

Thriving in Uncertain Times



Barbara March
President
BridgePoint Group, LLC

Many of us have spent the majority of our professional careers in the retirement industry. While we each have our unique viewpoints and perspectives, there is almost universal agreement that the environment is more complex than it has ever been and the strategic business decisions that we need to make get tougher every day. Razor thin margins and an inherent lack of differentiation are forcing Providers to make bolder bets and execute with a greater degree of precision than ever before.

Having had the good fortune to work with many of the industry's leading Providers, BridgePoint has developed a point of view on key elements of success that we believe directly correlates to your ability to thrive in this business over the long haul. In this article we present you with some "food for thought" strategies to enhance your success in this competitive business, enabling you to *thrive in uncertain times*.

An industry framework

When we take an objective look at the competitive landscape, our view is that each firm falls into one of four primary categories:

EMERGERS	LAGGERS	SURVIVORS	THRIVERS
<ul style="list-style-type: none"> • Unencumbered by legacy cost structures and technology but lack scale • Achieving scale will take time 	<ul style="list-style-type: none"> • Lack scale • Unable to sustain investment required to thrive • Future uncertain and business in jeopardy 	<ul style="list-style-type: none"> • Have size and mass but have a "big ship to turn" • Anemic growth • Lack of a clear strategy • Alignment of investment and governance to strategy may be suspect 	<ul style="list-style-type: none"> • Have scale • Willing to declare clear strategy • Investments, management and governance are aligned

Of course, the million-dollar question – and the one that we are always asked – is “into which category do we fall?” The response, of course, is not always easy to determine, nor is it as obvious as one might expect.

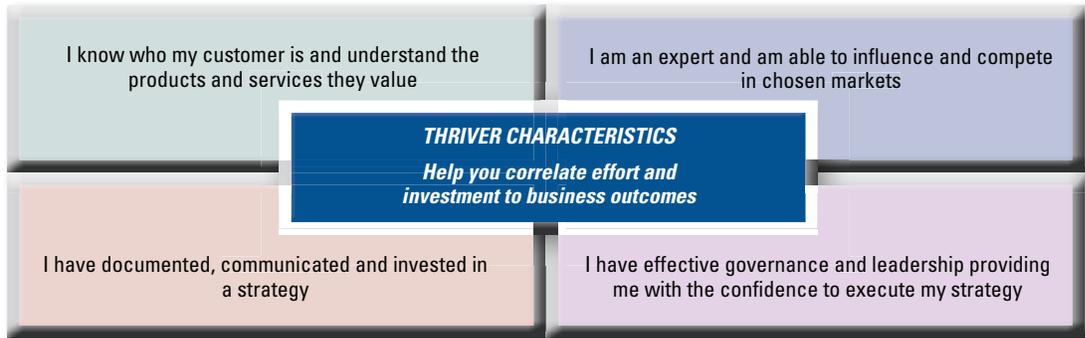
Ensuring that you are in the “Thrivers” category requires a concerted amount of effort, critical thinking, and honest answers to a number of tough questions.

Strategies that enable you to thrive

Strong competitors are demonstrating competencies in key areas of their business. Based upon the four competencies below, where do you stand? Regardless of whether you are a recordkeeper, an investment manager, a platform Provider or a boutique services firm, we believe that you would benefit by evolving your business strategy to contemplate the following:

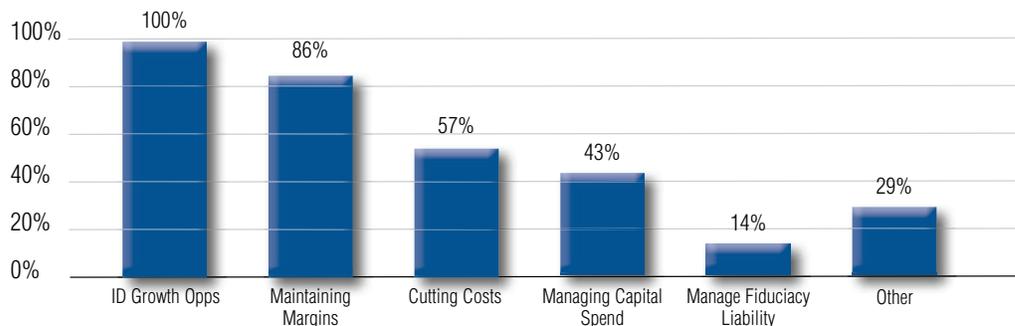
Are you a “Survivor” or “Thrivers”?
Consider the following:

- Would 20 random employees be able to articulate your value proposition?
- Do you have data points to support and prove your value proposition?
- Do you know your target market and understand what good business looks like?
- Does your embedded book of business reflect your target market?



