Trust YOUR GREATEST ADVANTAGE OF ALL

2014 MANULIFE SMALL BUSINESS RESEARCH REPORT

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FOREWORD

Trust: The key to rewarding, long-term client relationships

Marc Avaria
Vice-president, Group Small Business
MANULIFE

Jason Daly
Vice-president, Product, Marketing & Business Development
MANULIFE BANK

Chances are we all know at least one small business owner, either in a personal or professional capacity, who's often wearing multiple hats to ensure that their business succeeds. The last thing they need or want to worry about, on top of everything else, is their financial needs. That's where you come in.

There is an abundance of opportunity to build and sustain long-term, beneficial relationships with small business owners—people who need your professional expertise to help guide them toward their financial goals. But one foundational piece must be in place before a successful relationship can ensue: ***trust***, the subject of the 2014 *Manulife Small Business Research Report*.

As you'll read in these pages, we went right to the heart of the topic, asking over 1,000 small business owners across the country questions that looked at how much of a role trust played in their decision to work with an advisor; how much they value trust in their relationship with their advisor; and what their reaction is if that trust is broken. These owners also indicated how much opportunity they are willing to give advisors who prove themselves and invest time and effort into earning their trust.

Through the survey, we learned most small business owners are concerned first and foremost with their personal financial needs, followed by their business needs and then the needs of their employees. This translates into three different entry points for an advisor—and tremendous potential for substantial cross-selling, once you have their trust.

The conversation with small business owners starts with a review of their individual insurance, health and wealth needs. Once that's in place and the business continues to grow, you can easily turn to the needs of the business. These can often be met through banking solutions, such as commercial mortgages and lending solutions that can help the company evolve from the start-up phase into the growth phase—the first two stages of the life cycle of a small business we identified in the 2013 *Manulife Small Business Research Report*.

As the small business becomes more established, the owner will be open to taking the financial-planning discussion to a new level—the needs of their employees, in the form of group benefits and group retirement plans. But, before any of this can flourish, the trust relationship must be established.

The insights shared by the small business owners surveyed for this report have been endorsed by a panel of your peers—expert advisors from the fields of banking, group benefits and savings, who have spent years building, growing and retaining trust in their own client relationships. They've shared some of their own stories and experiences that have contributed to both their successes and their obstacles in the area of trust.

As you read the fourth edition of the *Manulife Small Business Research Report*, we hope you discover strategies, practical tactics and insights to help you establish, grow and keep the trust of your small business clients. We promise that it will be an insightful read.

Introduction

"**How do I define trust? Somebody who LISTENS.** I find listening is a skill that is very rare in today's society, because everybody wants to tell you about themselves or tell you what they know. My advisor is great because he wants to know about me—who I am, my business, my needs—instead of selling me something. He is a consultant, not a salesperson."

—Comments of a small business owner during a focus group for the 2014 *Manulife Small Business Research Report*

Trust is key in any successful relationship, be it personal or professional. In today's highly competitive, rapidly changing market, it's more important than ever, according to the business owners and veteran advisors who contributed their opinions and insights to the 2014 *Manulife Small Business Research Report*. In fact, 93 per cent of the small business owners and senior decision makers surveyed across the country earlier this year report that trust is very important in their relationship with a financial advisor; and 74 per cent of them say the main reason they chose their current advisor was because they believe the advisor is "someone I trust to act in my best interest." Focus-group participants, who also own their own companies, echo this perspective, as do members of Manulife's advisory board, who attribute much of their success to nurturing trust.

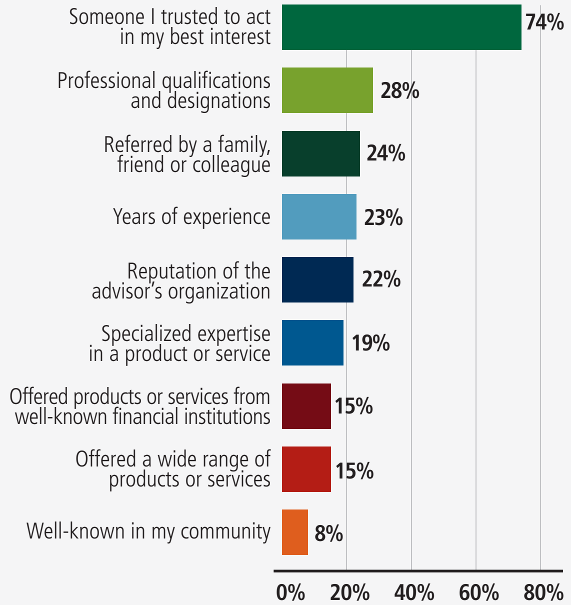
But what does that mean? As emphasized by the employer quoted on this page, listening is one way to build trust. Another is by clearly and consistently demonstrating that the client's objectives and concerns come first at all times.

Methodology

The *Manulife Small Business Research Report* is based on the results of an online survey of 1,122 Canadian small business owners and senior managers across industry sectors and regions. The research was conducted by the Rogers Insights – Custom Research group of Rogers Publishing Ltd., on behalf of Manulife. The survey was fielded in the spring of 2014. For the purpose of this research, "small business" was defined as having between two and 100 employees. The margin of error is ±2.92%, 19 times out of 20. The following charts provide some of the key demographics of the respondents.

Note that some response categories in this report do not add up to 100 per cent due either to the rounding of numbers or questions that allowed respondents to provide multiple responses. Also, sub-groupings of the data (e.g., by region, size, etc.) have higher associated margins of error due to smaller response bases.
Base: All respondents: n=1,122

Figure 1 What is the main reason you chose to work with your current primary advisor?



NOTE: Items less than 2% not shown.
Base: Persons who work with an advisor and answered question; n=413

Building trust takes discipline and consistent effort. By staying the course, windows of opportunity are more likely to open.

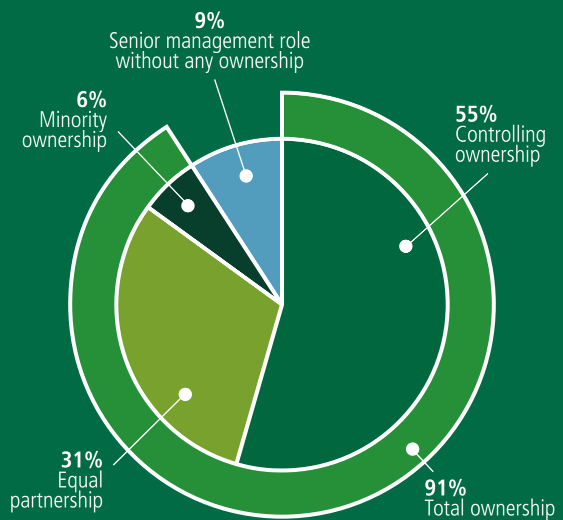
For instance, the survey reveals that owners are most likely to rank personal needs, such as life insurance, as their most popular topic of discussion with advisors (50 per cent). Then they often turn their attention to their business needs (39 per cent), which may include loans and banking products; and then their employees' needs (11 per cent), such as group health and retirement benefits.

