



# **Widening the Distribution Channel**

**James Hickey**  
**Eric McNamara**

## Agenda

- Market Overview
- Delivery Channels
- Company Challenges
- Discussion

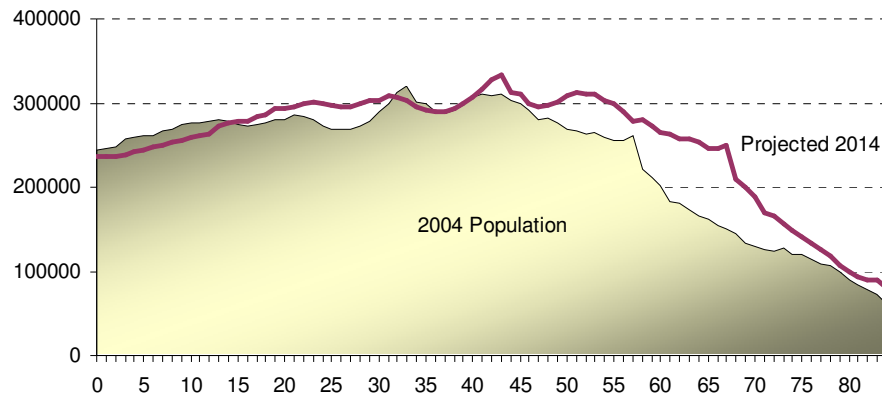
## Market Overview - Key Pillars

1. Customer types and needs
2. Products and targeting
3. Distribution of products

