What's next?
A closer look at Pension Technology and its impact on communication innovation

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Customer Communications

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Foreword

Developing pension engagement opportunities could transform the industry and its members' retirement outcomes

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The pensions industry continues to experience unprecedented change in a climate of uncertainty. Developing member interest and an understanding of retirement benefits — through engagement and awareness — are critical.

Emerging technologies will allow members to better manage their pensions through integrated and automated communication channels. These opportunities will create personalised experiences by engaging members and providing interactive self-service tools for stronger financial planning and decision making.

Although opportunities are limitless, adopting new technologies is challenging. Legalities and governance of technology within a heavily regulated industry can create barriers and slow down the speed of innovation. Re-platforming legacy core systems is also costly and complex. Creating an agile ecosystem that can integrate a series of new interventions will avoid providers building a next legacy system.

Despite its capabilities, scheme providers cannot invest in technology alone. The balance of technical and human capabilities allows for the design of user-orientated and 'best in class' communications. These solutions need to be underpinned by rich data and machine learning artificial intelligence (AI) — bringing together behaviour science with technology; ensuring content and delivery is always relevant for a stronger return on investment.

As disruptive technologies pave the way for new member solutions, the member landscape itself is changing. Next-generation members will coexist alongside a rapidly growing aging population who are living longer in retirement. This growing intergenerational spread creates further pressure on providers to meet a widening and diverse set of differentiated member needs.

This is both an exciting and challenging time for the pensions industry and its members.

The Pensions Industry:
Scale and change

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Communication innovation could turn the pension challenge of scale and change on its head

The pensions industry is underpinned by scale and change. Scaling through widening intergenerational members living longer in retirement and changing demographic behaviours, government policies and reforms.

As socioeconomics evolve, communication technology must serve scheme providers with a suite of agile, modular and heterogeneous solutions. These solutions should be capable of integrating cross-platforms and operating systems, including legacy software, where required.

The next step in this journey is for pension providers to consider how to strategically align with these changing dynamics, while also overcoming today's challenge of member disengagement and pressure to reduce operating costs of running schemes.

To put this into context, providers should consider the following areas for combining engagement and efficiency:

• Centralising the management of incoming and outgoing member communications through one core platform for a closed-loop and joined-up communication management approach.

• Consolidating multiple data sources.

• Connecting with all user devices and social media platforms.

• Integrating and blending physical and digital media.

• Applying machine learning behaviour analytics to automate communication decisions in the moment.

• Utilising communication data to personalise marketing campaigns, with improved response rates.

• Resilient models for service continuity and security of personal member data.

With over 34 million pension consumers and more than £2 trillion of assets, the sector is overwhelmingly continuing to change
(Financial Conduct Authority, UK)

The Pensions Landscape:
Scale and change

34 million
pension consumers

+£2 trillion
of assets

In 2017, **1 in 5** people in the UK were **aged 65 or over**.
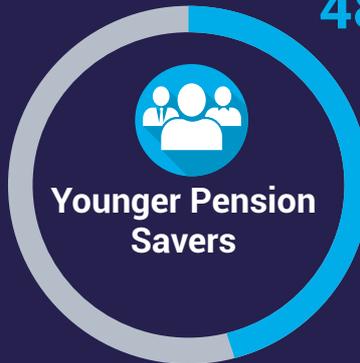
By 2037, this aging retirement demographic is expected to reach **1 in 4**

Automated Technology

48% of younger generation pension savers would use automated technology services, increasing to 60% for Generation Z workers.

48%
Younger Pension Savers

60%
Generation Z Workers

Employee Updates

Almost **45% of employees** say they are uncertain if they receive an annual update from their scheme provider

Workplace Schemes

By 2030, it is estimated that workplace Deferred Contribution schemes will have grown **five-fold since 2015**

Aged 85+
fastest growing demographic in UK

Pension Technology as a competitive advantage

Pension Technology (Pen Tech) has the potential to transform the industry for all parties who make up the landscape: pension scheme members, trustees, sponsors, financial advisors, regulators and policymakers

Many pension providers are only just beginning to answer the question of how disruptive technologies will innovate their sector and bring about substantial challenge and opportunity. In the context of communication and engagement, technology will aid pension providers by giving them the ability to personalise and tailor messages, while providing automated and real-time service support in ways that pension holders have come to expect from other sectors. This places more demand on pension suppliers to create seamless experiences on demand.

