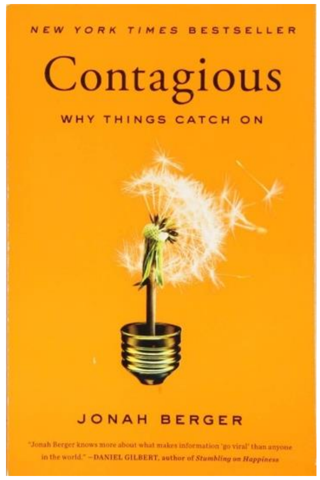
CONTAGIOUS:

Why Things Catch On



Filtered Thought Leadership

"Top Business Books Summarized for Financial Planning Leaders"

April 2020

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Presented By

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Introduction

What is "Filtered Thought Leadership"?

The purpose of "Filtered Thought Leadership" is to provide the "key concepts and ideas" from today's top business and leadership books to professionals in the financial advice industry. I am not sure if I love the phrase "filtered" but you get the point.

It's tough to argue against reading more, as we know it will help us be better professionals and leaders- however it can be tough to find the time and focus to complete recommended books. I found in my financial planning career, countless books were recommended to my peers and I, even given as gifts. The majority of us had good intent to read these books however we rarely make the time to complete the books we know we should be reading.

This is an attempt to summarize books in a few pages, specific to the concepts that can best help people in our profession. This will be a tool to keep advisors and leaders aware of key studies, trends and ideas that will aid their conversations with prospects, candidates or the advisors they coach.

The final pages offer my perspective on how the core concepts could be implemented by leaders in the financial planning industry. I offer the key concepts FIRST, without my suggestions, so that you can think freely of how you could apply before seeing someone else's take on implementation.

We purposely omit fancy fonts, pictures (unless necessary) and stick to basic text to comply with reading "on the fly" and avoid formatting issues depending on your device.

This Edition

"Contagious: Why Things Catch On"

By Jonah Berger

Published 2016.

I bought this book months ago as some of the most helpful business books I have read in the past have been centered on marketing or written by marketing gurus. However, I didn't read the book until the onset of the coronavirus pandemic. What better time to read a business book called "contagious" and understanding "why things catch on" then in the middle of pandemic- and when you are "lock-down" from a city that is currently the national epicenter!

The author is a marketing professor at Wharton and explores the power of "word of mouth" marketing and social transmissions that go viral. With meeting and connecting with people being the necessary skill for growth in the planning profession, what better time to talk about why concepts and businesses go "viral."

Key Concepts & Thoughts

There are many examples of products and businesses that "catch on" and become "social epidemics": Livestrong wristbands, non-fat greek yogurt, a new diet. They start with a small set of individuals or organizations and then spread. Even with tons of marketing dollars, most things do NOT catch on. Sometimes they do catch on because they are just plain better than the competition or have attractive pricing or proper advertising. Quality, price, advertising usually isn't the entire story.

WORD OF MOUTH is the primary factor behind 20 to 50% of all purchasing decisions. Word of mouth from everyday joes and janes is 10x more effective than advertising. Ads always argue that their product is best versus friends telling us straight and wanting to help us. Also, word of mouth is more targeted.

You may think social media helps the word-of-mouth business - however only 7% of word-of-mouth recommendations happen online. We forget, many people spend time OFFLINE. (Maybe not at the writing of this report on 3/22/2020 as we practice social distancing).

There are SIX principles to CONTAIGIOUSNESS:

1. Social Currency: When talking about this product, does it make people look good?
2. Triggers: Stimuli that make us THINK about related things to the product.
3. Emotion: When we care, we share: How to craft messages that make people feel?
4. Public: Can people see when others are using the product or engaging in behavior?
5. Practical Value: The product needs to add value and show use.
6. Stories: People don't share information, they share stories…what's the info vessel?

SOCIAL CURRENCY:

People want to look smart, cool, and/or rich. How does your product or service do this? This chapter uses "PDT" (Please Don't Tell) a hidden bar in NYC as its case study. PDT does not advertise, only takes reservations for the number of seats at the bar, starting at 3:30 of that day - and it is HIDDEN in back of a hot dog shop - you must enter through the telephone booth - and then find the upscale cocktail bar. Since this bar is a SECRET, it is social currency, and now more people are likely to talk about it.

Sharing your personal opinions ignites the same "feel good" brain circuits as the responses to rewards such good food and money. You feel good when you talk about YOUR recommendations.

