For many, saving money for retirement can be as challenging as losing weight. Both require sustained effort and new habits. Just as weight loss programs use group meetings and internet forums to create a culture of personal responsibility, the defined contribution industry is finding that peer influence can be highly effective at fighting procrastination—and encouraging long-term savings habits.

Marketers may spend millions of dollars on elaborately conceived advertising campaigns, yet often what really makes up a consumer’s mind is not only simple but also free: a word-of-mouth recommendation from a trusted source.—McKinsey Quarterly, April 2010

Peer influence is gaining momentum

The digital world is accentuating the power of peer influence. Social recommendations, customer advocacy, and word-of-mouth marketing are among today’s most powerful marketing tools. Consider:

“Friends” influence buying
Nearly 68% of Facebook users say a Facebook friend’s recommendation would make them more likely to buy a product or visit a retailer.¹

Gen Y/Millenials lead brand advocacy trend
Research finds that a third of those age 18 to 34 are making proactive recommendations.²

Look at your own experience
How often do you read the peer reviews before buying online? How often do you select a restaurant based on a friend’s recommendation? Consider the popularity of Consumer Reports or Angie’s List.

92% of consumers around the world say they trust earned media, such as word-of-mouth and recommendations from friends and family, above all other forms of advertising.

Nielsen Global Trust in Advertising Survey, 2011
DC lessons from the outside in

DC IMPLICATIONS:
Peer marketing techniques are efficient and cost-effective

While individual guidance and advice remain critical, DC plan providers and sponsors may be able to enhance participant outcomes by deploying successful peer marketing techniques.

- At 51%, financial services is among the top 12 categories for positive word-of-mouth conversations among U.S. internet users.³
- Experts are conducting new studies to evaluate the impact of peer information and groups on savings behavior.
- More avenues for sharing peer recommendations and implementing cost-effective advocacy programs are opening up. Key reasons: Digital services are playing an increasingly important role in participant communications and plans are considering social media for engagement.

STRATEGIES AND TACTICS:
Connect participants, improve outcomes

Consider how peer marketing techniques can be leveraged to create more successful DC plans.

Short-term tactics

1. Create a network of plan “brand advocates”—it starts at the top
   Success ultimately depends on a sponsor’s top-down support and advocacy efforts. Start by crafting effective, shared messaging in cooperation with the sponsor. Then, engage them in identifying the influencers in their organizations who can serve as powerful word-of-mouth advocates.

2. Establish forums for sharing successful strategies and encouraging accountability
   Include a participant testimonial portion within seminars and webinars conducted by plan providers. Hearing the ease with which their peers have successfully saved can be a game changer for attendees. Supplement these sessions with employee-driven, sponsor-supported forums where participants can share successful saving strategies.

3. Provide peer benchmarks
   Consider showing plan participants how others within a similar demographic are doing in terms of saving and investing for retirement. Take care, however, to emphasize the importance of continual improvement over time.

Longer-term considerations

1. How can you fully develop an online community for your clients’ plan?
   Enhance plan websites and digital services to allow participants to share tips and tactics for saving and investing. Even your clients’ own intranet or social media tools could be leveraged to champion the plan.

2. In what ways can you provide reminders to plan participants to strengthen accountability?
   Use ongoing, automated e-mail and text messages to remind employees of saving commitments they’ve made to themselves (and perhaps shared as part of a participant forum). For example, if a participant’s situation doesn’t allow them to enroll upon their eligibility date, have them set up an automatic e-mail or calendar reminder to revisit the possibility six months or a year later.

² PostRelease survey conducted by Synovate, January 2010.