This finding flags and prioritizes three distinct categories of financial planning needs employers often look to their advisor to fill over the lifespan of their business. For an advisor, having three potential points of entry to begin a relationship with a client presents great opportunity. Clients want an advisor to help secure their personal and professional futures. But before either can happen, trust must be established.

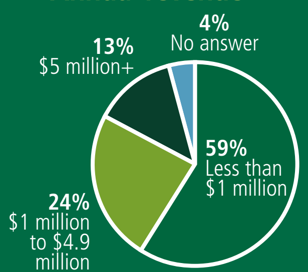
With that in mind, in this edition of the *Manulife Small Business Research Report*, we share the results of the 2014 survey along with proven strategies of our advisory board on how to establish, grow and retain client trust.

While trust is intangible, this report offers advisors concrete tactics that can serve as a roadmap for inspiring trust and fostering long-term client relationships.

Job position of survey respondents

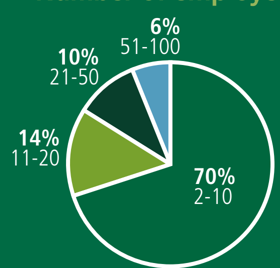


Annual revenue



Average revenue: $2.4 million

Number of employees



Average number of employees: 15

Years in business

Less than 10 years	23%
10-24 years	39%
25-49 years	29%
50 years	7%
No answer	2%
Average years	22.4

Location

Atlantic Canada	7%
Quebec	22%
Ontario	34%
Manitoba/Sask	7%
Alberta	14%
BC/Territories	16%

> “Respect me for who I am. I have my expertise and I’m coming to you for your expertise. That mutual respect is really important to build trust.”
>
> —Focus group participant

SECTION 1: ESTABLISHING TRUST

Finding common ground

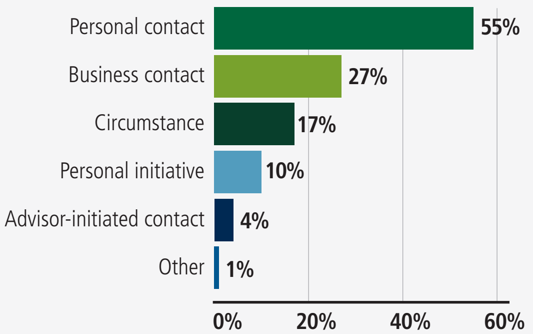
Perspective and personal connections drive the start of successful relationships, not product sales

Ninety-seven (97) per cent of the small business owners surveyed indicate that in their decision to work with their current advisor, it was important that they trusted them to “act in my best interest.”

The following tips can help an advisor build credibility with a prospective client and set the stage for a trusting relationship:

- Build rapport and determine compatibility by sharing personal experiences and asking open-ended questions.
- Highlight personal industry knowledge, in addition to career history, when getting to know a prospective client.
- Share any specialized credentials (degrees, certifications, qualifications).

Figure 2 How were you first introduced to your current primary financial advisor?



Base: Persons who work with an advisor and answered question; n=415

“Rather than going a mile wide chasing prospects and an inch deep with single-need selling, try to do the opposite,” says Brett Simpson, chairman and financial officer at Rogers Group Financial in Vancouver, BC. *“Go a mile deep with each person. Build a trusting relationship serving their holistic needs and they’ll refer you to other people.”*

Word of mouth

Referrals are often a winning strategy for advisors, as they can set the stage for a trusting relationship. The survey results back this up: 82 per cent of the client introductions advisors receive are a result of referrals from personal (55 per cent) or business (27 per cent) contacts.

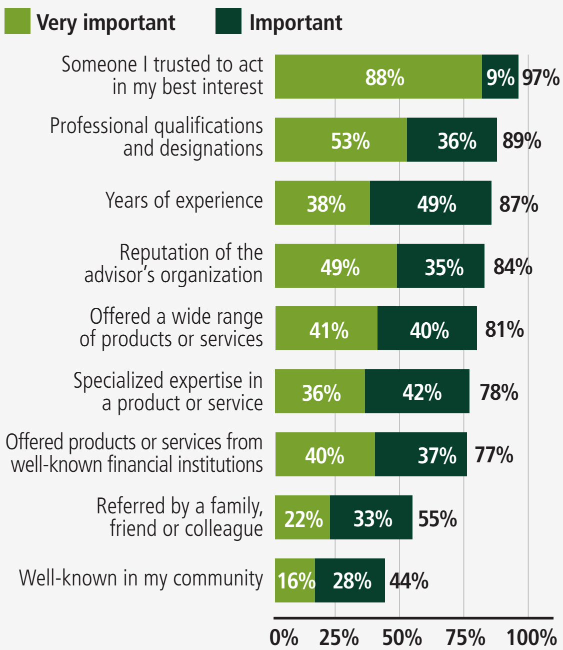
“About 70 per cent of the business that we do now involves leveraging off some of the relationships an individual has already in place,” explains Drew Pritchard, principal of Reuter Benefits in Toronto, ON.

Ideally, you want to create advocates out of your clients. However, keep in mind that a referral may be prompted by an immediate need, rather than a desire for a comprehensive financial plan. The new prospect may already, in fact, have relationships with other advisors.

To help ensure that an initial need turns into a long-term relationship, consider developing a process for follow-up that identifies additional areas of opportunity for the client, possible strategies and, ideally, anticipated positive results.

It's important, however, to bide your time. Survey data tells us that it takes business owners an average of 14 months to purchase a second product from their advisor after making their first purchase, so patience is critical. On average, small business decision makers met with their advisor 3.3 times prior to purchasing their first product or service.

Figure 3 How important were each of the following in your decision to work with your current primary financial advisor?



Base: Persons who work with an advisor and answered question; n=404

"The immediate strategy is to fix the so-called 'sore tooth' to show you know what you're doing and to earn the right to chat about other possible services. It's also important to have the time for a fact-finding process to understand the client's needs," says Neil Menzies, president of Arbutus Financial Services Inc. in Vancouver.

