Platform Ecosystem in the Pensions Industry: Competing and Collaborating to Unlock Greater Value

Abstract

Globally pension providers are moving from being foes to friends with insuretechs and fintechs that have emerged on the horizon in the past decade or so. And rightly so – businesses across industries are realizing that it is no longer profitable to stick to their core products alone or make products at the cheapest price. Addressing member needs holistically, forging personalized connections, and building a brand that they can connect with and look up to at the same time matters more. Pension providers are now warming up to platform ecosystem plays to partner with cross-industry firms and third-party providers to deliver better customer outcomes under a single unified platform. The capabilities of each entity in the platform, be they internal or external, are harnessed to build a collaborative ecosystem, which, in turn, will help derive better offerings with differentiated features for customers. The power of a platform ecosystem lies not in the product(s), but in the experiences it delivers. Release of uncaptured value from ecosystems will shape the future of decentralized production for pension providers in times to come.

This paper explores why platform ecosystems are the need of the hour for pension providers, and how they can enable next-generation pension systems through functions such as payroll integration and identification and authentication services for members, facilitating quick transfers among different pension providers, and helping mitigate fraud by leveraging document verification tools.

The case for platform ecosystems in the pensions industry

Digital business is all about making consumers' lives easier with interactions at the core of any platform. For pension providers, this means expanding their horizons beyond offering core retirement services to providing an interconnected set of services that make for an integrated customer experience. It's about fulfilling myriad member needs leveraging an ecosystem of partners/third-party providers (TPPs) without customers having to leave a primary financial institution's portal.

The main driver of a platform ecosystem in the pensions industry are the tech-savvy members who demand personalized services from their providers. Their demands can be fulfilled by integrating with TPPs with the power of APIs after thorough due diligence of these providers.

The other main driver for platform ecosystems is the pressing need for the pensions industry to increase profitability amid intense competition by identifying new and unique revenue opportunities. This requires a move away from a "product-push" sales mentality to proactive "needs-driven" solution offerings that put the member at the front and center of everything – from product to placement, pricing, operations and even supply chain. Digital customer experience expectations set by non-financial organizations such as Google, Amazon, Facebook, Apple, etc., are further pushing pension providers to digitally transform their cores, the UI design and overall experience.

The ecosystem approach helps all participants to hit the ground running from day one – without having to invest the time and costs in building the capabilities (applications, infrastructure, talent, etc.) to succeed in-house. It also helps them adopt a fail-fast approach to test several ideas and approaches before identifying the ones that resonate with their target audiences. Pension providers are banking on advanced analytics and digital technology advancements, including APIs, artificial intelligence (AI), voice-based digital assistants, Internet of Things (IoT), and more to help them set up and leverage a platform ecosystem to ensure profitability and find purpose. Let's deep dive into four key areas where a platform ecosystem approach holds enormous potential for pension providers.

Challenges faced by members, employers and pension providers

Today in the pensions industry, a lot of challenges are faced by members, employers and pension providers.

If a member submit requests to their pension providers for withdrawal or transfer of funds from their pension pots, there is a huge turnaround time due to the authentication procedures undertaken by the pension providers. This leads to a lot of frustration amongst members, thereby leading to increased calls to pension provider helpline numbers.

The other challenge faced by the pensions industry is the occurrence of frauds, wherein the imposter tries to act like a member and withdraws the hard-earned pensions money of a member by producing fraudulent documents as identification proof and walking away with the member's money. Hence pension providers are contemplating leveraging intelligence tools to gauge the authenticity of the documents provided by members.

From the employers' standpoint, they spend a lot of time uploading the payroll files manually and also deducting contributions from members' salaries and sending them to pension providers. Instead this could be outsourced to payroll integrators, who not only automate the payroll processing but also send the contribution deductions to pension providers. This can save a lot of time of employers, who can rather spend their time and energy on their core businesses.

Exploring ecosystem models in payroll, identification & authentication, transfers & document verification via APIs

Pension providers can participate and contribute in third-party ecosystems by leveraging other partners' capabilities to enhance their customer experience, without having to build infrastructure and capabilities in-house. By embracing an open API architecture, these firms can instead partner with TPPs, facilitating the rapid integration (plug-and-play) of their own and fintechs'/TPPs' service offerings

For instance, AXA Singapore has also launched an insurance-as-a-service API to make it easier for digital channels to integrate their products.

1. Payroll Integration

Typically employers spend a lot of time and energy in sharing their employees' data with pension providers manually for contribution deductions. This can easily be automated by way of payroll integration. Payroll integration implies automated movement of employee data to pension providers for contribution deductions. This integration is essential to increase the productivity of employers, thereby reducing time wastage due to manual uploads, leading them to concentrate on their core. It can also help pension providers stay ahead of their competition by providing employers with plug-and-play data integration solutions, where the data can seamlessly flow in both directions from employers or payroll firms to the pension providers and vice versa. If employees make any changes to the pension providers' websites to edit their contribution rates, etc., that gets reflected seamlessly into the employer or the payroll's records with the help of APIs.

