

The key to unlocking your potential

Summary Points

- § The impact of Super Choice legislation on industry and superannuation funds.
- § The need to rethink the place of education in your marketing strategy.
- § Using super education to meet generational expectations and to retain and attract members.

The Super Choice legislation has created fundamental changes in the way superannuation funds provide services to their members and communicate with them.

While superannuation funds are adjusting slowly to the impact Super Choice will have on them, for those funds that have not, time will be running out.

The Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2003 introduced a fundamental shift in the ability of members to select funds that are most suited to their financial and retirement needs.

Clearly, the impact of choice in the superannuation market has a direct bearing on issues such as the cost of fees on members' superannuation investments, fund historical returns and relative cost and effectiveness of offered investment strategies.

Now funds must come to terms with the fact that superannuation investment decisions will be made by members based on other criteria, which may be more or less hidden. These 'soft' decisions may have a hard impact on those funds that have not implemented a comprehensive super education strategy.

ASIC recognises the importance of super education

The ASIC Super Choice booklet outlines some of these considerations in its advice to employees.

ASIC suggests prospective fund members first examine the following aspects of each eligible fund:

- Death and disability insurance and premiums for cover
- Investment strategies offered by funds
- Objectives of the offered investment strategies
- Fund features and services

It is the last point that is of most interest in this article.

The notion of 'fund features and services' covers a multitude of meanings, some of which easily become invisible in the thinking of fund managers and administrators. There are two elements that should immediately be considered under this point:

- How member friendly is the fund?
- How well does the fund educate its members?

These are the questions that many funds have yet to consider properly and address in their current strategies.

Funds who fail to educate their members about superannuation will find they are losing out to the funds that understand the importance of super education in their member relationships.

The value of super education

Using super education to compete for members

Funds must now achieve two objectives: first, they must compete for members; second, they must compete to retain them.

It is important to be clear on one thing: good super education strategy is not a matter of a scatter gun approach. It involves careful strategic design and a willingness to redesign the way funds interact with their members online, in print, on the telephone and in person.

In other words, the education strategy put in place by a fund must drive every other aspect of its relationship with its members.

This approach cuts across the prevailing wisdom amongst superannuation fund managers. Traditionally, subject matter experts (SMEs) such as Legal and Compliance officers, have dictated the manner and content of such communication with a fund's members. The marketing department has then been recruited to develop a means of disseminating the information and, more often than not, cross-selling investment strategies to fund members.

This type of strategy is not driven by members' needs for information, or the strategic need to develop a relationship with each member. It is an approach that is purely the product of compliance issues and fund marketing needs.

Old marketing strategies no longer work as well

In a restricted market, strategies like these have worked. Members were required to change funds as they changed employers and had little

choice in the matter of where their retirement savings were invested.

Now that these constraints have been stripped away, fund members are able to review their current funds against others and assess their performance, costs, estimated retirement benefits and, now this freedom is available, to assess how member friendly their current funds are.

This shift means that most funds must reassess their marketing and communication strategies for members and non-members alike. It is no longer appropriate to rely upon strategic methods that were developed in and adapted to the conditions of a more restricted market.

Funds must offer their members greater incentive to invest their retirement savings with them: this does not begin and end with the quality of the superannuation products offered to members, or with fund performance. It must extend to the strategic development of key relationships with members in order to retain them and, finally, to continue to grow in market share.

An effective super education strategy requires a reappraisal of the traditional approaches adopted by Legal and Compliance officers and marketing departments. It is not only concerned with fulfilling the legal and fiduciary requirements imposed on superannuation providers, or of marketing further products to existing members.

These two functions are increasingly taken for granted by superannuation investors. Instead, they will look for value added elements in their relationship with the fund in which they invest their superannuation contributions.

The importance of recognising Generations X and Y

The expectations of superannuation investors, to some extent, are driven by the generational expectations that dominate key market segments such as the Baby Boomer, Gen X and Gen Y markets.

It is already easy to identify those funds that have assessed changes in the superannuation market in these terms and to identify the strategic changes they have implemented in order to add value to their member relationships.

Among the most obvious changes is the creation of an enhanced online presence. Generations X and Y expect the majority of their interactions to be Internet based. Funds that have not developed comprehensive education portals and effective online member communication tools will be ignored by these superannuation investors. Their expectation is to find a comprehensive set of resources online and if one fund cannot provide this, another will.

This has begun to have a dramatic impact on the shape of the superannuation market. A clear division has emerged between top tier managed funds providers, whose members typically belong to the wealthiest segment of the Baby Boomer market, and those funds competing for the superannuation investments of middle to low income earners.

It is this second tier of the superannuation market that will feel the most immediate impact of needing to make strategic realignments in their member strategies.

The value of super education

While the preference for the Baby Boomer market segment may be for printed materials and the more personal interaction that can be provided by telephone, Generations X and Y demand a more sophisticated Internet based response.