The length of the waiting period varies from client to client, but the pay-off can be great. Two-thirds (67 per cent) of those with more than one product/service with their advisor arranged for the second within one year, and approximately one in five (18 per cent) did so within three months. Of those who purchased one product/service from their advisor, 93 per cent arranged for a second product/service.

The advisory board suggests follow-up should, ideally, begin within three months after completing the initial task for the client.

Building on rapport

Building on early rapport is another step toward generating trust, and this is a two-way process. First, demonstrate you understand the client's long-term goals as well as immediate challenges. As one focus group participant said: *"Get to know me, my needs, who I am, my business... my whole realm of life; and understand who I am."* This is validated by 93 per cent of survey respondents, who based part of their satisfaction with their current advisor on the advisor's ability to show an understanding of the owner's business and the company's needs.

Second, bring your own experiences to the table as a way to demonstrate that you can directly relate to what the client is going through. The discovery process is as much about the client learning about you as it is you learning about the client, note members of the advisory board as well as focus group participants.

"It's about 'breaking bread' with the individual by illustrating that we understand them," says Menzies. *"To do that, we speak entrepreneur to entrepreneur. We can relate because we too own a small business, we have staff, we have teenagers who need braces."*

Members of the advisory board unanimously endorse storytelling as a powerful way to build rapport. *"You demonstrate your expertise and offer possible solutions in a storytelling fashion. The key is you also have to listen and quickly recognize when to pivot, based on what you learn,"* says Pritchard. *"You may start with an insurance request but then realize it's more of an investment situation. So you pivot, and that becomes the discovery process."*

Some effective ways to use storytelling to relate to clients include:

- Tailoring stories to match the company's life cycle stage (i.e., start-up, growth, established) and, ideally, referencing the industry sector of the enterprise.
- Sharing examples of successful strategies from other small businesses.

Your main objective during the first meeting should be a free-flowing exchange of information, without the need to make decisions—even when the client appears to be pressing for a product purchase. For instance, a majority (55 per cent) report discussing personal issues such as personal investments or retirement planning during the first meeting, second only to business financial issues (65 per cent). Just 14 per cent report talking about employee-related issues during their first discussion.

"One of the mistakes many advisors make is they're in a hurry to get things done," says Herb Goedecke, president and CEO of Aero Corporate

Put your value on the table

An open, frank discussion with your client about your vested interest in the relationship can help you earn their confidence and manage their expectations. Forty-one (41) per cent of survey respondents define "trust" in their financial advisor relationship as putting their clients' interests ahead of their own.

In addition, 97 per cent of survey respondents and focus group participants cited the need to feel their chosen advisor had their best interest in mind before establishing a trusting relationship.

Members of the advisory board also recommend the establishment of an open and transparent relationship with their clients. *"There are probably a hundred items that contribute to trust, but transparency and disclosure are huge, and that includes an explanation of how you get paid. At our firm, we provide a disclosure letter that includes details about how we are compensated for the advice that we provide, and we find it's a great way to establish trust,"* says Michael Wortsman, employee benefits specialist at Click Benefits in Toronto.

Benefits in Waterloo, ON. *"I've often found that if you take the client halfway to a sale, then offer to come back to demonstrate how the product or service can help, you've created the opportunity for a second meeting."*

"If you're having a meeting with a new prospect, then you know there's been some sort of 'disturbance,'" adds Simpson. *"They're being underserved or there is some kind of uncertainty in their minds about their current advisor. Our job, our value proposition, is to help them understand what they're missing and why they need us to fill the gap."*

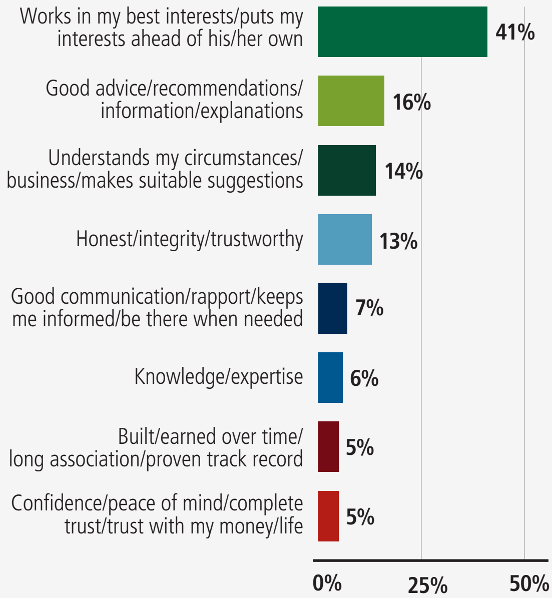
Building blocks for establishing trust

During the early stages of a new business relationship, which can span several meetings, clients need to be more involved in the decision-making about how the relationship is going to work. Just 14 per cent report they purchased products after the first meeting, while one-third (34 per cent) purchased after the second meeting. Almost half (45 per cent) met three to five times prior to purchasing a product.

Sam Bruno, life insurance and employee benefits specialist for Underwriters Insurance Brokers in Kamloops, BC, sees this pattern often. *"Business owners want a sense of control. They don't want to be talked into buying stuff that they don't want or need, or that they don't think they need. At the start of a relationship, clients need to be hands-on, and as trust builds, they turn more over to you as their trusted advisor."*

"When you sit down with the client to show your expertise, let them know there may be several options to choose from. If they see that you are flexible, they are more engaged," adds Joël Drolet, general manager of Goguen Champlain Financial Services Inc. in Dieppe, NB.

Figure 4 How would you define "trust" in your relationship with your current primary financial advisor?



NOTE: Responses less than 5% not shown; Base: Persons who work with an advisor and answered question CODED; n=335

"You also need them to be more involved in the decision-making at this stage, as a way for them to share what they know about their business and their future plans."

The enlightenment that results is mutually beneficial. As one focus group participant says, *"It was a real education for me. We jointly set objectives and sometimes [my advisor] would say to me, 'That's not a one-year plan; that's a three-year plan and here's how we can maneuver toward it.' Now, every year we meet to review the objectives, and what we're going to do in the next year. It's an ongoing process and I really feel like I'm a part of it."*

Members of the advisory board have experienced times when clients have rejected their advice, in favour of making decisions on their own or pursuing a different direction. At those times, according to the board, it may be wise to consider walking away from the sale.

Know their business

Four in five (78 per cent) small business decision makers report that an advisor's specialized expertise in understanding their business is important when choosing their advisor. They were then asked what topics they first discussed with their advisor after making that choice. Two-thirds (65 per cent) name financial issues such as financing, cash flow and debt management. Half (55 per cent) cite talking about personal issues such as wealth management or retirement planning and 30 per cent cite business strategy as a topic of discussion.

