

Perspective. Customer Experience. **Namics.**

A Merkle Company

# Customer experience with private pension plans

Will personal financial advice remain indispensable in the digital future?

**Study series. Customer experience. Private pension schemes. Switzerland and Germany. Asking the end customer. New perspectives. Digitalization as a chance. Namics.**

A Merkle Company

# Management Summary

In the summer of 2017, we asked seven people in both Switzerland and Germany about their customer journey when they signed up for a private pension product. In order to verify our findings quantitatively, we tested them against a survey of almost 800 people. The results of the customer experience in the banking and insurance sectors can be summarized as follows:

## **1 Customer experiences that do not inspire**

- Moderately satisfactory, yet no inspiring customer experiences
- The quality of the customer experiences varies greatly between companies
- Lack of customer orientation on behalf of the advisor
- A continual customer journey is expected but is only partly provided

## **2 Customers are looking for personal financial advice**

- The quality of advice is often not satisfactory nowadays
- The customers want needs-oriented advice
- Customers do not like by the up-selling and cross-selling by advisors
- Personal advisors are perceived as sales staff
- Lack of transparency in advisory services

## **3 Low customer acceptance for receiving alternative receiving**

- The willingness to sign up for simple products online exists
- Personal advice is expected for pension plans
- Customers shy away from self-directed advice
- Providing advice by video still enjoys rather low acceptance

## **4 Approach for customer-oriented advice**

- Create easy access to the advisor
- Make sure the advisor has access to digital resources
- Create cooperative advisor-customer situations
- Ensure transparency during the advisory session
- Explain the agreed solution using interactive visuals



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# Preface

These days, the modern person does everything using a mobile, digitally and ideally via self-access services. We do our own check-out at the supermarket, order domestic heating oil online. We steer clear of ATMs because we can do everything via online-banking and soon we will let our fridge order our groceries for us. And the younger the target group, the more they prefer completely virtual communication. Or is that not case?

In the first issue of the series "Perspective. Customer Experience" on customer experience, we deal with a problem from the world of finance. We analyzed which factors positively influence the customer experience when agreeing on a private pension scheme.

In this study, we looked at the question of how the customer's "journey" develops when he/she is considering a pension plan. Here are the topics in detail: What do they expect of their bank or insurance company when they deal with the issue of maintaining a good standard of living in old age? Who do they trust and how do they see the potential of digital possibilities? Are these merely driving companies to greater efficiency or are they also wanted by customers?

In our study, the private pension scheme is an example of the complex problems that the customer deals with rather reluctantly. 800 people answered our questions which we have summarized for you in this document and have made recommendations.

I hope that this study contributes to an even better understanding of your customers and thereby paves the way for solutions that use the possibilities of the digital world and create an enthusiasm amongst your customers.

I hope you enjoy reading this and are inspired by it.

**Benjamin Hörner**  
**Client Service Director Insurance & Banking**



# Research method

The study deals with the question of which factors on the customer journey have a positive influence on the customer experience. Here we examine what the customers expect when signing up for a private pension scheme product.



## Step 1

# Qualitative data pool

We ran focus groups each with seven participants in Switzerland and Germany. The people chosen were very mixed in matters of age, occupation, education and marital status. The one thing they all had in common, however, was that they had all signed up for a private pension scheme within the past six months. First of all we interviewed all participants about their goals, needs and frustrators when signing up for a private pension scheme. Then in the second part, the customer experience of the interviewees was reconstructed with the help of customer-journey-mapping.





## Step 2

# Quantitative data validation

We formulated hypotheses on customer behavior, motivation and frustration factors as well as on the customer journey from the qualitatively compiled data. The hypotheses were translated into a questionnaire and quantitatively tested via an online survey.

To do that, 797 people, who had signed up for a private pension scheme within the past twelve months, were recruited via a panel. The sample can be regarded as representative in terms of age and occupation. The interviewee's age range between 16 and 59 ( $M = 36,85$ ) was sufficiently widely spread enough to test for age-related behaviors.

Along with the evaluation of the compiled motivation factors, frustration factors and characteristics of the customer journey, the customer experience index (CXi) was compiled by Forrester<sup>1</sup>. This enables us to measure the performance of the individual financial service providers.

In order to understand the customer expectations during the advisory session, the individual activities were assessed according to the Kano-model<sup>2</sup>. The procedure makes it possible to assess and classify the characteristics of a customer experience. Here, the basic factors, the performance, the enthusiasm, the irrelevant factors and the rejection rejection factors were defined.

