

Creating Customer Engagement in a Low-Involvement Industry – The case of Swedish pension industry

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Understanding Customers and the Customer Experience

This priority reflects both the enduring importance of customers in marketing, and how customers and consumer behavior have changed due to technology and other forces. Understanding today's customers requires taking varied perspectives that suggest new concepts, ideas, and thinking.

TIER 1 PRIORITY

Topics of Interest

- What new customer behaviors have emerged in a multi-media, multi-screen, and multi-channel environment?
- How do social media and digital technology change customer experiences and the consumer path to purchase? What are the best ways to model the consumer decision journey? Are other models more appropriate than the decision funnel?
- How should engagement be conceptualized, defined, and measured? How do social media and other marketing activities create engagement?
- What is the role of habit and inertia in consumer decision making?
- How and at what points do emotions affect consumer decisions? How are they triggered?
- How should qualitative and quantitative methods be combined to understand the total customer experience?



Customer engagement

- Customer engagement has become a top priority for research and practice
 - Generates enhanced corporate performance:
 - superior competitive advantage and profitability
 - customer satisfaction, commitment, positive WoM...
- Extant engagement research
 - Mainly focused on identifying antecedents and outcomes of CE
 - Predominantly addressing high-involvement contexts

(e.g. Verhoef et al., 2010; Brodie et al. 2011; Brodie et al., 2013; Jaakkola & Alexander, 2014)



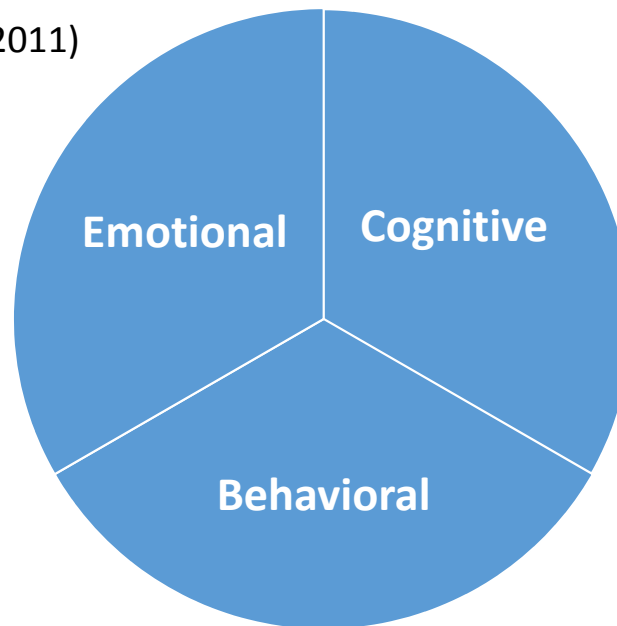
Very little research on how firms can create engagement – especially for products/services that customers are not interested in

