

An Original Study from  
**HINGE RESEARCH INSTITUTE**

IN ASSOCIATION WITH



National Association of  
Certified Valuators and Analysts

# REFERRAL MARKETING STUDY



HINGE®

# EXECUTIVE SUMMARY

Referrals play a major role in business development for professional services firms. But what behavior drives these referrals? The National Association of Certified Valuators and Analysts (NACVA) and Hinge Research Institute conducted a research study to find out.

Past research has shown there are two types of referrals:

1. Experience-based referrals come from an individual who has worked with the service provider they are recommending.
2. Reputation-based referrals are driven by a firm's visibility and standing in the marketplace. These come in two flavors: general (e.g., "They are a good firm") and specialized (e.g., "They work exclusively with chain restaurants.").

In this research study, we looked deeper into referral behavior. We found while there are many ways a firm can generate referrals, the most successful firms follow a few general guidelines:

- 34.72% of the factors that drive referrals are tied to having visible expertise. Professional services firms must make sure their specific expertise is widely visible to referral sources of all types. This can be achieved in a variety of ways, including publishing educational content, speaking at conferences, and showcasing successful projects.
- A high-quality website is essential to the success of any referral strategy. This finding is consistent with previous research showing potential clients often rule out firms based on the quality of their website.
- Develop and maintain good social relationships with professionals outside your firm. Having a social relationship with a service provider on its own provides little merit, but can be powerful when combined with a familiarity of your expertise.
- The more referrals you make, the more you are likely to receive. Reciprocity pays. The average participant received 7 referrals in the past 6 months, while the top 20% of referral makers received over 18.

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# HOW WAS THIS STUDY CONDUCTED?

We conducted a comprehensive online survey of NACVA's members, prospective members, and others affiliated with the industry, gathering perspectives from 354 study participants.

Questions took two forms:

1. Closed-ended “select all that apply” questions included an array of possible choices. Since multiple responses were allowed, the cumulative total of responses typically exceeds 100%.
2. Questions answered with a rating scale (0-10, for instance).