<sup>1</sup> Seven steps to successful customer experience measurement programs, Forrester, 2013

<sup>2</sup> Kano, Seraku & Takahashi, 1984

# The customer experience of private pension schemes

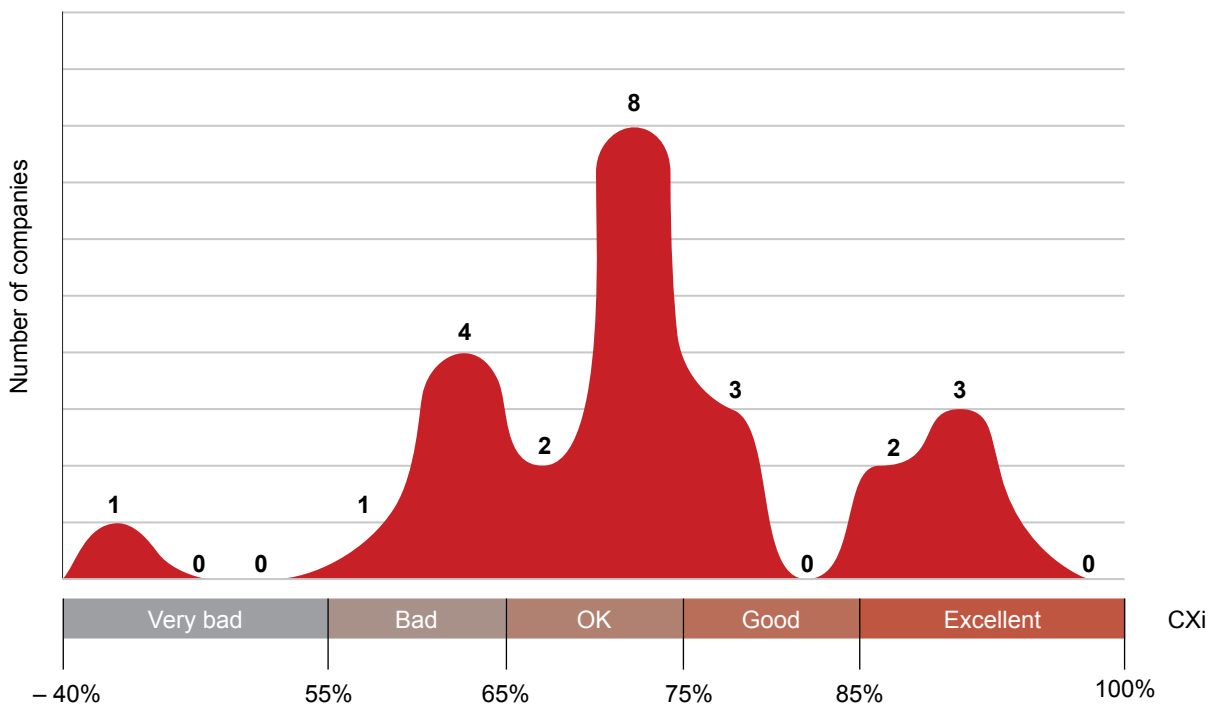
We analyze the customer journey and the customer experience when they sign an agreement for a private pension scheme. In the process we look at both the performance of the banks and insurance companies and the needs, the behavior and the expectations of their customers. The result shows that the current customer experiences are at best satisfactory, but are not inspiring. In the next section, the performance of companies will first be looked at and then afterwards the expectations of the customers will be carefully examined.

72.93% for the entire industry. In comparison, with a CXi of 75.57% the perception insurance companies is slightly higher than with regard to the banks (68.77%). So, customers do experience the signing of a private pension scheme as satisfactory, easy and straightforward.

Looking at the distribution of ratings on the provider level, strong variations begin to show. The majority is situated in a good, solid, middle range, some come off badly and only few providers can create a feeling of enthusiasm with the customer.

## The customers are all in all satisfied, but not enthusiastic

With the help of the customer experience index, we measured the general customer satisfaction. It shows a solid performance of



The figure shows 24 firms, that hold at least ten rankings and unite a total of 67.37% of all ratings.

In summary one can say that the customers remember the overall experience as “moderately positive”. This shows that a majority of the rated companies do have a specific need for action. In the following section we explain detail of what the customer expects and which the areas of possible action are.



## The need all customers had: to take away the fear of poverty in old age

Financial service providers have to understand their customers' needs and requirements and have to be able to react to them. This is why we asked about customers' aims with a private pension scheme and what would trigger the customer to turn his/her attention to such private schemes.

To sum up the situation, one can say that the customers' needs are the same across the whole age range. The customers are looking for solutions to save them from the dreaded fear of poverty when old and want to cover their families' and their own financial needs. Material needs, such as saving tax, are regarded as rather secondary by the interviewees.

**80.5%**

do not want to poverty when elderly

**76.8%**

want a solution that will maintain their standard of living in old age

**74.8%**

want to be covered against invalidity

**68.4%**

want to cover their family in the case of their own death

**58.2%**

want a private scheme, in order to save tax

**57.5%**

want a scheme with high profitability

**80.8%**

want to sign up for a product that fits their personal needs perfectly

**42.0%**

state that their current product is not tailored to their needs

We then look into the different customer needs and the customer journey in more detail, as well as looking into the role of the personal interview with the advisor.

It now becomes clear that, customers expect solutions that are perfectly tailored to their needs. And that is exactly the problem: The majority of interviewed is disappointed on this very point and sense that the products are too generic.

# Passive or active – how do the behavioral patterns differ from customer to customer?

Apart from the actual needs that all customers have there are, distinct differences in customer behavior in the interaction with companies.