Digital barriers at industry level:

Why has the pensions industry, until recently, been seen to have lagged behind more innovative sectors?

- Industry **traditionalism and culture**.
- **Legacy systems** with complex coding, lacking interoperability, and disparate systems.

- **Mandatory policy legislation** has taken priority over more creative and innovative projects.
- A previous lack of demand for digital services by traditional pension consumers.

More than 54% of employees do not know the size of their pension value according to research by the PLSA (Pensions & Lifetime Savings Association)
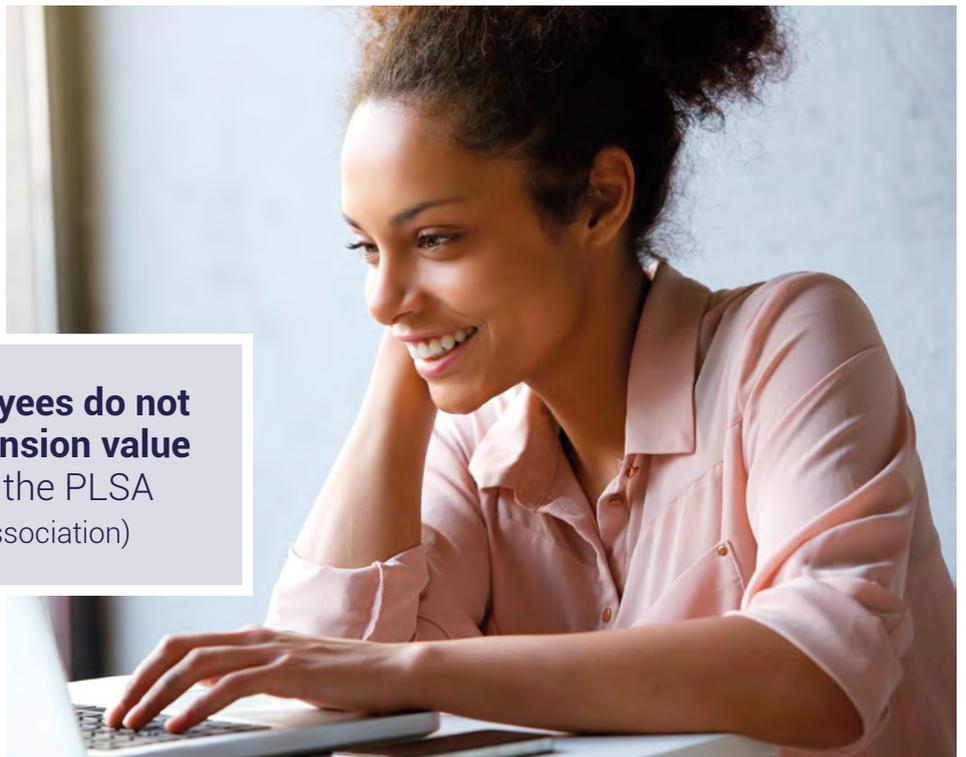
The impact of technology on pension communications

Digital innovation has the potential to transform the pensions market — engaging members with tailored content and personalised messaging; reaching anyone, anywhere and anytime

+80%

Employer Schemes
Employers recognise pension communication as a key investment

Pension communications in a post-digital world will demand:

- Multi-channel delivery.
- Self-serve functionality.
- Real-time and on-demand communication access.
- Interactive and visual content.
- Personalised content and tailored messaging.
- Transparency and clearer understanding of pensions and how they work.
- Language driven engagement to remove pension engagement barriers.

Technology-enabled solutions:

- Digital Inbound mailroom and outbound communication — on one single platform for interoperability and automated outcomes.
- Robo-advisor pension services.
- Blending online and offline channels — adaptation to achieve stronger digital adoption rates.
- Digital and biometric authentication and removal of wet signatures.
- Automated data tools to assess behaviours and needs.

