



ALLIANCEBERNSTEIN®

WHITE PAPER

SKILLS FOR THE NEW NORMAL: PREPARING FOR RE-ENTRY

As 2021 progresses, there is increasing evidence that the vaccination process is working and that the COVID-19 pandemic is coming under control, at least in the US. Mask mandates for vaccinated people have been lifted in many places, and case counts are dropping each week. More people are shopping and dining out. There's a widespread consensus that the economy will continue to recover, and overall, there's a noticeable feeling of relief.


Business is picking up. Stock markets have been buoyant for several quarters, and the volatility that impacted portfolios in early 2020 is almost forgotten. There are plans to reopen offices and to bring teams back together. This makes it easy to be optimistic and imagine a return to normal in the near future. However, there's also important evidence that re-entry will not be smooth. Even after travel restrictions are relaxed and face-to-face meetings resume, prudent client-facing Financial Advisors (FAs) should expect challenges.

To help FAs prepare for and adapt to the transition, this paper combines insights from behavioral science with observations about how large groups deal with change. The paper offers practical guidance and tactics for working more effectively with clients and prospects who are navigating the "new normal."

AB ADVISOR INSTITUTESM



Ken Haman
Managing Director



**COMMON RESPONSES TO ADVERSITY
CAN HELP US UNDERSTAND HOW PEOPLE
ARE REACTING TO THE PANDEMIC AND
HOW THEY'RE LIKELY TO BEHAVE IN
THE FUTURE.**

WHY SPACE CAPSULES NEED A HEAT SHIELD

As FAs prepare for re-entry, it's helpful to take a lesson from the space race. Early on, scientists recognized the challenges a spaceship faces when re-entering the earth's atmosphere. Plowing through the atmosphere at thousands of miles an hour raises the temperature on a space capsule's surface to more than 3,500 degrees Fahrenheit. That's why every capsule is surrounded by a heat shield to protect it.

Much like how engineers anticipated the difficulties of returning to earth, client-facing FAs can expect meaningful turbulence during their re-entry process. This is because the COVID-19 pandemic significantly impacted everyone around the world. We worried about our health and the welfare of people we love. We changed our behavior, supply chains were disrupted, and most daily activities were stopped or adjusted. Many families experienced a loss or suffered through a potentially fatal illness. Business were shuttered for months, and many didn't survive. Millions of families couldn't withstand the economic disruption that lasted more than a year.

The impact of the pandemic was clearly traumatic. From personal fears ("Will I get sick?" and "Will my portfolio be okay?") to national and global concerns ("Who will win the election?" and "Can the global economy recover?"), people felt threatened and anxious. (For more on investors' concerns about the future, see the AllianceBernstein Advisor Institute's program *Skills for the New Normal: Prospecting in a Virtual Environment*.)

Fortunately, scientists have been studying the impact of traumatic experiences for hundreds of years. Even though every human being is unique, there are common responses to adversity that can help us understand how people are reacting to the pandemic and how they're likely to behave in the future.

THE S CURVE AS A PREDICTOR

One clue to these common responses is based on the observations of Everett M. Rogers. In his book *Diffusion of Innovations*, Rogers discusses how new ideas and innovations are embraced across the culture. He observed that some humans respond very quickly to an innovation; he calls these people "innovators." Rogers also observed people who wait until after an innovation is introduced but then easily embrace the new idea; he labels these "early adopters." He describes other groups who resist adopting until later (or much later) as "early majority," "late majority" or "laggards." When we assign these groups to a bell curve, we see a normal distribution (*Display 1*).

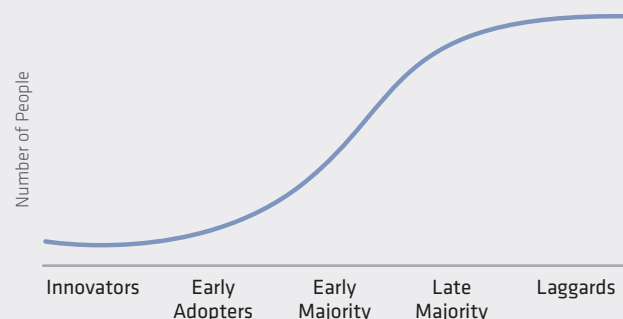
However, when this distribution is tracked on a timeline, it creates an **S** curve (*Display 2*). This **S** curve is a useful predictor of how long

DISPLAY 1: THE ADOPTION CURVE



Source: Everett M. Rogers, *Diffusion of Innovations* (2003): 281

DISPLAY 2: TIMELINE OF ADOPTION



Source: Everett M. Rogers, *Diffusion of Innovations* (2003): 281

it takes a new product or process to be widely adopted. It's also helpful for predicting human behavior. The **S** curve tells us that if the pandemic had started suddenly and ended quickly, a relatively small number of people would have had a strong reaction, and those with resilient personalities would have been more comfortable. This is because some people deal with traumatic events better than others. But because the COVID-19 pandemic lasted so long and had many negative impacts, even the hardest people eventually exhausted their coping skills.

Therefore, client-facing FAs should anticipate that most clients will be working through the past year's experiences for a long time. When face-to-face meetings begin, some clients may be in the early stages of grief.

TRENDS AND “THE ADJACENT POSSIBLE”

Steven Johnson provides another helpful way of thinking about and preparing for the future. In his book *Where Good Ideas Come From*, Johnson uses the concept of “the adjacent possible” to describe why innovation happens in small steps rather than in grand, abrupt advancements. For centuries, the human race has progressed one discovery at a time, each breakthrough leading to the next. This means that the distant future is uncertain because we can’t know what the new knowledge will lead to once it’s integrated into our lives. Importantly, Johnson suggests that the *near* future is at least somewhat knowable. He tells us it’s possible to see the trends unfolding and draw some useful conclusions about what’s likely to happen next. The near future is fuzzy, but we can see enough to prepare.

