



Turning Referrals Into Gold

With a strategic marketing plan, ad hoc acts of friendship can develop into a useful business development resource.

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HOW OFTEN do attorneys say that they don't need to acquire business development skills because they get all their work from referrals? If this is true, all the more reason to apply marketing strategy, programs and measurements to the process of tending to and rewarding these "golden geese." A strategic referrals marketing plan can move this initiative from ad hoc, collegial acts of friendship and respect to a useful, strategic, business development resource.

Attorneys often give referrals to the last person they spoke to rather than selecting someone who has given work to them. While convenient and easy, this ad hoc approach creates several problems. The first problem is that the attorney may have already given referrals to the "top-of-mind" person and may not have received anything in return. Or, another attorney in the firm may have recently given that person a client. In either case, the "top-of-mind" person should not get another referral until other, more lucrative sources have been paid back, particularly those who have sent multiple clients to the law firm and received little in return.

This article identifies ways to pinpoint the best referral sources, educate them, and reward them, and also collect the necessary data, analyze, track, and use the metrics.

Where to Find Referrals

Where are these referrals? The short answer is everywhere. Clients who rave about a firm or individual are usually the best source of new and add-on business. Second best are professional colleagues who share an interest in an industry or service. These include, among others, accountants, financial planners, insurance agents, bank officers, investment bankers and venture capitalists. Attorneys in other practice areas in one's own firm or colleagues from previous firms can also be

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referral sources, as can attorneys who sit across the table on a litigation matter or transaction. Attorneys who practice complementary types of law are often a good source of referrals.

"Real life" also provides referral opportunities from friends, family, college acquaintances, parents at their children's sporting events, religious institution committees, etc. Rainmakers know that the issue is not finding people who might refer business, but rather, developing relationships with the handful of people who can help you get the kind of business you want.

Identifying the 'Best' Sources

Begin to think strategically about a referral program by defining the kind of work and kind of client that will be "best" for the firm and the individual attorneys. Even though "best" means different things to different people, each attorney, practice group leader and firm leader needs to create the "perfect opportunity/client" by defining the kind of work, kind of clients, volume of work, geographic locus of work, and any other factors relevant to the practice. Naturally, employment lawyers may have different "bests" than corporate deal-makers, but there should still be overlap and commonalities that tie the individual, practice group and firm definitions together.

The information needed to construct a "best" is usually found in several places:

- In the firm's databases and attorneys' contact files;
- On new matter forms;
- In the attorneys' minds and memory.

Once the "best" description(s) are developed, the next step is to go to the firm's database or accounting system or new matter forms to identify the sources of the current best work. Firms with a robust accounting system and a well-documented CRM program will find this an easy task. To the degree the data are scattered in various places and not systematically documented, the task becomes more difficult.

To tap into the wealth of knowledge kept inside attorneys' heads, each attorney should write down his or her top referral sources for the past six months. This exercise serves two purposes:

- The first is that a comparison of the data

collected and the list written from memory may reveal that some attorneys were making incorrect assumptions about their best referral sources.

- The second reason is that it helps get the buy-in of those attorneys who may be reluctant to track referrals.

The attorneys' written lists should not be included in the initial data set to be analyzed.

Tracking to Remove Guesswork

To turn the referral process from a personal act into an important firm-wide business development resource, the giving and receiving of referrals needs to be tracked, monitored and strategically analyzed to maximize its potential. The transfer from individual to group resource becomes possible when referral data are tracked both for referrals in and referrals out. Optimally, this will be done on a database, but if not, it can be done by hand using an Excel spreadsheet.

The first step in the tracking process is to make sure that all attorneys give the marketing director or the data entry person notification of all referrals, both in and out. They should include the date, attorney's name, name of the referring individual and his firm, that firm's industry, name of prospect, his firm and its industry, and outcome [won/lost/made contact, etc.]. The outcome data is usually filled in later from new matter forms or by following up with the attorney. In addition, the attorneys should note any clients obtained through seminars or articles and they should include the title of the seminar or article and the date.

Without full compliance with data collection procedures the resulting data and conclusions will be flawed. At firms with several attorneys, the attorney in charge of the program or the marketing manager may need to explain the importance of complete documentation to the attorneys, and perhaps encourage participation by turning it into a contest or publicizing the most cooperative attorney, the one with the most effective referrals, etc.

The next step in the process is to create a series of reports that can be used to monitor and assess referral patterns. Again, a database system can be customized to do this or it can be done by hand.

Either way, a spreadsheet must be designed which shows which firms and individuals are referring clients to the lawyer or law firm, and the firms and individuals to whom the lawyer or law firm refers. The type of professional, nature of the service and the nature of the relationship should also be included as should the dates of all referrals.

The spreadsheet should be designed so that the attorneys can easily see the level of reciprocation between referrals in and referrals out. This ensures that they are sending business to those who send business to them and vice versa. Equally as important, the data should indicate the industry of those who send the most referrals because this becomes important when designing "keep in touch" marketing programs. Likewise, the spreadsheet can be used to ensure that the attorneys are coordinating their referrals out so that matters are not unknowingly referred to people to whom their partners have recently referred cases. Information about clients obtained through seminars or articles can be used to determine seminar effectiveness and future seminar topics and target markets. All the data should be input monthly and reviewed on a quarterly basis.

