

Everyone has to manage their money in some way—whether they enjoy it or not. From putting away savings for a rainy day or big-ticket purchases to securing loans for a car, home, education or business, people turn to financial institutions to fill a crucial need.

Credit unions, non-profit financial providers dedicated to serving their members, are particularly embedded in many communities to help people take care of their financial needs. Often trusted as an alternative to traditional banks and framed as a membership, people expect personalized service when they begin a relationship with their credit union of choice. With recent technological advances, it is easier than ever to move away from a location-based model and serve customers anywhere in the United States—but not without some initial barriers. That's why ideas42 partnered with Alliant Credit Union, one of the largest credit unions in the country, to help them improve how they serve their members' changing online needs with the power of behavioral science.

Alliant is based in Chicago but serves members across the country – a reflection of both its original role as the credit union for United Airlines employees and its expanded growth nationwide in recent years. Alliant prioritizes customer service, preserving the quality of a small credit union while rapidly growing its membership base, which topped 300,000 in 2016. Our work with Alliant was aimed at alleviating these growing pains amidst a rapidly shifting landscape of consumer behavior. In this initial portfolio of projects, we aimed to find ways to help increase take-up and usage of the Alliant mobile check deposit service and incorporate behavioral thinking into the design of their consumer lending processes.



### Highlights

- ▶ Credit unions are often trusted as an alternative to traditional banks, offering membership and personalized service
- ▶ Advances in technology broadens the reach of credit unions, allowing them to serve members nationwide rather than just in local community
- ▶ Alliant Credit Union in Chicago needed assistance in identifying and adapting to customer behavior with mobile deposits and consumer lending processes

## Why Don't People Use Mobile Check Deposit?

Depositing a check with a phone seems like magic. No need to go to the bank or ATM, no forms to fill out; simply snap a photo of the check using the mobile app and it's in your account. It seems like everyone would want this service, but usage rates of Alliant's mobile application for check deposits, while rising, were still lower than expected. This is an industry-wide problem; uptake of mobile banking remains below 20% at most major financial institutions.<sup>1</sup> Low uptake is typically attributed to consumer concerns about new technology and security risks, or just lack of awareness of this incredible service.

ideas42 partnered with Alliant to figure out why uptake remained low, and find an effective behavioral solution to increase usage of the Alliant mobile deposit app. In this process, we didn't hear much about security risks. Instead, we heard this common narrative: "Yes, I know about mobile check deposit, but I rarely receive paper checks, and when I do, it just seems easier to do what I've always done." Misperceptions of hassles associated with mobile check deposit and a preference for what was done in the past (known as status quo bias or inertia), exacerbated by the fact that receiving checks is an infrequent occurrence for many people, were the behavioral barriers preventing people from using a convenient banking service.

## Once is all it takes

But what happens if you overcome these behavioral barriers and get members to try mobile deposit? We analyzed Alliant’s deposit data to understand general trends—do members use multiple deposit methods for different kinds of checks or amounts? Do they get dissatisfied with mobile deposit and revert back to mail or ATM deposits?

The most important trend we discovered was that once a member used mobile deposit, they kept using it.<sup>2</sup> This is crucial—it means we don’t need to spend resources convincing members of the value of remote capture. We only need to get them to overcome their initial hesitancy to try it, just once!

