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# Channel Metrics: Trends in Consumer Distribution Channel Usage in Financial Services in Germany

**Series Prospectus**

*January 2009*

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## What is the research?

*Channel Metrics* is a series of 25 briefings and an overview report based on original consumer research with a total sample of 3,000 respondents investigating trends in consumer distribution channel usage in financial services in Germany. In addition to gathering data for overall take-up rates and annual churn rates across the various financial products and services considered, the research also yields results regarding the distribution interface and specific distribution channel used to purchase or take out the same financial services during 2008. Moreover, with a view to understanding how distribution dynamics are changing, this data is compared with the choices made by customers for each product in all years prior to 2008.

In order to provide clear insights into the subject, this analysis of distribution interfaces and channels incorporates only the responses of consumers making an active choice of distribution channels during the period in question. Consumers making or intending to make an active choice are defined as those who switch provider for a given financial product or service during the time frame under review or those buying the product or service having not held it during the previous year, thereby excluding respondents who merely remain with the same provider. As such, the *Channel Metrics* series constitutes the most detailed and up-to-date guide to distribution trends in consumer financial services in Germany available on a published basis.

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## Which financial products and services are covered?

The *Channel Metrics* series offers detailed and unique insights into current and future trends in distribution channel usage across 25 distinct financial products and services, as follows:

### *Life and health*

Protection life insurance  
Private health insurance  
Hospital cash insurance  
Dental insurance  
Personal accident insurance  
Funeral expenses insurance  
Work incapacity insurance

### *Lending products and associated insurance*

Mortgages  
Personal loans / consumer finance  
Payment protection insurance  
Car finance and leasing contracts  
Credit cards

### *Savings and investments*

Savings accounts  
Savings bonds  
Investment life insurance  
Private pension insurance  
Supplementary pension insurance  
Long-term care insurance

### *Car and home*

Motor insurance  
Breakdown recovery insurance  
Extended warranties (for cars)  
Household insurance

### *Other personal insurance*

Legal expenses insurance  
Personal liability insurance  
Travel insurance

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# What distinction is made between distribution interfaces and specific distribution channels?

On a systematic basis, the *Channel Metrics* series analyses responses from consumers regarding both distribution interfaces and specific distribution channels. Distribution interfaces represent the general means by which individuals can buy financial products or services and can be used by each specific distribution channel (for example, a supermarket can sell financial services face-to-face, by Internet, by both in-bound / out-bound telephone or by post).

DISTRIBUTION INTERFACES	DISTRIBUTION CHANNELS
<p>Face-to-face</p> <p>Internet</p> <p>Inbound telephone (ie. consumer to provider)</p> <p>Outbound telephone (ie. provider to consumer)</p> <p>Post</p>	<p>Direct sales (i.e. bought directly from the final financial provider)</p> <p>Financial intermediaries (e.g. insurance agents, financial brokers)</p> <p>Financial partners (i.e. financial firms if not the ultimate providers)</p> <p>Not-for-profit affinity groups (e.g. charities, trade unions)</p> <p>Commercial partners (e.g. media entities, supermarkets)</p> <p>Worksite (i.e. through employers as a part of benefits packages)</p> <p>Sector-specific distribution channels (e.g. travel companies)</p>

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# Which specific distribution channels are considered for each product or service?

## DISTRIBUTION CHANNELS

	MI	BR	CW	HI	LI	PH	HC	DI	PA	FE	WI	LE	PL	TI	MT	PL	PP	CF	CC	SA	SB	IL	PI	SP	LC	
<b>DIRECT SALES</b>																										
Private banks															Y	Y		Y	Y	Y	Y					
Savings banks															Y	Y		Y	Y	Y	Y					
Co-operative banks															Y	Y		Y	Y	Y	Y					
Insurance companies	Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y					Y	Y	Y	Y	
<b>FINANCIAL INTERMEDIARIES</b>																										
Insurance agents	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y						Y	Y	Y	Y	Y	Y	
Insurance brokers	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y						Y	Y	Y	Y	Y	Y	
Loan or mortgage brokers															Y	Y	Y	Y								
Online aggregators / price comparison providers	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
<b>FINANCIAL PARTNERS</b>																										
Private banks	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y					Y	Y	Y	Y	
Savings banks	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y					Y	Y	Y	Y	
Co-operative banks	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y					Y	Y	Y	Y	
Credit card companies	Y	Y		Y										Y												
Insurance companies															Y	Y			Y	Y	Y					
<b>NOT-FOR-PROFIT AFFINITY GROUPS</b>																										
Specific automotive clubs (e.g. BMW Club)	Y	Y	Y																Y							
Charities (e.g. Deutscher Caritas Verband)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Professional and trade associations	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Trade unions (e.g. IG Metall)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	