THE RATE OF CHANGE IS ACCELERATING

Over the centuries, ongoing scientific discoveries have caused civilization to evolve. In the last 200 years, a few key tools have massively accelerated the pace at which change happens. In the 20th century, the rate of change increased noticeably. In the 21st century, advancement has been so rapid that some observers anticipate that today’s tools and processes will be completely obsolete in just a few years.

As Ray Kurzweil points out in his 2005 book *The Singularity Is Near*, “To compare the rate of progress of the biological evolution of intelligence to that of technological evolution, consider that the most advanced mammals have added about one cubic inch of brain matter every hundred thousand years, whereas we are roughly doubling the computational capacity of computers every year.” This observation enables us to predict with great confidence that progress will continue and that change will occur at faster rates in the future. With this fundamental thought in mind, we can look more closely at our own industry.

LOOKING AHEAD: TRENDS TO WATCH IN THE NEW NORMAL

Hundreds of conversations with dozens of top FAs and key leaders at our partner firms, along with our own observations of the events that have been unfolding in the financial-services industry, have allowed us to develop a list of six dynamic processes that we believe will challenge advisors over the next several months.

1. SKEPTICISM WILL CONTINUE

In the AB Advisor Institute’s program *Managing Client Satisfaction in the Age of Skepticism*, we look at the evolution of the financial-services industry from the middle of the 20th century to current day. For example, an analysis of mutual fund ownership showed a slow adoption of mutual funds from 1930 until 1980 and a period of explosive growth from 1981 to 2000. By 2000, 47% of US families owned a mutual fund; everyone who could invest had done so. In the 21st century, the adoption rate has remained flat. This pattern matches Rogers’ S curve.

The explosive growth of ownership of mutual funds corresponded almost perfectly with the Baby Boomer generation starting midlife. In 1981, the oldest Baby Boomers turned 35; in 2001, the youngest entered middle age. In 2016, Boomers began turning 70. This huge group of older people has represented the majority of client-facing advisors’ clientele.

It’s unsurprising that experienced 70-year-old investors are inevitably less naive and more skeptical than 35-year-old novices—and this skepticism is widespread. The Gallup polling organization surveyed Americans across five decades about their confidence levels in traditional institutions such as organized religion, government and industries. The scale went from a “great deal” down to “none.” In every category, the survey revealed a steady drop in confidence since the 1970s. It’s remarkable how widespread and extreme this loss of confidence is across such a diverse list.

CONFIDENCE IN INSTITUTIONS

	Great Deal/Quite a Lot	Great Deal/Quite a Lot
	1975 or 1979	2020
Organized Religion	68%	42%
Congress	40%	13%
Presidency	52%	39%
Big Business	34%	19%
Banks	60%	38%
Medical System	80%	51%
Newspapers	51%	24%

As Rogers points out, an industry should expect an influx of creativity and innovation once the adoption of an idea reaches the late majority and the process hits a plateau. The financial-services industry has experienced precisely this pattern, as discount providers have changed old assumptions about price and service. In recent years, an increasing number of robo-advisors have attempted to disintermediate the traditional FA by offering portfolio management at a deeply discounted price.

Because the pandemic forced the entire population into social isolation, the pace of adoption of digital retail engagements increased dramatically over the past year. Beginning in 1994 with the founding of Amazon.com, we have seen people become more comfortable with digital intermediaries. The prudent advisor will anticipate clients' increased curiosity about alternative providers and concern about inflated fees.

As re-entry begins, it will be critical for FAs to rebuild relationships with their clients, to think strategically about their value proposition, and to decide how to differentiate their services from discounters and robo-advisors.

2. DELAYED REACTIONS

Another implication of the distribution of reactivity in the culture is that people differ in when they process events. Some people reacted immediately to the pandemic; they've had strong feelings of distress since early 2020. Many advisors responded to these clients by making more phone calls and by practicing their active listening skills. These early reactors have been easy to spot: every FA has had multiple conversations about the pandemic with people in this category.

Other people reacted very differently. They suppressed their emotions, took a pragmatic and rational approach, and appeared to cope well and be highly resilient. This group will wait for the trauma to end before allowing themselves to be emotional. FAs should expect it to be weeks or months after normalcy has returned before people in this category will talk about their experiences.

Importantly, people in either group are at increased risk of anxiety or depression, as the magnitude and duration of the pandemic can cause feelings of helplessness and hopelessness. The sensitive advisor will be prepared for conversations with clients who may have weathered the early stages of the pandemic but are now struggling

with strong emotions. An FA may be one of the few people a client truly trusts. This means that the first few meetings after re-entry may be when a client displays the emotions he has been hiding for more than a year.

3. CONTINUED ACCELERATION OF VIRTUAL MEETINGS

One of the most common complaints we heard during the pandemic concerned the requirement to conduct business through virtual meetings. In fact, as we talk with advisors about re-entry, one of the things they anticipate most is the opportunity to shut down the computer and get back to engaging face-to-face. Many FAs are extroverted with highly developed interpersonal skills that don't translate easily to virtual meetings.

However, prudent FAs should be cautious about eliminating virtual meetings from their practice. At times, it's more efficient to conduct interactions remotely, and the technology can allow for a better exchange of information. We don't think that virtual meetings will replace in-person conversations; we believe that prudent advisors will make videoconferencing and other digital tools a central part of their business model.

