

Channels Metrics: Consumer Distribution Trends in UK Financial Services

Series Prospectus

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What is the research?

The *Channel Metrics* series is the most detailed and up-to-date guide to distribution trends in consumer financial services in the UK available on a published basis. It covers 28 separate retail financial products and services, giving it a unique level of detail and information on products that are ignored elsewhere.

It analyses:

- **how** consumers acquire these products and services - e.g. online, telephone, post or in person;
- **from whom** they acquire them - e.g. direct from the provider, through brokers or affinity schemes;
- **how often** they acquire them - i.e. how many consumers acquired a product in the last year, either for the first time or by switching provider instead of renewing or carrying on with an existing product.

Findings from this survey are compared with those from 2005 and 2007 to show trends over time. Each of the 28 products is covered by its own briefing, while an overview report features them all plus additional, comparative analysis of distribution trends. The associated data is also provided in an *Excel MetricsBASE* for both the overview report and briefings.

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Which financial products and services are covered?

The *Channel Metrics* series covers these 28 retail financial products and services:

Car and home

Motor insurance
Breakdown recovery insurance
Extended warranties for cars
Household insurance
Home emergency insurance

Life and health

Life insurance
Critical illness insurance
Private medical insurance
Dental insurance
Health / hospital cash plans
Personal accident insurance

Banking products and related insurance

Mortgages
Mortgage payment protection insurance
Personal loans
Loan payment protection insurance
Car finance contracts
Credit cards
Prepaid cards
Travel money

Niche insurance

Annual travel insurance
Single trip travel insurance
Pet insurance
Mobile telephone insurance
Extended warranties for electronic appliances

Savings and investments

Interest-bearing savings deposits
Cash ISAs
Child Trust Funds
Personal / stakeholder pensions

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What is the difference between distribution interfaces and distribution channels?

Channel Metrics analyses how consumers acquire products and services by distribution interface and distribution channel. Customers buy **through** an interface and **from** a channel, and each channel can use a number of interfaces (e.g. a supermarket can sell financial services face-to-face, by Internet, by inbound or outbound telephone or by post).

DISTRIBUTION INTERFACES	DISTRIBUTION CHANNELS
Face-to-face	Direct sales (bought directly from the product provider)
Internet	Financial advisers, brokers and online aggregators
Inbound telephone (consumer calls provider)	Not-for-profit affinity groups (e.g. charities, trade unions)
Outbound telephone (provider calls consumer)	Commercial partners (e.g. media firms, Post Office, supermarkets)
Post	Financial partners (i.e. financial firms if not the ultimate providers)
	Worksite (i.e. through employers)
	Sector-specific distribution channels (e.g. travel firms, vets)

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What is the rationale?

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

- consumers can acquire financial products and services in a great many ways, but standard industry data misses the complexity of these from the consumer's point of view;
- it provides clear, comparable data across 28 financial products and services including many for which no data is available elsewhere - including new channels and new products;
 - prepaid cards and travel money have been added, while travel insurance has been split between annual and single trip policies;
- in all cases, this research makes the essential distinction between distribution interfaces and distribution channels;
- results are provided for consumers acquiring a product or service in 2009, 2007, 2005 and all years prior to 2009, to show how distribution trends are changing over time;
- it casts light on key issues: what impact has the credit crisis had on distribution? Can online aggregators keep expanding? Which products can be sold by outbound telesales?

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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*: presentation of the survey results broken down into: switching rates and brand new sales; distribution interfaces; generic distribution channels (e.g. commercial partners); and specific distribution channels (e.g. supermarkets). For distribution interfaces and channels, data is presented for 2009, 2007, 2005 and all years prior to 2009 to show how their usage is changing over time.

The overview *Channel Metrics* report compares these results across all 28 financial products and services. It then includes all of the 28 briefings so that the granular detail can be analysed for each of them.

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How can the research be used?

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

- understand in depth the distribution dynamics in retail financial services product by product;
- understand how these dynamics are changing over time, and which channels and interfaces are winning or losing for each of the 28 products and services in the study;
- quantify the approximate number of consumers likely to be open for capture by alternative distribution channels for any given year;
- assess customer loyalty by product, to be compared with your acquisition costs;
- gauge the potential of under-researched and often product-specific distribution channels such as airlines, car dealers, dentists, estate agents, loyalty schemes, social lending networks and vets;
- plan which distribution interfaces should be used for which products in the future;
- export data from the *Excel MetricsBASE* for your own analyses of distribution trends.

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Who can use the research?