Purpose of our research

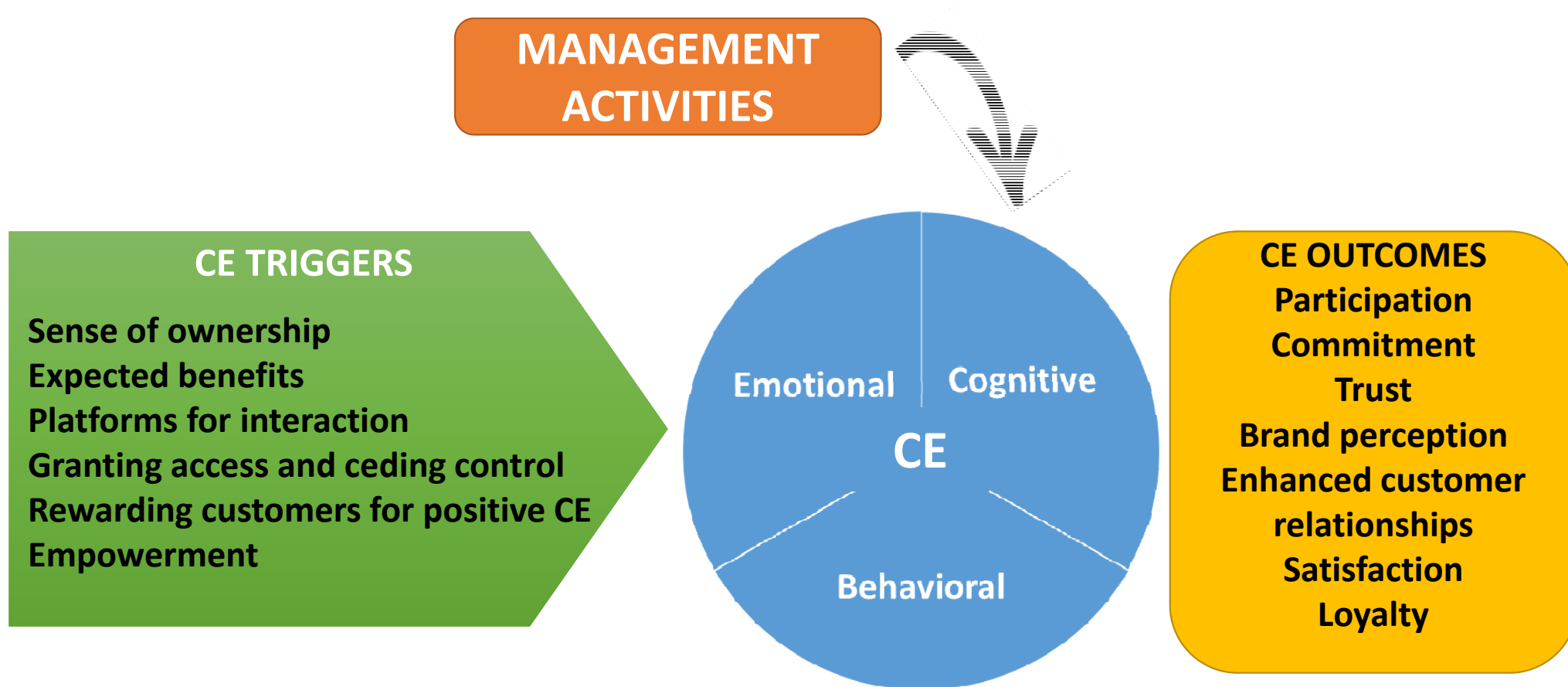
- To explore how firms operating in a complex, low-involvement industry seek to create customer engagement
- We identify the approaches and activities that firms in the pension industry have adopted to build customer engagement (CE) towards their services

What is customer engagement?

- Engagement reflects customers' eminent, on-going interest, commitment and motivation to invest their time and resources towards a brand/product/firm, beyond mere transaction.
- Three dimensions (Brodie et al. 2011)



Towards positive outcomes of CE



Jaakkola & Alexander, 2014; Brodie et al. 2013; Füller, 2010; Vivek et al., 2012

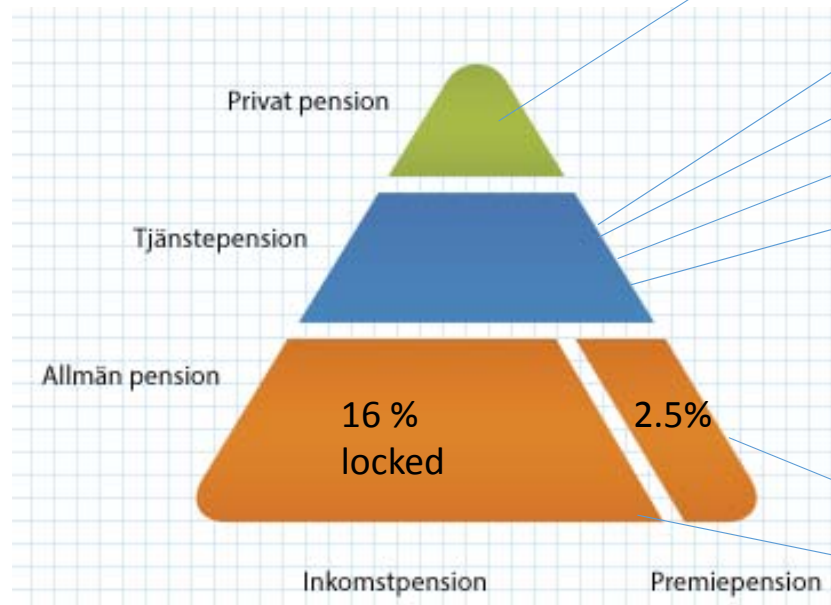
Research approach and context

- Explorative, qualitative inquiry of recently de-regulated pension industry in Sweden
- Perceived as “tedious, boring and complex” by customers!
- Future outcomes depend on customer inputs
- Importance of increasing engagement is immense, from individual, company, and state perspective as the governmental system cannot support the aging population.

