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Customer Enagement
with Pensions
Global Best Practices

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Global Best Practices

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Making Strategy Work

The problem of customer engagement

Pension schemes around the world are facing increasing pressure due to ageing populations. In order to cope, many countries are switching from traditional state- and industry-based schemes to ones that place more responsibility upon the individual to prepare for retirement.

It is important that customers engage more actively with their retirement planning in order to retain a good standard of living upon retirement and reduce the burden on society at large.

However, achieving active engagement is difficult. There are many reasons for this. For younger people, retirement might seem too far in the future to worry about. Many people feel that they do not know enough about pensions or finances to take control of their own affairs.

Pensions are associated with ageing and deterioration — not something that most people want to think about. Even people who have the motivation and knowledge to engage with their pensions might find it difficult to do so, if the information they need is not readily accessible or understandable.

To tackle the problem of customer engagement, pension providers and administrators around the world are innovating with new ways of presenting information to consumers. They are using multiple channels, media formats, and communication styles to reach different segments of consumers. While there is still a long way to go, these early experiments are promising, thanks to innovative, human-centred design and new technological applications.

Customer engagement is difficult, but we must get better at it for the good of individuals and society. What can the pensions industry learn from global innovations in customer engagement?

We outline some successful innovations from around the world. In many cases, pension providers don't need to do their own research and re-invent the engagement world we can apply lessons that have been tried and tested elsewhere.

It is critical to keep in mind that what works for one social group might not work in another. Applying best practices will only be successful when cultural, demographic, personal, and market features are taken into account.

Four stages of customer engagement

Getting customers to engage is a great start, but it is not enough. At the end of the day, customers need to take active control over their financial futures. This process has four distinctive steps wanting to engage, finding information, understanding information, and making informed choices.

To successfully lead customers through this journey, we need to understand the barriers they face at each step and what motivates them to overcome these barriers.

Wanting to engage	Finding information	Understanding information	Making informed choices
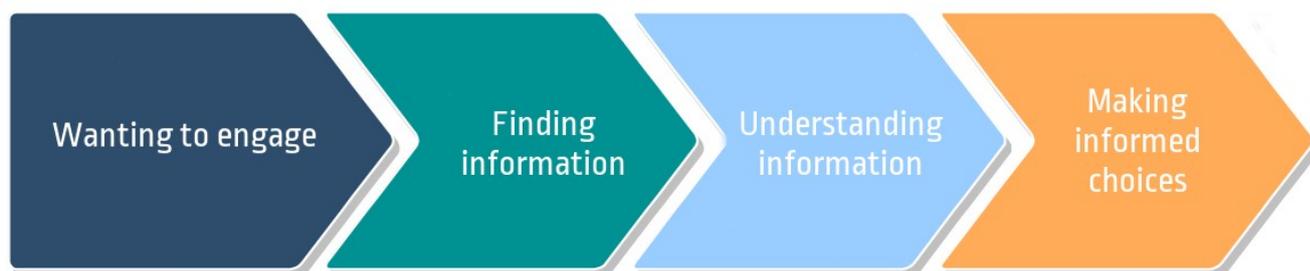
Step 1 Wanting to engage

Step 1 is to get consumers interested in planning for the future. While young people especially spend a lot of time dreaming about the future, we do not tend to put much thought into our retirement, even though this period may last for decades.

Around the world, most pension providers make large amounts of information available to consumers in multiple formats letters, brochures, websites, emails, and so on. But customers rarely do more than glance at this information. How can we get customers to pay attention?

t's important to design pension plans and communications that are attractive to customers (see Engagement Tricks). However, by far the best way to motivate people is to speak with them directly or via their peers.

Behavioural research shows that people are most receptive to new ideas when they can speak with a human in person. Peers are especially influential, since people are most likely to trust those they have known for a long time. In fact, people often make financial decisions based on what their peers are doing, rather than on the characteristics of their own portfolio.

Once people are interested in their pensions, they will be more likely to want to read or watch the brochures, websites, and videos that pension providers make available.