People use SOCIAL CURRENCY to achieve desired positive impressions among the people around them. In order to get people to talk about your product or service you must give people a way to make themselves look good while promoting products or companies or ideas.

Three concepts that can lead to social currency:

Inner remarkability: something unusual or extraordinary will get talked about. This can happen when breaking an expected pattern.

Game Mechanics: elements of a game that provide rules, a feedback loop and makes things fun. (Think airline miles, your gold, platinum or black card - giving awards - naming a drink at a bar after a patron will have that patron share the news with everyone, etc.)

Make people feel like insiders: the man that owned RUE LA LA online store first owned smartbargains.com. Smartbargains.com failed even though it sold the exact same things as Rue La La. The difference was in order to get into a "flash sale" for Rue La La, you had to be invited. They were "private" sales to their members. Rue La La sold for $350 million! Think Disney VAULT as an example as well.

TRIGGERS:

Do people talk more about WALT DISNEY or CHEERIOS? Triggers are little environmental reminders for related concepts or ideas. If you don't have kids ages 2 to 12, you may not be triggering conversations about Disney too often. However, everyone eats breakfast, and we always see those bright orange/yellow cereal boxes when we are in the market. Mentions of Cheerios spike every day on twitter from 7:30 to 8am. Disney is more fascinating but doesn't have as many triggers.

A study showed the effect of buying decisions depending on the music played at the store. When French music was playing, French wine sales were up. When German music was playing, German wine sales went up. Voting station locations can influence elections. Could voting in a church sway people from voting pro-choice?

The viral video of the song FRIDAY by Rebecca Black is a "bad song" (per the author) every day of the week but is played/viewed most often on Fridays. Geico cavemen ads are funny but failed because we don't talk about cavemen every day. WASSSSSUP?!!!! Budweiser beer commercials went viral because it was a common greeting that everyone used at the time of the commercial.

Will your message/service/product be triggered by the everyday environments of your target audience? How frequently are the stimuli occurring? Michelob switched their slogan from "Holidays are for Michelob" to "Weekends are for Michelob" and that made a big difference because of frequency.

Triggers are the foundation of word of mouth and contagiousness.

EMOTION:

The one emotion, more powerful than all others in getting word of mouth to spread, is "awe." Awe is the sense of wonder and amazement that occurs when someone is inspired by great knowledge, beauty, sublimity or might. It's the experience of confronting something greater than yourself. It typically involves a surprise, unexpectedness or mystery. Most of the web's viral videos are because of awe.

Sharing emotions helps people connect. Emotion sharing is like social glue that helps maintain and strengthen relationships.

There is an old news and media adage…. "IF IT BLEEDS, IT LEADS" …. the belief that bad news generates more attention. But through the author's research, positive news articles were more likely to be shared than negative ones. (Think about the "bad news" on the pandemic- not only do these stories LEAD right now- 85% of all news shows are spent on this horrifying topic.)

Physiological Arousal: state of activation and readiness for action. High arousal emotions are more likely to be shared. Positive high arousal comes from AWE, excitement and humor and negative high arousal comes from anxiety and anger. Lower arousal won't get shared as much, the author uses examples as contentment and sadness as lower arousal emotions. MORE ANGER or MORE HUMOR led to more sharing.

"Three Whys" to ignite emotion. Ask WHY three times to get to the core emotion. Write down why you think someone is doing something and ask WHY three times. If you want to talk about globally warming and changing it - don't talk about the big problem or stats - you need to talk about how their kid's health will be affected- which elicits emotion- that makes people act.

PUBLIC:

Steve Jobs was fanatical about branding. Jobs spent time thinking about what was more important…for the Apple logo to be right side up to the owner of the laptop before they use the product or to the rest of the people in the coffee shop to let them know, someone else is using Apple? After great debate, it was more important for others to see the Apple right side up…this would make more people likely to do it (buy an apple product) themselves. This is a PUBLIC VISIBILITY decision.

People imitate those around them. Partly because other people's choices provide information...its' called SOCIAL PROOF.

There are 100,000 patients on a kidney transplant wait list. But 97% of kidney offers are refused! If you were 100th on the list and get the offer, that means 99 people rejected it. This then infers that the kidney is low quality so the 100th person doesn't take it either! Even though the patients don't communicate with each other- its' social proof/inference.