4. NUMBNESS TO FEELINGS AND MESSAGES

In early 2020, we were bombarded with information, interpretations and announcements, sometimes hourly. Every experience was new, and we had to pay close attention because we couldn't tell what was relevant and what was extraneous.

Over time, most of us figured out how to cope with the constant barrage, and it took more extreme stories to get our attention. We literally reset our sensitivity levels to reduce our brains' processing loads. This meant that less important or more subtle information no longer registered as worthy of our attention. This process is called habituation.

The implication for FAs is significant: It will take a long time for most people to return to pre-pandemic attention levels. Until this happens, clients may find it difficult to pay attention. Some clients will listen to recommendations or advice but won't react because their emotions have been numbed by the past year's events. Others won't pay any attention to what seem to be minor issues. The prudent FA anticipates that it may take several months before some clients can process new ideas.

Remember that just because clients are numb and somewhat nonresponsive, this doesn't mean that recommendations and insight shouldn't be offered. Thoughtful FAs prepare more thoroughly for meetings and carefully monitor their clients' reactions.

5. STRANGER ANXIETY AND SOCIAL PHOBIAS

Social distancing and wearing masks were two of the tools that we used to control the spread of the coronavirus. Because of the unique political environment that accompanied the pandemic, these steps took on extra meaning for many people. Rather than simple tactics for dealing with a disease, they became highly emotional and polarizing symbols. Unfortunately, the lifting of quarantines and of limits on social gatherings doesn't mean that everyone will decide they are comfortable meeting people face-to-face. In some instances, there will be permanent behavioral changes.

Behavioral finance has been helpful in revealing how the human brain can process decisions in a nonrational way. For example, the brain does a terrible job of interpreting the likelihood of a future event. As Daniel Kahneman explains in his 2011 book, *Thinking, Fast and Slow*, when someone is told that there's a 5% chance of getting a disease, his brain interprets the risk as *much higher* than it really is.

In the same way, if a client is told that he has a 90% chance of having his money last throughout retirement, his brain still feels that there is a *much greater than 10%* chance of failure. Human beings don't typically do a good job of assessing the amount of risk. This causes people to experience powerful feelings of vulnerability.

During the pandemic, this meant that some people inflated their risk of dying from the virus. It's easy to understand the feeling. Seemingly limitless media sources force-fed us negative information. This further magnified how vulnerable people felt, and while those emotions may not have been highly rational, they were very real.

Going forward, some clients may feel a strong residual fear about in-person meetings, especially with strangers. This will impact client relationship management and new business acquisition activities. The prudent FA anticipates these challenges and adopts new approaches that don't require face-to-face interactions, since these social phobias may last a long time.

6. TRIBALISM AND CONTINUED POLARIZATION

The pandemic also brought about an increase in tribalism, which widely separates liberals from conservatives. This gap is emotionally polarizing and leads to the belief that the "other side" is wrong or dangerous. The survival instinct kicks in, and people want to know who belongs in their group. This makes great sense. Remember that

a thousand years ago, knowing who was a friend and who was an enemy could be the difference between life and death.

Throughout a traumatic event, when we are already threatened, these instincts are easily activated. Many people felt vulnerable during the recent political turmoil, and they continue to see the "other side" as dangerous. This creates two potential traps for a client-facing FA. The first is sprung when a highly polarized client's anxiety levels rise if the advisor doesn't agree enough with his value system. The second is activated if the advisor offers observations and interpretations based on her own value system. Either way, strong feelings that accompany personal beliefs can bring a relationship to the breaking point.

Recognizing the six processes outlined above is the first step in understanding how people will feel and behave over the next few months. The next step is to consider the five big challenges that advisors will face as the year unfolds.

CHALLENGE #1: FROM BRING YOUR OWN TECH TO BRING YOUR OWN ENVIRONMENT

As we've discussed, the rate of advancement in technology is accelerating at an unprecedented pace. While it can be frustrating to master new software and hardware, new systems are usually more effective and flexible. For example, advanced technology has enabled many organizations to adopt a "bring your own tech" policy. This allows employees to use their own cell phones and personal computers to interact with their firms' platforms, which reduces organizational cost and is more convenient for the users.

The social distancing and quarantine requirements accelerated the adoption of "bring your own tech" as more people began working from home. We used our own equipment. We grew accustomed to seeing our colleagues' and clients' pets and children via videoconferencing. As time passed, some people retreated to vacation homes or other enjoyable locations. Business models adapted quickly to these new dynamics, and many advisors report having their best year professionally despite the pandemic.

In retrospect, it's easy to see how the stage was set. We were already using our own technology for personal and business purposes. The past year's events forced us to use our home space for work purposes, too. In many industries, the boundaries between work, home, a "third space" (like a coffee shop) and recreation have been blurring for years. For example, freelancers, business coaches and software programmers were liberated long ago from a traditional office. We anticipate that these space boundaries will continue to blur and that advisors and team members should be able to work wherever suits them best.

10 REASONS WHY CLIENTS WILL REQUIRE VIRTUAL MEETINGS

We believe that the appeal of virtual meetings is here to stay because, in some ways, these meetings work better than face-to-face interactions. Here are 10 reasons why you shouldn't shut down your camera and microphone.

