

SUPERANNUATION

MISC Global
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**Market
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Strategy Centre**



For Australia's 8.5 Million workers covered by \$535 billion in Superannuation the promise of ultimate choice is an active option and one the MISC (Market Intelligence Strategy Centre) sister consulting group evolved from MINTEL, says is resoundingly endorsed by most Superannuants.

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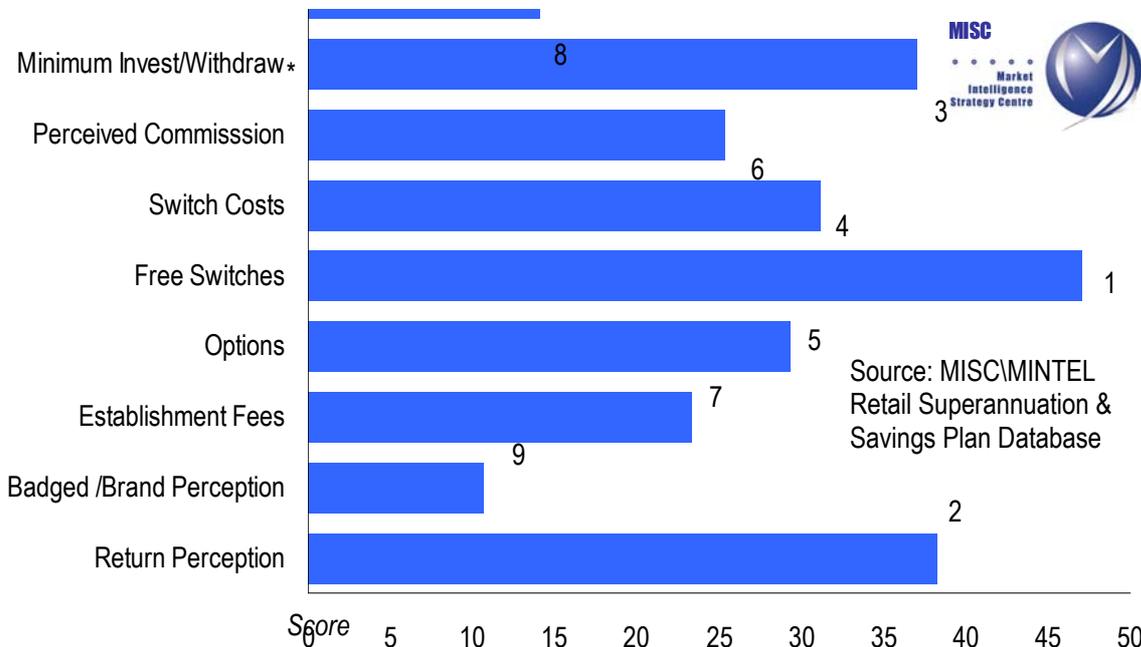
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For Australia’s 8.5 Million workers covered by \$535 billion in Superannuation the promise of ultimate choice is an active option and one the MISC (Market Intelligence Strategy Centre) sister consulting group evolved from MINTEL says is resoundingly endorsed by most Superannuants.

The MISC research group (who pioneered the first measurement of all retail super with MINTEL in 1997) sights several factors which underpin the notion that Australians want choice. The increasing evidence of the DIY phenomena which now sees funds represent 17% of assets and their number climb from 142,000 to 230,000 in 5 years (i.e. 62%) is one. This is despite the fact that first time (ie year 1 set up and charges) costs can exceed \$2000. Next is the rapid growth of Master trusts which today provide often more than 60 inbuilt choices, and several consumer surveys in which Superannuants call for greater freedom. Finally are the results of the MISC/MINTEL Superannuant behaviour surveys which analysis the perceptual values Superannuants ascribe to Super product features.

Retail Super product choice Attribute Measures – Bonds, Plans, Master Trusts
 Perceptive Scores of driving product attributes composite all product average scores & selection rankings



*Composit of invested options buy/sell spread switch cost. Flexibility is a composite index developed by MISC/MINTEL which examines the range of flexibility that a consumer has in relation to the use of a Superannuation product

Note: MISC’s special Superannuants “Product-based Attribute Survey” with known Superannuant Investors in a Bond, a Plan or a Master Trust, measures the value of each attribute and its relative rank in importance. Results will vary by product. Composite Indexes of all retail super products including Bonds, Plans, Master Trusts.

