

Distribution Metrics:

Perspectives for consumer financial services in the UK

29th April 2008

Expertise in financial services

Agenda

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Channel Metrics

Financial products investigated and definitions

Financial products

- Breakdown recovery insurance
- Car finance contract
- Cash ISA
- Child Trust Fund
- Credit card
- Critical illness insurance
- Dental insurance
- Extended warranty for car
- Extended warranty for electronic appliance
- Health / hospital cash plans
- Home emergency insurance
- Household insurance
- Interest-bearing savings deposit
- Life insurance
- Loan payment protection insurance
- Mobile telephone insurance
- Mortgage
- Mortgage payment protection insurance
- Motor insurance
- Personal / stakeholder pension
- Personal accident insurance
- Personal loan
- Pet insurance
- Private medical insurance
- Travel insurance

Direct sales: sales realised by the ultimate product provider (eg. the underwriter for motor insurance, the bank or building society for mortgages), irrespective of whether this occurs in a face-to-face environment, via the Internet, by telephone or through direct mail.

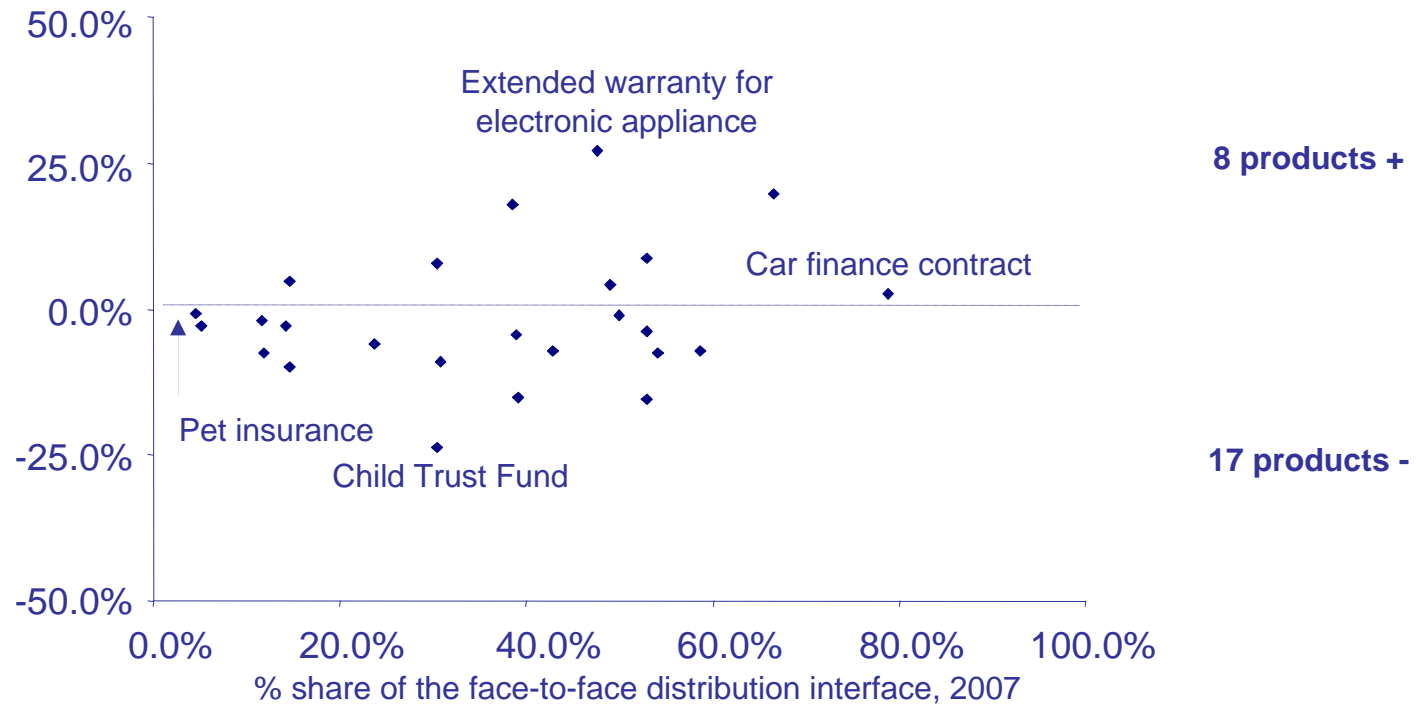
Intermediary sales: sales intermediated by an aggregator, broker, financial adviser or other intermediary, excluding affinity groups and corporate partners, irrespective of whether this occurs in a face-to-face environment, via the Internet, by telephone or through direct mail.

Affinity / partner sales: sales achieved through a partner organisation in one of three main categories - namely, not-for-profit, financial and commercial - irrespective of whether this occurs in a face-to-face environment, via the Internet, by telephone or through direct mail.