- 1. Virtual meetings allow for a more efficient use of time.**
With no need to travel, a virtual meeting can be set up at any time that's convenient, and the meeting's duration can be better managed.
- 2. The client or prospect controls the advisor's access.**
It's easier to schedule a meeting at odd hours if you don't need to be face-to-face.
- 3. The advisor is forced to make the conversation relevant.**
The presentation must be relevant to the client's needs. Otherwise, he can easily end the meeting.
- 4. The client or prospect controls the duration of the meeting.**
There are social mores that inhibit people from asking an advisor to leave. There is no such inhibition in a virtual meeting, which increases the client's feeling of control.
- 5. The client controls the focus of the presentation.** Virtual meetings must have a defined goal or purpose, and the client can be more forceful about keeping the meeting focused on his needs and preferences.
- 6. Less social obligation equals more freedom.** Clients and prospects feel less obligation, more freedom and less need to adapt to the social situation that the FA is creating.
- 7. The client can multitask and pay attention to other issues.** Valuable time can be wasted during in-person meetings. In a virtual meeting, the client can multitask.
- 8. Virtual meetings contain higher-quality information and illustrations.** With a virtual meeting, there's a shift from a relationship-based conversation to a message-based presentation. This impacts the quality and structure of information and requires higher-quality messaging.
- 9. The advisor must be well prepared.** Nonverbal cues and spontaneous discussions give the advisor plenty of room to "wing it." As these are limited in virtual meetings, the prudent FA comes well prepared.
- 10. Meetings can be recorded and reviewed.** Virtual meetings can be easily recorded, which allows them to be replayed as needed. Memorializing a meeting means that the client doesn't have to pay close attention.

10 REASONS WHY VIRTUAL MEETINGS ARE EFFICIENT

While you may be dreaming of your last videoconference, we believe that this technology will remain a key resource for an efficient business model. Here are 10 reasons why.

- 1. Time is used more effectively.** Time is wasted when you travel. Instead, use those hours talking to clients. Virtual meetings allow you to focus on each engagement and use the time between meetings productively.
- 2. Talking only to engaged clients and prospects means higher-quality meetings.** Normal social instincts lead people to accept meetings they don't want. Virtual meetings are easier to decline. Hearing "no" means that time isn't wasted on a disinterested party.
- 3. Communication has more of an impact.** Virtual meetings require the content to be delivered graphically and the information to flow seamlessly. A well-formulated presentation is more impactful than a spontaneous sales pitch.
- 4. Clients can be called more frequently.** Virtual meetings are usually shorter. This gives you time for more calls. Combining greater frequency, higher-quality information and shorter dialogues yields better results.
- 5. There are no travel delays.** Virtual meetings can be rescheduled easily without disrupting an entire day. This is especially valuable for advisors who have large territories or busy schedules.
- 6. The quality of the relationship is less central.** Virtual meetings diminish the role of the relationship and increase the role of the message. Hence, FAs can't rely on the strength of a relationship and must tell an impactful story.
- 7. Messages are more consistent.** Messages can vary from one face-to-face meeting to the next. Virtual meetings rely on a prepared presentation, so the message stays consistent.
- 8. It's easy to integrate and standardize best practices.** Each advisor has her own way to present the message. This creates inconsistency within a firm. A virtual meeting can be recorded, reviewed and more easily replicated.
- 9. Client management can be conducted from anywhere.** While there are negative implications of being reachable anywhere at any time, virtual meetings can be held from anywhere.
- 10. There are more opportunities to use visual illustrations.** Complex ideas are more easily understood when you use well-crafted illustrations.



VIRTUAL MEETINGS ARE HERE TO STAY.

10 REASONS WHY VIRTUAL MEETINGS ARE CHALLENGING

While there are many good reasons why virtual meetings will continue, over the last year and a half, we've come to recognize that they're harder to manage than in-person meetings. Here are 10 reasons why.

- 1. The client has greater control over the engagement.**
By virtue of not being in the same room, the client feels free to disengage from the meeting, check emails or texts, or otherwise multitask.
- 2. The client has less social obligation and constraint.**
Separation liberates us from some of our social norms, so it's easier to act rudely, disagree, ignore important information or cut the meeting short.
- 3. Distractions are harder to manage.** It's one thing to ask a spouse, friend or child to put down a cell phone. Think twice before asking a client or prospect.
- 4. Screen and sound qualities can be inadequate.** Monitors, no matter how large, and low-quality speakers diminish what we see and hear.
- 5. Rapport and nonverbal communication are diminished.**
It's harder to build rapport with a face on a screen, and it's more difficult to see nonverbal cues or changes in body language.
- 6. The advisor and the client may have difficulty staying in sync.**
Most of us have experienced a time when we were trying to speak in a virtual meeting but couldn't interrupt the other person.
- 7. The quality of the message becomes more important.**
It takes a lot of preparation to build a high-quality, well-structured message. Both the information and the illustrations become much more important.
- 8. The technology must be mastered.** Preparation and practice are crucial. Looking disorganized or inept is sure to hurt an FA's credibility.
- 9. Meetings are shorter and demand tighter presentation.**
Because there's limited or no small talk at the beginning or end, most virtual meetings are shorter and more direct.
- 10. More energy is necessary.** It's hard to stay focused and look for subtle nonverbal cues when the information is coming from a talking head on a small screen over poor-quality speakers.

TACTIC: HO HUM! GET THE DETAILS RIGHT...OR RISK BECOMING IRRELEVANT

By now, you should be convinced that virtual meetings are here to stay. Face-to-face meetings won't go away entirely, but although there's an urgent need for advisors to reconnect more personally with their clients, you should expect videoconferencing to continue. If you haven't already, now is the time to learn techniques for hosting a great meeting.

Below are seven steps for competently managing a virtual meeting. If you want to excel, study one or more of the many training resources that are available online.