Pension industry in Sweden

- De-regulated in 2001, “customers” need to choose between **650** different options (every third year)!
- Annual total deposit approx. 21\$ Billion. Total capital more than 291\$ Billion. More than Forbes calculated brand value of the top three brands in the world 2015, taken together; Apple (145,3); Microsoft (69,3); and, Google (65,6)

Pension pyramid



INDIVIDUAL PENSION SAVINGS: Used to be tax deductible but not anymore.

COLLECTIVE AGREEMENTS (80% of all employees)

ITP: Private “white collar” – 2% /monthly salary

SAF-LO: Private employee – 4.5% /monthly salary

KAP-KL: Municipal & County – 4.5% /monthly salary

PA-03: Government – 2% (locked) 2.5% /monthly salary

Each agreement decide upon a defined number of investment opportunities (stocks, bonds etc..) New agreement every 3rd year.

PUBLIC PENSION (based on income tax)

Up to 7.5 income base (4480 Euro/month)

Max 112 Euro (available for funds)

Max 717 Euro (locked)

Data collection

COMPANY*	MAIN FOCUS	RESPONDENT
• MY PENSION	Pension Platform	Developing Manager & Board Member
• HANDELSBANKEN LIV	Major Bank	Head of Corporates & Institutions
• NORDEA LIV & PENSION	Major Bank	Head of Marketing & Communication
• SEB	Major Bank	Head of Communication + Sales
• SWEDBANK	Major Bank	Head of Private Economy
• ALECTA	Occupational Pension	Head of Market Analysis
• AMF	Occupational Pension	CMO
• KPA	Occupational Pension	Chief Analysis & Board Member
• PHROMETHEUS	Occupational Pension	CEO
• AVANZA PENSION	Online Bank	CEO
• NORDNET	Online Bank	Country Manager Sweden
• DANICA	Pension & Insurance	Product Manager & CEO
• FOLKSAM	Pension & Insurance	CMO
• LÄNSFÖRSÄKRINGAR	Pension & Insurance	Head of Pension Funds
• SKANDIA	Pension & Insurance	Head of Pension Funds
• SPP	Pension & Insurance	Brand Manager
• MAX MATTHIESSEN	Insurance Trader	CEO
• SÖDERBERG & PARTNERS	Insurance Trader	CEO
• SKANDIKON	Selection Platform	CEO
• SWEDISH PENSION AGENCY	Governmental Body	CIO
• KONSUMENTERNAS	Governmental Body	Lawyer

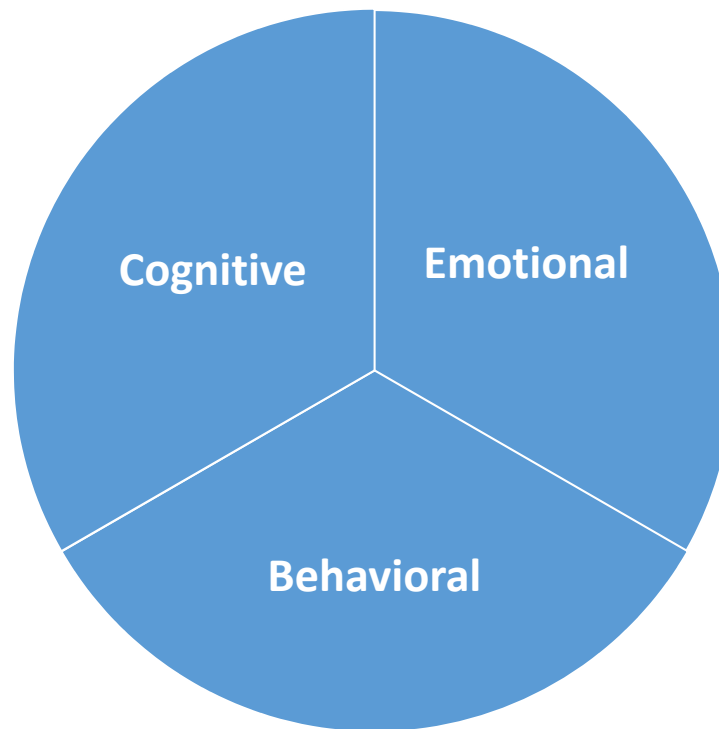
+ Secondary data: websites by all pension firms and general pension related information brochures, websites, and media reports

(*represent > 80% of the value of the pension market)