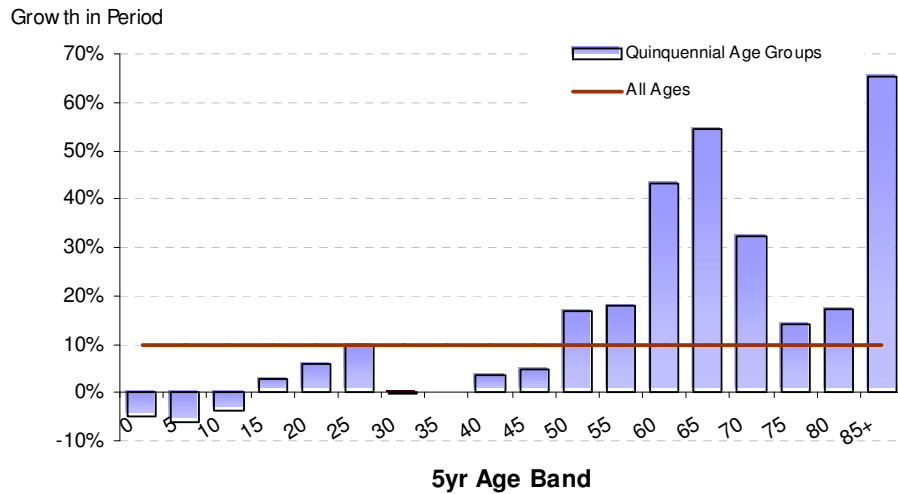


# Shifting Consumer Base - what are the changes and what products are required ?

**Population : 2004 vs 2014**

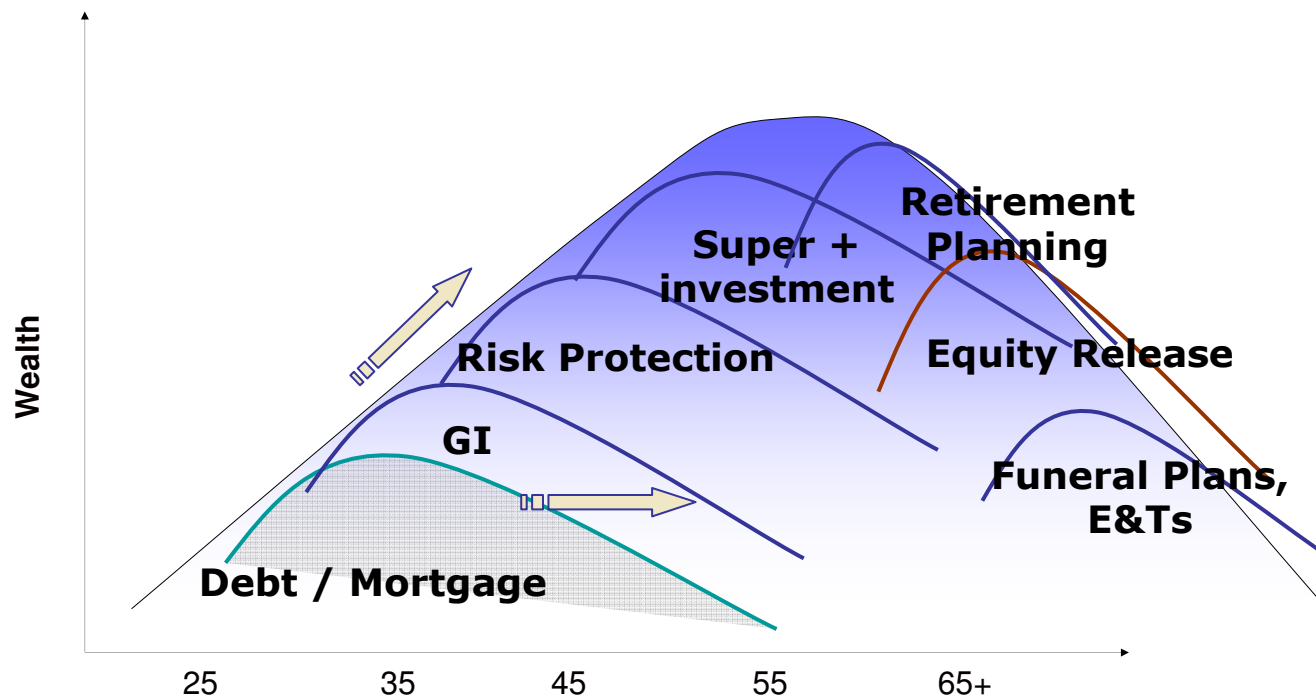


**Population Growth by Age Band : 2004 vs 2014**



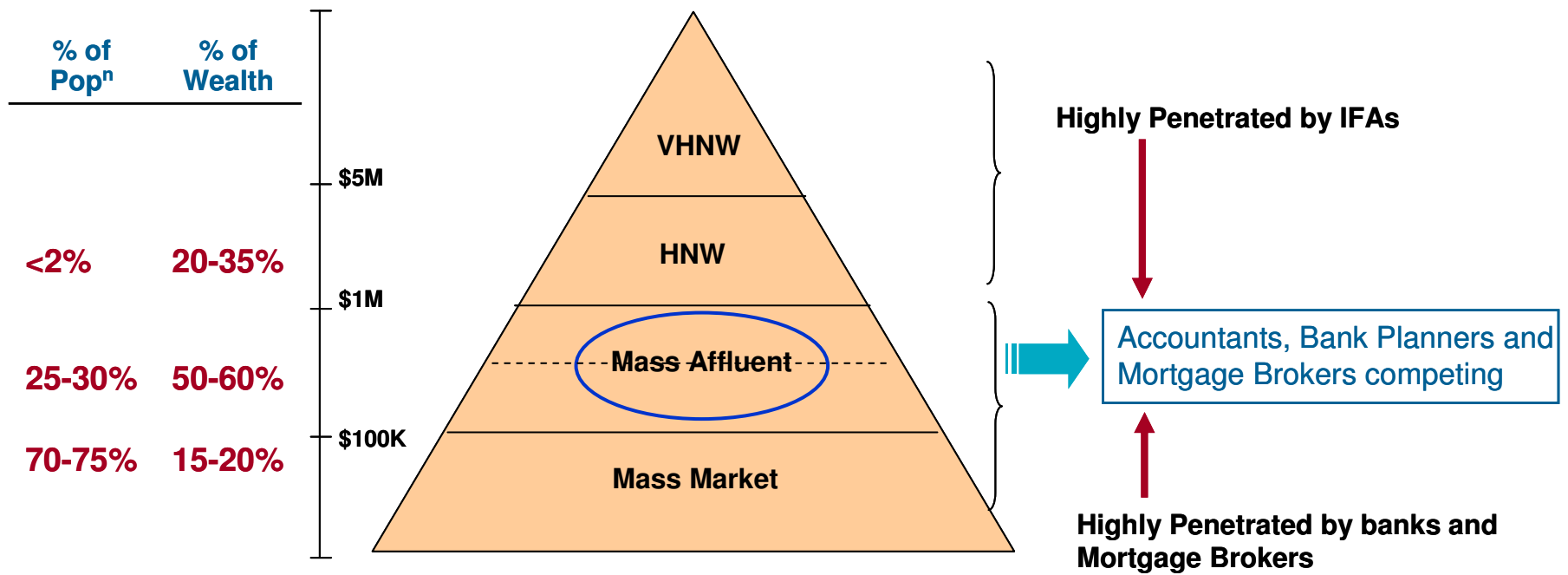


## Holistic Consumer FS Needs



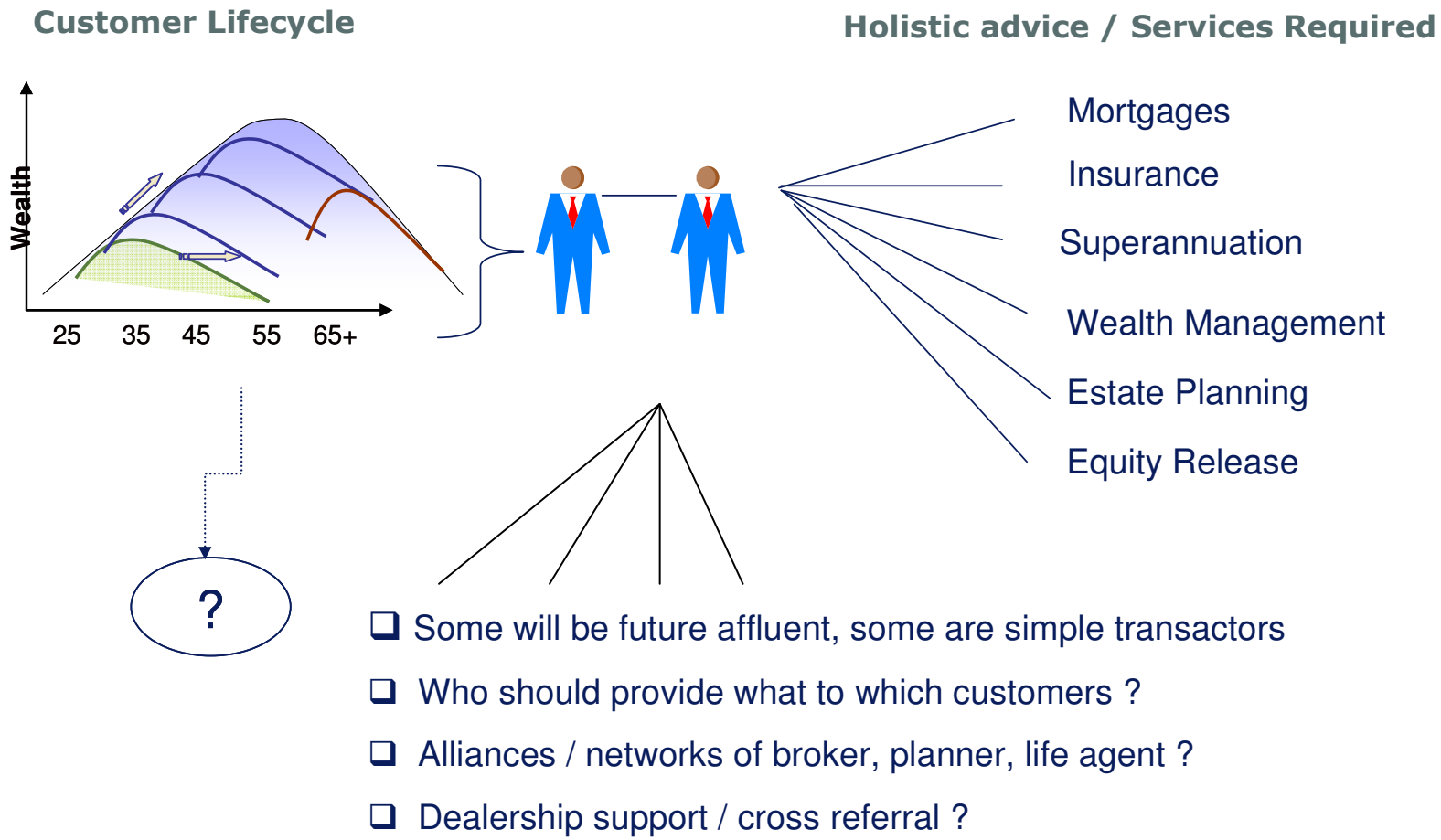
- *and what of non-FS needs ??*

## Customers are not all the same....



Source: Trowbridge Deloitte Analysis & Kelly, S., "Trends in Australian Wealth – New Estimates for the 1990s"  
 Paper presented to the 30<sup>th</sup> Annual Conference of Economics, Perth, Western Australia, 26 Sept 2001

