

## Using data to deliver better outcomes for members

Consumers around the world are becoming more accustomed to tailored offers for products and services. Super is not exempt from this trend. As the system matures, super funds will provide outcomes that are tailored to the individual requirements of their members. Funds must go beyond delivering good investment returns to have a total solution for their members' needs.

### **This is the role for good data.**

To provide for members' needs, funds must know those needs. By collecting, storing and applying the relevant data, and synthesising this into meaningful information, funds will be better positioned to provide more individualised outcomes for their members.

### **Start here**

Many funds are already using some of the data that is already available to them. For example, dates of birth are being used to allocate default members to an appropriate lifecycle strategy. While a long-term, data-driven approach expands on what is available by collecting and storing more information over time that is relevant to the outcome for that member, in the short term, the key to success in delivering member outcomes is using information that is already known.

When looking at using data to improve member solutions, it is important to consider the 'ready, fire, aim' approach of Tom Peters.<sup>1</sup> The complexity of the final solution (income in retirement) is great,

so a precise solution will take time to develop. Most acknowledge that we could do better for members. While it is easy to find a better solution, the super industry spends a lot of time looking for the best end outcome and misses the opportunity to provide incremental improvements to members along the way. The key is to start the journey, and there's no better way than with developing technology around data analysis...

<sup>1</sup> Tom has written extensively on this topic. For details see [tompetters.com](http://tompetters.com)

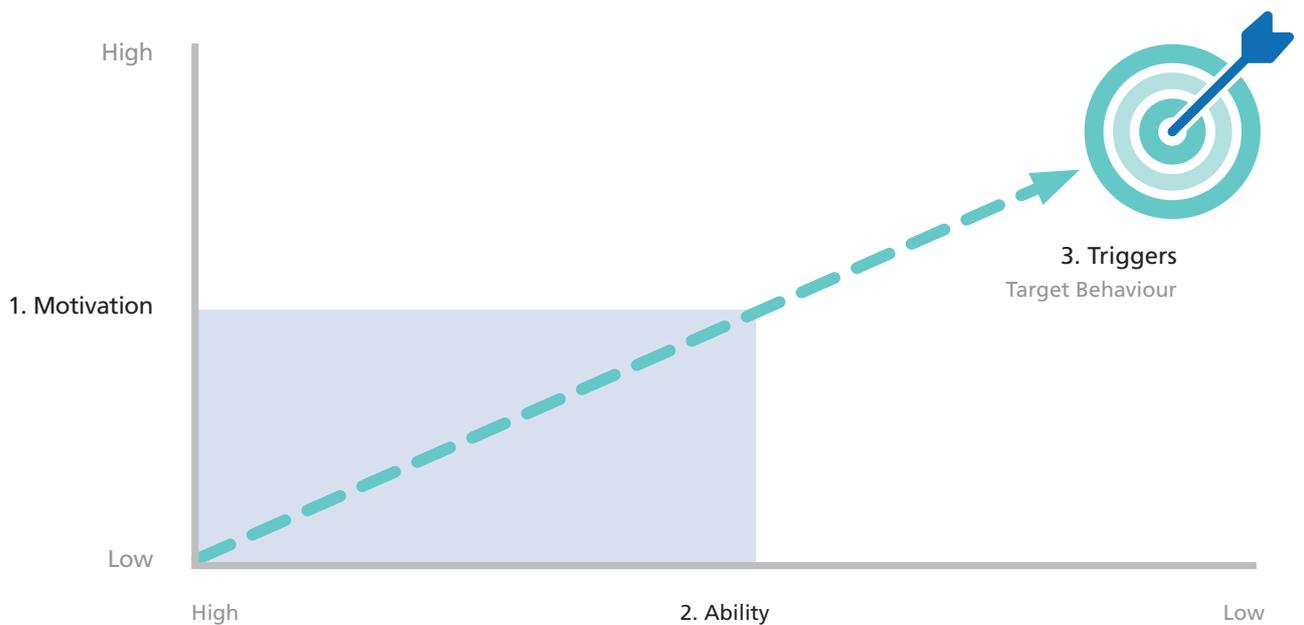


Figure 1 – Fogg model for persuasive nudging

Source: Adapted by QMV from The Fogg Behavior Model

## Nudging members in the right direction

The persuasive design framework of BJ Fogg<sup>2</sup> is a useful starting point for funds wanting to nudge members into choosing a better outcome. Some members have neither the ability, nor the motivation to effect a change that is good for them. Defaults and the trust that members have in their fund helps, but it doesn't go far enough to get the best individualised outcomes. The required extension, as seen in Figure 1, involves the right trigger. In Fogg's words: "Put hot triggers in the path of motivated people".

