Original Article

Don't just stand there – Panic!

Received (in revised form): 4th July 2011

Matt Frost

is a Director of SHILLING focused on the management and growth of the business and as a Consultant leading strategic tailored communication projects for many large organisations. SHILLING has wide experience in creating and implementing communication strategies for pension schemes in both the United Kingdom and Ireland. It provides a full range of communication services including copywriting, creative design, multimedia development, personalisation and segmentation, and integrated project management.

ABSTRACT By communicating in an effective, personalised and engaging manner, the pensions industry should aim to restore a national culture of saving.

Pensions (2011) **16**, 206–211. doi:10.1057/pm.2011.16

Keywords: engagement; communication; auto-enrolment; nudge; technology; personalisation

INTRODUCTION

Political theorists and academics enjoy playing philosophical games, endlessly debating the dilemmas of whether or not the State should intervene in individuals' lives, of paternalism versus libertarianism, of rights versus choices, 'nudges' and more. And recently they have applied these games to pension design.

In reality, however, there are more immediate and practical concerns for those who are facing retirement, for many of which the prospects are unwelcome ...

In 2010, we saw 'the number of people working beyond the age of 65 increasing at the fastest rate since records began as thousands of pensioners attempt to boost their income in retirement'.¹

... more than 40% of the UK's population will run out of retirement income by the age of 85, while 11% will exhaust their funds by 70.²

People in the UK are saving less than at any time in the past 40 years, according to the Office for National Statistics (ONS).³

... two-thirds of people aged under 30 and working are not saving for a pension.⁴

There is no doubt that through the media, both public and professionals have become acutely aware of the looming retirement finance crisis. This is clearly going to be one of the biggest problems for our economy and society. And if analysts are right, then the situation will only deteriorate unless the nation's attitude towards long-term savings changes dramatically. Unfortunately there is a growing cohort of people who simply are not thinking about pensions and where their retirement income will come from. And much of the failure derives by poor or inadequate communication about the issues.

Many years ago, pension communication was simpler and did not require the same level of thought. There was a paternalistic approach by employers, and communication focused on telling Defined Benefit (DB) members how fortunate they were. These former ways of thinking about communications work less well in this new world of austerity, of challenging issues and competitive demands, where the responsibility to save, and the risk involved in saving, is mostly being transferred to the employee. And few employees are equipped, perhaps because of other pressing concerns such as earning a living or managing their lives, means they have little time or expertise to respond to the confusing array of complex choices ...

Correspondence: Matt Frost,
Shilling Communication, Liss Mill, Mill Road, Liss, Hampshire, GU33 7BD
E-mail: matt.frost@shilling.co.uk

Some 15 per cent of FTSE 100 companies with DC schemes have less than 20% take-up rates.⁵

... three times as many 18–29 year olds did not understand the choices and options open to them, compared with those aged 30+.⁶

In practice most employees either do not understand what they need to do (and especially why they need to do it) or feel intimidated by the need to make decisions, and prefer to turn their minds to other things.

But most people are, however by and large, able to understand their pension scheme when it is communicated in a fair and reasonable manner. In addition in the United Kingdom, the obligations imposed by auto-enrolment in 2012 offer an opportunity for the industry to inject positivity and energy into how pensions and retirement saving is perceived. There appears to be a renewed sense of anticipation in the pensions industry, recognising the value of auto-enrolment and willing the initiative to succeed.

For some companies, auto-enrolment and the NEST facility offers the opportunity for a 'bounce' in communications, using the mass media coverage of NEST to increase the profile of pensions for employees as an 'ideal vehicle to save'. Many industry experts, while accepting that auto-enrolment is generally beneficial, are doubtful about its eventual effectiveness. It may, however, be a 'passive good'; it may for example benefit those who might not otherwise have joined the existing in-house scheme. It is still unknown, however, whether it will make them more alert and active in the issues around saving at sufficient levels to ensure a reasonable retirement income, whatever their salary.

The introduction of auto-enrolment may therefore need to be coupled with auto-escalation and other policy initiatives to bring savings onto the public agenda, rather as seat-belt wearing was in the 1980s, smoking in the 1990s and obesity is now.

DEEPER FOCUS ON MEMBER BEHAVIOUR

Many recognise the origin of techniques such as auto-enrolment in the school of 'nudging'

behavioural finance; it has become a cornerstone of public pensions policy. It requires irrational people (all of us) to make rationally economic decisions, when not all behaviour is purely economically driven. Nudging might work to change superficial behaviour and prevent a national retirement savings disaster, but in itself it will not actually change the public's understanding and personal engagement with the subject. Even if nudging policy is successful, it is going to take 10 times longer to have a broad effect; 20–30 years when something may be needed that takes 2–3 years.

