

## Transcription details:

Host: Bill Coppel, First Clearing Chief Client Growth Officer

Guest: Dr. Jonah Berger, marketing professor at the Wharton School at the University of Pennsylvania

## Transcription results:

INTRO Welcome to The Next Frontier, where we examine what the role of the financial adviser will be in a world that's being disrupted by artificial intelligence and algorithms. Our mission is to spark new conversations that create stronger connections and build greater client confidence. Join us as we look at our industry, and others, through a new lens, and explore the opportunities emerging at the intersection of high tech and high touch. It's time for a new conversation. Are you ready?

BILL COPPEL Hi, this is Bill Coppel, and welcome to this episode of The Next Frontier. When some things catch on, while others fail. What makes online content go viral? And why do some products, ideas, behaviors, and even people, get more word of mouth than others? Our guest today, Professor Jonah Berger, examines the behavioral science that underlies these questions. He examines how people make decisions, how ideas diffuse, and how social influence shapes behavior. Doctor Berger is a marketing professor at the Wharton School at the University of Pennsylvania. He has published dozens of articles in top-tier academic journals, and accounts of his work frequently appear in popular outlets like The New York Times, The Wall Street Journal, NPR, and the Harvard Business Review. His research has also been featured in The New York Times Magazine's Year in Ideas. Jonah is a New York Times best-selling author of Contagious: Why Things Catch On, and Invisible Influence: The Hidden Forces that Shape Behavior. Doctor Berger has spent over 15 years studying the behavioral sciences that underlies how people make decisions, how ideas and products catch on, and how social influences shape behavior. He also consults with top Fortune 100 companies, including Google, Apple, and Vanguard, just to name a couple.

BILL COPPEL Whether we realize it or not, other people have a surprisingly powerful impact on almost everything we do. It can be hard to recognize this idea of influence in our own lives, but just because you can't see it doesn't mean it's not there. As a financial professional, are you looking for ways to create something of unique value with your clients? Something they can feel passionate about and share with others? Jonah believes that by better understanding how social influence works, we can harness its power to motivate ourselves and others, be more influential, and use it as a powerful business tool. Jonah, welcome to The Next Frontier.

JONAH BERGER Thanks so much for having me.

BILL COPPEL Hey, it's really great that you've been able to take some time out of your busy schedule at Wharton and your writing, of course, and your research to spend some time with us and our listeners. And at The Next Frontier, our objective here is to help financial professionals kind of reinvent their value and, in fact, try to figure out how they can project it in the meaningful way that makes a difference in the lives of the clients they serve. But before we go there, I want to start with a story that I read in an article that was written about you for Wharton Magazine back in the spring of 2017.

Share with our listeners the story that you told the writer about what it took for you to buy a new pair of jeans.

JONAH BERGER

It took a lot longer than it should have [laughter]. There are many choices out there today, like any domain, clothing, there are many, many choices out there, many providers you could get clothing from, many options you could think about. Not only what attributes those items have, but what it says about you to buy one pair of jeans versus another. And I, like many people, get easily sucked into decision quicksand, where I end up making small decisions into much more important ones than they need to be.

BILL COPPEL

Okay, so let's take and switch from jeans, for a moment, to a financial professional. There's a lot of them out there, they come in all shapes and sizes, different styles. What goes into the decision-making process that makes something like, maybe, buying a pair of jeans, which you didn't do in haste, but you thought about. How does that relate to some of the other decisions we make in life?

JONAH BERGER

I think we have this notion that a "simple" decision or an unimportant decision, like buying jeans, we should approach it very differently than we approach an important decision, like who we work with to manage our finances. But, actually, most consumers don't see them as different as we might think. The same biases and issues that shape one certainly shape another. And everyone's pressed for time, whether they're buying something simple and unimportant, or quite important, like managing finances. And so when we approach this problem as providers of this service, just as [inaudible] said earlier, I think we really need to think about what is the value that we provide? What is the value add? It used to be that financial service professionals were the only layer, the only vehicle, that a regular consumer, a regular person, could really think about investing in. It was complicated, it wasn't something they knew very much about. They needed someone to interpret it for them. It's almost like religion and needing a priest or rabbi to stand between you and God, for example. That helpful person that translated and made it easier.

JONAH BERGER

As you know, though, today technology has come in to play very much the same role, where you can work with a Robo-adviser or work with someone else and get, from the customer's side, a potentially very similar experience. You can get help investing your money in a way that makes sense, in a way that would be better than you can do on your own. And so as financial advisers, we need to think about what is the value we provide, and how can we re-conceptualize that value. How can we think about our value as, certainly our aptitude and our knowledge of markets and how to provide a better return, but also much more than that. Because return is only one of the things that we actually provide and so it's only one of the features by which people end up making their overall decision.

