

Digital readiness of superannuation funds

June 2017

The Association of Superannuation Funds of Australia (ASFA) in conjunction with Decimal



Executive summary

The current survey conducted by the Association of Superannuation Funds (ASFA) Research Centre for Decimal Software to assess the digital readiness of superannuation funds in Australia, has revealed significant interest by funds to expand their provision of advice by digital means. However, the study has also shown many funds still have work to do in this area.

ASFA surveyed 15 funds, representing approximately 30 per cent of the assets of APRA regulated funds. While 80 per cent of the funds surveyed saw digital advice as an absolute must for engaging fund members, only 20 per cent are so far investing in it. This percentage is however double what it was four years ago, when ASFA last conducted a similar survey.

The bulk of funds in the current survey are still at a relatively early stage in terms of their digital maturity. In fact, 80 per cent of funds have been developing a digital program for less than three years and 15 per cent of funds are only just starting that work.

The survey shows that while most funds surveyed had spent \$2 million or more on digital projects, investment has mostly been in establishing foundational capability – such as new websites, member online experience, calculators, data analytics capabilities and upgrades to administration systems.

Without these basic digital capabilities it is generally not possible to implement fully developed digital advice. Consequently, less than 30 per cent of funds have started implementing an enhanced mobile experience for their members.

The results of the survey showed that while superannuation funds might recognise the provision of digital advice and greater digital readiness is essential, most still have some way to go to improve this.

For those funds with more advanced digital capabilities, digital advice can be seamlessly integrated into execution of insurance, contribution, investment and other decisions of fund members.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system so people can live in retirement with increasing prosperity. It focuses on the issues that affect the entire superannuation system. Its membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent more than 90 per cent of the 14.8 million Australians with superannuation.

About Decimal

Decimal is an Australian based company with global ambition with offices in Sydney, Perth and soon in Melbourne and San Francisco. Its cloud based platform is designed to enable any size financial enterprise, in any jurisdiction, to add an end to end online advice and fulfilment experience to their financial products.



Background

ASFA in past years has conducted or facilitated surveys of funds in regard to their provision of financial advice to members and the types of advice provided.

Typical topics on which advice is provided are:

- Contribution levels and salary sacrifice
- Co-contribution
- Insurance needs
- Investment choices
- Lost superannuation and consolidation of accounts
- Transition to retirement
- Retirement planning, including account based income streams

Methods for delivering advice

Funds make use of a number of mechanisms for delivering advice. These include using:

- an in-house call centre
- an outsourced call centre
- employed specialist financial planners
- third party specialist provider
- online tools, including those which generate Statements of Advice

In 2013, the most commonly used methods were using an in-house call centre and directly using employed specialist financial planners. The use of online tools to generate Statements of Advice was reported by 10 per cent of the respondents to the survey. The purpose of this survey is to update and extend this previous research into the provision of digital advice by superannuation funds and their digital readiness more generally.

This report summarises the main findings of these surveys and research. For confidentiality reasons, results are presented only in aggregated form and/or in a way that does not allow the results for a specific fund to be identified.

The survey

ASFA conducted a survey of ASFA member funds in May 2017 through emailing the CEO of each ASFA member fund. The survey instrument was developed by Decimal in conjunction with ASFA. The survey was conducted online.

The funds responding represent approximately 30 per cent of the assets of APRA regulated funds and have more than seven million members.

