

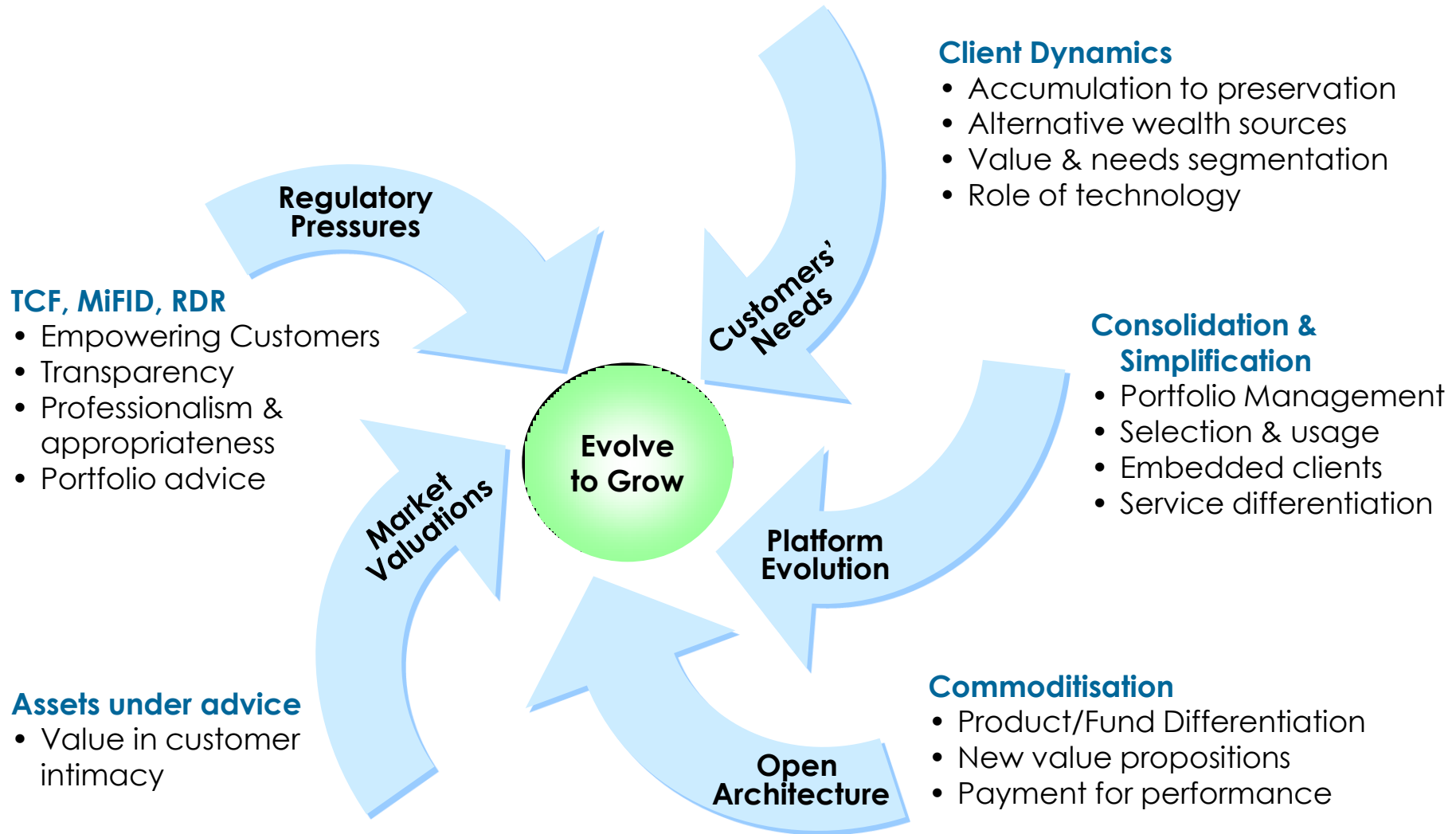
# 2008

## Distribution: What does the future hold?

Graham Newitt  
Managing Director,  
Wealth Transformation  
31 Jan 2008

**\*FITN Note. Graham has since left L&G but this excellent presentation is still worth referring to. What has changed since then – and why? What hasn't changed – and why not?**

