

Transcription details:

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Guest: Scott Deming, International Speaker, Consultant and Author

INTRO [music] Welcome to the Next Frontier where we examine what the role of the financial advisor 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 the Next Frontier. With this podcast, we are helping financial advisers deal with one of those things that's affecting many, many businesses. It's this notion of digital disruption. It's shaking the very foundations of established institutions, industries, and service-based businesses just like the one financial advisers are in today. A reoccurring theme affecting each is the shifting role and ultimate value experts and intermediaries are providing in this technologically-driven, highly networked ecosystem. Today we're very, very lucky to have Scott Deming joining us as our guest. Scott is a recognized international speaker. He's a consultant. He's an author of two-time bestselling books. One, *The Brand Who Cried Wolf*, and *Powered by Purpose*. Scott has traveled around the world, worked in many different industries, owned his own ad agency, and with his 30 years of experience consults with and helps firms and businesses continue to remain competitive and build loyal customers. So, Scott, thank you very much for joining us today.

SCOTT DEMING Thanks for having me, Bill.

BILL COPPEL It is an honor to have an opportunity to chat with you based on your experience and your very unique perspective. What I wanted to talk about right at the top here is, I've heard you say that customer loyalty is really around a powerful experience and the expectations of that experience. Tell us about that, how you who came to understand that.

SCOTT DEMING When I had the ad agency, we were selling intangibles. How do you get somebody to get excited about the fact that they're spending a whole lot of money on a media buy or creating an ad campaign for them? So what we had to do was, we had to create a relationship, an experience, that was not just obvious that we were giving them a return on their investment, but we did so much more. We added so much to the relationship that it became a loyalty factor. I'll give you a perfect example. I wrote it in my book, my second book. So I even called her and asked her if I could use it. She said, "Absolutely, because it's a true story." One of the clients that we had was Carrier, the heating and cooling company. Every year we ran ad campaigns for the distributors and dealers across the country. So in the fall, we would start planning a campaign for the following spring. And one year I get a call from the marketing director down at North Carolina. And she says, "Scott, I know you're planning our budget," and I said, "Yes." And she said, "I need you to do me a favor." My first thought is, she's going to say, "Cut the budget. Don't spend so much," whatever. She said, "I need you to make sure that you do not cut your fees too much." And I said, "Excuse me?" She said, "I know that you're fair." She goes, "But sometimes I believe you're too fair." And she said, "And what good are you going to do me if you cut your

fees to the point where you're not making enough money to stay in business? I need you." I challenge anybody to tell me the last time somebody called them up and said, "Please charge me more." So it wasn't based on so much the buys, it was obviously based on the results, but it was based on so much more. It was the relationship. And so I say to clients all the time, "Look, there's a huge difference between a satisfied customer and a loyal customer. A satisfied customer will stay with you till the next best deal comes along. A loyal customer, they can't fathom living without you." And that's what you want. But that's only done-- you can only get that not just so much by what you sell, but by how you sell it through the experience.

BILL COPPEL

Expand on that, how you sell it through the experience, for me. Think about financial advisors, and I think the number one question that they get often is around their fee, similar to the story you just told. Only it doesn't come out quite as rosy as the one you just talked about. What is that next step for them to consider in moving the conversation away from fees?

SCOTT DEMING

Well, can I share my experience with my current advisor?

BILL COPPEL

That'd be fantastic.