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Current and historic performance of face-to-face sales in financial services

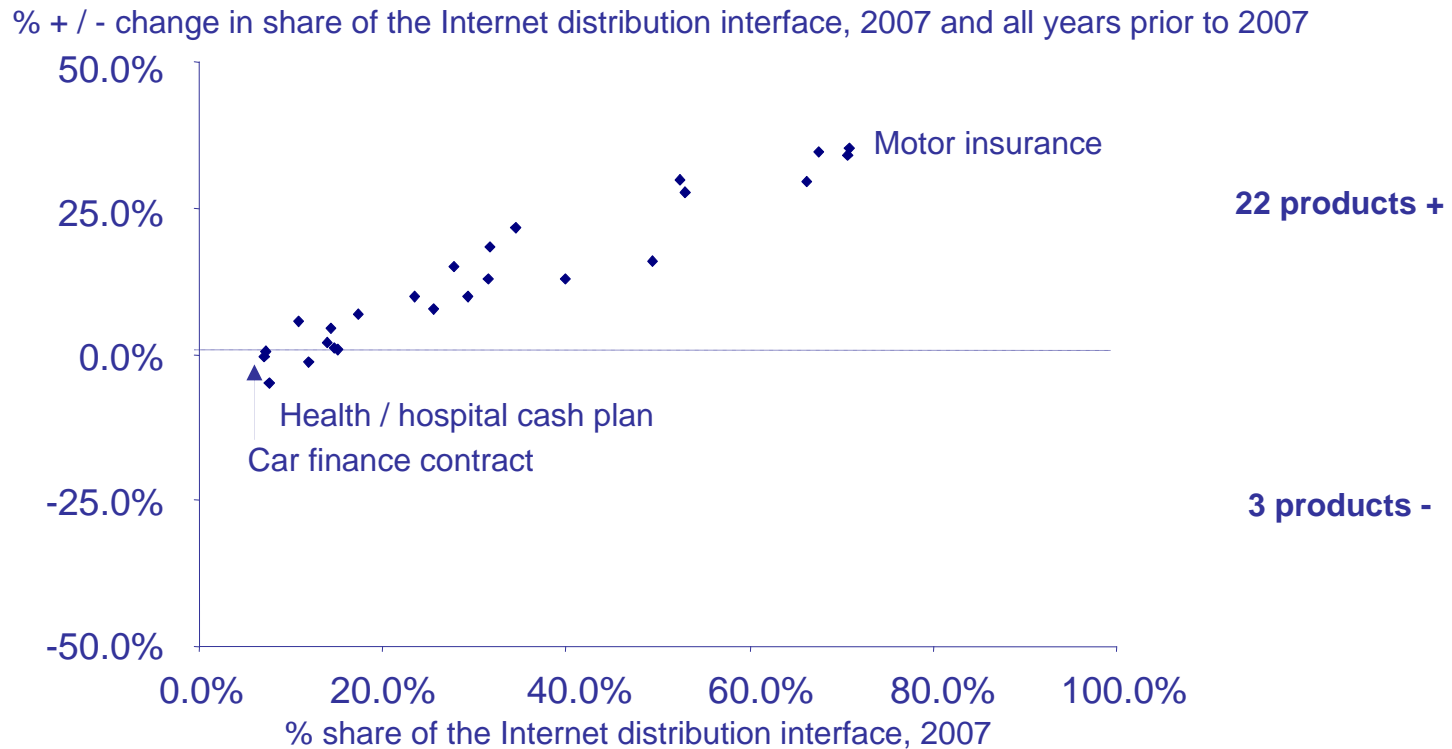
% + / - change in share of the face-to-face distribution interface, 2007 and all years prior to 2007



Source: Finaccord Channel Metrics report

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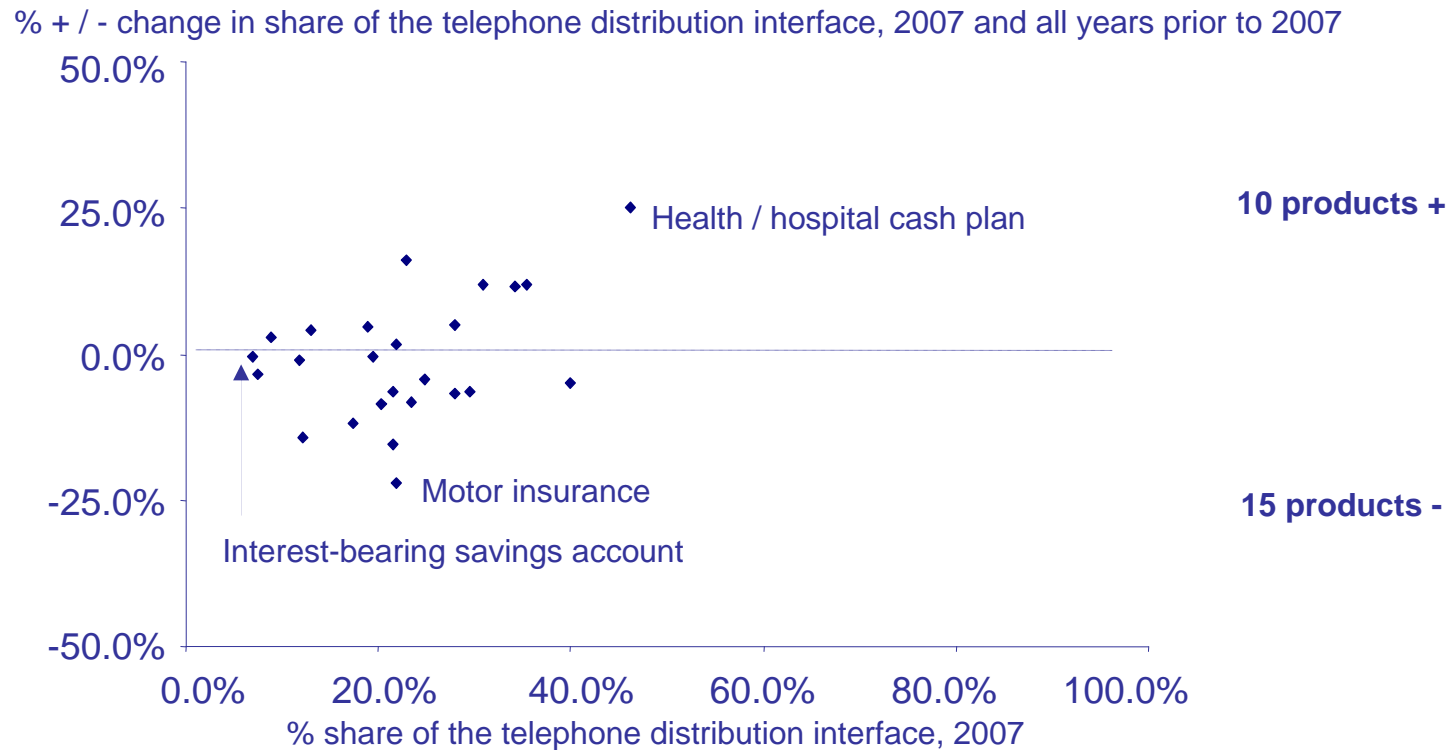
Current and historic performance of Internet sales in financial services