# What is driving change in the market?



**So Distributors need to evolve their business model**

# Emerging markets - new distribution opportunities?



Generation Y &  
Under-served  
Tapping into their  
demands

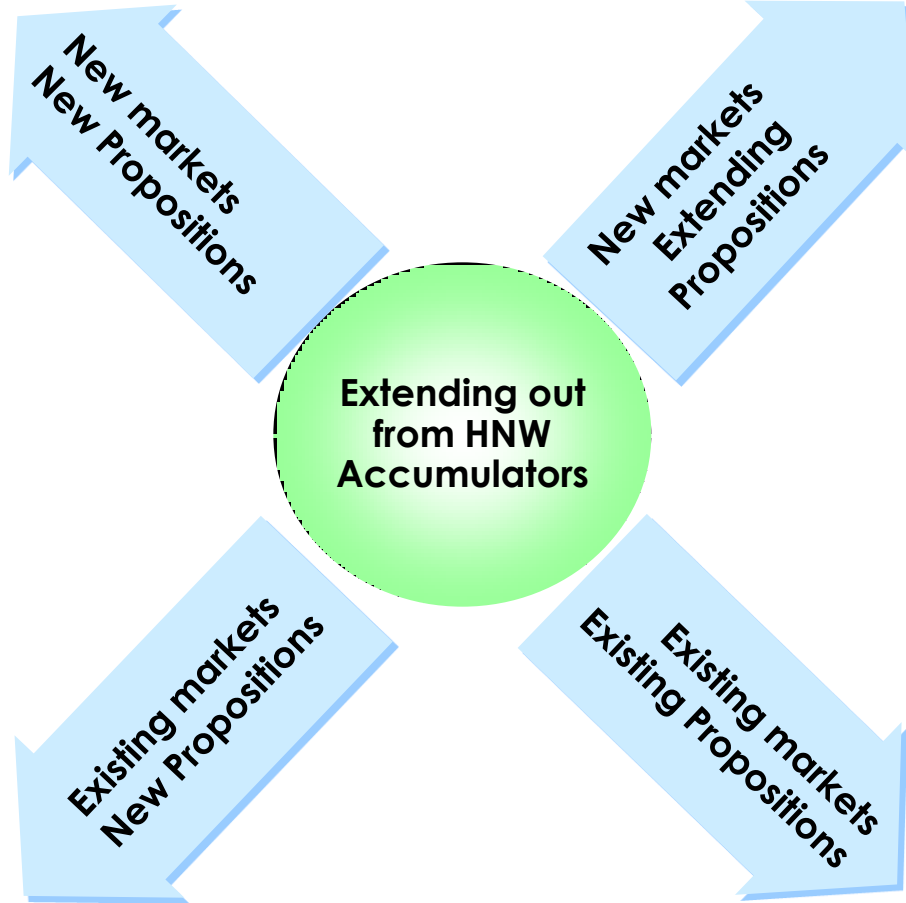


Retirees  
Huge potential in the  
income preservation  
and drawdown market

“Sandwich Generation”  
From individual to family  
solutions



Adding more value  
Solving mistrust  
Education

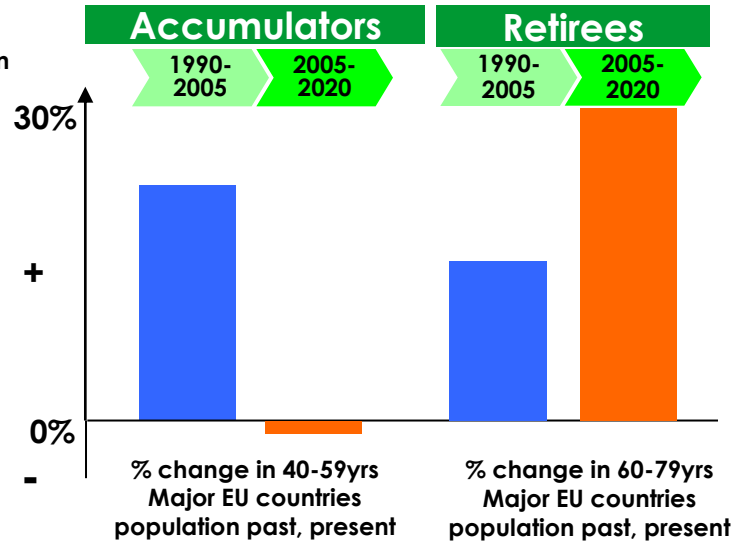


# A new type of client

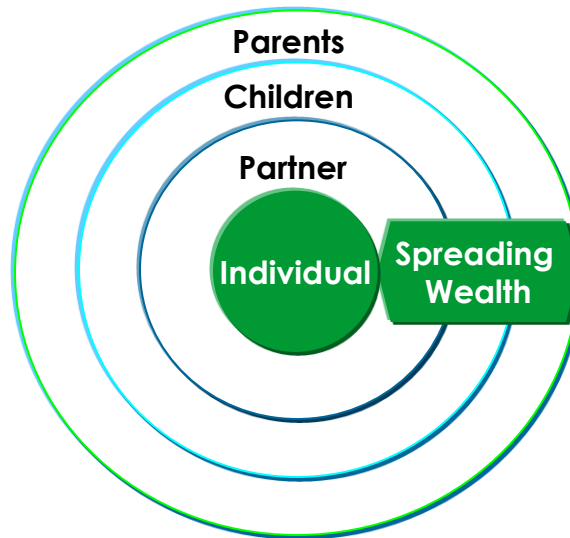


Baby-boomers  
Retiring

% change in population (Selected European Countries\*)



Family Unit  
Rise of the  
“Sandwich  
Generation”



75% of UK's entire net wealth