Problems	Engagement tricks
- We struggle to imagine the distant future - We think we have more time to save for retirement than we actually do - We underestimate how long we will live - Low incomes and high living costs mean that young people especially have little money to save - Lack of informal information—retirement is not widely discussed in society, even between parents and children	- Make pensions personal—tailor messages to individuals, not just personas - Use data intelligence to show people how their situation differs from that of their peers - Talk with people more about their intended standard of living, less about how much they will receive annually - Make pensions attractive and fun - Stimulate people's imagination about the distant future - Show the benefits of thinking long-term - Send a message that action is needed now - Use the right channels to "push" this message to target audiences in attractive ways - Leverage the power of peer influence

Best practice Smooth(ie) talking

BeFrank, a Dutch online pension provider, wanted to motivate their customers to use their website and app. They set up a stand in the foyer of several companies that are their customers.

To make it fun, BeFrank invited employees to step over a "threshold," a line on the floor that represented the mental threshold people need to overcome in order

to think about their pensions. They gave people advice and a free smoothie, and gave away a FitBit as a prize.

BeFrank report that the experiment was a success, as many customers (as many as 60%) logged into their accounts for the first time, learned to navigate their pension information, and received direct advice.

Step 2 Finding information

Caught your customers' attention? Great! Now, how do you ensure they can find the information they need? Creating a user-friendly media environment is one of the most difficult tasks that pensions providers face globally.

Pensions communications are high-volume and consumers receive them through multiple channels newsletters, annual reports, websites, mobile apps, videos, and many other media. Research shows that a high number of customers fail to find the pensions information they need.

In the Netherlands, legislation requires pensions communications to be layered in a format called "Pensions 1-2-3." Communications are broken up into three levels of complexity. When a customer joins a pensions provider, they are sent basic information about their pension plan. This is the first layer. The second and third layers contain more detailed and complex information, and customers can access this through multiple channels.

However, some researchers have found that this layering is not helping customers to find information. Researcher Louise Nell argues in her PhD thesis on Dutch consumers that the problem is not the layering itself, but that customers are struggling to navigate through the layers. She says that the menus and interfaces are generally not easy to use, and that consumers are given access to far too much information.

Each individual channel or media must provide a good user experience, and the entire multichannel environment needs to be designed with the customer journey in mind. It is also important to "push" information to consumers (bringing it to their attention through emails, social media, calls, and so on) rather than rely on them to "pull" it (making information available and expecting consumers to find it).

Problems	Engagement tricks
• Customers don't know where to find information • Customers know where to find information, but can't easily navigate menus • Navigation is well-designed, but customers don't understand the terms used • Information is provided through channels that customers don't use (e.g. paper, digital) • Media are not appealing to users	• One communications strategy for all channels and media • Easy to access channels, e.g. to log in • Great design for each channel / media • Great design for the entire customer journey • Different media and channels for different kinds of users • "Push" information as well as help customers to "pull" it • Centralize information so that people can find it and navigate back to it later • Limit information to help navigability

Centralization of information is one of the most promising ways to help people find information. Pension providers and other stakeholders around the world are investing heavily into dashboards, applications, and websites to aggregate information from different providers.

In the Netherlands, legislation mandates that pension providers upload customer data into the "Mijn Pensioen Overzicht" platform. More work is needed to ensure that platforms are as user-friendly as possible.

Neuromarketing research is also uncovering some great tricks − known as 'nudging'− to prompt people to find information. For example, APG in the Netherlands found that when their customers navigate their website, they are 71% more likely to click on a button if they are given two choices rather than one. Integrating these 'nudges' into platforms has the potential to increase engagement considerably.

Best practice LV= Pensions Village

UK-based pensions specialist LV took a visual storytelling approach to make their website more attractive and user-friendly. Previously, their pension information was located in several places, and was presented in a language that was quite technical.

The new website and app allow customers to navigate through a "village" using colourful illustrations and minimal text to help them easily find their way. All elements of the website are designed cohesively, including the calculators and videos. The "cost of delay" calculator is especially helpful as it shows customers directly why they must take action. Visitors can even play a "Pension Pilot" game to improve their familiarity with the village.

Step 3 Understanding information

If consumers are to make good decisions about their financial futures, they must have access to the right information. However, pension information usually contains a lot of technical information about finances and legal contracts. Even professionals struggle to understand this information. How can we help people to better understand the conditions of their pensions?

To solve this problem, we need to approach it from two angles

1. How to present pension information clearly and encourage customers to learn more
2. How customers' characteristics, especially financial literacy, affect their comprehension

Pensions communications need to use jargon-free language and present it in multiple formats such as text, infographics, and videos. They also need to make the customer an active participant in the process of finding and understanding information. The best information channels are exploratory learning environments that are tailored to the user's needs, and in which the customer has control over their own quest for understanding.