## Customer needs and channel dilemma



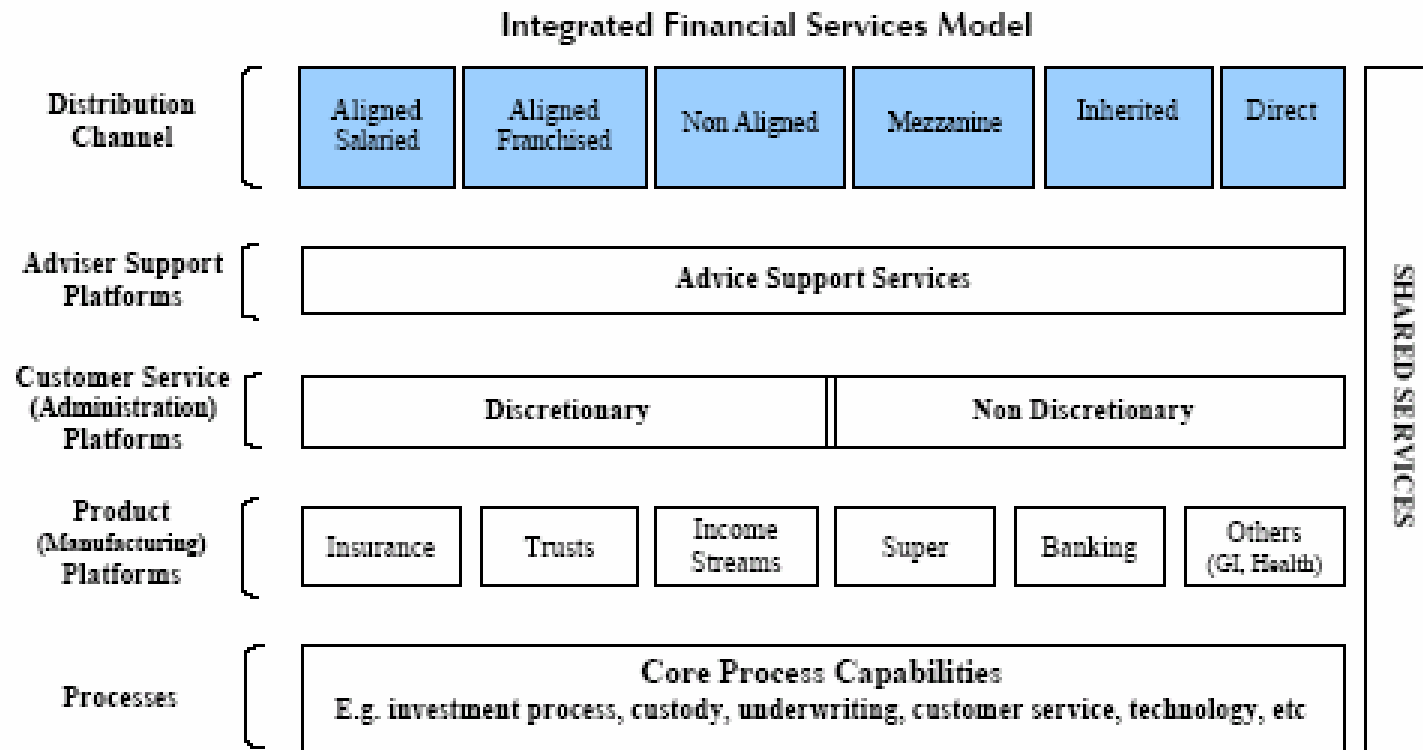
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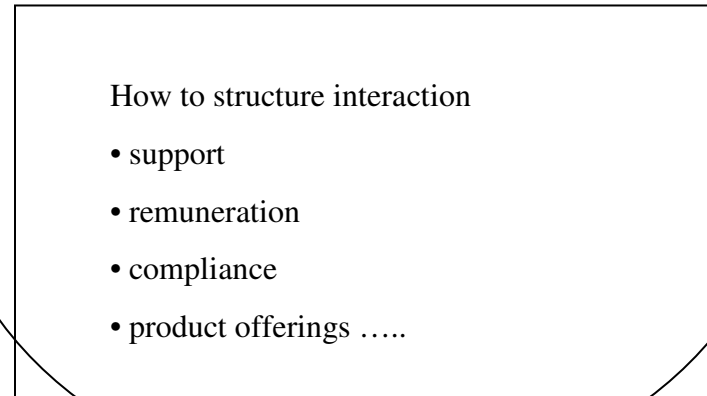
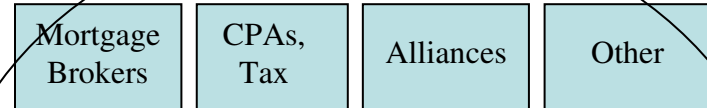
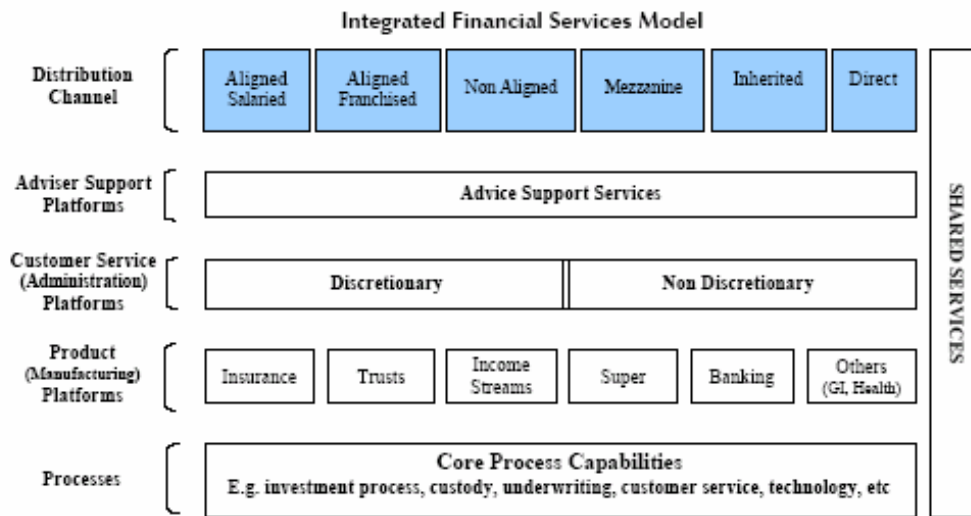
## Traditional FS Distribution Model



Source : Corst, Hickey



## What Other Channels & How To Incorporate ?





## Financial Planner Channel .... Not as we know it?

Some key issues shaping the direction of FP channel, that need urgent consideration :

