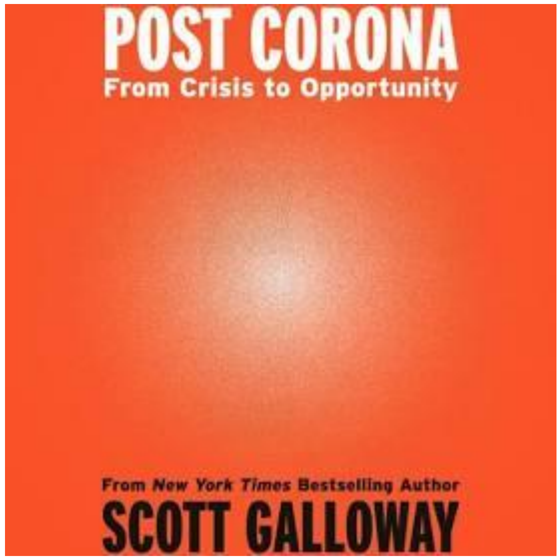
Post Corona



Filtered Thought Leadership

"Top Business Books Summarized for Financial Planning Leaders"

January 2021

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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. 2021 begins our second year of the service.

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 to complete recommended books. I found in my financial planning career, countless books were recommended to me in which I (and most of my colleagues) had good intent on reading but lacked the time and focus 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 professionals in the financial advice 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, clients or the advisors they coach.

I offer the key concepts in the book FIRST, without my suggestions, so that you can think freely of how you could apply before seeing someone else's take on implementation. From there I carve out a page where I share some ideas for advisors and another page with some ideas for firm leaders or managers.

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

"Post Corona"

By Scott Galloway

2020 Published

I wanted to kick off the new year and a new series of "FTL" with the most recent and relevant book review for the times. How could I not choose a book called "Post Corona" that was published in September? There are a few takes on the post corona world, but I chose Scott Galloway's perspective. I chose Galloway for two reasons. First, I was going to choose his book "THE FOUR" to review in the coming months anyway and secondly, he is a professor at my alma mater.

The book, which carries a lot of Scott's opinion, also carries a lot of facts and statistics about what has transpired since the pandemic. The book explores the pandemic as "the great acceleration" and how it will further divide wealth classes. It explores big tech and also industries ripe for disruption, with a deep look at higher education.

There are plenty of concepts here to get you thinking about the world to come and plenty of data that can be used in your profession interactions.

Key Concepts & Thoughts

The pandemic's most enduring impact will be as an accelerant. It may have created a few things, but its primary effect is accelerating dynamics that were already in place. Second, the greater and more disruptive the crisis, the greater the opportunities it presents.

Ecommerce took root in 2000. Since then, it has grown 1% every year as a percentage of total retail. At the beginning of 2020, it accounted for 16%. Eight weeks after the pandemic that number leaped to 27%. That is a decade's worth of growth in eight weeks.

Teachers have had access to multimillion dollar video conference systems, but they didn't use them, or they didn't work. In weeks, every institution was holding classes online.

It took Apple 42 years to reach $1 Trillion in value and then 20 weeks to accelerate from $1 Trillion to $2 Trillion. March to August.

Household incomes with $40,000 or less: 40% were laid off/furloughed by April. Household incomes with $100,000 or more: only 13%.

April 2019 vs. April 2020: Online Alcohol Sales up 250%, handgun sales up 80%, restaurant reservations down 60%, airline travel down 80% and NYC Transit down 87%.

The biggest toll will be on large companies with a lot of employees and a bad balance sheet. Cash was king.

Crisis Management: If you need to be right before you move, you will never win. For companies in a weak position, survival will come from cost cutting. For the companies in a good position, you need to flex your pandemic muscles and rethink your business. This is the time to make hard decisions, rethink legacy decisions and make the big bets.

Galloway on work from home: "Presence is necessary for accountability and proximity is key to relationships, but presence is also expensive." He was against WFH prior to pandemic, now he is a believer. As of June 2020, 82% of corporate leaders shared they will allow working remotely some of the time.

There is an opportunity for employers to revisit perks and benefits. You may reduce space costs, office snacks, etc. Can you put that towards better chairs, microphones, and computer equipment for your employee's home?

Career advancement is usually the result of in-person interactions and informal interactions like impromptu lunches and going out for drinks. How can these be replaced?

60% of jobs that pay over $100,000 can be done from home. 10% of jobs that pay $40,000 or under can be done from home.

Success in professional services is a function of your ability to communicate ideas and develop relationships.

