



IBC Conference 26th Sept. '02 Defining Advice

Draft
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LAWRENCE SOMERSET LIMITED

Agenda

- Definitions - What do we mean by advice?
- Context – Where is it relevant?
- Delivery – How can it be delivered?
- Future - How might the industry evolve?

Advice is a combination of information, context and consequence



Raw data

What **some** facts **mean**

What info. means **to you**

What you should **do**, and **who with**

Access, feeds

Focus, generic explanation

Diagnosis

Decision, responsibility

The responsibility taken in giving advice implies a relationship of trust

Components	Data	Information	Guidance	Advice
Content	Raw Data	Digested Info	Tailored Info	Tailored Info
Relevance	No Ref	No Ref	Client Identified	Diagnostic to identify problems
Decision (generic, brand)	No Ref	No Ref	Decision Trees	Strong Direction
Responsibility	None	None	None	Responsible for decision

The nature of the client's problem defines the advice service need

Nature of Client's Problem

Closed ended

- Client knows product need
- Objective defined
- Decision tree

Need for decision on brand

Open ended

- Client aware of a problem
- Objective not clear
- Wide ranging diagnostic

Need for decision on both generics and brand



In any case, some products require generic and brand advice

Product characteristics

More suitable for guidance

- Simple
- Low ticket
- Non-Regulated
- Compulsory/ Packaged
- Immediate gratification
- Frequently bought
- Repeat purchase
- Standard
- Receiving money

Eg Insurances, loans, cards



More suitable for advice

- Complex
- High Ticket
- Regulated
- Discretionary
- Deferred gratification
- One-off/ Lifetime
- First time purchase
- Customized/varied forms
- Passing over money

Eg Assets, retirement funding, medical

Many institutions' advice offer is often compromised

- **Generic advice - Compromised by product specialism**
 - What are client's real objectives?
 - What is the financial problem to be resolved?
 - To what extent can it be achieved?
 - Which instruments are relevant?

- **Brand advice - Compromised by ties with institution**
 - Which product version is most relevant to the client?
 - Which supplier should the client use?

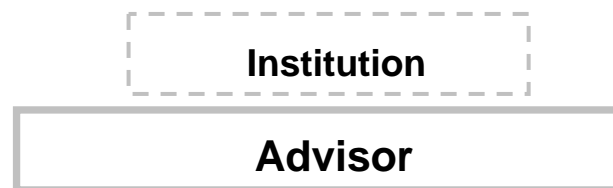
Offering real advice implies client centricity and a possible diminution of the institution's brand

Institution's perspective



Other advisors
(lawyers, accountants etc)

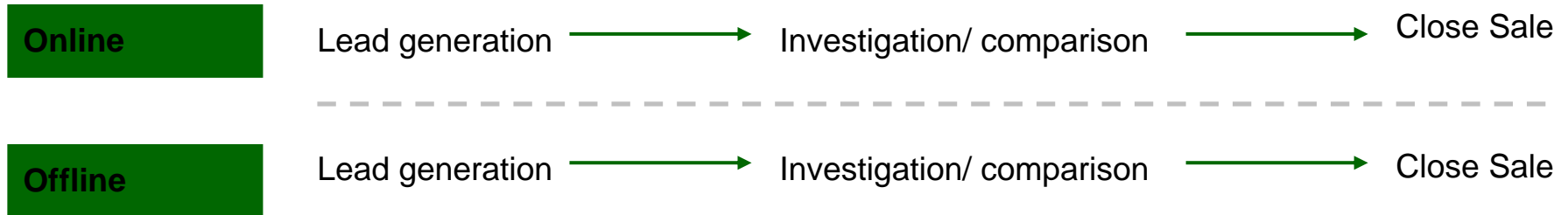
Client's perspective



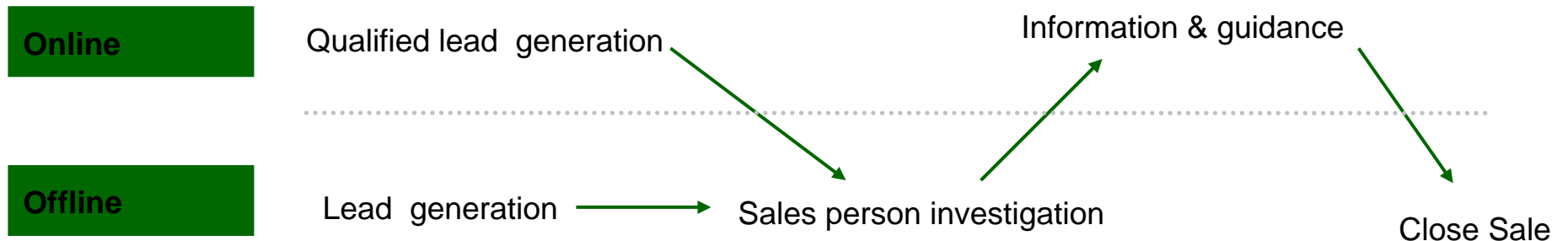
Other advisors

Online services are likely to be segment specific, an adjunct to face-to-face, or web services delivery

