

Professional Referral Process

BDC ViewPoints Study

April 2012



What to remember from this survey...

FREQUENCY OF REFERRALS

Referring clients to commercial lenders is **not** something that business professionals do frequently or systematically. However, they tend to refer the same number of client files or more year over year.

57% Refer less than one third of their clients to commercial lenders

Have referred the same number of client files or more recently **84%**

Why?

- Reasons for referring clients can be related to the economic context (favourable or not to their clients) and the nature of the client needs (start-up businesses, succession planning, etc.).
- Business professionals who have just launched their practice or those who are expanding their business also tend to be more open to referring clients when they believe they will get referrals in return.

3.6 The average number of communications **per month** that business professionals have with their contacts (face-to-face, email, phone, mail).

WHO TO REFER TO?

46% Refer to a specific lender

35%
Refer the lender itself

65%
Refer a specific individual

Who?

Since a majority will recommend a lender because they know someone who works there, having employees with good "soft skills" is a must

 **79%***

 **45%**

 **37%**

 **31%**

Some regional differences were noted.
*Due to the nature of the panel, BDC's result is to be interpreted with caution.

Someone they **know** who's:

- ✓ Empathetic
- ✓ Honest
- ✓ Trustworthy
- ✓ Responsive
- ✓ Someone of integrity
- ✓ A good listener
- ✓ Collaborative
- ✓ Open-minded
- ✓ Innovative
- ✓ Accessible

Context and methodology



Context and methodology

Context

- > Referrals have proven to be an exceptional source for generating business for most business professionals. Client referrals have the potential to significantly accelerate new client acquisition.
- > In order to better understand the client referral process, the BDC Market Intelligence team has decided to conduct a survey among its business professional panel members.
- > In addition to survey results, this report will present tips to improve networking and obtain new referrals. Note that whenever possible, survey results will be compared with those of a similar survey conducted in September 2009.

Survey methodology

- > Business professionals who were members of the BDC ViewPoints panel as of April 10, 2012 were invited via email to participate in this survey. Bankers were not invited to participate in this study.
- > The online survey was conducted between April 10 and April 23, 2012.
- > A total of 256 business professionals completed the survey. Details pertaining to distribution are provided in the “Profile” section of this report. In the appendix, results are presented by region and profession. The other professionals category includes lawyer, real estate broker or professional, mortgage broker, financial planner, marketing professional, and other type of business consultant or professional.
- > Results of the survey were processed and analyzed internally by the BDC Market Intelligence team.
 - Results were weighted according to region. This was done in order to obtain results that are representative of the Canadian active population.

Detailed results

Referring clients to commercial lenders

- > A majority of business professionals refer **less than one third** of their clients to commercial lenders.
 - Slightly less than a quarter of business professionals (22%) refer less than one tenth of their clients.
 - About one third of the respondents (35%) refer between 10% and one third of their clients to commercial lenders.
- > That said, only a **minority** claim **not to refer** their clients to commercial lenders at all.

Regional differences

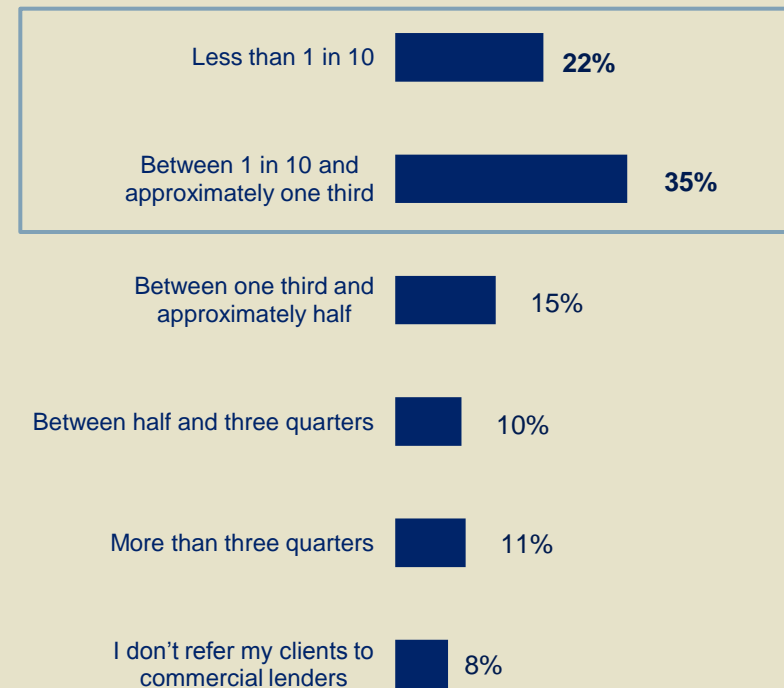
- > No regional differences were observed for this question.