Surprisingly, demographic variables like age, occupation or life situation were not an influencing factor. That is to say: Generation Y (year 1980 to 2000) expressed the same needs regarding the customer journey as did the baby-boomers (year 1955 to 1965). Information patterns and the way information is researched on the customer journey do indeed represent the deciding segmentation criterion. Statistically, two clearly definable behavioral patterns can be clustered from this:



**69.3%**

## The «multimedia-based active person»

- Actively researches and uses information all channels and prepares for a conversation
- Is receptive to advertising via conventional as well as online channels
- Requires tconfirmation at the meeting with the advisor and this is an additional touchpoint



**30.7%**

## The «personal passive one»

- Does little research in advance and expects to receive all the information at the meeting with the advisor.
- Is not receptive to advertising or other triggers and the topic of pension plans has to be drawn to his/her attention by the financial advisor or by a close friend
- The meeting with the advisor is a central touchpoint - this is the place where all necessary information is obtained and where a decision is made on possible options



In summary we can say that the personal conversation and the exchange with the financial advisor are of high relevance for both target groups. The actual differences relating to the behavior of the target groups and their relevance in terms of the use of channels and touchpoints will be illustrated in the following section on the basis of personas and their customer journey.

# Personas



*«I like to research the topic of pension schemes comprehensively using all channels, before going into a meeting with a financial advisor.»*

The "multimedia-based active person"

## Nora Nussbaum

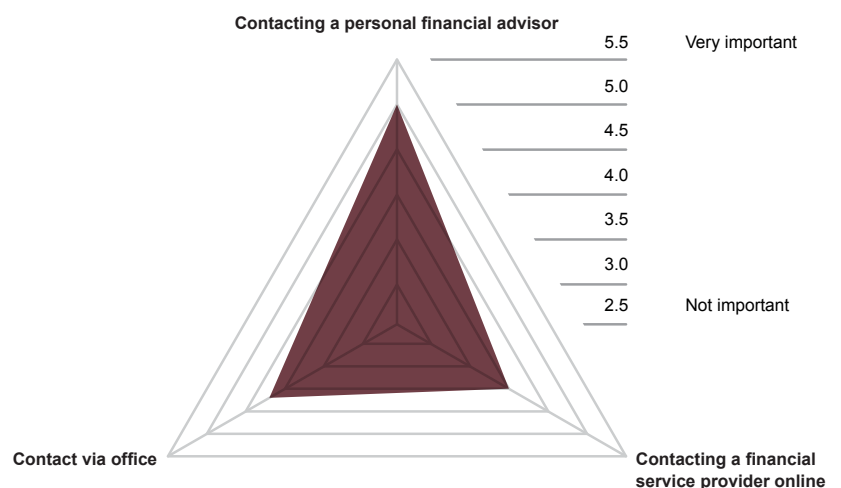
Age **36 years old**  
Occupation **Webdeveloper in a permanent post**  
Marital status **Married, with children**

### Triggers

1. Friends, acquaintances and relatives
2. Tax tips and tax consultants
3. Online and offline advertising
4. Approached by a personal financial advisor

### Source of information

- Websites of banks and insurance companies
- Friends, acquaintances and relatives
- Comparison portals
- Personal financial advisor
- News portal





*«Googling financial topics is like googling diseases: the diagnosis is always cancer! That's why I want to talk to an expert directly.»*

The "personal passive person"

## Simon Regensdorfer

Age **38 years old**  
Occupation **Self-employed painter**  
Marital status **In a partnership, with children**