- Secure and seamless regulatory mailings.
- Digital Customer Experience (DCX) strategies that reduce barriers and accessibility experiences.
- Infographic and video communications, alongside existing channels, will help to educate consumers through informed decision making at the right time.
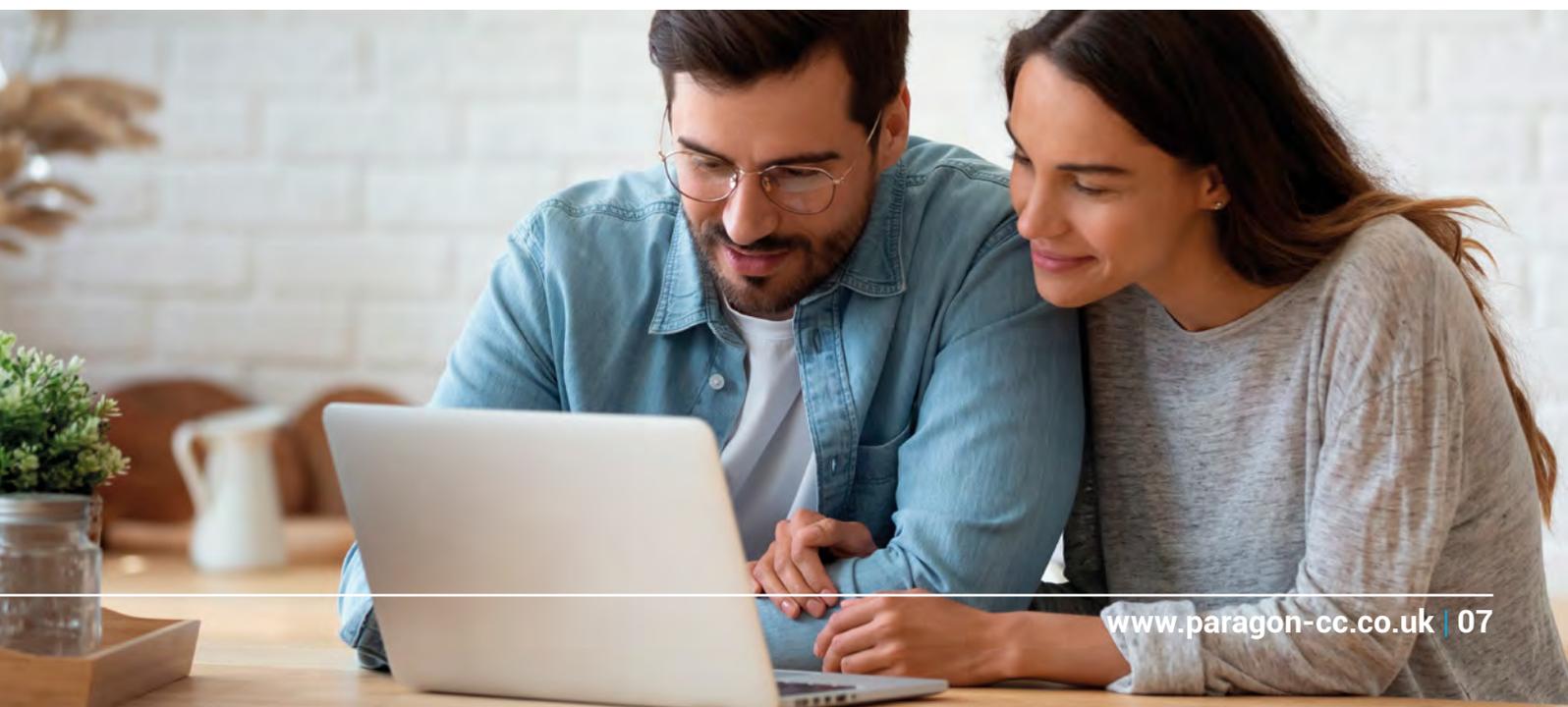
Blending digital and non-digital communications

Email first? Investor first?

Digital Printing

As digital innovation increases, pension firms must consider how they take paper on this journey.

Traditional paper remains a vital channel of communication. Digital is changing the way that we print, but it has not eroded paper communication in the way early digital change agents advocated.