Regarding referrals, pertinence and credibility are key. When it comes from someone who has actually used your products or services, it adds an extra layer of credibility and trust.

If you feel strongly about the relationship, do not hesitate to ask your clients for references; a majority of your clients would probably recommend you if they were asked.

What proportion of your clients do you refer to commercial lenders, either regularly or occasionally?

(n=255)



Base: This question was asked to all respondents. Those who preferred not to answer were excluded from the calculation base.

Change in number of clients referred

- > In the past two years, it appears that most business professionals have referred either the **same number** (46%) or an **increased number** (38%) of client files to financial institutions.
- > In the past two years, the level of confidence of entrepreneurs has increased and credit conditions have improved. This probably explains the large proportion of respondents who referred a greater number of files to financial institutions.

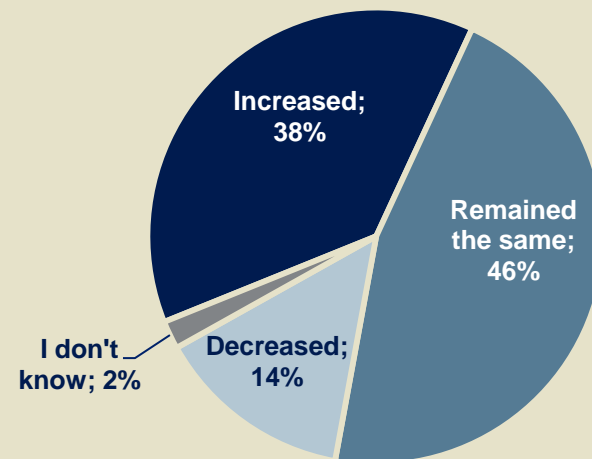
Regional differences

- > No regional differences were observed for this question.

With the increased popularity of social media, building a strong network and obtaining references has become easier than ever. Whether you decide to use these channels or the more “traditional way,” referring first may be a good way to get referrals. It sets the referral process in motion and can strengthen your relationship.

In the last two years, has the number of client files that you have referred to financial institutions increased, decreased or remained about the same?

(n=233)



Base: This question was asked to respondents who refer clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base.



Reasons explaining the change in numbers of referred clients

Overall, the business professionals surveyed feel that changes in the number of referred clients, whether they are positive or negative, most often result from the overall state of the nation's economic health or malaise, and the prosperity of their own business.

Reasons for recommending a **greater** number of clients to FIs

- > It is related to the clients' needs. A **favourable economic context** contributes to business growth at the **local level**, which, in turn, creates **new business opportunities**. Therefore, professionals observe an increase in the number of their clients **seeking to expand** or move into **new ventures**, and are in need of financing.
- > Dealing with **start-up businesses**, which do not have established relationships with financial institutions.
- > The **expansion of a professional's own practice** is among the most-cited reasons for a growth in their client base and referrals.
- > Professionals seem to benefit from **cross-referrals**, which leads to having and referring more clients.
- > Dealing with **baby-boomers' succession issues** is another reason for an increased number of referrals.

Reasons for recommending a **smaller** number of clients to FIs

- > A smaller number of referrals is often a consequence of **stagnant economic conditions**. A global economic crisis usually **inhibits expansion** plans and the attendant need for financing.
- > Professionals whose **client base has decreased**, not surprisingly, make fewer referrals.
- > Some respondents attribute the reduced number of referrals to a change in the **commercial lenders' policies and priorities**. A **decrease in available resources**, accompanied by **unpredictable interest rates**, increase in **red tape**, and the sometimes **lacking respect** for clients are all cited as examples of the latter.

Referring a person or an institution?

- > Less than half of the business professionals surveyed (46%) refer their clients to a specific financial institution.
- > When they do, they usually (in 65% of the cases) recommend a specific individual at that institution.
- > Whatever the sector of activity, these results highlight the importance of building a strong professional network in order to obtain references for future business.

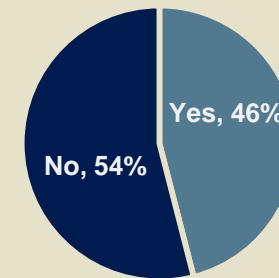
Regional differences

- > No regional differences were observed for these two questions.