### Trigger

1. Friends, acquaintances and relatives
2. Approached by a personal financial advisor

### Source of information

- Personal financial advisor
- Friends, acquaintances and relatives



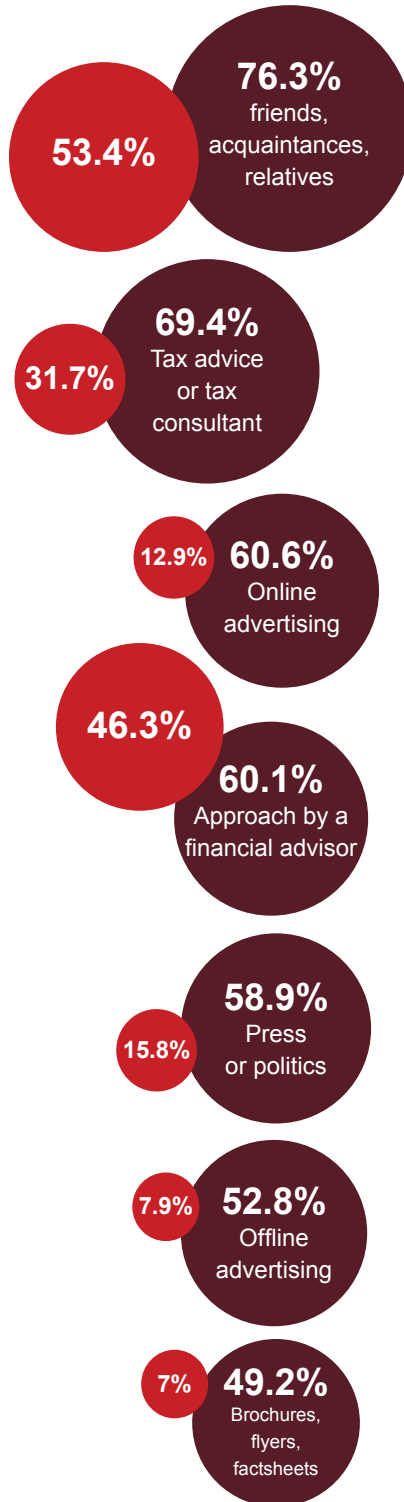
# Customer Journey

## Personas



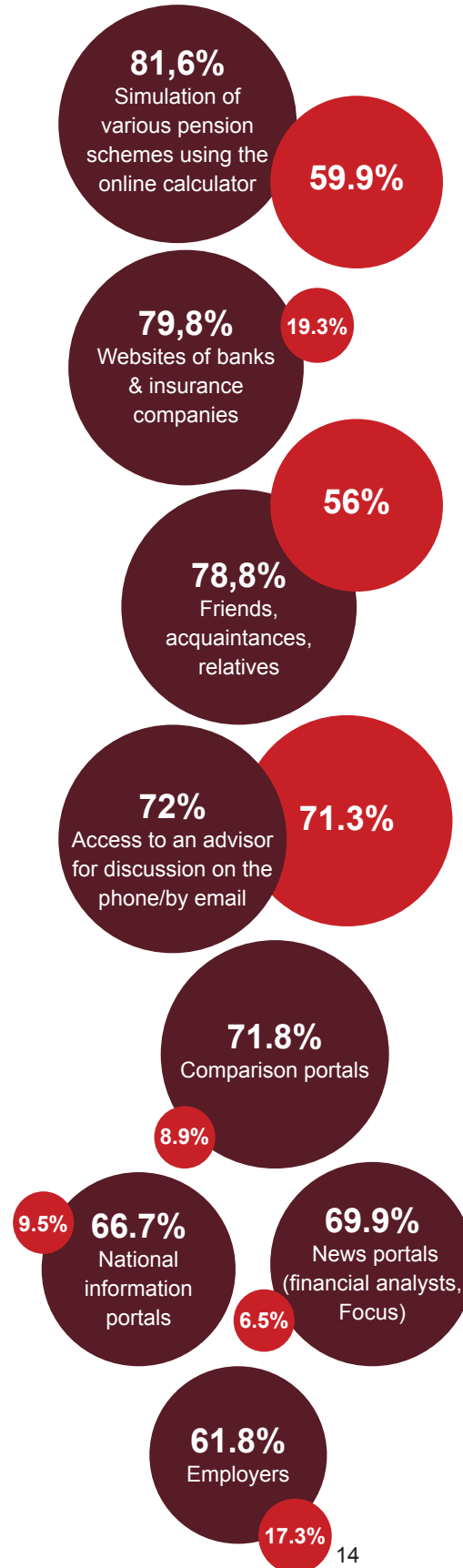
## Triggers

Which touchpoints and triggers prompt a customer to consider a private pension scheme?



## Informing

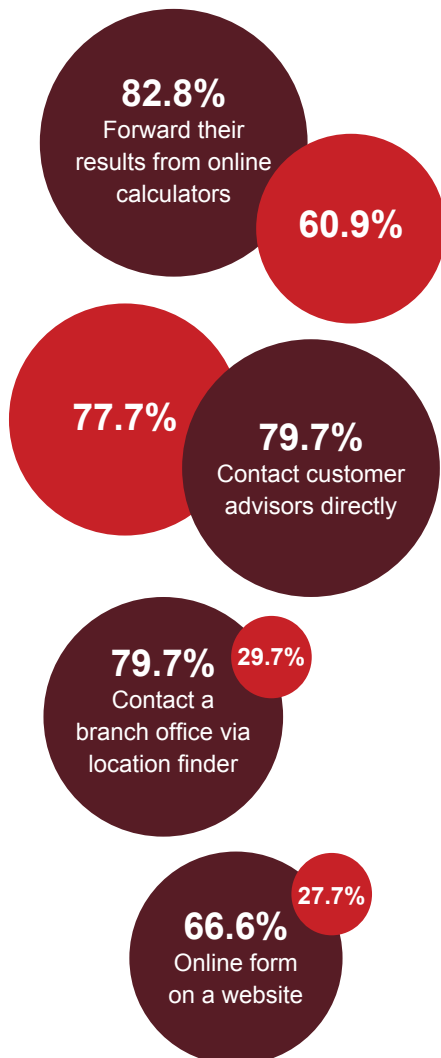
Which touchpoints and channels prompt customers to research possible solutions for a private pension scheme?





### Contacting

How do customers contact a bank or insurance company?