Source: Finaccord Channel Metrics report

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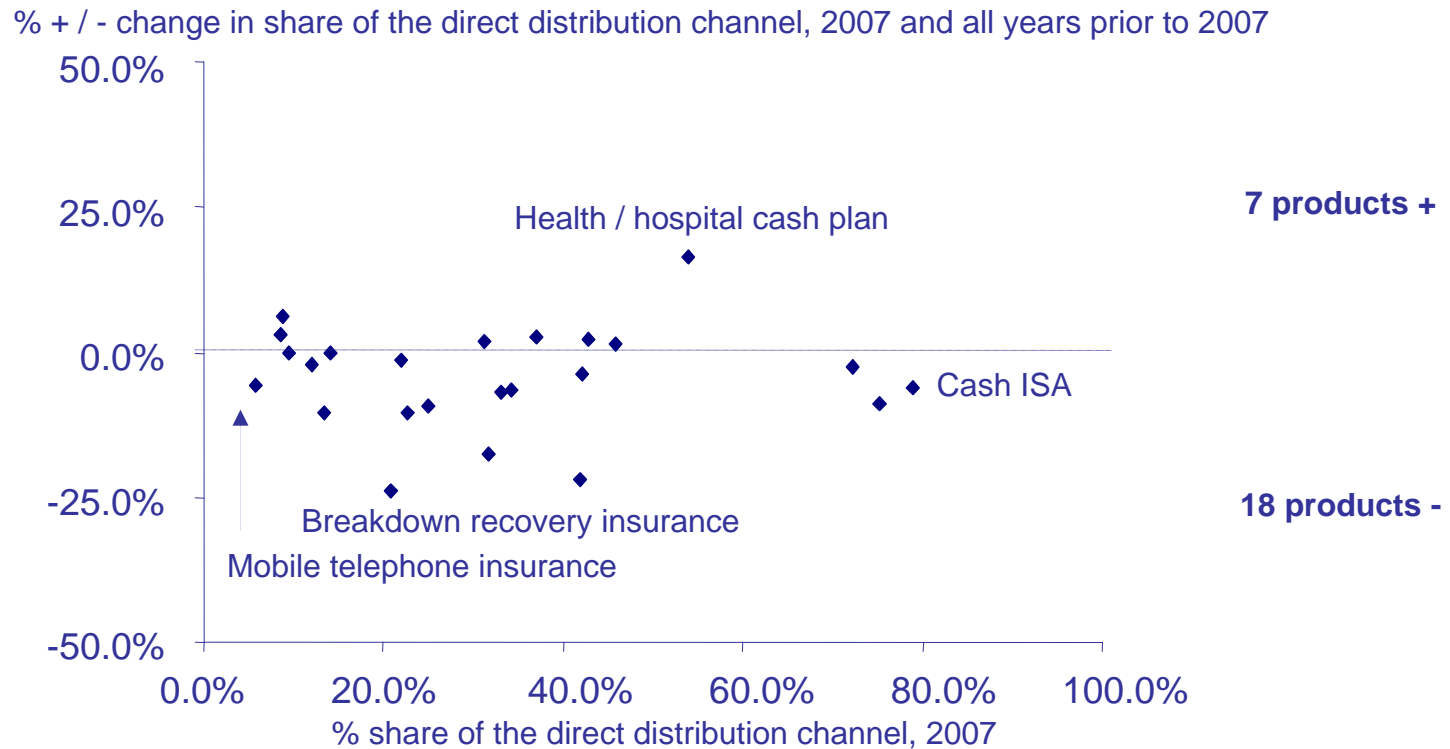
Current and historic performance of telephone sales in financial services



Source: Finaccord Channel Metrics report

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Current and historic performance of direct sales in financial services