1. *Banks, building societies and credit card issuers*: assess what volume of sales you should make as a direct provider and as an intermediary, to see which products should you seek to promote and through which interface;
2. *Insurance companies*: understand trends across the five distribution interfaces, to see which products are becoming 'Internet only' and which can be distributed by other means;
3. *All financial providers*: evaluate which types of distribution partner are the most viable for your product range, and how this is changing;
4. *Affinity and commercial partners*: for organisations ranging from automotive associations to trade unions and from catalogue retailers to supermarkets, this research will show you which products consumers are most - and least - likely to buy from you;
5. *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:

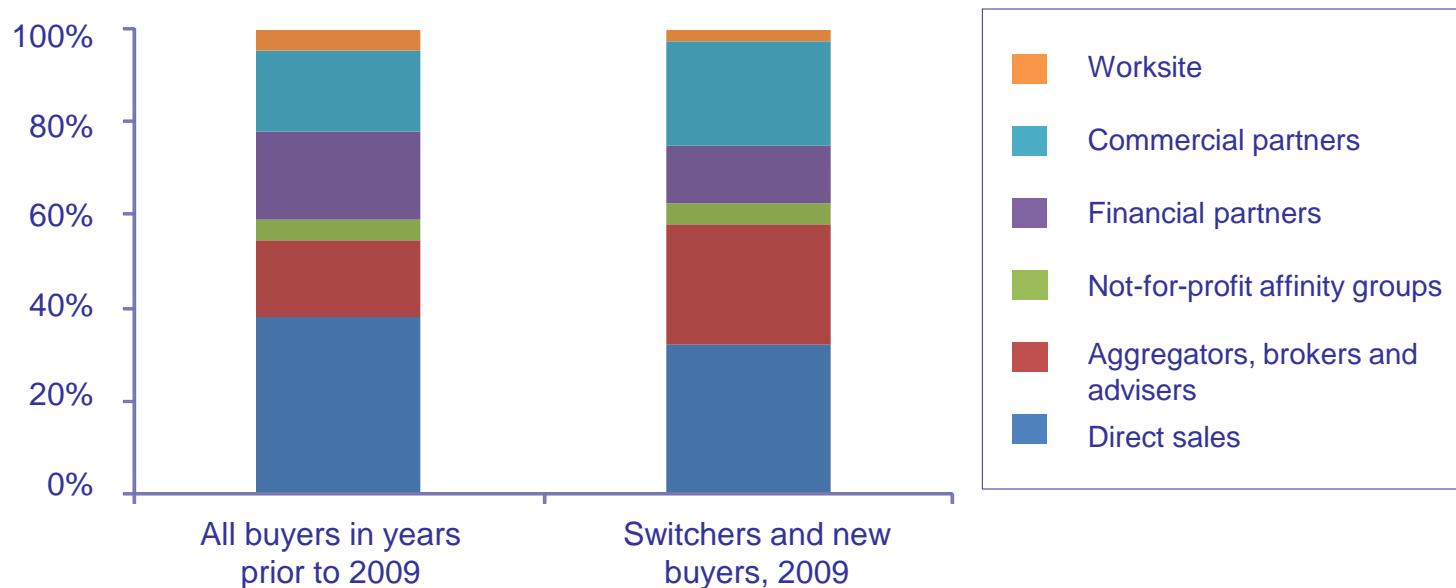
- how has the credit crisis affected sales and switching? Has it hurt some channels more than others?
- what is the 'brand stretch' of commercial partners? Which products can a supermarket sell? Can automotive associations such as the AA and RAC stretch from breakdown recovery to home emergency insurance? Does the Post Office brand and branch 'footprint' work for all products?
- is the advance of online aggregators from general insurance into banking succeeding?
- is customer loyalty increasing or decreasing? Is there a 'ceiling' to switching rates?
- what financial products are still sold face-to-face, and is this on the decline across the board?
- what is the impact of packaged bank accounts on the distribution of products bundled with them?
- what are the distribution trends for rarely researched products such as car finance contracts, Child Trust Funds, dental insurance, extended warranties, home emergency insurance and prepaid cards?

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What are some of the key findings?

