

Martin Lavigne reinvents one-stop service

National Bank Financial Group is looking outside its core market in Quebec, setting its sights on the rest of Canada to grow its market share in the independent distribution business. And to achieve this goal, Martin Lavigne is relying on an integrated offering that has already begun to prove its merit.



As the song goes, the times, they are a-changing, and so are the needs of investors. As a result, "the business model for many players in the financial services industry is also called to change," explains Martin Lavigne, Senior Vice-President – Third-Party Business Solutions at National Bank Financial Group.

His role? "To work alongside these firms and advisors throughout the process." National has set up a Third-Party Business Solutions division, responsible for distributing all the Group's financial products, to support these players.

National has added other services as well, such as brokerage services (platform) and products designed in-house. Also included in the mix are white label agreements, in which the bank manufactures products and looks after all the related services on behalf of a supplier.

The important thing is that National has a foot in the door in every Canadian market. In the case of Third-Party distribution, "more than 80% of our assets under management for National Bank, and more than 95% of assets under administration are outside Quebec," Lavigne points out.

Lavigne believes that advisors are increasingly being called on "to work both sides of the balance sheet" - in other words, to manage both assets and liabilities for their clients. "In our industry, most advisors are very comfortable with investments or insurance, but less so with credit," he says.

Martin Lavigne is a man with a mission: not just to distribute National's products and services, but also to offer solutions to facilitate business development among independents, helping them make the transition to the business model of the future.

A unique offering

"We think we've got a unique offering," Lavigne continues. In both mutual funds, insurance and full-service brokerage, his strategy centers around "Integrated thinking, a simplified approach, infinite possibilities," a mantra that he repeats throughout the interview.

Beyond funds and the other conventional investment products, there are now GICs, structured products and banking solutions, which are also available to all advisors in all channels.

"A mutual fund dealer across Canada that distributed our mutual funds is now offering our GICs, and they can make referrals to us for banking solutions such as mortgages and All-In-One accounts." The All-In-One is an account that includes several financial instruments under a single line of credit. Up-front commissions and trailer are paid.

The same is true for full-service brokers. For instance, Wellington West, a firm in which National has a 12.5% equity stake, has been using National's Correspondent Network as a brokerage platform for some 10 years. "Now they can also make referrals for bank products, mortgages, investment loans and other products."

National also wants to meet the needs of general life and health insurance agents. Agents who sell only insurance, without mutual funds, and who would not have access to mutual funds "can still offer our term deposits, variable-rate GICs, or even banking solutions like mortgages and lines of credit, which they would refer to us."

A brave new market

National's advantage: it seems that none of its competitors fields a similar offering. Manulife, its closest competitor in third-party services, doesn't offer structured products and Brokerage services.

According to Lavigne, that difference is what makes it easier to grow National's market share. "When competitors go head to head with the same products, it becomes an expensive battle."

Hence the idea of targeting independents with "a different approach, and different products." In investments, National is up against companies like Fidelity and Invesco Trimark. "But Fidelity will never offer banking services, and Invesco Trimark can't make referrals to a bank or offer structured products."

What about the other banks? "RBC doesn't have a comprehensive value proposition to Third Parties. It doesn't offer a "generic" mortgage [i.e., with no connection between the manufacturer and the distributor] with a commission to the advisor," he replies.

In fact, many independents criticize the banks for promoting their products and services aggressively with distribution networks. This has made them suspicious of the major financial institutions, which they sometimes perceive as the enemy.

But Martin Lavigne has witnessed "a change in attitude among advisors. More and more, what they want is to offer their clients the best products or services." That puts the ball squarely in National's court to prove that it offers the best, and especially to show that there are the appropriate degrees of separation between Lavigne's unit and National's other entities to protect the relationships advisors have with their clients.

An integrated solution

While National's interest in independents is nothing new, it's the integration of everything the bank has to offer that has really made the difference, and that has enabled it to carve out a choice niche for itself.

At the time of our interview, a major brokerage firm had just approached National to look into its offering. Five people from National, each one a specialist in his/her field, met with this firm to talk brokerage and bank products, and to see what they could do to help evolve the firm's business model. "A year ago, we could never have done that, because our teams didn't talk to each other very much. Plus, we weren't fully aware of all the expertise our unit could bring to the table."

Because of the integrated approach, the unit can now put forward a comprehensive offering tailored to the firm's or advisor's needs. To do so, they have to be able to talk with the firms and advisors in order to "understand their business model, how they want to develop it and provide them with products and services in line with their vision."

This can go as far as customizing products. Firms and advisors can choose the products and services that suit them best, but they can also request exclusive products. For instance, National produced a linked note for a Western Canada brokerage firm whose clients wanted to take long positions on oil without being affected by downside risk. The solution the bank came up with: a note linked to the rise in oil prices, with guaranteed principal for five years.

The learning curve

Things are going fairly well at the moment, as the most recent figures show. Assets under management from third parties amounted to \$18 billion at the start of the year. They now total \$20 billion. As for assets under administration, "they should pass the \$45 billion mark in the next few months."

These amounts weren't accumulated over the past year, but they do represent all the assets that fall into the category of one-stop service for Third-Party distribution. "It's a substantial amount," says Martin Lavigne. "Furthermore, it's the first time that everything has been combined at the same unit."

However, it has taken a few tries to come up with a solution that, without being a magic formula, could take National far in Third-Party distribution.

In the early stages of the rollout outside Quebec, they took their time to determine the best strategy. "The approach we had for Quebec and the rest of Canada was too similar." After all, a Toronto advisor and one based in Quebec won't have the same business model. "It takes people who know the local market," continues Lavigne, pointing out that they had to adjust their strategy to each market.

His experience heading up National Bank Securities has been invaluable to him. For instance, the creation of the Meritage portfolios and the High Interest CashPerformer account was one of the "most useful experiences in forming our Advisor Distribution unit."

It was this experience that enabled National to position itself as providing a complete suite of products and services for financial industry.

With its offer of investment, structured products, bank and brokerage products and services through a single group, National Bank is poised to continue its growth in the independent market.

In all channels, Martin Lavigne swears by his mantra: "Integrated thinking, a simplified approach, infinite possibilities."

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