Chapter 1 The World of Today's Affluent

Sometimes, what the affluent *don't* do speaks volumes.

For almost a year, Mr. and Ms. "Elliot" observed the construction of a beach house across the street from their vacation home. On the way to the shore, they often stopped to talk with the owner, "Brad," as he supervised the building contractors.

Brad was always up for a neighborly chat. He loved talking about the quality of the building materials and the workmanship. He loved giving tours of the house as it rose from the vacant lot. This was his family's third house—his retirement home on the beach.

One day, however, Brad stopped coming to the house. Instead, a Realtor's sign appeared in the front yard. The sign stayed there for many months until it, like Brad, simply vanished.

At this point, Ms. Elliott asked Mr. Elliot for his views on purchasing the property. After all, they knew the house was high quality. They'd inspected every square inch of the place. What's more, while their current beach home would be great for their children, it wasn't something she wanted for their retirement years. Why not purchase the luxury beach house, and let the kids stay in the old house during their visits?

Two hours (and a few phone calls) later, Mr. Elliot negotiated a cash deal for the beach house, which included all of the furnishings. Two weeks later, they closed on the house.

What the Elliots *did* was straightforward. They bought a house.

What the Elliots *didn't* do is less obvious, but it illustrates: (1) how today's affluent make major purchase decisions, (2) who makes the decisions, and (3) whom they trust. Note the following:

- The Elliots did not seek counsel from their financial advisor before buying the house. Scarred by the recent financial crisis and the "Great Recession," they no longer had full faith and confidence in their advisor's ability to manage all their assets.

- They did not contact the Realtor (the one who planted the sign) to broker the deal. Instead, they went directly to the owner—someone they knew, liked, and trusted.
- Mr. Elliot (the traditional "pater familias") did not initiate the deal. Ms. Elliot spearheaded the purchase and had the final say.
- As of this writing, the Elliots have not informed their siblings and friends of the purchase. Ms. Elliot's explanation was simple: "I don't want anyone getting the wrong impression [the impression that we're wealthy]."

Is every affluent household like Mr. and Ms. Elliot's?

No, but the Elliots *are* representative of how affluent consumers make major investment and purchase decisions in today's climate—in the new world produced by the Great Recession.

Since 2008, the economic landscape has radically changed, and nobody is more aware of this than the nation's affluent households. Bernie Madoff and his Ponzi scheme; financial products so complex that few people understood the risks; a government that failed to oversee and regulate financial institutions; people taking out mortgages they couldn't afford . . . nobody paid closer attention to these calamities (and their aftermath) than the affluent.

As a result, affluent attitudes have undergone a metamorphosis. Among other things, the affluent are much more discriminating and much more skeptical than they once were, and this skepticism requires companies to dramatically adjust their marketing and sales practices. Keep in mind the following. . . .

Today's affluent don't trust salespeople (they'll say anything).

They don't trust politicians (of either party). They're skeptical of large corporations (too big to fail). They don't trust the news media (entertainers exploiting people's fears).

Despite this cynicism and the drubbing they received during the financial crisis, the affluent are back—with plenty of cash to spend. They're making major purchases with greater frequency than any other population segment. While some nonaffluent consumers have retreated from the stores, the stock market, and real estate markets, the affluent are marching forward. While many people learned nothing from the financial and real estate debacles, the affluent have adjusted their attitudes and behaviors to ensure they won't make the same mistakes again. While prosperous households have money to spend and the will to spend it, the average salesperson had better learn how to earn this group's confidence if he or she hopes to benefit.

Without a doubt, the ability to close deals with well-heeled consumers is an invaluable skillset for any entrepreneur or salesperson. Selling to the affluent is a great way to become affluent yourself. But that's easier said than done.

The Realtor who listed that luxury beach house should have cleaned up, but she blew it—big time. She blew it because she approached the job in a perfunctory, "paint-by-numbers" manner—like a zombie imitating the motions of a living salesperson. She listed the home, staged open houses, and showed the property to interested parties.

Yawn. A robot could have done that.

With just a little extra effort, this Realtor *could* have cultivated relationships with homeowners in the area, asking if they knew of anyone who might want to join the neighborhood. She *could* have initiated a word-of-mouth buzz, spreading the news to dozens of prospective buyers that a handsome piece of real estate was suddenly available—a property unlikely to *stay* available for very long.