When you ask someone who changed their job or negotiated their salary what they got, they know it down to the last cent. When you ask about what pension plan was included they answer something like, that was probably as it should be. Hopefully. CEO Danica Sweden

There is no person in the world who would sit and have 2-3 million SEK in the bank and not have a clue about which bank they have or how they have invested them. But for almost every Swede over 50, that's the situation!
CMO Folksam

Findings: firm activities that trigger engagement



Cognitive dimension

- What firms do in order to educate:
 - “Leveling” the language
 - Communicating the expected future benefit for the individual
 - Providing a platform that visualizes the system

“We are stuck in the regulations and conditions writing that forces us to use a language which is completely incomprehensible to many”

“We need to change the logic of the language. It’s not about pensions it’s about future salary”

Who to educate?



Print: 350 000/4 year. 4-6 grade + teaching tools



2.5 million active users!



Emotional dimension

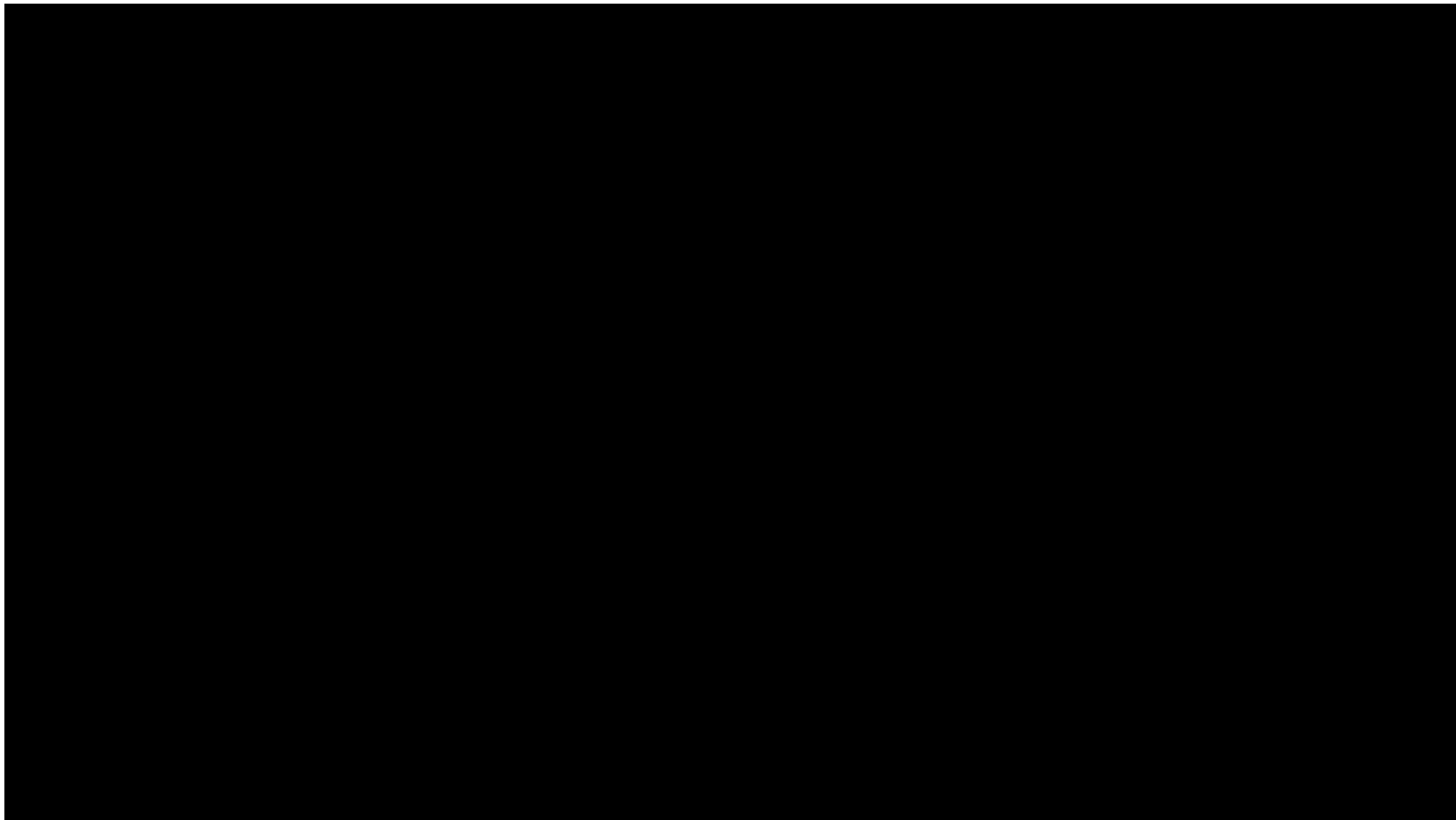
- Aim:
 - Infusing emotional elements to the pension industry.
 - Creating a emotional bond between “future salary” and what is good for the nature and the future of our planet
- What do companies do:
 - Creating affective appeals
 - Advertising - “Do-good money”
 - New ways to gain customer insights