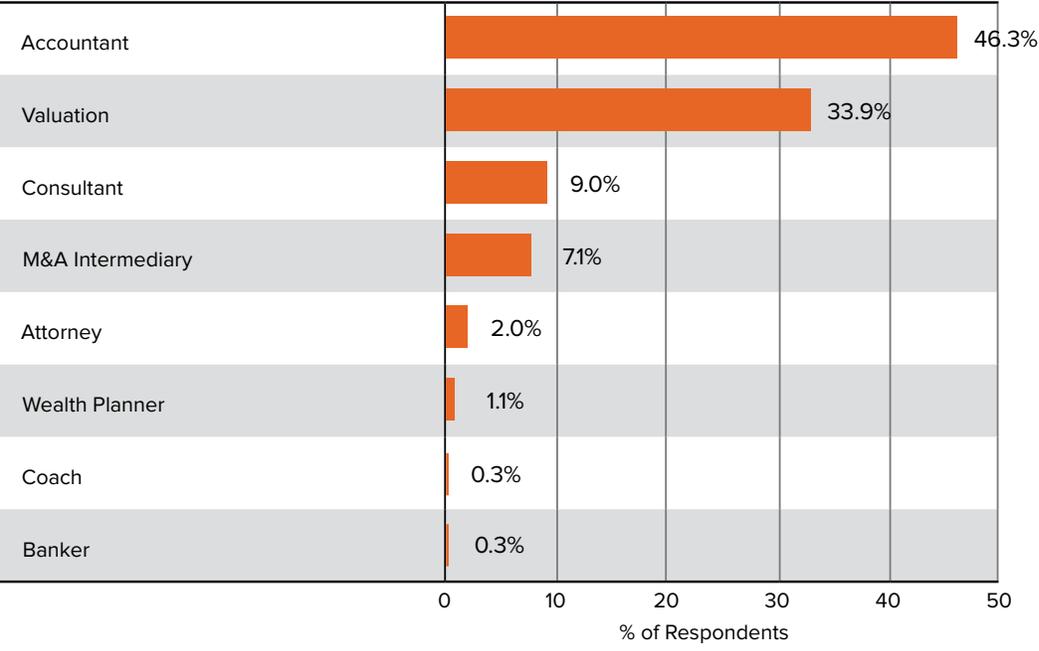
354 Participants

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

## THE SURVEY COVERED A RANGE OF TOPICS. KEY QUESTIONS INCLUDED:

- How do you get influencers to recommend your firm?
- What kills your chances of getting referrals?
- What are the “must haves” for a successful referral marketing strategy?
- What roles do relationships play in referral marketing?
- What aspect of your reputation is most important?

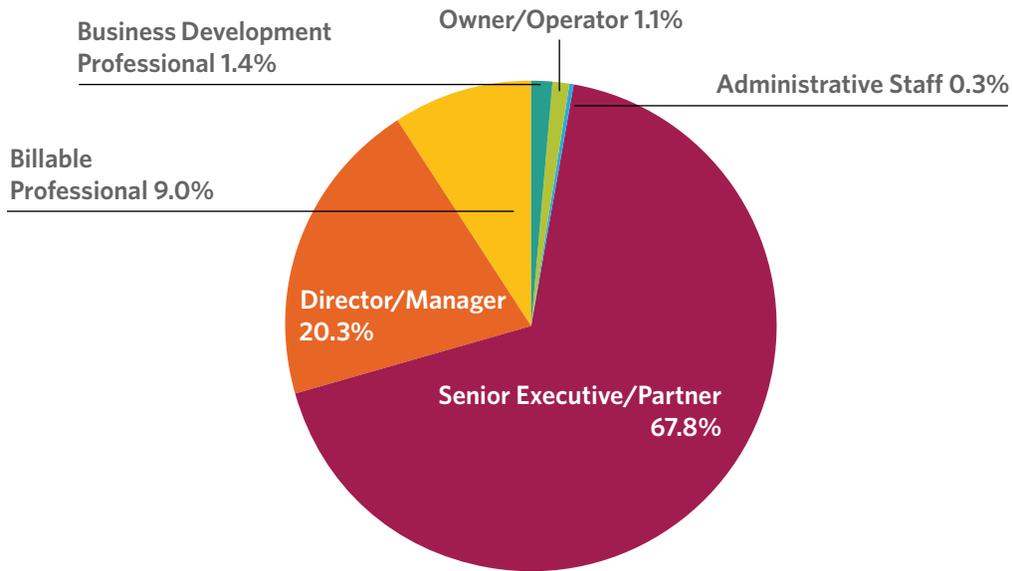
**Fig 1. Sample Composition by Respondent Profession**



The most common professions were Accountants, comprising 46.33% of survey respondents.