Herd mentality: Halal Chicken and Gyro in NYC is a top 20 ranked foot cart by NY Magazine. People wait 1 hour to get their food. The owners offer the same exact food in another cart across the street with a different name but there is never a line. The longer the line is showing social proof that the food must be better. Before most MBA students begin their program, they have a number of professions they are interested in. After year one, 2/3 of students want to be in investment banking or consulting. People aren't sure what career to choose so they look to others.

Observability is key. How public is your product or service? In Denver, everyone drives, and you can see your neighbor's car. So, 1 in 8 people make car buying decisions based on social influence versus barely any in NYC use social influence in car buying because people use public transportation and don't have driveways. Social influence is KEY when there is strong observability.   T-Shirt trends catch on faster than sock trends…

Advertising itself: Hotmail caught on in the 90s…1) because it was a free product that allowed you access to your email from anywhere….and 2) because the default at the bottom of the email was "Get Your Private, Free Email from Hotmail at www.hotmail.com... All headphones were black, Apple chose WHITE…. when you see white headphones, you think of Apple. That is advertising without budget. Christian Louboutin's breakout moment was seeing a colleague's red nail polish and deciding to make all soles of his shoes red…. advertising without budget.

Behavioral Residue: physical traces or hints that most actions leave in their wake.

LIVESTRONG wristbands were almost a NO GO until they decided YELLOW was the color to represent the leader's color in the tour de France. Yellow is gender neutral, Yellow stands out, Yellow is rarely used and its striking. It was even more publicly visible. LULUMELON doesn't put products in paper bags but rather durable shopping bags that are hard to throw away- so you reuse them in public.

Public visibility can have the opposite effect you wish for. Music industry websites in the 90s would post that only 37% of music was bought legally.   This made more people illegally download! The "JUST SAY NO" drug ads, lead to more kids abusing drugs because some kids never even considered taking drugs and didn't realize how many people were using them if it had to be talked about!

PRACTICAL VALUE: (the easiest principle to apply)

It's about saving people time or money or helping them have good experiences. It's about the information receiver (whereas SOCIAL CURRENCY was about the giver feeling good about being associated with the product or experience).

If there was a grill on sale for $250.00 marked down from $350.00 …would you buy it or go to another store to shop around? What if the same grill was $240.00 at another store but marked down from $250.00 as the original price?

Psychology of Deals: The ways people make decisions often violates standard economic assumptions about how they SHOULD make decisions. Decisions are not always rational, instead they are based on psychological principles of how people process information.

Kahneman won a Nobel Prize for economics even though he was a psychologist. He found people don't evaluate things in absolute terms…they evaluate to a reference point. They are focused on getting a good deal.

Diminished sensitivity: reflects the idea that the same change has a smaller impact the farther it is from the reference point. If you are buying a clock for $35.00 at one store and you know another store 20 minutes away is offering it for $25.00 you may think about driving 20 minutes to save $10? But if you were buying a TV for $650.00 and you know the store 20 minutes away is offering it for $640.00 you likely won't drive 20 minutes to get the better deal. Even though the absolute savings, $10, is the same.

When a product is always on sale, people adjust their expectations.

<u>Rule of 100</u>: when products are under $100, then share the percentage of discount. When products are OVER $100.00 share the dollar amount of savings.

STORIES:

Narratives are inherently more engrossing than basic facts. They have a beginning, a middle and an end. If people get sucked in at the beginning, then they likely will stay for the conclusion.

Going back to PDT, the bar in NYC mentioned in the social currency chapter, knows people will tell a story about being in a hotdog shop, going through a phone booth and then allowed into a secret bar.

Stories act as vessels, carriers that help transmit information to others. Information travels under the guise of what seems like idle chatter.

Take Jared and the SUBWAY diet. He ate subway every day and lost 200lbs. People share the story, not to promote subway, but because it's a remarkable story.

"Goldenpalace.com flops with their storytelling." In 2004, they had the world's greatest "streaker" break into the Olympic games, wearing a tutu and having "GOLDENPALACE.COM" across his chest…and actually did a DIVE (a belly flop) at the Olympics without anyone catching him. The story got attention more so for Olympic security measures but didn't drum up business for Goldenpalace.com because the story had nothing to do with gambling, casinos, etc. The STORY needs to be connected to the product.

The game of telephone in a study: The first person could see a picture and had to describe to someone who couldn't see the photo- and then the game of telephone began. 70% of the details originally stated were lost in the first 5 transmissions of the story. Details were lost and only were focused on the main point or key detail.