- 1. Take your virtual meetings seriously.** Prepare thoroughly, test your technology and practice so that you look professional.
- 2. Buy an external camera and a small tripod.** Position the camera so that it's slightly above your eyebrows and looks down at you. Avoid using the camera integrated into your computer or tablet, as the upward angle distorts your face and makes it hard for people to pay attention to what you're saying.
- 3. Zoom in with your camera.** Adjust your camera so that your face and shoulders fill the screen and there's a small amount of headroom between you and the top of the screen. Watch a news program and see how the anchorperson is framed. Emulate the professional camera shot.
- 4. Buy an external, noise-cancelling microphone.** This will enhance the audio quality. Built-in microphones are small and limited in their range.
- 5. Light your space with direct light.** Ensure that you're the best-lit object on the screen. Remember that your audience is used to professional videos, so you need to emulate that quality.
- 6. Consider what is behind you.** Think about the message you send if you're surrounded by sports memorabilia, family photos or clutter.
- 7. Keep your clothing and your appearance professional.** There's such a thing as being too informal when it comes to managing client relationships. Your appearance makes an impression.

Remember that in an increasingly skeptical culture, client relationship management matters. Control all the variables that impact your relationship.

TACTIC: IT'S TIME TO BREAK BREAD...VIRTUALLY

As we've explored, virtual meetings can be hard and boring. This has led to some creative thinking about what can make a videoconference more interesting and exciting.

One example is the virtual wine tasting. This type of event exploded across the US as a way to offer client appreciation events or meet-and-greets. With the right host and well-managed logistics, people can enjoy real wine-tasting experiences from the comfort of their own homes.

Upon reflection, it makes perfect sense that adding food or drink makes the virtual world feel more authentic. Stimulating the gustatory and olfactory sensory systems expands a person's mental processing. Instead of only seeing a tiny, cartoonlike figure and hearing a distorted voice, participants' senses of taste, smell and touch are activated.

The AB Advisor Institute recommends adding these stimuli as often as possible. Wine tastings are a great idea in the proper context, but a tin of cookies, a box of herbal tea or a catered lunch can serve the same purpose. Importantly, this is another powerful way to extend care to a client and to demonstrate how seriously you take the meeting *and the relationship*.

TACTIC: YOU ARE NOT A MACHINE

The pandemic introduced the term "Zoom fatigue" to our business lexicon. We were forced to attend and conduct seemingly endless videoconference calls. Many were not only repetitive but lacked detail and were poorly managed. One of the most frequent comments we heard from FAs was "Oh no, not *another* Zoom call!" Unfortunately, clients also felt this sentiment as they struggled to maintain attention even during exceptional meetings.

It takes a lot of effort to deliver an exceptional meeting, and there's a limit to the number you can conduct in a day. You are not a machine. Creating a meaningful virtual meeting experience demands the same kind of effort as a musician or other performer must expend; as Bob Seger says in his song "Turn the Page," you're "out there in the spotlight."

Prudent advisors prefer fewer, more impactful meetings. They also budget their time and cluster two or three videoconferences per day at a point when their energy level is high. Some FAs prefer the morning, while others do better later in the day.

Once you choose the time slots, ask your support staff to contact the people you want to meet with and to set up the appointments. Since your audience doesn't need to travel, these appointments are typically easy to schedule. With experience, you will determine what time of day is best for this kind of work and how many calls a day you can manage without degrading your high standards.

CHALLENGE #2: MANAGING THE CLIENT EXPERIENCE

When Walt Disney designed his original Disneyland amusement park, his goal was to create a particular kind of experience: he wanted to keep the best of what town fairs and circuses offered but clean up the dirt and make his park appropriate for families with children. To accomplish this goal, Disney followed people as they walked down the streets of their town to determine how long they were likely to hold a piece of trash before dropping it on the ground. He discovered that most people don't hold on to their garbage longer than 30 steps. As a result, there's always a trash can within 30 steps of any person in Disneyland, and you can't buy chewing gum.

Disney's guiding principle was "Everything speaks." He taught the concept to everyone he worked with to ensure that all aspects of a visitor's experience were positive. To this day, Imagineers in the Disney organization use this principle to inform the way they think about and design an attendee's experience with a ride or an amusement at the park.

TACTIC: NO MORE GROUNDHOG DAY

This principle can be a powerful source of creativity and a way to improve your clients' experiences. Think about how you structure your annual or semiannual reviews. Do you duplicate the process meeting after meeting, year after year? Especially when markets are benign, it's easy to get into a rut, simply checking how the client is doing, commenting on the markets and reporting on the portfolio. It's no surprise that clients get bored.

The movie *Groundhog Day* is a funny but poignant reminder that repetition becomes painfully boring. Bill Murray's character finds himself trapped in the small town of Punxsutawney, Pennsylvania, where he's reporting from on Groundhog Day. He wakes up every morning to relive the same events over and over until he figures out how to change the quality of his encounters with the people in the town. That change allows him to finally escape the repetition.

In the Age of Skepticism, the prudent advisor realizes that every meeting is a chance to have a positive impact on a client and build

a stronger bond of trust and deeper engagement. The annual review should be seen as an important meeting that both the advisor and the client look forward to. It's the time to check if the client is on target for achieving his goals. It's an opportunity to refine the financial plan and goals based on evolving personal values. And it's a chance to review the client's status against the FA's Standard of Care checklist. For those unfamiliar with the concept, a Standard of Care checklist is a published document that helps the advisor and the client organize tasks, note those that have been completed, discuss which are in progress and review any that haven't been started.