2. Identification & Bank Account Verification

When members submit requests to withdraw funds from their pension pots, the pension provider does some authentication checks to verify the authenticity of the member and also does the bank account verification of the members before transferring the funds to them. The authentication step is mandatory since the pension provider needs to be sure about a member's identity and the authenticity of his or her bank account before handing over the retirement proceeds to the member. This leads to the enhanced turnaround time for the entire process of withdrawing/ transferring funds, thereby leading to members' frustration and a rise in the number of calls to the providers for updates on their withdrawal/transfer requests.

In order to do these verifications, insurance providers can enter into tie ups with authentication services providers instead of initiating the verification procedure from scratch by themselves. Their systems can be integrated with the service providers' tools with the power of APIs. For instance, Experian gives the ability to provide electronic authentication decisions in real-time without the need for paper-based proofs, which contributes to achievement of the required end-to-end processing times and customer outcomes. The advantages are abundantly clear: faster verification for members, while for pension providers, less time spent on verification means more time to understand members' needs, provide a better experience and engage in strategic initiatives.

3. Transfers between Pension Providers/Annuity Providers

In cases where a member wants to transfer pension funds from one pension provider to another or to an annuity provider, either to consolidate their pension funds or to start an annuity - typically such transfers take a lot of time. In order to save members' time to facilitate these transfers from one provider to another, pension providers can take help from TPPs providing transfer services with the power of APIs.

Pension providers have understood that in order to survive in today's competitive environment and to improve their member outcomes, they have to provide services at an exponential speed to members. There is no tolerance for delays in processes, be they withdrawals from the member's pension pot or transfer to other pension/annuity providers. Hence there is a need to explore ecosystems in the market to reduce the turnaround time for transfer-related activities. Pension providers can get into tie-ups with the TPP, providing these services rather than doing the transfer from scratch. This will ensure that the consolidation of members' pension pots can be achieved in a short time span.

For instance, Origo Transfer Service can help facilitate these transfers among pension providers or annuity providers with a considerably lower turnaround time and less paperwork hassle by simplifying the re-registration process. It provides a fast, secure business-to-business exchange of data between ceding and receiving schemes. Origo has been an industry leader in providing the service for transfers and has been specifically designed to make it easier to transfer pension benefits between schemes. This enables a reduction in completion times for pension transfers across the industry, and smoother communication between organisations by providing both schemes with detailed contact points, real-time messaging, MI and paperless processing.

4. Document Verification

Typically pension providers require members to share their identification proofs, etc., in case they want to withdraw/transfer funds, make updates (address change, contribution rate change, etc.) to their existing pension accounts. In some cases, members are asked to upload their ID proofs and send them digitally. In such cases, a lot of frauds have been noticed. Therefore, in order to avoid any fraud, it becomes imperative that pension providers authenticate these documents via an AI-enabled identity document verification tool. There has been a considerable rise in online transactions due to COVID-19, thereby leading to a rise in fraudulent

transactions, too, wherein fraudsters have been uploading fake ID cards to either withdraw money from accounts or for such other transactions. An AI-enabled document verification tool can help identify the fake documents by checking the pixel change and font change. Typically, government-issued ID cards come with holograms and if these are missing or tampered with in the documents submitted, can be easily gauged by these ID verification tools. For instance, Shufti Pro's ID document verification tool can help identify a member's identity easily using a passport, driving license or identity card by simply uploading a photo of the document from the member's computer or by taking a photo of the ID and sending it via mobile phone. Pension providers can integrate these third-party ID verification tools with the help of APIs, easilty verify the identity of members, and proceed with their transactions.

Ecosystem play – why 'buy and not build' is the new winning proposition

Across industries, ecosystems represent an attractive opportunity for boosting profit margins and ensuring sustainable and lucrative business outcomes, without heavy upfront investment. Given the otherwise shrinking returns, there is now widespread acceptance that ecosystems will be the harbinger of the next level of growth for the industry. The partnership approach that thrives on the "buy, not build" mindset will unlock value for every ecosystem stakeholder, and most importantly for consumers. However, success within ecosystems differs vastly from that in a traditional company. It requires paying attention to ecosystem governance, security, technology, customer management, performance monitoring, etc. Pension providers must devise ways to address the threats and capture the opportunities ecosystems present to be able to thrive profitably in the future. They need to gear up to build open architecture, which is API-powered and enables data exchange.

About The Author

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