The future of financial services:

how work is impacted by the connection and convergence of people and technology

Game on: the potential for gamification in asset management

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Millennials do not have a great reputation. This group of people, born sometime between 1980 and 2000 are apparently lazy, entitled, narcissistic and more interested in their smartphones than human interaction. In China they are the only-child generation and considered 'little emperors and empresses' given their privilege and lack of hardship. In the West, they've been accused of 'killing' cereal, chain restaurants and even the napkin industry.[1]

At the same time the world over they are described as socially conscious, entrepreneurial and highly educated. In South Africa and Latin America they have been called upon to ensure democracy and act as the force of change.

Millennial money – interested in saving, not investing?

Mixed perceptions of this 'Me Me Me Generation' continue when it comes to their finances. In the same month this year one news outlet ran the headlines 'Why Millennials Aren't Saving Enough Money to Retire' and 'Hey, Millennials, You May Not Be as Bad at Saving as You Think You Are'.

According to a recent report by Merrill Edge, millennials *are* saving but for different reasons than their parents; they save to live their desired lifestyle rather than to leave the workforce. They are less interested in getting married and becoming parents than older generations, but more desirous of working their dream job and travelling the world[2].

Millennial money is therefore more concerned with short term goals, which may explain why they are good at saving but not so interested in investing. By 2020 millennials could have a net worth of US$24 trillion[3] yet only one third invest in the stock market[4]. Many grew up during the financial crisis of 2007-2008 and saw their parents suffer as a result; this has engendered distrust in investments and a risk-averse attitude. In China where millennials are relatively more prosperous (70% are homeowners), their preferred investments are property and cash over stocks or funds.

Relatability is another issue; the average age of a financial adviser is 50 years old and there are more financial advisers over 70 than there are under 30[5]. 60% of millennial women equate a typical investor to an old, white man[6]. This wariness of investing is compounded by high student debt, house price rises and the fact that young adults today earn 20% less than their counterparts did in 1989[7].

Not just a millennial problem

While millennial saving for short-term goals may be damaging to their long-term financial health, it is also bad news for asset managers. The average investor is currently in their late 50s but 81% of asset managers say they want to become more attractive to the younger generation[8].

Asset managers who fail to adapt business and operating models to attract this next generation of wealth may risk losing a substantial pool of future investments. Asset management is not immune to the fintech boom and millennials are particularly open when it comes to technology; 85% of UK millennials are comfortable with using robots for financial advice[9]. Arguably this will only grow when Generation Z (born 1995-2012) reach investment age; they are the only generation to have never known a world without internet.

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[1] *MarketWatch,* 'Here are all the things millennials have been accused of killing – from wine corks to golf', June 2017
[2] Merrill Edge Report: Spring 2017, 'Millennial mindset: It's all about freedom and flexibility'
[3] UBS, 'Millennials – the global guardians of capital', June 2017
[4] Bankrate survey, 2016
[5] *CNBC*, 'Here's why millennials aren't investing', April 2016
[6] *Business Wire*, 'Stock Market Investing is for Old, White Men, According to More Than Half of Millennial Women', March 2016
[7] *Fortune*, 'Millennials Are Worth Half as Much as Their Parents Were at the Same Age', January 2017

It’s game time

Gamification, defined by Merriam Webster as “the process of adding games or gamelike elements to something (such as a task) so as to encourage participation”[10] may be one way for asset managers to engage and educate future investors.

The principles of gamification have been used successfully in a range of scenarios. Although many of us would not consider ourselves gamers, we have probably encountered gamification techniques in our daily lives; from walking that bit further to reach our Fitbit reward to moving up levels on retail or airline loyalty programmes.

Languages are an area where gamification has really taken hold. Some readers may remember a time when learning a language meant attending a crowded evening class, or self-learning using a cassette tape or CD. Then the language startup Duolingo launched its free app about five years ago. It has applied the principles of gamification to help 120 million users learn up to 22 languages, including French, Japanese and Swahili[11]. They, and other language apps, use gamification elements such as level unlocking and rewards to educate and motivate users but also, crucially, to encourage them to continue to use their service over the competition.