“66% of all investable assets soon controlled by households concerned with income & preservation”\*\*

Annual expenditure is increasing 9% pa vs. 4% national average

Will increasingly use housing equity to fund income

Longevity in retirement – men living to 91 costs another £160k

4m parents help children buy property - £12.5k ave. funding

7.5m parents pay off children debts including mortgage financing

Caring for elderly costs £33bn p.a.

£55bn pre-retirement national savings gap

The ability to pass wealth on to children is stated by over 80% of mass affluent and HNW customers

\*UK, France, Germany, Italy, Sweden, Switzerland, Netherlands, Finland

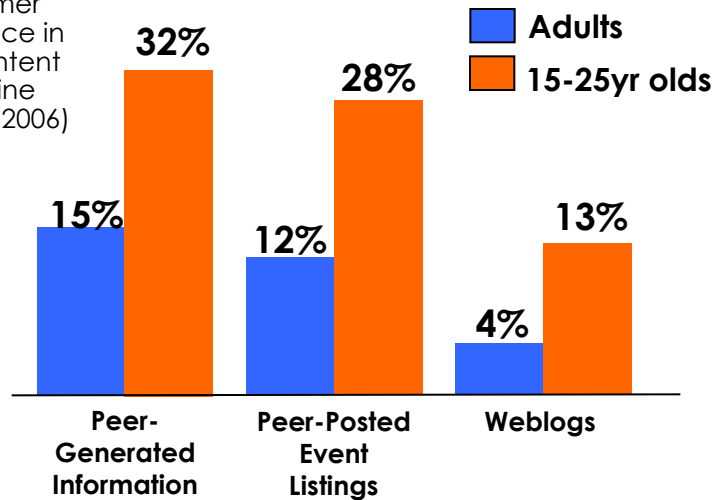
\*\* McKinsey – Asset Management in 2010