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# Which specific distribution channels are considered for each product or service? (cont.)

<b>DISTRIBUTION CHANNELS</b>	MI	BR	CW	HI	LI	PH	HC	DI	PA	FE	WI	LE	PL	TMT	PL	PP	CF	CC	SA	SB	IL	PI	SP	LC	
<b>COMMERCIAL PARTNERS</b>																									
General automotive clubs (e.g. ADAC)	Y	Y*	Y	Y					Y			Y		Y	Y		Y	Y							
Catalogue or other retailers (e.g. Otto)	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y	Y	Y	Y	Y
Football and other sports clubs																		Y	Y	Y					
Loyalty schemes (e.g. PAYBACK)	Y	Y		Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y			Y			Y	Y	Y	Y	Y
Media entities (eg. magazines, newspapers)	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	YY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Post Office	Y	Y		Y	Y				Y			Y	Y								Y	Y	Y	Y	Y
Supermarkets (e.g. EDEKA)	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	YY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Utilities (i.e. electricity and gas) companies				Y	Y	Y	Y	Y	Y		Y					Y					Y				
<b>THE WORKSITE</b>																									
Employers	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	YY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>SECTOR-SPECIFIC CHANNELS</b>																									
Airlines														Y				Y							
Car dealers	Y	Y	Y														Y								
Car manufacturers	Y	Y	Y														Y	Y							
Estate agents				Y										Y											
Travel companies														Y				Y							

Key: MI = motor insurance, BR = breakdown recovery insurance, CW = extended warranty (for car), HI = household insurance, LI = protection life insurance, PH = private health insurance, HC = hospital cash insurance, DI = dental insurance, PA = personal accident insurance, FE = funeral expenses insurance, WI = work incapacity insurance, LE = legal expenses insurance, PL = personal liability insurance, TI = travel insurance, MT = mortgages, PL = personal loans / consumer finance, PP = payment protection insurance, CF = car finance and leasing, CC = credit cards, SA = savings accounts, SB = savings bonds, IL = investment life insurance, PI = private pension insurance, SP = supplementary pension insurance, LC = long-term care insurance

Note: for breakdown recovery, general automotive clubs (e.g. ADAC) would be classified as direct sales.

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## What is the rationale?

The rationale for the *Channel Metrics* series is as follows:

- the array of possible distribution options for consumers contracting financial products and services has expanded in recent years yet standard industry data fails to do justice to this complexity;
- in all cases, the research makes the unique yet necessary differentiation between distribution interfaces and specific distribution channels (as defined on the preceding pages);
- it provides clear, comparable distribution channel data across 25 financial products and services including many for which such data is not otherwise available;
- results are provided for consumers making an active distribution channel choice in 2008 and all years prior to 2008, thereby giving an indication for how usage of interfaces and channels is changing over time for each product or service;
- it casts light on key questions in financial services distribution such as the decline of insurance agents, the rise of online aggregators and price comparison providers, and the progress made by private banks, savings banks and co-operative banks in selling insurance.

