

How can the industry deliver what customers really need and want?

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FRIENDS PROVIDENT

The needs and wants of customers are not aligned

Wants

- Jam today
- Sunshine every day
- Longer leisure-time
- State support
- Financial security
- **Spend now, save later**

Needs

- Jam tomorrow
- Plan for rain
- Longer working life
- Financial independence
- Financial advice
- **Save now, spend later**

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“How to get people to do what I want them to do and to get them to do it because they want to do it.”

(Dwight Eisenhower)



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“How to get people to do what I want them to do and to get them to do it because they want to do it.”

“You don’t lead by hitting people over the head – that’s assault!”

(Dwight Eisenhower)



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Through the eyes of our customers

They have seen:

- the value of their savings, homes, investments and pension-pots fall
- that options for default funds were not as 'expert' as they thought
- greed applauded and failure rewarded
- their money used to bail out those responsible

Their confidence in financial services is at rock-bottom

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We need to look Backwards and Forwards

(Seminar invite, April 2009)

“...how to look ahead without looking back.”



“Those who cannot remember the past are condemned to repeat it.”

(George Santayana, 1905)



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Our industry took its eye off the ball

- Over-emphasis on new business
- Acquisition costs unsustainably high
- Product complexities concealed commission
- Poor sales behaviour condoned

Short-term wants overrode long-term needs

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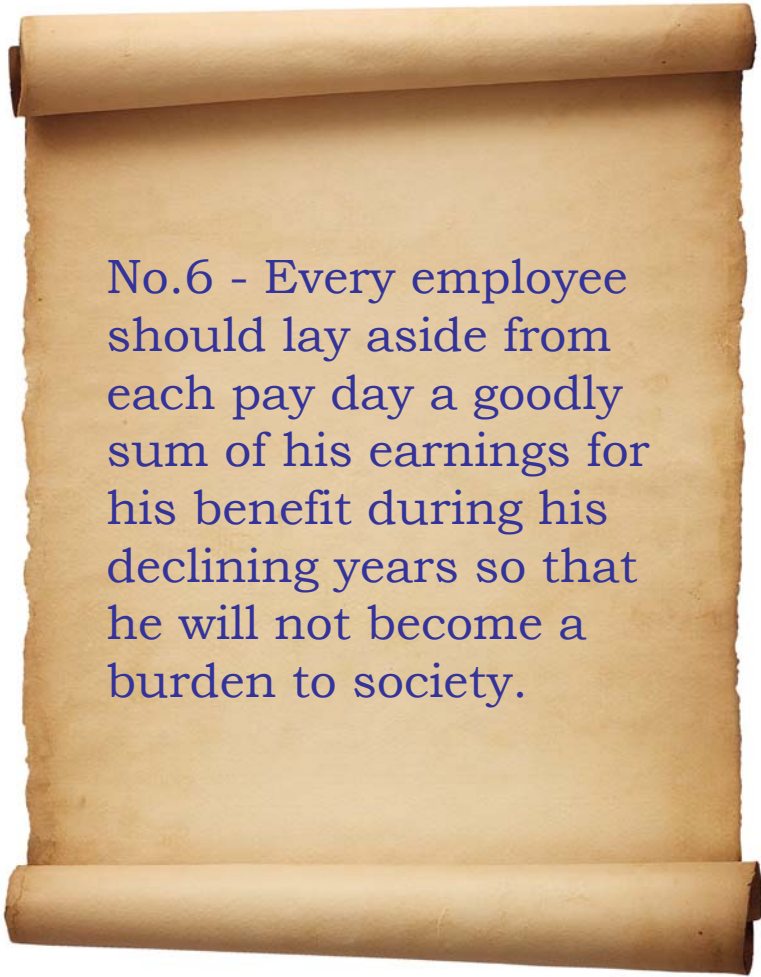
“An economy built on reckless speculation, inflated home prices and maxed-out credit cards does not create lasting wealth. It creates the illusion of prosperity and it endangers us all.”

(Barack Obama, March 2009)



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Rules of conduct for employees - 1872



No.6 - Every employee should lay aside from each pay day a goodly sum of his earnings for his benefit during his declining years so that he will not become a burden to society.

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How is our industry viewed?