Generally speaking, people readily do business with those they have come to know, like, and trust. You won't get people to know, like or trust you if you only "sell" them something right away. Building professional relationships takes time. Taking the time to know what challenges the person in front of you is experiencing and how you can help them solve a problem is a good way to gain their trust and get referrals from them.

If your business clients require financing for a new project, do you usually refer them to a specific financial institution?

(n=230)



When you refer a client to a financial institution, do you recommend a specific person, or the financial institution itself?

(n=228)



Base: These questions were asked to respondents who refer clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base.



Preferred financial institutions for referrals

To which financial institution(s) do you tend to refer your business clients? *Multiple answers allowed.*



Base: This question was asked to respondents who recommend clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base. ↑ and ↓ indicate statistical differences with Sep. 2009.

Preferred FIs for referrals (cont'd)

- > A majority of professionals (79%) said they tend to refer BDC to their clients. Given the fact that BDC ViewPoints is BDC's proprietary panel, these results are biased by the nature of the panel and most probably not representative of all business professionals.
- > The other two institutions professionals most often refer their clients to are **RBC** (45%) and **TD Bank** (37%).
- > When it comes to recommending a lender to their clients, only 5% of the respondents claimed **not to have any preferences**. These results highlight the fact that although they might not systematically refer their clients to the same institution, they have a pool they dig from when it comes to referrals. The more often someone appears in a pool, the more likely they are to obtain referrals.
- > Compared with the results obtained in 2009, BDC was mentioned by a greater proportion of respondents this year (79% vs. 35%), while CBDC was mentioned by a smaller proportion of respondents (4% vs. 21%).

Regional differences

- > Because some financial institutions are more present in certain regions than others, regional differences are numerous. The following lenders are significantly more present in the four different regions:
 - Atlantic provinces: no significant differences
 - Quebec: Desjardins Business Centres (50%); National Bank (44%); Investissement Québec (43%); CLD (28%), Fonds de solidarité FTQ (17%); GE Capital (15%)
 - Ontario: TD Bank (53%); Scotiabank (35%); GE Capital (15%)
 - Western Canada: ATB Financial (30%)

Some people believe that the best moment to ask for referrals is just after a deal is closed, or after they've met someone they can add to their network. This may sound too aggressive for many people. Consider giving your clients time to experience your services or products before asking them for a referral. Giving someone extra service and follow-up support before asking for referrals is also a good idea. Giving willingly to a client or someone in your network can increase reciprocity.



Reasons for referring a financial institution

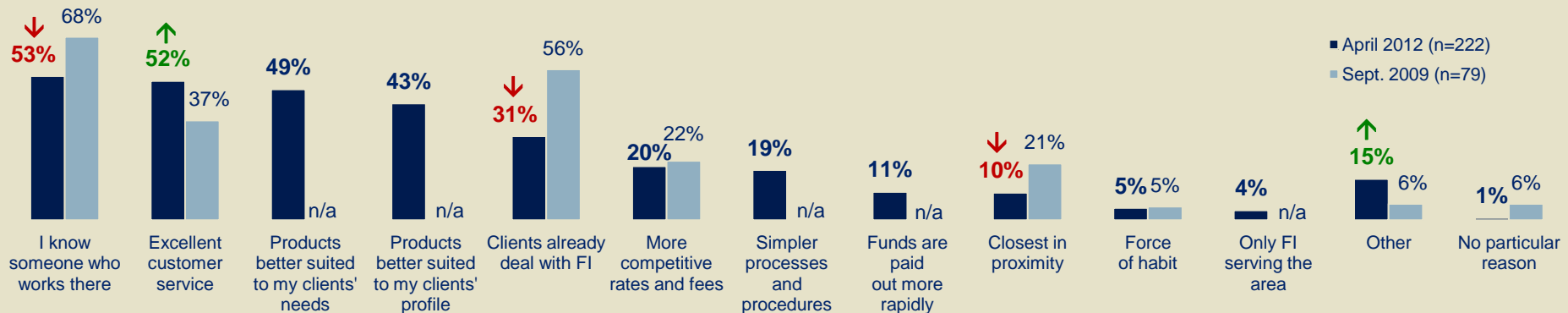
- > When they refer their clients to a given financial institution, business professionals tend to select an institution where they know someone (53%), where they know their clients will receive excellent service (52%), and where they know the products will be better suited to their clients' needs (49%) and profile (43%).

Regional differences

- > In Ontario, a greater proportion of respondents recommend a specific lender because processes and procedures are simpler (25%).