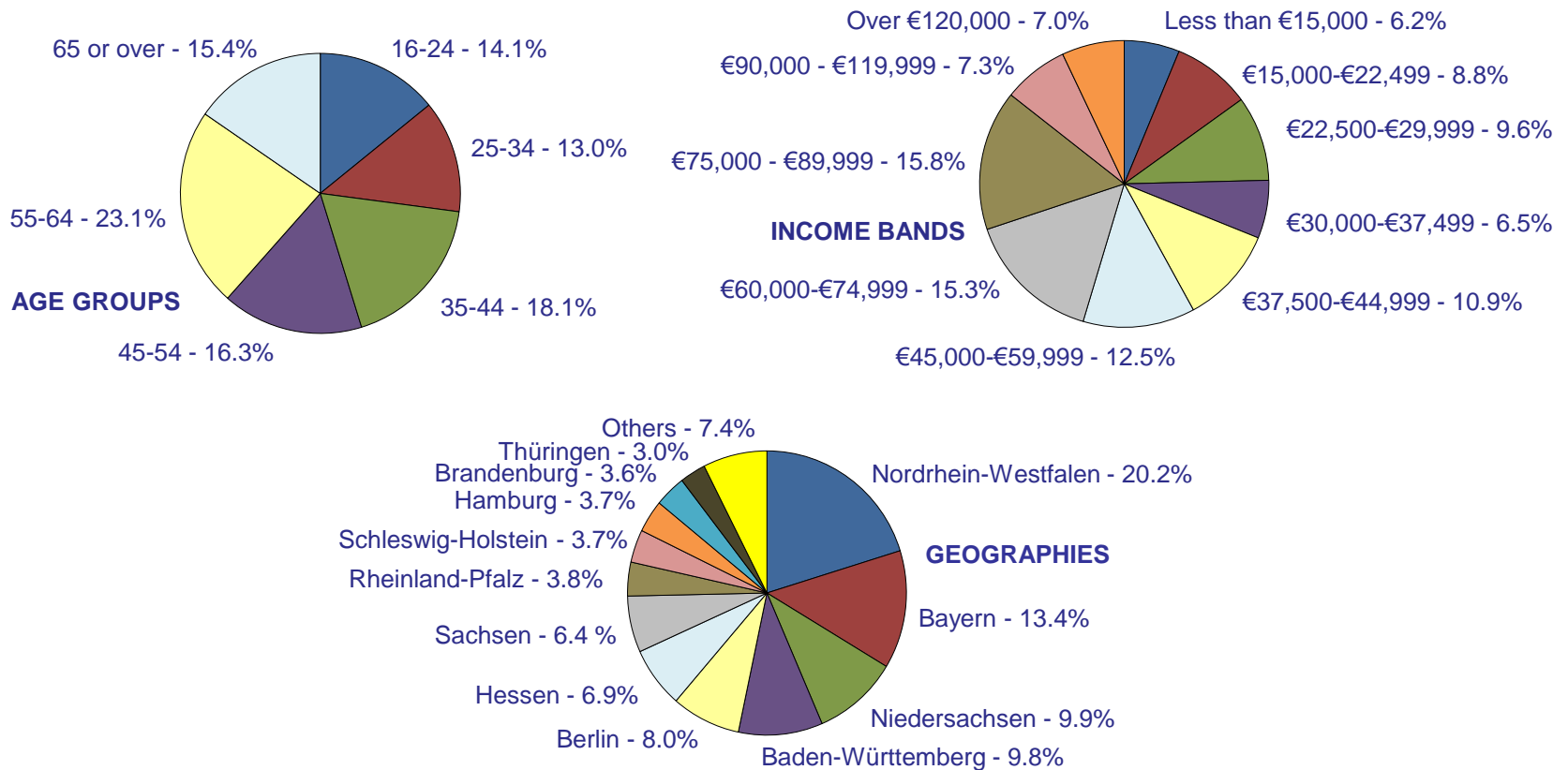
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## What methodology has been used?

The *Channel Metrics* series is based on the results of an on-line survey of c. 3,000 consumers arranged by mo'web research during November and December 2008. An average of 1,500 respondents provided answers for each of the 25 distinct financial products and services reviewed, the breakdown of the total sample being as shown on the following page.

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# How does the consumer sample break down?



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## How are the individual briefings and overview publication structured?

0. *Executive Summary*: providing a concise evaluation of the principal findings for the financial product or service in question.