# A new type of client



Generation Y & Under-served

Consumer confidence in Peer Content (% Online users, US, 2006)



Gen Y - our new accumulators

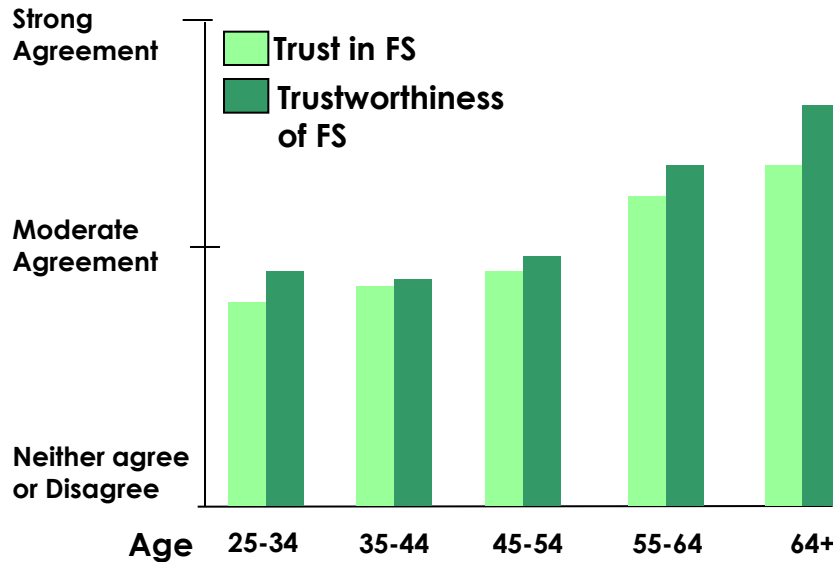
Gen Y value **relationships**, think globally and live in 'tribes' - valuing **peer-to-peer** review

