1

THE AFFLUENT OPPORTUNITY

The prime age of the affluent consumer is between 35 and 64 years.

—FACTOID, 2004 AFFLUENT PURCHASING DECISION (APD) RESEARCH*

Your future is now! Never before has there been such an opportunity to acquire personal affluence by serving the affluent. In years past, people who served wealthy people were just that—servants of those who had money and status. But times have changed. People are making more money. Those who are making more money are spending more money. Those who understand how to work with people who have money are quickly becoming affluent themselves.

Consider this book a vehicle that will enable you to travel along parallel paths. One path will take you into the heart and soul of the affluent and help you refine and ultimately master your affluent sales skills. The other path will lead you into the heart and soul of your personal dreams and aspirations and help you become affluent. As you will soon discover, these parallel paths work in concert. You will not be able to travel very far down one path without venturing an equal distance down the other. Without a personal commitment to maximize your potential in selling your products or services to the affluent, it is unlikely you will make the effort to master the art of selling to the affluent. Similarly, you will never acquire affluence by means of your sales skills without mastering the skills presented in these chapters.

*APD Research refers to the June 2004 research project, *How the Affluent Make Purchasing Decisions,* commissioned by the Oechsli Institute. A *factoid* is a brief fact taken from that research.

Who are the *affluent?* That's the billion-dollar question these days. The answer given is often based on what is being sold. Your neighbor who leases a new Lexus every 36 months or so would certainly fit the Lexus dealer's definition of affluent. Yet, this same neighbor might not have enough liquid assets to be pursued as an affluent prospect by a financial planner, who is more interested in the small business owner down the street who has accumulated over $1 million in investable assets, despite the fact that he or she is driving an older model vehicle.

It is immediately apparent that two totally different ways of measuring affluence are at work here:

1. *Investable assets:* The measure of affluence that the financial services industry wants to know. The financial advisor (salesperson) is trying to calculate the prospective client's risk tolerance to determine how to balance protecting those assets over the long term with getting the highest possible investment return over the next 12 months or so.
2. *Household income:* The measure of affluence that drives most major purchases. The salesperson is trying to figure out what it will take to satisfy the prospective customer's present needs and wants, how much the customer will pay to be satisfied today, and what it will take to retain that customer for the near future.

Much of the research on the affluent focuses on providing information helpful to those in financial services. Many of you reading this book will benefit more from information about annual household income and especially how the affluent tend to spend that income. We provide data that is useful for both, but our major emphasis is on the latter.

THE INVESTABLE ASSET VIEW OF AFFLUENCE

NFO Worldgroup defines a *millionaire* household as one having $1 million or more of investable assets, which does not include primary residences, 401(k)s, and other less liquid assets. The number of U.S. millionaire households jumped to 3.8 million in 2003, up from 3.3 million in 2002. That 3.8 million was the highest in the 20 years that NFO has been conducting its surveys. Two facts are important:

1. The number of millionaire households continues to grow.
2. Though at a 20-year high, millionaire households account for only 3.4 percent of the 111 million households in the United States.

The financial services industry is interested in those 3.8 million millionaire households (Who wouldn't be?), but the real affluent opportunity for them lies elsewhere. The Cap Gemini Ernst & Young White Paper of 2002 focuses on what they define as the emerging and mass affluent markets, those with investable assets between $100,000 and $1 million. In terms of financial services, that group has two distinct characteristics:

1. They are forecast to grow at 10 percent to 14 percent a year through 2005, versus a 6 percent growth rate for the $1 million and higher bracket.
2. In terms of financial services, this group remains underserved and untapped.

It is also notable that the average small business owner—one with fewer than 100 employees—has a household income of around $135,000 and assets exceeding $1 million.

THE HOUSEHOLD INCOME VIEW OF AFFLUENCE

The term *household income* is deliberate because it assumes combined income rather than the outdated concept of breadwinner income. With that clarified, there are some important questions to explore if we are to understand the affluent opportunity.

How much does the average American household earn annually? How is wealth distributed among Americans? Who is achieving particular levels of affluence? What is the level of American wealth aspiration these days? What are the chances that the average American can become a millionaire?