1. *Introduction*: offering rationale and a detailed description of methodology.

2. *Analysis of results*: a straightforward presentation of the survey results for the financial product or service in question broken down into the following four areas: switching rates and brand new sales; distribution interfaces; generic distribution channels; and specific distribution channels. For the latter three of these, separate data is presented for 2008 and all years prior to 2008 in order to provide a valuable indication for how use of distribution interfaces and channels is changing over time among consumers taking out particular products.

In addition, the complete *Channel Metrics* report contrasts penetration rates, switching rates and use of distribution interfaces and specific distribution channels on a like-for-like basis across all 25 financial products and services. Following this comparative analysis, it incorporates the 25 product or service-specific briefings as separate chapters so that the granular detail can be appreciated for each.

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## What are the key features of the research?

Key features of the series include:

- coverage of 25 distinct financial products and services including a number of hitherto under-researched niche products;
- separate consideration of both distribution interfaces and generic and specific distribution channels for each of these financial products and services;
- detailed analysis of the sales intermediated by specific distribution conduits including sector-specific distribution channels for which no published data otherwise exists;
- provision of time line data for usage of distribution interfaces and channels for 2008 and all years prior to 2008;
- presentation of overall penetration rates and annual switching rates for all 25 financial products and services.

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## How can the research be used?

The research can be used in one or more of the following ways:

- evaluate the current or potential distribution performance of your organisation for a range of financial products or services targeted at consumers in Germany;
- understand in depth the trends in distribution dynamics in consumer financial services and appreciate how these vary from product to product;
- appreciate the apparent success and likely potential as distribution channels of under-researched distribution categories such as loyalty schemes and online aggregators and price comparison providers;
- understand how distribution dynamics are changing over time and which channels seem likely to win or lose for each of the 25 financial services considered;
- quantify the approximate number of consumers likely to be open for capture by alternative distribution channels each year.

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## Who can use the research?

1. *Banking institutions*: compute what volume of sales your organisation should be generating both on a direct basis as ultimate provider and on an intermediated basis when selling other companies' products.
2. *Insurance companies*: appreciate the potential for relevant products of the five major distribution interfaces that your firm can use, namely, face-to-face sales, Internet sales, inbound telephone sales, outbound telephone sales and postal sales.
3. *Affinity and commercial partners*: for organisations ranging from general automotive clubs to trade unions and from catalogue retailers to supermarkets, this research will provide you with a product-by-product guide of the likelihood of consumers buying through your channel;
4. *Management consultancies*: are you helping a financial services company or an affinity / commercial partner with its distribution strategy? Understand channel metrics across a broad range of financial services, saving time and effort on researching the subject yourself.

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# Which key questions does the research address?

Key questions addressed by the research include the following:

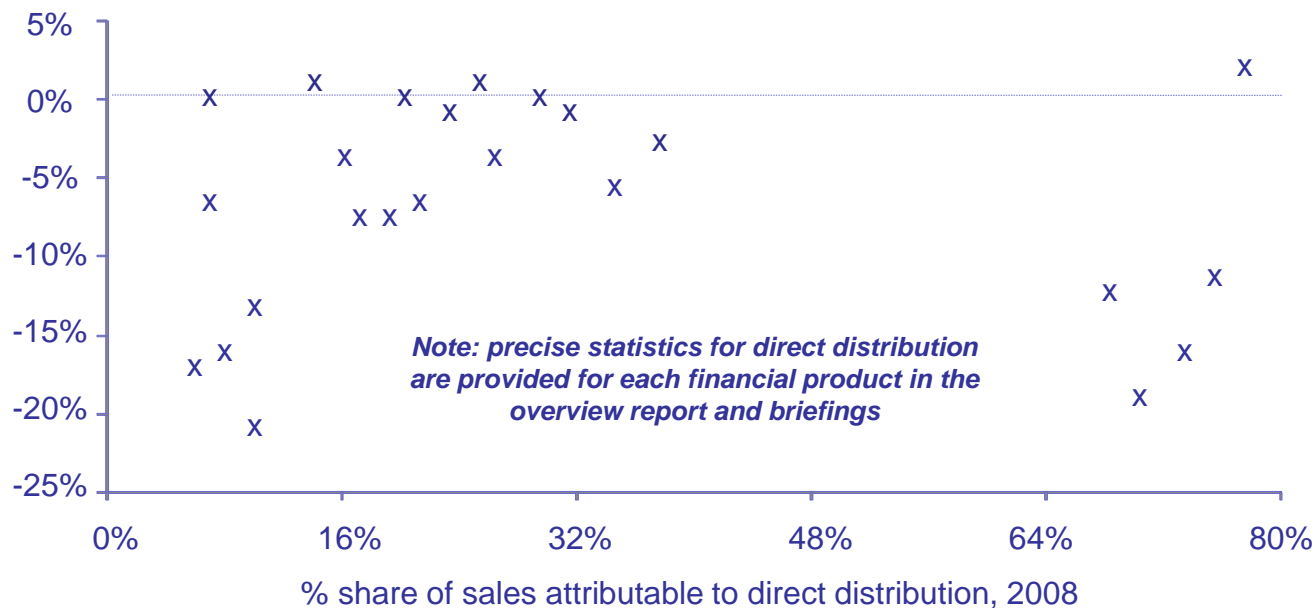
- what is the rate of progress of the Internet as a distribution interface and online aggregators and price comparison providers as a specific distribution channel and how does this vary from product to product?
- for which financial products and services does there appear to be a consistent requirement on the part of consumers for face-to-face interaction?
- to what extent are private banks, savings banks and co-operative banks increasing their market share for insurance products that they distribute on an intermediated basis?
- what impact are commercial partners such as loyalty schemes, the Post Office, supermarkets and other retailers having on the distribution systems used for consumer financial services?
- what are the distribution trends for rarely researched niche financial products such as breakdown recovery insurance, car finance and leasing contracts, dental insurance, legal expenses insurance and long-term care insurance?

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# What are some of the key findings?

1. Direct sales by the ultimate product provider are in decline for the majority of financial services as different types of intermediary make progress

% + / - change in share of sales attributable to direct distribution, 2008 v all years prior to 2008