Gen Y have a weekly **disposable income** equivalent to an average family

Woman account for **39%** of Mass Affluent but are **under-served**



Minimal engagement - more potential

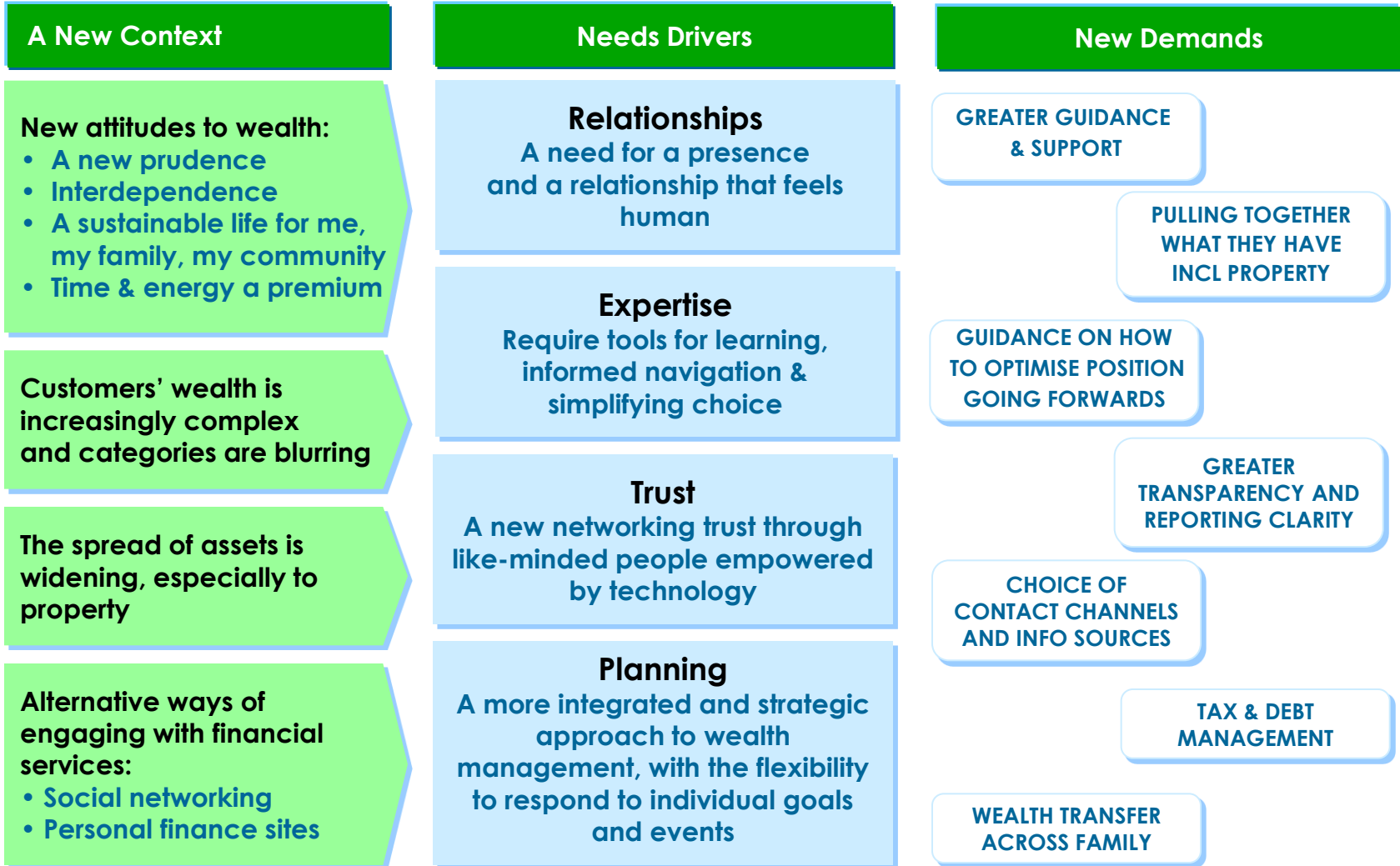


**73%** of adults don't have a good understanding of personal finance

Consumers don't value advice as much as they are paying for it **£70/h** vs. **£105/h**

Less than a **third** of **45-64yr** olds like dealing with FS companies

Consumer loyalty harder to achieve. Last **3yrs** industry spent **£21bn** on acquisition but Premium Income Cashflow **-£8bn**



Requires better knowledge of customer needs and segmented customer propositions

# Leading to new distribution services...

## Clients



## New Services

- Retirement income planning
- Housing equity drawdown
- Asset and liability modelling
- Portfolio planning & construction
- IHT planning

- Consolidation of 'family' assets
- Transfer of wealth across family
- Tax efficient income management
- 'Family' platform
- Pro-active advice on life-event triggers

- Customised product/service solutions
- Life-stage planning & financial management
- 'Relationship' proposition
- Pro-active advice on life-event triggers

- Financial education and generic advice
- Demonstrations and trials
- Drop in clinics
- Free comparison tools and calculators
- 'What if' scenarios

## New Service Attributes

- Quality and performance
- Engaging dialogue
- Information to personalisation
- Appropriate and relevant
- Stewardship and coaching
- Intelligent and educational
- Simplification
- Flexibility and bespoke
- Anytime, anywhere

# ...plus a new client service model

Can you adapt your model to suit client needs?