Emotional dimension



Finance of a cancer treatment center. Where 7 local hospitals got together.

Good for patients, good for society and not at least good for business



Changing mindset

- “In this business we are constantly asking our customers the wrong questions. Focus is always on how our products can improve, not what our customers do with them, it’s like asking a child if she wants more ice cream” Länsförsäkringar Head of pension funds
- “The customers doesn’t know what they want. They say they are acting in a certain way but it is not always doing it. Therefore ethnography is super important. It is about creating an understanding of what it is the customers need and what their needs are. “
Folksam CMO

Behavioral dimension

- Aim:
 - Activating customers to share their opinions and decisions to other customers.
- Enabling sharing:
 - Engagement platforms
 - Creating a sense of “togetherness”
 - “Follow-the-leader”
 - “Finding a profile matching your preference”

Min Pension (web platform)

- All firms collaborate in order to jointly provide data.
- Interactive tool to test your pension prognosis
- Interactive learning tools to learn the system
- You are the only one to assemble your full portfolio.
- Makes it easy to understand your situation.
- Important to know before you can talk to others.



Ett samarbete mellan staten och pensionsbolagen

Shareville - Investera som proffsen



Sell



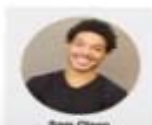
FOLLOWING



Buy



FOLLOW



Tillsammans
www.rikatillsammans.se
era Profil

46
FÖLJARE

★ ★ ★
RATING

RikaTillsammans
Investeringssparkonto

★ ★ ★
RATING

46
FÖLJARE

VÄRDE

TILLGÅNGLIGT

+3,56 %
UTV. 3 MÅNADER

0,00 %
UTV. IDAG



Günther Mårder
Sollentuna, Sverige

Vägg

Portfölj

Följer

Följare

Alla har rätt till en bra portfölj

- ✓ Se rakt in i duktiga sparares depåer
- ✓ Följ de bästa och få uppdateringar
- ✓ Handla direkt via din Nordnetdepå

KOM IGÅNG NU
DET KOSTAR INGENTING

Investeringssparkonto

FÖLJ

★ ★ ★
RATING

55815
FÖLJARE

+11,47 %
UTV. 3 MÅNADER

+0,99 %
UTV. IDAG

Utveckling

Innehav

Handel

Historik

Rating

1 VECKA

1 MÅN

3 MÅN

6 MÅN

1 ÅR

1 ÅR

3 ÅR

5 ÅR

PORTFÖLJ

+14,01%

INDEX

+5,07%



Flyhetsflöde

Portfölj

Följer

Följare

Meddelanden

SA ORDER OCH AVSLUT IDAG

Utveckling

Innehav

Handel

Historik

Rating



- DNB Global Indeks
- SPP Obligationsfond
- Catella Avkastning
- Spiltan Räntefond Sverige
- Nordnet Superfonden Sverige
- Spiltan Aktiefond Investmentbolag
- SPP Aktiefond USA
- Swedbank Robur Indexfond Asien
- Resterande
- Saldo

Shareville

- We are a facilitator by linking customers and find the power of their engagement on a platform with 1200 funds.
- The trend is moving towards taking inspiration from people you trust. You can have confidence in a bank, but it becomes very stereotypically, the same advice to everyone. It's more that people are looking to see someone who is really good at what they are doing and get inspired by that person's portfolio.
- We notice that blogs and comments refer to Shareville as a platform for discussion. Users create many different groups here.
 - Nordnet country manager Sweden

Conclusions

- Aim is to motivate and enable customers to spend time on their pension!
- Building engagement in a low-involvement industry requires activities that address emotional, cognitive and behavioral dimensions simultaneously
- One firm activity may not be enough –require industry level effort and collaboration
- Interlinked engagement platforms are critical
- Triggers – engagement - outcomes

Thank you!
Questions, comments?