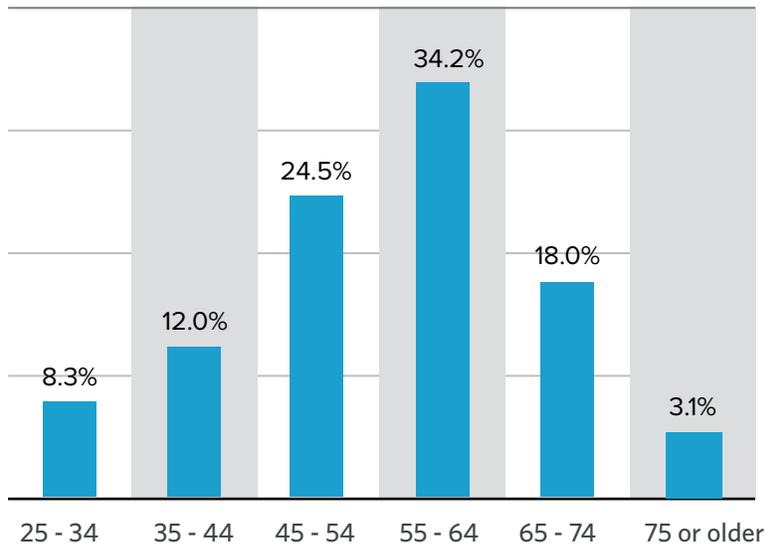


**Fig 2. Sample Composition by Role**

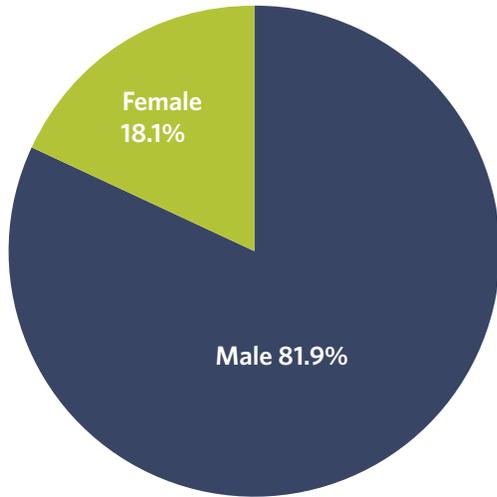


The most common roles were Senior Executives / Partners, comprising 67.8% of survey respondents.

**Fig 3. Sample Composition by Age of Respondents**

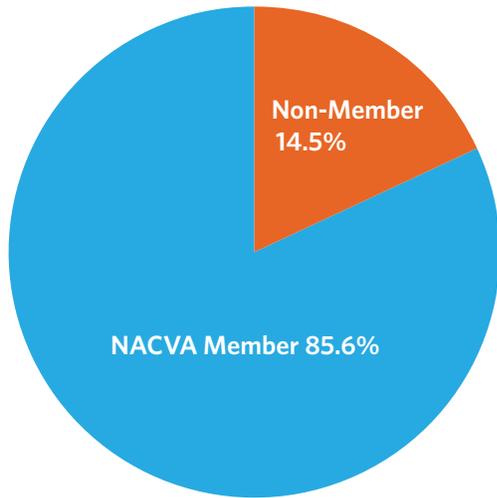


Baby boomers made up the majority of the sample, with 34.2% of respondents identifying they were between 55 and 64 years old.