Had the Realtor done this, she might have connected with Ms. Elliot. She might have accelerated interest in the house, brokered the sale, and earned a hefty commission. Instead, this Realtor—like many salespeople—didn't have the slightest idea what makes the affluent tick. In fact, she didn't even *know* that she didn't know.

PROFILE OF TODAY'S AFFLUENT

So who are the "the affluent" and what makes them tick?

For one, they are highly educated. Fifty-five percent have a graduate degree. Thanks to this level of education (and the lessons they learned from the financial crisis), the affluent are the savviest of all American consumers.

For the purposes of our research, we define affluence based on two criteria; participants must meet one or both to be considered affluent:

1. *Investable assets ($500,000 or greater)*. We find it helpful to start with $500,000 in investable assets as the baseline. Many salespeople targeting the affluent are looking for "millionaires," a group that took a nosedive with the collapse of the stock market in late 2008 to a low of 2.26 million individuals with $1 million or greater in investable assets in the United States. Yet, as the economy recovered, so did the number of millionaires; up to 3.44 million in 2012.[1] Note: Investable assets are not synonymous with *net worth*. The assets must be so liquid that the family can apply the funds toward a major purchase or investment with relative ease and speed.
2. *Household income ($250,000 or greater)*. The higher the household income, the greater the purchasing power. Today's affluent households are purchasing more goods and services than their nonaffluent counterparts, which is why salespeople should master the art of selling to this key demographic.

Adjusted to 2011 dollars, the Congressional Budget Office (CBO) calculated that in 1990 the minimum required for being one of America's top-quintile income earners was $92,092. In 2011 the entry point had risen to $101,582. In other words, the top-quintile household has at least $9,490 more to spend today than it did 21 years ago.

If we focus on just the top 5 percent of income earners, we learn that households had at least $27,943 more to spend in 2011 than in 1990: $186,000 versus $158,057.

The affluent are spending more money today because they have more money to spend.

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[1]2012 CapGemini World Wealth Report.

AFFLUENT MACRO SHIFTS

Two key findings reveal how the Great Recession fundamentally changed the affluent approach to major purchases. Not surprisingly, both findings hinge on trust:

1. *The gender shift:* Ms. Elliot isn't the only woman spearheading major financial decisions in affluent households. For various reasons, affluent females are taking a more active role in every aspect of their families' finances.

   According to our research, affluent women assign greater importance than their male counterparts to metrics, including communication, personalized service, and trust. If the woman of an affluent household wants a new kitchen, her husband might be tapped to negotiate with the contractors, but the woman will probably call the shots. If she has reservations or complaints about the contractor, she'll dump the company in a heartbeat, regardless of her husband's opinion.

   Whether an investment involves real estate, landscaping, remodeling, automotive purchases, jewelry, travel, or a cruise, the salesperson must understand the needs, wants, and expectations of the female heads of affluent households.
2. *The relationship shift:* The second affluent macro shift involves client relationships. For example, our research on *trustworthiness in advertising* rankings of financial advisors show that only 44 percent earn "some to full trust" from affluent clients. This places them on the same level as automotive salesmen (at 42 percent).

I know many outstanding financial advisors, but since the profession as a whole received an unfavorable survey ranking, it illustrates the magnitude of the affluent attitude shift, especially when we divide advisor–client relationships into two categories: (1) purely business, and (2) business and personal.

We uncovered a strong correlation between positive client attitudes and having a business-and-personal relationship with the salesperson. If an affluent client feels she has also developed a personal relationship with, for example, her financial advisor, her overall assessment of the advisor tends to skyrocket. Consider the following from our survey regarding financial advisors. The percentages shown reflect those who rate their advisor as performing "very well" to "extremely well":

- Being trustworthy, having our family's best interests at heart

Rankings:	Business relationship only	38%
	Business and personal relationship	61%

- Delivering high-level personal service

Rankings:	Business relationship only	41%
	Business and personal relationship	63%

- Providing timely, not mechanical communication

Rankings:	Business relationship only	42%
	Business and personal relationship	61%

- Meeting investment performance expectations

Rankings:	Business relationship only	30%
	Business and personal relationship	45%

Client confidence increases dramatically when the advisor cultivates a business-and-personal relationship with the client. This statistical phenomenon applies to many different industries and professions.