This type of interaction is energizing for the advisor and the client. It also reminds clients of how the FA's advice and engagement affects their well-being and future. More information on how to use checklists and how to implement a Standard of Care model is available from your AB wholesaler.

TACTIC: RETURNING TO THE OFFICE

Disney's principle of "Everything speaks" also informs a more delicate aspect of re-entry: clients coming to your office for their first face-to-face meeting in more than a year. Think about the steps a client takes as he moves from the parking lot through the lobby and into your office. Remember that people have vastly different reactions to the changing policies about wearing a mask. Some are eager to remove the barrier, while others are anxious about their vulnerability. Some people feel robust and immune to the virus even without a vaccine, but others are anxious about their health even though they've been fully vaccinated.

For clients, the transition from car to office should be managed intentionally and thoughtfully. Here's a short list of guiding principles for handling the process:

1. Print a small sign with the words "Welcome [client's name]" and place it in your lobby or waiting room. This shows that he matters to you.
2. Follow your firm's guidelines when it comes to masks and social distancing.
3. Make sure that clear, respectful signage indicates the mask policy for visitors and employees.
4. Teach anyone who greets clients how to explain the mask policy gently and respectfully.
5. When you meet the client, be respectful of his comfort level with your firm's mask policy. If the client is unhappy because masks are required, recognize his feelings and explain the reason for the mandate. If the office no longer requires a mask, reassure clients who choose to wear one that you are comfortable with this self-care.

Being sensitive and maintaining rapport with each client at *his point of need* are steps in building trust and improving that client's experience. Sensitivity starts with the awareness that everyone is unique and may have experienced the pandemic from a different perspective. Being open and accepting is a great way of answering two of the inevitable client questions, "Do I matter to you?" and "Do you *get* me?"

CHALLENGE #3: TRIBALISM AND THE EXTREMES

In a highly pluralistic culture, a very important survival trait is knowing which group you belong to and which groups represent a threat. This instinct is deeply programmed within the human brain. It's designed to alert the fight-or-flight mechanism. This made sense 50,000 years ago, when resources were hard to find.

In the US today, there is a growing trend toward intensely identifying with a defined group. This is partially because of our large country and diverse population. With the rise of new groups with different beliefs and value systems, the natural instinct to find like-minded people is fully activated. As always, some people experience the threat of strangers more intensely than others, and those strong feelings can lead to extreme ideas and commitments to the group's value system. The conflict at the Capitol on January 6, 2021, can be understood as one group feeling threatened by another group that was perceived to have gained an advantage and activating these instincts.

As Americans become more polarized about politics, race, religion and sexual identity, some people will feel a greater need to find a group in which they "fit." The thoughtful FA who is managing a large book of business is aware that some clients will want to trap her into divulging which group she belongs to and professing that she sees the world in the same way they do.

UNDERSTANDING THE TRAP

It's helpful to examine how people process this concept of similarity vs. difference. There's a correlation among the intensity of someone's worldview, his alignment with a particular group and the way he reacts to people who believe otherwise.

When someone with no intense alignment to a particular ideology encounters a person who is different, curiosity is sparked: "You don't believe what I believe. Tell me more about what you think and why." This is a highly rational way of processing new opinions, welcoming discussions and promoting peaceful living.

In contrast, when people who are intensely aligned with a set of ideas encounter someone with differing views, a threat is perceived and judgment is stimulated: "You don't believe what I believe. Let me tell

you why you're wrong." The instinct is to make that difference go away and get the person aligned with their ideas.

If someone with an intense ideological alignment spends time with a like-minded individual, there's a tendency to become myopic about those shared views. It becomes very difficult to change the conversation.

Either of the second and third scenarios can trap the FA, which will negatively impact client relationship management. Knowing how to effectively manage a client's desire to define his advisor according to a set of beliefs will become more important as tribalism and extremism are further activated across the culture.

TRAP #1: WHEN THE CLIENT STRONGLY IDENTIFIES WITH A GROUP THE ADVISOR ISN'T IN

If the advisor doesn't agree (or even fully agree) with the client's perspective, the client can feel threatened. Remember that the more extreme the client's views and beliefs are, the more likely a difference of opinion will negatively define the relationship. The client desires to make the advisor part of his group. If he can't accomplish this, it will be very hard for him to continue working with that FA.

TRAP #2: WHEN THE CLIENT AND ADVISOR SHARE A SIMILAR WORLDVIEW

When the client and advisor are like-minded, the advisor can become stuck in a constant cycle of reassuring the client that she is "properly" aligned. This increases the risk that sharing ideas will dominate the conversation. The advisor must remember to keep the focus on a professional consultation.

TACTIC: THE PACE-AND-LEAD STRATEGY

In a large advisory practice, it's likely that a few clients will have convictions that are different from their FA. In high-quality advisory relationships, clients are encouraged to talk about the things that matter to them, and from time to time, that will include personal beliefs. The advisor's response to a client discussing his value system or political convictions can either enhance or shatter the relationship. The advisor has three options for responding.

RESPONSE #1: AGREE WITH THE CLIENT'S CONVICTIONS

If the advisor agrees with the client, she can find herself trapped in constant conversations about world events and the client's need for reassurance that "we see the world the same way." This can be time-consuming and isn't productive. In addition, encouraging this

kind of exploration can result in the client discovering there are slight differences in opinion. It's best to avoid this response.

RESPONSE #2: DISAGREE WITH THE CLIENT'S CONVICTIONS

If the advisor disagrees with the client, an argument may ensue. In some instances, the client may try to convince the advisor that she is wrong or, worse, accuse her of being a bad person. Obviously, FAs should avoid this response.