When you tell a story, make sure your key information is embedded in the plot!

Eddy's Commentary

We know there are limitations in the financial advice industry around marketing. I do believe there are concepts in this marketing-focused book that can help advisors and leaders within their compliance restrictions (and in other areas of their practice and mindset).

In an internet obsessed world, it is refreshing to read that only 7% of word-of-mouth recommendations are happening online. This means networking, asking for introductions in meetings and "what your clients" are talking about in casual conversations is still more powerful than an ad campaign or message that is likely prohibited from a compliance standpoint anyway. Word of mouth is the primary factor in up to 50% of our buying decisions. Should this be "gently" explained in our referral language at all?

When others share their personal opinion, it ignites a "feel good" brain circuit- much like when we eat good food or receive money. What is the "stage" for your clients to do more opinion sharing in your experience? Also, when do your clients feel like "insiders" and how do we make those experiences more visible to the public?

I have known some top advisors to host semi-annual "advisory board" dinners with their top clients. This was a way to get "opinions" and feedback on their business. These "board-members" were usually great referral sources for the advisor. This also makes A+ clients know they are "in good company" as other successful people are having their wealth managed by the same person. For leadership, I think this could also be done in introducing prospective advisors that you are interviewing. If top candidates know other top candidates are interviewing at your firm, over dinner/or in a different environment- it may be the extra push to enter the career.

What part of your client experience creates the most "AWE"? What is so unique and unexpected in your process/experience that a client would bring it up in casual conversation with their peers or better yet - post about it on their social feeds? What are you doing that is "share-worthy"? What do people EXPECT from an advisor experience (or interview experience) and what is something you can do to totally break that pattern?

Game mechanics is an interesting concept. As an advisor can you share who the best "influencers" are in your practice? Why would anyone want to be an influencer in/to your practice? Maybe its ego around their "big network" and "impact" if the game mechanic is tied to something like "financial plans delivered in the community" by way of your introduction. How do you host a small event with your top 5 influencers each year so they can meet each other and be appreciated for their help? Put a visual up in that meeting of how their referrals (1st, 2nd, 3rd degree with some anonymity) generated X number of financial plans for the community at the event.

SHARING EMOTIONS = SOCIAL GLUE - We know the best fact finders are the ones who ask the best questions - often appealing to the "feeling finding." What are your top "feeling finding" questions that elicit emotion AND what emotions do you share (without making the meeting about you) that can help add more 'glue' to the relationship?

Do you ever use statistics around how bad Americans are with financial planning or what most people don't do or aren't doing with their planning? This could have an adverse effect on helping clients take action. The "JUST SAY NO" and "MOST MUSIC IS STOLEN ON THE INTERNET" campaigns actually promoted the bad behavior. How can we reverse any stats and trends to show that the client is in the minority and falling behind their peers (obviously with the right delivery and tact)?

If the business is becoming more commoditized - then most of the six principles discussed in this book are critically important. With practical value, how you share your fees, returns, product comparisons in absolute versus relative terms could be a small difference maker?

If "other people's choices" = information …would an advisor ever breakdown what their clientele looks like and what they are investing in and what products they are buying? "This plan is customized based on our conversation and your goals. Here is a breakdown of my other clients that have the same age, financial and goal profile of you and what they have implemented…. 75% have done X, 20% Y, 5% Z. Tedious, maybe. The key here would be to couple this with a story about a client as well.

I think about "other people's choices" in terms of advisor retention. I believe that we need to be upfront about retention in the selection process when interviewing prospective advisors. I also think you can share success stories of "former advisors" that left your firm a better professional than when they joined and show how the career helped them in another path. Win HERE or take the skills and win somewhere else if ultimately it doesn't work out long term. Who are the "successful faces" of your "advisor alumni"?

Decisions aren't rational - they are made based on how people process your information! Who do you trust outside the industry that can sit through your planning presentation so they can share how they are processing the information? An outsider is more valuable than another advisor because an advisor can't "erase" what they already know about planning and hence process all the information.

Game of telephone study: 70% of the message isn't past on after 5 transmissions. Think about this when a nominator is describing you to a potential referral or when a spouse is trying to share the value proposition of your plan (or the career). Imagine an exercise at the end of a plan presentation or a candidate interview where the other party has to write out the three most important things they learned and would share with someone from the dialogue. Could be a powerful (and scary) exercise to see what people are retaining from a meeting with you.