Giving referrals is one of the most efficient ways of ultimately getting referrals from peers or clients. Nevertheless, if you only give to get referrals in return, you are just "trading"... Here are some tips to "give" referrals that may prove effective in the long run: 1) Keep the client's best interests in mind; 2) Give at least two recommendations in any given situation; 3) Give a little of your time to make the introduction; 4) Refer to your other clients as often as possible; and 5) Don't refer people you don't personally trust.

Why do you tend to refer your business clients to this/these financial institution(s)? *Multiple answers allowed.*



Base: This question was asked to respondents who refer clients to specific commercial lenders. Those who do not refer any FI in particular and those who preferred not to answer were excluded from the calculation base. ↑ and ↓ indicate statistical differences with Sept. 2009.

The key characteristics of an individual that business professionals recommend

Business professional panellists shared their views on what personal and professional qualities the “ideal banker” should possess. The portrait they drew is illustrated below.

PERSONAL QUALITIES

- ✓ Empathy
- ✓ Honesty
- ✓ Trustworthiness
- ✓ Responsiveness
- ✓ Integrity
- ✓ Being a good listener
- ✓ Collaboration
- ✓ Open-mindedness
- ✓ Innovativeness
- ✓ Accessibility
- ✓ Friendliness
- ✓ Enthusiasm
- ✓ Being a problem-solver
- ✓ Pragmatism
- ✓ Having good judgment
- ✓ Being networking savvy



PROFESSIONAL SKILLS

- ✓ Having industry knowledge; being competent
- ✓ Having a good track record, a history of meeting commitments
- ✓ Being someone who “under-promises and over-delivers”
- ✓ Responding quickly; demonstrating a sense of urgency
- ✓ Understanding SME needs
- ✓ Understanding entrepreneurs’ mindset
- ✓ Being able to translate clients’ needs into viable financial plans
- ✓ Willingness to use non-traditional financial packages
- ✓ Showing decision-making abilities
- ✓ Having experience in a wide variety of lending types
- ✓ Having foreign market knowledge



The key characteristics of a lender that business professionals recommend

Panellists also elaborated on the essential qualities a financial institution must possess in order to be a preferred choice for them and their clients.

> **Clarity of process, good disclosure practices including no hidden costs and clear criteria for approval**

> **Excellent customer service:**

- ✓ Ability to offer customized solutions to clients
- ✓ Personalized service
- ✓ Value-added support
- ✓ Collaborative approach
- ✓ Good/timely communication
- ✓ Speed or response and execution
- ✓ Respect
- ✓ Proactive attitude
- ✓ Friendly atmosphere
- ✓ Ability to deal with one representative only

When asked about the reasons to refer clients to a given institution, respondents put emphasis on the “human side” of the lender, highlighting how important individual qualities are when it comes to referrals. “People deal with people”!

> **Other miscellaneous criteria:**

- ✓ Maintain good track record and reputation
- ✓ Offer competitive rates and flexibility
- ✓ Keep policies, rates, and loan terms relatively stable
- ✓ Maintain a good knowledge of both the global market place and the local market situation
- ✓ Offer financial solutions to start-up borrowers

Frequency of communication with account representatives at financial institution

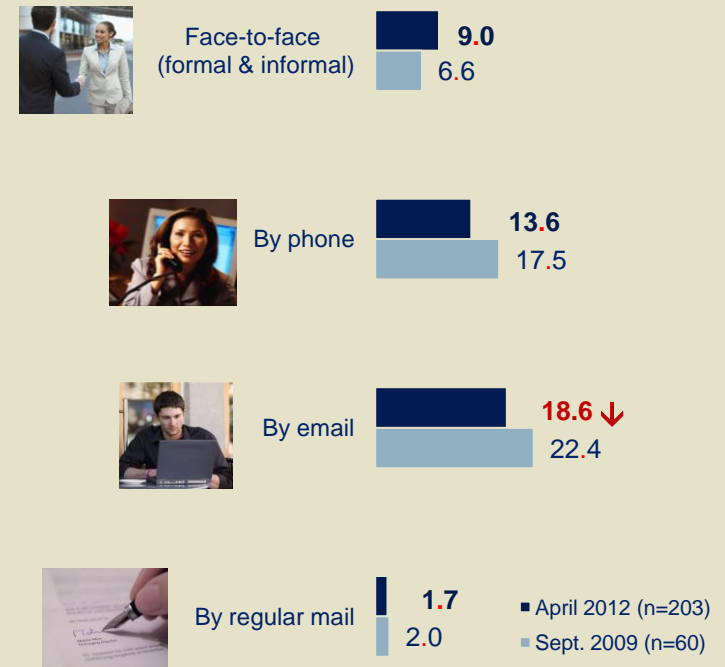
- > Generally speaking, these survey results show that obtaining referrals from individuals calls for frequent contacts.
- > Respondents meet (formally or informally) with their contacts close to 9 times a year on average, slightly over once a month by phone, and slightly less than once every 3 weeks by email.
- > However, regular mail contacts are far less frequent (1.7 / year).
 - The average number of formal and informal face-to-face contacts is almost equivalent (formal: 4.8 times per year and informal: 4.2).
 - The frequency of email contacts has significantly decreased since September 2009.