Faster and more effective ways to deliver secure regulatory mailings are critical in the print process, as well as addressing ESG policies to record and offset carbon emissions in the process.

Furthermore, as email traffic overwhelms inboxes and trust with online solutions remains a concern, the value through targeted paper messages will remain a critical channel of delivery.

Trustworthiness and tangibility can be important features for pensions, because investment products are intangible and have lower frequency engagement from providers historically.

Digital Online Communication

Communicating in real-time and on-demand with pension investors will continue to grow in line with increasing consumer expectations.

Investor interactions will help providers tailor and personalise targeted messaging.

Infographic and video communications can help educate on products, while interactive communications can assist investors to engage with what the outcome would be if they choose different pension investment options.

Video and interactive channels can assist with complex processes, such as bereavement processes.

As the digital landscape evolves, so too will research into disruptive technologies and next-generation innovative communication, including AI, User Interface, Voice and chatbots.

ONE Platform

As providers come to understand that pension channels will not necessarily replace one channel with another, they will learn to use cross-channel sales and communication management technology by overlapping traditional and modern media. For example, combining paper with augmented reality options, personalised URLs (PURLS) and paper instructions that contain a link to walkthrough information via online tutorial videos for auditory communication preferences.

In equal measure, physical incoming postage can trigger automated receipt of instruction via any channel: paper, SMS or email.

Overall, blended multi-channel communications

can enhance pension interactions, increase levels of understanding and incrementally lead to stronger digital adoption in the future.

Digital inbound and outbound opportunities can also be brought together to optimise delivery in communications overall.

'Screen versus paper' reading research continues to promote the benefits of a multi-channel approach. As such, complicated information tends to be processed more effectively by people when reading from paper than online. Yet, cognitively, our brains process visual images 60,000 times faster than text when we need to understand or clarify something.

Investor profiles – intergenerational demographics

New Workforce Entrants

Younger generation employees are more engaged with digital services compared to older generations, but far less engaged with pensions. They are also increasingly more likely to enter the market at a later stage in life than those generations before them. Yet, due to the shifting increase in life expectancy in developed countries around the world, ensuring that members have sufficient savings throughout retirement is crucial.

Aging Population Retirees

Developed countries have large aging populations that are projected to continue growing, due to a fall in birth rates and an increase in life expectancy. Aging populations are far more engaged in their pensions, but less likely to fully utilise online services compared to younger generations. However, in a post-pandemic environment, online engagement could continue to accelerate across all demographics.
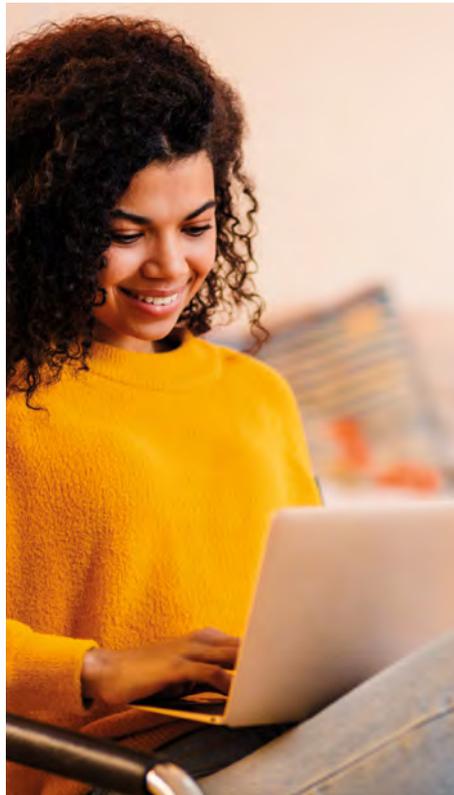

The Hybrid Pension Contributors

Generation X and Xennials are the broadly spread hybrid investors. They will often overlap between the needs of the generations before and after them. Their needs require more technology-enabled services to determine how appropriate engagement, content and channels should all come together in the moment of delivery through automation and AI.

What drives individual communication preference?

Aging populations online

Aging populations (those 65 and over) are less likely to adopt new digital pension services compared with younger generations. However, pension providers must avoid segmenting based on age or generation demographic alone. Background, employment status and history, accessibility, trust in online security, acceleration factors during COVID and, simply, personal preference are all influential adoption factors.

