The future of super fund marketing

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Super Funds have a technical heritage, but tomorrow's competitive environment will require them to become true marketing organisations to survive and prosper.

This paper covers what I believe funds need to consider and pursue to become true marketing organisations and to prepare their brands for the tougher times ahead. The examples I give are by no means exhaustive and I do take positions on a range of issues to hopefully make for a much more dynamic debate.

BACKGROUNDING THE CHANGING ENVIRONMENT

Choice of fund

With Choice the initial jostling for position and member movement has settled. But now more and more employers are offering open choice, which is shifting the decision-making power to employees. Funds will therefore need to focus more and more marketing effort on consumers (members) in the future.

Consolidation

There is still talk about a second "post-licencing" round of super fund consolidation. But if funds have competitive returns, competitive fees (recognising the low elasticity of demand in super and that scale can be achieved through pooled structures), a strong brand in their niche, and a Board that is keen to continue on, then why would not they survive and prosper?

Short of some major adverse industry event (e.g. a market crash or worldwide recession to shake member confidence to such a degree that they start questioning the security of their money with smaller funds) or specific regulatory intervention to force super fund consolidation, all but the smallest of funds are likely to live on.

Administrators

A number of administrators continue to run older legacy systems. These systems are built for high-volume processing and are very good at it. But they may not cope with new demands such as unit pricing, asset-based fees, data warehousing and trigger-point marketing, just to name a few.

Change is generally too slow and costly on these systems and some big calls on systems investment need to be made soon by these administrators or some funds will have difficulty competing in the near future. There is a dichotomy in requirement between administrators that want standardisation to control costs and funds that want tailoring. Certain older, high-volume systems are simply not flexible enough and Funds need differentiation for member benefit and competitive reasons.

Much of the problem comes down to funding. Administrators have been squeezed on price for so long – and many have not invested in the infrastructure required. But the root cause is on both sides – administrators should have been putting up stronger business cases for systems investment and funds should have taken a longer-term view of cost in the business relationship.

The administration required in the future will cost more than it does now and funds will ultimately have to pay for it and review their revenue structures to fund it.

Fee increases versus services

Most profit-for-member funds are starting from a very low fee base. Funds will need more revenue in the future to fund new and improved services and initiatives. Some funds have increased fees anywhere from 20–50 per cent in one hit with barely a blip on the radar of members. But given funds' core reason for being (member benefits over the long-term) they must balance the services required by members with the impact of fees on their long-term account balances.

Members notice poor service more than small increases in fees. Illustrating this, let's say your call centre provides poor service or you are unable to provide financial advice to members who want it (when they want it), this will have a far more adverse impact on your brand than will a small increase in fees. A small increase in fees can have a large impact on fund revenue:

100,000 members x 20 cents per week = $1 million per annum

These additional funds can be channelled into increased administration flexibility and better advice and education for members.

Distribution

The structural reality is that financial planners are running businesses, must put food on their table and are highly unlikely to recommend funds that don't lead to any income.

In my view, fee-for-service financial planning is therefore unlikely to thrive. When given the choice of paying $1000 now out of their own pocket or out of "profits" over time for advice most members will take the later to defer the expense. Funds not using planners as a distribution channel therefore need to consider how to effectively compete on brand rather than direct selling. It is very difficult for a brand in a low-involvement, technical category (like super) to compete against personal selling. Personal selling will often beat brand alone as super is perceived as complex – and many will think "I just want someone to tell me what to do".

If you distribute directly, your brand must work extra hard to win and retain members. And as people become more familiar with super generally, brand will become increasingly important – especially as more and more people are likely to be given open choice on change of employment.

Increased competition

More product and service development will ironically create more confusion and complexity and drive members to find someone to "just tell them what to do".

Do not however underestimate the power of simplicity with your product and services if you want to market with brand rather than through a distribution channel. More funds will simultaneously realise the value of brand and increase their investments in it – but in doing so they will increase the level of marketing noise in the market, making it even more difficult to build their brands. The marketing bar will consequently continue to move higher so funds will have to be extremely relevant and targeted in their marketing to be effective.