Advisors can demonstrate a shared interest in the issues that matter most to their clients and continue to lay a foundation for trust by:

- developing and promoting an expertise for a particular industry sector; and
- offering educational materials or events that are clearly positioned as "value-adds" for existing and prospective clients in that sector—with little or no reference to their advisory business aside from branding and contact information.

"We offer half-day seminars on construction, for example. We bring in top leadership to talk about industry challenges, or new legislation that is affecting the industry. A small piece of it may be risk-management related, but the priority is to relate to them on a level that's completely outside of what we do," says Teresa Norris-Lue, vice-president, Group Benefits and Retirement and Individual Life and Wealth, at Cowan Insurance Group in Cambridge, ON.

"By walking away from the sale, you'll probably make a bigger sale down the road," says Drolet.

Question of compatibility

Sixty-three (63) per cent of survey respondents indicate they are satisfied that their current advisor is "a key partner in the management of my business." Eighty-two (82) per cent say they are satisfied with their advisor's ability to provide advice and solutions specific to their business needs.

These findings, along with the discussions held with the advisory board, suggest that a key determinant for a self-sustaining, trusting relationship is compatibility.

"It can be hard to know when the chemistry is not there, especially when it's a big selling opportunity. Yet, when I look back at clients who have left us, the number one characteristic is a lack of chemistry or compatibility," says Menzies.

Client compatibility can often be assessed through joint strategizing and, to some extent, by asking prospects to complete a profile that captures their values or philosophies (e.g., "Are you conservative with investments?" "Why do you offer employee benefits?"), as well as their communication and decision-making styles. *"As far as trust is concerned, I'm looking for a consultant rather than a sales person,"* was how one focus group participant put it.

Advisors should also be prepared to share their own values and styles when it comes to financial planning. *"You need to disclose your own core values first,"* notes Simpson. *"You're telling them, 'Here's what we (at our firm) believe in. Is that compatible with you?'"*

Winning over new prospects

The reality is that there is much competition for new client relationships. When looking for trustworthy advice, survey respondents in

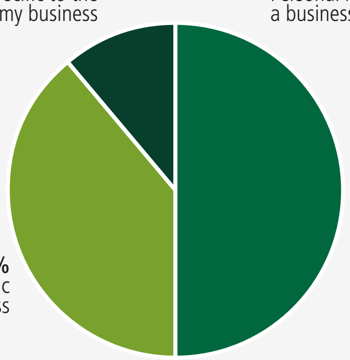
2012 reported that 80 per cent turn first to references from professional (37 per cent), personal (32 per cent) and industry association (11 per cent) contacts.

Consider the following tips from the advisory board to turn new prospect encounters into long-lasting client opportunities:

- **Do not give up if the prospect already has an advisor.** *"We invest a lot of time being the 'second runner up' for potential clients. Show them you are persistent. It may take a long time because the sales cycle is long, but something may happen with the current advisor and then they'll think of you first,"* says Norris-Lue.

- **Ask for an "audition,"** particularly if you sense the owner is unsure about his or her current advisor. *"One prospect started by giving us a small amount of money to invest. We did a good job; and now, four years later, we have all their assets,"* says Joel Rose, principal of Usefulideas in Toronto.

Figure 5 Which of the following is your top ranked item in terms of discussions with your current primary advisor?



Base: Persons who work with an advisor and answered question; n=203

Banking needs, a key opportunity for advisors

One of the most important and immediate services small businesses in the start-up phase require is banking, and the research points to a readiness and openness to advisors providing these solutions.

A majority of the small business focus group participants want to establish a stronger and lasting trust-based relationship with advisors who can provide ongoing advice on their business banking needs. In addition, survey results show businesses with fewer than 50 employees are less likely (54 per cent) to turn to their existing bank/financial institution for advice on securing a new business mortgage and/or refinancing a business facility than companies with 50 to 100 employees (67 per cent).

Advisors, such as Neil Menzies of Arbutus Financial Services in Vancouver, are quick to meet this fundamental banking need. *"The banking for us has been really helpful on a couple of fronts,"* he explains. *"Often, it is the lead into the relationship. We're referred in and we offer financial vehicles that are more suited to an early-stage business because they are a little bit more flexible and creative."*

Banking products are also a way for advisors to balance out their own revenue streams while waiting for the organization to grow large enough to need benefits and retirement services, according to Menzies. *"They are not only a door opener, but they also help our firm financially with regard to covering our overhead for these early-stage relationships."*

"The wise owner knows he is too busy and will eventually look to you for leadership. The stronger the relationship, the more accelerated that path can be."
—Neil Menzies, president, Arbutus Financial Services Inc.

SECTION 2: GROWING TRUST

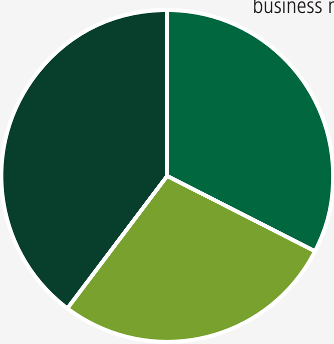
Worth the wait

Advisors who take deliberate steps to build trust will be rewarded with customers who become lifelong clients

Often, all of the time and effort spent meeting with and getting to know a prospective client pays off. Once the trust is there, it's the advisor's to keep. Clients want to be with an advisor for the long term. *"You know that they trust you when they turn to you and ask, 'What would you do?' That's where we want to go with them,"* says Drolet.

Once a trust base has been established with a client, your focus can shift toward building upon it—a course of action that effectively boils down to saying what you do and doing what you say, stresses the advisory board. The goal is for the advisor to grow with and adapt to the evolving needs of their clients.

Figure 6 **In general, do you prefer your financial advisor to be...?**



Base: Persons who work with an advisor and answered question; n=407

Research results back this up:

- Forty (40) per cent of surveyed small business owners indicate they prefer a "quarterback" advisor; that is, someone who specializes in one area, and draws from a personal network of other specialists for other areas as required.
- Thirty-three (33) per cent prefer a generalist who can help them with all their needs but does not specialize.
- Twenty-eight (28) per cent prefer a specialist.

This suggests that to develop long-term relationships that grow both your business and your clients' businesses to their full potential, you may need to develop an area of specialization and/or the ability to quarterback.

"With the rapid changes in our industry, being 'all things to all people' becomes challenging.

Like in many professional careers, having a focus—and a network of other experts you can call upon—strengthens your overall credibility and your practice," says Kandy Cantwell, managing partner at Montridge Financial Group in Vancouver.