The case for Choice - Why Australians Demonstrated they wanted it

- 1 62 % growth in DIY super
- 2 Consumer research shows increased demand
- 3 Growth of maximum fund choice Master Trusts
- 4 Superannuant behaviours Product values influenced by better choice
- 5 Choice = empowerment

Source: MISC\MINTEL Retail Superannuation & Savings Plan Database

This Unique research demonstrates that even within product (after basic choice is exercised) choice is fundamental in its selection and that Superannuants value those attributes which provide them with empowerment. MISC says choice is not just about investment options but freedom to control product through empowerment provisions. For instance when a product, says MISC, provides free switching that feature is rated more highly than most but when a product provides flexibility with a cost attached it rates less well.

For today's superannuant, choice matters a great deal, says MISC\MINTEL. Its consumer research shows that the choice of investment is ranked 5th in nine attributes they select as the drivers of their fund vehicle choice, i.e. Master Trusts, Bonds & Plans.

This pioneering research reveals that features like Free Switches and more favourable restrictions, e.g. Minimum withdrawal amounts, Minimum investments; are perceived well ahead of Investment options for most investors. MISC\MINTEL's special attribute survey further shows that fund return does not rank as the most desired attribute but surprisingly is seen as marginally ahead of investment and withdrawal minimums suggesting that Superannuants are less interested in return scoreboards than possibly the industry suspects. MISC also concludes that because Superannuants are less concerned with the size of the company providing the product eg AMP, they rank the "badged brand" of the product as less important. Across Plans, Bonds, and Master Trusts the most important attribute feature of Free Switches contrasts strongly with Badged Brand Perception which has the lowest preference score. These two features (most important and least important) are related however.

Behaviour Rationale

MISC (Market Intelligence Strategy Centre) believes that today's retail superannuant is prepared to accept a lack of security as reflected in lesser return preoccupation. The company backing the fund is also seen as less important because the superannuant has an inexpensive escape hatch, e.g. Free Switches and fewer restrictions on withdrawals. This is not surprising, says MISC, who cites the relatively small amount of promotional support devoted to specific promotion of Retail Super products and specific competitors. The research group believes a further by-product of this lack of support is mounting evidence of lack of superannuant loyalty. For the new entrants to retail superannuation this is good news. Consumers are looking to the provider to provide security via escape hatches in terms of options within the product and not the fund, says MISC. The following unique *MISC Consumer Product Attribute Preferences* table clearly illustrates the importance to the consumer of 'escape' product attributes within the retail Superannuation market.

Selection Ranking & Perceptual value scores by retail product feature		
Select Product attitude	Score **	Rank
Flexibility	14/50	8
Minimum Investment and Withdraw provisions	37/50	3
Perceived Commissions	25/50	6
Switch Costs	31/50	4
Free Switches	47/50	1
Establishment fees	23/50	7
Badged Brand Perceptions ie perceived trustee	10/50	9
Return both short And historic return perception	38/50	2

Source: MISC\MINTEL Retail Superannuation & Savings Plan Database

Note: Relevant Criteria for selection of Super Plan , Super Bond, Master Trust

MISC/MINTEL Credentials

MISC/MINTEL's bold predictions come from an organisation renowned for the accuracy of its forecasts and ground breaking research programmes. The same research study follows just two years after MINTEL predicted that Superannuation Funds would by 2010 be \$22 billion in the red based on the level of required adequacy provision at the time. This prediction was later endorsed by government estimates. In 1989 MINTEL completed the first, full measurement of the entire Superannuation market and valued it at \$106 billion. Two years later following a Keating brief, the Australian Bureau of Statistics delivered its measurement of the market with a valuation of \$104 billion published with the caveat that some monies were not counted.

In the light of this record most MISC\MINTEL subscribers take the MISC\MINTEL forecast of \$74 billion by year 2000 most seriously.