GETTING INSIDE THE HEADS OF MEMBERS

Ageing members and higher account balances mean members will become more interested in their super, which means more of them will want financial advice (as they recognise there is a problem a gap between where they want to be and where they actually will be at retirement).

Rating agencies and the media will continue to focus on shorter-term returns, which will continue to foster member focus in the same area.

Will more members want returns info more regularly than monthly? Will this force you to go down the unitisaton route? Will more members chase returns resulting in greater member churn?

Member loyalty

Do not think that high member retention rates mean that all your members are truly loyal to your fund. Broadly speaking, there is two types of loyalty:

1. *Brand loyalty* – they know you, they like you, they choose you (all funds have a core of members in this category – some more than others).
2. *Convenience loyalty* – sorry to the bankers out there … but we all hate our bank, but who could be bothered doing anything about it! Low involvement products are often a convenience decision and unless something shocking happens, people do not change.

This membership inertia is a huge advantage to your fund, but it also makes it difficult to get members to switch to your fund.

To retain and acquire members, your focus should be on change of member employment. Either condition the member beforehand or do something at change of employment so they choose to stay with you. Brand has a big part to play in this, as do member cards and loyalty programs (although sole purpose test restrictions can make this very difficult).

Rational Decisions

Rational decisions about super are still in the minority. Members generally are not pawing through PDSs to compare funds. When faced with a complex or confusing choice, people will maintain the status quo if they think nothing is wrong with their current situation. If you're not their current fund, how will you disrupt this train of thought to get them to change to your fund? If your goal is member acquisition, this is nut you must crack.

For member retention, improve your brand favourability and get them to "like" your brand (I'll discuss the concept of brand favourability later).The simpler you make it, the more likely it is that members will have the confidence to make their own decisions on basic things such as fund investment choice and not procrastinate and do nothing or seek out a third-party adviser to tell them what to do.

Funds have grappled with whether they should spend limited marketing budget on Gen Y and X, when today's bang-for-buck is with Boomers, which is where the marketing spend has mainly been. With more super funds moving into the pension phase, Baby Boomers is still a sound marketing investment, but Gen X and to a lesser extent, Gen Y should now be receiving more attention than they have in the past.

Focus

Focus less on product development and more on brand, distribution and service.

With product development, bear in mind that (assuming you have a sound core product to start with):

- Products are easy to copy;
- Additional choices and complexity leads to confusion and lower rates of decision making; and
- Simplicity has enormous appeal.

You might think that first-to-market advantage is important, but if people are not really "into" a low involvement product like super, how can we expect them to pay attention to and appreciate a raft of new options and features – shouldn't we spend our time getting them to understand and appreciate what we already offer?

Product development

Don't over-emphasise product development. Focus your efforts more on brand, distribution and service. This is because without specific direction from an employer or a financial adviser about which super fund to choose, when given a choice, people will choose a brand they feel most comfortable with. In other words, all things equal (or at least perceived equal), people buy off people or organisations they like. And a well managed brand with a favourable profile in the market provides a sustainable advantage for funds as its built through a combination of organisational culture, membership type, product and service design and marketing and communications strategies. This is a complex mix that's difficult for a competitor to copy.

Service

Good service is a "business hygiene factor" and will not make a competitive difference. But exemplary service will.

Your call centre arguably has the biggest impact of all communications on your fund's brand. Many funds receive an annual phone call count roughly equal to their membership. This will mean tens or hundreds of thousands of "moments of truth" where you get the chance to impress and build your brand or disappoint and damage it. Funds should consequently invest in quality staff, staff numbers, training (in product and soft skills), technology and brand buy-in by staff.

Advice

How easy are you making it for members to get advice? What advice model will you offer? Insourced? Outsourced? Fee-for-service? Asset-based fee? Free?