More effective is a joined-up, multi-channel communications approach – using different media such as face-to-face communications, online services, print, tv, advertising and societal commentary, to implant a national savings culture for the new century. A population used to the paternalistic social welfare environment of the United Kingdom will have to take increasing levels of personal responsibility for their own futures.

In practice few communicators and pension managers have researched and understood why their members do not save, feel they cannot save, or avoid the complexity of decision making, that kit may be increasingly unacceptable for pension scheme trustees and sponsoring companies to say 'we gave them a scheme booklet, but they didn't seem to want to join ...'

It has been argued⁷ that the industry's belief (or fear) that pensions are boring will make them boring to its audience. And it is clear that 'pensions' are challenging (which bores some); they are complex and they expect the individual to have a degree of comfort with making decisions for which the outcome is unknown for up to 30 or 40 years. Few people are comfortable with that time horizon.

But pensions can be expressed in alternative ways. Having a reasonably good standard of living in retirement is not boring; and being able to live well and safely is not boring. In the other hand poverty is boring and even worse adversely affects people and society.

The notion of having free time and money to do what you want is attractive in itself, therefore

it may be better when communicating to avoid the 'p word', along with other retirement jargon such as annuities and other terminology that mean little to many of us.

SIMPLE TIPS, EFFECTIVE RESULTS

There may be five simple approaches to adopt when communicating with employees or members about retirement provision. This is in addition to the obvious nostrums of effective communication, such as 'keep it simple' and 'avoid jargon.'

Be real, not aspirational

Young people now entering employment are less driven by money than by other factors; while they still want it and like it, the aspiration for higher pay may not be the driving force that inspired many of the older generations such as Gen X or the Baby Boomers. Nowadays, money may be more of a means to enjoy a lifestyle. Younger employees who are offered lifestyle options may become more engaged than simply by being offered money.⁸

Google and other IT companies were the first to appreciate how work and lifestyle matter to Gen Y, but now similar approaches are being taken by many companies in the United Kingdom. For example:

Procter and Gamble has already adapted its recruitment efforts and what it offers to meet the needs of Generation Y. Instead of just stressing higher salaries, this international company is highlighting the opportunity for flexible hours, the chance to work from home, the offer of up to a year of 'family leave' to look after children or elderly parents, and the promise of regular three-month sabbaticals. Similar packages are being offered by companies across Britain.⁹

Gen Y believes that it no longer needs years in retirement and thousands of pounds to travel the world. They will take a month off to backpack around the Far East any time – at 25, 35 or 50, because they want to and they are fit and free enough to do it. They thereby achieve their aspirations earlier in life and are not engaged by the message 'wait for retirement to enjoy xyz'.

In addition, the younger generation are over-optimistic (as are most people) about the future.⁶ First, they do not believe that things will ever be quite as bad as they could get, particularly in terms of financial security, job prospects and the long-term future. 'I'll be fine, I'll win the lottery one day', or 'I'll marry someone rich' may be more common strategies for the management of personal futures. This romantic mindset may have been less common in earlier generations, although they may have relied on an equally misplaced optimism (supported by government, unions and employers, so based on reasonable assumptions) that 'I'll be alright – the corporation/company will look after me'.

Second, and of much greater concern, younger people tend to underestimate their life expectancy broadly by around 5 years, which means they do not consider they need to fund as much pension as they actually do.⁶

To encourage people to save for retirement it may be best to address upfront any such unwarranted optimism. This is achievable less by showing them pictures of suspiciously healthy pensioners clad in white linen, skipping across the white sands of a tropical beach, or by using aspirational headlines and images to market the pension scheme, than by using cold hard shocks¹⁰ – to reflect the reality that saving for retirement may not be easy, but is necessary for survival later in life. False optimism and lack of interest clearly need to be overcome and communications now need to be more direct.

Finally, communications need to address the fact that pensions are only part of the overall savings pot. The average pensioners' income is changing and with new awareness of personal financial options, people will mix and match their savings vehicles. But the communications may still not convey the amounts necessary to give comfort in retirement.

Build trust

Similarly, many communicators consider that all that is needed is to sell the idea of pensions, using marketing techniques. In reality, most people are quick to see through this and if they are suspicious of the corporate big business feel

of that approach, they may fail to engage. A recent national survey (commissioned from YouGov by SHILLING) looked at people's attitude and beliefs towards personal saving. It found that only 5 per cent of employees felt that their employer influences them at all when making financial decisions, and this falls to just 2 per cent for the under 30s. It clearly identified that nowadays people are more influenced by media and family than employer relationships.

If there is no other information available for them to honestly trust, many people rely on what friends and family, the media and random strangers (*archetypal taxicab man*) tell them. If there is a vacuum of communication (that is employers do not engage), members will get their information from somewhere, either coming to their own conclusion or trusting their mate in the pub or talking to their taxi-driver.