BILL COPPEL

You talk about this notion of social transmission and the idea around how we are influenced by one another. Can you talk to us a little bit about, in the context of decision-making and, in particular, in the context of being a financial professional and trying to define or articulate your value, what are the cues that a consumer looks for in another individual, for example, in making a decision to go one way or another?

JONAH BERGER

When we're faced with a really important decision, something like what house to buy, what neighborhood to live in, what financial service professional to use, we often turn to information, certainly, but we also turn to others. When we're trying to find a babysitter or nanny we ask people because we know that the information, by itself, isn't enough. We want to make a really good decision, there are many options out there, it's a complicated decision, and so we use other people, word of mouth, social transmission, as a shortcut to judgement. As you mentioned, my first

book, *Contagious: Why Things Catch On*, is all about word of mouth and how we can get more of it. Most decisions we make, from the simple to the complex, are shaped by others. We turn to others because others are more trustworthy, and information is more targeted. We know they're going to give us something that's directly relevant to us and our needs, and people tend to be friends with other people like that. Which means, that if you have a number of clients in a certain geographic region, a number of clients of a certain demographic type, or a number of clients with a certain socioeconomic status, they're probably friends with other people just like them. Which means, if you can turn those customers into advocates, if you can make them a marketing channel for your message, for your service, they'll be a much better customer-acquisition strategy than you might be able to have otherwise.

JONAH BERGER

Often advisers spend a lot of money advertising, a lot of money thinking about how they can get new clients. I'll set up a booth at a certain thing, I'll buy an email list, I'll make a number of sales calls. But the problem is, as a recipient of those paid media attempts, we know that someone's trying to convince us and so we're a lot less likely to listen. Whereas, with word of mouth, with social transmission, we're much more likely to trust that information because it's much more objective rather than subjective. A friend isn't making any money off the deal, they don't get anything from convincing us, and so if they say something is good we're much more likely to trust and go with that information.

BILL COPPEL

So you raise a good point. When someone makes a referral, or when someone makes an introduction to someone else, there really isn't anything in there in it for them, right? They're not getting paid to do that. But is there? What is the payoff to the person that's making the referral? Why would they do something like that?

JONAH BERGER

Yeah, and that's really the 10-thousand, 10-million-dollar, whatever you want to call it, question. Right? And I think many of us who have a background in economics say, "There must be an economic incentive, right? We should pay people to make referrals because economics incentives are the only way we make decisions, right? The only motivating factor behind behavior." And, while great in theory, that's clearly wrong in practice. There are a lot of other motivations that shape our decisions. In *Contagious* I talk about a six-step framework, that's actually an acronym called STEPPS, that stands for Social Currency, Triggers, Emotion, Public, Practical Value, and Stories. And each of those is a psychological driver for why we talk and why we share, and leads all sorts of products and services and ideas and information to catch on. So you mentioned motivation, just to pick one. The first idea in that framework is something I call social currency. The idea that we're more likely to talk about and share things that make us look good, rather than things that make us look bad. So if a couple of folks are out on the golf course and they're talking about different things, someone's more likely to talk about something that makes them look smart, makes them look special, makes them look in-the-know. If someone asks, "Hey, how are you doing in the market?" and if that person has a smart, sharp, answer, they're much more likely to say it than if they don't have a very smart answer. If they know their friend is looking for a better financial adviser, and they know that recommending their own adviser will help their friend out, it not only helps their friend, but it makes them look good.

BILL COPPEL

So let's just dig down a little bit deeper on this whole notion of social currency. It seems to me that might be the currency, in fact, that we receive when we make a suggestion or referral from someone else. That notion of making me feel better. I'm not going to recommend you, Jonah, for example, to someone unless I really believed in what you did and you had an impact on my life, and it was a positive impact. I feel better when I share that information with a friend. You talk about that in your book. I want to take it one step further and ask you this, that, "What do I need to be doing,

for example, as a financial adviser, to engage someone, or a client, for example, to get them to become that advocate?"

JONAH BERGER

Well, I think it really requires putting yourself in the role of that customer, that client, and understanding what drives their behavior. Often financial advisers are very good thinking about the numbers, but they're not so good at understanding their customers. They're very product or service-focused, rather than customer-focused. And it requires understanding the needs of the customer, not just, "Am I transmitting information to them?" but, "How will they look if they share that information with others?" I have quarterly calls, or yearly calls, with my adviser, and I often leave those calls more confused than when I started them. I generally get the sense that they're doing a good job, I do trust them, but if you asked me to tell you what they're doing, I wouldn't necessarily be able to do that. And that might be fine for them with me, but that's going to mean I'm not a very good source of referrals because I can't explain to someone else why they're good. I don't have a language to explain it in the way that I can understand and that makes me look good.