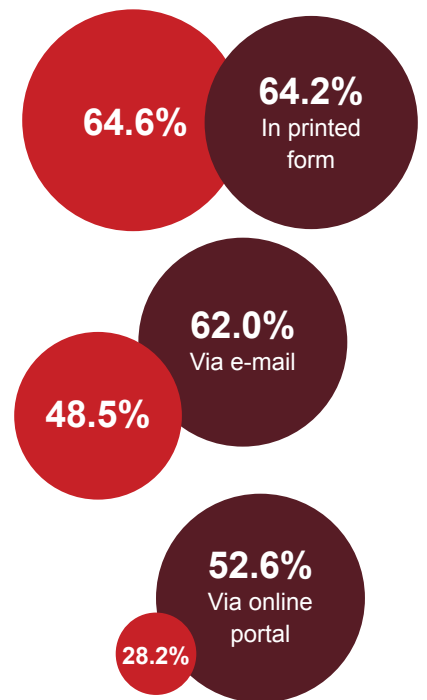
### Consultation

Do customers want to be given financial advice personally?



### Conclusion

How and via which channels do customers want to receive offers?



# The financial advisor meeting – the most important touchpoint, now in more detail close up

Even if both of the personas show different behavior patterns and so, of course a different customer journey, both acknowledge the consulting interview as central touchpoint.

The financial advisor meeting is the linchpin of the entire customer journey, but far from satisfies the customers' expectations today.

Customers want a financial advisor meeting

For **75.9%** it is important to be able to talk to a financial advisor

For **50.9%** the financial advisor meeting is the central touchpoint in the customer journey

The relationship with the financial advisor is crucial

For **89.6%** it is important to be able to trust the advisor

For **76.9%** the trust in the advisor one of the most important deciding factors when it comes to buying a product

The quality of the financial advice is not satisfactory these days

**45.3%** state that they don't feel they have been particularly well informed about the terms and conditions of pension schemes

**26.2%** say that they are not satisfied with the advice they have been given

**25.1%** regard the advice given on the terms and conditions of a pension scheme as inadequate

Seen a sales pitch, but not as financial advice

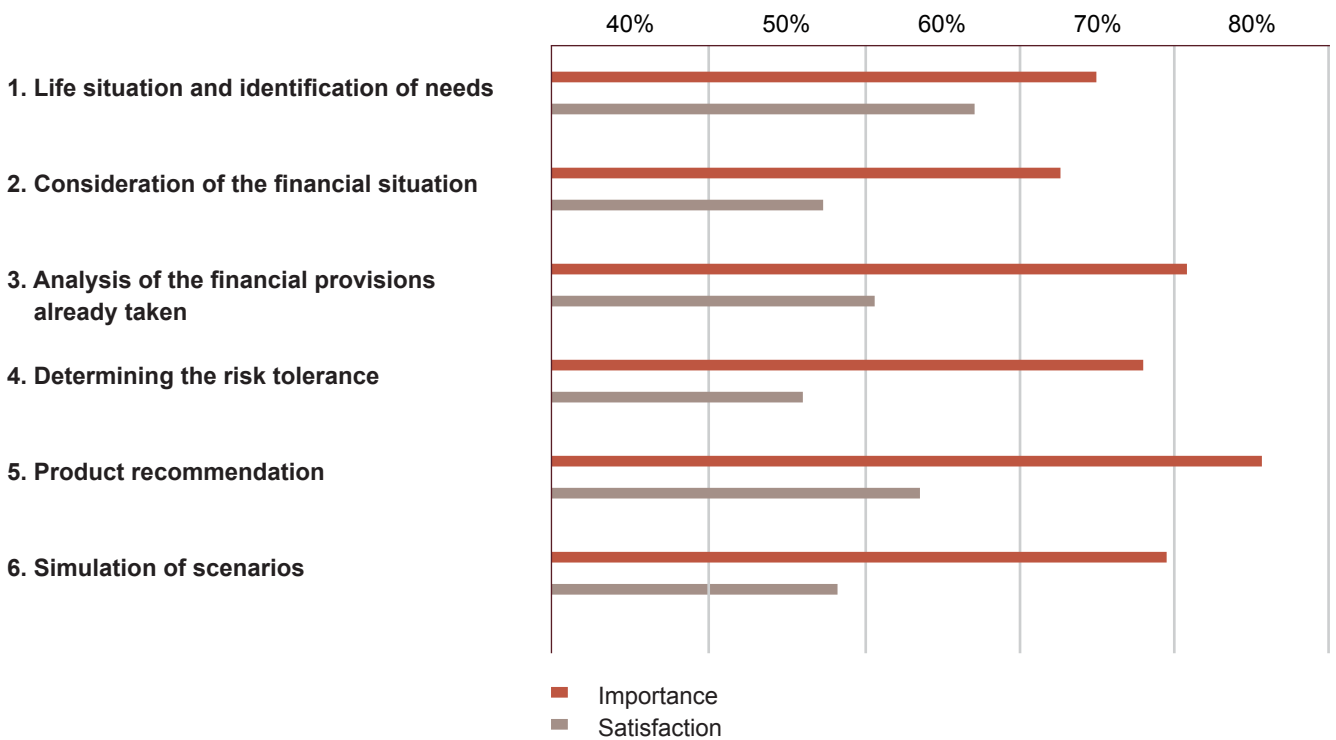
**66.8%** name the upselling & cross-selling of the financial advisor the biggest frustration factor in the entire customer journey

**52.2%** therefore see the insurance or bank representative not as an advisor but as a salesperson

**In summary, we can say that the financial advisor currently forfeits a lot of trust and credibility in the conversation with the client. Clients want an advisor who represents the client's interests and looks for the best solutions for their needs; and who only has his/her own commission as second priority.provision.**

## Where the financial advisor meeting lacks in quality

There are several areas where the quality of the financial advice given is lacking today. The estimated importance and the actual satisfaction experienced differ greatly in some aspects, as the following chart illustrates.