Regional differences

- > No regional differences were observed for this question.

Email is an easy and effective tool to use for referrals. It creates a written record of the referral, so the contact information is readily accessible. Moreover, it allows the person doing the recommending to notify both the person they are referring and the person they are referring to, at the same time. By having your clients and colleagues use the cc: function, you capture prospect information. That way, if they don't contact you, you can follow up with them.

Thinking about the financial institution or individual you most often refer business clients to, how many times a year on average do you communicate with someone at that institution or with that individual?



Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory. ↑ and ↓ indicate statistical differences with Sep. 2009.

Frequency of communication with account representatives at financial institution (cont'd)

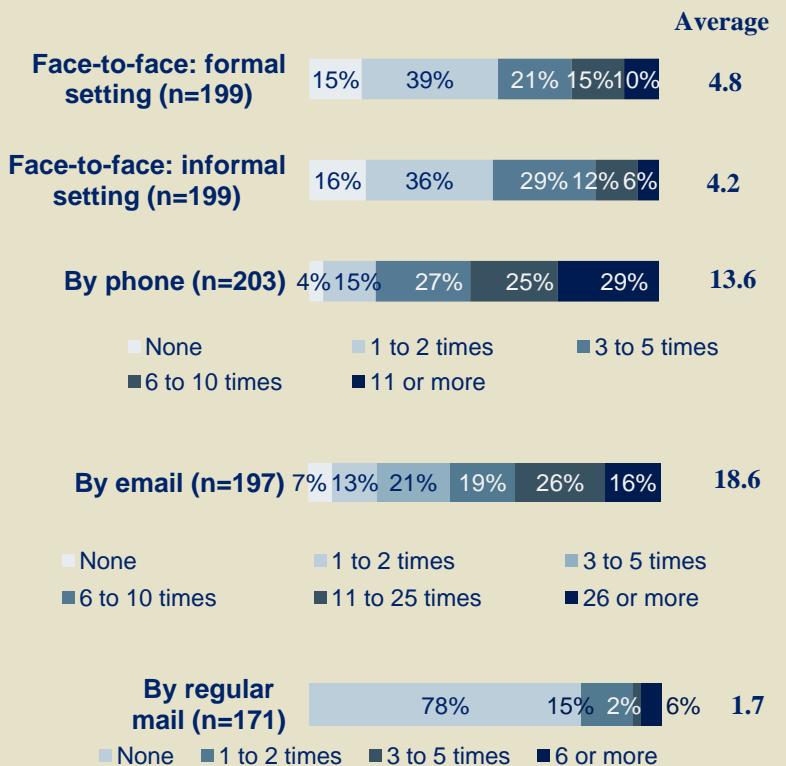
- > Regarding **face-to-face meetings**, a majority of respondents (39%) meet formally once to twice a year with their contacts; the same frequency (36%) applies to informal contacts.
- > **Phone calls** are expected to happen much **more often** than face-to-face contacts. Over half (54%) talk on the phone with their contacts at least once every two months.
- > **Emails** are used **most frequently**. Over two in five respondents (42%) communicate via email approximately once a month or more.

Regional differences

- > No regional differences were observed for this question.

A good way to develop your professional network is by sharing your knowledge. For example, you can give presentations free of charge to local service clubs, chambers of commerce, or any other business group. This will increase your visibility and offer the opportunity to demonstrate your knowledge and generate good will. You can also use support material already available in your organization (marketing material for example).