The initial set of data may be skewed because the start date of any such database is arbitrary. Indeed, until the program has been up and running for a year, it may not be fully representative of all referrals in and out. Some important names from the "list from memory" may have been left out because the referrals occurred before the start of the database. When major errors stemming from the arbitrary start date appear, the marketing manager should just add those important, previous referrals to the database.

What's in It for the Sources?

Once you have a spreadsheet of referrals in and out, the attorneys need to identify the needs of the best referrers and what is important to them. Why do they refer to your firm? Reasons include:

- Self-interest: If I share with you, you will reciprocate;
- Shared clientele—better client service;
- Trust—in your competence and your ability to make the referrer look good;
- Relationships—which have created a foundation of trust.

Conversely, some behaviors can sever referral relationships. In a survey of law firm referral sources,¹ Sally Schmidt, a marketing consultant, found four personality factors that annoyed non-attorney referrers: two aspects of unresponsiveness—slow response or unreturned telephone calls; and two aspects of "lawyering"—arrogance and over-complicating a matter. These all adversely affect the impression of service quality.

Lawyers often argue that referral relationships fall apart because they cannot reciprocate with an equal number of prospect leads. While it is true that some legal specialties may have no referral potential, most areas of law have hidden referral opportunities: for example, trusts and estates lawyers to bankers and accountants, labor lawyers to immigration lawyers and vice versa, corporate

lawyers to sources of capital. In addition, if an attorney asks his clients strategic questions, new opportunities may arise for referrals. Often, an attorney can act as a broker, bringing together individuals who can help each other in business or personal situations.

Joint marketing is another "give-back" when it provides visibility and marketing opportunities for referrers. Initiatives include collaboration on seminars, reciprocal columns in each other's newsletters, and shared trade or professional association initiatives. Attorneys, individually or by practice group or as a firm activity, can develop a wide range of cooperative marketing programs by creating activities focused on an industry or demographic cohort of interest to the professional practitioners they want to reward.

'It's the Relationship, Stupid'

One rule of thumb says that to be remembered in the context of your skills and expertise a person needs to be in contact with another person in a business-related way eight times a year. To be most effective, the one-on-one activities should include more than those old perennials—lunch or golf. The best relationships are based on shared interests. Often clients or professional allies can offer advice as to trends in their industry, suggestions for deflating a touchy issue, or knowledge about key players in the marketplace.

The best contact activities include some reference to the recipient's interests. One of the easiest techniques is to send information of interest to referral sources that are clipped from the newspaper, found via e-mail, or written by the firm. The key is relevance to the recipient, as opposed to personal publicity for the sender. The attorney can also offer to give continuing education courses at a referrer's office or their professional association.

Clients are a special kind of referral resource because their willingness to refer is closely tied to their assessment of the attorney's skills, approach to problems, service manner and their trust in the attorney. Often the best way to increase client referrals is to ask the client to make introductions to other business leaders or new contacts within the client's own company.

Sometimes, clients are not familiar with a firm's scope of services. To find out how knowledgeable these "best clients" are, the firm should run one or two focus groups. The attorneys should ask them what they know about the firm in terms of size, capabilities, quality, reputation, etc. The firm can address gaps with knowledge/education activities such as seminars and client alerts. Sometimes a firm might send a client several newsletters with relevant material and ask the client to pass them along to interested colleagues.

Sometimes firms institutionalize the client-referral function by creating client advisory boards or client-based vendor circles.

Client advisory boards serve as sounding boards and educators for the firm. They advise on issues of relevance and help the firm find the best way to be proactive. They offer advice on

strategic management decisions such as the efficacy of opening a new office. They can also help a firm understand its image in the community or introduce the attorneys to people of note in the business community.

Client-based vendor circles include all professionals who work with a specific client. The idea is to meet quarterly to share client insights and strategize as to how each one can contribute to fulfilling the client's strategic goals.

Minding One's 'p's and q's'

No matter the source of a referral, every attorney needs to mind his or her manners. The attorney should always call the referrer to thank him for the opportunity and tell him where the referral stands at the moment. If the prospect becomes a client, the attorney should call mid-matter to keep the referrer informed. At the end of the matter the attorney should call to thank the referrer for his trust.

When the attorney refers someone to a client, in addition to calling the professional to say he gave the professional's name to a client, the attorney should follow up with the client in a week to 10 days to check the status of the referral. If the referral "took," the attorney can sit back until the assignment ends; if the client did not like the person, the attorney can find out why, and ask if the client wants another referral name. If the attorney is close to the referred person, he may want to share the negative feedback.

When the attorney refers to a professional referral source, he should call to say he did so, then call a few weeks later to see how it is working out, and finally, call to discuss the end of the matter.

Why It Matters

Viewing referrers as the strategic resource they are makes it easier for attorneys to ask clients for referrals and network more effectively with other professionals. A referral strategy and program then becomes the basis for creating strong reciprocal relationships. Analyzing referral data can also lead to strategic information about interlocking personal networks which may become the impetus to increase the firm's presence in specific areas. Referral strategies enable firms to link individual business development efforts to firm branding or advertising initiatives. Finally, as the bottom line grows so too does the reputation of the firm and its attorneys as person by person, referrers count on them to take good care of their customers.

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1. Sally J. Schmidt, "Developing New Business by Developing Relationships," *The Practical Lawyer*, ALI-ABA, June 1999.