What all three generation market segments have in common is the demand for more information that is developed and presented with the members' needs foremost. To answer this need requires a more sophisticated super education strategy than most funds have in place.

Funds concerned with improving the average balance of superannuation investments in their funds by attracting higher net worth members will find they struggle to do so until they have comprehensive super education and member relationship strategies in place.

This consideration is important if you pause to consider the Australian Bureau of Statistics estimates that the number of Australians aged 65 years and over will increase from 2.4 million in 2004 to between 7 and 9 million people in 2051. By then, a little more than a quarter of Australians will not be contributing to superannuation investment but drawing all, or part, of their income from it.

Not only does this mean retiring Baby Boomers will be more specific about what they want from their superannuation fund providers, but the new members who will replace these non-contributing fund members must be found.

Super education and value added member relationships

The key features of value added member relationships focus on the need to provide clear and

comprehensive information to members.

These features include elements such as allowing a greater degree of member autonomy over access to required information. This may be achieved in several ways such as through the use of:

- a strategic commitment to the process of member education and a clear understanding of its importance in the widened superannuation investment market.
- comprehensive suites of online calculators to allow members to ascertain information based on their current financial position.
- clearly delivered information regarding Government provisions such as the Spouse Rebate, Superannuation Guarantee Levy and other key initiatives that will allow members to understand their superannuation investment and how to maximise it.
- a regular newsletter to members that informs them of changes to any superannuation fund provisions as well as to services provided by the fund.
- a well developed Internet presence that allows members the choice of contact with their fund via telephone, in print or online.
- enquiry forms that allow members to make contact

with the fund for follow up by a fund adviser.

- dedicated education portals on the fund web site to facilitate members', or prospective members', gathering of information.
- a responsive call centre strategy for meeting the needs of members as the initial or follow up contact with the superannuation fund.
- a strategic bench marking process against competitor funds to ensure that all education strategies continue to meet best practice standards.
- the promotion of a meaningful member relationship that is not driven solely by compliance or marketing needs.

Without a sustained relationship with members in the Generation X and Y segments, funds cannot expect to ride the next wave of superannuation investment once the Baby Boomer generation has moved into retirement.

The importance of an enhanced Internet presence

Superannuation funds that cannot allow Gen X and Y, in particular, to do their research online will be less likely to attract their business because they have failed to anticipate and respond to the needs of these generational markets.

While it may be of some comfort to certain segments of the superannuation market that they still hold large superannuation investment

The value of super education

reserves from the Baby Boomer market, this is a narrowing market base. It must be replaced by cultivating new and more responsive education and marketing strategies that are cognisant of the demands being made of superannuation funds by Generations X and Y.

To date, this is certainly not the approach that has been adopted by the majority of superannuation funds within Australia.

A survey of the major industry and superannuation funds within Australia conducted by Wood Brown & Company in the first quarter of 2006 showed that, at best, the education strategies implemented by most funds are uneven in the information covered for members and, at worst, are non-existent.

Superannuation funds must now face and give serious strategic thought to the need to develop a more effective Internet presence. Generations X and Y, the market segments that are most demanding in terms of Internet capability, are the least forgiving when businesses cannot provide it. Superannuation funds that have not yet understood the need to attract more members from these market segments will find themselves least likely to develop their fund membership.

Rethinking the relationship between super education and market share

Superannuation funds and their managers in particular must become more member focused and begin to understand the future cost to their funds of a failure to do so. This is particularly important in terms of understanding the ramifications of the Internet expectations of those members of the work force who are under 40.

It is no longer sufficient to assume that a minimum investment in education services that provide only the most cursory information services to members will attract younger members. To make this error is to misunderstand the way in which the Internet has profoundly altered the general patterns of learning and development and introduced a key flexibility in member relationships that gives members a greater degree of control over what they wish to access and how they wish to contact funds.

The ability to easily and rapidly respond to market shifts, to tailor information delivery and the patterns of member interaction to specific markets is the great virtue of a sound online education strategy. This allows a more responsive marketing strategy to be developed by individual superannuation funds that will help them to attract a greater percentage of high net worth members under 40.

This is because of the valuable cross-selling that can be generated via a well developed and supported education strategy.

While the focus of any education strategy must remain on members—it is not simply another clever way to sell superannuation and investment products—it will allow marketing to focus on the development of products that are more responsive in terms of their scope and delivery to the needs of fund members.

A strong superannuation education strategy may lead to the ability to micro-manage member relationships, thereby making funds more responsive to their current and prospective members' needs.

This, in turn, will attract greater superannuation investment as members begin to understand that individual funds are capable of

meeting their individual expectations in what has now become a choice driven market.

To discuss your super education needs, or to review your fund's current member education strategy, please contact Wood Brown & Company on our website at www.wbco.com.au or telephone:

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