To build trust, messages need to be real and factual, not confusing, and not repeating hoary corporate-speak. The messages also need to be honest and transparent to stand any chance of people believing in them enough to take effective action. Accordingly, instead of sending out traditional compliance-driven scheme booklets to its new recruits, it may be better simply to issue a summary leaflet. This avoids the unnecessary details that someone who's young and excited about joining a new company does not care about – but helps them focus on what is important. Messages like 'I am too young to think about retiring' or 'I'd struggle to find that much to save each month' are honest questions, and a leaflet can provide helpful answers. Couple that with a USB stick, and it can link through to a scheme website so a user has easy and quick access to more information if they want it.

Use technology wisely

In 2012 if you are lucky enough to attend an Olympic event in London you will book your tickets at www.london2012.com, plan your trip using www.tfl.gov.uk, park at your local station and pay by mobile phone (www.ringgo.co.uk) or wave your contactless credit card over the parking meter. Your Oyster card now covers national rail and gets you to East London, where

the weather is sunny. You knew this by checking your phone's weather app on the train while listening to streaming music via a service like Spotify. If you come from further afield, you use an e-ticket for air travel and check out a good hotel using TripAdvisor. After the day's events at the Velodrome, of which you uploaded tagged photos to your social networking site, you enjoy a meal at a new restaurant with friends, which you found and booked by using Google Local Search, then emailing them the location. If you fancy watching a film, you can buy tickets by phone and download a 2D barcode to your mobile, which lets you in. You are confident you can afford it because your bank always sends you an electronic alert when you are nearing your limit.

When you get home, you find a dirty, crumpled envelope on the doormat. It's your replacement annual pension benefit statement, which you asked for 1 month ago because the first one never arrived. It is Friday night, so you put it aside till Monday, when you can call the administrators (09: 15–16:30, weekdays only) to ask them the questions you always need to ask.

Communication needs to engage and provoke action or decision-making and, given recent advances in technology and media, most people also expect it to be 'on demand' – which is why the out of date crumpled statement doesn't work.

To counteract this an FTSE 100 company has designed a simple system to help employees make pension decisions making best use of cheap and simple modern technology. A personalised email lands in a member's inbox, which explains in one sentence the invitation to join a scheme. The employee clicks on a link, completes the validation process, and makes his decision online (there is additional explanatory information if further research is needed). There is an on-screen confirmation and a confirmation email. The pensions team and local payroll are automatically notified. If no decision is made the employee receives polite but increasingly frequent email reminders week by week until the deadline is past.

People value highly sophisticated technology like this because it enhances their lifestyle and

values, which matters far more to us than the possibility of using an iPhone app to plot a pension fund.

Personalisation and segmentation

We now live in a world of choice where decisions and information are constantly flowing and many of us are forced to make hundreds of decisions a day. Some estimates suggest that we receive between 300 and 3000 messages a day (adverts, radio, TV, internet, email and so on). To manage this expansion in the number of messages most of us have refined how we make decisions. If it is not quick and easy to do it will be left for another day, in other words never. To resolve this, many organisations – and not just commercial ones – use personalisation as a tool.

A downside of harnessing the power of personalisation, as the direct marketing industry is increasingly aware, is that the process can be intrusive and fail to empower. For example a badly worded letter that says ‘Dear Frost Mrs Matthew, you have been selected for our free solar panel offer – apply before December 2009’ may prove to be annoyingly intrusive, insulting and ineffectual for the recipient. More effective might be the use of phrases such as ‘Dear Matt, if you had joined the pension scheme last year, you’d have saved an extra £360 through company contributions’. Such a personalisation may engage at a different, tangible, personal level. Similarly, ‘Dear Matt, because you didn’t join the pension scheme last year, you have LOST £360’ might be even more effective.

Personalisation has a lot to do with the 2012 scenario used above – where clever technology makes a difference and improves lives. Peer comparison websites and social networking are popular because they cover issues that matter to people. But in practice how likely are people to look at myPensionFacebook?

TIAA-CREF, an industry-wide pension scheme for US teachers, has an excellent and lively Facebook page with over 15 000 participants. But they have 3.6 million members, therefore there may be an issue.¹¹ At the same time this does not necessarily mean the power of social networking should be avoided, although it

is important to recognise that it is not a magic bullet for communication. People are quick to see through attempts by corporations to hijack their social networks for selling or indoctrination. Personalised communication is more difficult and can be more expensive than broadcast communication, but it can be far more effective. It allows the individual to cut through a decision-rich, overloaded world of choice which can paralyse decision-making. It enables people to make good, current choices, not necessarily having to become economists or pension experts overnight.