**Fig 4. Sample Composition by Respondent Gender**

The majority of respondents were male, comprising 81.9% of the total

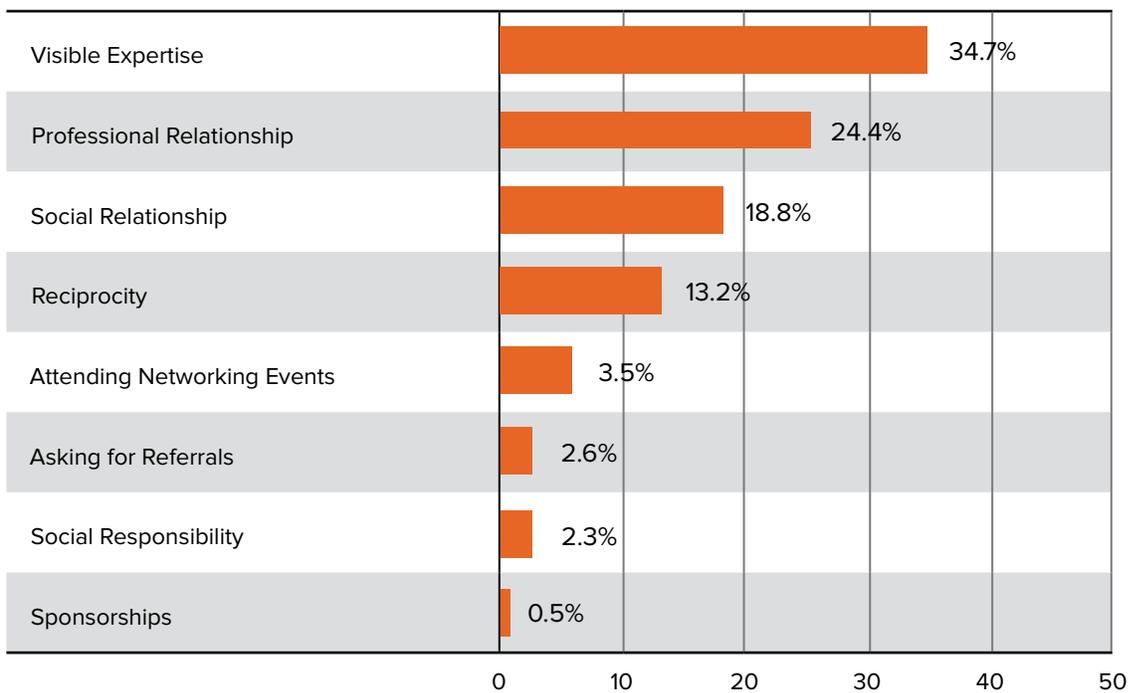


**Fig 5. Sample Composition by NACVA Membership**

Members of NACVA made up 85.6% of respondents, while Non-Members made up 14.5%.

# HOW DO YOU GET INFLUENCERS TO RECOMMEND YOUR FIRM?

**Fig 6. Factors that Increase the Probability of Referrals**



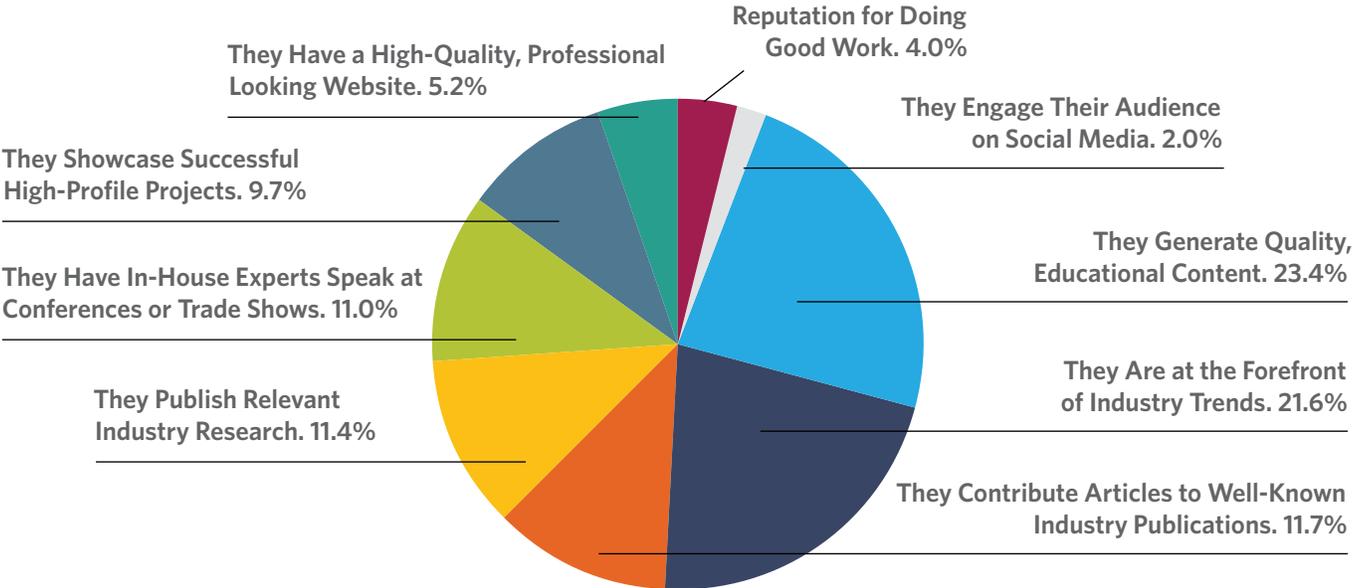
The data reveals a shift in the way people learn about the firms they refer. The visibility of a firm’s expertise is the single factor most likely to drive referrals. However, relationships — on a variety of levels — continue to be important referral sources.