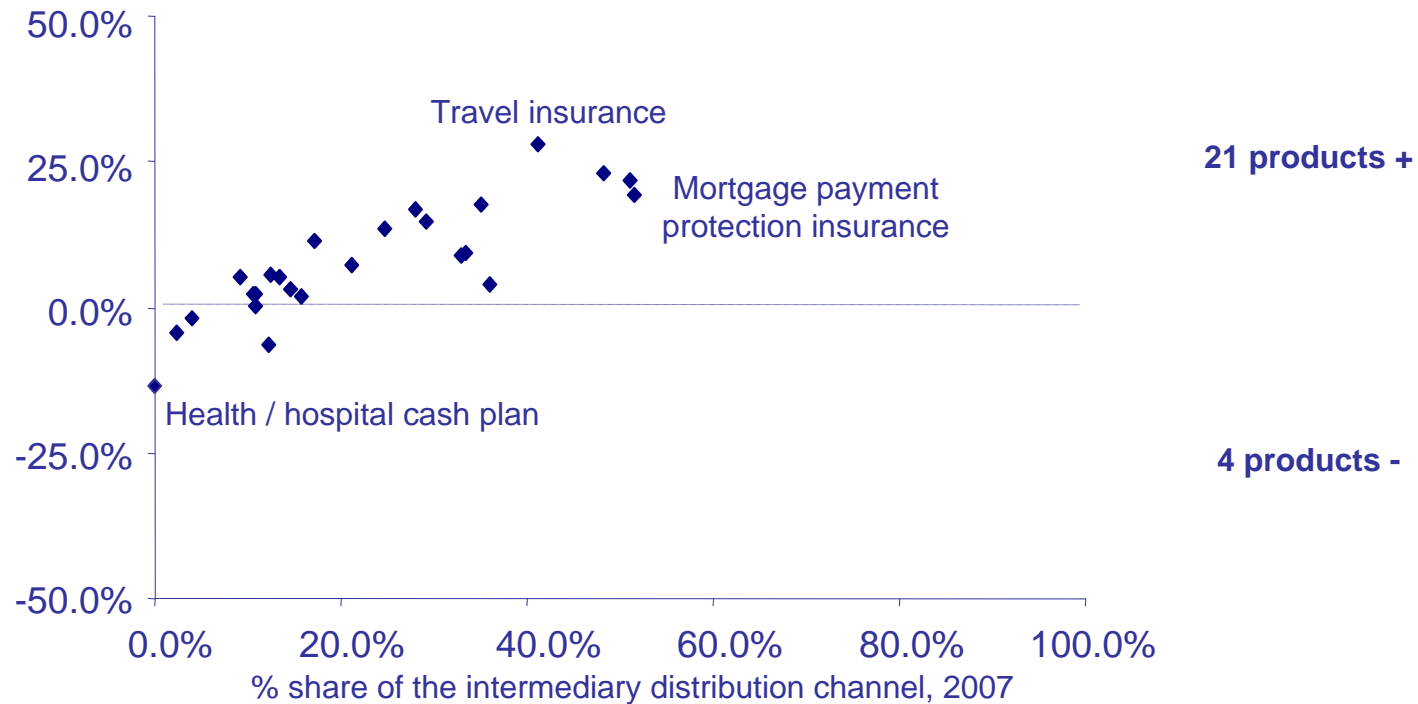


Source: Finaccord Channel Metrics report

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Current and historic performance of intermediary sales in financial services

% + / - change in share of the intermediary distribution channel, 2007 and all years prior to 2007