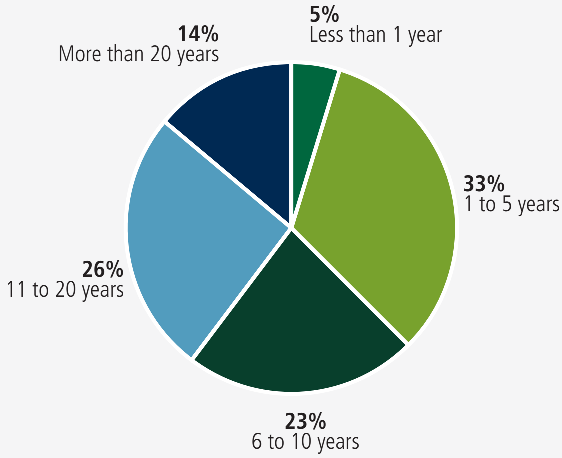
Does performance equal trust?

Survey data indicates that in the minds of small business owners, there is a strong link between an advisor's performance and an increase in client trust. Asked what their financial advisor has done to increase trust, respondents were most likely to point to matters linked to performance, such as correct advice and good results. As noted earlier, the main reason for "firing" an advisor is bad advice or service (57 per cent).

However, while owners may regard product performance as a logical litmus test, members of the advisory board stress it lays a poor foundation for the type of long-term success that's possible only through a trusting, lasting relationship between client and advisor.

"I get clients coming in from time to time, and…their reason for seeing me is to improve the performance of their investments," says Simpson. *"I'm always reluctant because if they buy me based on performance then they'll sell me based on performance at some point in time, just like they're about to do with their current advisor."*

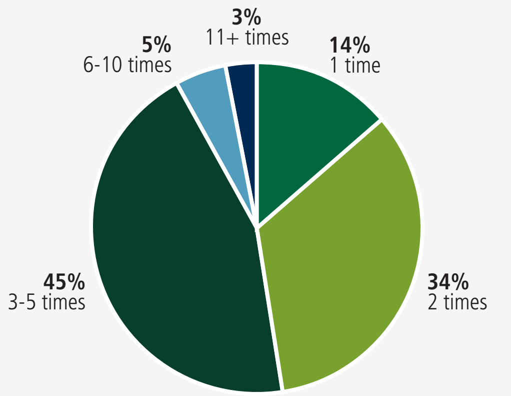
Figure 7 How long have you worked with your current primary financial advisor?



Mean = 9.4 years

Base: Persons who work with an advisor and answered question; n=372

Figure 8 How many times did you meet with your current primary financial advisor before you relied upon their advice to purchase products or services for your business?



Mean = 3.3 times

Base: Persons who work with an advisor and answered question; n=410

Satisfaction with their banking relationship

While small business owners' overall satisfaction with their financial advisor is near universal, satisfaction with their bank is not.

Four in five (82 per cent) report satisfaction, but just 43 per cent say they are very satisfied (vs. 71 per cent regarding their financial advisor). Given the long-term relationship between small businesses and their banks, where are the opportunities to break through? When asked what would make them consider using an alternative financial institution for some of their business needs, about two-thirds (62 per cent) reported lower fees, while 34 per cent cited better deposit interest rates. Better understanding of their unique needs (30 per cent) and more flexibility (29 per cent) followed.

An opportunity also exists with the 36 per cent of respondents who do not feel it is important to have all of their financial accounts/products with the same financial institution.

Figure 9 What has your financial advisor done to increase your trust in them?

Note: Responses less than 4% not shown;
Base: Persons who work with an advisor and answered question; n=168

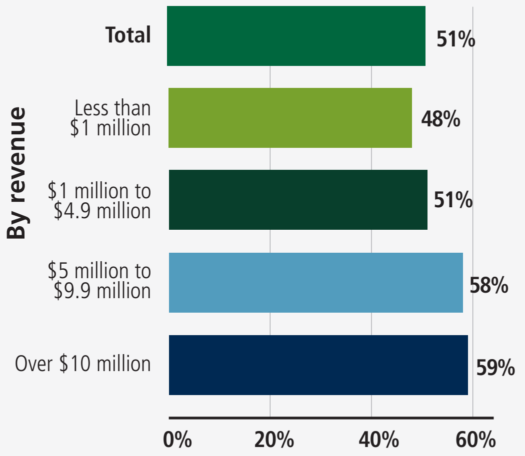
To reduce the risk of losing clients due to short-term performance results, the advisory board points to the need to manage clients' expectations—and emotional responses—in light of market volatility and, on the benefits side, plan-member utilization.

"Clients have been conditioned to focus on performance to keep score of how we're doing, but performance is the thing we can control the least," says John Sabourin, vice-president at Selectpath Benefits and Financial Inc. in London, ON. *"We need to change the score card, and we do that by having a plan that's specific to the client and a breadth of discussion that demonstrates the greater value of thinking long term."*

General education needs to be part of the discussion. *"As advisors, we don't need to make clients experts. But we need to invest*

Figure 10 Compared to when you first started working with your current primary financial advisor, would you say that your trust in them has increased?

Respondents who agree their trust in the current primary financial advisor has increased, broken down by annual revenue.



Base: Those who rely on a financial advisor; n=410

time to help them understand what's behind their plan's numbers," says Cantwell.

When performance drops significantly versus a stated benchmark, be proactive. *"With one client, we quickly realized their account was going off the rails when we saw they had a large deficit in the third month of their benefit year,"* says Goedecke. *"You have to deliver that news right away. They didn't like to hear it, but they appreciated that we had a lot of time to make changes while protecting the overall plan design, which was important to their employee culture. That built a lot of trust."*

Staying connected

Surveyed small business owners and senior decision makers say their financial advisors are most likely to contact them:

- quarterly (37 per cent)
- monthly (23 per cent)
- twice a year (17 per cent)