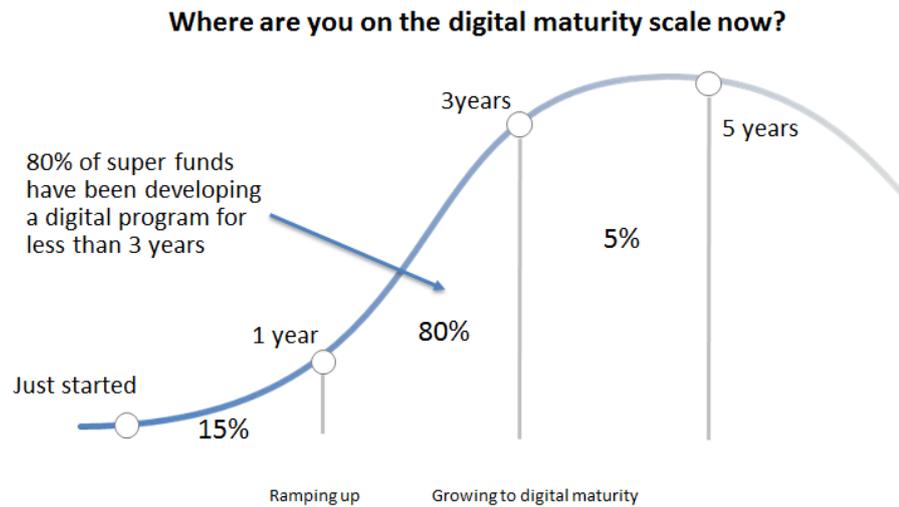
The overall pattern of responses

While there are commonalities between the funds that responded in how they deliver financial advice to members, there also are considerable differences. The survey results reveal significant appetite on the part of funds to expand their provision of financial advice by digital means. However, many funds still have work to do. While 80 per cent of funds surveyed recognised digital advice as an absolute must, only 20 per cent of them so far were investing in it. However, this percentage is double the percentage in a survey conducted by ASFA four years previously.

Responses to specific questions

The bulk of the funds surveyed are still at a relatively early stage in terms of their digital maturity (Chart 1).

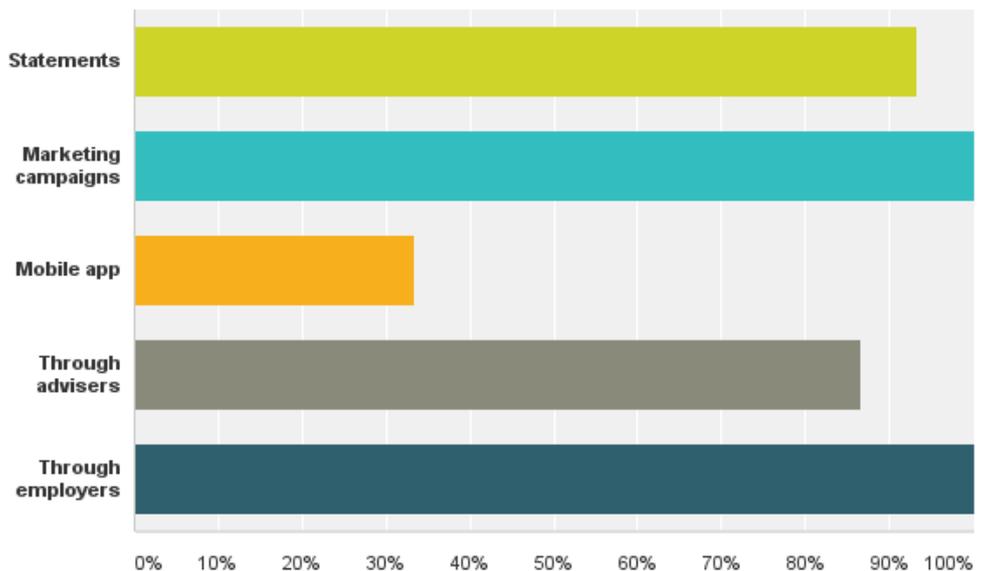
Chart 1: Time since investment in digital programs commenced



The great bulk of funds have developing a digital program of less than 3 years and a small minority have only just started.

Currently funds tend to focus on more traditional, non-digital channels, such as member statements, marketing campaigns and through advisers and employers. However, around a third of respondents make some use of a mobile app to engage their members (Chart 2).

Chart 2: Methods of engaging with fund members

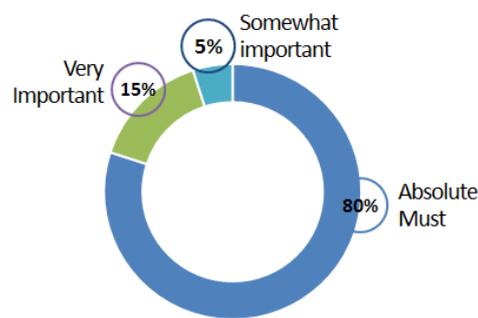


Funds consider digital advice is an absolute must in regard to engaging with members. The survey results indicate 95 per cent of respondents consider digital advice is an absolute must or very important for engaging fund members. Funds are eager to supplement or replace the more traditional methods for engaging with fund members.

The digital advice features most important for funds are: providing legally compliant advice; being mobile responsive rather than being fixed to a computer or to delivery by a person; and, being easily integrated with information and execution processes with a fund (Chart 3).