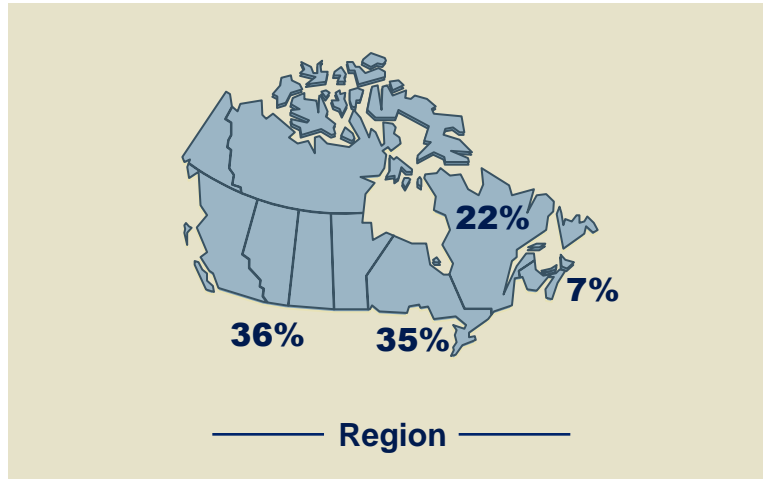
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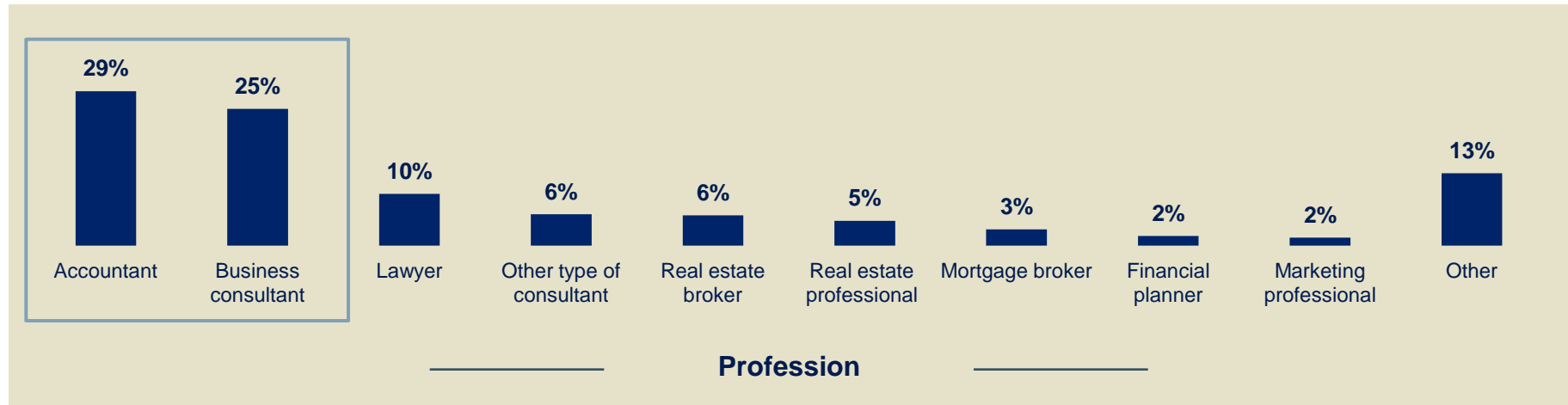
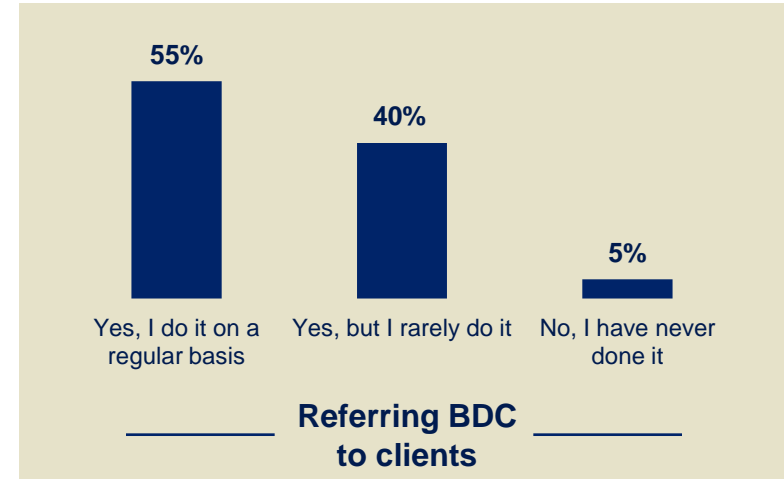
Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory.

Respondent profile

Respondent profile



n=256



Base: All respondents. Note that results have been weighted by region to be representative of the Canadian active population.