Digital innovations, such as personalized videos and apps, are especially promising to improve customer comprehension. When people can relate information to their own lives, they are more likely to rate it as important and invest the effort needed to understand it.

Problems	Engagement tricks
- Language used is too technical - Concepts are not clearly explained - Too much information is provided - Difficult for the customer to identify which information is relevant - Customer has insufficient financial knowledge - Customer has insufficient pension knowledge	- Use clear, concise language - Don't assume prior knowledge - Include only information that is directly relevant - Personalize information - Leverage digital technologies to provide relevant and up-to-date information - Give customers the choice of speaking with a human (chat, call, etc)

Best practice Personalized videos
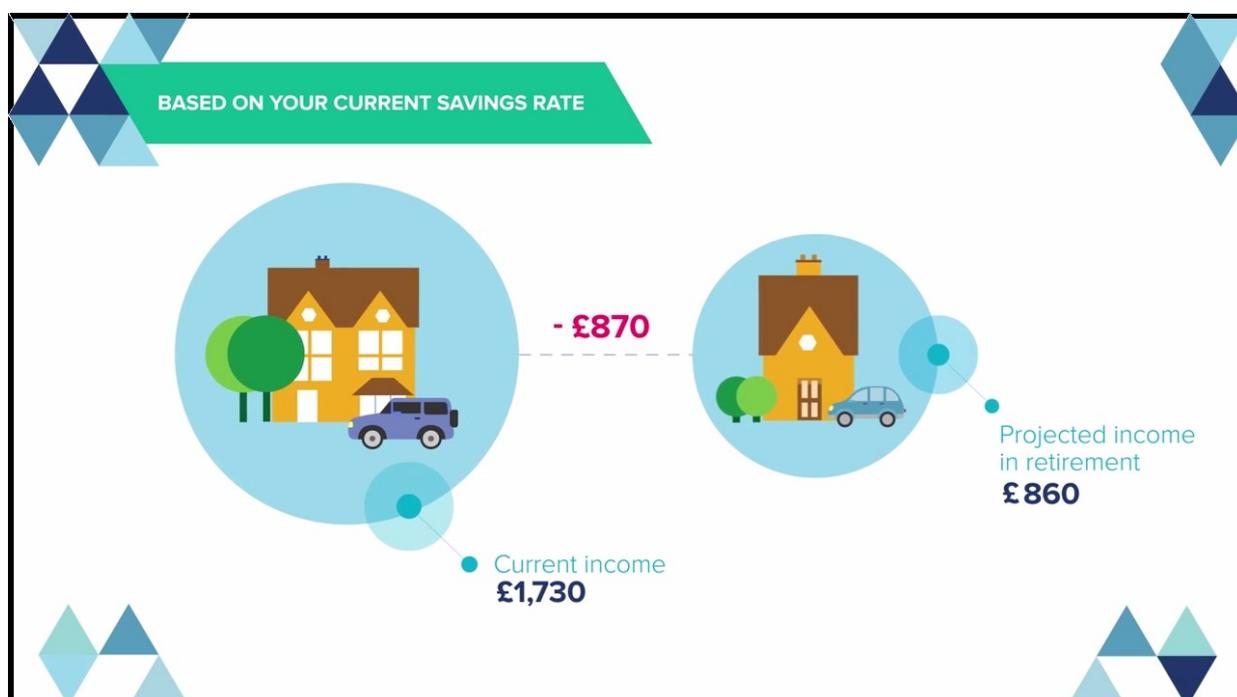
Mercer and DIGITAI combined behavioural science and digital innovation to create personalized videos about customers' pensions. The videos show an individual customer's current pension position and predict what their income will be when they retire. They clearly display the shortfall between the customer's current and expected retirement income, asking the viewer, "Are you comfortable with this position?" The viewer is then prompted to take action.

Step 4 Making informed choices

Once people understand their pension information, they are in a good position to choose wisely. However, problems can still occur to prevent the right choice from being made.

Behavioural research shows that people rarely make choices based on a rational consideration of the pros and cons of each option. Rather, they rely on heuristics ("rule of thumb"), past experiences, and often simply follow what other people are doing.

This is particularly true when people have more than two or three options to choose from. They quickly suffer from "decision fatigue" and either make a sub-optimal choice, or fail to make any choice at all, delaying their decision indefinitely.