The financial advisor gives away a lot of potential when he/she is giving advice. In particular with the explanation of the suggestions for financial provision and the consideration of the actual financial provisions already taken by the client, the difference between perceived importance and satisfaction is significant. From the customer's point of view, only the analysis of the life situation and the identification of the needs indicate a satisfactory result. This shows that the financial service providers do not respect the needs of their customers adequately, and this leads to an unsatisfactory customer experience and a lack of trust in the financial solutions offered.

# Classification of factors in the financial advisor meeting

A close look at the phases of the meeting to discuss a pension scheme reveals that the individual activities within each phase, can, with the help of the Kano model, be assessed, analysed and classified in the following categories:



## **M (Must-be)**

indicates a basic-level factor, and these requirements are implicitly expected by the customer. If they are not met, there is immediate dissatisfaction on his/her part.



## **O (One-dimensional),**

indicates an efficiency factor. The customer is aware of these requirements, they eliminate dissatisfaction or create satisfaction depending on the extent to which they have been met.

## Enquiring about the life situation and needs



### **Analysis of the life situation and needs of the customer**

The financial advisor creates an overview of the current personal living situation and needs of the customer, in order to reach the best possible pension scheme.



### **Getting to a suitable pension scheme by looking at the life situation and the needs**

The advisor shows the customer which products or rather which solutions best match his/her situation.

## Looking at the financial situation



### **Analysis of the current financial situation**

The advisor creates an overview together with the customer about his earnings and spendings, in order to calculate the amount to be invested.



### **Finding the best match between the financial situation and the proposed product**

The advisor indicates which products or rather suggestions best match the personal financial situation of the customer.

## Analysis of the pension plan situation



### **Product recommendations to maintain standard of living**

The consultant explains to the customer which products are best suited and why, so that the current standard of living can be maintained in old age.

## Determination of the risk tolerance



### **Finding the most suitable risk tolerance and the solutions**

The advisor shows the customer which products or rather proposals suit him best based on his personal risk tolerance and risk capacity.

## Product recommendation



### **Advantages and disadvantages of the proposed pension schemes**

The advisor explains to the customer the advantages and disadvantages of the single provision products and solutions.



### **Cost of each proposal**

The consultant explains to the customer the cost of each pension scheme proposal.



### **Finding the best match of the of financial situation and the proposals**

The advisor explains to the customer why which pension scheme products suit best based on their his/her financial situation and life situation.

## Simulation of scenarios



### **Simulation of early retirement**

The advisor simulates together with the customer how early retirement affects the capital after one's working life.



### **Simulation of the available capital in retirement**

The advisor simulates together with the customer how his/her capital will develop from today until retirement and how much money he/she will then have at their disposal.

**Financial service providers can only be inspirational in few areas of the advisory meeting since the customer explicitly expects most of the steps. If the advisor should not fulfill those basic expectations, the customer will inevitably be dissatisfied. Looking at customer satisfaction in the individual phases of the meeting with the advisor, one can say that banks and insurance companies currently do not fulfill the fundamental requirements of the customer.**





# The meeting with the financial provider has to be transparent

Across the target groups the customers want more transparency during the meeting with the financial advisor. To achieve such transparency we have examined and classified three key areas for all the phases of the meeting.

## Utilization of information



Customers want to be able to understand at all times the influence that their divulged information has on the suggested proposal. This transparent use of customer information was classified as a basic factor.

## Structure of processes



Customers want to be able understand at all times why which a particular activity is performed during the meeting and what effect it has on the proposed solution. The transparent structure of the process was classified as an efficiency factor.

## Disclosure of costs



The customers expect a transparent disclosure of the cost of products, proposals, services and advisory services. Open and honest cost transparency was classified as a basic factor.

# What influences the customers in their decision in sign or not?

Would not sign during the meeting  
**71.6%**



Would sign during the meeting

**28.4%**

Customers do not want to make a hurried decision

Customers hesitate to sign during the meeting with the financial advisor. Even in a meeting that is going well, only just over a quarter of the interviewees are willing to sign there and then. The majority wants to take the proposal that was developed plus the documents that go with it home in order to make a decision in peace and quiet.

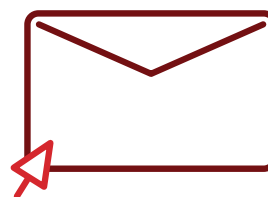
## How contract documents are to be handed over

The majority of the interviewees prefers the contract documents in classic hardcopy form. Two thirds would like them to be sent via e-mail. Receiving the documents via an online portal or online banking is viewed as positive by almost half.