Whether you sell real estate, jewelry, or luxury cruises—regardless of whether most of your client encounters are face-to-face or digital—developing personal relationships with your affluent clients is *key* to success. At the very least, the salesperson that expands his or her relationship beyond "strictly business" is more likely to stimulate positive word-of-mouth recommendations from clients—and personal referrals are the salesperson's best friend.

ABOUT THIS BOOK

This book introduces you to the new affluent consumers, acquainting you (or reacquainting you) with strategies and tactics that will win their hearts, minds, and wallets.

The affluent were never an "easy sell," but in the wake of market meltdowns and the Great Recession, gaining their trust has become even harder. "Zombie salesmanship" will no longer cut the mustard. Trust has been lost—trust in advisors, salespeople, and so-called experts. For these reasons and more, marketers and salespeople can no longer rely on the power of the company's reputation or the persuasive powers of their advertising campaigns.

Today, you must prove to each and every affluent prospect, each and every day, that your reputation is well-deserved and your advertising claims are real. You must work to build relationships with the female heads of households, as well as the males. You must nurture relationships outside of the office, and not just within. Today, selling to the affluent is about building friendships, because today's affluent trust few people beyond their friends and family—which is why throughout these chapters I'm going to use *client* rather than *customer*. When it comes to major purchase decisions, today's affluent consumer wants a consultative client relationship. They are clients, not customers.

Keep this in mind as you read the coming chapters, which I have summarized here.

Chapter 2: The Affluent Mind-Set Shift. How has the financial crisis elevated the affluent's skepticism and anxiety? How has it impacted their incomes and standards of living? This chapter answers these questions—and more. To capitalize on opportunities, salespeople must understand the lenses through which affluent consumers view the world. You'll discover their level of trust (and mistrust) in various news and advertising media. You may be shocked at how much more money they spend than the rest of the population. You'll learn about the top three criteria used by the affluent while researching purchases, as well as the top three criteria that impact their final decisions.

Chapter 3: Wowing Today's Affluent. This chapter focuses on developing loyal clients—on how to solicit repeat business and get clients to generate a buzz about your products or services. I'll also identify the top three factors impacting repeat purchases, and help you tailor an approach for each client. "Wowing" affluent clients requires highly personalized service, operational efficiency, products and services that perform exactly as promised, as well as "surprise and delight" tactics.

Chapter 4: Affluent Buzz Factor. Back in 2004, our research identified word-of-mouth as a major factor in affluent purchase decisions. Today, word-of-mouth has become *essential* to the process. By leveraging spheres of influence, you'll learn how to conduct word-of-mouth buzz campaigns. I've even included action steps to help you accelerate the buzz factor.

Chapter 5: Building Personal Relationships. Why does one BMW salesman have more repeat clients than his colleagues? How does a Nordstrom's salesman in Anchorage, Alaska, lead the whole company in sales of men's clothing? In this chapter, I'll reveal the connection between personal trust and business relationships, and discuss the inverse relationship between digital selling and affluent relationships. The more the affluent become "digitized," the more they crave personal relationships. I'll also discuss the role of social media, explaining how to use it and how *not* to use it.

Chapter 6: Creating the Right First Impression. Learn the real story of "dress for success" from the vantage point of today's affluent consumer. Among other things, I'll debunk the dress-for-success myth that originated from a 1970s bestseller. That was then; your world is now. I'll also discuss body language, eye contact, listening skills, and language skills.

Chapter 7: Today's Affluent Female. Why did the affluent female of the household return an 18-karat gold Cartier watch that her husband gave her? Why do affluent females feel awkward entering car dealerships without their husbands, even though most make the final purchase decisions? In this chapter, you'll learn dos and don'ts of communicating with the female of the household. You'll learn how to ask questions, how to proactively listen, and how to answer their questions in clear and empathetic ways.

Chapter 8: The Emerging Affluent. Although a 30-something professional earning $150,000 doesn't qualify as affluent, he represents the *emerging affluent*—a segment of the population that should not be dismissed. This demographic has real purchasing power. And because they do more online research than their older counterparts, salespeople must employ different skills to win their business. This emerging generation is price aware and value conscious, and word-of-mouth influence and two macro shifts (gender and relationship) also play a role in their financial decision making.

Chapter 9: The Amazon Effect. With each passing year, the affluent make more purchases online. Online shoppers in the United States will spend $327 billion in 2016, up 45 percent from $226 billion in 2013 and 62 percent from $202 billion in 2011.[2] In fact, most online "big ticket" purchases are made by affluent shoppers. We call this the *Amazon Effect*. Whether it's a 60-inch flat-screen LCD television, high-end luggage, clothes, jewelry, or computers, e-commerce has fundamentally changed how the affluent shop. You'll discover how affluent consumers use the Internet within the buying cycle, and what prompts them to buy one product over another.

