

Integrated Financial Services Case

We assisted a financial services firm in redefining their business model to provide a better customer experience and add profits to their bottom line.

The Financial Services Client

- UK client is facing strong downward price pressures, but relies heavily on expensive “push” marketing and sales tactics to generate volume
- Today’s **Life, Pensions and Investments business model taps into three different sources of value** to customers ... all of which have different objectives
 - **Planning** - e.g. creating a financial plan, monitoring performance against plan
 - **Shopping** - e.g. comparing providers, choosing a product
 - **Manufacturing** - e.g. designing products (R&D), financial manufacturing
- Project addresses a question on two levels: what can the firm do to profitably boost demand, and what is the most effective **business model** environment in which to do it?
 - **Fully Integrated Model** (today’s model) - planning, shopping, and manufacturing business
 - **Partially Integrated Model** - planning & shopping business with separate manufacturing business
 - **Disaggregated Model** - separate planning, shopping, and manufacturing businesses

Featured Client Case #55 Integrated Financial Services

- 1 **Project**
 - Developing a new business model
- 2 **Approach**
 - Link market experiments with economics to optimize results
- 3 **Recommendations**
 - A Partially Integrated business model delivers the most value
- 4 **Results**
 - Predicted 375% increase in profit and 428% more market share

Integrated Financial Services Case

The ultimate objective was to develop a new business model that would address misaligned customer needs and improve the customer experience.

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- MII Principal developed an approach to mitigate the entrenched “push machinery” to cut costs and maintain margins in a lower-price environment
 - **Identify new tactics** to generate volume and maintain margins
 - **Address misaligned customer needs** with how industry provides planning services, shopping services, and manufactured products
 - **Develop a new business model** to improve the customer experience
- Tests were developed to assess the strategy on three levels:
 - Business Model Strategy**
 - Three different underlying economic model set-ups
 - Different types of supplier described to customer
 - Value Proposition Testing**
 - Test of the purpose of the service, how it should be positioned with customers
 - Offer Testing**
 - Specific questions about how the service should be configured

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3 Recommendations

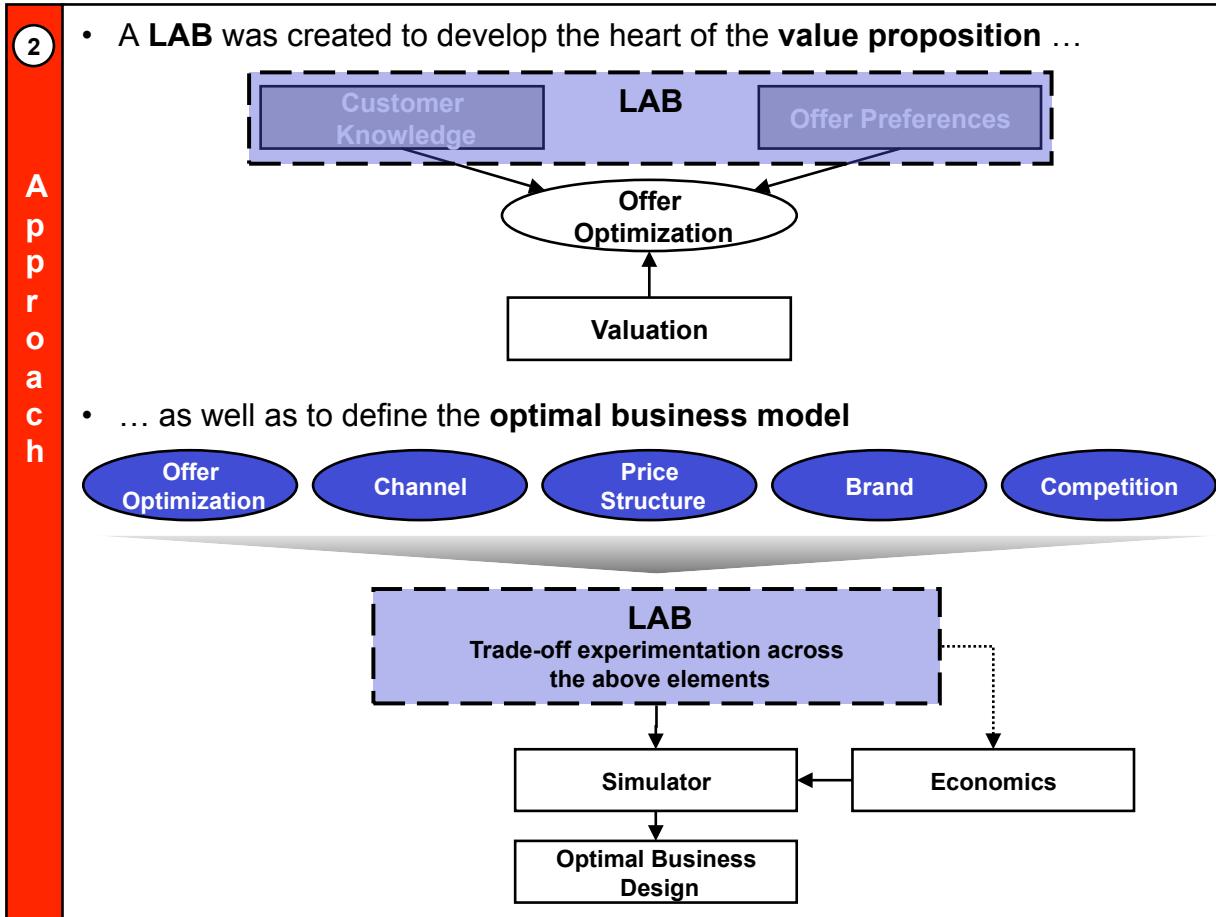
- A Partially Integrated business model delivers the most value

4 Results

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MII used a “LAB” approach that incorporated market experiment testing, simulations, and economic analysis to develop the optimal business model.



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In-depth analysis revealed that the Partially Integrated model would yield the most benefits.

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- Implementing **Partially Integrated will result in the most upside** (largely driven by wholesale increases in demand)
 - Large-scale volume growth due to multi-brand retail model
 - Conversion rates of the sales machinery far better than today’s
 - Margins protected vs. disaggregated model, by maintaining a “bundled” retailing and planning margin across all sales
- Key **customer messages** included:

Planning	Shopping	Tracking	Manufacturing
–Planning is highly valued by customers ... willing to pay several '00s for disaggregated service –Are over-serving some and misserving others: there are customer-friendly cost savings to be made	–Strong market for choice –80% of customers prefer an effective multi-brand retailer over single brand concept –Today, IFAs have least effective multi-brand configurations and still maintain 35% marketshare	–A tracking service is needed and highly valuable to consumers –Willing to pay between 70 and 140 per year for service even in a partially integrated business model	–There are opportunities to use non-price features to improve volume –Detailed price elasticity information can help make launch and price adjustment decisions with much greater confidence

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After implementation, the client realized over 375%+ in increased profits and market share.

4 R e s u l t s	<ul style="list-style-type: none">• Partially Integrated financial services model resulted in higher profitability and market share than current integrated model<ul style="list-style-type: none">– Partially Integrated services returned 375% increase in profit and 428% more market share– New business model was resilient to cannibalization of new sales and offered greater protection against competitive threats– Large-scale volume growth due to multi-brand retail model– Margins protected vs. 3rd generation model, by maintaining a “bundled” retailing and planning margin across all sales
	<ul style="list-style-type: none">• Planning Services resulted in overall customer willingness to pay several hundreds more when service is disaggregated
	<ul style="list-style-type: none">• High value consumers paid an average of \$50 to \$100 per year for Tracking Service

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