**Aging principals** – looking to exit, succession planning, business sale, BOLR

*“The [AXA](#) group has warned of massive upheaval in the financial planning sector as almost half of all planning practice owners look to exit the industry within the next five years.” Money Management (Sept 2005)*

**Competitor Recruiting** – buying best advisers to move over; inflating values

**Incentive Rewards** – equity rewards; retention of key planners

Challenger Financial Services is considering plans to list its Genesys Wealth Advisers subsidiary on the stock market in an attempt to retain staff. A number of options are understood to have been discussed by Challenger, including a possible listing, or the offer of "phantom equity" to advisers..... an incentive scheme would help align the interests of advisers and the licensee they sit under, Genesys, because advisers would have a common goal to expand the business

**Conflicts of Interest** – ASIC and FPA codes; restrict platform specific remuneration biasing; reduce institutional value in groups???

**Commission of Fee For Service?** –customer perception/genuine conflict?; give options?

**Proprietary branded franchise models?**

## **Bancassurance – it should work, shouldn't it ?**

It is viewed as the “holy grail” – selling insurance and banking together

- Leverage costs, existing client base, large distribution network
- Obvious linkage of taking a mortgage and need to consider risk needs
- Mass market target with vanilla offering
- “Financial Services Supermarket” – one stop shop

Which model to use ? (Agency; co-habitation; referral)

What products (and pricing) to offer ?

What customers to target ?

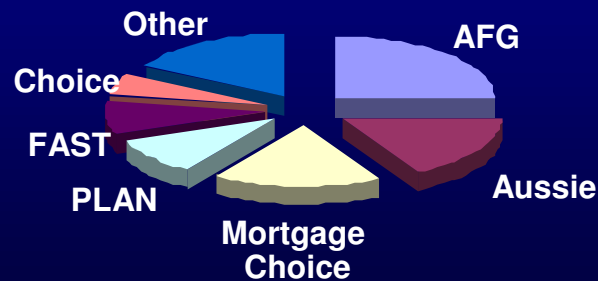
Is the timing of contact right for the sale ?





## Mortgage Brokers – Can They Do More Than Loans?

### Indicative Broker Shares

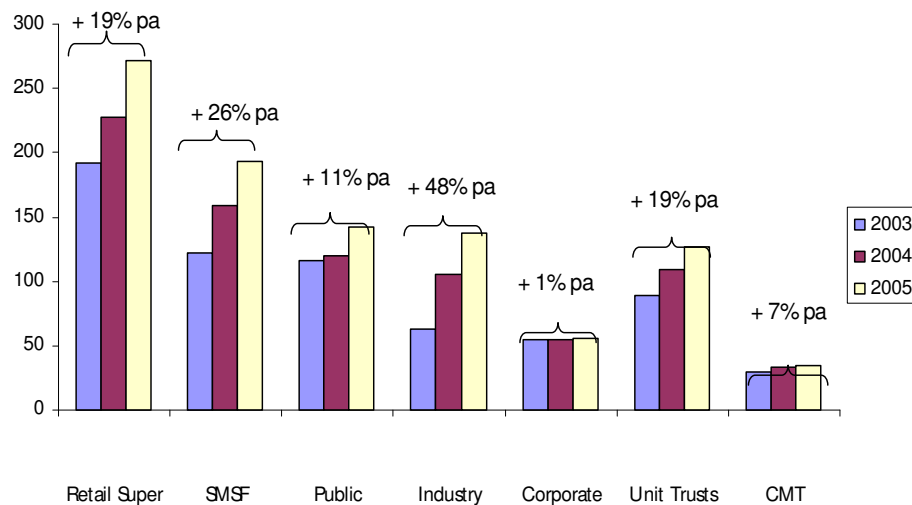


### Broker Market :

- about 35-40% of total settlements (circa \$80bn)
- majors :
  - AFG, Mortgage Choice, PLAN, Aussie, Choice, FAST, eMOCA
  - have technology and infrastructure
- deep mass market penetration
- strategies emerging :
  - Mortgage Choice listed (mkt cap circa \$280m)
  - AFG IPO? (stake by MBL, Tower and Alliance)
  - Choice stake by Quadrant Capital
  - PLAN stake by Challenger
- can they evolve from mono-line ?
- compliance, regulation and consolidation impacts ?