JONAH BERGER

So one thing to think about as an adviser is, when I get off one of these calls, what am I giving my client that they can take with them and share about me? What are the stories or information that is going to make them look good, and help their peer? So it's not just about making them look good and giving away useful information, stories are a really important part of it, right? As advisers, we often talk in terms of information. We need to communicate in terms of stories. People aren't just information bots. We don't just regurgitate information. We need an excuse to tell-- even something that we like, we need an excuse to talk about it. And so rather than just sharing information, we have what's called psychological cover, and so, thinking about what are those stories that your clients can transmit to someone else about you, not just the information that you're doing a good job, but the story that shows, rather than tells, that you're doing a good job.

BILL COPPEL

So is a story considered a trigger? Or could a story become a trigger in this process?

JONAH BERGER

The idea of triggers is, we don't just talk about things we like, we have to be reminded to talk about things. There has to be a trigger in the environment that makes us think about those stories. If I said, "Peanut butter and," what word might you think of, for example?

BILL COPPEL

Jelly.

JONAH BERGER

Jelly. Or if I said, "Rum and," you might think of Coke. These things are triggers. One thing reminds us of another. And so as we're thinking about the right story to tell or the right information to pass along, we have to think about, well, what's going to trigger someone to think about that story, that information? There are lots of products and services we like, but we don't think about them all the time. How can we make sure to be top of mind and more likely to be tip of tongue, as a result?

BILL COPPEL

So life events, and the emotional things that take place in our life every day. So, for example, if your adviser was talking about things that are important to you, that are unrelated to your finances, those are the kinds of things that might form triggers, for example, where you would turn around and share that story with another person.

JONAH BERGER

Let me give you an example in a different service context at a real estate agent. I have a great real estate agent, his name is Marc Hammarberg, in Philadelphia. He's fantastic, but the problem with real estate agents is you don't use them very often. You don't buy or sell a home very often unless you're flipping houses. And so how does something like that stay top of mind? And what he does is, he owns other, and excuse the pun, but real estate in my mind. Not just for buying, selling homes.

Anything home-related he is helpful with. If I need a painter, he knows someone. If I need someone to cut down a tree, he knows someone. If I need a roofer, he knows someone. He doesn't do the work himself, but now anything home-related becomes, in a sense, a habitat or a trigger for him. And because he's grown the set of triggers for him and his business, I recommend him much more often because I think about him more often.

BILL COPPEL

So this notion of these close relationships, like you've developed with your real estate agent, you view them much more broadly than just simply buying and selling a home, as you said. But that took some work. That was a face-to-face, a number of conversations over a period of time. What I want to ask you is around this phenomenon of social media, the various platforms, blogs, emails, texts, tweets, and so forth. Does that substitute, or how does that play up against that actual face-to-face interaction to build that relationship that causes that connection?

JONAH BERGER

If you actually look at the data, what percent of word of mouth is online, some people say, "Oh it must be 50 or 60 or 70 percent." But it's actually much lower. It's around 7 to 10 percent of all word of mouth is online. And that doesn't mean that online isn't useful, but it's only one of the channels to which word of mouth flows. What's nice about social media is it can be an acquisition strategy, if you think about content as an on-ramp to people to learn about you and your services, doing content marketing, sharing useful tips or tricks, or having email lists that pass on valuable information can be one way for people not only to engage with you, but to share you with their peers. In a sense, there can be a trigger reminder of the value you provide. But it's important to know your clients, to think about where your clients like engaging with you, and where they might like talking about you. If you're focused on an older clientele, they may be more happy to interact face-to-face and share information face-to-face. If you're interacting with younger audiences, they may be used to getting information through social media. They'll be used to interacting with banks through apps rather than through physical location, and so understanding the preferences of those clients becomes important. I think nothing replaces good relationships and offline interactions, but in some cases online can be a nice way to augment that as well.

BILL COPPEL

Well, let me change gears for a moment and go to one of the other letters and STEPPS, and that's emotion. Talk to us about where this plays into this whole concept of creating, sort of, a contagious feeling for you as an adviser.

JONAH BERGER

I work with a lot of advisers, and whether it's a consulting or executive education capacity, I think emotion is one advisers certainly struggle with. It's a business that's based on numbers and function, and we think it's all about focusing on the function. Listing the attributes or reasons why someone should do something. Giving them more information will tip the scales and drive them to take action. But we need to focus on more than the function. We need to focus on feelings. If you talk about creating a brand, creating a point of differentiation, building a relationship, emotion is a vital part of a relationship. And if we're only focused on the functional reasons why someone might be doing something, we often miss a big opportunity. And so one thing I suggest is really understanding why someone wants to reach a certain goal or outcome. Sure, they want to have a good return in the market, but they don't want that just for its own sake, right? They want that so they can have a healthy and happy retirement. They want that so they can take care of their family or their kids. And so understanding those deeper, more emotional reasons is a great way to connect and build a relationship with those clients, but also a great way to get people to share.

