

Behavioral Insights for Business Models

Behavioral Insights in Practice: Lessons for the Financial Sector, Wednesday, September 28th

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Pain Points

“People won’t pay”

But... non-transparent revenue models are not sustainable

- Regulatory risk (CFPB, AGs, DoED)
- Legal risk (401k civil suits)
- Customer dissatisfaction
 - Attrition
 - Disengagement



Behavioral Economics Can Help

Consumers *will* pay

→ Behavioral research can help

Transparent pricing is itself the route to earning customer trust



Will Consumers Pay?

People *do* pay for some financial services:

- Credit report management / identity protection
- Tax preparation
- Asset management
- Loan origination fees, etc.

Sometimes they are even fast and loose with their purse strings:

- Tipping the teller at the check-cashing window
- Cross-sells at tax time



Unlock Willingness to Pay

Marketing has strong track record of using (behavioral) tricks to unlock willingness to pay:

**SIGN, DRIVE AND RING
IN THE NEW YEAR.**



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Ultra-low mileage lease example
for current qualified GM lessees

\$179 PER MONTH* FOR
24 MONTHS/23 MONTHLY PAYMENTS

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Tax, title, license, and dealer fees extra. Mileage charge of \$.25/mile over 20,000 miles.

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with Extra Cash from Citi
- ▶ **No Annual Fee¹**



Unlock Willingness to Pay

Marketing has strong track record of using (behavioral) tricks to unlock willingness to pay:

- “Low Monthly Payments”
- Teaser pricing
- Rebates
- Bundling add-ons

Tricks work because of they play on specific aspects of the psychology of consumer decision making

➡ Harness understanding of the same aspects, for good



How to tap into latent willingness-to-pay?

Some possible tactics:

- Finder's fee that is first charge on new credit card
- Fee bundled in / extracted from a lump-sum disbursement
- Monthly subscription, often starting with a teaser
- Money management fee
- Pay-for-performance: take a cut of what you save the customer



Making it Work

Behavioral science / testing can help:

- *Timing* the offer
- *Framing* the offer
- *On-ramping* from offer to take-up



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