SCOTT DEMING

Okay. My wife and I have been with the same firm for many, many years. And for several years we had an advisor who was okay. I mean, he was doing okay, but we really didn't have a relationship with him. In fact, when we met with him, my wife has said several times, "I feel like he talks over my head. I feel like he doesn't get us." So he left. Three, four years ago, he left the firm and he called me and he said, "I'm leaving," and he assumed I was moving my business with him. I called the COO and I said, "John," and he goes, "Yes. I know. Don's leaving. He probably asked you to go." I said, "Yes." He goes, "Scott, it's your business. You do what you want. But before you leave, please come into the firm and I want to show you what we do." My wife and I went in and spent an hour and a half. And the COO, a vice president, and a couple of other people sat down in a boardroom with us and they showed us how many people touch our business. And the reason that so many people touched our business is because the COO took it upon himself to really get to know me and get to know Debbie. So I said, "Okay. We're comfortable, but now I need to know who's going to take care of my business." He said, "Let me give you a guy. He's brilliant. You'll love him. Please give him a shot. If you're not happy, go back to Don." So we've been with the same guy, Mike, now for three, four years. And let me tell you the difference between Mike and the other guy, and Mike and buying it online, and Mike and algorithms. Mike took it upon himself-- we had several meetings, and he didn't want to just know what were our goals. Everybody says, "What are your goals? What do you want this money to do and look like in 10 years?" Mike said, "How's your family? What do you guys do? Where are you going to live? What kind of house do you like? What do you like to do in your spare time? Do you imagine you're going to work for the rest of your life? When do you think you'll retire?" He went on and on, and Mike got to know us on such a personal level that I am not kidding when I tell you that when I talk to this guy, it's like talking to a therapist.

SCOTT DEMING

About a month and a half ago, Mike and I were on the phone. I was getting a little anxious about some things that were happening in the market. Mike calmed me down and after we were all done talking, I said, "Mike, can I just call you when I'm having a bad day on a golf course or if my wife and I are getting into an argument?" He just laughed and he said, "No, I don't know anything about golf and I don't want to get involved with your marriage, but you can call me at any time." Now look, here's the difference. He knows us. He knows me on such a personal level that it's no longer just Mike taking care of my investments. I don't even care about the fee, honest. I'm not

just saying this. I don't even ask him what the fees are anymore. I don't even ask him when he's making trades, how much is it costing in fees, because I know he's doing this not for him but for me. And there's the big difference. People need to feel that you're in this for them, not for you, and that's a big difference between a satisfied customer and a loyal customer. They know that this is a partner for life.

BILL COPPEL

That is a fantastic story. I hope every one of the advisers that listens to this podcast takes that to heart. You talk about something called transformational growth, and it seems to me that financial advisers are kind of stuck in a sort of status quo mode right now. Perhaps the digital disruption is creating that hesitation to change. But can you describe for us this notion of transformational growth and this notion of disruptive transformational growth?

SCOTT DEMING

McKinsey, the consulting firm, put a paper out last year and they said that-- this is based on the companies that are very successful. The premise is you cannot stay on the curve, behind the curve, you have to stay ahead of the curve. People have too many choices. Everybody out there who's listening to this podcast is selling a commodity. I can get what you sell from anybody else in the market. Am I correct in saying that?

BILL COPPEL

Absolutely.

SCOTT DEMING

Okay. So the thing is, how do you decommo-ditize? Here's how you do it. 70% of your resources and time must be spent on defending your core business. So you know what you do. You know what your business is. You know what you do best. You have to defend it. You have to keep it healthy. You have to make sure you're profitable. 20% of your time and resources must be spent on organically growing, growing that core business. So you can grow it with your current customers, you can grow it by getting new customers, but you do that by using your strength in your core business. Now, here's what a lot of companies are not doing. 10% of your time and resources has to be spent, must be spent, on transformative growth. Here's what this means. It means it must be spent on doing something nobody else in the industry is doing. You have to figure out ways to approach your clients and approach your industry in a way that nobody else is doing. But you can't just do it and be a shiny penny. You have to do it and create real value, truly real value. What can you do? Sit down and think, and spend at least 10% of your time, and your money, and your people, and sit around and brainstorm and say, "Okay. What is nobody in the industry doing?" If I were a customer looking at me, knowing that I've got a bunch of advisors I can choose from-- I can do this through technology. I can do it by saying, "Hey, Alexa. Invest my money." But what can you do that is going to disrupt the industry?