## Proposition

- Specialist service managing complete asset portfolio
- One-stop shop

## Interaction

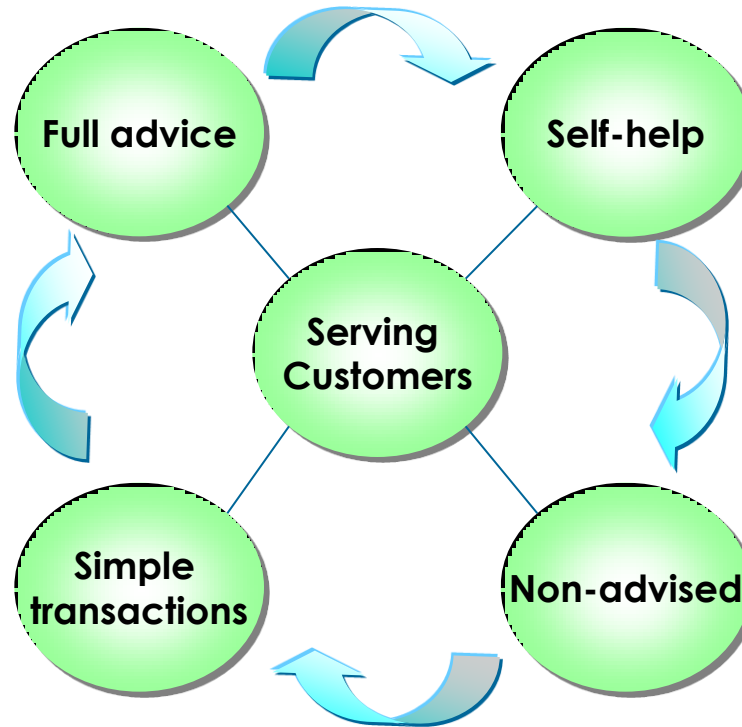
- Face-to-face but supported by personalised online tools
- Actively manage client experience

## Proposition

- Simple advice, best of breed
- Convenience and speed
- Personalised and hands-on

## Interaction

- Exploit platforms & online but face-to-face important for retention



Right medium at right time  
Segmented approach based on client needs  
Focus effort on adding value where value lies  
Exploit technology for lower cost-to-serve

## Proposition

- Best tools to help you manage your portfolio – when and where you want
- In touch and up to date