Let's begin right in the middle. According to the most recent U.S. census, the median household income is $42,400, and the median per capita income is $22,794. American Demographics has created five income categories to show the income spread in America. We focus on the top three: the super rich, the affluent, and the near affluent. Then we address the "What is the level of American wealth aspiration these days?" question:

- *The super rich—with annual household incomes of $200,000 plus:* Includes about 2.5 million households, or about 2 percent of the population. About one-third are over 55, so their wealth will not likely come from monthly salaries. About 80 percent live in family situations with spouses and children. The super rich include businesspeople and experienced professionals. Many come from the entertainment industry.
- *The affluent—with annual household incomes of $100,000 to $199,000:* Includes about 10.5 million households, or about 10 percent of the population. Most are 45 to 54 and live in large metro areas. However, about 12.1 percent of affluent households are headed by an individual under 35. Though Asian Americans constitute only 3 percent of the population, they represent 5 percent of affluent households. Blacks make up only 5.7 percent, and Whites account for 86 percent. Physicians, financial analysts, and investment bankers are frequently in this category.
- *The near affluent—with annual household incomes of $75,000 to $99,000:* Includes about 10.8 million households or about 10 percent of the population. This group has done well in recent years, growing from 5 percent in 1990. Most are between 35 and 54. In this category are schoolteachers, young professionals, small independent contractors, and employed people with respectable university degrees.

High-income U.S. households are expected to grow at a faster rate than households in general. By 2005, an estimated 17.4 million U.S. households (about 15 percent) will have annual household incomes exceeding $100,000.

Some still assume that our economy is shaped like a pyramid that gets broader toward the bottom as income falls further and further below the $22,794 per capita median income. When thinking *affluent,* they see a small number of prospective customers at the top who are willing to pay top dollar. However, the picture we just painted dispels that notion because the pyramid-shaped economy of bygone days has been replaced by an hourglass economy. Both the low and high ends grow, but the middle is disappearing. This trend is especially evident in the consumer retail market. Wal-Mart and Costco have emerged as the major low-price leaders, while Target has become their upscale rival. Kmart, meanwhile, took the middle road. Unable to compete with Wal-Mart on price or Target on style and quality, Kmart initiated bankruptcy proceedings.

Millions of Americans who once made up the vast middle of the $7 trillion consumer market are migrating upscale toward premium and luxury products and services. This move clearly reflects a shift in consumer aspiration. No one desires to be middle class today; everyone aspires to be at the top. Figure 1.1 summarizes the affluent opportunity.

As we begin looking at the mind of the affluent and creating an affluent selling environment in Chapters 2 and 3, our work would be incomplete if we did not add one more income category to target:

- *The aspiring affluent—many have household incomes of $50,000 or greater per year.* However, this is a group to identify by their expressed and implied aspirations, not their annual income. High-end brands are trying to capitalize on this trend. BMW and Mercedes-Benz are spending billions

Cap Gemni Ernst & Young	Investable Assets
High net worth individuals	$1 to $10 million
Mass affluent	$500 thousand to $1 million
Emerging affluent	$100 to $500 thousand
–Untapped and Underserved –	

Household Income	
Super rich	$200 thousand plus
Affluent	$100 to $199 thousand
Near affluent	$75 to $99 thousand
Aspiring affluent	$50 thousand (+ or –)

FIGURE 1.1 The affluent opportunity.

on new, lower priced models to coax customers up from the middle market.

For example, Carl, a 38-year-old engineer, wanted to replace his 1993 Nissan Altima. He set his price at $25,000, but every time he drove another demo car, he pushed his ceiling price up a few thousand. In the end, he purchased a $37,000 BMW 330Ci coupe, which he says won him over with its performance and handling.

Notice what he drove in versus what he drove out. It takes an insightful salesperson to discover this *desire to aspire,* and you will learn how to do that in later chapters.

THE FOCUS OF THIS BOOK

The preceding studies reinforce the need for a how-to book that is designed for immediate practical implementation. Knowing the numbers and some basic characteristics of the super rich down to the aspiring affluent is helpful, but that information simply tells you that a great opportunity exists.

If you or your company is targeting major purchase decision makers, regardless of the products or services involved, your income depends on your ability to get in sync with the major decision-making process of your ideal affluent clientele. Beginning in Chapter 2, we help you do exactly that.

Chapter 2: Getting into the Affluent Mind

It is not that the thinking of affluent people is so different from others. However, because they have the capacity to buy almost anything they want, different factors influence *how* they make buying decisions. This chapter introduces you to the mind of the affluent through the doorway provided by several actual examples. You will discover that the affluent follow a predictable buying pattern and that stress plays an important role in their decision-making process. Pulling it all together, we conclude the chapter by summarizing seven key factors that drive the major purchase decisions of the affluent.