There is no right answer that applies to all funds. QSuper has a very successful financial planning joint venture with QInvest. REST uses Money Solutions as a third party provider of telephone based advice. MTAA has embedded Industry Fund Financial Planning planners in their business.

Funds must as a result decide for themselves what is best fro them and promote it hard, because when members want advice and they don't know that you offer it, they may go elsewhere to get it.

DEPLOY HIGHLY EFFECTIVE MARKETING

Brand

Take a strong, focussed position with your brand. Decide what your brand platform is and stick to it. Even if it means such a strong position may turn some potential business away. You cannot afford to attempt to be all things to all people – you end up being nothing to anyone.

Industry-specific funds have a real advantage here over multi-sector funds as super is so closely aligned to the workplace and the member's vocation. For example, HESTA is unapologetically only for people who work in health and community services – to the point where people in other industries think they can't join – this means the HESTA brand is strong and resonates well with its target market.

Always go for frequency over reach with your advertising and promotion. Repetition is needed to build a brand – especially in the super category. Don't spread your ad spend too thinly to try to reach too many people. Be focused and do lots of it.

And remember, we get sick of what we do long before our members do, so think twice before you go ahead and change things again (sorry to all the new marketing managers out there).

Ongoing promotion of your brand is important, but make sure you allocate budget to doing things that are high impact. Brand building means chipping away over time, but occasionally you've got to bring the sledge hammer out! Generally this means a big idea of some sort. Richard Branson is a master at this and his big ideas are typically in the form of publicity stunts. For example, to help launch the Joe Boxer underwear brand, Branson hired a cherry picker in London Square and threw Joe Boxer underwear into the crowd below which resulted in free, main stream news coverage all over the UK that night. I am not saying that fund CEOs should go out and hire a cherry picker, but you do need a big idea that's on brand for your fund. HESTA started the HESTA Nursing Awards – the "Logies" of nursing held at Crown in Melbourne. This was a national event that was very relevant for HESTA's target market. The finalists' stories were highly emotive with great community appeal. The net effect was an enormous amount of recognition for nurses, goodwill created and press exposure for HESTA in both nursing and the general media.Brand building doesn't happen overnight. It requires an investment over time. It's not easily copied and can help future-proof your competitive position should other factors outside of your control go pear shaped.

I've mentioned brand favourability a few times now. Brand favorability is critically important in super – all things equal, people buy off people they like. After seven years of super fund marketing, I can tell you that your main goal in this low involvement category is to get people to simply like your brand. If you can get people to like your brand – often this is enough to encourage them to choose you when given a choice.

Your challenge is then to figure out what will lead to brand favourability for your particular fund.

Entertainment in education

Let's face it, super is boring, dry and complex to your average punter. If you want members to spend their own valuable time to learn and understand super, make it entertaining.

Use story telling, celebrity, humour, drama or actively delivered content via video or presentation. You'll get much greater engagement and cut-through if you do this.

Funds simply don't have the resources to provide one-on-one education to members, so you must figure out a way to provide education en-masse and make your education more entertaining so members actually use it and get something out of it.

Use of celebrity

We're living in the age of celebrity. People are famous for being famous – just look at Paris Hilton and Big Brother contestants. Also look at the massive uptake of "gossip" magazines and the fact that many newspapers are now heading down the tabloid route – they know that people crave celebrity. People also want to be celebrities. MySpace and YouTube are great examples of millions of people putting themselves out there as celebrities. Billy Connelly and ING is one of the best examples in our Industry. But celebrity doesn't have to be people – it can be characters, sporting teams or a range of other things. New Zealand Superannuation has even rolled out Dr Who in a series of commercials.

It however has to match your brand values and have resonance with your market. HOST-PLUS uses Scott Pape, the Barefoot Investor, who at 28 years of age and given the way he communicates, resonates well with HOST-PLUS' very young member demographic.