Gamification principles are not restricted to recreational activities; tangible business problems have been tackled using this approach including improving security awareness (by improving employees’ filtering of phishing emails) to enhancing stakeholder engagement (by facilitating ‘tailored story-telling’ by external stakeholders and employees as they explore the firm’s vision and culture platform).

Applications in asset management

According to fintech thought leader Paolo Sironi, gamification can “achieve sustained innovation in financial services because it can provide a way for individuals to rewire their brains and bodies and achieve better investment behaviour against the imprints generated by financial events and the experience of their formative years”[12]. This is particularly relevant for millennials, 82% of whom say their investment decisions are motivated by the financial crisis[13]. For asset managers, gamification can also create ‘stickiness’ among clients and enhance profitability.

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[8] *Financial Times*, ‘Millennials force wealth managers to up their game’, June 2016
[9] *Financial Times*, ‘fintech lures millennial investors away from asset managers’, January 2017
[10] www.merriam-webster.com/dictionary/gamification
[11] www.duolingo.com/press
[12] Paolo Sironi, *FinTech Innovation: From Robo-Advisors to Goal Based Investing and Gamification*, Wiley 2016
[13] Legg Mason, ‘Global Investment Survey’, June 2017

Encourage investment

According to Legg Mason's recent Global Investment Survey, 85% of millennials describe themselves as conservative investors, compared to just 29% of baby boomers. For asset managers to attract these future customers they must be able to demonstrate to millennials not only the risks of investing, but also the potential rewards.

One startup, Copper Street, is drawing on the concept of popular game fantasy football to "gamify the stock market". The app serves as an educational tool for potential investors to learn about trading through "fun competitions and rewards" without feeling overwhelmed. Users create teams of stocks and compete in interactive challenges. Once they feel confident, they can transition to trading real stocks via the same gamified structure.

By providing first-time investors with no-risk educational tools prior to making real investment decisions, asset managers could encourage participation among this generation of cautious investors. Better education could also improve investment strategies and outcomes, all of which improves asset manager profitability.

Assess risk and reinforce positive behaviour

Although many millennials are conservative, they are not immune to risk. However, in an age where lives can be managed on smartphones few younger investors appreciate filling in lengthy risk appetite questionnaires. This is one area where gamification could not only improve engagement but also the accuracy of outcomes.

Neuroprofiler is a risk profiler that uses gamification techniques to assess an individual's investor profile. The potential investor plays a five-minute interactive game whereby they must make choices when presented with different scenarios. Questionnaires can be flawed; they can be complicated and ultimately rely on individuals understanding their own inherent biases and motivations. Games, however, can be instinctive, simple and better at simulating real-life experiences. Furthermore they can be repeated with higher frequency and ease than questionnaires.

By using such techniques to understand an investor's risk appetite, asset managers can identify early warning signs of negative behaviour not just at the initial point of investment, but throughout the investment lifecycle. In a gamified setting, this could allow for the reinforcement of positive behaviour through rewards and appropriate penalties for negative behaviour, improving outcomes for both the investor and manager in the long term.

Improve customer retention

Investment start-ups using gamification techniques such as Nutmeg or Meetinvest don't just aim to improve trust and education in the investment process, they also want to make it *fun* – an adjective perhaps not always associated with investment processes of old.

Investing real money is of course not a game in itself and sensible risk taking should always be prioritised above simply having fun. However the two need not be mutually exclusive. By continuously engaging with customers in a manner that is both fun but also demonstrates an understanding of their goals and concerns, asset managers can increase loyalty among a generation known for its lack of brand allegiance.

Game on – the wider impact on asset managers

Adapting business models to meet the requirements of future investors is not simply a technology bolt-on; to be successful it will also require asset managers to adjust traditional work and talent structures in their organisations.

Asset managers will need to understand both the role technology will play in their core business strategy and which cultural attributes and organisational capabilities will create competitive advantage in this new landscape. Talent will need to be realigned with these priorities, which may require asset managers to look for skills outside of their traditional employee base – from software developers to artificial intelligence.