Usually, when people join a pension plan, they are given a default "base" option and will need to "opt out" if they want to do something differently. It is important that the base choice people are given is relatively safe and preferably personalised to the customer's position, since many people will stick with what they were originally given.

Problems	Engagement tricks
• People make choices based on their past history and biases • People "follow the leader," doing what other people do rather than making their own balanced judgement • Too many choices leads to "decision fatigue" and people give up trying to choose • People make risky decisions because they are too optimistic or do not understand the risks • Risk aversion or loss aversion causes people to make suboptimal decisions	• Limit the amount of choices a person faces at any one time • Present the characteristics of each choice clearly and concisely • Don't overload people with information • Provide guidance to understanding the risks involved • Where appropriate, help people understand how to make good decisions (and avoid making bad ones) • Experiment with gamification to help make decisions fun rather than overwhelming

One major concern is that people make risky decisions due to being overly optimistic or not well-enough informed about possible market fluctuations. However, risk aversion and loss aversion can also negatively affect decision-making.

Generally, it is a good idea for people to act fairly conservatively when investing in their long-term future. But people are notoriously bad at understanding risk and will act more cautiously than they should, thus lowering their returns and inadvertently putting their retirement in jeopardy.

A worrying example of this tendency has arisen in Australia, where since the 1990s a large number of people put their superannuation in so-called "no risk" accounts that earned just a tiny amount of interest, far lower than the inflation rate, which means their pension balances dropped over the years.

How do we help people to make good choices? How much choice should people have? When should regulators step in to preserve the interest of individuals?

Pension providers can help people make good decisions by providing quality advice and helping them be aware of how *not* to make decisions. Robo-advice promises to help here, especially among younger or more technically-savvy users who are comfortable receiving advice from a non-human. Many people cannot afford to pay a human advisor, but can afford robo-advice, which is far cheaper or even free.

Best practice Robo-advice

London-based Swanest is a "do-it-yourself investing" service that aims to simplify wealth management. DIY investing is often time-consuming and difficult because it requires assessing several investment opportunities across different platforms. Swanest merges robo-advisor services with traditional brokerage to provide customer-centric guidance. Users can access risk-rated model portfolios and tailor their portfolios to their preferences. The site's algorithm allocates assets according to the investor's risk level.

Future directions

There's plenty we can do to improve the future for customers, businesses, and society at large. But where to start? The first step is to learn more about global best practices. Then we need to figure out how to best apply them in the national context and ensure they work well. Here are some ideas for future work.

Strategic research	Market analysis
Field research	Mixed methods research
Capacitation	UX research
Implementation	Financial diaries
Evaluation	Experiments

Global best practices how can pension providers learn from others?

The world is undergoing a shift from collective to individual pension schemes. Some countries, such as Australia and the USA, went through this transformation decades ago. What can we learn from them? Which innovative engagement practices are appropriate for each market? We can help pension providers to improve their engagement by advising which global best practices fit with local market and cultural conditions.

Digital innovation current state and future possibilities

Pensiontech and insurtech innovations can help consumers manage their pensions and make better decisions. Aggregators, apps, dashboards, and automated advice are especially promising, but these technologies are very new. What is likely to be possible for consumers in the next 5-10 years? To find out, we need to scan and analyze pensiontech and Insurtech initiatives, compare them with research on consumer behaviour, and plot them in a model to produce a first assessment of feasibility.

Modelling change in pension behaviour

How is pension behaviour likely to change in the next 5-10 years, given all of the changes in pension plans and the technologies used to manage them? Modelling change is complex market features, economics, technologies, regulations, cultural differences and human behaviour all need to be taken into account in order to predict future behaviour. We specialize in creating models of change that synthesize all kinds of qualitative and quantitative information.

Testing & implementing best practices

The first step in effective implementation is solid testing with customers. Agile testing with different market segments allows us to rapidly identify problems with new engagement tools and practices, improve them, and re-test them. Implementation involves bringing these tools and practices to market and training customer engagement professionals in using them effectively.

Further reading

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Making Strategy Work is a pragmatic consultancy firm focused on the insurance and pension sector. It was founded in 2011 by Stephan Linnenbank. Our goal is to leverage our passion for insurance and pensions to bring about changes for our customers. Thanks to our in-depth knowledge of the sector, we deliver added value and tangible results. Do not expect thick reports, but rather practical methodologies, to-the-point advice and targeted interventions.