SCOTT DEMING

I'll give you a perfect example outside of investments. In 1982, the CEO of General Motors got together with the president of the United Auto Workers and created Saturn. Why did he create Saturn? Because all of the foreign automakers were killing the American automakers. And he said, "We need a different kind of car and a different kind of car company." If you remember the Saturn story, you didn't negotiate. You went in and you bought your car. It was a different kind of car. They used different materials. They used non-GM materials. It became a cult brand, not because it was the greatest car on the planet. It was because of how people were now able to buy a car. They didn't have to go through the ceremonial dance. They didn't have to negotiate, and sit down with a guy, and let him go talk to his manager, and go back and forth. But it became such an amazing experience, that people had four Saturns in their families. They passed them down, generation after generation. Everybody thinks that Saturn went away because they didn't do well. They couldn't keep cars in inventory. They went away because after the CEO retired and new

leadership came in, they said, "Get back in line and do things the way we used to," and they cannibalized and killed Saturn. Now, the only way Saturn became a cult brand is because GM decided, "We're going to be disruptive. We're going to spend some time thinking transformative growth. We didn't want to do it the same way that everybody else did it. We're going to do it differently." And that's what created that brand. So what people have to understand, if they're going to create a brand where people think about them and go, "Oh my God. I've had an experience with them, and I can't live without them," you have to do that by creating a unique experience. You have to do that by taking care of your customer at a level nobody else and no technology can possibly do. That's transformative growth.

BILL COPPEL

Let me read something to you that came out of *Power of Purpose*, and I think it connects to what you just said. Your book directs business owners to transform business through the power of values and purpose, to ensure that why they do it is bigger than what they do. How does that lead to this client loyalty that you spoke about earlier, and particularly with the example that you just gave with Saturn, that became a cult car? It seems that we're focusing on the why they do-- you're selling the why you do it versus the what you do.

SCOTT DEMING

Well, the reason that you have to focus on the why is because when you have purpose, and when you're doing it with mantra, and with all your heart, you do learn how to become transformative because you're doing things on behalf of the customer experience, and not on behalf of P&L. So many leaders are caught up in the quarterly earnings, and shareholder happiness, and profit, and to the point where they stop thinking about, really, the reason why they're doing what they're doing. Here's the point behind what you just read out of the book. All sustainable companies, companies that are always ahead of the curve, are companies that have cultures of meaning, passion, and purpose. Now, remember, I'm not saying you have to be working for a company that's trying to find a cure for cancer. What I am saying is that if everybody in your organization, especially from the top down, if leadership and everyone within the organization, if they understand the real purpose behind what they do, they're going to work at a different level. What does the why mean? It means this. It means putting yourself in your customer's shoes and asking yourself this, "If I were them looking at me, what would I love from me?" And working at a level that becomes more about the culture, more about the customer experience, and not so much about what you sell. If you don't have why and all you have is what, you are truly a commodity. Then you know what? Guess what? I am going to go let algorithms place my investments for me.

BILL COPPEL

When you think about your relationship today with your financial advisor, Mike, what is the most important thing to you and Debbie in terms of your expectation with respect to the relationship with Mike? What's the one thing that's the most important to you?

SCOTT DEMING

The most important thing is, and I feel it and I have 100% confidence, is that he will always, always do the right thing on my behalf. He will always be there for me. I know that the account's going to go up. It's going to go down. It's going to fluctuate. I get it. But I never felt before-- I never felt comfortable when I would get a report or I'd go online and I'd see that my account just dropped \$30,000. I would get so nervous. I would think that this guy he's doing something wrong. If I see my account going up and down now, I have absolutely zero panic because I know it's not so much what Mike is or isn't doing. He's doing everything he can. It's just a product of the environment, of the market. That's the difference. My expectation has always been, take care of me with all your heart and soul and I'll let everything else do its business. And that's what I feel with Mike. Now, obviously, I'm not just going to sit back and let

him drain my account. I'm expecting to be able to retire one day with a lot of money, but I know with all my heart, because of how Mike treats us and takes care of us, I know that he's going to do that for us. I think that's the difference. Again, I've said this before. The difference between satisfied and loyal is, people aren't loyal to things. They're loyal to the expectation of what those things will do for them. They're loyal to the expectation of what people will do for them. I had an expectation of my other guy. He never met it. I had an expectation of a new guy. Mike shattered it.