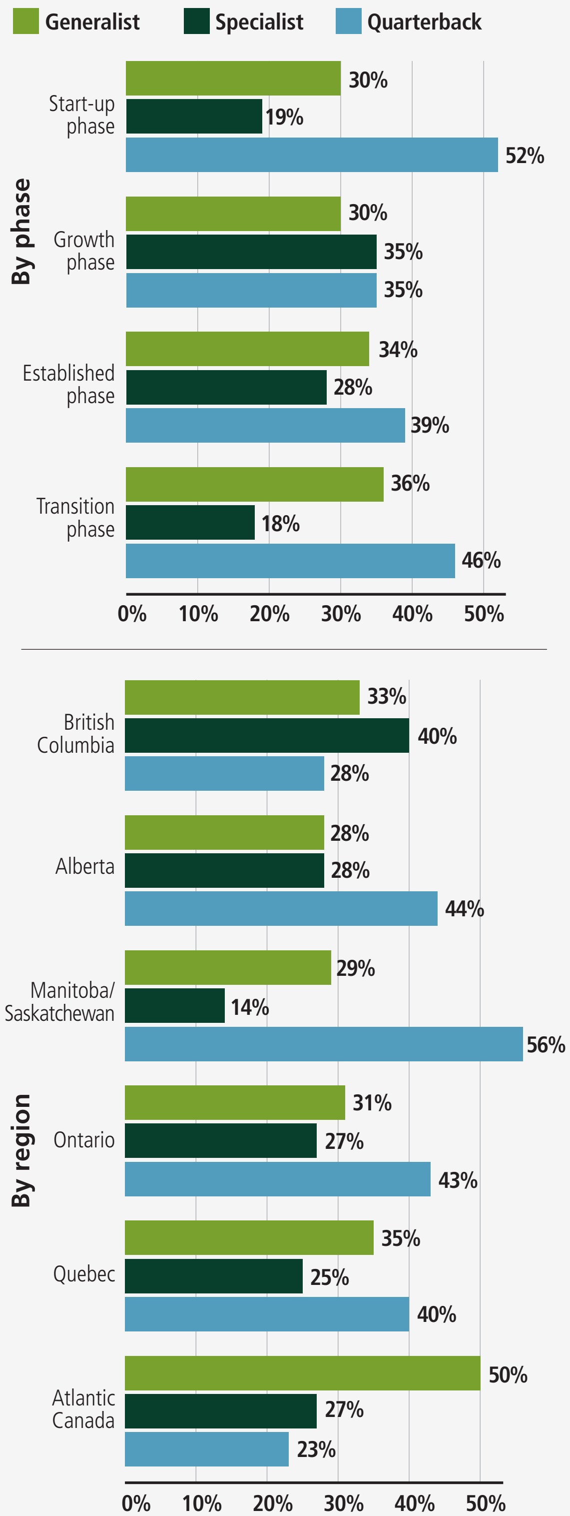
Figure 11 What did you first discuss with your current primary financial advisor regarding your business? Which need did you meet when you *first* purchased a product or service? What need did you meet when you purchased your *second* product or service?

	First discussed n=389	First purchase n=361	Second purchase n=335
Financial issues (NET)	**65%**	**53%**	**41%**
General financial issues	45%	25%	13%
Managing cash flow	24%	14%	11%
Debt management	17%	14%	7%
Business mortgage	13%	10%	4%
Financing	27%	17%	11%
Controlling costs	18%	10%	10%
Employee related issues (NET)	**14%**	**14%**	**15%**
Staff turnover/attracting and retaining key employees	6%	7%	7%
Employee productivity issues	6%	5%	8%
Employee absenteeism	4%	5%	6%
Stress level of your employees	5%	4%	8%
Union contract/employee requested benefits	8%	5%	6%
Retirement/health plans (NET)	**30%**	**23%**	**26%**
Group employee retirement savings plans	11%	6%	14%
Group employee health benefits plans	17%	14%	15%
Total compensation advice	13%	9%	7%
Business strategy (NET)	**30%**	**23%**	**26%**
Wanting to spend less time on HR issues and more time on overall strategic issues	9%	7%	7%
Creating a business plan	20%	14%	10%
Transitional planning	14%	8%	12%
Personal issues (NET)	**55%**	**42%**	**32%**
Personal/family health issue	11%	8%	8%
Health issue of one of your employees/their family	6%	4%	7%
Personal investments or retirement planning	49%	36%	24%
Other	3%	5%	4%
No second purchase	–	–	11%

Base: Persons who work with an advisor and answered question

Figure 12 In general, do you prefer your financial advisor to be...?

Respondents' preferences for types of advisors, broken down by life cycle of the business and by region.



Base: Those who rely on a financial advisor; n=407

The results are similar when respondents are asked to indicate their preferred frequency, with one exception: 23 per cent would prefer to be contacted twice a year, compared with 17 per cent who say they are currently contacted twice a year.

Pritchard notes that negative external events, such as an economic downturn, can be seen as opportunities to reach out. *"During those times, our clients really appreciate it when we pick up the phone and reassure them to maintain their long-term focus."*

As well, survey results tell us that employee turnover, attraction and productivity motivate owners to implement a health benefits or retirement plan. With this in mind, checking in with them periodically gives you the chance to assess if it's the right time to introduce new concepts and products to the conversation.

Focus group participants emphasize that effective communication can straddle a variety of formats.

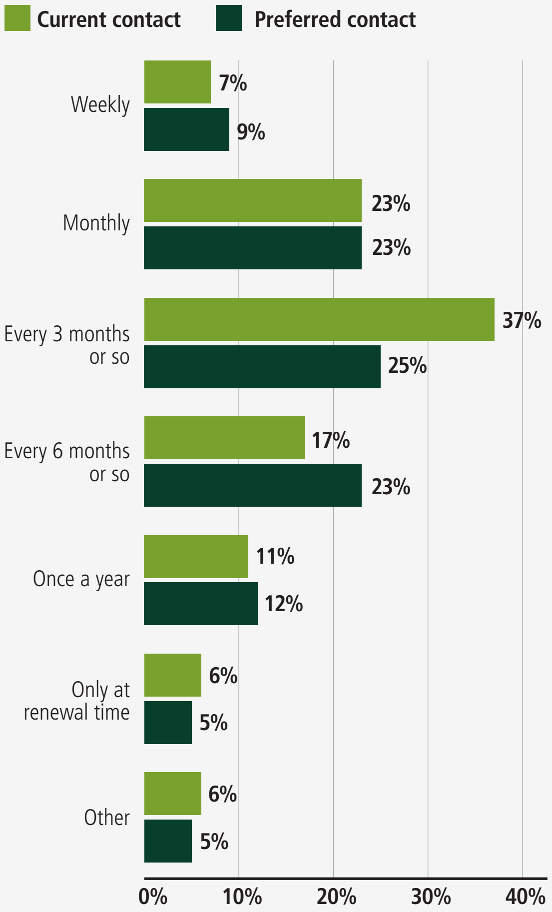
Consider:

- distributing a monthly e-newsletter that interprets the impact of trends in business and personal financial planning; and
- hosting social or educational events (such as a wine and cheese, or a seminar with an expert speaker), that promote networking between clients.