Funds can use the data they have on members to provide these triggers. For example, a material increase in SG contributions is indicative of a pay rise, providing a trigger for members to save even more. The fund can nudge the member to a better outcome by boosting the member's motivation (and/or ability) at the right time.

2 Fogg, B.J. (2009) A behavior model for persuasive design, Proceedings of the 4th International Conference on Persuasive Technology, April 26-29, 2009, Claremont, California

## Simple use of 'small' data

In many instances, as in the pay rise example, the nudge is quite simple. Funds have a lot of information on their members, and better using that information is a simple way to provide better outcomes for members.

Tailored communication pieces could be set up for:

- A check on default insurance following a change of name and/or beneficiary nomination (likely to suggest a marriage);
- Spousal contribution reminder if contributions stop;
- Account consolidation for new members of a certain age;
- Trigger emails near contribution limits etc.

These approaches are achievable for most funds today, requiring modest improvements in administration infrastructure. The availability of the data to funds and the specific information in the data means that only a small amount of data is required to find a benefit for members. This is in contrast to a big data approach that seeks to make inferences from a large volume of data points.

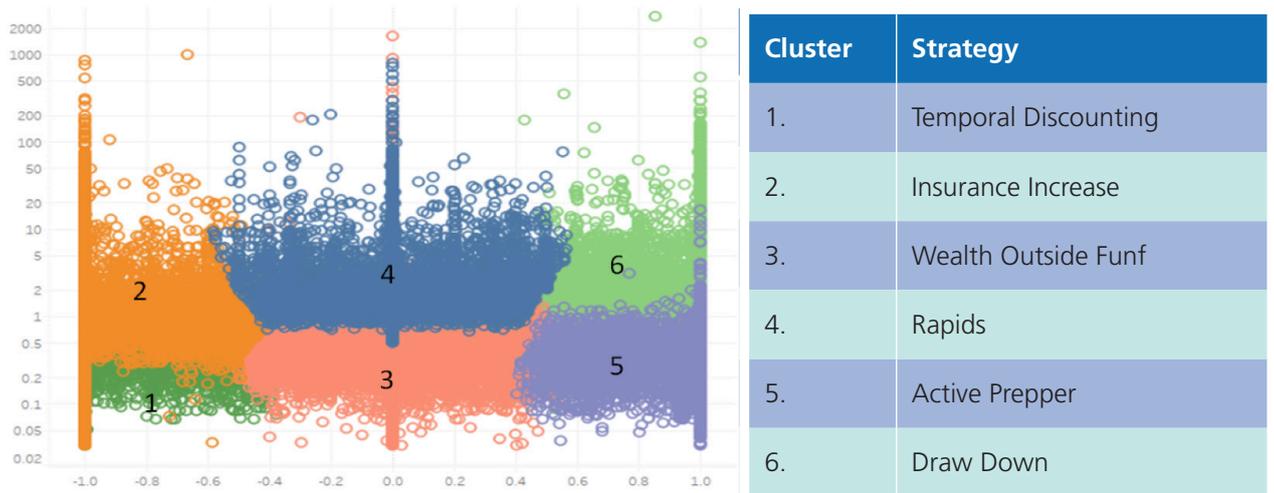


Figure 2 – Segmenting example with clusters

Source: Empirics

## Extracting benefits from the scientific use of big data

Adopting a fully scientific implementation requires better data management systems, but the long-term benefits to a fund and its members from implementation are likely to outweigh the costs.

There are several ways that a scientific approach to the data can improve the member outcome. For example, a full map of the member journey could be used to nudge members along a better path. Cluster analysis might capture watercooler effects where members from a particular location are observed doing the same things. Funds can use this to intervene to either limit the behaviour for negative events (e.g. switching out of investment options after a fall) or supporting and extending when there is a sign of positive behaviour, perhaps a workplace with high voluntary contributions.

This clustering also enables a fund to better segment their members. Figure 2 is an example of one way to segment a member base. The use of clusters means that there are overlapping strategies with no hard boundaries to the segments, enabling a fund to better match the needs.