1. Across all products investigated, financial advisers, brokers and aggregators plus commercial partners have increased their share of sales, at the expense of direct sales and financial partners

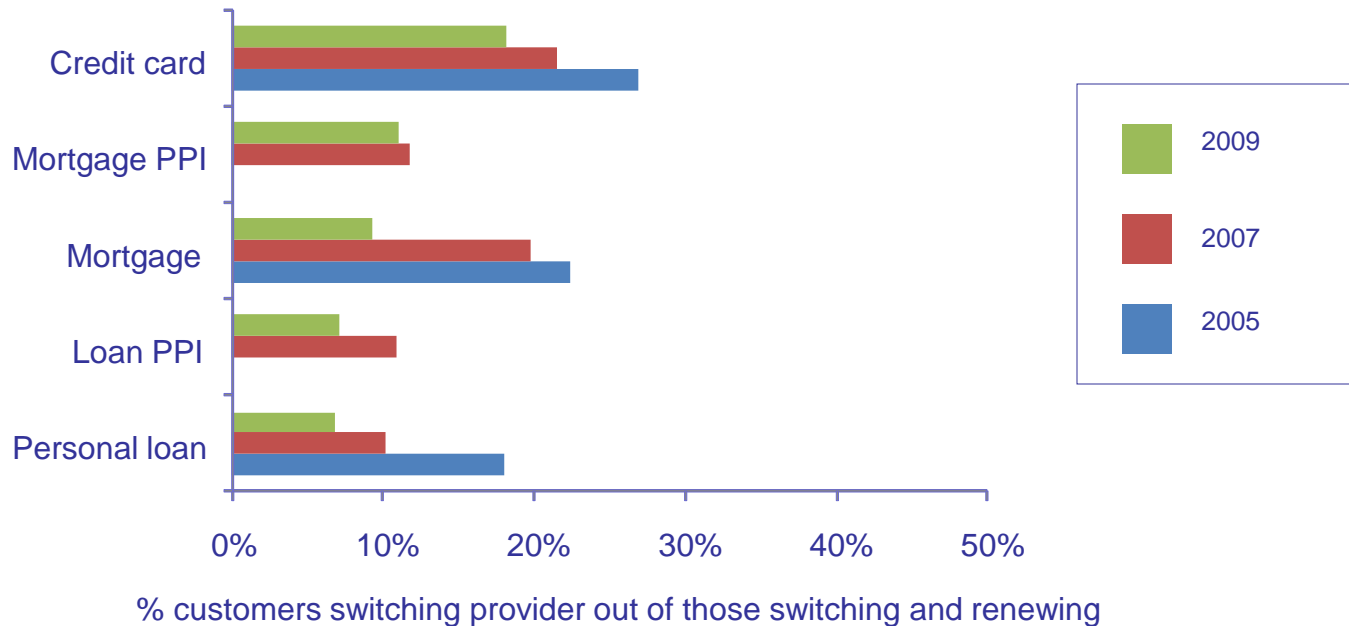
% utilization of distribution channels



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

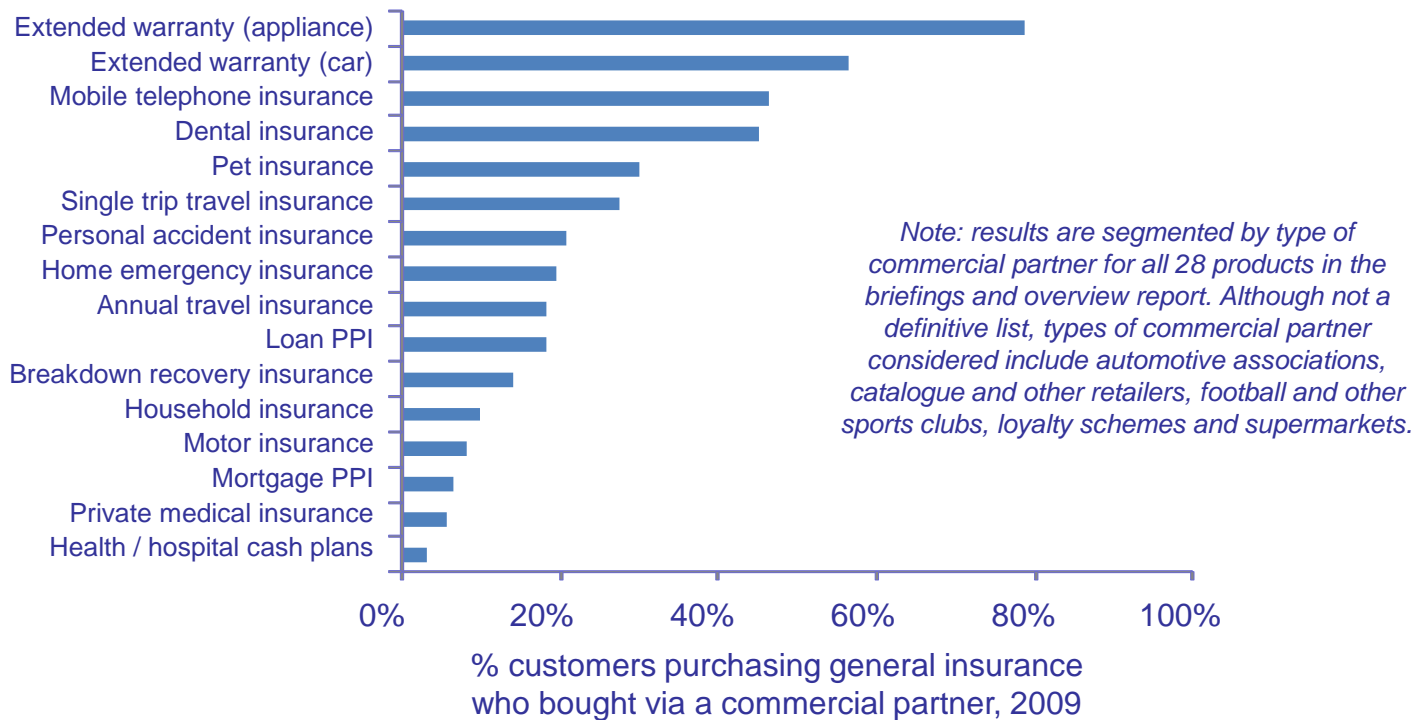
2. Switching rates have declined for many lending products and related insurance policies