Chapter 3: Creating the Right Sales Environment

Competition for affluent buyers continues to grow, and this chapter helps you understand why. Creating the right sales environment to attract and retain the affluent is becoming increasingly important. Using the affluent buying examples in Chapter 2, we define 10 deficiencies typically found in the sales environment of the affluent encounter. Overcoming these deficiencies is your challenge. As we build on these clues, you are introduced to seven principles for creating a sales environment that will delight your affluent prospects and customers or clients. Conceptual selling is the heart and soul of your success. Four examples from four different industries illustrate creative ways to use concept selling to create the right affluent sales environment for your products and services.

Chapter 4: Overcoming Social Self-Consciousness

Social self-consciousness in salespeople is defined as shunning "prospects of wealth, prestige, power, education, or social standing." According to George Dudley and Shannon Goodson (1999), authors of *The Psychology of Sales Call Reluctance: Earning What You're Worth,* no one is born with social self-consciousness. It is learned, highly contagious, common (documented in 73-plus industries), and can derail an otherwise healthy sales career. If it exists, there is an 87 percent chance that social self-consciousness will plague a salesperson throughout his or her career. But, there is good news: Once detected, it is relatively easy to correct.

If you discover the presence of social self-consciousness through the self-assessment in Chapter 4, you will be able to use the simple action steps provided to assist you in overcoming any aspect of social self-consciousness that might be holding you back.

Chapter 5: Becoming One with the Affluent

You will discover that there is a simple, practical process to becoming one with the affluent. You will learn how to select the right organizations to join and how to get involved in ways that position you to network effectively with affluent members. Chapter 5 includes a detailed outline of the preparation required for involvement in whatever civic organization or group you select. You will also be encouraged to step outside the box and explore the creative strategies two salespeople successfully employed to become one with the affluent.

This process is the first step toward reaching your own goal of becoming one of the affluent.

Chapter 6: Affluent Finishing School

Your critical path to affluent sales success requires mastery of *face-to-face* interaction. Whether it's at a chamber of commerce meeting, a function at your country club, a meeting in your conference room, or a conversation with a prospect on your sales floor, this chapter will help you improve your effectiveness in any face-to-face encounter. You will learn the subtle influence of body language, how to master the first three minutes, ways to introduce yourself, how to project the right image, and five things that should characterize your speaking habits. This chapter is full of practical how-to tactics you can use to succeed.

Chapter 7: Becoming Magnetic

If you are convinced that affluent prospects are searching for what you offer, it's essential that you find a way to attract them to your front door. The issue is dissatisfaction, and you will learn how to use the two main information sources that affluent people depend on to make links between their dissatisfaction and the available solutions. Once you understand those links, you will learn how to master five essential tools to help you capitalize on transforming their dissatisfaction into a sale.

Chapter 8: Becoming Even More Magnetic: Internet Savvy

The Internet has grown from 16 million to over 716 million users in 10 short years, and the fastest growing income group that is online are those who earn between $100,000 and $150,000 a year. There are three very important factors that drive Internet use among the affluent, and this chapter details exactly what you can do to turn those factors to your advantage. You will also learn the importance of having your own web site and how to use that web site to create a compelling online presence.

Chapter 9: Mastering Ritz-Carlton Service and FedEx Efficiency

As you seek to deliver a level of service that will delight your customers or clients, it's important to remember that a standard of comparison has already been established in their minds. You may not know exactly what that standard is, but if you benchmark your efforts against Ritz-Carlton service and FedEx efficiency, you can be confident you won't go wrong. Meeting those high standards begins with accepting personal responsibility for the level of service at your location. You will learn six ways to improve those areas that are under your control and how to use a "secret shopper" strategy to find out what your competitors are doing. We also guide you in creating a Value Proposition statement to help you explain to prospects and others what sets you apart.

You cannot establish and successfully implement service and efficiency standards on your own. We show you how to hire and keep the right people, and we provide you with seven ways to make certain you have processes in place that enable the right people to work effectively together.

Chapter 10: The Secret to Affluent Loyalty

Customer satisfaction follow-up phone calls and surveys play an important role in promotional efforts, but they do not measure customer or client loyalty. In this chapter, you will discover why. You will also learn how to effectively measure customer and client loyalty using five specific and observable behaviors. We also provide you with seven principles you can use to initiate strategies that will effectively build loyalty.

Chapter 11: Maximizing Your Affluent Sales Opportunity

This chapter begins with an important question: What are you going to *do* with what you now know? To answer this question, you first need to determine what you want to accomplish. We call that "envisioning your future," and you will complete an exercise that will help you do precisely that.