BILL COPPEL

One of the words that you use frequently in both books is this notion of influence or persuasion. And that can have a negative connotation, as well as a positive

connotation. And oftentimes it's viewed, particularly when you're in a service-based business, and this notion of trying to persuade somebody to do something, that can often be received negatively. Perhaps people are misunderstanding the power of that. Can you talk to us about what you've learned through your research on, sort of, the triggers or the-- I shouldn't use the word triggers, but the attributes of influence and persuasion in a positive way.

JONAH BERGER

People often talk about influence and persuasion as the same thing, but they're subtly, but importantly, different. Persuasion is actively trying to change someone's mind. Influence happens even when someone is not necessarily trying to change someone else's mind. So let's say my friend has used an adviser before. They may not be advocating that I use that adviser, they may just provide a recommendation, "Yeah, I've worked with them before, and they were great for me." They're not trying to persuade me to use that adviser, but the mere fact that they have used that adviser provides information, influence that makes me more likely to do it as well. And so even if someone's not, as such, trying to persuade you, they can certainly influence you by their own behavior. And I think, while we often see persuasion as a kind of a negative or four-letter word, influence doesn't necessarily have to be that way. We can wield influence in a positive way and help people make better decisions.

BILL COPPEL

So in a role of an adviser, in the old days we were taught to ask for the order or taught to persuade someone to go in a particular direction. It seems to me that, based on your research and thinking, that we may be in a better position as financial professionals if we are effective at influencing, as opposed to persuading. Give me your thoughts on that.

JONAH BERGER

I think I couldn't have said it better myself. That's a great way to think about it. So we certainly want to influence our client in a way that will help them and help them reach a better outcome, but we want to do it without necessarily persuading them to do it. I mean, sometimes we want to lay out the facts and let them make their own good decision based on what they think may make sense for them given the situation that they're in.

BILL COPPEL

And my sense is, the better you know the individual that you're working with, you really know them, you know about their life, you know what's important to them, the more successful you're likely to be at aligning their interest with what you're suggesting. And this notion of alignment and, sort of, imitation, if you will - you talk about this, I believe, in your second book - you talk about this notion of imitation and how that becomes a critical component to having something either stick or catch on.

JONAH BERGER

Definitely, and I think, just as you noted, knowing more about our client is the benefit that a good financial adviser provides over, let's say, a local adviser, right? Knowing those extra things that might not be written down on a piece of paper or in a data file, but knowing them allows you to make better decisions for them. But the challenge then is actually acting on that information and doing the work to realize that the point of differentiation isn't necessarily just performance, it's knowledge and personal relationships, and turning that into the point of differentiation. It's a challenge. It means you can't work with as many clients, but it can certainly be beneficial, particularly in preventing from being disrupted.

BILL COPPEL

So what I wanted to do, Jonah, now, is in your book Contagious you identify a number of great examples of real-life stories around how a particular item or experience, restaurant, or any kind of product catches on. Take a moment and think about what you would tell a financial adviser, who obviously is interested in growing their business, how they can employ some of the learnings that you've brought out

through your research, are the things that they need to be thinking about in order to position themselves in a way where they, effectively, go viral.

JONAH BERGER

When we think about things going viral, we think about a large scale. Thousands of people or millions of people passing on a video. And so most advisers are sitting there thinking, well, that really isn't necessarily relevant to me. But the things that make people share online content are the same things that make people share stories and provide recommendations and information, which are the same things that drive success as an adviser. Growing your client base, building your name, and being able to build your brand. And so those six STEPPS that we talked about before are the same concepts that are key. Right? Understanding what would make your audience look good so they're willing to pass your information on. What will help them help others, and how can you give them stories that allow them to do that? Whether it's emotion or triggers or those other ideas, the concepts are very much the same, even though they can be applied to a wide range of domains. One thing that was interesting in writing Contagious is people often ask, "Are you a domain expert? Do you know a lot about financial services or B to B or B to C?" And, actually, what I know a lot about is why people share. Psychological drivers of why we share information are the same whether we're talking about what we're doing this weekend, what restaurants we like, or what financial advisers to use. The underlying science of why we share doesn't change based on one domain versus another. You can apply it differently, based on those different domains, but the underlying reason why is very much the same.

BILL COPPEL

That's fantastic. Well, Jonah, I want to thank you very, very much for your time, and sharing your insights, and giving us, our listeners and myself, a lot to think about as it relates to how we can begin to relate more closely to our clients and redefine our value.

JONAH BERGER

No problem, thanks much for having me.

OUTRO

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