WILL ALTERNATE DISTRIBUTION METHODS HELP RESOLVE POTENTIAL DISENFRANCHISED ADVICE CUSTOMERS?

The deadline for RDR is now very close and the market is starting to see a number of advisory firms beginning the process of "self-manufacture" or alternate new world distribution models in order to ensure they have suitable propositions across the whole bandwidth of existing customers and in an effort to capture either some or all of the entire value chain.

The "self-manufacture" and owning a portion or more of the value chain options must surely make economic sense on the proviso that the quality advice demands of those customers are at least met and they are made aware of alternative offerings, adhering to the FSA's concern of not *"shoe-horning"* customers into the next best thing.

The winners should be those who can create businesses delivering an equitable share of the value between customer and manufacturer, and a number of firms are now working to deliver successful new business models.

This week has seen Towry confirm its investment service will be classified as Restricted post-RDR. However, in effect, it will continue to offer the same advice and discretionary investment management service which is currently classified as Independent. Their proposition seems to support the key objectives of the RDR and the benefits it will bring to clients - clear and transparent charges for advice delivered by fully qualified professionals. Evidentially, if the advice process is thinned down by going Restricted then it is likely to reduce costs and help boost profitability. Towry are not alone, as a number of other firms declared their existing propositions as Restricted, where they have barely changed existing practices apart from the absence of commission payments from providers and the introduction of a fee menu for services now delivered. This means in effect very little change to the current style of customer engagement by their advisers utilising their existing research and panel selection criteria.

In the execution-only space, Informed Choice is set to launch an online execution-only investment platform shortly after RDR comes into effect. This firm is well known and well regarded in the Independent advice space, and will continue to offer a full whole-of-market advisory service. Whilst the fee structure for this platform has yet to be announced, the indications are it will combine a series of low charges with full transparency. They intend to apply the standards coming into force with a clear charge for the platform and a clear charge for the fund manager.

Schroder's recent research shows 53% of advisers surveyed plan to offer basic advice or an execution-only service post-RDR. This survey of 224 advisers indicates 14% will offer execution-only services, 40% will offer basic advice and/or execution-only services and 46% will not offer these services to clients at all.

Plan Money will launch their non-advised proposition called Plan Direct, which will link clients to the comparison website '*Payingtoomuch.com*'. This service will offer clients the route to buying protection products directly. In addition to this, the firm aims to add non-advised investments and annuity options in the future. They have confirmed promotion of the advised and direct sides of the business will be very clearly defined to ensure clients are aware of the differences between the two.

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The idea is to enable clients to be able to jump on and off the advice train according to their preference and not be forced through regulatory hoops for what the customer perceives to be simple transactions.

It is clearly important in the development of this market that advisory firms can make sure they can give clients a direct offering for those who do not want or are not willing to pay for a full advice option.

Finally, in the same week, Openwork has also announced the launch of their execution-only offering for its advisers to cater for less wealthy clients post-RDR. Currently under consideration are six different models for their offering within the multi-tied network, which will include web-based, telephone-based or webinar-based services powered by either Investment Funds Direct Limited or Zurich.

The concern is a possible reasonable proportion of an adviser's client base being disenfranchised post-RDR due to the economics of the network costs or a resistance to a full whole-of-market, fee-based service.

For most advisory networks it is clear that in order to retain legacy customers, maintain a relationship with those clients and deliver acceptable propositions in the appropriate way at a suitable cost to customers, these alternate methods become palpable.

With the RDR just weeks away it is clear the consequences of its impact are creating an interesting market for intermediaries, platforms, insurers and fund managers who are commonly and increasingly in competition with each other, at the same time as trying to collaborate to serve the differing requirements of their existing legacy customer bases. The dilemma is to achieve satisfactory shareholder returns alongside suitable customer outcomes which is resulting in certain advisory businesses moving forward with alternate business models to the conventional advisory service.

This trend will only increase.

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