
3rd Annual Managing Retirement Income Conference
Boston, MA
February 13th, 2007

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Agenda

- ▶ **Why Bother with Segmentation?**
- ▶ **Segmenting Financial Advisors**
- ▶ **Segmenting Baby Boomers**

Traditional Segmentation by Channel Is Fundamentally Flawed

- ▶ **It assumes everyone within a channel thinks and behaves the same way**
 - ▶ Do you really think all wirehouse brokers are the same?
- ▶ **If you design your products for a channel**
 - ▶ You'll meet some of your customer's needs some of the time
 - ▶ You'll rarely offer something compelling or differentiated

Good Segmentation Can Enable Effective Business Strategy

▶ **Segment by attitudes and behaviors**

- ▶ Attitudes reveal what you believe about things
- ▶ Behaviors reveal what you actually do and where you spend your money

▶ **More effective at carving up the market**

- ▶ Within each segment, people believe the same things, act the same way, and make purchase decisions based on similar criteria

▶ **Enables targeted development of relevant, differentiated, and highly compelling products**

- ▶ Products for which your target clients will pay a premium!

Segmentation Helps You Develop Compelling Products

- ▶ **Once you understand your target segment, you can develop Customer Value Propositions that guide product development**
 - ▶ The fundamental needs and decision drivers that impact willingness to pay
 - ▶ The critical things you should be executing on (and investing in)
 - ▶ The belief system that forms about your brand if you execute successfully

Beware Poorly Designed Focus Groups!

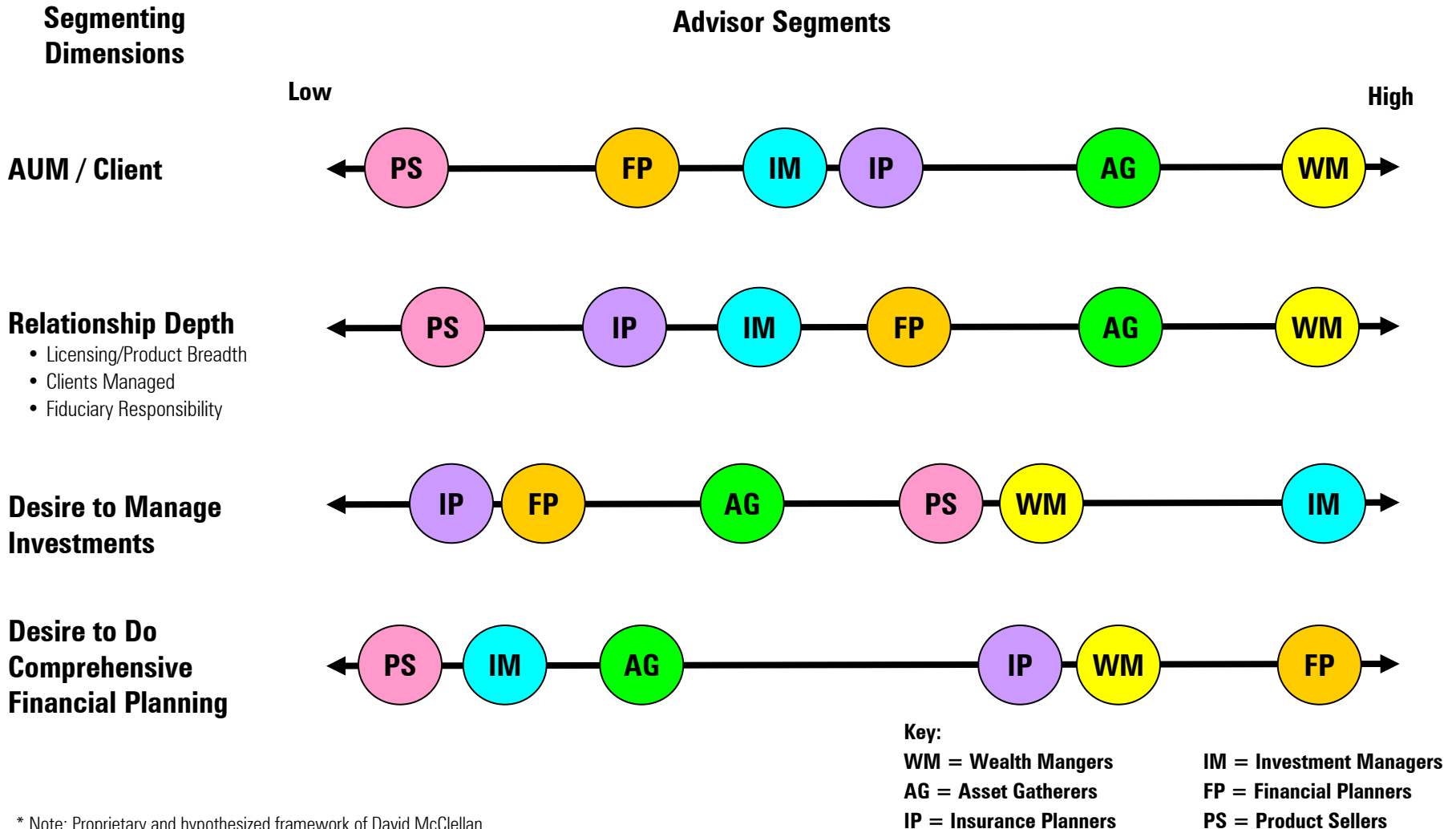
- ▶ **A random cross-section of America will reveal much different (i.e., worthless and potentially misleading) insights than a concentrated group of investors in your target segment**
- ▶ **Products based on insights from generic focus groups will be generic “me-too” offerings that are neither relevant or differentiated**