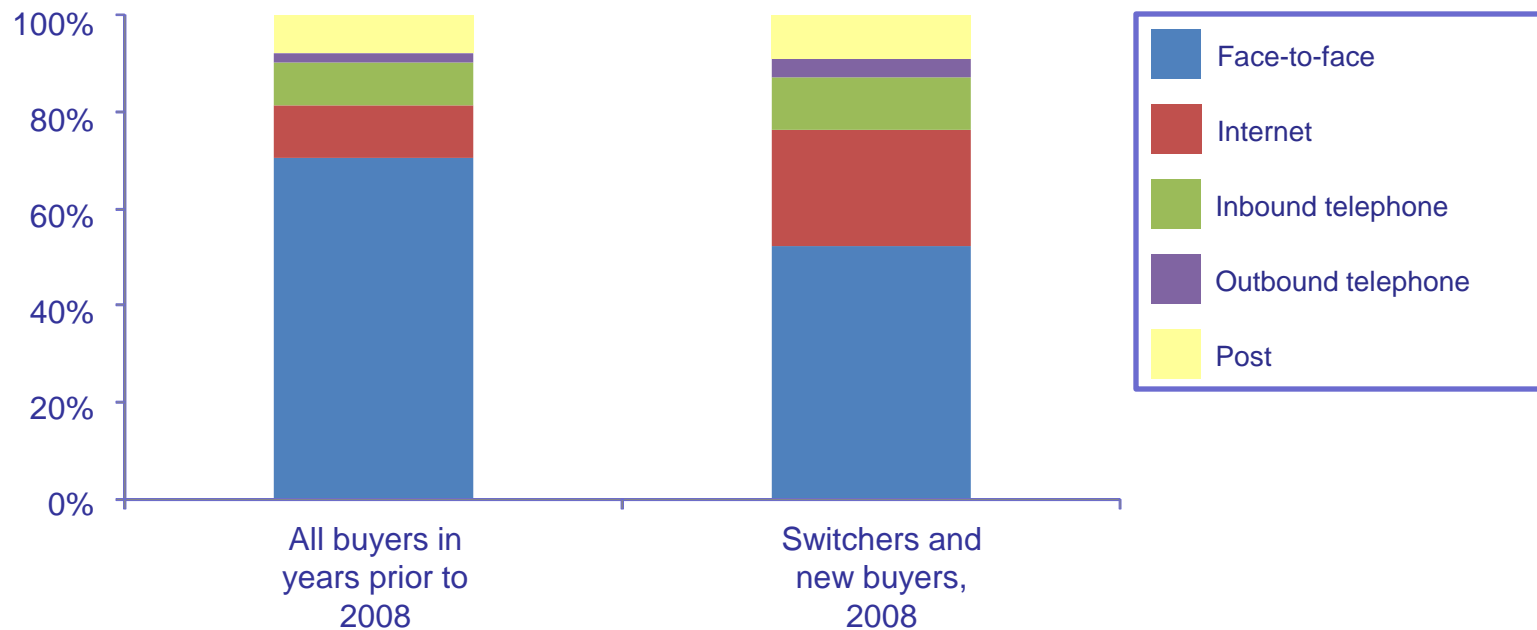


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# What are some of the key findings? (cont.)

## 2. Sales of personal liability insurance in a face-to-face environment are being eroded by remote distribution interfaces

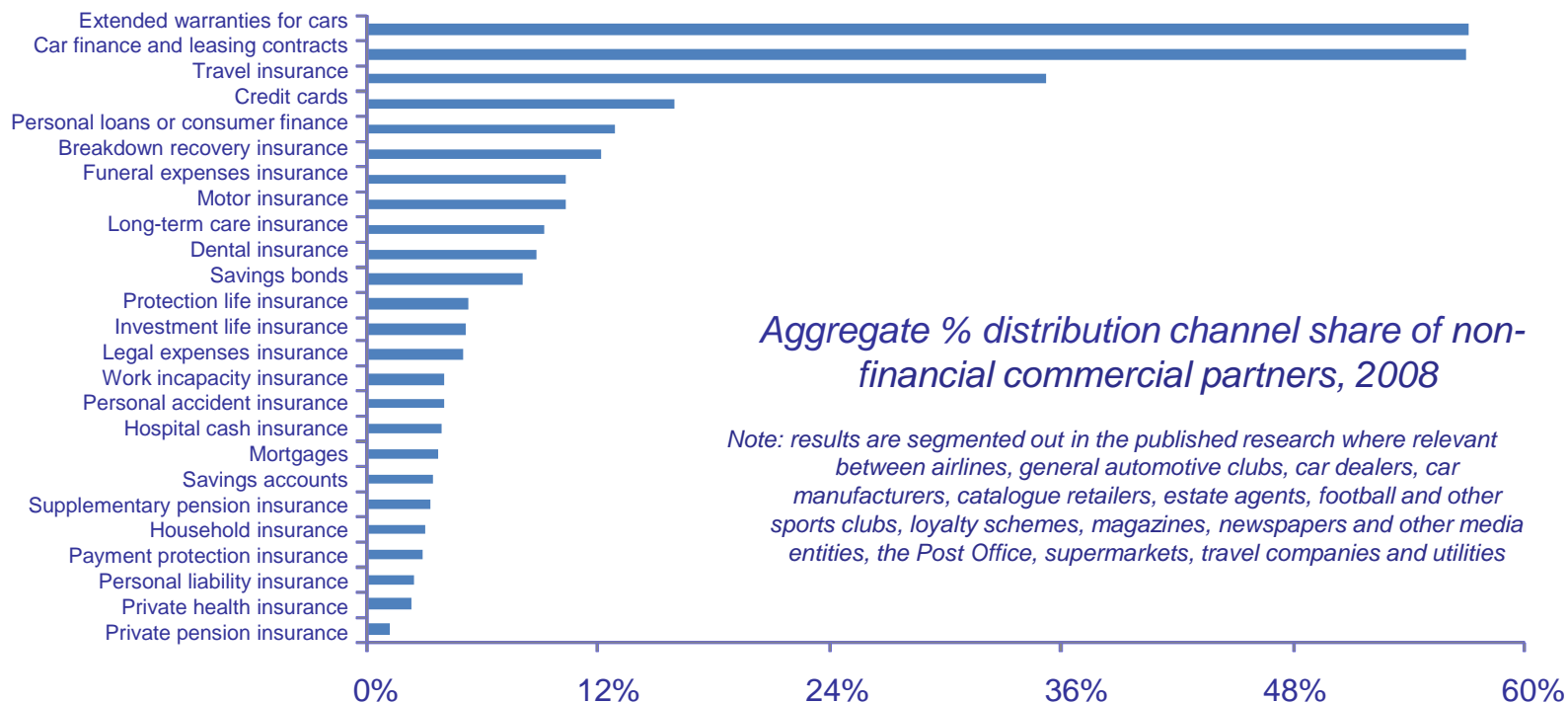
% utilisation of distribution interfaces for personal liability insurance