Chapter 10: How to Move Upmarket. Our research shows a contrast between how to successfully sell to the affluent and the general population. Believe it or not, if you're able to sell to the nonaffluent, only a handful of strategic adjustments are needed to sell upmarket.

Chapter 11: Overcoming Affluent Sales Reluctance. By our definition, someone must earn at least $250,000 annually and/or have $500,000 in investable assets to qualify as affluent. Yet, most of the people who fit these definitions do *not* consider themselves affluent. Why? Because 96 percent of our affluent respondents hail from the middle class, and this has embedded middle-class mindsets and values in their subconscious.

In many respects, affluent consumers are very much like you. They work hard and value hard work in others. They're well-educated and expect their salespeople to display comparable knowledge and expertise. In this chapter, you'll learn how to recognize and overcome "social self-consciousness," a debilitating condition that holds back more salespeople than anything else.

[2]Sucharita Mulpuru, "U.S. Online Retail Forecast, 2011 to 2016," Forrester Research, February 27, 2012.

Chapter 12: Maximizing Your Affluent Sales Potential. I'll guide you, step-by-step, toward creating a goal-focused action plan. You'll establish sales and personal income goals, develop a daily action plan, and establish a daily reminder (trigger) to ensure execution of the daily plan. I'll also introduce (or reintroduce) you to the "achievement cycle."

Appendix: The 12 Commandments of Affluent Selling. The appendix is your "refresher course." Its 12 commandments are designed to ignite actions that will help you win over today's skeptical affluent consumers.

THE RESEARCH BEHIND THIS BOOK: 2012 AND 2013 AFFLUENT PURCHASING DECISION RESEARCH

Having studied the affluent before, during and after the Great Recession, we sought to answer one critical question, "What, if anything, has changed in how today's affluent make major investment and purchase decisions?"

This book is based largely on our 2013 Affluent Purchasing Decision (APD) Research, though a handful of data points from our Q1 2012 affluent study (n = 400) have also been included. The results of the 2012–2013 projects helped us identify the two macro affluent shifts and to analyze subtle changes in how the affluent approach their major financial decisions.

What makes this book so relevant, even more relevant than in 2004, is the disparity in income and spending between the affluent and the nonaffluent. Households earning $250,000 or more are spending at a rate five times greater than those earning less than $250,000. On average, the affluent have $1,362,637 in investable assets. By contrast, the rest of the nation averages $56,997 per household. This paints a clear picture of the widening gap between the haves and have nots.

However, this book isn't about income disparity or social engineering. I'll leave that to our wonderful politicians. It's a tool designed for just one purpose—to help you capitalize on the opportunities offered by today's affluent consumers.

SUMMARY

According to the Congressional Budget Office, affluent families have $28,000 more to spend per year than they did when George H.W. Bush was president. Opportunities to sell to the affluent have never been greater—for those who are prepared.

Today's affluent are a skeptical bunch who outspend the general population by five to one. Their lifestyle hasn't changed as a result of the Great Recession, but their thinking has. They've lost a lot of trust in government, experts, advertising claims, and salespeople. Our survey of households with incomes of $250,000 or more revealed that this income level marks a dividing line between the middle class and the affluent class, as well as *how* products and services must be marketed to the affluent.

Research Facts

- Affluent households earning $250,000 or more spend an average of $167,332 annually.
- The nonaffluent population averages $28,039 in annual household spending.
- The average investable assets of households earning $250,000 or more is $1,362,637.
- The average investable assets of households under $250,000 is $56,997.
- Today's affluent ranking of *personalized service* increases 22 points when respondents believe they have a personal relationship with the salesperson.
- Fifty-five percent of today's affluent have a graduate degree, compared to 12 percent of the nonaffluent.

Taking Action

- Take inventory of your current client base. Determine who meets the affluent profile and who provides you with the most business.

- Develop a plan to get to know your best clients and your potential best (those who fit the affluent profile but don't yet qualify as best clients). Include phone conversations with family members and face-to-face business and social interactions.
- Develop an action plan for getting to know the female of the household.
- Reassess your knowledge and expertise regarding the product or service that you sell.