



Distribution of Retirement Products in a Post-RDR World




TISA Retirement Distribution Seminar

New models for retirement products distribution



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I'm going to cover...



- Cappgemini's Point of View on RDR
- What's happening out there already
- A new model for Distribution




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Distribution of Retirement Products in a Post-RDR World

Cappgemini's Point of View on RDR



Cappgemini's Point of View: RDR will drive innovation and competition in the distribution of complex products – such as retirement products

- **Advice is here to stay, but who will pay?**
 - For complex products, the number of customers demanding advice will increase
 - At the same time, the proportion of customers willing to pay for advice will decrease.
 - Restricted advice or 'Execution-only' will require self-service optionality to make it economical
- **Customer, advise thyself.**
 - Distributors will invest in digital solutions and maximise migration of non-fee customers to self service.
 - Manufacturers will diversify routes to market - and a key channel will be Digital.
- **Survival of the coolest.**
 - Although many IFAs will question their role in the market, those remaining will move into one of two markets: *pure wealth* or *pure information*.
 - Those in the former will compete on quality of customer service and sophistication of relationship and global network. Those in the latter will become sophisticated providers of high-powered analytics tools and rules engines that appeal to volumes (à la *eTrade*).
 - In a market increasingly dominated by digital services, successful distributors will complement cool tools with world-class security and privacy protection.




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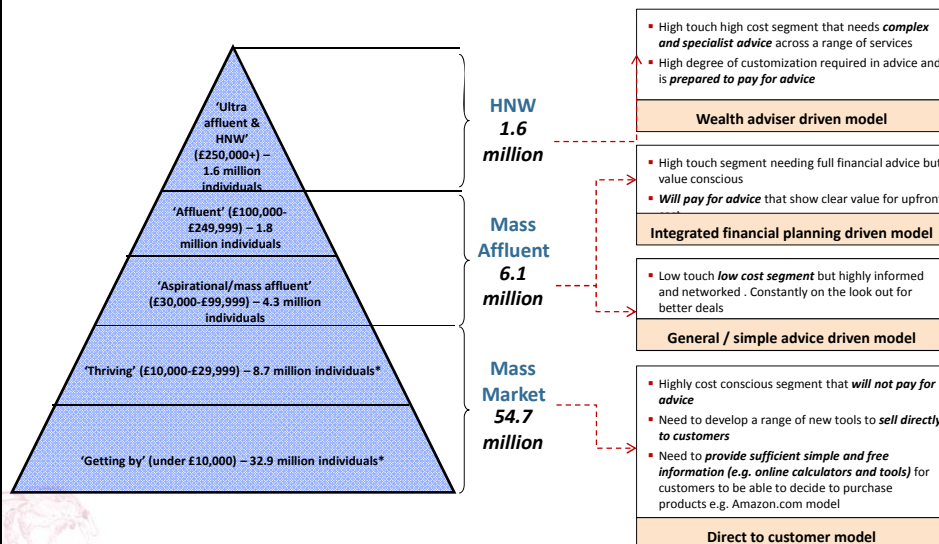


Distribution of Retirement Products in a Post-RDR World

Capgemini's Point of View: RDR will drive innovation and competition in the distribution of complex products – such as retirement products

- **Early birds get the worm.**
 - Quasi-Aggregators will emerge as early movers in the information-driven, self advice market.
 - Some will be acquired by distributors looking to lead.
- **The third way.**
 - Only bancassurers will create a fee-paying market for non-wealth customers.
 - Many mass affluent and mass market customers will migrate to self service as information-based advice technologies mature; however, bancassurers will leverage volume economies to innovate fee structures that lure some customers to cheaper, Wealth-like advice relationships.
- **Viva the division of labour.**
 - Few manufacturers will distribute direct to customer, but will take an 'Intel-inside' approach to branding their products behind distribution partners.
 - Manufacturers will specialise – but there will be a crowded space for retirement / annuities.
- **Trial and error.**
 - 'Fast followers' into any of the three post-RDR market segments (wealth, information-only, third way) will struggle to develop strategies as the market evolves quickly and customer requirements change rapidly.
 - This will require a flexible approach to strategic change.

Operating model implications: Segmentation by Investable Assets



Distribution of Retirement Products in a Post-RDR World

55 to 60 million people...

- Low touch **low cost segment** but highly informed and networked. Constantly on the look out for better deals

General / simple advice driven model

- Highly cost conscious segment that **will not pay for advice**
- Need to develop a range of new tools to **sell directly to customers**
- Need to **provide sufficient simple and free information (e.g. online calculators and tools)** for customers to be able to decide to purchase products e.g. Amazon.com model

Direct to customer model

So how do you do that?

What's Happening Out There Already?

Distribution of Retirement Products in a Post-RDR World

What's happening is...

The world
is talking **about what it wants** right now



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The Volume of Customer Conversations is Exploding...

Volumes of Global Online Customer Conversations as at June 2011:

-  **140m**
Tweets per day
-  **24 hours**
Video uploaded per minute
To YouTube
-  **600m**
Facebook users worldwide
-  **24 hours**
Time taken by Charlie sheen
To amass 1m Twitter followers



 Customers are defining how, when and where they interact with brands, content , products and services

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Distribution of Retirement Products in a Post-RDR World

And customers are hungry for help



Google UK searches for “financial advice”

345,000

PER WEEK!!

and that's 42% up on last year...



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**A New Model for
Distribution**



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Direct to customer model

So how do you do that? **Digitally!**

Imagine if Retirement distributors could find their customers like this...

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Imagine if Retirement distributors could find their customers like this...



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A new model for Retirement distribution



Find the customers who want help with Retirement – they're already shouting for help



Provide online tools and apps to help him work out what he needs – it's complex, but do-able

Help him buy – remotely. Again, complex, but do-able.



Provide the help the customer wants, the way he wants it, when he wants it – at low cost to Advisers and Providers

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