We are shifting from a BRAND AGE to a PRODUCT AGE. Example in the BRAND AGE, a wealthy traveler lands, hops in a cab and says take me to the RITZ…. because that is the brand they know. Now, they can land, crowdsource for recommendations for the new boutique hotel in a hip neighborhood. Traditional media companies that sell advertising will be dead soon. GOOGLE and FACEBOOK are the advertising duopoly - 61% of digital ads are placed through them. Soon all top talent from CONDE NAST, CUMULUS RADIO, TIMEWARNER will be working FB or GOOGLE.

We used to trade time for value. Now we trade our privacy for value.

Over the worst 5 month stretch the world has experienced in 100 years, tech companies increased in market value by 1.9 trillion. March through July market cap increases: SHOPIFY 116%, TESLA 95%, PAYPAL 74%, AMAZON 63%, APPLE 36%, FACEBOOK 29%, NETFLIX 29%, MICROSOFT 18%, GOOGLE 6%.

AMAZON, APPLE, GOOGLE AND FACEBOOK make up 21% of the value of all publicly traded companies in the US.

Big tech first innovates, then obfuscates and then exploits. Once they get out ahead - they turn all their attention to protecting their advantage.

In 2020 - 30% of people owned a gun, 51% belong to a church or synagogue, 62% own a pet and 82% are AMAZON PRIME MEMBERS. Between PRIME, WEB SERVICES and MARKETPLACE, AMAZON has the largest flywheel in history.

Amazon doesn't follow what most business books and leaders tell CEOs and companies: to find 1 thing, be great at it and outsource the rest. Amazon could have outsourced their data center but instead they perfected the back-end processes and now sell that as Amazon Web Services which is now the biggest cloud service provider. Then came warehousing and fulfillment - they kept in house which then birthed "marketplace" services. They could have outsourced payments which costs them 2% of their costs - but they viewed that "cost" as research and development and now they have Amazon Payments…

Leadership is the ability to convince people to work together in pursuit of a common goal.

The iPhone is the most profitable product ever created.

The disruption index:

1. Increasing prices without increasing the value
2. Existing players don't adopt the proper technology to improve quality and value

If prices have outpaced inflation but without an increase in innovation the product or industry will be disrupted. Education and Healthcare will be disrupted.

A retail store's profitability is correlated to its proximity to headquarters. Sequoia Capital originally wouldn't invest in a company that their CEO couldn't drive to!

Galloway feels that the pandemic will birth the best IPO class in recent history as valuations are based on perceived performance for 10 years out.

Eight elements of a TRILLION DOLLAR potential company:

- The company or product appeals to a human instinct (brain, heart, gut or genitals)
    - Genitals referring to products that make us look or feel better
- Career Accelerant: The company can be a great springboard for someone's career
- They balance margins and growth
- Rundle: they offer a recurring revenue bundle model
- Vertical integration: controlling end to end consumer interactions
- Benjamin Button Products: they get MORE valuable to consumers over time
- Visionary storytelling: a compelling story for consumers and employees
- Likeability: consumers want to personify the brand and leaders can evade scrutiny

Venture capital investments have largely recovered to pre-COVID numbers.

There are few industries as big and immobile as higher education. In the past 40 years, higher ed has increased at 1,400%.

Galloway's class at NYU this fall is on ZOOM and had double the number of students in it, there were 280 students in the class. They are paying $7,000 each. That is $1.96MM making the gross margin 90+%. Name another business, at that price point, that gets 90% margins!

Student loan debt is now at $1.6 Trillion and average debt is $30,000 per graduate. This compares to 1.2T in auto loans and 1T for credit cards.

At 38 of the top 100 colleges in America, there are more students from the top 1% income than there are from the bottom 60%.

Ivy league undergrad programs are not colleges. They are hedge funds that educate the children of their investors.

Harvard professor, Clayton Christensen, predicted in 2013 that 25% of colleges would close in the next 10 years. In 2018, he said 50% will go out of business.

1 in 6 high school seniors are considering deferring college.

Harvard is predicting a $750MM revenue shortfall this year.

Galloway predicts schools that provide an exceptional credential will be fine along with colleges that have a great price. The schools that rely on the "experience" as their value prop will be in trouble.

Women, people of color and transgender who normally have had to fight for an equal place on campuses and will likely choose a virtual option. Women are 50% more likely than men to say they would choose an online college option.

Research suggests that the most important factor determining an American's life expectancy is their zip code.

Malcolm Gladwell points out that people who did not meet Hitler got him right. It's easier to be charmed by someone when you meet them in person. Scott wouldn't go to dinner with Dara Khosrowshahi, the CEO of Uber, because he met him once before and liked him and knew if he spent more time with him he would start to neglect the practices of Uber that he doesn't agree with. Galloway thinks politicians should turn down dinners like this with CEOs. The median wealth for a democratic senator is $946,000. The median wealth for a republican senator is $1,400,000. They send their kids to the best schools and spend more time with the "UBER CEOS" versus the "UBER DRIVERS."