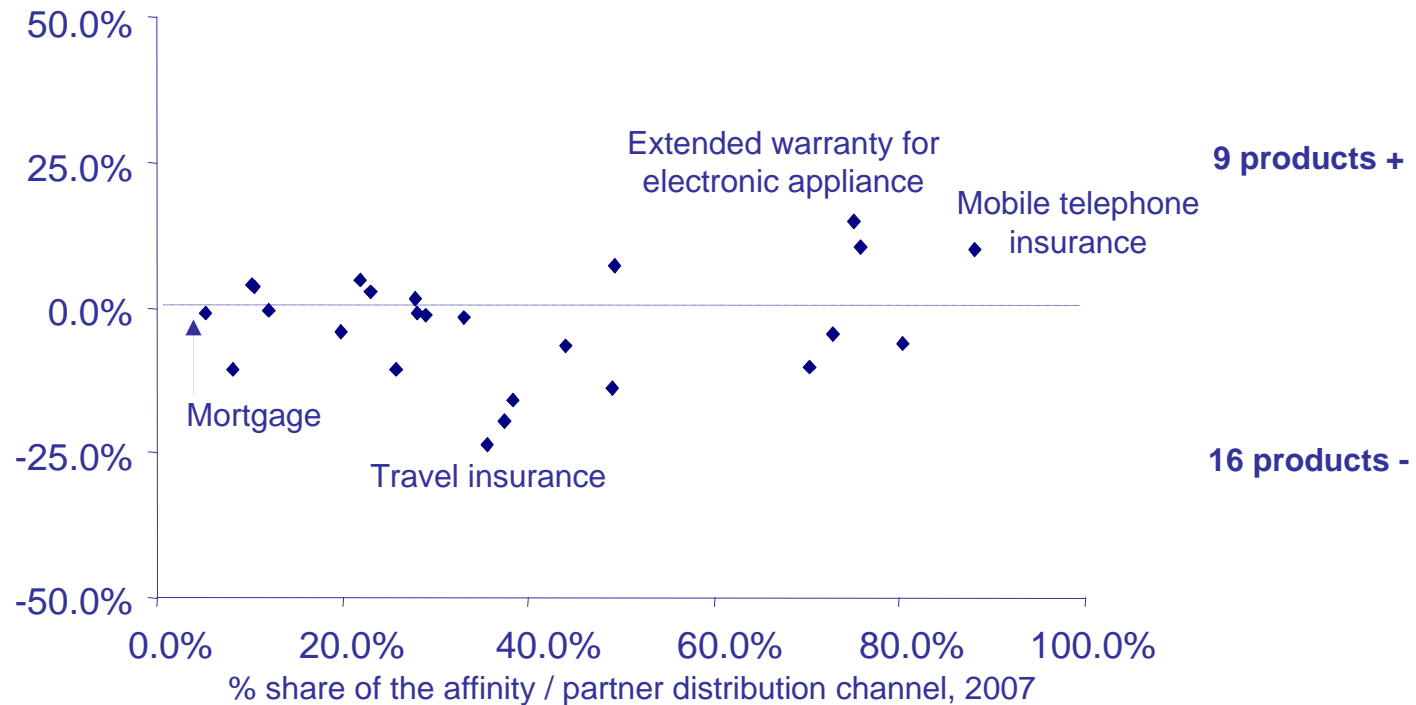


Source: Finaccord Channel Metrics report

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Current and historic performance of affinity / partner sales in financial services

% + / - change in share of the affinity / partner distribution channel, 2007 and all years prior to 2007



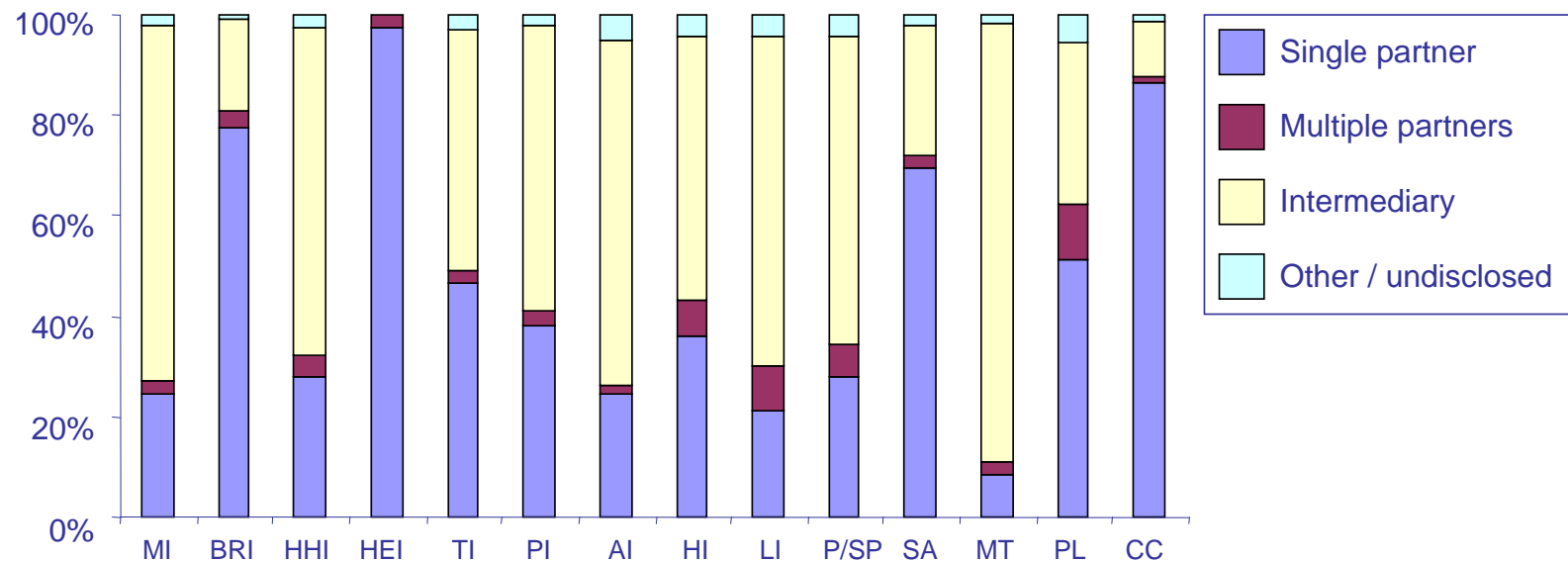
Source: Finaccord Channel Metrics report

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Affinity and partnership marketing

