Leveraging Data Analytics to Drive Engagement in Pensions

Abstract

Customers in the pensions space have traditionally had to wade through jargon and intricate plans. This, without a doubt, is an experience dampener. Moreover, following the UK government's auto-enrolment initiative, the member base of pension providers has expanded significantly but engagement is sorely lacking. This paper takes a look at how pension providers can dramatically improve engagement and build strong relationships with a robust analytics strategy.

The Current Pensions Landscape

UK pension providers are witnessing a surge in new members due to the auto-enrolment regulation. While this has increased the member base, it has diluted the quality of engagement between providers and members. Having been enrolled by their employers with no say in choosing the provider, many members are not completely aware of where their money is going. While some members would have activated or validated their accounts, they might remain unimpressed by the small balance in the fund, and if extrapolated, the rather poor retirement income. Also, most pension portals offer only basic features, further contributing to members' dissatisfaction.

Typically, members are unable to view all their pension pots at a single location and have to track multiple accounts through multiple providers. Tracking retirement savings therefore becomes a challenge, which further impacts their ability to effectively plan for the future. This makes it difficult to withdraw money as members try to consolidate pots whilst figuring out the best possible retirement outcome available.

Clearly, pension scheme members are a disengaged and dissatisfied lot despite some great work by a few digital-savvy pension providers. What pension providers must do is to establish innovative engagement models underpinned by digital technologies and a robust analytics framework. While the larger financial services landscape faced this problem years ago and has since successfully addressed these concerns, the pensions space has some work to do in this regard.

Building Innovative Engagement Models in Pensions

To improve engagement and bring in customer centricity in the pensions space, providers will need to leverage digital technologies and a robust analytics framework besides implementing digital innovations to drive traffic on portals. Achieving this will require focussing on some key aspects:

Gaining a 720-degree view

Pension providers must focus on gaining a 720-degree view of members to understand their individual expectations and needs. For this, in addition to the internal data available with them, providers can leverage social media platforms to obtain information on members' context and important life events. An advanced analytics framework can glean key insights from these data sources to help providers proactively reach out to members with advice and offers personalized to suit their individual contexts. For example, when members update their

LinkedIn profile about being promoted, pension providers can proactively contact them with advice on setting aside a part of their increased income for retirement savings. Detailed extrapolations showing the difference that an additional five percent contribution could make to their final retirement pot could have a huge sway over what members do with their newly acquired income. Such contextual advice will go a long way in driving engagement and improving experience.

Protecting personal data

With the General Data Protection Regulation (GDPR) coming into force, pension providers must adopt measures to protect the personal data of their members to avoid massive punitive damages. Providers must obtain members' consent to utilize their data (social data as well as data residing on internal systems) and for the right reasons. Given the swathes of data now available, security is of paramount importance. Pension providers must adopt cloud services to gain the necessary scalability, resilience and security required..

Implementing Digital Enhancements to Drive Engagement

Pension portals do not require members to come in regularly, and often members drift away; one way of holding their attention is to engage with them through digital channels. A greater understanding of how members prefer to engage — for instance, mobile or desktop — will help pension providers to appropriately model their engagement strategies and incorporate the right digital capabilities. Millennial members, for instance, may prefer self-service options to human interactions; pension provides must therefore look at injecting operational enhancements such as gamification and AI-driven robochat to facilitate engagement and drive member actions.

Gamification

Given that retirement is a distant event, members are typically not interested in saving for it today. Providers can use gaming techniques to introduce an element of fun and motivate members to increase contributions. Gamification techniques can be leveraged to set tasks for individual members with appropriate rewards for completing them; however, care should be taken to personalize the task as well as the reward to grab the member's attention. For example, if social analytics indicates that a member regularly visits Starbucks for coffee, free coffee can be offered for increasing pension contribution. This can be extended to all members, making mass personalization a reality in the pensions space.

Providers can also leverage gamification techniques to introduce a feature that allows members to define their post retirement lifestyle and contrast it with the lifestyle they would be able to afford based on an extrapolation of their current retirement pot. For example, if a member is currently living in a large house, has multiple luxury vehicles, and takes two or three foreign holidays a year. And suppose an extrapolation of their current retirement fund balance indicates that post retirement, they may have to give up exotic holidays and luxury vehicles and move to a studio apartment, it may spur them to save more for retirement. This would improve RoI from the analytics framework by ensuring that the insights gained are utilized to create better outcomes for both members and providers.

Robochat

Robochat can be leveraged to address member queries and improve outcomes. Currently, many pension providers offer support only during business hours but this model must change. Chatbots can be deployed to offer round-the-clock support operations as opposed to expensive human resources working unsocial hours. With a knowledge base of information that can be tapped into, these robots can 'learn' appropriate responses to address the most frequent queries. The knowledge base and the responses provided by robots should be managed by human operators to ensure a 'human' touch.

Digital financial wellness platforms

Research has found that poor financial wellness impacts the productivity of employees and leads to absenteeism. Employers are increasingly looking at retirement plans that include a financial wellness program to demonstrate their concern for employees' financial wellbeing. Retirement fund providers must launch digital financial wellness platforms to address members' personal finance issues and increase engagement. Currently, financial planning is often delivered through tedious and lengthy questionnaires that are off-putting for members.
To change this, pension providers can employ robots to analyze members' spending habits by connecting through Open Banking platforms and leveraging insights gained to provide financial recommendations.

We believe that digital enhancements will significantly improve engagement in the pensions space by giving members a clearer understanding of their future lives; ultimately, this will lead to members being driven to regularly contributing to their pension pots.

Looking Ahead

While auto-enrolment has excelled in enrolling people into pension schemes, it hasn't yet created an environment where people proactively plan and save for their retirement. Pension funds can be accessed only in the distant future when members turn 55, and this typically leads to a high degree of disinterest in the present. Most people are not saving enough for retirement, and in our view, pension providers must proactively start pointing this out to members. We believe that engagement is a vital precondition to making such proactive action a norm in the pensions space. Engaged members will reap multiple benefits:

- Holistic view of their needs and visualization of their future financial state
- Greater understanding of how pension schemes work and how the accumulated money can be best utilized post retirement
- Easier verification facilitating quick access to their retirement pot due to an existing relationship

Pension providers too stand to benefit:

- Reduced verification queries and a fall in operational roadblocks such as returned post as a result of members not updating their details.
- Cross-selling opportunities spanning change in members' investment choices or buying additional products.
- Increased contributions could potentially lead to a rise in fee income while pushing up total assets under management (AUM).

Going forward, data analytics will lead the way in driving engagement in the pensions space. To gain a competitive edge and stay ahead of the curve, pension providers must build digital engagement models built on robust analytics frameworks.

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