Financial Advisor Segmentation – Segment Profiles*

	PS	AG	IM	IP	FP	WM
	Product Sellers	Asset Gatherers	Investment Managers	Insurance Planners	Financial Planners	Wealth Managers
Segment Description	<ul style="list-style-type: none"> Transactional registered reps; Limited skills / knowledge 	<ul style="list-style-type: none"> Relationship-driven salesmen Outsource investment management 	<ul style="list-style-type: none"> Analytical portfolio managers, Weaker client skills 	<ul style="list-style-type: none"> Sophisticated insurance salesmen Sell cash-value life solutions. 	<ul style="list-style-type: none"> Comprehensive financial planning Often fee-only 	<ul style="list-style-type: none"> HNW teams who act as client's CFO
Segment Size (#/Index)	• 174,200 (261)	• 95,300 (143)	• 51,250 (77)	• 36,870 (55)	• 18,530 (32)	• 23,850 (36)
AUM / Client	• \$50k - \$200k	• \$200,000 - \$10M	• \$200,000 - \$10 M	• \$50,000 - \$3 M	• \$200,000 - \$3 M	• > \$3 Million
Avg. GDC	• \$50k	• \$500,000	• \$175,000	• \$300,000	• \$300,000	• \$1,000,000
Tech Spend (Avg/Index)	• \$1500 (45)	• \$15,000 (270)	• \$5,250 (51)	• \$9,000 (63)	• \$9,000 (32)	• \$30,000 (135)
Primary Products	<ul style="list-style-type: none"> Funds VAs Stocks 	<ul style="list-style-type: none"> Funds SMA 	<ul style="list-style-type: none"> Funds & ETFs SMA Stocks 	<ul style="list-style-type: none"> Insurance Cash value life Variable annuities 	<ul style="list-style-type: none"> Fee-based planning Funds & ETFs SMAs 	<ul style="list-style-type: none"> SMAs Hedge Funds Trusts, tax-estate vehicles
Licensing	<ul style="list-style-type: none"> Series 7, Series 6 insurance 	<ul style="list-style-type: none"> Series 6 (VA, fund) Series 7 	<ul style="list-style-type: none"> Series 6, Series 7 IAR / Series 65 CFA 	<ul style="list-style-type: none"> Specialized insurance designations 	<ul style="list-style-type: none"> Series 6 CFP RIA or IAR 	<ul style="list-style-type: none"> Various
Primary Channels	<ul style="list-style-type: none"> Bank BD (59%) Insurance BD (19%) Wirehouse / Regional (17%) 	<ul style="list-style-type: none"> Wirehouse / Regional (42%) IBD (30%) 	<ul style="list-style-type: none"> IBD (46%) RIA (23%) Wirehouse / Regional (20%) 	<ul style="list-style-type: none"> IBD (52%) Insurance BD (29%) Wirehouse / Regional (19%) 	<ul style="list-style-type: none"> IBD (51%) RIA (32%) Wirehouse / Regional (16%) 	<ul style="list-style-type: none"> Wirehouse / Regional (42%) Bank BD / Trust (25%) IBD (20%)