Share of affinity / partner schemes by operating model and product

% split of affinity and partnership schemes by operating model, 2007



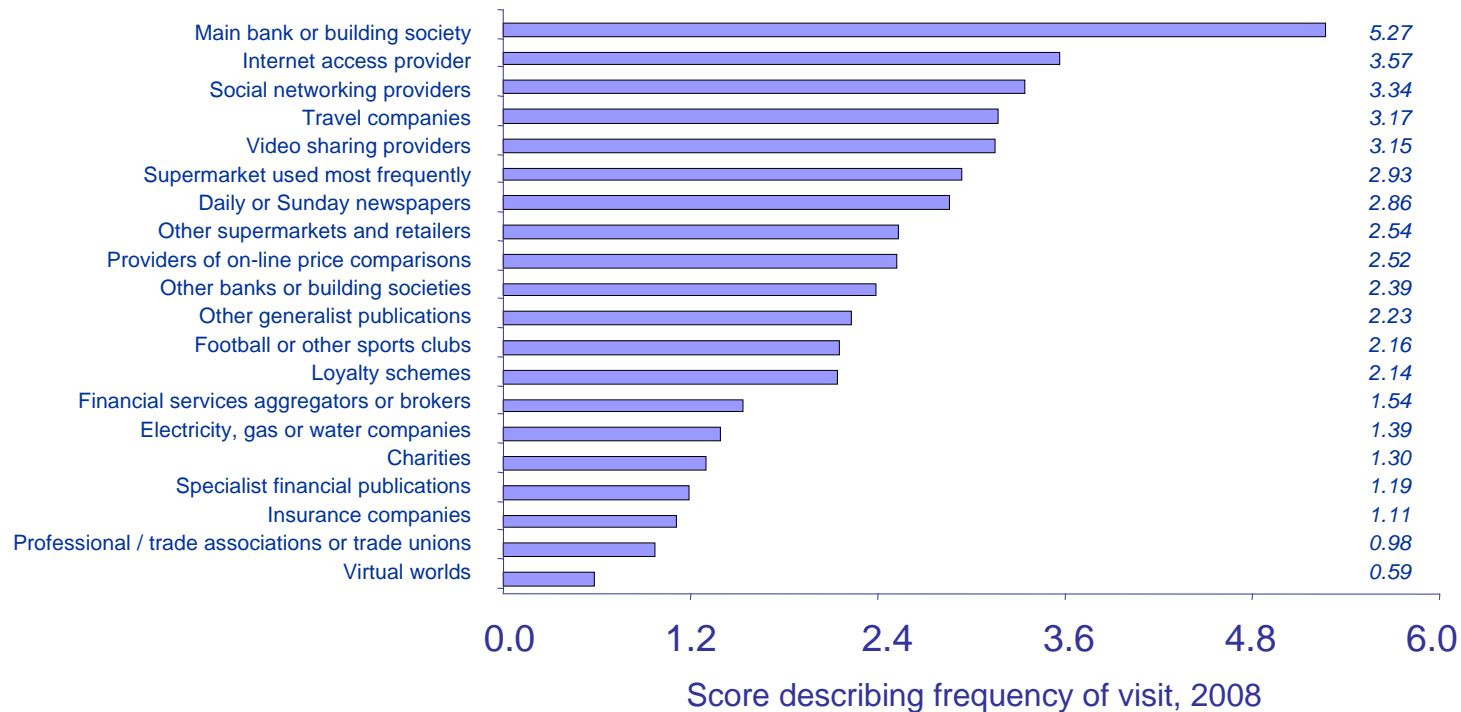
Note 1 - MI = motor insurance, BRI = breakdown recovery insurance, HHI = household insurance, HEI = home emergency insurance, TI = travel insurance, PI = pet insurance, AI = accident insurance, HI = health insurance, LI = life insurance, P/SP = personal / stakeholder pensions, SA = savings accounts, MT = mortgages, PL = personal loans, CC = credit cards
 Note 2 - over 3,500 affinity and partnership marketing schemes tracked in total