How successfully you achieve the future you have envisioned is determined by whether you fall into an *avoidance pattern* or an *achievement pattern.* To make certain it is the latter, you will learn how to activate your achievement cycle by focusing on doing the fixed daily activities that will take you from where you are now to where you want to be 12 months from now. A practical Critical

Path ORGANIZER is provided to help you implement and measure those fixed daily activities on a weekly basis.

Chapter 12: The 12 Commandments of Affluent Selling

These commandments for success in selling to the affluent are a compilation of what you have read here, boiled down into 12 key concepts. These concepts serve as simple reminders of what is most important to your success in selling to the affluent.

THE RESEARCH BEHIND THIS BOOK—2004 AFFLUENT PURCHASING DECISION RESEARCH

We conducted our first affluent research in January 1999. Our purpose was to gain insight into affluent investors' perceptions of the financial professionals who served them. The results were startling. Survey respondents reported significant gaps between what they expected and the performance of their primary financial advisor in 14 of the 20 qualities that they had rated as being most important. On further study, we discovered that this alarming gap was creating a serious erosion in client loyalty. We have been working to help financial professionals close that gap ever since.

Our most recent study, completed as we were beginning this book, had a broader focus. We wanted to answer the question, "What are the key factors that guide the financial management, normal budget, and major item purchase decisions of high-income individuals?" We refer to various aspects of this research (the 2004 Affluent Purchase Decision [APD] Research), throughout the book and have included a brief summary in the Appendix. One of the reasons this research is so relevant for this book is that the respondents' personal annual income levels relate well to the *super rich* and the *affluent* categories described earlier in this chapter: 95.9 percent earn between $100,000 and $500,000 a year, with 82.9 percent in the $100,000 to $249,000 category. Respondents were widely distributed across the six major geographical regions of the United States; 82 percent were between

35 and 64, with 11 percent under age 35; and 82.2 percent were male and 17.8 percent female.

Knowing some relevant statistical facts about the people whom you want to become your customers or clients is helpful, but it is even more important to understand how they think. For that reason, we carefully constructed our 2004 APD Research to help us determine, or at least provide clues to, how the affluent go about making decisions that involve spending money. We wanted to know tendencies, how they think, what leads to the specific actions that occur prior to making a major purchase decision, what the greatest influencers are toward the final decision, and what the affluent appreciate enough, if anything, to help ensure repeat business.

We struck a vein of solid gold. We got answers to all the aforementioned questions and then some. For example, it probably comes as no surprise that insurance coverage is the most important criteria influencing affluent medical decisions. If there is no coverage, the majority will either look elsewhere or forgo the treatment. However, many of you are likely to be as surprised as we were when we discovered that price ranked last in terms of influencing major purchase decisions.

Taken out of context, research can be very misleading, especially when applying regression analysis to identify interrelationships among the variables. So don't think for a New York second that price is not important to affluent consumers. It is extremely important. What we learned about price, though, is its place in the decision making and how closely it is linked to the perceived value of the major purchase. Some of the basic demographic data is more straightforward. When we learn that 22.4 percent of the respondents in our sampling are business owners, you can assume that this has statistical significance to your world. There is a strong probability that a similar percentage of your affluent customers and clients own their own businesses.

So let's start at the beginning, by getting into the mind of the affluent. You are about to find out how they think, which is the subject of the next chapter.

SUMMARY

Two totally different ways of measuring affluence are used: investable assets and household income. The investable asset target market is the emerging and mass affluent markets—those with assets between $100,000 and $1 million. The household income target market includes the super rich with annual incomes of $200,000 plus; the affluent with annual incomes of $100,000 to $199,000; the near affluent with annual household incomes of $75,000 to

Research Facts

- NFO Worldgroup reports that the number of U.S. millionaire households jumped to 3.8 million in 2003, the highest in 20 years. Millionaire households account for 3.4 percent of the 111 million households in the United States.
- Cap Gemini Ernst & Young estimate that the emerging and mass affluent markets (investable assets between $100,000 and $1 million) will grow at a 10 percent to 14 percent rate through 2005.
- The super rich includes about 2.5 million households (2 percent of the population).
- The affluent category includes about 10.5 million households (10 percent of the population).
- The near affluent includes about 10.8 million households (10 percent of the population).
- By 2005, an estimated 17.4 million U.S. households (about 15 percent) will have annual household incomes exceeding $100,000.

$99,000; and the aspiring affluent, who will occasionally purchase upscale products and services.

TAKING ACTION

- Explore the demographics in your market area to determine the distribution and, where possible, residential locations of the super rich, affluent, and near affluent market segments.
- Make your personal commitment to journeying down these parallel paths.