An industry of questionable worth, intentions, integrity and honesty



A worthy industry daily paying >£200m to help real people through real anxieties



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Back to the future

Restore professionalism

- Fundamental to restoring consumer confidence
- Must be the industry's public and private face again

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Back to the future

Restore customer relationships and simple products and processes

- Relationships must be mutually valued
- Need transparent products that do what's expected

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Back to the future

Restore workplace opportunities

- Initiatives to help employees manage their money better
- Helpful guidance towards sensible decision-making

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Looking ahead

Communicate in ways that the customers use

- Bridge the gap between what we do and what customers prefer
- It's our responsibility to reach them, not their responsibility to reach us



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Looking ahead

Reflect the ways that customers behave

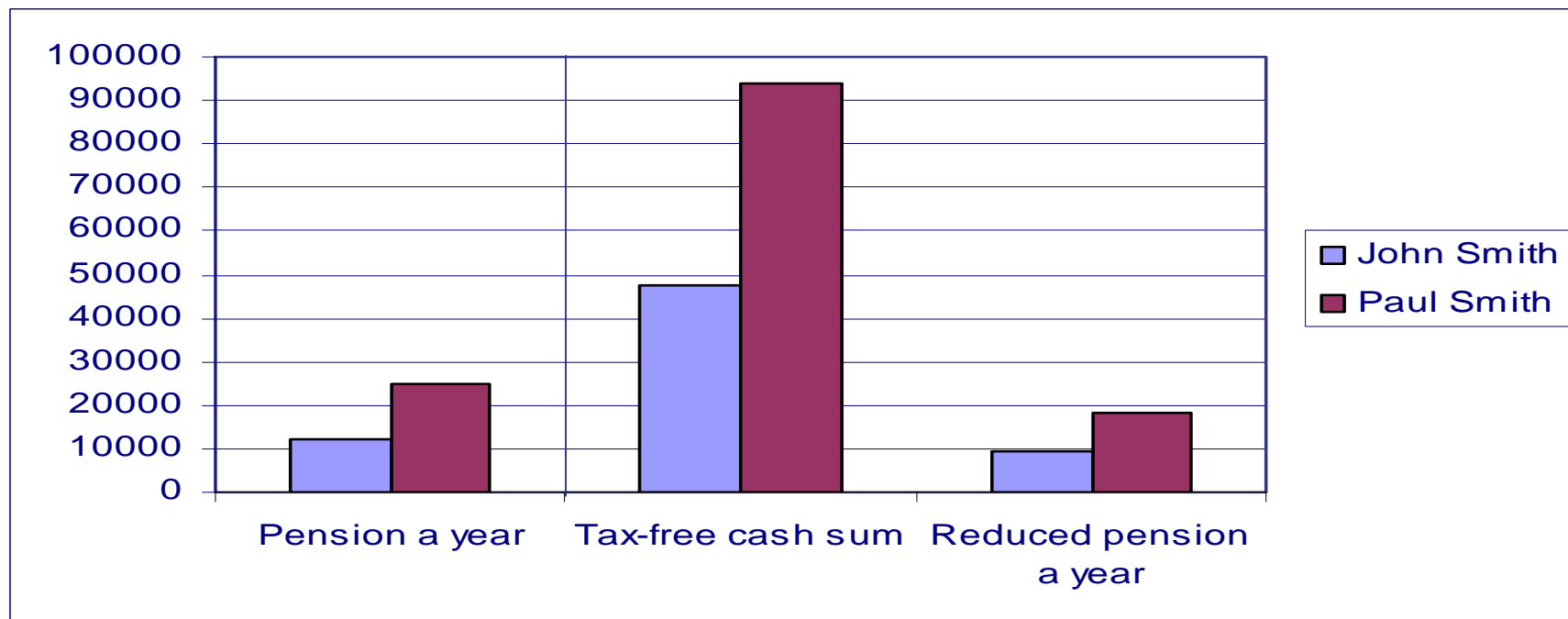
- Design default options to represent sound decisions
- Integrate behavioural science and innovative thinking into process design
- Reduce the number of decisions required

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Friends Provident's 'Plan for Tomorrow' scheme

John: Pension contributions remain constant at 3% throughout contract

Paul: Through the 'Plan for Tomorrow' scheme, pension contributions increase by 1% pa to max 10%



Retirement Fund Value: John £190,000 Paul £376,000

John & Paul aged 35, starting salary £25,000, initial contribution rate of 3% salary, matched by employer, all other assumptions constant.

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Looking ahead

React to opportunities more quickly

- 'Credit Crunch' has magnified need for protection
- Flexible products for the 'decumulation' period is an opportunity now

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Looking ahead

Recognise what hasn't changed

- The fundamentals that shaped our industry remain intact
- It's an industry with a long-term future

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Looking ahead

Use the run-up to 2012 wisely

- RDR: a step-change opportunity that we must get right
- Personal Accounts:
 - Focus must be on levelling up not down
 - Government stance on meanstesting must mellow
 - An opportunity to extend life cover cost-effectively
 - Auto-enrolment could be introduced in advance



Feel-good factor +

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