Younger Generation Expectations

Younger generations have the lowest engagement rates with pension products and services, and are far more likely to enter the market later in life, than those generations before them. Building brand trust with new digital interactions that are engaging and interesting is a critical requirement for the sector.

Contextual Needs

In the savings sector, consumer vulnerability remains a key focus, due to the large aging demographic in this market. As vulnerability is fluid and contextualised, preferences, changes and demands need to be quickly and easily adaptable for consumers as they move through different life stages and events. For example, as pension consumers enter and move through the aging process and later life stages, their needs and interactions will change. Barriers in this sector must be addressed with an outside-in and empathetically designed approach. Adopting digital services by this segment is an early step in the digital journey.

Cross-digital pension journeys

Platform services continue to change the pensions industry. Self-initiated pension growth from online platforms and consortium-backed Open platform initiatives for intra-industry scale creates significant opportunities at an exciting time

Using these platforms to drive engagement and stronger decision-making through effective digital communications will leverage stronger outcomes for members in later life stages.

Pension Schemes Bill — Dashboard

Legislation framework will support pension dashboards – a digital interface that enables people to view their consolidated pensions under a single-view platform.

This will provide exciting new experiences and opportunities for the industry, as well as connecting lost pensions with investors and re-engaging consumer members.

Over £400m is sitting in pension schemes that people have lost.

According to UK research, the average person has 11 jobs in their working lifetime. This potentially means having 11 schemes to keep track of.

Self-Serve Membership

Self-serve functionality is anticipated to become a core daily part of pension services, based on trends in other sectors. This includes the ability to view pension information on demand and in real-time from a user's digital device.

As self-invested pension products have grown, the expectation to self-service continues to be in demand.

Self-serve software will need to be linked and interoperable with provider technology and workflow systems, for on-demand access.

The global Self Service Technology Market is anticipated to reach a valuation of $56.8 billion by 2026.

D2C Platforms - Private Pensions

Since their introduction in 1989, self-invested personal pension (SIPP) wrappers have increased with self-service online investment platforms.

Further opportunity exists through international SIPPs for expatriation growth of non-residents in the UK, as well as pan-European Personal Pension products for worker mobility across member countries.

As interactions with self-invested pensions increase in today's investment platform market, engagement through social media platforms is an integral channel for reaching target audiences.

Three take-aways

01 Research tells us that member engagement is low. Limited knowledge leads to weaker decision-making, resulting in members putting off incorporating pensions into their financial planning. **Leveraging technology to drive engagement and awareness across all member groups will create pension growth at earlier stages in the pension journey.**

02 Digital user experience (UX) roadmaps must be defined and adapted for the intergenerational spread across pension members. As younger cohorts demand new technologies at their fingertips and aging populations utilise digital services as they move through the aging process and its challenges, the right UX design will need to be implemented. **Digital consultancy and preparing for demographic change in advance are critical parts of a Digital CX strategy.**