## Interaction

- Pre-dominantly online
- Options to move to advice

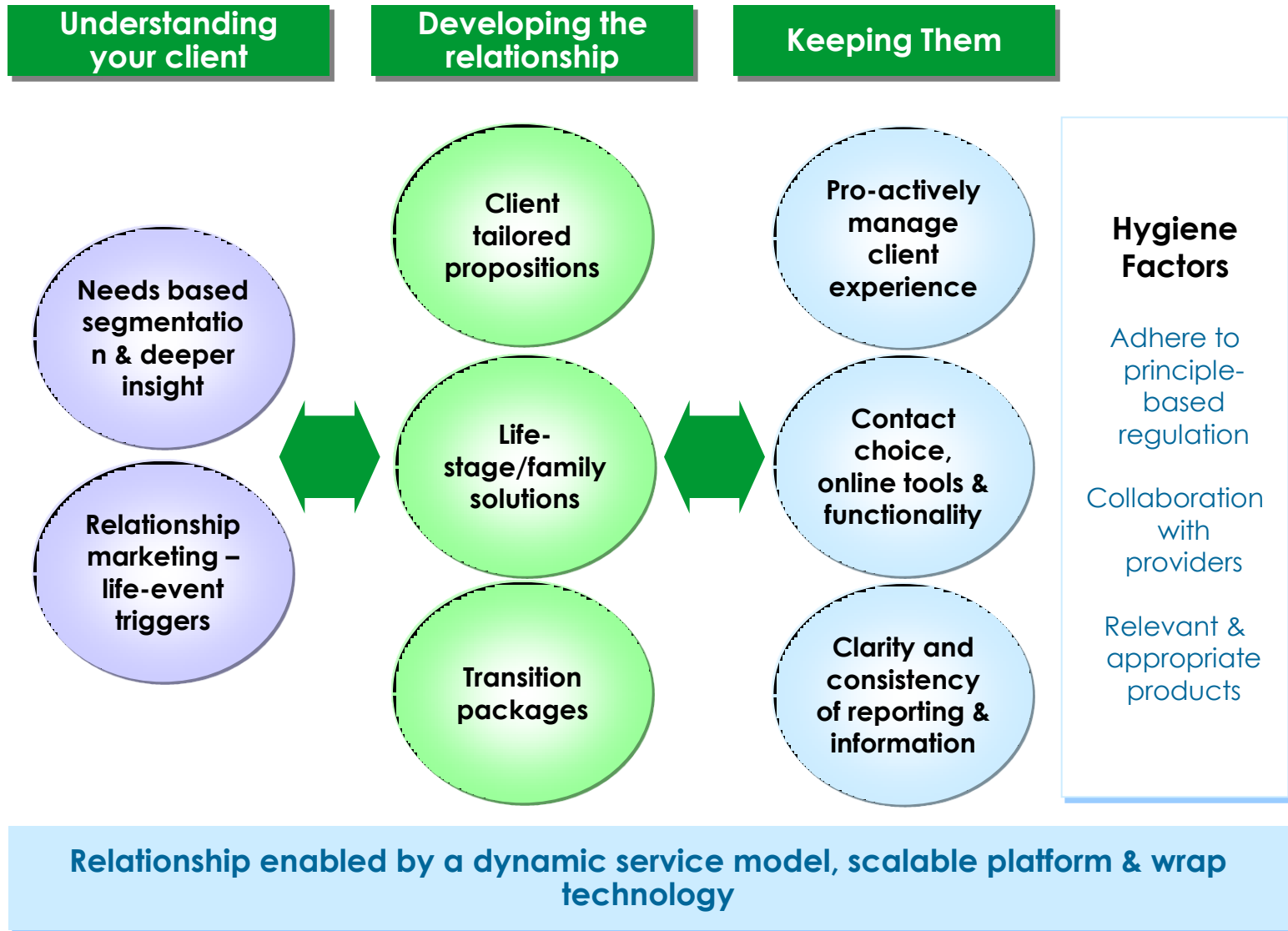
## Proposition

- Value for money products/services
- Wide choice with clear description on what you are getting