Personalisation also means more than simply adding data onto documents, which has been available for many years. Real personalisation means using data and information available on each member to send focussed communication that will add value to their life. By segmenting the audience – for instance into members paying at the default level and members paying more, into under 30s and over 50s – it is possible to achieve a clearer, more useful picture of the members. Communication no longer needs to be sent *en masse*; the system can avoid telling 25-year-olds about their retirement options and, instead, strip back the irrelevant information and send out targeted messages to specific groups.

This will allow people to engage with the communication on a personal level; they realise that the trustee or employer is actually trying to help them with the decisions they need to make. This will give the communication added credibility and start to build engagement.

Australian experience may be helpful. The approach taken by SunSuper and others in Australia has been to refine their approach to segmentation to increase engagement significantly over the past 2–3 years. Using the normal member data, they created engagement profiles for each member: dormant – not paying contributions, active – paying contributions, engaged – doing more than paying basic contributions and finally on-track – picking up regular advice, making 3-year plans, following through on their savings commitments and/or getting involved nearer to retirement. They aim to move members step by step from dormant to

on-track through every interaction – whether online, by paper or on the phone. Coupled with a simple age profile of under 40 or over 40, this gave their communications a direct and relevant edge that seems rare.

The process needs to make it easy for people to make their decisions quickly and simply. Few have the desire or capacity to digest the detailed ins and outs of a scheme. The employer needs to react to where the employees are and how they communicate and spend their time. And it is important to restrain the use of technology and social networking and not employ it simply because it is new and attractive. There must be a purpose and strategy for how to use each channel and medium.

Counter short-term thinking

Saving has never been easy, but in a credit culture, while personal borrowing levels may have fallen slightly, there is clearly still a strong ethos of 'have it now'. Saving for retirement goes against the grain for many, especially younger, people. The belief of unaffordability ('I cannot save') will need to be overcome to enable people to save confidently. In practice people are quick to stop or reduce their contributions if they feel they cannot afford them but they struggle to understand how to save better. Messages that explain how saving can be increased and the true value of long-term investment need to be clear, simple, explicit and repeated.

It might be helpful to encourage and then reinforce positive behaviours using more immediate feedback. Members could be encouraged to focus on 3- or 5-year targets instead of retirement (which could be 40 years away). They could be set simple saving targets – like £100 a month, 10 per cent of salary or even achievable investment returns appropriate for their stage of life. And they could be issued 'well done' messages when they achieve their targets or words of praise to boost the confidence of those that actively get involved.

A NEW WAY FORWARD

Many communication specialists are trying to explore new strategies for successful

communication. The five principles above may be a useful starting point; these can be summarised as follows:

- Be real, not aspirational.
- Build trust. People need to believe what they are told.
- Use technology wisely and not simply because it is available; it should be used only if it makes communication easier to understand or helps individuals make better decisions.
- Personalise and segment so that people only receive information relevant to them.
- Everyone needs help (because they are human) to counter short-term thinking and make good decisions.

Member communication and engagement is only part of the solution; all stakeholders need to rebuild trust and confidence in long-term personal saving, and this will only happen if Government and industry initiatives are working together. There needs to be intelligent scheme design and products that facilitate savings in all kinds of ways, both short and long term.

REFERENCES AND NOTES

- 1 *The Telegraph*. (2010) 11 August 2010, <http://www.telegraph.co.uk/finance/personalfinance/pensions/7939296/Number-of-people-working-beyond-65-soars.html>.
- 2 Lincoln Financial Group survey quoted in 'Reality Shock' by Standard Life, March 2010.
- 3 BBC News website, quoting ONS, 04 August 2010, <http://news.bbc.co.uk/1/hi/uk/8608935.stm>.
- 4 BBC News website, <http://www.bbc.co.uk/news/10449790>.
- 5 *HR Magazine*. (2010) 25 February 2010, <http://www.hr-magazine.co.uk/news/986512/Employers-average-maximum-contribution-defined-contribution-pension-schemes-rises-165-salary/>.
- 6 Private YouGov survey commissioned by SHILLING, October 2010.
- 7 Franklin, V. (2010) Pensions insight. 7 October 2010, <http://www.pensions-insight.co.uk/story.asp?storyCode=461274>.
- 8 *Bloomberg Business Week*. (2009) Motivating Gen Ys in a downturn. 9 June.
- 9 *The Guardian*. (2008) 25 May 2008, <http://www.guardian.co.uk/money/2008/may/25/workandcareers.worklifebalance?INTCMP=SRCH>.
- 10 Thaler, R.H. and Sunstein, C.R. (2009) *Nudges*. Penguin Books: London, England, pp. 36–37.
- 11 <http://www.facebook.com/tiaa-cref>.