RESPONSE #3: THE PACE-AND-LEAD CONVERSATION

In this response, the advisor accepts what the client is saying as *true for the client himself* but doesn't declare a personal agreement or disagreement with the idea. Instead, the advisor leads the client back to the work at hand: the client's asset-management needs, how to navigate the capital markets and wealth-management advice. The goal is to gently redirect the client's attention away from the political conversation and back to the financial discussion.

Specifically, the "pace" sounds like this: "I've talked with many clients who feel exactly the way you do." This phrase allows the FA to acknowledge what the client is feeling without personally agreeing or disagreeing with those sentiments. By referencing "many clients," the advisor also demonstrates that she works effectively with these people.

Next, the "lead" directs the client back to the main topic: "With those concerns in mind, I think we should give some thought to..." Then the FA can focus on how the assets should be deployed given the client's concerns or the wealth-management strategies that need to be executed based on the client's values. This allows the advisor to separate her personal opinions from her professional engagement with each client.

CHALLENGE #4: THE URGENT NEED FOR FACE-TO-FACE MEETINGS

As discussed earlier, we believe that virtual meetings will become an increasingly important tool for FAs as clients continue to embrace their convenience and efficiency. However, face-to-face meetings will be key for managing existing client relationships and especially new business acquisition.

Virtual meetings are good for providing information and as a platform for discussions that lead to well-informed decisions, but they will always be an impoverished experience in human relationship management because of their intrinsic limitations. Human beings

are instinctively wired for personal interactions that allow them to pick up on the many nonverbal cues that are available only when people are in close contact. This creates a dynamic tension for a client-facing advisor: face-to-face meetings represent an expensive commitment of time and are a scheduling challenge compared to virtual meetings, but in-person meetings are significantly more useful for building trust and sustaining relationships.

The benign markets and quarantine requirements have enabled advisors to maintain adequate levels of client satisfaction exclusively through virtual meetings. Given that restrictions are ending and that volatility will inevitably return, the prudent advisor will take action to inoculate her relationships by scheduling face-to-face meetings as quickly as possible during re-entry.

TACTIC: ANSWERING THE UNASKED QUESTIONS

These re-entry meetings should be thoughtfully structured so that the FA can deliver to the client's point of need, which may include:

- + The need for reassurance that there is a strong positive bond between the advisor and the client. This is accomplished when the FA starts by checking in with the client about his life over the past year—exploring dynamics in his family, friendships, work life and avocational pursuits. A good rule of thumb is for the advisor to assume that the client is unconsciously asking “Do I matter to you?” and “Do you get me?”
- + The need to know that the FA is still a superior provider. The advisor should explain what is happening in the capital markets, what's likely to happen in the near future, and how the portfolio and financial plan are positioned to navigate those conditions. The client wants to know, “Are you great at what you do?” and “Are you paying attention and staying current?” and “Do you know more than I do?”
- + The need to understand if the client is on track to accomplish his goals. The FA should review actions that have been taken or need to be taken based on her Standard of Care. Reviewing the client's current wealth-management checklist allows the advisor to answer an unasked question: “Do I have reason to be confident that the future I want is the future I will get?”

Reviewing future actions that need to be taken to achieve the client's vision provides evidence that the FA is paying attention to the client's evolving needs and reassures him that the advice and support he receives are commensurate with the fee he is charged.

(For more information on how to navigate the first face-to-face meeting during re-entry, see the AB Advisor Institute's program *The Effective Client Review*.)

CHALLENGE #5: PROSPECTING IN A LOW-RESPONSE ENVIRONMENT

As we've discussed, people are bombarded with many negative messages every day, so one of the trends that advisors will encounter during re-entry is that prospective clients have reset their emotional reactivity to messages. This will make building a client base even more challenging.

Some prospects will continue to cope with their strong emotional reactions to the pandemic, while others will begin to process their feelings only after conditions return to normal. Either group may find it hard to budget emotional energy for a conversation with a new FA.

For others, stranger anxiety and general skepticism will keep them from gravitating to new people and new ideas. Social contacts will be muted, and the ability to spontaneously strike up conversations about what you do with these people will be less frequent.

Another group is fixated on the social unrest, ongoing political conflicts and continued coronavirus news. These people will be consumed by their tribalistic focus and the threats of “others.”

TACTIC: MESSAGING FOR MOTIVATION

To capture attention and direct a prospective client's motivation toward your services, you will need to craft a message that cuts through emotional distractions and the numbness that many people will feel during the early stages of re-entry. A good way to do this is to combine trust-building empathy with a message that activates an emotional response. Use this simple five-step conversation model when you encounter a prospect who has made a first contact. (For more details on activating this type of motivation, see the AB Advisor Institute's program *Skills for the New Normal: Prospecting in a Virtual Environment*.)

STEP #1: “THIS IS WHAT I HEARD”

Start by asking the prospect, “What has caused you to reach out to an advisor today? What are the things you are concerned about?” Listen carefully to the issues, ask for more information and build a catalog of concerns. These concerns are what motivated the prospect to start a conversation with you. With these issues in mind, you can proceed with the conversational tactics.

At the beginning of the conversation, the FA should inquire what the prospect wants and needs and how he feels about these things. Inquiring and actively listening right away demonstrate empathy, concern, patience and understanding. These experiences are the foundation of trust and must be accomplished for the conversation to move forward productively. Without trust, the second and third steps will activate too much concern and distress.

This step is complete when the FA provides feedback and summarizes what the prospect said by using the trigger phrase “This is what I heard...” This allows the FA a few minutes to review everything that was mentioned by the prospect. After gaining confirmation that she “got” him, the advisor can move on to the next step.