SCOTT DEMING

But here's the problem. How can you actually deliver the why? How can you actually shatter an expectation if you don't know what their expectation is? Not enough people in business have this conversation. They don't ask their customer this, "What is your expectation of me?" Do you know, Mike did that the very first meeting he had with my wife and I? He said, "I understand you weren't over the moon with Don." He said, "You need to tell me, right up front. What is your expectation of me?" And I looked at my wife and I said, "When the hell was the last time anybody ever asked me that question?" Nobody ever asks that question. And if you're going to really know what your customers are expecting of you, you have to ask the question. Then what you do is, you put a process together that shatters the expectation. That's how you create the loyalty. That's how you sell the why.

BILL COPPEL

So it seems to me that Mike was very effective at changing the tenor of the conversation you were accustomed to having.

SCOTT DEMING

Well, obviously, Mike was coached a little bit about my dissatisfaction, but it wasn't phony. It wasn't just rhetoric. Mike was really coming at this from a completely different direction. And here's the thing. This actually changed my wife's perspective. My wife kept saying, "Why don't we just do our own thing? Why don't we just go to Ameritrade? Why don't we just go to Schwab?" And she kept saying, "Why don't we just buy our own stocks?" And I said, "Because I don't know enough about it." And I said, "But--" and she goes, "Yeah, but I don't think that what Don was doing really brought us anything valuable." When we left the meeting with Mike, my wife looked at me, she said, "This guy gets us." And I think that's what people have to understand. If I'm dealing with you, you're my customer and you walk away and you feel like I don't get you, then here's the problem. I'm doing this for me and I'm not doing it for you. I'm thinking about, "Hey, this person has got money and I want it," instead of, "Hey, this person needs a friend. This person needs to figure out a way to have a future and I want to be the person who helps them do that." That's when you change the paradigm and that's when you change the whole-- kind of the whole game. And Mike did that. He changed the mood. He changed the game.

BILL COPPEL

How often do you speak to Mike? You and Debbie speak to Mike? And what do you talk about?

SCOTT DEMING

I speak to Mike about once every two to three weeks. Mike sent me an email two days ago just checking in. He goes, "I know you're getting ready for your move. How are things going? Call me if you need anything." Who does that? Checking in. My own kids haven't done that [laughter]. So I talk to him probably, I don't know, like I said, every two to three weeks and sometimes it's not about anything but, "What do you think?" He'll tell me all about-- he knows one of my clients over the years was John Deere. One of my other clients was Cat who is now owned by Challenger brands now, the agricultural tractors. And Mike, I called him up and I said, "Hey, I've got this project I'm working on." And Mike was talking to me all about the reason why they're selling, why they want to be in the game, foreign... It's not just here in the U.S. It's what they do overseas. And he told me about some of the Middle East, Indian, and Asian markets and what they're doing with some of the products of my clients. Guess

what? I was able to actually talk about that during a presentation because Mike gave me information I didn't know. If you want to truly be a person and not just an adviser, but someone who feels like they can't live without you, you have to add value that nobody else is adding. And that's why I talk to Mike. Mike just has this thing where he seems to know what it is I'm doing, what I'm thinking, and he has the ability to make me feel comfortable.

BILL COPPEL

And it sounds like it's well beyond just this concept that most advisors focus on often, is just retirement. He knows you now.