Chart 3: Fund assessment of the importance of digital advice

How important do you think digital advice is to engaging your members?



Which digital advice features are most important to you?



The majority of funds surveyed have a very good understanding of what digital advice involves. One respondent put the definition in the following terms:

“Personalised and scoped advice relating a member’s superannuation interest created, delivered, actioned, stored and reviewed in a digital environment, that couples with straight-through processing to deliver real-time execution of advice”

Another described it as:

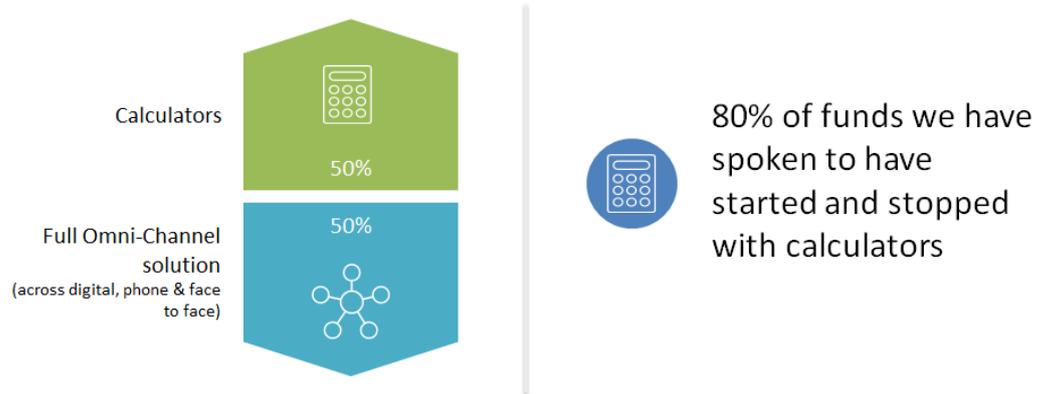
“Digital advice could be a range of online tools (with hand off to real person support) covering general advice through to specific financial advice (with SOA). Digital advice tools could therefore also include the use of online tools to support the personal advice process – for example an online fact find prior to adviser meeting”

Another put it in these terms:

“Guided pathways that members can self direct to answer their questions and engage closer with their own Super”

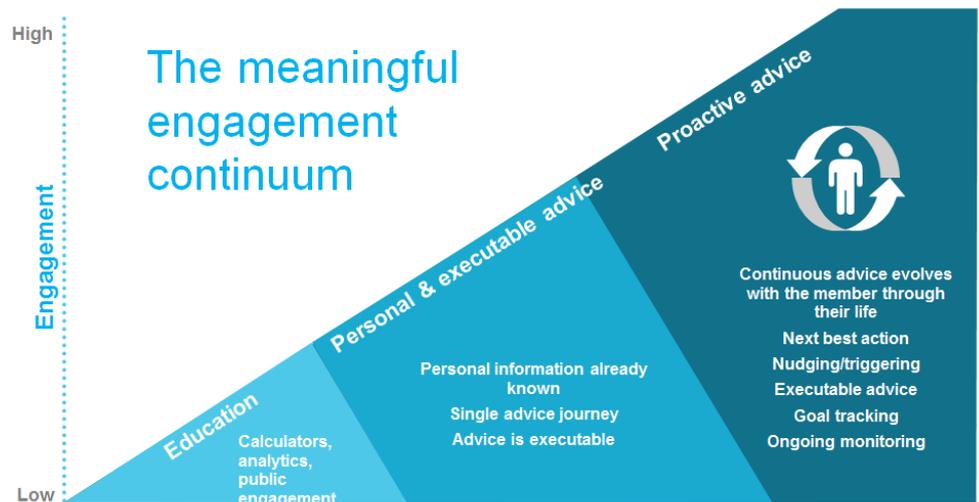
However, there is some uncertainty on the part of funds on how to implement digital advice. They know it is important but some funds are yet to move beyond the provision of calculators on their website.

Chart 4: Starting points for implementing digital advice



For many funds the implementation of digital can be a journey, starting with relatively low levels of engagement through the use of calculators and other forms of public engagement, ranging up to the digital provision of proactive advice with links into execution of decisions by fund members.