Low ticket, simple products, closed problem, knowledgeable clients



High value, complex products, open problem, perplexed client

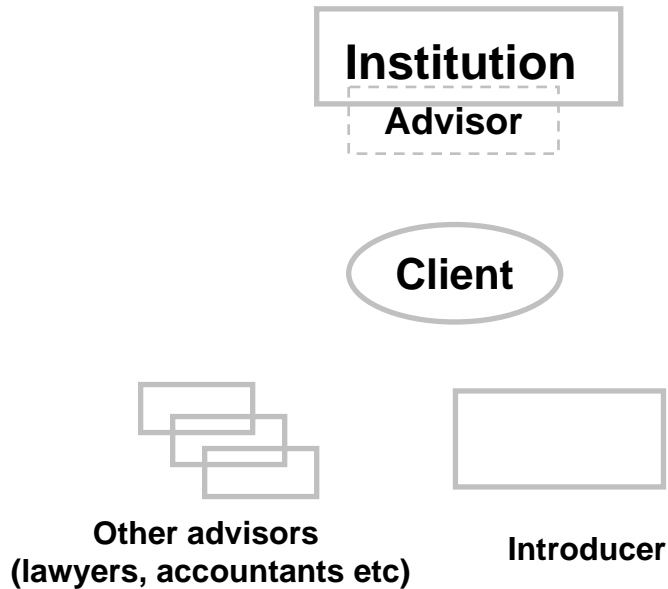


In the mass affluent/affluent market, the regulation of advice has always been problematic, but the real issue is client awareness

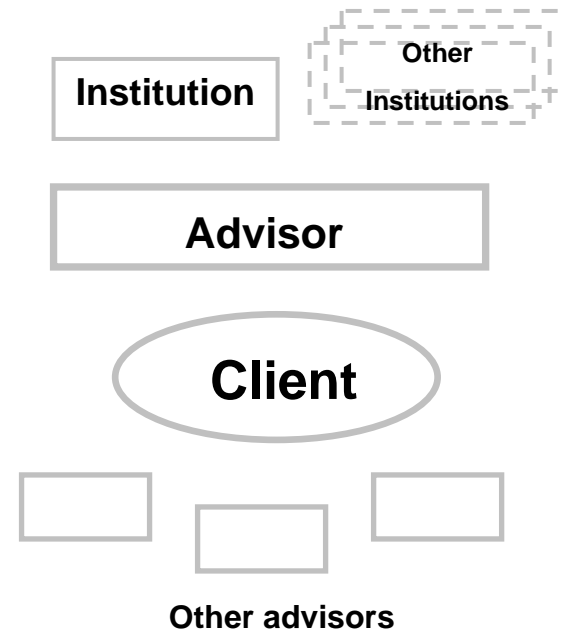
- Polarisation
- Regulated, unregulated products
- Kite-marking
- Depolarisation – CP121
- Sandler

An institution's position on advice drives the business model and economics

Advisory sales business model



Advisory business model



Lawrence Somerset is a research and strategy firm specialising in wealth management, financial services and insurance

- Established in 1990 as an Independent consultancy serving the financial and professional services markets
- Focus on developing competitive propositions
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- 100 clients across all markets:
 - Retail, corporate and wholesale,
 - Banking, insurance and asset management
 - Mass market, affluent, HNW, UHNW
 - Client managers, manufacturers, technology suppliers
- Process tailor-made to client's requirements

John Lawrence's biography

- Management consultant for 19 years
- Formerly Principal of the financial services practice at Booz.Allen and Hamilton in London
- Founder Director of two specialist consultancies
 - Lawrence Somerset Ltd.
 - Maslinski Lawrence Ltd.
- Several recent articles published
 - Improving communication between IT and Business
 - Using technology to improve RM performance in Private Banking
 - Rethinking the business model used in Wealth Management and Private Banking
- Education:
 - First Class Honours in Physics from Imperial College
 - MBA from London Business School



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