**44.3%**

via online platform



**60.5%**

via e-mail



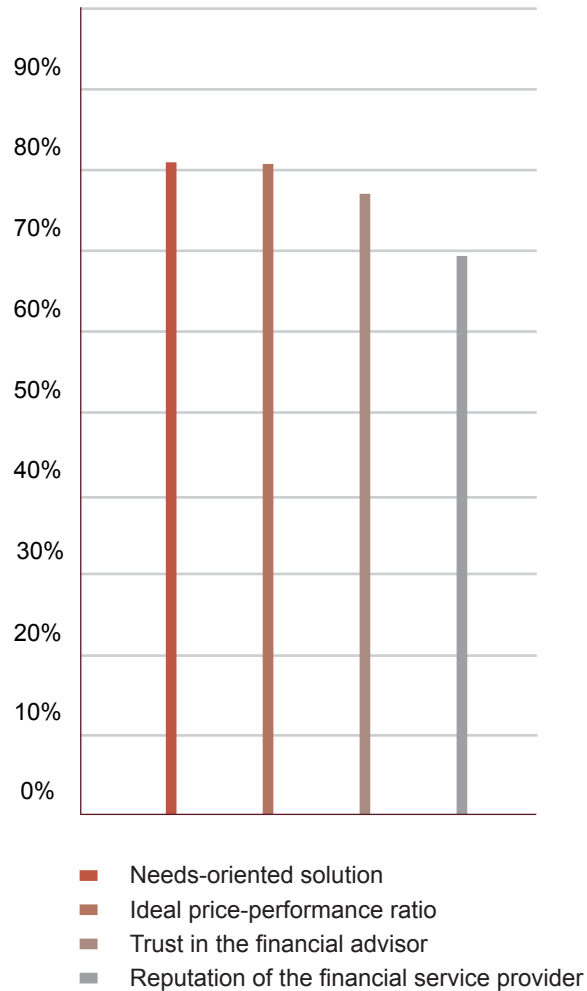
**77.4%**

as hardcopy

## Crucial factors that lead to a signing

Whether a customer signs a proposed pension scheme mainly depends on two factors:  
Does the proposal tie in with the customer needs and is the price-performance ratio ideal?

In addition, the trust in the financial a can influence the decision significantly, whilst the reputation of the financial service provider can only be seen as a confirming factor.



**When one looks at all these factors, it is clear that the quality of meeting with the financial advisor has an immediate impact on whether a customer opts for a product or a proposal. The data confirm that this meeting is a central touchpoint within the customer journey – not only from the customer’s point of view, but also for the financial service provider as this is for him a crucial point-of-sale.**

# Videochat or co-browsing: alternative advisory models put to the test

Apart from the “physical” meeting with the financial advisor digitization offers further possibilities to bring pension scheme proposals to the customer these days. Thanks to video chats and co-browsing, the customer does not have to explicitly make an effort to go to the branch office, but can communicate with the financial advisor in comfort from home. To help customers self-guide at times that suit them, online AI calculators are available to them.

## **Self-guidance by the customer**

The customers, however, are undecided as to the rating of simulations that they can carry out themselves. Conducting interactions independently actually means that the customer simulates scenarios and can create proposals completely autonomously using the advisor tool. But customers seem to be unable to cope with this during the advisory session.

This finding serves as an indicator that the outsourcing of such simulations in form of self-services or self-guidance on online portals is still too much to ask of the customer. Even if 39.5% of all participants can imagine signing up for a private pension scheme product completely on their own, online and without a financial advisor more than a quarter (27.1%) explicitly rejects this option.

Overall, the results show that customers want the assistance of a financial advisor and are currently unable to gain any additional value from independent self-guidance.

## Co-browsing or video conferencing

With customers increasingly wanting services independent of time and location, holding a meeting via video chat and co-browsing is the perfect solution. Bearing this in mind, it is all the more interesting to note that 27.3%, close on to a quarter of all interviewees can imagine such a situation. 45.4% of the participants explicitly reject this kind of meeting.

The results here also show that the physical customer meeting with the cannot (yet) be replaced by a digital solution.