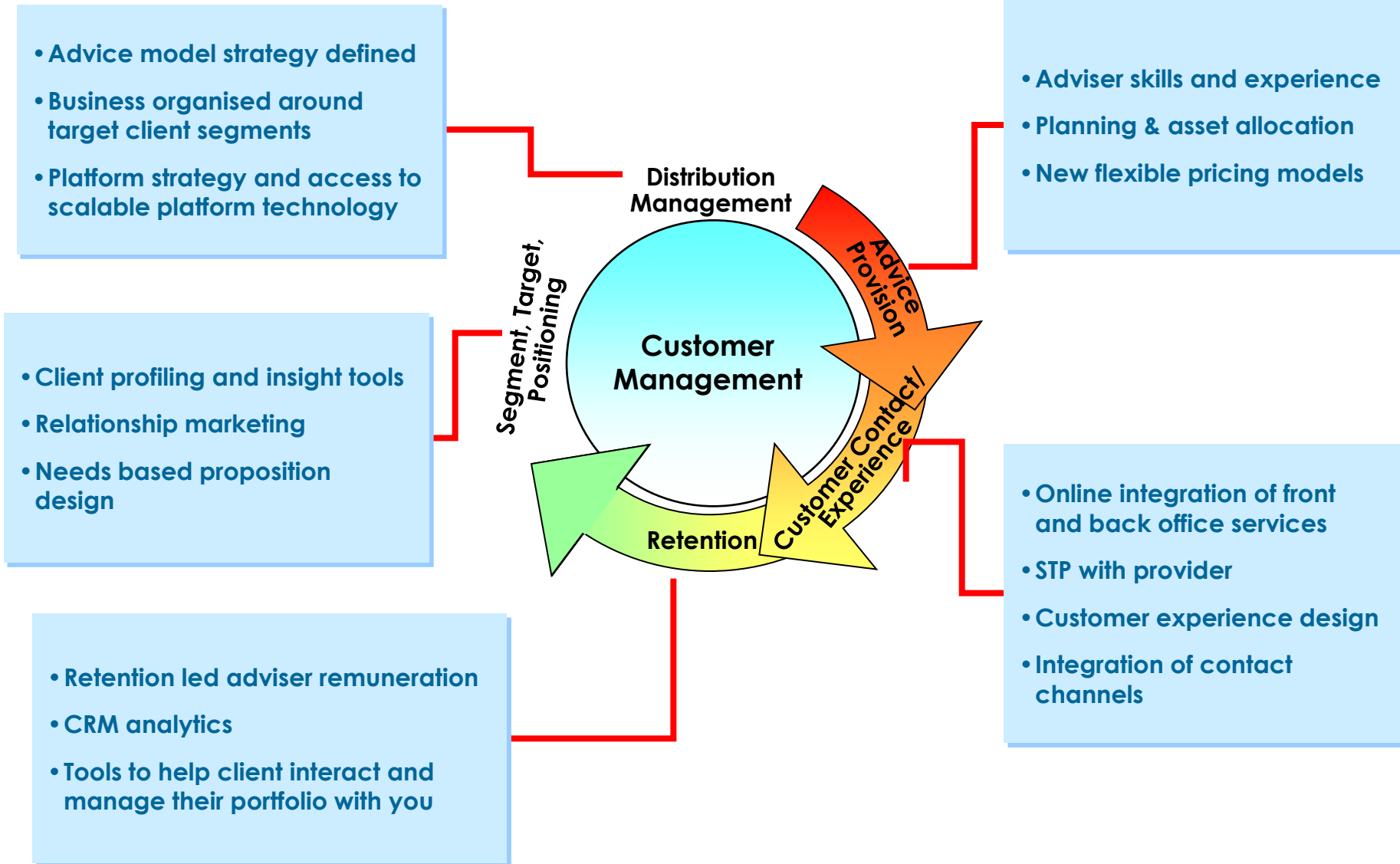
## Interaction

- Online & face-to-face
- Comparison tools and calculators

# Ultimately a shift from transactions to relationships



# Capabilities required to manage the customer lifecycle



## RDR

### Implications

- **New market entrants &** competition for lower tier advice
- **Industry consolidation** – importance of scale
- From **product sales to portfolio advice** for top-end
- **Empowering customers** - greater customer knowledge & control
- **Retention and recruitment** of higher skilled staff
- New **remuneration** models

### Opportunities

- **Focus** on what customer needs
- **Segmented client propositions** & service models
- Gain **more profitable relationships**
- Increased **productivity**
- **Winners:**
  - long-term financial planning
  - more assets per client/under advice
  - access to scalable technology

## Platforms

Forecast **doubling of assets** under administration (£175-250bn) by 2010\*

Providing the administrative back-bone for client asset consolidation, financial simplification and management portfolio construction - **embedding clients for longer**

Platform **scale is critical** for operational flexibility, cost effective services and customer value

If chosen correctly, the platform will enable provision of the majority of client needs at lowest cost, helping you to **focus on services that add true client value**

**Above all – important to gear the model so customer gets value for money**

## Appropriateness

- A service model that can adapt to suit client needs – focusing effort on adding value where value lies
- Exploit technology to lower cost-to-serve and maximise adviser efficiency
- Retention/client value and service performance-led remuneration

## Transactions to Relationships

- Focus is on the client not on the product
- Aligning business behind target client segments' needs with an end-to-end client management strategy
- Building the right capabilities and skills across the business

## Collaboration

- Pooling technologies and client knowledge to retain clients for longer
- Sharing client and market information to co-develop even better products & services
- Consistency and cohesion of service and message to better inform and serve the client