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Distribution Dynamics: Strategies for Maximizing Share of Mind and Share of Wallet

by Janet Deskins

There are many strategies that carriers can employ, but in every case, the key is aggressive channel management.

The financial services distribution playing field is in a state of flux. Career financial advisors, banks, personal producing general agents and broker dealers have stepped out of their traditional product arenas and are offering fixed annuities, variable annuities, mutual funds, advisory services and group products.

The *American Banker* reported in January of 2004 that for the first time ever, a bank sold more than \$4 billion in annuities, two-thirds of which were fixed annuities. One carrier sold \$3 billion in fixed annuities through banks in the third quarter of 2003.

In this increasingly competitive arena, how can carriers maximize share of mind and share of wallet within the different channels?

There are many strategies that carriers can employ, but in every case, the key is aggressive channel management. Aggressive management is important due to the diverging economics and growth outlooks across channels, and increased distribution power. Carriers need to either have a consumer-focused strategy, a producer-focused strategy, an alliance-focused strategy or some combination of the three. Once this focus is determined, the requirements for point-of-sales support, wholesaling support and technology support can be determined.

Charting a Course

To select the right strategy and execute it successfully, there has to be a clear understanding of the dynamics of the carrier, the producer and the consumer.

Carriers need to decide whether to aggressively seek new distribution or just better penetrate existing distribution. Some are clearly segregating manufacturing from distribution and investing in distribution companies.

Producers are realizing the need to pursue new strategies in order to maintain significance within a competitive environment that now includes accountants, boutique regional

and national trust companies and the ever-growing online providers such as mycfo and financeware. They are struggling to solidify their positions within the marketplace by enhancing their expertise and emphasizing the full scope of their capabilities. To this end, many are joining marketing organizations to:

- Learn about leading-edge strategies
- Gain access to better case design and technical support
- Increase networking opportunities
- Associate with market leaders

Consumers are smarter and better informed than ever before. They have access to instant information for comparisons and expanded choices for acquiring products. They want financial security and the right combination of:

- Information
- Access to specialists
- Leading products
- Guidance
- Integrity
- Spectacular service
- True relationship

The over-50 market of annuity buyers now makes up one-third of the population. This translates into great opportunities for expanding share of mind and share of wallet if their needs are identified.

Essence of a Producer—Focused Strategy

With these dynamics as a background, let's look at an example of aggressive channel management that uses a producer-focused strategy. The core of the producer-focused strategy is to get the professional in front of clients. To maximize share of mind and share of wallet, the producer-focused vision is to be the preeminent provider of specialized financial services to the high-net-worth and

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add to the next AARC is a forum in which practicing actuaries can present questions that need better answers than we can provide with the tools and time available to us. I learned at AARC that there is an established actuarial research exchange at www.aerf.org/exchange/ to put academic actuaries in contact with companies or organizations that want to post specific research proposals.

Why You Should Join Us

When AARC II convenes in March 2005, you'll have the opportunity to bring your questions and talk at length with some of the brightest minds in actuarial science (who are also sometimes among the most famous). If

you're a company actuary, this is a chance to be exposed to techniques you won't hear about otherwise in a setting where the goal is to focus on real actuarial practice. If you're a consultant, this is an opportunity to bring some great ideas to company actuaries who are looking for new ways to do things. And if you're an academic actuary, thank you for wanting to know more about the products and risks that actuarial science is all about.

To sweeten the deal, AARC is an economic conference with all the sunshine and fun that Orlando has to offer in March. So start working on your questions and your answers now, and I hope to see you next year at AARC II! □

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corporate marketplace by allowing producers/financial advisors to retain their independence and client relationships, while offering access to tools and technology that scale can provide. Drilling down to some more specific goals, independent financial professionals would be able to provide:

- Responsive, personal, results-oriented customer service
- Comprehensive, best-of-breed selection of financial solutions and products
- State-of-the-art technology and practice building resources
- Access to world-class marketing and sales strategies and support

The tactics to support these goals start with product offerings. If all the products that the independent professionals need are not available through current sources, alliances should be formed. This would allow a broader offering to producers, which helps them be their client's chief financial advisor. The next tactic could be centered on sales concepts. Any concept that is launched should use an "e-wholesaling" medium. If

traditional wholesalers are used, they should be able to direct sales concepts/ideas to specific client situations for each financial professional they visit.

Through focused support, producers would continue to enhance their expertise of specific concepts or products, while receiving practice management and professional development training and tools. Access to market research or consumer demographics information would further develop prospecting and marketing initiatives.

This is one brief example of some goals and strategies that need to be a part of aggressive channel management. Annuity products continue to become more and more commoditized—available everywhere at a similar price. To maximize share of mind and share of wallet with any distribution channel, the focus must be on differentiating from the competition with service quality. Whether producer-focused, consumer-focused or alliance focused, identifying what service excellence means and excelling at it will lead to distribution success. □



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