The bigger the celebrity, the more impact they'll have – but they come at a cost. And there's brand risk that if they go off the rails they will take your brand down with them (but the risk is not what it used to be)! It seems that celebrities can pretty well do anything nowadays (even go to jail) and come out in a better position than they were before.

The right approach to celebrity can nonetheless substantially improve your brand's favourability.

Active delivery of content

Now let's be realistic here … despite our best efforts, the materials we produce are a bit of a hard slog to get through! Members have to be motivated to read the content.

However, if you can deliver the content actively in an entertaining and engaging way, you go a long way to overcoming this problem.

The written word is passive delivery. Active delivery is where content is delivered to you face-to-face, at seminars and via video streaming on your website and iTV.

A few funds are starting to venture into active online content delivery. At a basic level, funds such as BT are using animated PowerPoint-type presentations to deliver content about their products' features and benefits. TASPLAN is using more sophisticated animation with its Superant series. HESTA has five video snapshot series featuring comedian, Fiona O'Loughlin covering investment choice, insurance, salary sacrifice, co-contributions and rolling over.

Rational vs emotional appeal

Should you use rational or emotional appeal in your marketing? Where you place your emphasis will depend on your membership.

Rational appeals generally need to be stronger with higher account balance members as they are more motivated to look at the figures. Lower account balance members generally have lower involvement and will not respond as well to rational appeals.

But in any case, super funds are rational beasts that meet a core rational requirement of a growth in retirement savings. You must therefore build rational appeal as your base by first communicating returns and product features and then add emotional elements to your messages and execution. This carefully crafted combination is what builds a strong brand in financial services.

How can you build your brand through something not related to super but of considerable interest to your members?

Budweiser in the US started it's own iTV station to deliver highly targeted entertainment to its target market. Check it out at www.bud.tv – though please don't hold me accountable for the program with swearing as its premise. HESTA started the HESTA Australian Nursing Awards. MTAA could do something with cars. CBUS could do something with football.

It's not always clear-cut but it definitely should be explored in the near future! It really is a balancing act to get the mix of rational and emotional appeal right.

Trigger point marketing

Mass marketing is becoming far less effective. There is so much marketing noise out there (some say we are already subjected to over 3000 advertising messages a day).

Trigger point marketing is targeting the right message at the right time to the right person. The segment of one is where you understand enough about your individual members to be able to speak to them as individuals rather than as part of a broader market segment. Banks are way ahead of super funds in this area and are only now getting good at it.

Segment on customer, not product. Don't look at a product and try to figure out who to sell it to. Look at your members and figure out what they need and when.

Look at demographics, lifestage and previous behaviours to determine what to offer and when. Triggers include: offering a retirement income stream when members reach age 59, highlighting rollovers when a new member has been with your fund for four months but hasn't yet rolled their old account in and offering additional insurance cover to members when they are about to hit 30 and the additional cover is easier to obtain.

You need a good data warehousing system to do it well and it takes time to develop it and get good enough at trigger point marketing to get a good return on effort – start now so your program can be humming along in a few years.

TV

Many of the larger funds are using TV. Retail funds have used TV for a long time as part of their overall branding campaigns that cut across a variety of products including super. It's big dollars to do, but is often a very low cost for the reach and frequency it gets you.

But TV results in a lot of wasted coverage to people you are just not interested in talking to, so it is often more effective for larger funds, multi-sector funds and multi-product financial services organisations to use television than smaller funds, single-sector funds or single product funds as the later will usually be able to reach their membership in a much more targeted and less expensive way.

TV delivers great impact and builds credibility fast, but TV will quickly become less effective for funds as digital DVD recorders that cut ads out turn up in more homes, many of us are already spending more time online than we do watching television, our busier lifestyles mean that we do things during the ads rather than sitting their watching them, and iTV develops to deliver far more specific programming and targeting opportunities for funds (in fact iTV will enable smaller funds to advertise cost effectively on TV).