SCOTT DEMING

He knows me now. I mean, we've had conversations about-- last year one of the companies that I was one of the founders of sold. I had a pretty large sum of money, and I asked Mike, "What do you think? Should we buy some property? Should we invest it in the market?" And he goes, "Well--" he goes, "Scott, you're not going to retire any time soon." He said, "You already told me you want to keep working until the day you die." He says, "And you guys are both healthy." He said, "Go have some fun with your money." Now, Mike could have taken this money. He said, "Go have some fun. Go buy a piece of property somewhere. Go do something with it because your money's doing well. You're going to keep working." He said, "Don't put it into something that doesn't make sense and is going to lose money." But he approaches things as a friend and not so much-- I don't feel like every time I call him, Mike wants a piece of my pocket. Mike just wants to make sure that I'm taken care of. And that's what people have to feel. Again, I've said this probably three times already in the podcast. People have to feel that you're in it for them, that you know them at a level that is just beyond-- and that's part of transformative growth, by the way. I'm not saying that you have to go out and try to figure out a new widget to invent to be part of your firm, of your advisory. You have to figure out a transformative way that nobody else is doing business. I've never met anybody like Mike, and that's the truth.

BILL COPPEL

Not to get too personal, but with the chunk of money did you go buy a piece of property? And if you did, did you ask Mike about it?

SCOTT DEMING

I took some of it and bought a piece of property, and I absolutely asked Mike about it.

BILL COPPEL

Talk about that conversation.

SCOTT DEMING

Well, I told Mike what we were thinking. I told him where we were thinking. And Mike actually knew the market, and Mike already knows what real estate prices are doing, and he could project what interest rates are doing. He said that it's a good time now because interest rates are going to start going up. They're never going back down again. And he asked us how long we planned on being in the property. So it was something where-- and in fact, as I was talking to him, I had him on my speakerphone, and I had my wife in the room with me. Because I don't do those types of things without her in the know or without her deeply in the conversation. We got off the phone and my wife goes, "Well, let's do what Mike said." He was part of not just, "Hey, Mike. We're thinking of doing this." I would say to Mike-- and here's what I would always say because he would laugh. He would laugh. He goes, "Oh, I don't know if I should get too involved in this." And I go, "Mike, here's the thing. I will never ever hold you accountable for a decision that I ultimately make just because I'm asking you for advice." I said, "I want you to always know that." I said, "Now, if you're calling me and you're telling me you want to invest my money and I say go ahead, I'm going to hold you accountable. But if I call you and I ask you some questions as a friend, I'm not going to hold you accountable for anything." We've got this back and forth where he knows that I'm not putting all the pressure on him, but at the same time, he's so honest and so forthright with his thoughts and with his knowledge that we have that kind of a relationship.

BILL COPPEL You used the word friend. How does that connect back into this notion of loyalty? I mean, you just called your financial advisor a friend. I think that's important and unique.

SCOTT DEMING He is a friend. I'll give you another example. I did a program for Cargill several years ago, and they kept telling me on a conference call-- I had all the leadership on the conference call prior to the conference. And a guy kept going, "I'm going to tell you this is unique. And I know that you hear this from everybody, but our industry is very unique, and it's all about price. It's all commodity. It's all about price." And I said, "Do you truly believe that?" He said, "I truly believe that." I said, "Oh, I got a great idea for you." I said, "Don't hire me. Lower your price. You're welcome." And they laughed and I said, "I'll tell you what. Give me some of your customers." These were farmers. "Give me some farmers to call. I want to talk with them real quickly." One farmer that I called, I said to him, "I understand that you're selling your soy to Cargill but that's all they're getting." He goes, "Oh, yep. I've got my corn and my grain. I give it to this young lady who's with a competing company. And I said, "Well, do you not like John over at Cargill?" He goes, "No. I love John. He's a great guy." I said, "Well, why don't you give him more business?" He goes, "I'll tell you why." He said, "The young lady that I'm with, she's on her third company and I've moved every time with her." And I said, "Well, she must offer you a hell of a price." He goes, "No." "You said it has nothing to do with price?" He said, "No. I'm not a stupid businessman." He said if somebody absolutely blew the price out of the water, I'd consider it." He said, "Here's why I stay with this young lady. Years ago, my wife and I literally thought we were going to lose our entire farm." He said, "This young lady would come to our house every single night. She would stay with us until the wee hours. We would have coffee. My wife would make muffins. And she talked with us and helped us on so many different levels that we never thought she knew." He said, "Scott, there is nothing, no amount of money, nothing that would ever cause me to leave this young lady because she's a friend."