The top .1% now own more wealth than the bottom 80%. The three richest Americans hold more wealth than the bottom 50%.

Section 1202 allows start up founders and early shareholders to avoid taxation on the first $10,000,000 of their profits to encourage investing in early-stage companies.

For every 100 points on your credit score, your risk of dying in the next 3 months goes down by 4.4%. People who commit suicide are 8x more likely than average to be in debt.

Studies show that the biggest determinant of an individual's economic success is not work ethic, luck or talent. It is how much money their parents had.

80% of venture capitalists are men. 58% are white men.

32% of ROBINHOOD users are between the ages of 25-34. They opened 3 million new accounts in q1 2020.

Recent high school graduates can enter the worst job market in modern history OR $50,000 online college!

Eddy's Commentary for Wealth Advisors

The first question to consider here is, when the world "returns to normal", what processes that you implemented in 2020 will continue in future years. The book shares statistics around work from home productivity and cost savings - will you allow some of your employees to work from home? 82% of corporate executives are going to in some capacity, are you? Will you keep doing ZOOM client meetings as the primary way to interact with clients? If so, what warrants an in-person meeting?

Likely you have already thought about this and maybe even made your decisions. Now, what needs to be mapped out "on paper" and communicated to your employees and clients?

I have many conversations with Wealth Managers about hiring to scale their business and that often leads to finding the proper personnel to continue the promise to their "lower segment" of clients. With the true "cost of time" to conduct a meeting likely lower because of ZOOM, lack of travel time, etc., can you segment your clientele based on VIRTUAL RELATIONSHIP vs. IN PERSON relationship and maybe keep more "b" high potential "B" client meetings?

I know many advisors that didn't restrain their practices to their local market. How can you and your team more aggressively prospect nationwide by changing touchpoints, feeder lists and referral processes now?

In terms of "crisis management" language Galloway uses - "If you need to be right before you move, you will never win". This saying can likely be crafted in your own way to help clients that overanalyze and stall their decisions to act on planning.

Do you help your clients that inquire constantly about individual equities and big tech names realize that 21% of all publicly traded companies in the US is made up of AMZN, AAPL, GOOG and FB? Do they realize that some of their mutual funds or exchange traded funds have exposure? Seems obvious to us in the profession but may not be to many clients.

Galloway's example of NOT meeting with the UBER CEO because he is afraid he would continue to LIKE THE PERSON and start to forget about him disagreeing with his policies highlights the importance of being seen and spending time with people more and more even if they do not think, at first, they need a planner or you. How can you be intentional with "intimate time spent" with top prospects that you would want to serve?

Eddy's Commentary for Firm Leaders

Galloway points out that colleges that rely on "the experience" as their only value proposition will go out of business. Only those schools that have the right priced education OR an EXCEPTIONAL CREDENTIAL will be around in coming decades. What is your firm's exceptional credential? Most of the industry has similar pricing for clients and similar advisor compensation (within each platform).

Do you measure HOURS SPENT with top candidates to join your firm? Most firms know they need to spend time with top candidates and often track how many introductions to top candidates they get, but are we actually tracking hours spent? I think we often share "I spent 7 hours with that candidate, and he chose another firm" but most firm leaders aren't tracking time invested in a measurable way.

Galloway notes that transgender, women and people of color are more apt to choose virtual schooling…specifically WOMEN, 50% more likely than men to choose online college versus in person college. Does this translate to joining a firm? Does this translate to on-the-job training programs? Can your firm often TWO career tracks for your candidates to choose from, even after the pandemic?

"If you feel more comfortable with running a virtual practice with the occasional office visit, we can support that."

Is your firm's advisor attraction model at risk of disruption, using Galloway's disruption index? Increasing prices (or in this case decreasing compensation/no compensation) and lack of innovation on services provided (support to advisors).

Amazon has viewed their "2% payment fee" as a "research and development" fee…and created Amazon payments. What are the inevitable costs that you can't avoid in your firm? Is there a way to change your perspective on that as a cost you need to deal with and instead think about what research --→ innovation can come from that cost?

"Success in professional services is a function of your ability to COMMUNICATE IDEAS and DEVELOP RELATIONSHIPS." Your firm may give exercises on what your candidate's relationships/market look like but how much are you testing your candidates being able to take a complex idea and communicate it? How can you test that skill in the selection process and then continue to refine it in your training and coaching?