By way of background, iTV is basically a niche TV station on a website delivering programs to you via video streaming (recall www.bud.tv). iTV station numbers will soon explode to deliver highly tailored content at the exact time the user wants to watch it. It's advantages are cost of delivery that is extremely low and getting lower. Moreover, viewership will be highly segmented (including geographic filtering to enable Australian audience targeting within broader segments) which will allow even the smallest of funds to advertise on "TV" in a cost effective way. Watch this space.

Sponsorships

Sponsorships will become much more commonplace in financial services because smart marketers know this can be a highly effective way to build brand favourability in these categories and they'll have the budgets to do it well.

You must however find the right sponsorship vehicle to suit your brand and your market. It can of course be a range of vehicles including sport, theatre, an awards program or community service. Yet it can be difficult to get a good return on investment because it's a very competitive area and it's hard to measure the specific brand impact given all of your other marketing activities.

But don't just do it because other funds are. Look at it as part of your fund's marketing mix and see if it fits your fund's member profile and marketing objectives well. And if you haven't done this before, get a specialist sponsorship firm to help you find and negotiate the right sponsorship.

Electronic marketing

Four million Australians have broadband and 20 per cent of all media consumption is now online. And there is a very high propensity to search wealth matters online.

Online marketing must therefore be a growing part of your marketing mix going forward and include search engine placement, pay-per-click advertising, banner ads, video streaming, iTV, email marketing, SMS and podcasting.

Of all of the e-marketing options listed above, I prefer search engine placement, pay-per-click, banner ads, video streaming and iTV going forward as these are "pull" marketing where the user has self-selected to look at you. You are an invited guest rather than unwanted pest in their world.

They are in the right frame of mind to deal with you and the experience is more likely to lead to a positive brand experience for them. This is far less invasive than the other forms listed as these are all "push" marketing resulting in you being an unwanted pest.

If you want to do push marketing, and SPAM laws will allow you to do it, it's got to be entertaining and relevant to who you send it to otherwise they will opt-out of ever receiving anything from you again. You're more likely to only hit the younger demographic of your membership with these options (although the penetration of the Internet into mid-older demographics is increasing rapidly).

Use pay-per-click ads to get out there, and internet banners too. Don't however worry about how few people will click on them – they are still highly targeted online billboards promoting your brand. Super marketing for member acquisition and retention is not so much about direct-response than it is about brand equity.

Use video streaming to deliver active content on your web site. As I mentioned earlier, iTV will present great opportunities to funds for highly targeted advertising and product placement in the future. Keep your eyes on this space, watch for programs that your members will like and stitch up some advertising deals.

SO WHAT'S POTENTIALLY ON THE HORIZON?

Financial services will take an increasing share of the total ad spend in Australia across all marketing mediums. This will increase the level of marketing noise and make it even more difficult for funds to be seen and heard.

Will you simply spend more on what you already do … or will you do things differently? What if super becomes high-involvement for the majority of members (albeit this will be some time into the future)? The marketing paradigm will have to change completely and will require a complete rethink of your marketing strategy.

And how will the marketing you do today protect you from a major new player coming into your market? Always remember that it takes time and investment to build a brand and you have to start building yours right now.

WHAT FUNDS NEED TO DO

Employ professional marketers. Tomorrow's marketing environment will be more difficult and you need the best people you can get on the job for you. If you want to make quantum leaps in your marketing, consider bringing in marketers (or consultants) from other industries that operate in highly competitive marketing environments.

Review your marketing budget. Have you really allocated enough resources to get what you need to do done? The marketing budget is an easy one to cut as the short-term impact is generally small, but the long-term impact on your lack of investment in brand will be significant. You have to hold your nerve and keep investing in your brand.

Reflecting this, be prepared for a long-term, consistent investment in marketing and be patient because brands take time to build and they are animals that need continuous feeding.

Finally, become a true, customer-centric, marketing organisations. While your marketing area can help facilitate this, but it will only happen with full buy-in by fund CEOs and Boards.

The landscape is changing quickly – and so must your fund's marketing to survive. Is your fund ready?