03 The pensions industry is faced with conflicting and growing objectives: pressure to reduce costs across operating models, overcoming the challenge of core legacy systems, complying with changing regulations, driving member engagement and improving outcomes, innovating through emerging technologies and addressing cybercrime and climate change concerns. At the same time, providers are navigating in challenging times of uncertainty. **Outsourcing non-core functional activity helps providers prioritise their objectives by seeking technical and human expertise externally for cost-effective and streamlined solutions under ONE platform.**
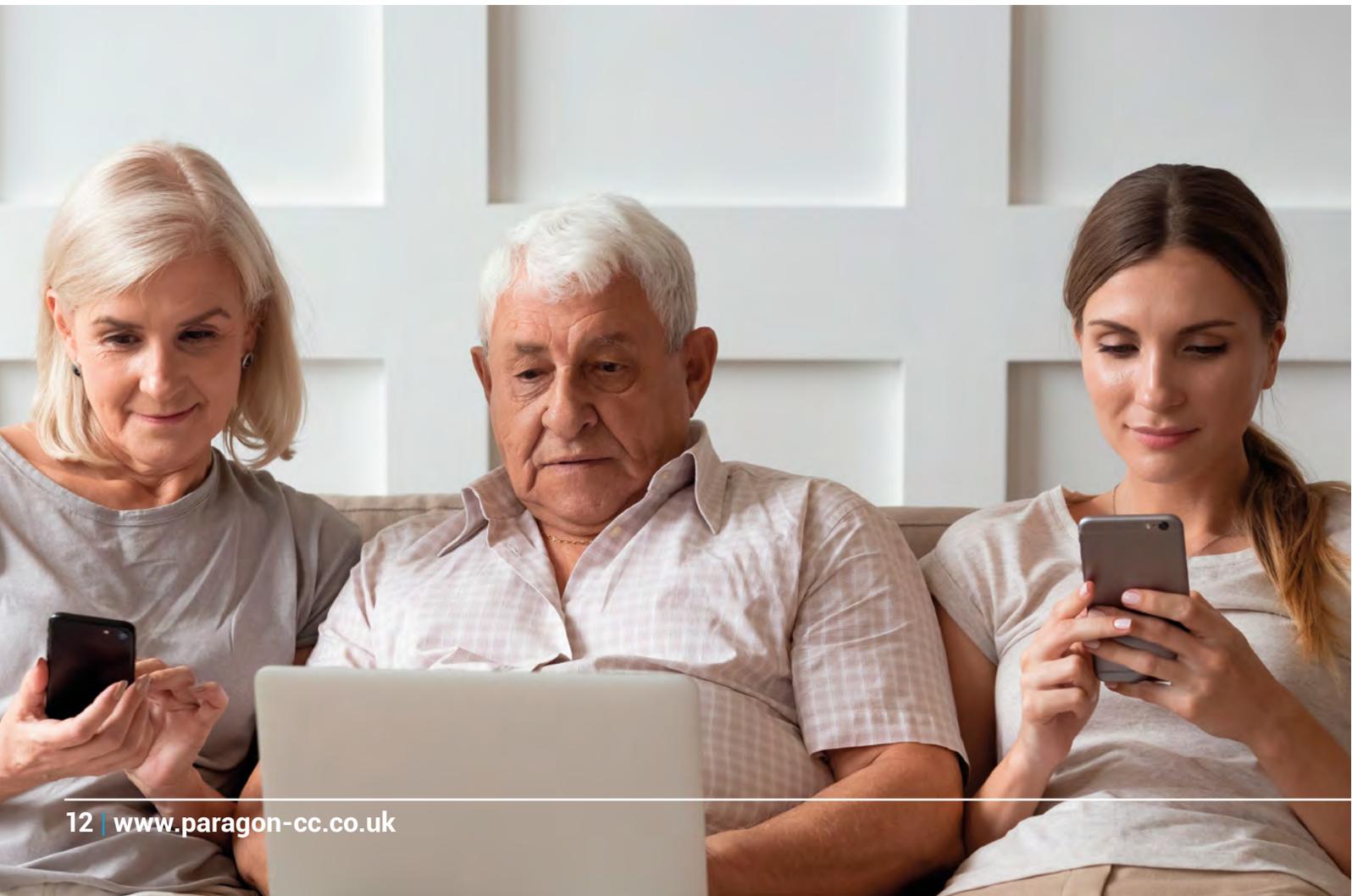
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Customer Communications

We offer a complete communications solution.

Paragon Customer Communications (PCC) works diligently to connect our clients with their customers across every channel. This is achieved through expertise, technical solutions and extensive, multi channel delivery capabilities. We develop these areas and future-proof our solutions to ensure our proposition is aligned to our clients' ambitions.

Our solutions support all stages of the customer communications journey, whether our clients need data-driven customer engagement, multichannel marketing, transactional communications, or automated inbound communication workflows. We are behind the scenes helping clients to transform how they operate, digitising their customer journeys and experiences that deliver better outcomes.

Paragon DCX brings together services from our four agency and consulting businesses — Celerity, Despark, ORM and Parkhouse. Together they offer clients three core capabilities: Data & analytics, creative communications & experience, and technology & automation.

Through these capabilities we offer deep strategic value, engaging throughout our clients' businesses to bring together marketing and business operations.

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