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## What are some of the key findings? (cont.)

### 3. Non-financial commercial partners are beginning to become significant even for financial services in which they are not traditionally strong as distributors



*Aggregate % distribution channel share of non-financial commercial partners, 2008*

*Note: results are segmented out in the published research where relevant between airlines, general automotive clubs, car dealers, car manufacturers, catalogue retailers, estate agents, football and other sports clubs, loyalty schemes, magazines, newspapers and other media entities, the Post Office, supermarkets, travel companies and utilities*

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## What are some of the key findings? (cont.)

Key findings from the *Channel Metrics* series in its entirety include:

- financial partners emerge as the generic distribution channel making the most consistent gains as private banks, savings banks and co-operative banks are making progress across a wide range of financial services, especially in the area of insurance products;
- on the other hand, one of the most striking findings of the research is that the presence of traditional insurance agents is declining sharply across virtually all of the insurance products considered in the survey;
- online aggregators and price comparison providers are generally making gains as a distribution channel although their expansion is not universal as demonstrated by the fact that their share of sales is rising for 15 products while it is either declining mildly or stagnating for the remaining ten;
- for financial services for which consumers perceive the need for advice, such as investment life insurance, mortgages, payment protection insurance, private pension insurance and supplementary pension insurance, there is still a very strong requirement for advice provided in a face-to-face environment.

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## What is the cost and format?

The *Channel Metrics* overview report and 25 individual briefings are available as standard Adobe Acrobat PDF documents and / or hard copies. The cost structure for this research series is as follows:

CHANNEL METRICS: TRENDS IN CONSUMER DISTRIBUTION CHANNEL USAGE	COST *	FORMAT
Overview report (incorporating all 25 briefings as well as extra comparative analyses)	€3,595	c. 300 pages
Individual briefings	€475 each	c. 25 pages

For the individual briefings, a discount structure applies as follows: 3-5 briefings = 20% discount, 6-8 briefings = 40% discount, 9-12 briefings = 50% discount, 13-16 briefings = 60% discount, 17-20 briefings = 65% discount, 21 briefings or more = 70% discount.

*VAT at 17.5% will be added to the basic price for UK customers except for where the request is for hard copy only.*

*Costs quoted are for a single site user license only.*

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*Printing and postage costs of €60 will be payable for the overview report if hard copy is required.*

*Printing and postage costs of €15 will be payable per briefing if hard copies of briefings are required.*

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## How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord web site available at [www.finaccord.com/order\\_de\\_cfsr.htm](http://www.finaccord.com/order_de_cfsr.htm) and fill in the online order form, clearly indicating:

- report required
- type of corporate user licence, if required \*
- billing name
- address and e-mail address
- purchase order number, if applicable

Please allow up to one working day for the delivery of electronic copy by e-mail.

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1. One office, one country: no supplement over and above basic cost of reports ordered
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