Above and beyond

Advisors can also boost trust levels by offering guidance in areas outside of their core product offerings. *"Share your intellectual capital on something that will gain you nothing, such as personal wills and mortgages. It helps build trust because they're not getting that proactive advice elsewhere,"* says Simpson.

Figure 13 **How often does your financial advisor contact you regarding your business's current financial products/services and needs? How often would you prefer to be contacted by your advisor regarding your financial products/services and business needs?**



Base: Persons who work with an advisor and answered question; Current n=358; preferred n=223

Offering a wide range of products and services (81 per cent) and having specialized expertise (78 per cent) are viewed as important considerations to small business owners when making the decision to work with their current advisor. This extends to advisor evaluation, with four in five (82 per cent) survey respondents saying they are satisfied with their primary advisor regarding providing advice and solutions to their business issues.

"It helps deconstruct the notion that we're only in there to sell something. It tells clients we are willing to invest the time in whatever the client needs," adds Goedecke.

Once an owner's personal needs are met, focus can then shift to the business's financial needs and then the employees' needs—all great opportunities to cross-sell and grow the trust relationship with the client.

"Step one is providing a product or program to the employer, and step two is making sure employees use it. For example, we literally sit down with employees during enrolment. This not only helps guarantee your relationship with the client, but it also makes the client look really good to their employees," says Christian Viau, owner of Placements-Vie Inc. in Pointe-Claire, QC.

Find the opening with alternative banking solutions

Based on the 2014 *Manulife Small Business Research Report*, 62 per cent of small business decision makers say they would be likely to work with a financial advisor to arrange a mortgage to purchase or re-finance a building or land for their business. Further, three-quarters (76 per cent) of survey respondents say they would be receptive to advice from their financial advisor dealing with personal or commercial debt.

"I go straight to the point and ask if they're thinking of leaving, and if so, why. If it's something beyond my control, then so be it; but often it's something that can easily be fixed."

—Sam Bruno, Life insurance and employee benefits specialist, Underwriters Insurance Brokers

SECTION 3: RETAINING TRUST

A lifelong partnership

Client retention is a matter of sustaining trust until retirement and beyond—even if a client chooses to walk away

As a client purchases more products and services from an advisor, the relationship deepens. By now, the client recognizes the advisor's desire to see the business succeed and help the business stand out from the competition, thereby strengthening the advisor's value proposition and boosting client loyalty. Ultimately, an advisor's goal is to be very difficult to replace. Retaining client trust is one way to help ensure this doesn't happen.

Retirement and beyond

Ironically enough, an effective way to retain trust and continuously demonstrate you are working in the client's best interest can be to bring their focus to the end game; that is, selling the business.

This year's survey found that 14 per cent of respondents report they are preparing their company for transition or sale to a new owner. When asked this question in the 2011 survey, 29 per cent of those small business owners indicated they planned to sell to an outside buyer, with 11 per cent saying they would sell to a partner. Nineteen (19) per cent planned to leave the company to their children.

A conversation like this is as much about succession planning and post-retirement personal benefits as it is about income, and it's a conversation that's not likely to occur with other providers, such as accountants and lawyers, notes Viau. *"Particularly now, as baby boomers approach retirement age, more clients are ready to sell their businesses. This becomes very important to them personally. Advisors can grab this as an opportunity to get to know them more than any other provider, to find out what life is all about for them and to help make their dreams a reality. And we both win, because retirement income is the future of our business."*

Here are some tips for broaching the topic of succession planning:

- Use storytelling and your own aspirations to draw out your client's dreams after retirement.
- Build those dreams into the overall strategy, so that clients can look forward to a seamless transition out of the business.
- Over time, bring in experts—such as industry-specific succession planning consultants, or perhaps a real estate agent if a major move is part of the plan—to flesh out details and lay down next steps.

Retaining and losing trust are two sides of a coin. Respondents who have lost trust in an

advisor indicate that it was because of poor recommendations and poor/below average performance (21 per cent), another 21 per cent indicate that their advisor became complacent. Similarly, of those who report increased trust, the most cited action is good advice/recommendations (25 per cent), and good performance (23 per cent), followed by responsiveness (17 per cent).

Retaining trust is a continuous effort, since client needs and circumstances are in constant flux. Industry trends, corporate restructuring and new decision makers are among the changes that can affect client relations—and successful advisors stand ready to respond accordingly. Otherwise, they risk losing clients who initially trusted them.

One focus group participant provided a telling example of how trust can be lost. *"I left an advisor several years ago because he wasn't there when I needed him. I didn't know where he was, whether on vacation or whatever. The relationship had been good, but the fact that he wasn't there caused a lot of stress and grief. I ended up having to scramble with lines of credit to accomplish what I needed to do. There were lots of apologies after the fact, but it was too late."*

Here are some tips to consider when working to retain client trust:

- Set aside enough time at least once a year to sit down with clients and revisit the long-term strategy, as well as their personal, business and employee needs.
- Ask questions that will draw out possible changes in personal circumstances, in the business and, more generally, in the industry, and adjust objectives, recommendations or expectations accordingly.

When paths diverge

Occasionally, despite the presence of trust, clients still walk away. In fact, a majority (52 per cent) of survey respondents indicate that there is an advisor that they used to work with but no longer do. Of this group, about one-fifth (19 per cent) report that this change was the result of the advisor retiring or the advisor leaving their current company.

You can recognize when a relationship may be in jeopardy. Some telling signs, according to the advisory board, include:

- Radio silence (clients do not return calls).
- A change in ownership or a new human resources manager.
- Requests for experience reports.
- Unilateral actions or changes to the agreed-upon strategic plan.

