

Tomorrow's investor – how will people get information in the future?

Executive summary

Tomorrow's investor will have different needs

- Generation x is already giving way to generation y
- The oldest members of generation z are currently reaching young adulthood
- Generation z and beyond are likely to be more financially astute than previous generations
- New ways to engage, different sources of information
- Need for specialist communicators



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Beyond 2012

At the moment, all attention seems to be focussed on a short time horizon, 2012. Although the majority of the interest is on the London Olympic games (How will we stage an opening ceremony with the 'wow' factor of its predecessors? Is the use of medal as a verb, as in 'I medaled' really legitimate?), it is, of course, going to be the year that Personal Accounts are introduced and auto-enrolment begins. Plans for getting employers to recognise their new role, and for engaging the public in the changes are, at the very least, being discussed. But we should also be thinking about where do we go from here – what will tomorrow's pension scheme member (who will be tomorrow's investor) need to help them as they take control of their pension plans?

Generation x, y & z

To consider the needs of the future investor, it first helps to imagine who they might be. Generation x, is now well into middle age. Most can remember a time before the widespread use of computers and the ubiquity of the internet. The generation x pension administrators, for example, will have seen the passing of the record card into history, and

Generation x – the cohort of the population generally described as being born between the early to mid 1960s to the late 1970s; the children of the baby-boomers

Generation y – the next cohort, born between the late 1970s and the early 1990s; often referred to as 'the net generation' or 'first digitals' as most came of age with the rise of the internet

Generation z – the cohort born between the mid 1990s through the 2000s, often described as 'digital natives' as they have never seen a time without the internet.

the microfiche that replaced it confined to one dusty machine that, amazingly, may still get used today but only very rarely. Following on their heels is generation y, loosely described as the 'net generation' or 'first digitals', coming of age as PCs and the internet were beginning to spread. Arguably generation y forms the core of our current audience, and is increasingly expecting everything to be accessible online.

But we are talking about the needs of the future investor – generation z, the digital natives. With the eldest currently reaching the status of young adults, they have not known a world without the internet. Many won't have known a world without social networking.

A more informed audience?

But this is not the only difference between the generations. The younger members of generation z may well leave school more financially aware (if not astute) than those that went before them. In September 2008, personal financial education became an explicit part of the curriculum for secondary schools under a new programme of study, a 'well-being and financial capability programme', which in turn comes under a new initiative around personal, social, health and economic (PSHE) education. Additionally, it is expected that pupils will have the opportunity to explore personal finance issues through maths classes and citizenship classes. An independent review by Sir Alasdair Macdonald¹ suggesting that PSHE education should be a compulsory part of the curriculum for secondary and primary schools was published in April, with public consultation ending at the end of the summer term. If the public response is favourable, legislation could be in place to introduce such changes from autumn 2011 (perhaps starting to begin to produce more financially aware citizens who can better understand the need to plan for their pension and can make informed choices just as Personal Accounts are launched).

Engaging with generation z

So what will the pension scheme member – the investor of the future – expect from us and where will they get their information? If the programme of financial education is implemented and works, it is likely that they will be starting from a position of some knowledge,

looking for more detailed, specific information. The ability to view their pension benefits in real time should be taken as read. Already many fund managers provide simple interfaces to bolt on to a scheme's website, so that members can access details about their fund holdings online and perform standard transactions, such as switching between funds. And increasingly the quality of member data both driven by the administrators themselves, for example through initiatives such as Raising Standards in Pensions Administration, the ViaNova STP initiative and by external forces such as the Pensions Regulator, with its record-keeping guidance and increased focus on the risk posed by inadequate data, should result in more accurate and complete data, leading to schemes feeling sufficiently confident in their data to allow members access to their records.

The fact that these investors – the investors of tomorrow – are well and truly citizens of the digital age means that the way they prefer to get information is likely to be biased heavily in favour of digital techniques. Because of the nature of the web, and the need for sites to compete against other sites, it seems that to engage with the investors of tomorrow we will need to use:

- sophisticated imagery that engages with the audience
- design and content that gets the message across efficiently
- clear navigation that allows users to find what they want quickly and exit: they won't want to waste time being guided along a particular route to find the answer but rather to dive in, get the information and leave
- supporting activities to get the message home in a variety of different ways

It is likely that many of generation z will be used to having a portal on the web – for example their facebook page, or a page within their own website – through which they have given themselves direct access to the sites they need or are interested in. This sort of tailoring is already possible with existing web browsers such as Google. They will certainly be used to conducting other financial business on the web or even via their iPhone style smartphones. So the investors in the future will have set up their own, private homepage, on which they will have various links or mini applications to take them to the sites they want, including their pension site. And such interfaces will be accessible on the whole range of digital platforms available to them. Maybe we might even see iPhone apps to help track an individual's pension fund, and perhaps automatic messages when an investment sets off a pre-determined trigger point. At the very least, just as already some banks or other financial institutions offer a service where your various accounts, credit cards and the like can be viewed on one page, wouldn't it be helpful if tomorrow's investors could see their pension fund up there too, alongside their other savings?

Employers will need to play a part; specialists will be key

Arguably these are the kind of techniques we should already be using. Certainly various methods to exploit digital technology, social networking etc already exist. Having pension information on a

website is now widespread and increasingly viewed as being best practice. Engaging with employees using email, SMS and RSS feeds is becoming more common. And it can only be a matter of time before the first insurance company or scheme starts to 'tweet'. But whereas, currently, members tend to look to the pension scheme itself for information, if the shift continues towards contract-based defined contribution (DC) schemes, rather than trust-based, and as employers are compelled to offer pension arrangements for all employees, the role of the employer in promoting the pension scheme and pensions generally is likely to be equally important if not more so than that of the scheme. Hence the investor of the future will be looking to employers for their information. Employers have at their disposal a great deal of knowledge about their employees. Correctly mined, this data can help to segment the audience into very tight groups with common characteristics. This segmentation can then be used to ensure that the way that the messages are delivered – the imagery used, and the content and delivery – really target the particular audience.

And those delivering the messages to the investor of the future will need to be specialist communicators, with strong marketing skills, who are able to combine ever more sophisticated marketing techniques with existing and developing technologies, and recognise and adapt to new opportunities.

Key messages

The future investor is likely to:

- be more financially astute than previous generations of investors
- get bored quickly if the information is not easy to find and presented in an engaging way
- take responsibility for getting the information they need
- access information in real time and in a variety of ways

The future communicator will need to:

- look to the employer for help in segmenting the audience in a meaningful way
- be skilled in marketing techniques
- be able to exploit developing technologies
- be a specialist communicator

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Ferrier Pearce combines consumer-focused techniques with internal marketing tools, using compelling imagery and language to create engaging, effective communication solutions. Only through engagement can understanding of pension issues be communicated successfully.

Notes

1. Independent review of making Personal, Social, Health and Economic (PSHE) education statutory, published April 2009, see <http://publications.dcsf.gov.uk>