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

3. Proximity to the customer gives commercial partners an advantage for selling extended warranties and various lower price, niche forms of insurance



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

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

- Internet sales continue to rise for motor and home insurance, and have probably not yet peaked;
- however, aggregators are not taking over the world: their share of sales for many other products has not risen since 2007;
- aggregators aside, the distribution landscape is becoming increasingly fractured:
 - many traditional distribution channels - direct providers, banks and building societies and financial advisers - have lost share of sales;
 - specialists such as automobile associations for breakdown recovery, dentists for dental insurance and vets for pet insurance have also lost share of sales in their areas of expertise;
- no single channel is replacing traditional distribution patterns;
 - instead, specific actors are prospering for specific products, such as supermarkets and other retailers for prepaid cards and the worksite for health / hospital cash plans.

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However, can the interactive MetricsBASE be used?

Select 22 different distribution channels...

3) Distribution of 28 financial products and services, 2005 to 2009, by specific channel
 Specific type of distribution channel used by buyers and switchers for each financial product or service

Select channel from the drop-down menu below

Online aggregators
Online aggregators
Automotive clubs
Charities
Educational institutions
Professional and trade associations
Trade unions
Banks and building societies (as intermediaries)
Credit card companies (as intermediaries)
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

... for 28 financial products and services...

	Buyers in cars prior to 2009	Switchers and new buyers 2005	Switchers and new buyers 2007	Switchers and new buyers 2009	(1) % +/-	(2) % +/-
Online aggregators	10.4%	na	na	25.7%	na	15.3%
Automotive clubs	7.2%	8.3%	23.8%	22.7%	-1.1%	15.5%
Charities	6.8%	4.2%	5.9%	6.0%	0.1%	-0.8%
Educational institutions	3.3%	3.8%	6.1%	2.0%	-4.1%	-1.4%
Professional and trade associations	6.4%	6.3%	10.9%	5.9%	-5.0%	-0.5%
Trade unions	3.7%	3.0%	10.0%	10.0%	0.0%	6.3%
Banks and building societies (as intermediaries)	4.0%	6.7%	11.1%	6.1%	-5.1%	2.0%
Credit card companies (as intermediaries)	1.8%	na	na	0.0%	na	-1.8%
Breakdown recovery insurance	6.9%	2.1%	12.1%	15.4%	3.3%	8.5%
Car finance contract	2.6%	na	2.4%	1.9%	-0.5%	-0.7%
Cash ISA	2.9%	3.6%	0.0%	9.1%	9.1%	6.2%
Child Trust Fund	7.6%	11.9%	20.0%	25.0%	5.0%	17.4%
Credit card	12.7%	19.0%	27.3%	34.1%	6.8%	21.4%
Critical illness insurance	3.5%	na	10.4%	9.9%	-0.5%	6.4%
Dental insurance						
Extended warranty for car						
Extended warranty for electronic appliance						
Health / hospital cash plans						
Home emergency insurance						
Household insurance						
Interest-bearing savings deposit						

... to see trends over time...

