



# MONDAY MOTIVATOR

CREATED BY PERFORMANCE STRATEGIES  
MANAGEMENT CONSULTING GROUP

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ISSUE 70

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## The Mutual Benefits of Referrals

**W**hen we look at incredibly successful companies such as Uber, Dropbox and Airbnb, it is easy to forget that they were once obscure startups without any following or revenue to talk about. How did these companies become the force they are today?

A huge part of the answer is: referral marketing. Referral marketing is a [strategy](#) that works better than the average person would give it credit for, or bet on. However, it is something we all need to use in our business operations. If you are self-employed, or running a small business, on average, it is not as easy to cold call your way to success as it was in the past.



While some business models thrive on the results of cold calls, most depend on what we like to call “relationship marketing.” This is where someone in your firm drives a pro-active, outbound contact campaign for the purpose of creating referral sources. To showcase the possible success

such a campaign can create, let's analyze the referral campaigns used by Uber, Dropbox and Airbnb and find out if there are lessons to be learned from them.

## Uber

Remember the time not so long ago when most of us used to yell at taxis while standing in the rain, hoping to get a ride home? The hilarious holiday movie ["Trains, Planes and Automobiles"](#) started off with this very narrative, showing an advertising executive, played by Steve Martin, in New York attempting to get home in time for Thanksgiving with his family.

The story begins with him trying to hail a cab during rush hour and forced to negotiate with a stranger who had successfully accomplished that very task. The stranger, who is also an attorney, eventually agrees to a hefty price to give up the cab, while John Candy loads his luggage into the trunk and the cab drives away. Steve Martin ends up barely making his flight and the bigger story begins. If you have not seen the movie, you're missing one of the great comedies in movie making history.

Today, such a story would not be that easy to tell. Now, all you need to do is to open the Uber app on your iPhone or Android, click a button, and before you know it, a car will arrive at your location, to take you to your destination. Uber is a ride-sharing app that changed the way transportation works in much of the world. Uber today is worth \$50 billion and is the No. 1 cab service in over 60 countries and almost 300 cities around the world. To state that Uber has been a disrupter in the world of traditional taxi transportation hardly says enough!

**Uber became what it is today because of its brilliant referral program, which has been around from the beginning, when Uber was a still a new company.**

Uber's referral program involves offering free rides to people for referring the app to others. Uber referrals also incentivize car drivers to recruit other drivers to Uber's program. This soon became a huge hit and made Uber into the force that it is today.

## Airbnb

Airbnb is an online marketplace that connects people who want to rent their homes or condos to those who are looking for a place to stay for one or more days, but don't prefer to stay in traditional hotels. Airbnb connects hosts to travelers – hosts rent out their unused spaces and travelers book accommodation in them. Today, Airbnb is valued at \$20 billion to \$25 billion. Impressive, considering the company has been around only for a few years.

How did Airbnb become so big in such a short time? For starters, a great referral program, which involves sending email invitations to Airbnb members and offering them a travel credit of \$25 for every new person they referred Airbnb to. Airbnb referrers were also given an additional \$75 when those they referred, hosted a guest for the first time. The key to Airbnb's referral program was that the company paid for referrals only when a user made an actual purchase. So the incentives offered were well worth it.

Will's son owns a condo in Austin, Texas and covers the mortgage each month by using Airbnb to book travelers about a third of each month into his new and very well kept one-bedroom residence. He gets to use it, if and when needed, the rest of the time when he's not in his home with his family outside of the city. He has recently made a down payment on a second property that will become another Airbnb alternative for visitors to the downtown Austin area.

## Dropbox

Dropbox is a phenomenally successful startup that is today worth over \$10 billion. Dropbox is an online file storage service that allows users to store share and synchronize their files across multiple devices on the cloud. Dropbox became what it is today because of its phenomenally successful referral program. Dropbox had to fall back on a referral program to market its product as using Pay Per Click ads was far too expensive, and using organic search to grow the business in a highly competitive landscape was incredibly difficult.

Dropbox launched a referral program that incentivized both the referrer and referred to promote the product to others. All referrers were given extra storage space for each referral. So in the first year and a half of the program starting, an astonishing 2.8 million referral invites were sent. Even today, 35% of Dropbox's new users come from its highly successful referral program.

The best way to illustrate a referral model that works is to use the diagram on the right. Here, we see a business owner reaching out to support teams as part of a larger business strategy.

What is important here is to notice how other experts and advisors are also part of a larger success strategy as well. For a team of professionals to support the client all must be willing to act in the best interest of the client.



The idea is to refer the best resources available from a group of known experts. Also this system requires more than just a name and phone number. The mutual benefit of referrals is that by arranging the referral you are introducing, you support your own client while making your company look good because of your willingness to look after the client's best interest. What's more, you make the referred company look good because of your relationship to them. After all, your client trusts you and your guidance. If you can see that your client would benefit with the expert services of one of your associate professionals it is in your interest to make the introduction.

When your client wins, we all win. At Performance Strategies we maintain a list of over 40 associate professionals who make up a total system of support that we can introduce to our clients when it serves their needs. We also track each referral we make and follow up with both our client and the referred company to be sure the client's needs are being addressed. We even showcase these associate partners on our website. This is the type of referral system that produces the most support for the client and also supports our associate partners.



In summary, all participants must be willing to go out of their way to reciprocate such professional courtesies, or the system breaks down. To be fair about it, a referral is a lot more than just a name and phone number. A professional referral includes a warm introduction, mutually agreed upon next steps and follow up with both the client and the referrer at the same time. When you refer a client to one of your associate professionals, you are doing so because you feel that referral is the best solution for your client.

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Our consulting and coaching focus supports management, sales, customer service and operations. Included are sales and management assessment surveys as well as leadership, teambuilding, sales operations efficiency and online tracking projects. Our other team members bring additional disciplines as well. We will showcase them in future editions of this business journal. We are all committed to driving the results you want.