

Putting segmentation and the PROD rules into practice

The FCA's Product Intervention and Product Governance Sourcebook (PROD) rules were introduced to make sure that the investment solutions and products being recommended to clients meet the needs of one or more identified target markets, are distributed appropriately and deliver good customer outcomes.

Client segmentation has become increasingly important as a result of PROD – although this doesn't replace the need for individual suitability. Here's three simple steps to help you put segmentation and the PROD rules into practice.

Step 1	Step 2	Step 3
Identify your target market	Create the right service and proposition	Choose the right investment solution

Step 1: Identify your target market

When thinking about your target market, there are several ways you could segment your clients:

- Wealth accumulation
- Wealth decumulation
- Attitude to risk
- Capacity for loss
- Current income requirements
- Life stage

Step 2: Create the right service and proposition

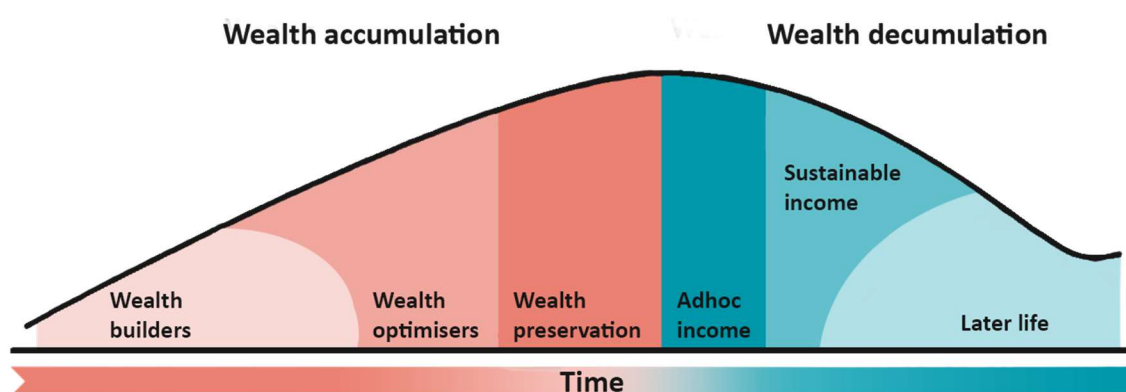
When you're creating a service and proposition to suit each segment, you could think about the following:

- How often will you need to carry out client reviews?
- How much ad-hoc support will they need?
- How often will you need to communicate with them?
- What type of communication are they most likely to engage with?
- Do they need any specialist services?
- Can you provide these services cost-effectively? This is for adviser use only and shouldn't be relied upon by any other person.

Step 3: Choose the right investment solution

While a centralised investment proposition (CIP) may offer good client outcomes in the accumulation phase, a centralised retirement proposition (CRP) may be more suitable for clients in decumulation.

The diagram below shows how you could segment your clients by life stage to help you recommend the right investment solution for them. You could also sub-segment these clients and think about investment solutions that might best suit these sub-segments.



Once you've chosen the right investment solution for your clients, you should regularly review it. You can look at the year on year performance of your client's plan – and how the future might look for them.

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