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 criteria 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.



## 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 arise when a social relationship and a professional relationship intersect.

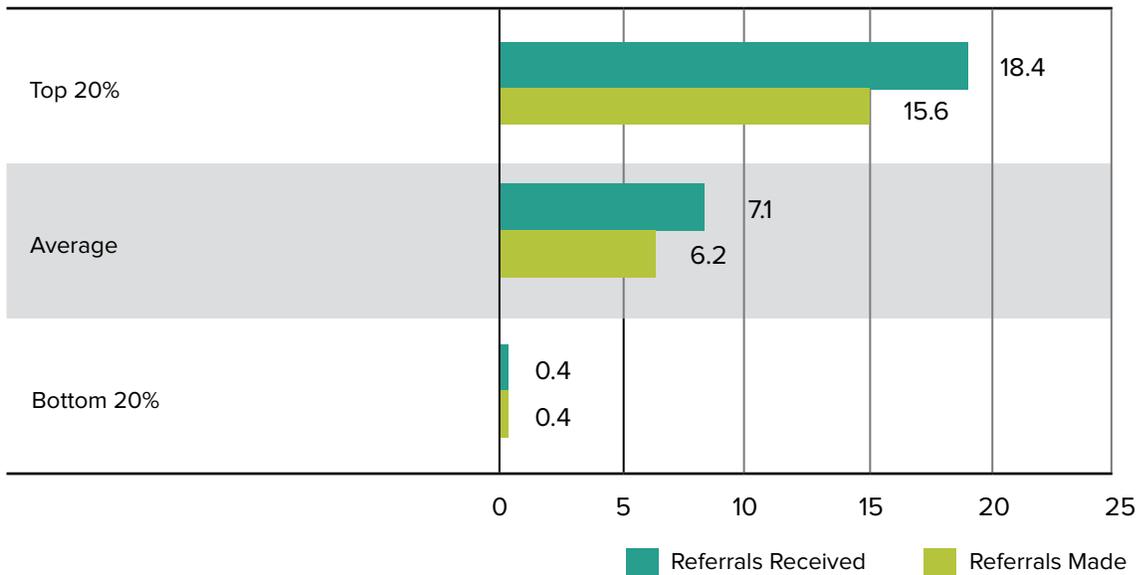


## Reciprocity

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 just over 6 referrals within the past six months while receiving an average of just over 7 referrals. Our analysis shows a strong positive correlation ( $r=+0.72$ ) between the number of referrals made and the number of referrals received among respondents. In figure 8, the impact of reciprocity is evident when looking at the top 20% of referral makers compared to the bottom 20%.

**Fig 8. Does Reciprocity Affect Referral Generation?**



## Asking for Referrals

When a service provider is looking for referrals and asks a common connection for a recommendation.

## Attending Networking Events

Being physically present at an event aimed at generating and expanding professional connections.

