Managing Channel Conflict

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NU has a Multi Distribution Model

Together we're stronger.

norwichunion.com
a wealth of ideas
Multiple Brands  ‘V’  Single Brand

Consumer Awareness
Cost
Market Consolidation

Together
We're Stronger
## Channel Choices of the Industry Leaders

### 2000 New Business

<table>
<thead>
<tr>
<th>Company</th>
<th>£m APE</th>
<th>IFA</th>
<th>Non-IFA</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwich Union</td>
<td>928.8</td>
<td>Y</td>
<td>Y</td>
<td>19.1%</td>
</tr>
<tr>
<td>Prudential</td>
<td>541.3</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Standard Life</td>
<td>534.5</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Skandia Life</td>
<td>413.6</td>
<td>Y</td>
<td>N</td>
<td></td>
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<tr>
<td>Scottish Equitable</td>
<td>409.0</td>
<td>Y</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>AXA Sun Life</td>
<td>404.7</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Scottish Widows</td>
<td>366.8</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Legal &amp; General</td>
<td>365.7</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td><strong>Market =</strong></td>
<td></td>
<td></td>
<td></td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Sources: ABI - Long Term Insurance 2000  
2000 Money Management New Business Survey
Norwich Union Business by Channel

- IFA
- Direct
- Core Partnerships
- Introducer Partners
- Affinity

Together we're stronger
NU Distribution Capabilities

IFA

- 35 regions
- 300+ consultants
- IFA Direct
- Strategic Partners
- National Accounts
NU Distribution Capabilities

Direct

- Direct Financial Services - 325 consultants
- Direct Corporate Sales - 40 consultants
- Telesales
- Estate Agency - 340 branches
NU Distribution Capabilities

Partnerships

- 520 consultants
- 6 Appointed Representative Building Societies
- 15 Introducer Building Societies
- 2 Estate Agencies
NU Distribution Capabilities

Affinities

- Tesco Personal Finance
- Age Concern
- Goldfish

Joint Venture

- Royal Bank of Scotland / NatWest Life

Together we're stronger

www.natwest.com another way
Causes of Conflict

- Charges
- Ownership of Customer
- Potential Conflict
- Distribution Costs
- Brand
- Resource

Together we're stronger
Customer Relationship Management

Different distribution channels

Who owns the customer?

IFA?  NU?  Tesco?
The essence of managing channel conflict is understanding the Value Chain
Building a Product

- Distribution & Marketing Costs
- Admin Costs
- Development Costs
- Profit
- Unit Costs

Flexibility is Key to Channel Differentiation
Case Study: Term Assurance
Tesco & IFA

IFA
- Advice Driven
- Comprehensive Options
- Commission Sacrifice

Tesco
- Execution Only
- Basic Term Product
- Option to share marketing costs

Together we're stronger
Case Study: The Proposition

IFA

- IFA price range
- Fixed cost

Tesco

- Flexible distribution allowance
- Fixed costs are equal
- Tesco price
- Fixed cost
Case Study: Result

- If IFAs wish to match execution only prices, they are able to do so by reducing their level of commission.
- Both parties benefit from NU market leadership achieving economies of scale and reduced unit costs.
Case Study: Strategies Employed to Manage Potential Conflict

- Extensive communication to IFAs through their consultants and in trade and national press
- Tesco referral of clients to IFAs if advice is required
- Ensuring that all distributors of our products receive the same basic product
- Differential pricing allows THEIR decision in setting the final cost
Channel Conflict is Essential

- It results in the best advice and service for the customer
- It allows for flexible propositions
Keys to Success

- The key is giving all distributors the same scope for creating added value within the transaction to the customer
- Through flexible propositions allowing differential pricing
Forces Driving Change for Providers and Distributors

REGULATION
- CAT standards, Treasury review
- Myners report
- Comparative tables
- FSA With Profit review
- Polarisation Phase 2

CONSUMERS
- Growing demand
- Choice, simplicity, convenience
- Financially aware, discriminating
- Flight to quality

TECHNOLOGY
- Growth in internet usage
- B2C at research stage
- Future - wealth management
- B2B key to 1% world

Providers & Distributors

Together we're stronger.
A Progressive Approach to Managing the Distribution Challenge

- Polarisation
- Multi-tie
- Integrated distribution
- High productivity
- Breaking down the Value Chain
- Segmenting the market
Potential Market Share by Channel if Multi-Tie Introduced
Progressive Product Strategies

- Stakeholder market positioning
- Flexible Products to meet consumer focus
- Investment Choice and SRI’s
- Impact of Mutual Funds
- Non-traditional products
- Corporate market and EBC strategy
- Transparency and open architecture
- Phase 1 SALTR accreditation
- E-products
Progressive Marketing Strategies

- Leading brand
- Reduced unit costs
- Economies of size and scale
- Increased distribution capability
- Increased segmentation
- Tailored propositions
Strategies for Channel Diversification

- Different approach to strategic alliances
- Price differentiation - value chain
- Economies of scale
- White labelling
- Product diversification
- E-commerce
Norwich Union Vision

Norwich Union Life is to be a market leading provider of Life, Pensions and Long Term financial services products in the UK and to generate superior return on capital and substantial contribution to group profitability.

Our aspirational vision is to be the worlds most customer driven, innovative and trusted provider of wealth creation and protection products.
TOGETHER
WE'RE STRONGER