Appendix: Regional results

Referring clients to commercial lenders

> *What proportion of your clients do you refer to commercial lenders, either regularly or occasionally?*

	Total (n=255)	Atlantic Canada (n=24*)	Quebec (n=60)	Ontario (n=109)	Western Canada (n=62)
Less than 1 in 10	22%	13%	20%	25%	23%
More than 1 in 10, but less than one third	35%	33%	25%	35%	40%
Between one third and half	15%	29%	18%	14%	11%
Between half and three quarters	10%	0%	12%	11%	10%
More than three quarters	11%	8%	15%	9%	10%
I don't refer my clients to commercial lenders	8%	17%	10%	6%	7%

*Base: This question was asked to all respondents. Those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution.*

Change in number of clients referred

> In the last two years, has the number of client files that you have referred to financial institutions increased, decreased or remained about the same?

	Total (n=233)	Atlantic Canada (n=20*)	Quebec (n=54)	Ontario (n=101)	Western Canada (n=58)
Increased	38%	55%	39%	39%	35%
Remained about the same	46%	35%	43%	49%	47%
Decreased	14%	10%	11%	11%	19%
I don't know	2%	0%	7%	2%	0%

*Base: This question was asked to respondents who refer clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution.*

Referring a person or an institution?

> *If your business clients require financing for a new project, do you usually refer them to a specific financial institution?*

	Total (n=230)	Atlantic Canada (n=20*)	Quebec (n=53)	Ontario (n=100)	Western Canada (n=57)
Yes	46%	50%	43%	53%	39%
No	54%	50%	57%	47%	61%

*Base: This question was asked to respondents who refer clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution.*

Referring a person or an institution? (cont'd)

> When you refer a client to a financial institution, do you recommend a specific person, or the financial institution itself?

	Total (n=228)	Atlantic Canada (n=20*)	Quebec (n=51)	Ontario (n=101)	Western Canada (n=56)
I recommend a specific individual	65%	70%	67%	65%	63%
I recommend the institution itself	35%	30%	33%	35%	38%

*Base: This question was asked to respondents who refer clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution.*

Preferred financial institutions for referrals

> To which financial institution(s) do you tend to refer your business clients? Multiple answers allowed.

	Total (n=229)	Atlantic Canada (n=20*)	Quebec (n=54)	Ontario (n=98)	Western Canada (n=57)
BDC	79%	65%	83%	80%	77%
RBC	45%	40%	41%	53%	40%
TD Bank	37%	35%	20%	53%	32%
BMO	31%	40%	22%	38%	28%
Credit Union	23%	25%	0%	24%	35%
Scotiabank	23%	25%	6%	35%	21%
National Bank	17%	10%	44%	13%	7%
CIBC	17%	5%	15%	20%	18%
Farm Credit Canada (FCC)	15%	10%	9%	15%	19%
HSBC	13%	5%	22%	12%	11%
Roynat Capital	13%	10%	9%	20%	9%
Desjardins Business Centre	12%	10%	50%	2%	0%
ATB	11%	0%	0%	1%	30%
Laurentian Bank	11%	0%	20%	13%	5%

Base: This question was asked to respondents who recommend clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution. Numbers in red and green highlight statistically significant differences between sub-groups.

Preferred FIs for referrals (cont'd)

> To which financial institution(s) do you tend to refer your business clients? Multiple answers allowed.

	Total (n=229)	Atlantic Canada (n=20*)	Quebec (n=54)	Ontario (n=98)	Western Canada (n=57)
Investissement Québec	10%	0%	43%	1%	0%
GE Capital	10%	5%	15%	15%	2%
CLD	7%	0%	28%	2%	2%
CWB	5%	0%	0%	0%	14%
CBDC	5%	25%	2%	3%	4%
Fonds de solidarité FTQ	4%	0%	17%	1%	0%
Other	12%	15%	11%	12%	11%
None in particular	5%	0%	2%	5%	7%

Base: This question was asked to respondents who recommend clients to commercial lenders. Those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution. Numbers in red and green highlight statistically significant differences between sub-groups.

Reasons for referring a financial institution

> Why do you tend to refer your business clients to this/these financial institution(s)? Multiple answers allowed.

	Total (n=222)	Atlantic Canada (n=20*)	Quebec (n=52)	Ontario (n=97)	Western Canada (n=53)
I know someone who works there	53%	65%	50%	56%	51%
Excellent customer service	52%	60%	39%	55%	55%
Their products are better suited to my clients' needs	49%	35%	58%	43%	51%
Their products are better suited to my clients' profile	43%	30%	52%	35%	49%
It is the financial institution that my clients already deal with	31%	30%	39%	28%	30%
Their rates and fees are more competitive	20%	15%	12%	20%	26%
Simpler processes and procedures	19%	25%	6%	25%	19%
Funds are paid out more rapidly	11%	10%	8%	13%	9%
Closest in proximity	10%	10%	15%	4%	13%
Force of habit	5%	5%	10%	2%	4%
Only financial institution serving the area	4%	5%	4%	3%	4%
Other	15%	10%	12%	21%	13%
No particular reason	1%	0%	2%	1%	0%

Base: This question was asked to respondents who refer clients to specific commercial lenders. Those who do not refer any FI in particular and those who preferred not to answer were excluded from the calculation base. *Due to the small sample size, results should be interpreted with caution. Numbers in red and green highlight statistically significant differences between sub-groups.