The key point here is that the number one driver of success as a Thrivers is the ability to correlate investment to market value – **differentiation that will sell**. We continually see companies that invest millions of dollars in products and services which provide marginal benefit to customer outcomes or failed to drive distinction. Consider a recent BridgePoint survey of retirement Provider CFOs. All of those surveyed indicated that their #1 priority is growth, and 29% are concerned about the financial viability of their businesses.

What Primary Business Issues Are You Facing?



Continued on next page

Thriving in Uncertain Times

Continued from previous page



Defining your customer

To be successful, the process of defining your customer must be grounded by market research and competitive analysis. More and more, leading Providers are realizing that they cannot be “all things to all people” and are making key bets on their *primary* customers. They are conducting significant evaluations of their current book of business, combined with the results of their market research, to evaluate which markets and customer segments provide the most significant opportunity for growth.

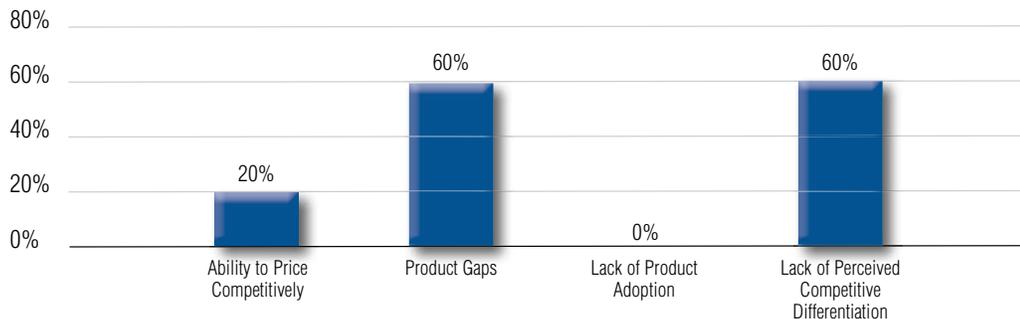
It is important to consider the most critical buying criteria of your customers. Many Providers make the mistake of believing that they have to “check all the boxes” vs. investing in key differentiators for their primary customer. Further, they lack the ability to “sell away” from requirements that drive cost without value and do little to influence effective participant outcomes. Bear in mind that your customers must include both the buyers themselves as well as those in a position to significantly influence the buying decision. Identifying and focusing on specific customer targets that are aligning to your strengths and differentiators is the key.

If asked to force rank customers by order of prioritization to align to your firm's capital spend, would your leadership team vote the same?

Identifying how to compete in a challenging environment

Market demands coupled with a constantly evolving regulatory environment have caused Providers to reevaluate their end-to-end business strategy. For leading Providers, the pendulum has shifted away from absolute flexibility to promoting expertise and attaining very explicit objectives – be it fiduciary peace of mind for Plan Sponsors or meaningful retirement outcomes for Participants. A BridgePoint poll of leading Provider Distribution and Product executives, indicated that one of the largest obstacles in driving revenue is managing the lack of perceived competitive differentiation.

What are your largest obstacles in driving revenue growth for your firm?



The ability to “stop the madness” – that is, reduce heavy investment in products and services that either fail to produce the desired outcomes or that your customers don’t value, is key to being a Thriver. Providers are changing their way of thinking and retraining their organizations to have an opinion on those services that tightly correlate to successful outcomes for both them and their customers. Consider your elevator speech. Could each of your Associates articulate the same three reasons a Sponsor should hire you? And, would a Sponsor consider these reasons compelling enough?

Making bold bets on where corporate assets (people, time, and money) will be deployed is more critical today than it has ever been, given capital budget constrains and an omnipresent lack of confidence managing multiple initiatives simultaneously. In the spirit of not being “all things to all people,” Providers are recognizing the need to be laser focused when it comes to their long-term strategic business plan, providing the foundation for differentiation in a crowded playing field.