## Alliances ? Who Else is Competing for Customer Relevance?

Total Managed Funds (\$1,000b+) Dec05 – 3yr CAGR



### Accounting Groups :

- SME/Business, SMSF & tax specialty
- entering mortgage broking -> debt
- Count, WHK, PIS push services through
- fragmented – local alliances

### Industry Funds :

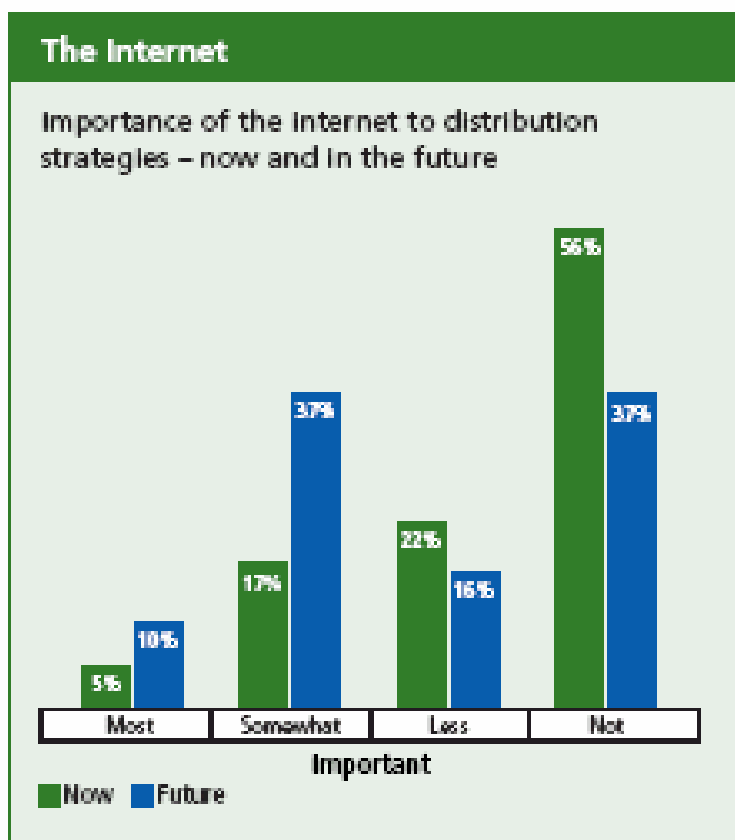
- member base offerings broadening
- focus on retain and attract customer
- mass market base



## **Banking Groups ? Other Service Groups / Client Needs?**

- Credit Unions / Building Societies
  - Aging membership with considerable housing equity established
- Regional Banks – franchise models
- Membership groups
- .....

## Internet / “Cybermediaries” – can it work for FS ?



- Not widely used to support sales at present
- Future sentiment is positive, but not definite ...
- Utopia for cost effectiveness
- Is it a “field of dreams” ... build it and they will come ?
- Better for education of FS (web traffic) vs sales on-line?
- Use to support planners and brokers, not replace
- Use to work better with alliance partners
- Use to provide better customer service

Source : Deloitte “Driving Your Chickens To Market”



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## Customer Identification - use your data and know your customer

- Opportunity to perform greater customer analytics than current done
- Many organisations possess huge client bases, with multiple products per client
- Currently, almost all analysis is on product level analysis
- ..... But how much on *customer* by *channel* by product  
(i.e. analyses by customer/channel band, rather than product)

Drive identification of new client segments and appropriate channels

## Distribution Strategy - know your channels

- Identify, prioritise and understand the characteristics of the channels
- Tailor “motivation mix” to each of the channels using :
  - Product
  - Price
  - Remuneration
  - Support

	<i>Channel</i>					
<i>Incentive</i>	Bank	Own FP	Indep FP	Mort Broker	Alliance	Direct
Product						
Price						
Remuneration						
Support						

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