ENGAGE EMPLOYEES TO TAKE ACTION AND VALUE THEIR BENEFITS

IMPROVING FINANCIAL OUTCOMES THROUGH THE MERGER OF BEHAVIOURAL ECONOMICS AND DIGITAL INNOVATION

If we want to improve outcomes, we need to merge the insights of behavioural science with the tools of 21st-century technology.

Traditional pension communications were based on the premise that people act rationally — if we educate, they will save more and invest wisely. More recently, this has been supplemented by behavioural solutions, such as Automatic Enrolment in the UK, Superannuation Guarantee in Australia, and Save More Tomorrow in the US — all in an attempt to improve levels of participation.

However, not all decisions can be automated and it is apparent that “automated” employees do not save as much or value their benefits as highly. There is still a need to engage employees to help secure good financial outcomes and to achieve return on the significant investment by employers.

The challenge of improving financial decisions is rooted in three distinct factors: engagement, education, and empowerment. Behavioural science now understands the problem of how and why consumers make financial decisions. Two main behavioural insights — personalisation and timing — can dramatically improve the impact of financial communication.

Using this knowledge along with advances in technology that enable mass personalisation, we have the solutions to solve this problem.

ENGAGEMENT

Engaging the audience — grabbing a share of its scarce attention — and then getting individuals to remember and act on the content have never been harder. The amount of daily two-way communication by people has risen from the equivalent of two newspaper pages in 1986 to 20 entire newspapers by 2010.

By personalising the content and timing of our interventions, we can grab people’s attention and improve their financial behaviour in important ways.

IN AN AGE OF TOO MUCH INFORMATION AND NOT ENOUGH ATTENTION, WE NEED TO PERSONALISE THE MESSAGE, CONTENT, AND TIMING OF INTERVENTION.

TIMING, EDUCATION, AND EMPOWERMENT

Traditional forms of financial education have failed to improve financial decision-making.

But what explains this failure?

The evidence suggests the problem has its root in information and choice overload and the delay between intervention and behaviour. By making relevant information available at the right moment — eliminating the delay between outreach and decision — we can increase the impact of financial education. The lesson is that the right timing makes it easier to make the right choice, resulting in people doing the "right" thing.

WHEN IT COMES TO EFFECTIVE FINANCIAL EDUCATION, TIMING IS A CRITICAL COMPONENT OF SUCCESS.

CALL TO ACTION EXAMPLES

Save More Tomorrow works because it asks people to commit to a future savings increase.

Use the "fresh start" bias and communicate in the month of birth or in the new year.

Ensure any seminars have built in the opportunity to take action within the seminar.

WE NEED TO MAKE IT AS EASY AS POSSIBLE FOR PEOPLE TO CONVERT THEIR GOOD INTENTIONS INTO CONCRETE ACTIONS.

THE OPPORTUNITY

The principles of personalisation and effective timing can be applied across a variety of technology platforms and communication channels; this can be as simple as personalised texts or as sophisticated as personalised videos.

We have worked with behavioural scientists to understand and solve the problem. Through collaboration with Digitai™, founded by Professor Shlomo Benartzi we have built a framework and toolkits to deliver communications campaigns that will dramatically improve engagement in defined contribution pensions.

FIND OUT MORE

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www.mercer.ie/personalised-pension-videos.html

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