*Note: Proprietary and hypothesized framework of David McClellan

Financial Advisor Segmentation – Segmenting Dimensions*

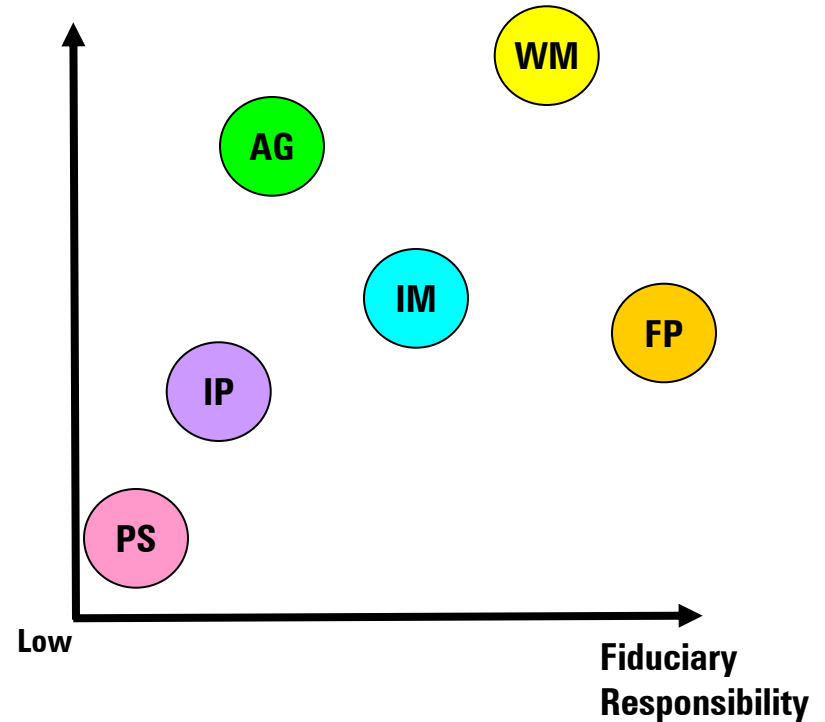
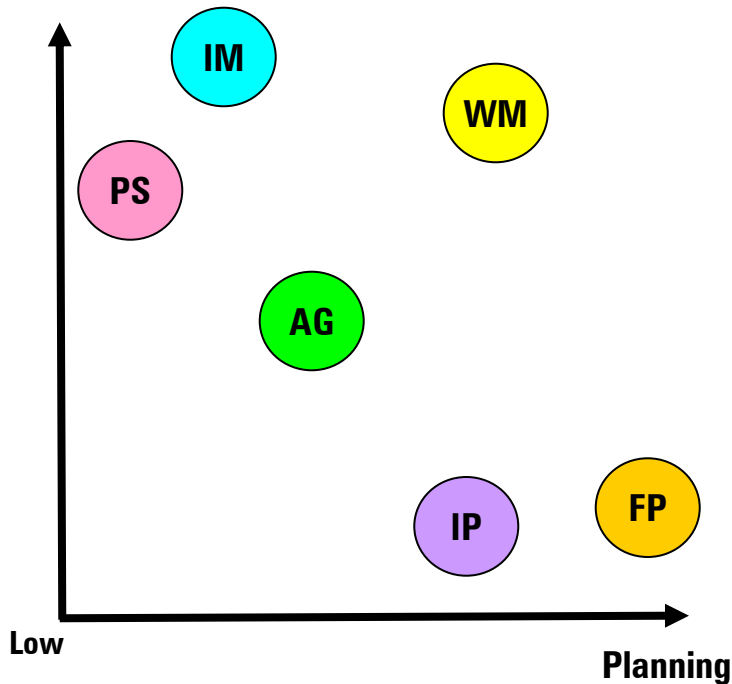


* Note: Proprietary and hypothesized framework of David McClellan

Financial Advisor Segmentation – Segmenting Dimensions*

Investing

Relationship
Depth



Key:

WM = Wealth Managers

AG = Asset Gatherers

IP = Insurance Planners

IM = Investment Managers

FP = Financial Planners

PP = Product Sellers

* Note: Proprietary and hypothesized framework of David McClellan

To Capture Boomer Assets, Segment Them!

- ▶ **Everyone wants to capture their fair share of the “money in motion” represented by the 76 million baby boomers**
- ▶ **Mega-trends about boomers are useful, but aren’t enough**
 - ▶ Boomers want an active retirement, or want to cycle between work and leisure
 - ▶ Do all of them want this?
- ▶ **But I can GUARANTEE you all boomers don’t think alike**
 - ▶ How are you going to win the rollover of the Smiths? The Jones’? What do each of them find compelling?
 - ▶ Hint: pictures of smiling active retirees on the beach may not be enough...
- ▶ **If you want to capture your share of the baby boomer retirement wave, think about which boomers (ie, which segments) you should target**
 - ▶ Hint: if everyone is a wealth manager who serves high net worth, opportunity will exist down market!

Potential Segmenting Dimensions for Baby Boomers

▶ **Wealth**

- ▶ Absolute wealth
- ▶ Wealth relative to spending needs

▶ **Use of advisors**

- ▶ Self-directed vs. validator vs. delegator
- ▶ Depth of relationship with current financial advisor

▶ **Sense of having to do it on their own**

- ▶ DB pension plan vs. reliance on DC plan

▶ **Sense of confidence about future**

- ▶ Sense that they have saved enough
- ▶ Health concerns
- ▶ Solvency concerns
- ▶ Sense of preparedness and planning
- ▶ Relative level of financial education and literacy

Thank You!

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- ▶ **For a good read on segmentation, buy:**
The New Law of Demand & Supply
by Rick Kash