

Case Study – Telefónica O₂ UK

O2 Harnesses Data Analytics to Connect with Employees and Measure Impact and Return on Investment

“We wanted to find a simple and effective way to really connect with our employees, convey to them the value of pension contributions they are missing out on and stimulate them to decide to join. The additional benefit of in-depth insight into employee behaviour means we can monitor impact and allocate our resources much more effectively”.

- James Kirkland, Group Pensions Manager, Telefónica O₂ UK Ltd

Overview

Telefónica operates in 24 countries with a workforce of 249,000 professionals. The company’s mission is to enhance people’s lives and the performance of businesses by delivering innovative services based on information and communications technologies. The company aims to translate technology into something easy to understand and user-friendly, whilst seeking to learn from the cultural and social realities of the communities in which it operates. Internal control and risk management are core business principles and the company strives to ensure that appropriate controls are in place to assess and manage the risks to its business, people and reputation.

Telefónica fosters the commitment and enthusiasm of its employees towards achieving the company’s vision and encourages their professional and personal growth, supporting the development of their skills and competencies.

Business Need

Telefónica O₂ UK Ltd and the Trustees of the O₂ Pension Plan wanted to encourage the UK workforce to join the corporate DC pension and to encourage existing members of the DC plan to save more for their retirement. With the introduction in 2012 of ‘Personal Accounts’ which will use compulsory enrolment, the company believes that active, voluntary joining of the Pension Plan is likely to have a greater motivational effect on employees than compulsion.

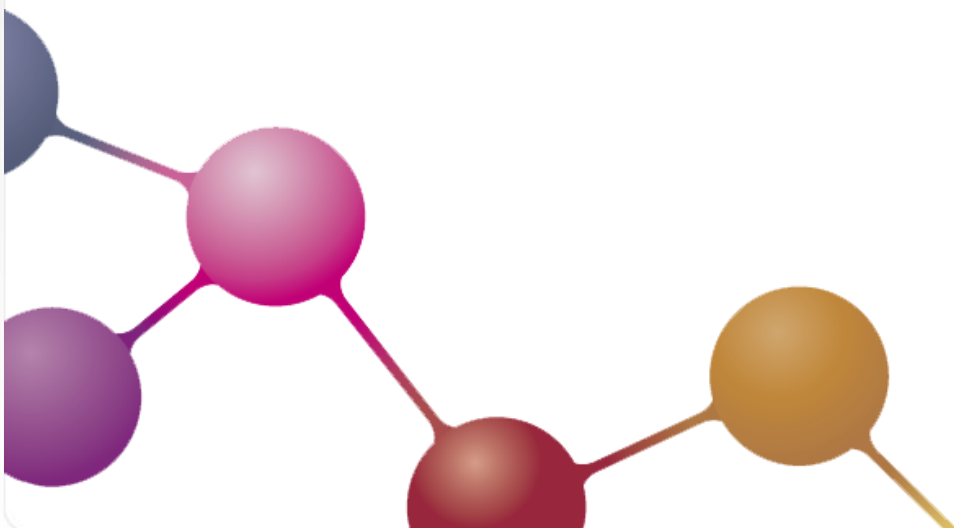
Very significant sums are invested in DC pension contributions each year and there is a desire to ensure that the value of these is fully recognised by the employees who receive or are eligible to receive them. At the same time, there is an ongoing need to ensure effective transfer of responsibility to individual employees, which requires them to develop a basic understanding of the adequacy (or otherwise) of their current pensions savings patterns.

Solution

DCisions worked with O₂'s pension administrator to obtain an anonymous data extract. Using this information, the workforce was divided into groups according to full or part time status, location, age, business unit, job function, length of service and salary. From this information, a personal rate of saving was calculated for every employee. A 'bottom up' picture was then developed of the variations in saving and investment behaviour across demographic segments and this formed the basis for a targeted communication campaign to every UK employee eligible for DC pension benefits.

This complex data set was transformed into a very simple set of messages targeted at fifteen discrete segments within the UK workforce. Analysing each individual's demographic and behavioural status made it possible to target them with a message relevant to their behaviour and profile. A visual style was developed in collaboration with O₂'s communication consultants to convey the message in a simple, personalised way using an approach consistent with the company's brand values. The theme was a 'piggy bank' scale starting with non-joiners on the left hand side and high savers on the right.

Each person received a one page communication showing them how their savings habit compared relative to the average for people in their segment and, more importantly, relative to the sub-set of individuals within that segment exhibiting 'role model' behaviour. Their personal position was reflected by a sliding indicator on the 'piggybank' scale. By demonstrating objectively how their behaviour contrasted with other relevant individuals, they were engaged to review their decision making and empowered to understand their savings habits in a simple, intuitive manner.



Results

Despite the campaign taking place during very difficult times in the capital markets, the response represented a definitive step forward from previous efforts to encourage people to join the plan or increase their rate of saving:

Nearly 13% of the existing members receiving the communication increased their saving rate, which is a 340% increase over traditional campaigns. The message particularly resonated with low savers who accounted for two-thirds of this group

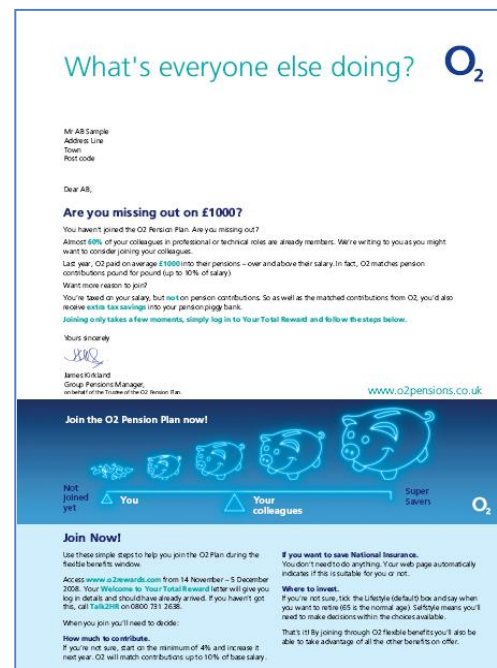
The average total saving rate before and after the campaign increased by 50% from 11.0% to 16.1%

Over 5% of recipients joined the plan. Nearly two-thirds of these individuals made an active decision about their saving rate at the time of joining

Benefits

A key benefit to the company is strengthened corporate reputational risk management. Through the use of a behavioural approach, the Trustees of the O₂ Pension Plan were able to deliver personalised, simple and engaging communications regarding savings behaviour to every employee eligible to join the DC pension plan, improving employees' recognition of their personal responsibility for retirement planning. The awareness generated among employees served to differentiate the corporate DC plan ahead of the introduction of 'Personal Accounts' in 2012.

In addition, the in-depth analysis provided by DCisions regarding the behaviours and results of different segments of the employee population provided an objective baseline to support goal setting and resource allocation, including future communication initiatives. O₂ is now able to identify precisely the impact of communication expenditure on different employee segments and to harness this insight to apply specific tactics to reach distinct audiences.



About DCisions Limited

DCisions measures the investment performance experienced by consumers and tracks their behaviours over time, including product selection and saving decisions. Using a patented process to unlock insight from transaction data, the firm enables investment platforms, asset managers and advisers to better understand their customers and improve the value of these relationships.

DCisions is also the leading provider of insight into DC default strategies and powers the FTSE DCisions Index Series.

The company's independence from investment management, record keeping and investment advice is central to its value proposition.

To learn more and know how we can be of help, contact us at www.dcisions.com.