## Social Responsibility

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

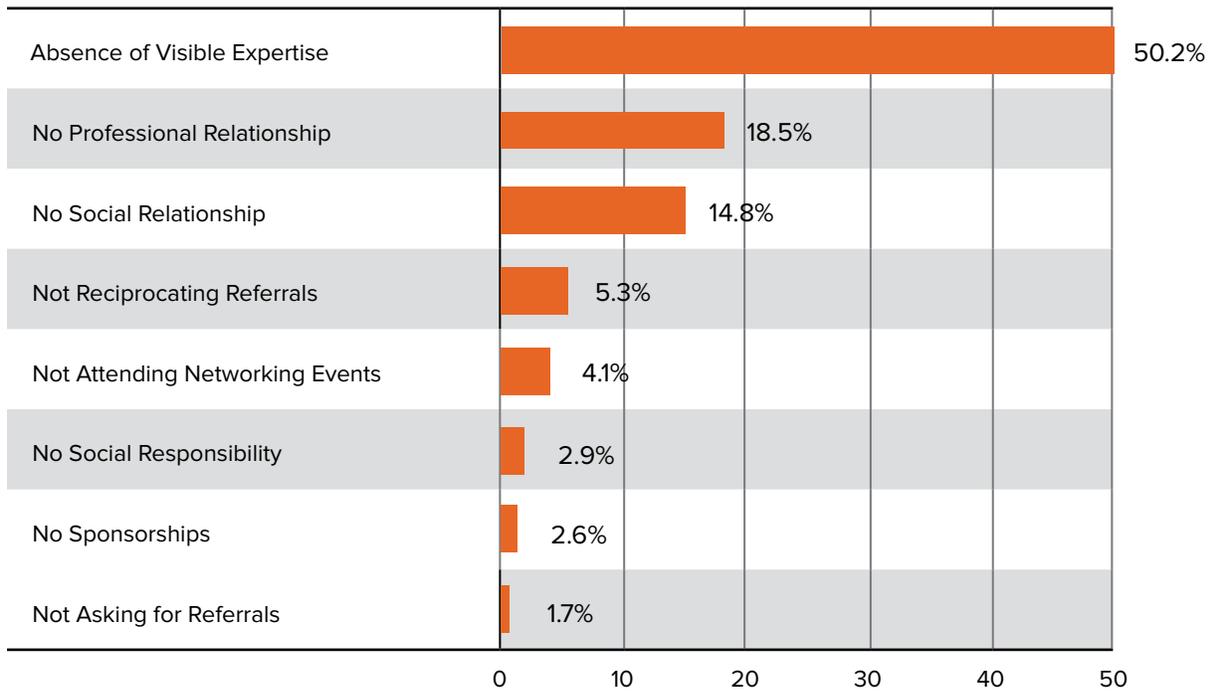
## Sponsorships

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

# 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 9. What Are the Biggest Referral Killers?**



The absence 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 is the foundation on which referrals are made.

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

After looking at what increases the probability of referrals and what kills referrals, we analyzed the net benefit each component has on referral marketing.

We looked at the factors that increase the probability of referrals, as well as the factors that kill the chances for referrals. Across all of the factors, five stood out above the rest as “must haves” for a successful strategy:

- Showcasing successful, high-profile projects
- In-house experts who speak at conferences and trade shows
- A high-quality, professional looking website
- Being at the forefront of industry trends
- 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 omitted these components from your strategy, you not only forgo their upside, you risk losing referrals you might have otherwise received.

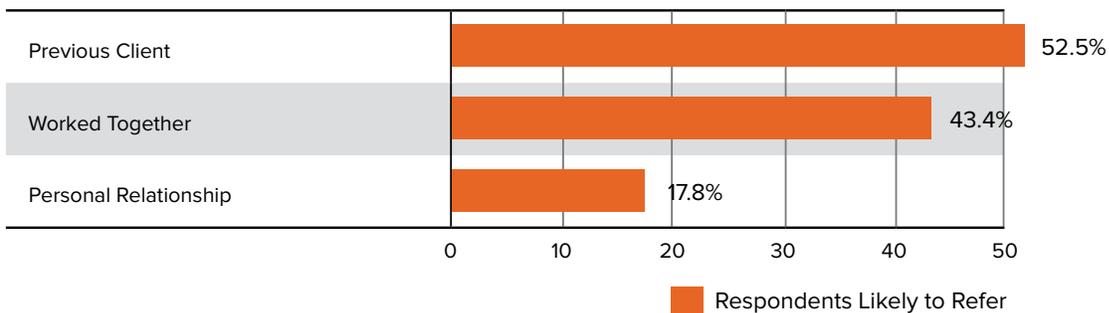
Generating quality content, on the other hand, presents a bigger upside if present than it’s downside if absent. We labeled these five components “must-haves” for a successful referral marketing strategy. Together they make up over 70% of a firm’s Visible Expertise.