Source: Finaccord Affinity and Partnership Marketing series

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Net Metrics

Frequency with which consumers visit different types of web site

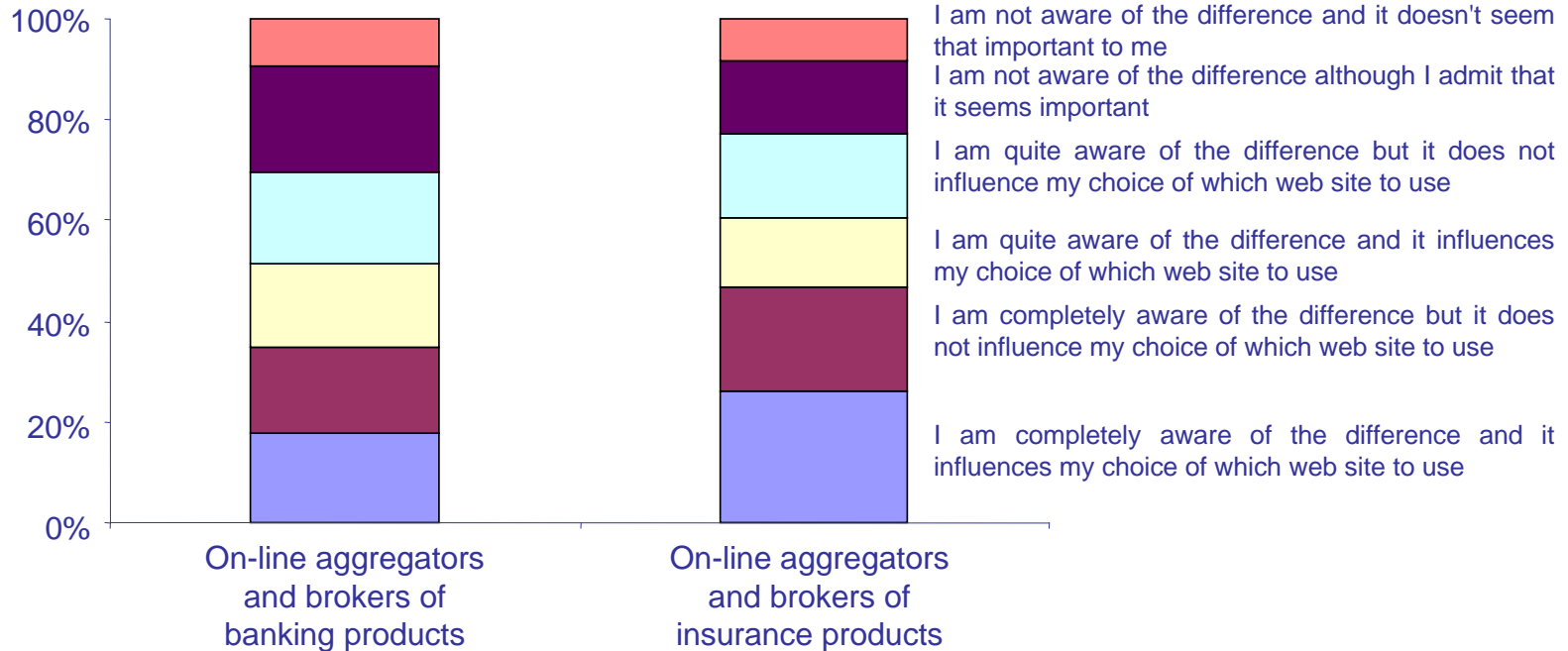


Source: Finaccord Net Metrics reports

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Consumer awareness of difference between on-line aggregators and on-line brokers

% split of responses, 2008

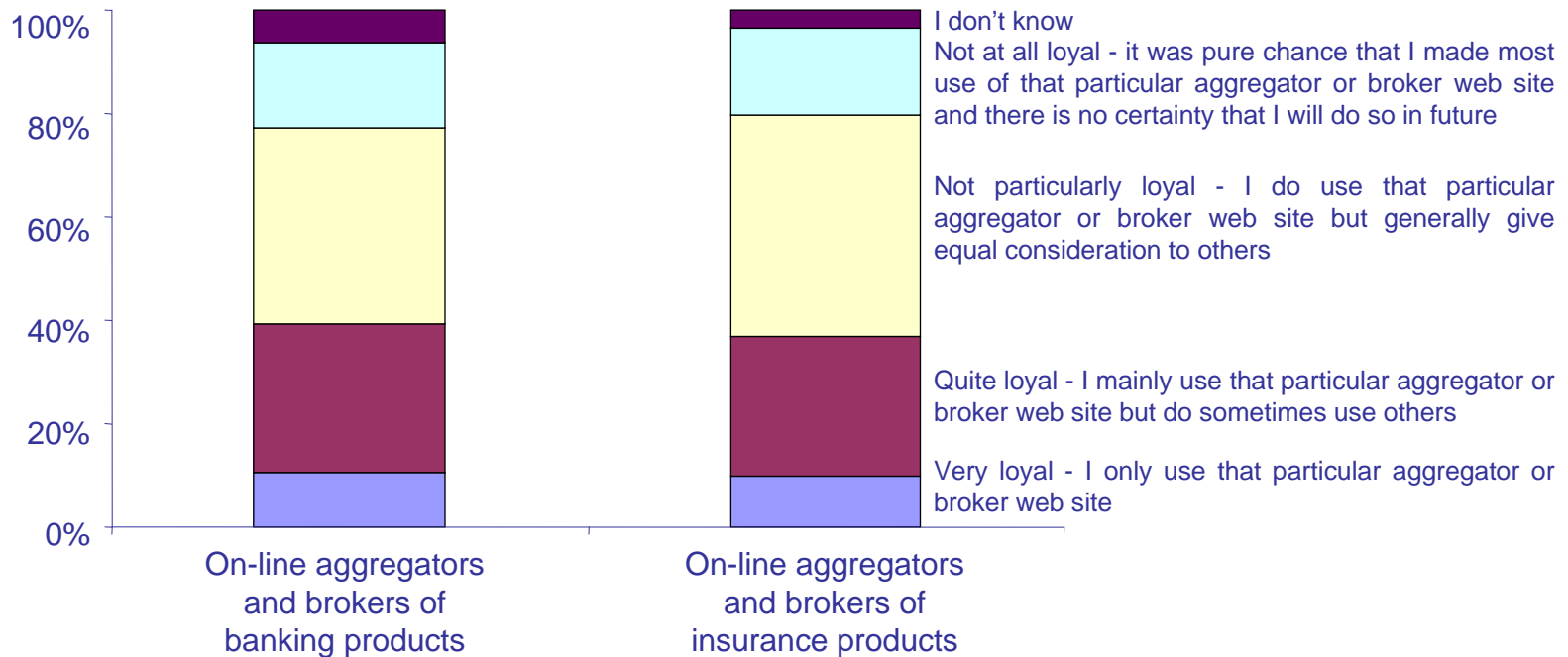


Source: Finaccord Net Metrics reports

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Degree of loyalty felt towards on-line aggregator or broker used most frequently