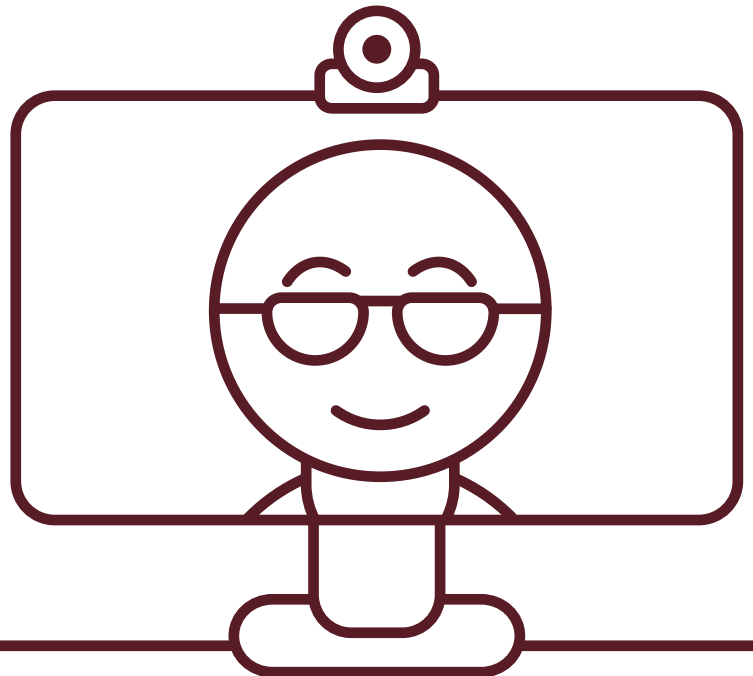
**45,4%**

of participants explicitly reject a meeting via video chat.



**27, 3%**

of the people polled can imagine a meeting with a financial advisor via video chat.



# Recommended actions

## **Design continual customer journeys**

Customers also want the data they have given to be used again later in the whole process. Make sure that there are no breaks in the customer journey and that you use continually the customer's data.

## **Support the financial advisor meeting with digital aids**

The results of the study show that the digitization cannot replace the financial advisor meeting. For complex products like the private pension schemes, the personal interview still remains central. Therefore, digital support with interactive tools during the advisor-customer meeting. They will help the customer as well as the financial advisor when trying to find a good solution, make for greater acceptance and increase the efficiency of the meeting.

## **Structure information based on customer behavior**

Design the structure of your website and the information presented there in line with your customer's needs. Because for the majority, your website has the most important information touchpoints. At the same time customers expect answers for their needs, transparent information on costs and service as well as comparable facts referring to products.

## **Create cooperative advisor-customer situations**

Establish a process of cooperation when working towards a solution in which the financial advisor guides the customer through the process as a moderator and lets him actively participate. The solution that is jointly arrived at leads to a higher acceptance, a better customer experience - and, logically, a greater customer loyalty and a higher recommendation rate.

## **Create easy access to the advisor**

The financial advisor is not only an important information touchpoint for all customers, but his role is also rated as crucial for a purchasing decision. Therefore make sure you have a simple, quick and personal access to your financial advisors. Apart from using the traditional channels, like phone and e-mail, also use digital channels like online portals or established social media services.



## Ensure transparency in the meeting

Against the background of very complex financial products that are less “exciting” for the customers, the challenge lies in staging the service itself as an experience. Customers criticize in the meeting with the financial advisor that they cannot follow how a particular proposal was arrived at, or they do not fully understand the proposal itself, as they would like to. A transparent consulting process and the inclusion of the customer when finding solutions counteract that aspect and allow for a positive customer experience.

### Product transparency

Lay open the advantages and disadvantages of individual products for the specific situation of the customer. Also talk about possible disadvantages - this is how you strengthen your credibility and that of the recommended proposal.

### Information transparency

Develop consulting tools that are comprehensible for the customer and show what information is needed from him in order to find a solution and what effect it has on final proposal.

### Process transparency

Make sure the process as transparent of finding a suitable solution is as possible. The customer must always be able to follow why you going down a particular path in the meeting and what effect this has on the result.

### Cost transparency

Always make sure you are being transparent with regards to the costs. Speak openly about prices and the commission of the financial advisor. Definitely avoid hidden costs. This openness leads to a better customer experience, more trust into the financial institution and the advisor and, in the end, creates a greater willingness to pay.

## Visualize the finding of solutions in the meeting

Interactive visualization can best illustrate how changing needs or situations have an impact on the final proposal. An example: the effect of early retirement on the retirement assets. By using interactive and visual means to work towards the end proposal, the customer can better understand things and is more likely to sign up for a product.



## Mission: inspiring customer experiences

We can also help you to optimize your customer experience. In order to present to you your individual results, we would be very happy to come by for a personal conversation.

Amongst others, customers from the following companies were interviewed: AachenMünchener, Allianz, AXA, Basler Versicherungen, Commerzbank, CosmosDirekt, Credit Suisse, Debeka, Deutsche Bank, ERGO, Generali, Helvetia Versicherungen, HUK-COBURG, ING-DiBa, Schweizerische Mobiliar, Postbank, PostFinance, R+V, Raiffeisen Schweiz, Sparkassen Swiss Life, UBS, Volksbanken Raiffeisenbanken and Zurich.

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## Series of studies. Perspective. Customer Experience. **Namics.**

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We are convinced that only the consistent observation of an end customer perspective can create an excellent customer experience. In our study series "Perspective. Customer Experience." we highlight exactly this perspective and interview end customers. The focus here is always the optimal customer experience that the study series examines in different industries.

As a digital full service agency, Namics offers not only insights into end customer behavior and needs, but realizes excellent digital customer experiences in all touchpoints - from digital strategy, conception, implementation to the point of continuous measuring and optimization of all measures.