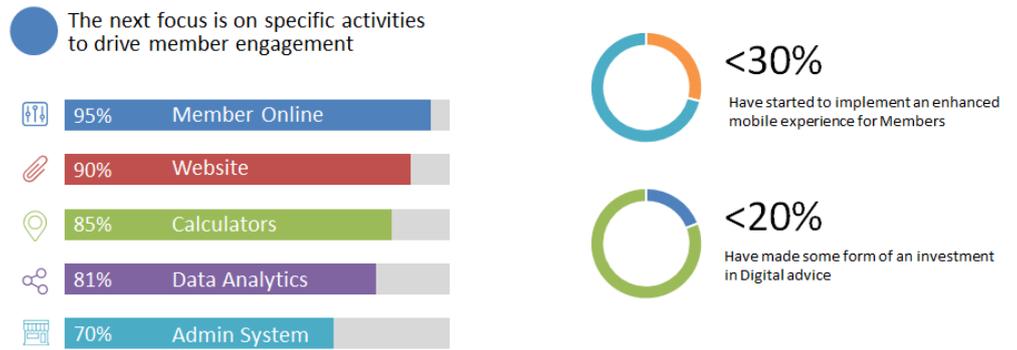
Chart 5: The member engagement continuum



Consistent with funds typically being still at an early stage of adoption of the provision of digital advice, much of the digital investment of funds to date has related to the establishment of the digital tools and facilities needed as the foundation for provision of digital advice. Without these basic digital capabilities, it generally is not possible to move on to the provision of more fully developed digital advice provision.

Chart 6: Areas of digital investment by funds

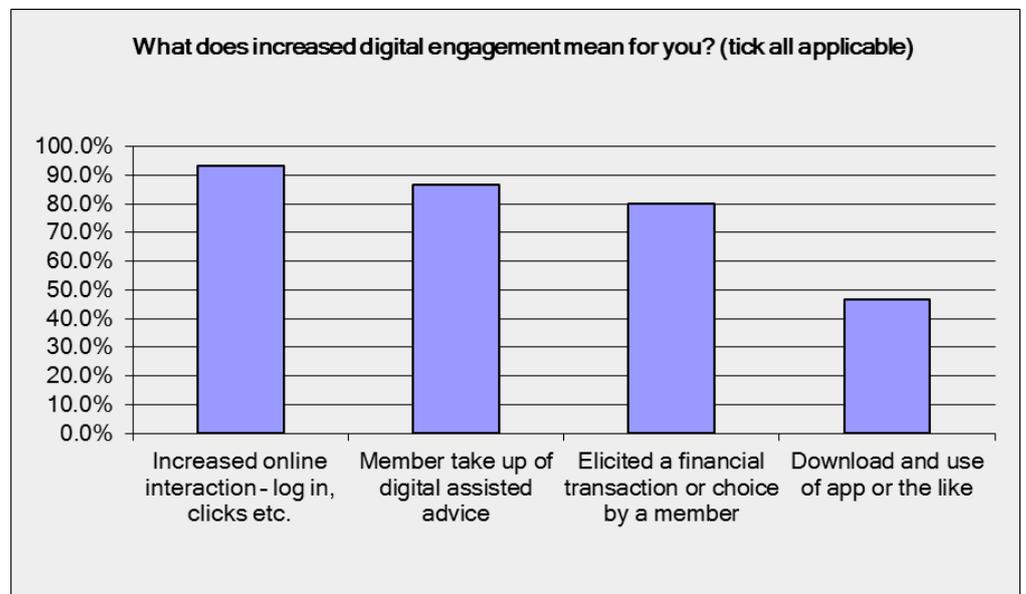
In what areas have you invested in digital?



Regardless of which particular areas of digital advice provision or promotion have been adopted by a fund, increasingly funds are placing emphasis on the metrics of success in terms of digital provision. The chart below provides details of the responses from funds in this regard.

Common measures of usage are the number of online interactions with the fund and the degree to which members take up or execute a specific action supported by the provision of digital advice.