Frequency of communication with account representatives at FI: Formal meetings

> Thinking about the financial institution or individual you **most often** refer business clients to, how many times a year on average do you communicate with someone at that institution or with that individual? (Meet face-to-face in a formal setting)

	Total (n=199)	Atlantic Canada (n=19*)	Quebec (n=48)	Ontario (n=84)	Western Canada (n=48)
None	15%	11%	15%	10%	21%
1 to 2 times	39%	47%	19%	44%	46%
3 to 5 times	21%	21%	31%	26%	10%
6 to 10 times	15%	16%	19%	13%	15%
11 times or more	10%	5%	17%	7%	8%
Average number of times	4.8	3.7	8.0	4.1	3.7

Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory. *Due to the small sample size, results should be interpreted with caution. Numbers in red and green highlight statistically significant differences between sub-groups.

Frequency of communication with account representatives at FI: Informal meetings

> Thinking about the financial institution or individual you **most often** refer business clients to, how many times a year on average do you communicate with someone at that institution or with that individual? (Meet face-to-face in an informal setting)

	Total (n=199)	Atlantic Canada (n=19*)	Quebec (n=46)	Ontario (n=85)	Western Canada (n=49)
None	16%	21%	9%	12%	22%
1 to 2 times	36%	32%	30%	34%	43%
3 to 5 times	29%	21%	41%	35%	18%
6 to 10 times	12%	21%	9%	13%	12%
11 times or more	6%	5%	11%	6%	4%
Average number of times	4.1	3.8	5.5	4.6	3.0

Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory. *Due to the small sample size, results should be interpreted with caution.

Frequency of communication with account representatives at FI: Telephone

> Thinking about the financial institution or individual you **most often** refer business clients to, how many times a year on average do you communicate with someone at that institution or with that individual? (By telephone)

	Total (n=203)	Atlantic Canada (n=19*)	Quebec (n=45)	Ontario (n=89)	Western Canada (n=50)
None	4%	0%	7%	2%	6%
1 to 2 times	15%	5%	13%	14%	18%
3 to 5 times	27%	32%	24%	29%	26%
6 to 10 times	25%	26%	27%	20%	28%
11 times or more	29%	37%	29%	35%	22%
Average number of times	13.6	15.4	15.5	16.3	9.6

Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory. *Due to the small sample size, results should be interpreted with caution.

Frequency of communication with account representatives at FI: Email

> Thinking about the financial institution or individual you **most often** refer business clients to, how many times a year on average do you communicate with someone at that institution or with that individual? (By email)

	Total (n=197)	Atlantic Canada (n=18*)	Quebec (n=43)	Ontario (n=86)	Western Canada (n=50)
None	7%	6%	14%	1%	8%
1 to 2 times	13%	6%	14%	8%	18%
3 to 5 times	21%	22%	16%	23%	20%
6 to 10 times	19%	17%	26%	17%	16%
11 to 25 times	26%	28%	21%	31%	22%
26 to 300 times	16%	22%	9%	19%	16%
Average number of times	18.6	17.6	22.3	20.5	15.0

*Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory. *Due to the small sample size, results should be interpreted with caution.*

Frequency of communication with account representatives at FI: Regular mail

> Thinking about the financial institution or individual you **most often** refer business clients to, how many times a year on average do you communicate with someone at that institution or with that individual? (By regular mail)

	Total (n=171)	Atlantic Canada (n=19*)	Quebec (n=36)	Ontario (n=73)	Western Canada (n=43)
None	78%	74%	67%	81%	81%
1 to 2 times	15%	16%	22%	11%	14%
3 to 5 times	2%	5%	6%	1%	0%
6 times or more	6%	5%	6%	7%	5%
Average number of times	1.7	3.2	2.9	1.6	0.9

*Base: This question was asked to respondents who refer clients to commercial lenders and who did not complete the survey on a mobile platform. Completion was not mandatory. *Due to the small sample size, results should be interpreted with caution.*

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