## Value proposition

The ability to use data to improve member outcomes provides the opportunity for funds to improve their value proposition along the way. As super continues to mature, the value of a super fund is not just in its ability to generate an investment return, but also in how it delivers outcomes back to members. The chairman of the Future Fund, and former Treasurer Peter Costello has noted that the Future Fund could run the investments as well as the super funds. While this might be true, it couldn't meet individual member needs without a massive infrastructure spend.

This is where funds have the competitive advantage over other investors and it should be the basis for their value proposition to members. Data management needs to move on from simply being a means to capture reports, to the basis for adding value to members. It might take some upgrading to the data management skills and infrastructure within the super funds, but it would be worth it.

## The outlook for simple holistic advice

The next evolution for use of data will be funds that are able to provide what could be termed 'simple holistic advice'. Extending from simple calculators and savings plans, the next step will likely be to nudge members more meaningfully using robo-advice tools. In order to do this though, funds will have to collect the right data and understand it in order to generate insights. Once they do, they can define actions to elicit the appropriate response from members.

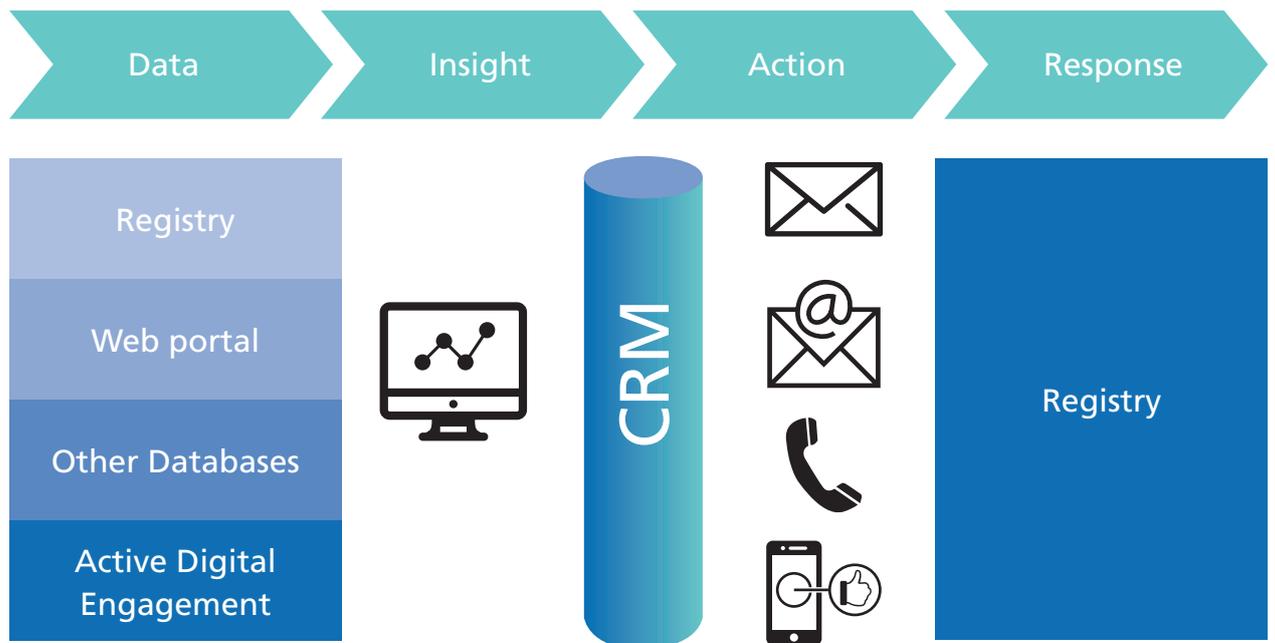


Figure 3 – A data-centric assistance model

Source NMG Consulting

## The next step for funds

The sessions at the FEAL seminar highlighted steps that funds can take now to improve member outcomes by making better use of the data already available to them. As improving technology makes it easier to access, manage and synthesise a growing body of useful data, funds that do not offer competitive, intelligent solutions for their members will be left behind. The ultimate solution is not yet apparent, but funds that start taking the steps now will be set up to deliver better member outcomes in the future.

This summary paper has been prepared by the sponsor, Challenger and the presenters of the seminar:

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