SCOTT DEMING That's what Mike is to me. Mike has taken such an interest in my life, my wife's life, on a personal level. I mean, he's the kind of guy where I want to take out and have beers with. That's who Mike is. He's not just an advisor. And so when you talk about loyalty, it has to be on an unemotional level. It has to be more than just a customer/supplier relationship. It has to be something on a much deeper level in order for it to become that loyalty factor.

BILL COPPEL Thank you, Scott. That was very important for everybody listening to this podcast to hear. I think the friend factor is something that has not been a big part of what we have traditionally done, and what you've described through your relationship with Mike, and that story you told, I think emphasized the fact that that connection between loyalty and friendship is what creates a sustainable relationship over time. I'm going to ask you one last question to be respectful of your time today because I know you're busy and you're in the middle of this move. But as you reflect on your experience in many of the businesses and industries that you've been consulting in for years, what is the one thing that you would want to share with the advisors listening to this podcast today? What's the one thing you would share with them to help them break through, create that disruption that redefines what loyalty means?

SCOTT DEMING Well, probably the first thing and the most important thing would be to actually ask that one question, what is your expectation of me? Go around and talk to customers. Ask them that question. When you have a whole bunch of answers, then you go back to your office and you put a process together that shatters that expectation. Now, speaking of process, I would say this. The most important thing to creating that experience is you have to have a process that allows you to do so. So you can't just sit

there and have a purpose, have a dream, and feel all good about taking care of the customer and being a friend. You have to have a process. You have to actually be able to back up what it is you're about to say, you're about to do. So once you have that process, then you can kind of go into it almost in your sleep and focus on nothing but the customer experience. But in order to truly be disruptive, you have to put yourself in your customer's shoes. You really do. You have to sit on the other side of your desk, on the other side of the phone, and put yourself in their shoes, and say this, "If I were them looking at me, talking with me right now, what would I love that nobody else in this industry is doing? What is nobody doing?" And that's what you have to think about. What would they love? What do people want more than anything? And what is nobody in this industry doing? Nobody, including computers. What is not being delivered? And then that becomes your 10% focusing on transformative growth. But in order to get there, you've got to have the process. Mike doesn't just call me up and we tell funny jokes and we go out and have a beer and a burger. Mike knows his business. He's got the process down. He knows me to the extent where he knows what my hot buttons are and he knows what the conversation has to be. That's what I'm talking about, about process.

SCOTT DEMING

So you want to break through, have a process, put yourself in your customer's shoes, spend 10% of your time and resources on transformative growth, and think about this. What is not happening in my industry, that if I did it, I would turn this industry around? I would change the playing field. I would change the paradigm. That's how you become, not just a possible choice, but the only solution. And remember this, again. I said this before. You have to figure out a way to become irreplaceable in the minds of your clients, your customers. And you have to do this. You have to figure out a way so that one day, if they think about you going away, they feel like they're done. They feel like they're in a lot of trouble. If Mike, one day, called me up and said, "I'm done. I retired," I would actually have heartache. I wouldn't know what to do.

BILL COPPEL

Thank you, Scott. That was outstanding. And thank you for sharing your insights. I hope everyone who's listening to the podcast recognizes the value that you're talking about here, in transforming the way financial advisors can clearly make a profound difference in the lives of the clients they serve. Again, Scott, thank you. If someone wants to learn more about what you do, how would they go about contacting you?

SCOTT DEMING

Well, go to my website, scottdeming.com. There are all sorts of information in there. There's a phone number. There's an email address. So if somebody wants to know a little bit more about what it is we do here, feel free to send an email or pick up the phone and give us a call.

BILL COPPEL

Great. Thank you very much, and thank you for your time today.

SCOTT DEMING

Thanks for having me. I really enjoyed it.

BILL COPPEL

Take care now.

OUTRO

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