistent with the narrative so far: credibility and visibility of expertise are the foundations of a reliable referral program.

WHAT ARE THE “MUST-HAVES” FOR A SUCCESSFUL REFERRAL MARKETING STRATEGY?

After looking at the factors that increase the probability of referrals and those that reduce referrals, we analyzed the net benefit each component has on referral marketing.

Across all of the factors, five stood out above the rest as “must-haves” for a successful referral marketing strategy:

1. Showcasing successful, high-profile projects
2. In-house experts who speak at conferences and trade shows
3. A high-quality, professional looking website
4. Being at the forefront of industry trends
5. Generating quality, educational content

Some components — including project profiles, speaking at conferences, having a professional looking website, and being at the forefront of industry trends — are associated with a strategy’s success. Without them, referrals tend to suffer. In other words, if you omit these components from your strategy, you not only forgo their upside, you also risk losing referrals you might have otherwise received.

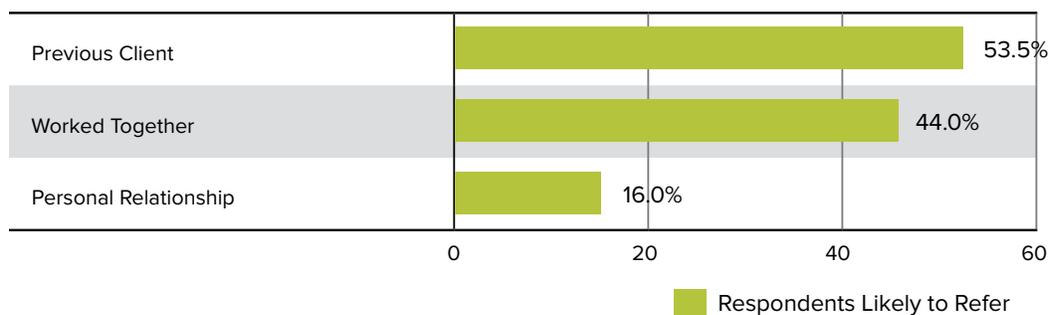
Generating quality content, on the other hand, presents a bigger upside if present than downside if absent. Combined, these “must-haves” make up over 70% of a firm’s Visible Expertise.

WHAT ROLE DO RELATIONSHIPS PLAY IN REFERRAL MARKETING?

Next, we asked respondents to rate the likelihood of referring a service provider in three scenarios where a referral was appropriate but not required. Each scenario isolated a specific factor that could have an impact on referrals.

Figure 9 illustrates the respondents' likelihood of referring a service depending on their relationship with the service provider. Respondents who gave a positive rating were aggregated to show their likelihood of making a referral.

Fig 9. What Role Do Relationships Play?



WHAT WERE EACH OF THESE SCENARIOS?

Previous Client

"I have been a satisfied client of the service provider. However, I don't know them socially, and I don't know what type of reputation they have in the marketplace."

Worked Together

"We shared a client and worked on a successful project together. However, I don't know the service provider socially, and I don't know what type of reputation they have in the marketplace."

Personal Relationship

“I have known the service provider socially and consider them a friend. However, I have not worked with them professionally and don’t know what type of reputation they have in the marketplace.”

Professional relationships, such as being a previous client of a service provider or having worked with a service provider on a project, are the scenarios most likely to generate referrals. A personal relationship, in the absence of an accompanying professional relationship, is less likely to accelerate referrals. Leveraging a personal relationship for referrals only works when combined with some understanding of the firm’s professional competence.

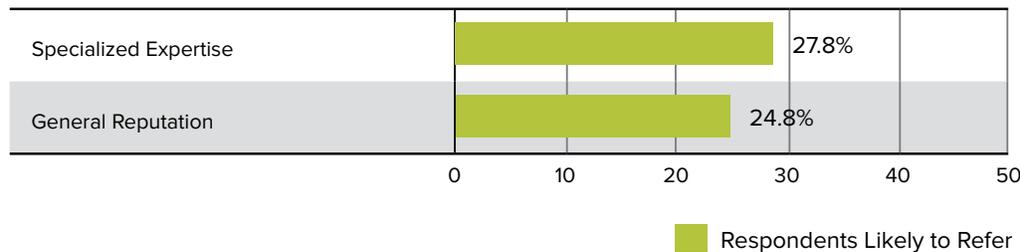
Figure 9 reveals the true merit of personal, or social, relationships. They may accelerate referrals from people who are familiar with your reputation and expertise, but if a referral maker does not know your expertise or reputation in the marketplace, they have little impact on generating referrals.

