

The Value of Advice

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IAAust BIENNIAL CONVENTION 2003



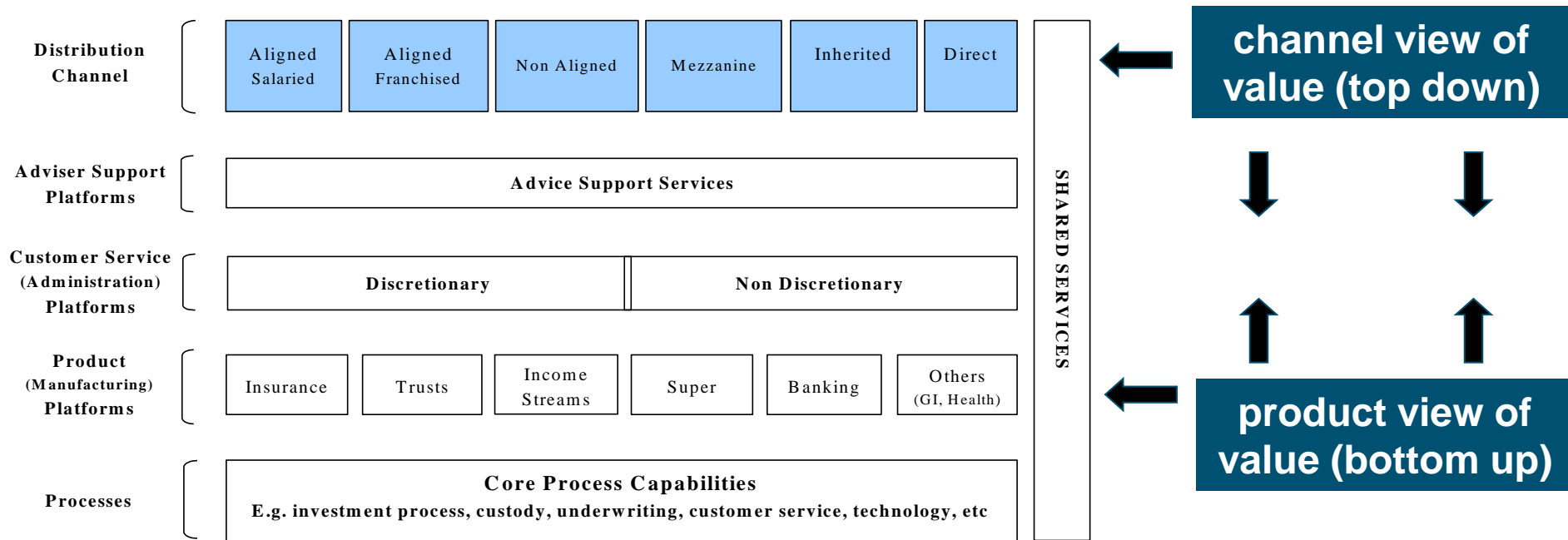
Why did we write this paper?

- **Share our experience in valuing advice based businesses**
- **Challenge management and valuers in their understanding of value via advice channels**
- **Provide a framework for understanding value via advice channel**

Considerable strategic insights can be gained from measuring value from an advice channel perspective



Valuing via advice channel requires a shift from common practice



Traditional product view of value can be limiting

- Transfer pricing alters the landscape
- Lack of explicit front end analysis

Traditional Product (Manufacturing) View of Value

	Life Risk		Investment Management	
	Product A	Product B...	Offering A	Offering B...
Distribution & Support	< transfer pricing leaves little value in dealer groups >			
Servicing (Administration)	Majority of value passed to these operations			
Product (manufacturing)				
Investment Management				
TOTAL				



Channel based view gives greater strategic insights

- Identify synergy and strategic opportunities
- Market adjustments
- Front-end value recognition

Channel Based (Customer Delivery) View of Value

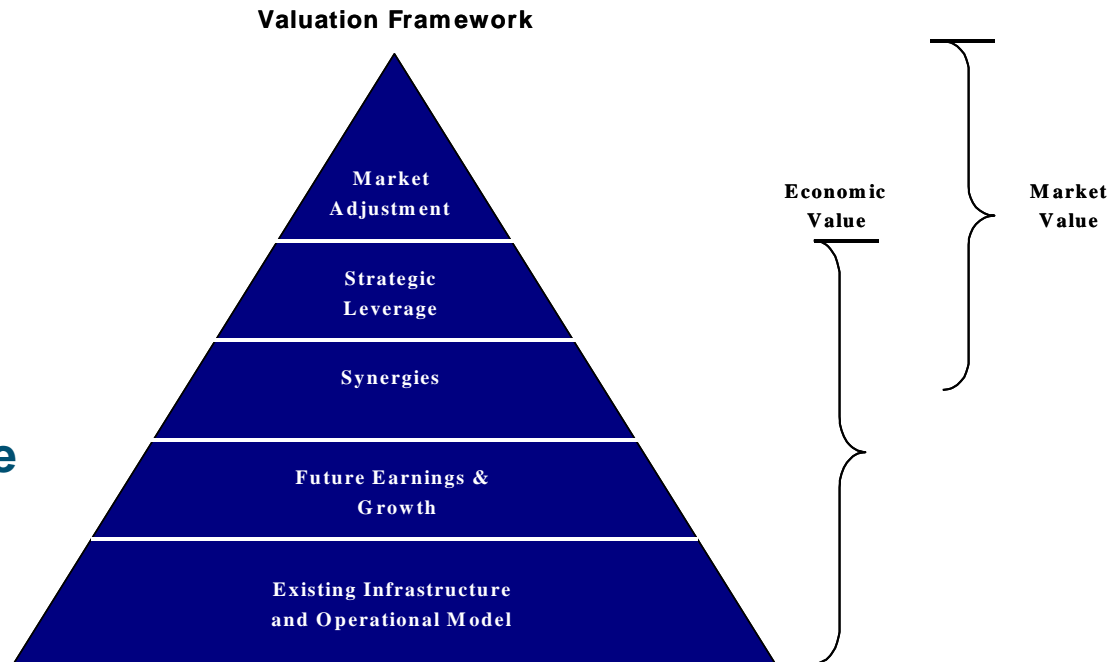
	Aligned (Owned)		Aligned (Franchise)		Non Aligned		Mezzanine		Inherited	Direct
	Group A	Group B....	Group A	Group B....	Group A	Group B....	Platform A	Platform B..		
Adviser (Support) Platform										
Service (Administration) Platform										
Insurance Products										
Product A										
Product B										
Investments Products										
Product A										
Product B										
Sub Total - PLATFORM VALUE *										
Synergy Value										
Strategic Leverage Opportunities										
Banking Products										
IFS										
Others										
ECONOMIC VALUE										
Market Adjustment										
MARKET VALUE										

* Value including net assets.



Advice channels, rather than product, drive the valuation framework

- Layered approach based on adviser fundamentals
- Focuses on front-end customer delivery
- Measures downstream value to manufacturer
- Identify value enhancing front-end positioning



Actively managing advice channels to extract value

Techniques include:

- Channel view to assess and monitor value
- Robust valuation framework for assessing strategic opportunities
- Ongoing portfolio review of advice based businesses
- Integrated adviser support and customer service platforms
- Practice management
- Strong key person and business relationships
- Corporate culture respecting and valuing the independence of advisers