Chart 7: What increased digital engagement means to funds



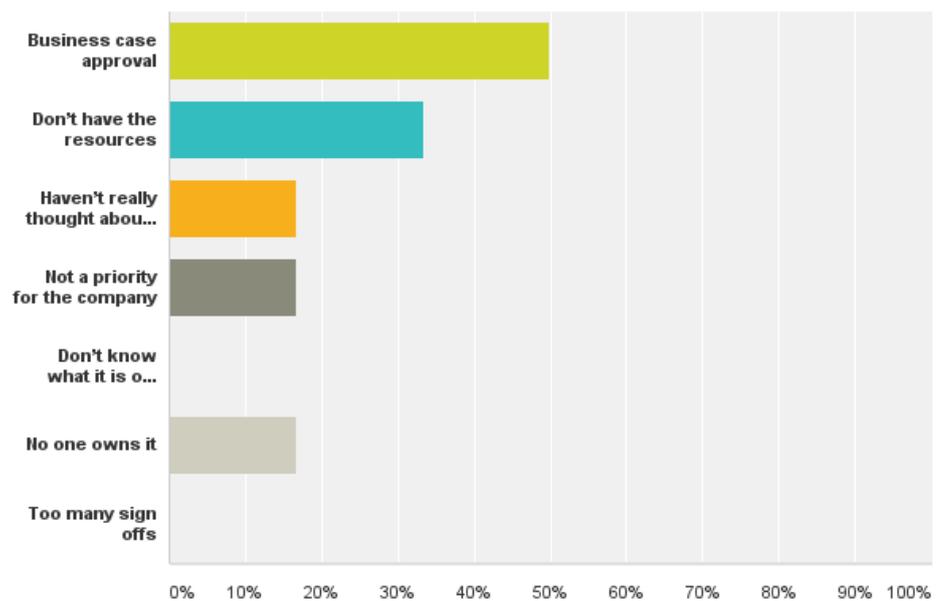
Respondents also provided written comments on what digital engagement means to them:

Online scaled advice tools heavily used by relevant members - Online tools deeply integrated into member account (leveraging data) - Maturing insights function - Mobile first asset production - Continuous improvement mindset for digital assets - Blended mix of build or buy solutions (geared to reduce upgrade and maintenance load on internal resources) - CRM managing members within scaled advice pipeline - Next best engagement prompt delivered cross-channel to members at close to 1:1 level

Frictionless and easy on boarding process (members and employers) - members and employers being able to have consistent experience across all channels - data-rich, real-time, analytical capability, reporting and strategy guiding inputs - reduction in our cost to serve and therefore mbs costs - higher / more frequent customer engagements

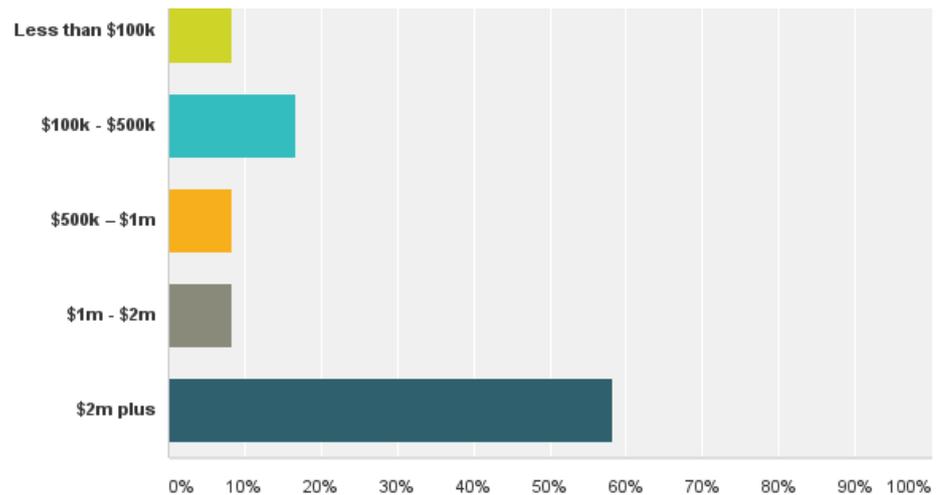
Despite funds seeing the provision of digital advice as being a must have, a number of barriers exist. These appear to relate to the costs of implementing the provision of digital advice and being able to achieve approval for the business case for providing digital advice.

Chart 8: Challenges for funds in implementing digital advice



The need for business case approval is understandable given the significant costs that can be involved. Most funds report expenditure of more than \$2 million on digital projects.

Chart 9: Expenditure by funds on digital projects



The overall conclusion to be drawn from the survey responses is that while superannuation funds recognise the provision of digital advice and greater digital readiness more generally is essential, they still have some way to go in terms of improving the state of their digital readiness. Digital readiness involves investment in a range of capabilities that can then be used to support the introduction of digital advice processes. For the funds with more advanced digital capabilities, digital advice can be seamlessly integrated into execution of insurance, contribution, investment and other decisions of fund members.