Chapter 111
A Holistic View of the Challenges and Social Implications of Online Distribution: The Case of Pensions

Tina Harrison
The University of Edinburgh, UK

Kathryn Waite
Heriot Watt University, UK

ABSTRACT

Recent policies, aimed at reducing pension costs and improving consumer awareness, have contributed to the development of the Internet as a distribution channel within the pensions sector. This article critically evaluates the extent to which use of the Internet has facilitated and promoted pension distribution in the UK, as well as identifying the forces that are constraining or facilitating further change. Drawing on data gathered from pension providers, intermediaries and consumers the paper discusses the threat and implication of disintermediation, the capability of the Internet to empower those who use it, the resource implications of channel conflicts and the outcomes of shifts in responsibility for process enactment. The article reveals that the Internet has had some impact on the structure, geography and processes of pension distribution within the UK.

INTRODUCTION

The market for individual and company pensions has been identified as uncompetitive and inefficient resulting in consumer confusion and apathy (Sandler, 2002; Pickering, 2002). Recommended solutions are large-scale product rationalisation and process simplification. Sandler (2002) suggests end-to-end electronic processing as a key means to achieving improvement whilst noting that “success will necessitate very broad take-up” (p. 217) requiring collective action and co-ordination. In response pension providers are seeking to develop the Internet as a low cost distribution and communication channel.

DOI: 10.4018/978-1-61520-611-7.ch111
There are opportunities for providers to develop
direct online sales, for advisors to develop online
financial advice services and for consumers to
utilise the Internet to inform decision making.

This chapter critically evaluates the extent to
which use of the Internet can facilitate and promote
pension distribution as well as identifying the
forces that are constraining or facilitating change.
The paper investigates the beliefs, attitudes and
behaviours of key constituents of the pensions
distribution network, notably: pension providers,
independent financial advisers (IFAs), corporate
pension customers and the individual consumer.

The chapter informs several broad areas of
debate including: the threat and implication of
disintermediation; the capability of the Internet
to empower those who use it; the resource im-
pirations of channel conflicts and the outcomes
of shifts in responsibility for process enactment.
From a strategic marketing perspective this study
contributes to the debate into how service organi-
sations can develop more efficient distribution
strategies and the management issues surrounding
alternative channels of access to consumers.

BACKGROUND

E-commerce technology is now viewed as an in-
tegral part of marketing channels and distribution
systems (Rosenbloom, 2004). An e-enabled supply
chain is perceived as having many advantages, for
example increased business efficiency, enhanced
information flows, improved transaction speed,
widened geographical spread, increased temporal
reach, cost reduction and competitive differen-
tiation for e-enabled constituents (Hoffman et al,

In addition, “the Internet offers direct
links with customers, suppliers and distributors...[en-
abling] companies to bypass others in the value
chain,... to dominate the “electronic channel” and
thereby control access to customers and set terms
of trade” (Walters and Lancaster, 1999, p.800,
original italics). Hence, e-commerce technology
has the potential not only to enhance supply chain
performance but also to change its structure and
may even pose a threat to certain supply chain
members, particularly the intermediary. However,
intermediaries perform a number of functions
including specialised information, professional
advice, customisation to consumers’ needs, and
reduction of uncertainty (Kimiloglu, 2004). Thus
a company bypassing a distribution network to
pursue commerce in cyberspace can be exposed
to considerable risk (Ghosh, 1998).

In the context of pensions it is debatable to
what extent the Internet is able to satisfy consumer
requirements for advice and information due to
the complexity, intangibility and deferred end
benefit of the product (Ennew et al. 1995). The
financial intermediary provides the consumer
with the necessary “financial know-how” in order
to make the optimum investment decision (Har-
rison 2000).

On the other hand, various claims exist of the
Internet as a tool to empower consumers (Bush,
2004; Wind and Mahajan, 2001; Rha et al, 2002).
The Internet offers consumers unparalleled access
to a massive body of knowledge and information
with comparatively lower search costs relative
to established sources of information. This has
the potential to increase the bargaining power of
consumers (Bakos, 1991; 1997; Veradarajan and
Yadav, 2002; Porter, 2001) and redress power
imbalance due to information asymmetry by
providing access to information formerly only
available to professionals. This facilitates choice
and risk reduction that in turn enables consumers
to exercise increasing control over their consump-
tion activities. Consequently, it is believed that
consumers are abandoning their former passive
roles. Indeed, there is emerging empirical evidence
that decision-making is improved through the use
of computer technology (Ariely, 2000).

In an increasingly competitive business en-
vironment, financial institutions face resource
decisions of whether to develop direct consumer
Recommend this product to your librarian:
www.igi-global.com/e-resources/library-recommendation/?id=1

Related Content

Macro-Economic and Social Impacts of Offshore Outsourcing of Information Technology: Practitioner and Academic Perspectives
www.igi-global.com/article/macro-economic-social-impacts-offshore/1896?camid=4v1a

Investigation into the Impact of Integration of Mobile Technology Applications into Enterprise Architecture
www.igi-global.com/chapter/investigation-into-impact-integration-mobile/19574?camid=4v1a

Best Practices in Leveraging E-Business Technologies to Achieve Business Agility
www.igi-global.com/chapter/best-practices-leveraging-business-technologies/9312?camid=4v1a

Trends of Web Services Adoption: A Synthesis
www.igi-global.com/chapter/trends-web-services-adoption/6149?camid=4v1a