% split of responses, 2008

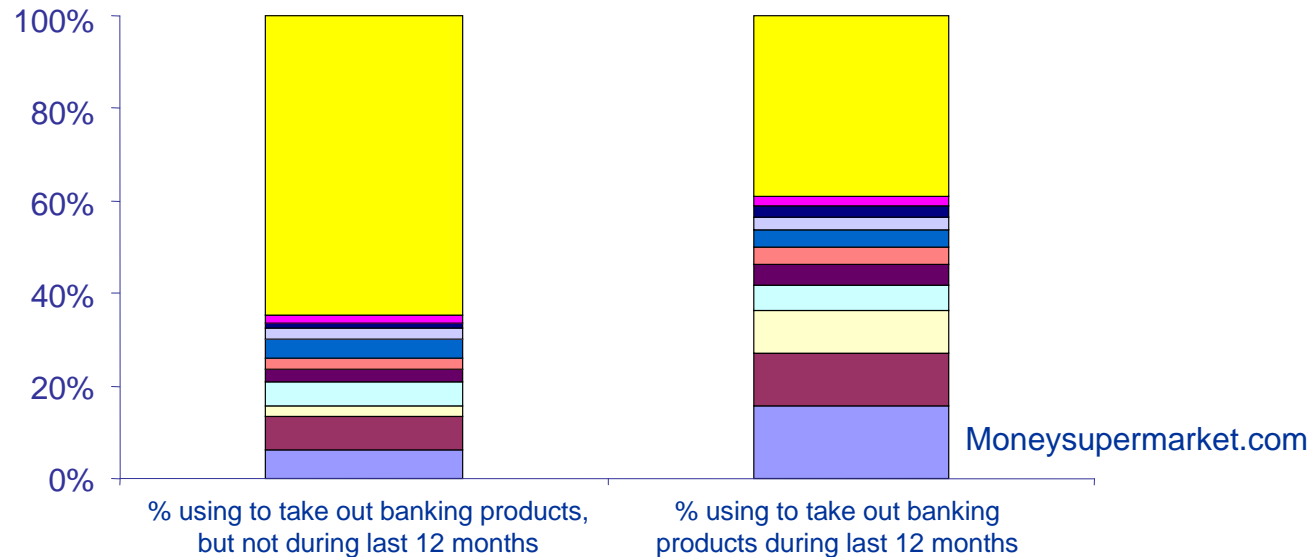


Source: Finaccord Net Metrics reports

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Comparison of recent and historic usage to take out banking products of on-line aggregators and brokers of banking products

Cumulative % of consumers using to take out banking products in historic / recent past, 2008

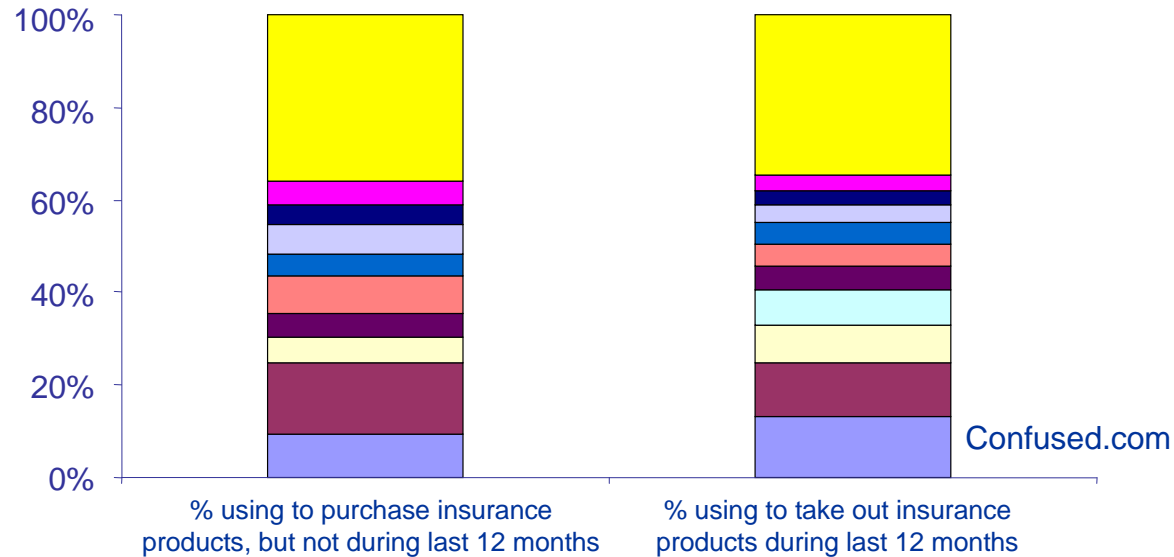


Source: Finaccord Net Metrics reports

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Comparison of recent and historic usage to take out insurance products of on-line aggregators and brokers of insurance products

Cumulative % of consumers using to take out insurance products in historic / recent past, 2008




Source: Finaccord Net Metrics reports

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Brand Metrics




How strong are aggregator brands in comparison to traditional financial brands?

 **moneysupermarket.com** is ranked 10th out of 90 brands in terms of reported effectiveness
the price comparison site

 **Confused.com** is more widely recognised than **churchill**™  and  **AXA**
- Be Life Confident -

 **uSwitch.com** is ranked 7th out of 90 brands in terms of perceived ability to offer value for money

 **comparethemarket.com**™ is considered more likeable than **HSBC**  and 

but  **moneyextra** is only thought less ineffective than  **AEGON** and  **northern rock**

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Summary and conclusions

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- The Internet is gaining ground as a distribution interface for most financial services although its progress varies greatly from product to product;
- some of this growth is coming at the expense of face-to-face and telephone sales although these interfaces are holding their own for some products;
- direct sales are declining for most products - intermediaries are back in fashion and are increasingly influential in affinity and partnership marketing...
- ... but distribution through affinity and corporate partners is under pressure in many areas from the rise of on-line aggregators and brokers...
- ... which are themselves compromised by incomplete consumer understanding and low levels of loyalty...
- ... albeit the most successful on-line aggregators and brokers possess increasingly strong brands in comparison to traditional financial brands.

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Any questions?