# 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 10 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 10. 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 most likely scenarios in which referrals are made. A personal relationship, in the absence of an accompanying professional relationship, has much less impact on accelerating referrals.

Leveraging a personal relationship for referrals only works when combined with some understanding of your professional competence

Figure 10 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.

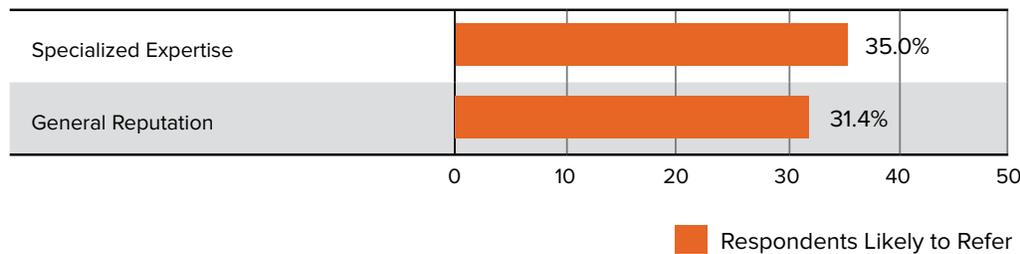
Leveraging a personal relationship for referrals only works when combined with some understanding of your professional competence.

Leveraging a personal relationship for referrals only works when combined with some understanding of your professional competence

# WHAT ASPECT OF YOUR REPUTATION IS MOST IMPORTANT?

As in Figure 10, Figure 11 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 11. 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 is the most important factor in your reputation. Respondents were more likely to refer a service provider if they were known for having specialized expertise more than a firm with a good general reputation but no specialized expertise.

# HOW TO USE THIS STUDY IN YOUR REFERRAL MARKETING STRATEGY

A few key guidelines emerged from our research into referral marketing:

**Make your specific expertise widely visible to referral sources.**

How? Speak at conferences and trade shows, share high profile successes, and position your firm at the forefront of important industry trends.

**Build a sophisticated, high-quality website.**

A low-quality website can eliminate you from consideration when companies research possible service providers.

**Develop and maintain good social relationships with professionals you work with.**

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 companies may not hurt you, doing so definitely helps.

# ABOUT

## ABOUT HINGE

The Hinge Research Institute is dedicated to helping professional services firms grow and thrive. It publishes groundbreaking studies on all aspects of High-Growth firms and professional services buyers. Hinge Research Institute is a division of Hinge, the leader in branding and marketing for professional services firms. Hinge offers a comprehensive suite of services from research and strategy to award-winning design and implementation for firms that want to become more visible and grow. Learn more at [www.hingemarketing.com](http://www.hingemarketing.com) or call 703-390-8870.

## ABOUT NACVA

The National Association of Certified Valuators and Analysts™ (NACVA®) is a global, professional association that delivers training and certification programs in accounting and financial consulting fields such as business valuation, financial litigation forensics, expert witnessing, forensic accounting, fraud risk management, mergers and acquisitions, business and intellectual property damages, fair value, healthcare consulting, and exit strategies. NACVA is a member of the Institute for Credentialing Excellence™ (ICE™). NACVA's Certified Valuation Analyst® (CVA®) designation is the only valuation credential accredited by the National Commission for Certifying Agencies® (NCCA®), the accreditation body of the Institute for Credentialing Excellence. Other professional certifications offered by NACVA include the Master Analyst in Financial Forensics™ (MAFF®) and the Accredited in Business Appraisal Review™ (ABAR™) designation. Visit [www.NACVA.com](http://www.NACVA.com) to learn more.