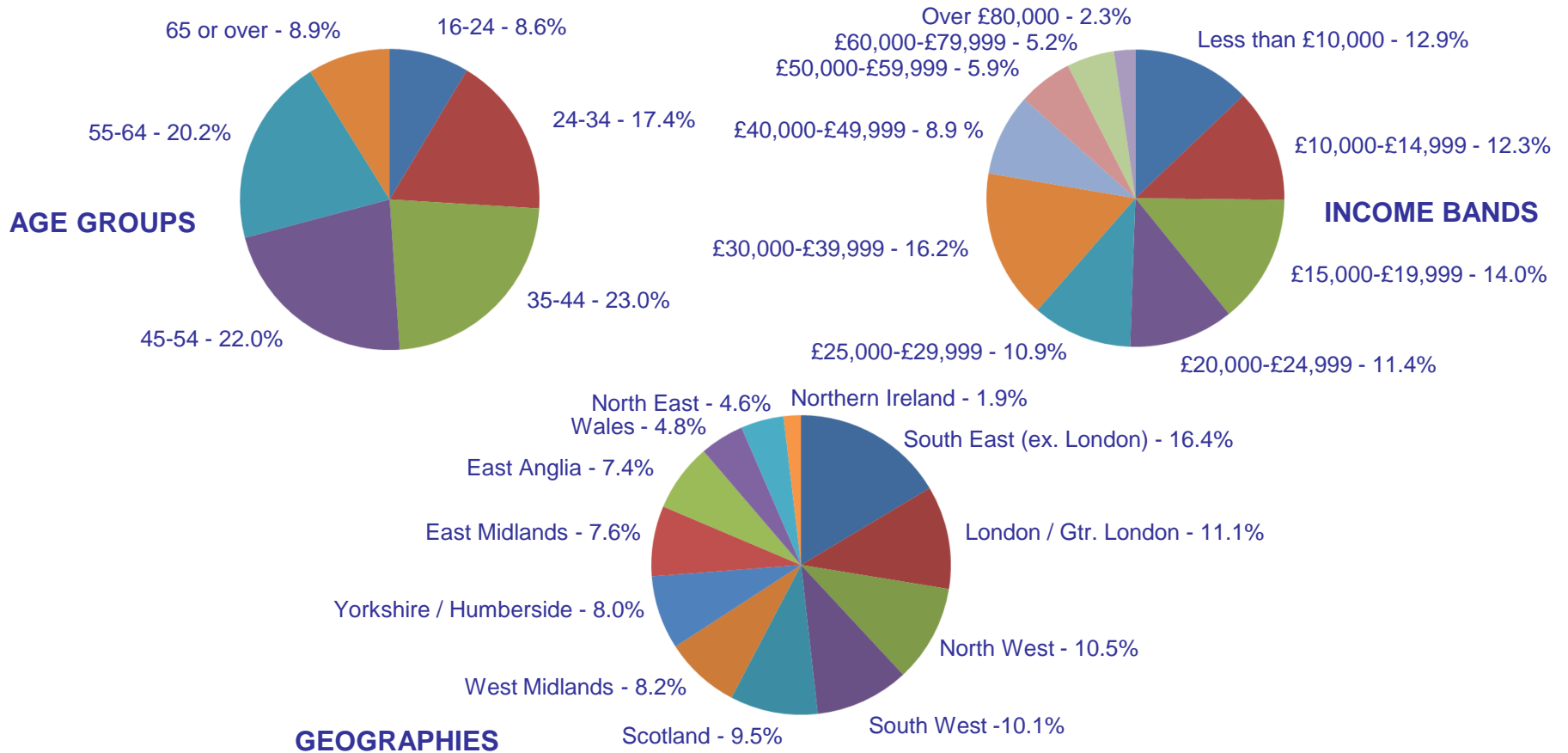
... and export data to incorporate in your own analysis

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What methodology has been used?

The *Channel Metrics* series is based on the results of an online survey of 2,500 consumers arranged by Tpoll Market Intelligence during November and December 2009. 1,250 respondents provided answers for each of the 28 distinct financial products and services reviewed, the breakdown of the total sample being as shown on the following page.

How does the consumer sample break down?



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What is the cost and format?

The *Channel Metrics* overview report and 28 individual briefings are available as standard Adobe Acrobat PDF documents and / or hard copies, and the associated MetricsBASE data is available in *Excel* format. The cost structure for this research series is as follows:

CHANNEL METRICS: CONSUMER DISTRIBUTION TRENDS IN UK FINANCIAL SERVICES	COST *	FORMAT
Overview report (incorporating all 28 briefings as well as extra comparative analyses)	£3,495	c. 350 pages
Individual briefings	£395 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 the prevailing rate will be added to the basic price except for where the request is for hard copy only.

Costs quoted are for a single site user licence only.

For a corporate user licence, please see the next slide for further details.

Printing and postage costs of £50 will be payable for the overview report if hard copy is required.

Printing and postage costs of £10 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_uk_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.

* For the **corporate user licence** please choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

VAT at the prevailing rate will be added to the price of any corporate user licence acquired by UK-based buyers.

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