LifeSight – Gamification and personalisation in action

When we started to build Willis Towers Watson's master trust offering we were very keen to make a break with the failed past approaches to communication and engagement in pensions. It is a commonplace view that the pensions industry is poor at engaging with members and yet it has been lamentable at addressing this failing in a meaningful way.

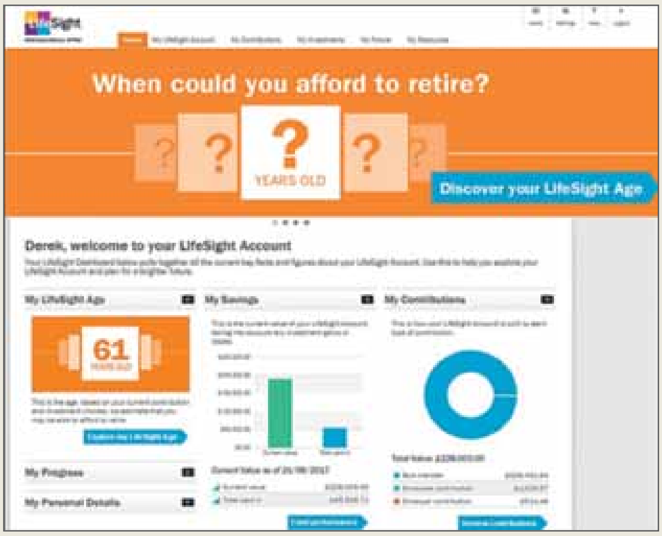
We started from the premise that a consumer-grade experience was a requirement and that the more we personalised our communications the better the outcome.

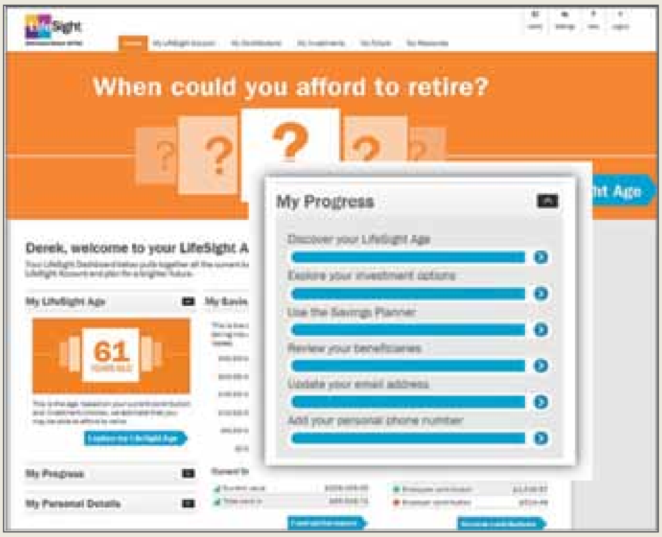
Many pension members, particularly millennials, struggle to understand the relevance to them of pensions: it all seems so far away and for other people to worry about. However everyone gets old and knows people who are old. So while they might not 'get' the idea of saving an amount for some remote future, they do understand that they will want to stop work at some point and are interested in when that might happen. We created the 'ageOmeter' to address this need.

The ageOmeter is a simple, personalised tool that gives members results with a human metric – the age when you can afford to retire – that everyone can understand. The metric can be made more accurate and personal by inputting more data about past savings and reflects changes in investment strategy and contributions. Our video[14] shows that as members consider updating their choices they see how their decision could affect the age at which they can afford to retire. This educational element to the tool is refreshed every time the member visits their pension savings site.

Another element that encourages members to return to monitor and keep up to date with their retirement planning is a progress tracker that tells users what they've done on the site and points out areas and activities that they've not yet visited. We use analytics from the progress tracker and site usage to prompt members with occasional eCards to come back and visit the site to engage with their retirement planning.

We know that helping millennials build a good retirement income is going to be a long and tough road. We need to learn how best to help them on their journey as much as they need to learn about how best to save for retirement. Understanding what they do on the site and getting feedback from members about what they like and don't like about what we've built is integral to our plans so that we can keep meeting the needs of our members and ensure they have great pension outcomes.





[14] https://vimeo.com/user25465055/review/221288908/05c13ba7c8

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