Living your strategy

BridgePoint has been a staunch advocate for establishing and driving a **disciplined approach to Governance and Strategy Management**. Key attributes include:

<div style="background-color: #0056b3; color: white; padding: 10px; border: 1px solid #0056b3; margin-bottom: 10px;"> <p>Documenting Your Strategy</p> <p><i>Defining your success measures, target markets, primary customers, value proposition and differentiators</i></p> </div> <div style="background-color: #0056b3; color: white; padding: 10px; border: 1px solid #0056b3; margin-bottom: 10px;"> <p>Articulating Your Strategy</p> <p><i>Taking a 360 degree view and driving through universal scorecards, internal communications, ongoing metrics and measurements</i></p> </div> <div style="background-color: #0056b3; color: white; padding: 10px; border: 1px solid #0056b3;"> <p>Espousing Your Strategy</p> <p><i>Aligning your resources, capital investment budget, technology roadmap, and product and service initiatives to your strategic goals</i></p> </div>	<ul style="list-style-type: none"> ▶ Common Challenges: strategies that don't distinguish between what you are currently doing and what you will no longer do ▶ Example: adding products and services without retiring outdated capabilities
	<ul style="list-style-type: none"> ▶ Common Challenges: strategies that are understood by senior management but not Associates, along with compensation that is not aligned with strategic imperatives ▶ Example: Relationship Managers compensated on retention and revenue but not on overall profitability
	<ul style="list-style-type: none"> ▶ Common Challenges: product roadmaps that do not reflect key priorities and differentiators (e.g. one off capabilities) or initiatives with a low delivery confidence ▶ Example: Investing in a product feature for a single client vs. a strategic investment benefiting 80% of your customers

As business processes continue to evolve and mature, it is clear that a **fully documented strategic plan** that focuses on a core suite of products and services – **with the best market potential for your target customers** – is the primary key to success and to ensuring you can compete effectively in a challenging environment.

Ensuring effective governance

Effective governance entails a series of processes that align the organization to your common vision, and if done properly, **ensures that you remain true to your overarching strategy and maximizes the realization of your growth objectives**. Governance is critical to efficiently and effectively meet client needs and to derive the desired value from your product offering. Without it, you can quickly erode the concerted and time-consuming efforts undertaken to adapt to current day industry dynamics. Governance - stating your policies, saying “no”, articulating desired behaviors, establishing and evidencing controls and enforcing consequences – is a necessary component of a disciplined and strategic approach.

Absent a “*disciplined approach*,” Providers find that they often contend with:

- ▶ Projects that operate in isolation with little to no alignment with an **overarching business strategy**
- ▶ Reactive capital investment decisions that derail a **reliable product roadmap grounded in market research and voice of the customer activities**
- ▶ Inability to achieve a quantifiable return on investment or the desired client adoption due to missing or lacking **business cases**

Continued on next page

Thriving in Uncertain Times

Continued from previous page



To streamline what can often feel like a daunting task, we offer the five D's for consideration:

- ▶ Document your current and future offering
- ▶ Decide who will make policy decisions
- ▶ Design governance process and establish success criteria
- ▶ Develop playbook and promote internal awareness
- ▶ Drive change and measure results

How will you thrive?

Are you a Thriver? Answer the questions below and decide for yourself. There are a number of traits and characteristics that providers are demonstrating to energize their organizations and to strengthen their position as an industry leader.

Answer yes or no to the following questions:

“Our Firm is able to...

- ▶ Articulate our target market, value proposition, key product strengths and differentiators.
- ▶ Place bold bets on specific differentiators, drive market change, and continue to make strategic investments.
- ▶ Confidently achieve net growth in our book of business, as well as design and execute long term strategy.
- ▶ Demonstrate that management teams understand, and are able to achieve, the optimum balance between supply and demand.
- ▶ Live a unified, external market and customer facing culture.
- ▶ Demonstrate retirement expertise and has the ability to influence key decision makers.
- ▶ Manage profitability, cost and financial drivers combined with an unrelenting focus on customer value.

While every organization is unique, the challenges that you face bear many similarities. Keeping these thoughts and considerations front of mind as you refine your business strategy will provide enhanced transparency, enrich decision making, and produce the all important proof points.