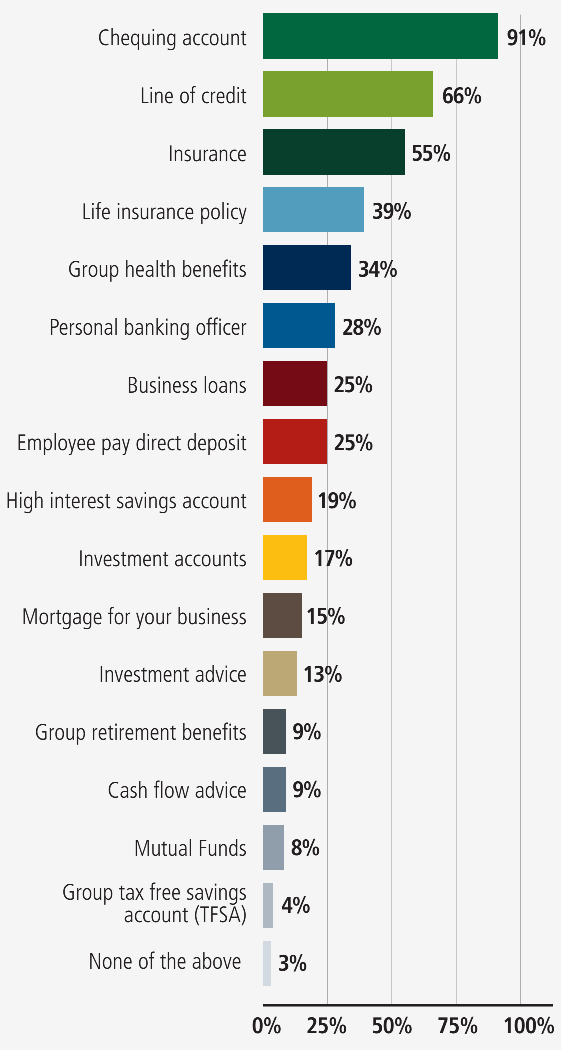
The reasons may vary, but advisory board members have learned from experience that such departures often have to do with company politics or unforeseen relationships between the client and new providers.

"In all of our follow-up courtesy calls with clients who have left, it's never been about superior skill, competence or better products.

They tell us we did a great job, and leaving was beyond their control," says Rose.

"I lose groups for political reasons, and I gain groups for political reasons," adds Cantwell. *"My overriding philosophy, though, when I lose someone is 'don't burn the bridge.' For instance, I'll send a goodbye gift to my contact. Many of them leave the company, go somewhere else, and then give us a call. It may be years afterwards, but I end up working with many of them again."*

Figure 14 Which of the following financial products/services do you have for your business?



Base: Total answering; n=1,122

The board's advisors, who estimate their client turnover rate to be less than five (5) per cent, suggest trust-retention tactics need to continue even when the relationship seemingly ends.

Tactics may include:

- Reaching out to determine if it's a trust issue or something else, such as a misunderstanding that can easily be resolved.
- Ensuring your clients know they're important to you. Check in with them periodically; ask them if their needs or objectives have changed; and make proactive suggestions you feel will help them reach their goals.

It all comes down to sustaining a trusting relationship that's built on mutual respect and a sincere desire to help clients be successful in the long term, concludes the board.

"Small business owners are people who need to be exceptionally talented in order to become successful entrepreneurs. Yet, they're also alone in their worlds. We need to support them on a human level and see ourselves as partners in building their future," says Viau.

"The commodity that's in short supply, even in the advisory world, is the ability to look at the long term," notes Simpson. *"We're in a world that is so short term in nature, with so much information being dumped on us. If we can stay focused and differentiate ourselves through our ability to look long term with clients, then we will guide them to better outcomes."*

Small business owners couldn't agree more, adding that advisors stand to gain as much as they do as clients. As summarized by one focus group participant: *"If financial advisors took the long view, the holistic view, of just helping us do well, then they would benefit much more in the long term."*

Product insights help planning process

Financial advisors who understand the perceptions and motivations that small business owners attach to product offerings will have more meaningful conversations with clients. Here are some survey results that may help.

Banking

Whether or not they personally have a financial advisor, small business owners appear to recognize that advisors can help in areas other than investments, risk protection and health benefits.

- Three out of four (76 per cent) owners are receptive to getting advice from a financial advisor on managing personal or commercial debt, whether or not they currently have a financial advisor. Thirty-six (36) per cent are extremely or very receptive, and 40 per cent are somewhat receptive.
- Sixty-two (62) per cent of small business owners or senior decision makers are likely to work with a financial advisor to set up a business mortgage; 31 per cent are extremely or very receptive.

Group benefits

As expected, employee attraction and retention are the main motivators behind owners' decisions to implement a health benefits plan. Yet, advisors might do well to position benefits in terms of their positive returns for personal health, cost savings and strategic planning.

- Small business owners with group health benefits most often cite employee attraction and retention (34 per cent) as an issue or problem that led them to consider benefits, followed by the desire to spend less time on HR issues and more time on strategic issues (19 per cent) and concerns over personal/family health issues (16 per cent).
- Among owners who do not have benefits, retention (34 per cent) and attraction (31 per cent) would be the main motivators to consider implementing benefits, followed by a desire to take advantage of the savings associated with group plans (vs. personal benefits, 24 per cent) and the desire to reduce taxes (20 per cent).

Retirement savings

Personal concerns consistently compete with staffing concerns when it comes to retirement savings, and the company's reputation may also be a deciding factor.

- Among owners with retirement savings, employee retention and attraction (31 per cent) come out just ahead of personal concerns (29 per cent) as the reasons most cited behind the addition of a retirement savings plan. Respondents then pointed to a desire to spend less time on HR issues and more time on strategic issues (16 per cent).
- Employee retention would be the top motivating factor to offer retirement savings among owners who do not have a plan (28 per cent), followed in quick succession by tax incentives (25 per cent), employee attraction (24 per cent), personal retirement savings (22 per cent) and, interestingly, the desire to demonstrate company values by helping employees save for retirement (22 per cent).

2014

Advisory board

The 2014 *Manulife Small Business Research Report* relied on the national advisory board to help shape the survey theme and interpret the results. We thank them for investing their time, breadth of knowledge and expertise in this look at the small business market in Canada.

Sam Bruno
Life insurance and employee benefits specialist
UNDERWRITERS INSURANCE BROKERS
Kamloops, BC

Kandy Cantwell
Managing partner
MONTRIDGE FINANCIAL GROUP
Vancouver, BC

Joël Drolet
General manager
GOGUEN CHAMPLAIN FINANCIAL SERVICES INC.
Dieppe, NB

Herb Goedecke
President and CEO
AERO CORPORATE BENEFITS
Waterloo, ON

Neil Menzies
President
ARBUTUS FINANCIAL SERVICES INC.
Vancouver, BC

Teresa Norris-Lue
Vice-president, Group Benefits & Retirement and Individual Life & Wealth
COWAN INSURANCE GROUP
Cambridge, ON

Drew Pritchard
Principal
REUTER BENEFITS
Toronto, ON

Joel Rose
Principal
USEFULIDEAS
Toronto, ON

John Sabourin
Vice-president
SELECTPATH BENEFITS AND FINANCIAL INC.
London, ON

Brett Simpson
Chairman and financial officer
ROGERS GROUP FINANCIAL
Vancouver, BC

Christian Viau
Owner
PLACEMENTS-VIE INC.
Montreal, QC

Michael Wortsman
Employee benefits specialist
CLICK BENEFITS INC.
Toronto, ON

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