STEP #2: “THIS IS WHAT YOU SHOULD ALSO BE CONCERNED ABOUT”

Once trust has been established and the prospect feels understood, he is ready for a demonstration of elevated value. Now is the time to reveal a problem in his financial plan that he is not aware of.

Revealing unknown problems stimulates concern and urgency. As insights from behavioral finance tell us, people are more motivated to avoid or remove pain than they are by greed or the pursuit of pleasure. This step allows the FA to discuss the implications and possible consequences of an incomplete financial plan.

The advisor should start with a second trigger phrase—“This is what you should also be concerned about...”—followed by a brief overview of the additional issues that can arise. The FA is aware of these issues because of her superior professional knowledge, which may impact the potential client. Once the prospect’s attention is piqued and his concern is elevated, the advisor should explain the consequences of ignoring these issues.

STEP #3: “THIS IS WHAT YOU NEED”

Next, the advisor makes a proposal for an engagement. This step requires a third trigger phrase: “This is what you need...” Now, the FA takes the information that the prospect shared in step one and the explanation that she provided in step two and combines them into a general solution.

The purpose of this step is to provide a framework for the big picture of the prospect’s needs. This framework should include both what he already knows he requires and the solution that will increase his chances of achieving his desired outcomes. The prudent FA will allow the prospect to fully process the information presented in this step.

She should answer any questions, clarify all the explanations and not move on until the prospect confirms that he understands what has been explained and accepts his actual situation.

STEP #4: “THIS IS WHAT I RECOMMEND”

Now it’s time for the FA to explain what she will provide and how it addresses all of the prospect’s defined needs. This step starts with a fourth trigger phrase: “This is what I recommend...”

Because there are so many advisors in the marketplace, it’s important to explain the engagement in the context of and compared to similar providers. This is when the FA can demonstrate the elevated Standard of Care that distinguishes her from other practitioners, thus revealing that she is a superior provider and that her clients receive a better value for the fee charged compared to others.

People feel anxious about being cheated, especially before trust has been built. In these cases, it’s best to explain that your standard fee scale is determined by the amount invested and services needed and that your current clients are satisfied.

STEP #5: “THIS IS HOW WE SHOULD GET STARTED”

The last step starts with a fifth trigger phrase: “This is how we should get started...” By using “we,” the advisor confirms that the prospect’s well-being matters and that this is a journey they will take together.

This step provides closure and directs the newly elevated urgency toward an action. The FA should come to the meeting with at least one concrete action that the prospect can take based on the recommendations in steps three and four. This step solidifies the prospect’s experiences of rapport, empathy and trust.

CONCLUSION

Many advisors are hopeful that re-entry will happen rapidly and things will get back to normal quickly. Our assessment is that several disruptive trends that were present in the culture before the pandemic have been accelerated, and prudent advisors should anticipate friction and a set of new challenges for their business. As Joel Barker reminds us in his 1993 book *Paradigms: The Business of Discovering the Future*, “When a paradigm shifts, everyone goes back to zero.” This happens when the business landscape has been redefined. Motivated, highly skilled FAs will see re-entry as an opportunity to pay attention to the trends that are influencing the marketplace and will adopt the client-management tactics that will have the most impact.

As an advisor, your ultimate goal is to build better outcomes for your clients. At AllianceBernstein, we share your commitment. We've put our research to work for our clients around the world:

- + Exploring the opportunities and risks of the world's capital markets and the innovations that can reshape them
- + Helping investors overcome their emotions and keep their portfolios on track
- + Defining the importance of investment planning and portfolio construction in determining investment success
- + Providing tools to help advisors build deeper relationships that benefit their clients and their practices

Our research insights are a foundation to help you serve your clients. Speak to your AB relationship team to find out how we can help you.



LEARN MORE

(800) 227 4618 | [ALLIANCEBERNSTEIN.COM](https://www.alliancebernstein.com)

This material was created for informational purposes only. It is important to note that not all Financial Advisors are consultants or investment managers; consulting and investment management are advisory activities, not brokerage activities, and are governed by different securities laws and also by different firm procedures and guidelines. For some clients, only brokerage functions can be performed for a client, unless the client utilizes one or more advisory products. Further, Financial Advisors must follow their firm's internal policies and procedures with respect to certain activities (e.g., advisory, financial planning) or when dealing with certain types of clients (e.g., trusts, foundations). In addition, it is important to remember that any outside business activity including referral networks be conducted in accordance with your firm's policies and procedures. Contact your branch manager and/or compliance department with any questions regarding your business practices, creating a value proposition or any other activities (including referral networks).

It is important to remember that (i) all planning services must be completed in accordance with your firm's internal policies and procedures; (ii) you may only use approved tools, software and forms in the performance of planning services; and (iii) only Financial Advisors who are properly licensed may engage in financial planning.

Note to Canadian Readers: This publication has been provided by AllianceBernstein Canada, Inc. or Sanford C. Bernstein & Co., LLC, and is for general information purposes only. It should not be construed as advice as to the investing in or the buying or selling of securities, or as an activity in furtherance of a trade in securities. Neither AllianceBernstein Institutional Investments nor AllianceBernstein L.P. provides investment advice or deals in securities in Canada.

For financial representative use only. Not for inspection by, distribution or quotation to, the general public.

The [A/B] logo is a registered service mark of AllianceBernstein and AllianceBernstein® is a registered service mark used by permission of the owner, AllianceBernstein L.P.

© 2021 AllianceBernstein L.P.