Leveraging a personal relationship for referrals only works when combined with some understanding of the firm’s professional competence.

WHAT ASPECT OF YOUR REPUTATION IS MOST IMPORTANT?

Figure 10 describes the respondents' likelihood to refer a service provider based on two factors that make up a firm's overall reputation: 1) a general reputation for doing good work, and 2) their reputation for specialized expertise.

Fig 10. What Role Does Reputation Play?



WHAT WERE EACH OF THESE SCENARIOS?

Specialized Expertise

“The service provider is nationally known for having specialized expertise that would be appropriate to the need. However, I don’t know them socially nor have I worked with them professionally.”

General Reputation

“The service provider has a good reputation in the professional community. However, I don’t know them socially nor have I worked with them professionally.”

Specialized expertise and a good reputation are both important factors in receiving referrals. Our research shows that having a specialized area of expertise is slightly more beneficial for receiving referrals than having a good general reputation. Moreover, taking the time to uncover and promote a marketable niche is a smart strategy for differentiating yourself in the market and will give you an edge over the competition.

HOW TO USE THIS STUDY IN YOUR REFERRAL MARKETING STRATEGY

The findings in this research study can be applied to any professional services firm that depends on referrals to generate new business. Below are a few key insights you may want to implement at your firm.

Demonstrate your visible expertise to referral sources.

Speak at conferences and trade shows, publish valuable educational content, and position your firm at the forefront of important industry trends.

Develop and maintain good social relationships with professionals.

When a potential referral source is familiar with your expertise and has strong social ties with you, they are much more likely to refer you. However, friendships alone are much less powerful.

Reciprocity pays.

If you make referrals you are likely to receive them in return. While failing to refer other companies may not hurt you, doing so definitely helps.

Build a sophisticated, high-quality website.

A website is the first place potential buyers go to learn more about you and your service offerings. Make sure your website is well-designed, has quality content, and reflects positively on you and your firm. If appropriate to your industry, be sure to showcase successful, high-profile projects on your site.

ABOUT HINGE RESEARCH INSTITUTE

The [Hinge Research Institute](#) is a division of Hinge dedicated to studying high-growth professional services firms and their clients. We collect data and analyze marketplace trends to discover why some firms grow much faster than average while spending less on marketing. Our mission is to share this knowledge so that every professional services firm can prosper.

We invite you to explore our full library of research reports, books, and other publications at: www.hingemarketing.com/library

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HOW WE CAN HELP

Visible Expert® Program

Designed to help individuals cultivate an authoritative online presence in their area of expertise, the Visible Expert® Program delivers the tools and strategy required to build personal reputation and visibility in the marketplace. Based on extensive research, the Visible Expert® Program helps experts become recognized industry leaders.

Visible Firm® Program

Designed to deliver more referrals, higher profits, and faster growth, the Visible Firm® Program will build a powerful marketing platform to engage your audiences and build your visibility. Based on the most extensive research into high-growth firms ever conducted, the Visible Firm® Program will ground your marketing in science and leverage your firm's expertise to draw in the right audiences.

High Performance Website Program

The High Performance Website Program makes your website into a lead-generating machine — bundling a beautiful new site with a suite of powerful online tools. Designed from the ground up to attract the right visitors from search engines, a high performance site uses educational content, smart offers, and custom features to engage and convert qualified leads.

Branding Program

Our Branding Program is designed to carry your firm's reputation confidently into the marketplace by giving you a suite of powerful branding tools. Based on extensive research and analysis, our branding strategies increase your firm's credibility and visibility in your industry. The services will also differentiate your firm and provide clear, compelling messages for each of your target audiences.

For more information, call 703 391 8870 or email us at info@hingemarketing.com.

To find out how Hinge can help your professional services firm experience faster growth, contact us!

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OR



Need help?

Hinge offers a comprehensive suite of marketing and branding services to increase your visibility and grow your firm.

Let's explore how we can help:
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