

Why Don't You Go See Charlie

This is an article about “word of mouth”, a mysterious business building technique that quick printers believe accounts for a significant share of their new business.

“Oh yeah,” printers say. “We get about half of our business from direct mail and the yellow pages. About a quarter comes from outside sales calls. And the rest comes from *word of mouth*.”

Do you really have a handle on how much of your business comes from this *word of mouth*? And more importantly, do you have a real handle on how it works? Whose words? Whose mouths? And are there things you can do to increase the effects of this powerful and *inexpensive* form of advertising? Because the issue—as always—is when you think you have something that’s working for you, find a way to do more of it.

People Telling People

In the most basic sense, *word of mouth* advertising occurs when one of your satisfied customers tells another person something good about you. The theory is that the words of a friend, co-worker, or business contemporary will carry more weight than the words of a salesperson (you, for example) in convincing that other person to bring you their business. “Why don’t you go see Charlie,” your customer might say. “He does good work for me...at fair prices...never misses a delivery...very easy to deal with...really knows his business...etc.” And the next thing you know, someone you’ve never seen before is walking into your shop, or perhaps calling you on the phone. If that’s the way it happens, the chances are pretty good that you’re going to gain a new customer.

And that’s great, but I’d like to be sure you gain the full value from the *referral* given and acted on. How do you do that? By not neglecting to acknowledge the source of the referral—your original customer.

At the very least, I think a personal phone call or a thank you note is in order. Personally, I’d rather receive a hand-written note in this situation. I think most people would perceive that it takes a greater effort to sit down and write a note than to pick up the phone and dial. By extending that greater effort, you place a greater value—and greater appreciation—on what your customer has done for you. The simple act of acknowledging and thanking this customer for an important contribution to your business will accomplish two things. It will add to the solidarity of your relationship—making it that much harder for any competitor to come in and take that customer away from you—and it will increase the likelihood that this customer will continue to refer other friends and business contemporaries.

When you see *that* starting to occur, you ought to think in terms of a more tangible gesture. This is the sort of customer relationship that you absolutely want to keep building and strengthening. That means it’s worth a significant investment on your part. I’m talking about a nice dinner, or an appropriate gift, or a discount on the customer’s own work.

Here are some things to think about. First, the choice between something given (dinner or a gift) as opposed to a discount. Part of this decision should be based on the particular person you’re doing business with, specifically whether he or she is the owner of the business or as paid employee. If it’s the owner, a discount may be the most valued consideration you could give in return for the referrals. It is, after all, the owner’s own money that’s being saved. If the person who’s giving these referrals is an employee, though, I’d recommend something you can give directly to that person. A discount that saves the boss money won’t have as much meaning.

Another thought about discounts. I’d recommend *against* sending out a discount coupon as a thank you for referrals. I’d rather see you simply apply the discount to the next order, and send along a note with the invoice that explains what you’ve done. I recommend doing it this way for two reasons, the first of which is that the effect on the customer is immediate. It’s like you’re giving him money today, as opposed to having to wait until the next time he orders something from you. The other reason, which may be even more important from your point of view, is that this allows you to control the cost of the “gift”. You might be willing to take 25%—\$25.00—off of a \$100.00 invoice. It’s a much more expensive “gift” if a 25% coupon comes back in on a \$1000.00 job.

Dinner Companions

Should you “take” a customer out to dinner as a thank you gesture for referrals, or “send” them? Again, it depends on the specific circumstances, but my inclination would be to “send” them. It’s less complicated, it’s less expensive, and it’s less *risky*. (Wouldn’t it be terrible to have something happen at dinner that soured the relationship? Remember, people can be very different outside of the business setting, especially if you add a few drinks to the equation.) I think your best choice is to present a gift certificate that your customer can use whenever—or with whomever—he or she wants.

Even this needs to be thought through, though. Start with the amount of money you're willing to spend. Match the money up to a restaurant where that amount will cover a typical dinner for two, including the tip. Maybe I don't speak for everyone, but I'd be upset with you if you gave me a \$25.00 gift certificate to Chez Fancy where you can't get in and out without dropping \$100.00. If you "took" me to dinner, I'm sure you'd expect to pay for the whole thing—and I'd expect you to! Keep that principle in mind when you're "sending" your valued customer and his or her companion out on their own.

(And by the way, as you're thinking this through, don't forget to buy that gift certificate at a restaurant that gives you business, or one that you would like to have give you business. Don't let any opportunity to build or strengthen business escape you.)

How about other types of gifts? It's hard to go wrong with a couple of tickets to a ball game, or a concert, or a show (provided that the person has some interest in the particular sport or the performance.) Flowers are a good bet too. The florists are right when they tell you that you'll be remembered each time a gift of flowers catches the recipient's eye. How about a color TV? Or an envelope full of cash? No, and I hope you know that. There's a point where a sincere thank you crosses the bounds into impropriety. And the truth is that a smaller and more personal and appropriate gift will take you a lot farther, no matter how much business this person may be sending your way.

Knowing Who To Thank

As you've read these last few paragraphs, have you realized how important it is to *know* when someone is referring friends and associates to you? Do you have a means to capture the source of new business? If not, it's something you should immediately put in place. It can be a simple data card that gets filled out on first contact, whether someone new walks into the shop or calls you on the phone. Name, company name, address, phone number...all of the basic information plus the question "How did you hear of us?", or maybe better still "What led you to contact us?"

As an owner, I'd make it a firm policy that every walk-in or telephone inquiry whose name isn't recognized be asked the question, "have we taken your Customer Profile Information yet?" If the answer is no (and obviously you can call this information whatever you want to) make it a policy that the data card gets completed before taking specs on any individual job. And then make it a personal policy to review all of these data cards regularly. You'll learn a lot of important things from this data, not the least of which is who's sending you customers and needs to be thanked. You'll also get a better idea of how the rest of your advertising/promotional activity is working, and what exactly is bringing customers to your door.

Word of mouth can be a powerful factor in building your business. And it's highly gratifying when the work you do for one customer leads to more work and more customers without much further effort on your part. I hope you'll see that acknowledging—and sometimes rewarding—those customers who are helping you build your business is part of keeping the process rolling. A lot of people call word of mouth free advertising. I think you'll see that it's not completely free. But it is powerful and *extremely* cost-effective when you manage it well, and that's good enough for me!