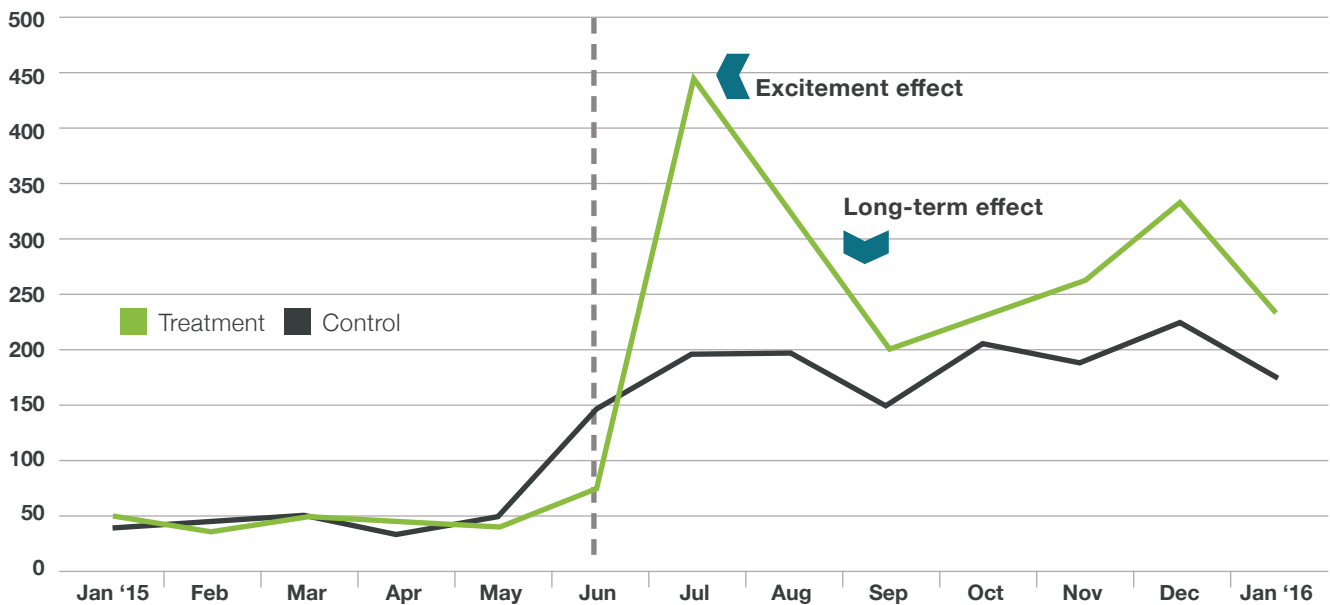
**Highlights**

- Once a member uses mobile deposit, they keep using it
- A small scale intervention can help facilitate short-term excitement and long-term adoption

With these insights, we set out to design an intervention that would overcome perceptions of hassles and inertia associated with the mobile check deposit app. We worked with Alliant’s designers and deposit team to create a mailer with clear, accessible instructions and a free \$5 practice check so members could enroll and make a deposit right then and there at home. The \$5 check offered more than an incentive: it gave members a chance to follow the instructions and make their first mobile deposit on the spot. We mailed the check to 3,000 randomly-selected members who had demonstrated little to no use of mobile deposits and measured the subsequent impact of the mailer on adoption.

Not only did this mailer double the rate of adoption for mobile deposits, but the total number of checks members deposited via mobile increased by 40%. This change was driven both by a short-term excitement effect over mobile deposits (“look at this cool new technology”) and a long-term adoption effect (“this way of depositing checks is way better”).

**Mobile Deposits**  
(per 1000 members)



Beyond increasing the adoption of mobile deposits, we also saw a significant increase in the total number of checks deposited at Alliant. So not only did the mailer prompt members to try mobile deposits over branch and mail deposits, it encouraged them to deposit checks with Alliant mobile deposits that otherwise would have been deposited at different financial institutions.

We found there is a strong demand for mobile deposits, after all. Members only needed a small nudge to try the technology, and sustained use followed suit.

## Improving the Consumer Lending Experience

Alliant offers competitive rates for consumer loans. But in some cases, such as auto loans, their “look-to-book” ratio—potential customers who start a loan application compared to those who eventually accept an Alliant offer—was lower than industry benchmarks. Part of their strategy to change this is a redesigned, custom-built Consumer Loan Origination System (CLOS) aligned with their customer-centric service design vision. The new CLOS is an excellent opportunity to integrate behavioral science. At Alliant’s request, we conducted a detailed behavioral review of the system and identified several opportunities to create behaviorally-informed features to improve the user experience or expand the capabilities of Alliant’s lending system to support the member through their loan application process.

A loan application should collect necessary information while providing a painless, easy, and engaging experience for members and potential new members. Our recommendations for improving the loan application process were driven by three behavioral principles essential to the design of any human process: (1) reducing perceived hassles and uncertainty wherever possible; (2) avoiding jargon; and (3) designing with potential user error in mind. Our recommendations for Alliant included a new process timeline to more accurately set applicant expectations and reflected progress through the application; reframing key decision points to ensure users do not accidentally cancel their applications; and revising language that may be unfamiliar to some applicants, such as “collateral,” “debt-to-income,” and “co-borrower.” These principles and recommendations may seem simple, but through our work we have seen how even small changes can have big impacts on client behaviors. Moreover, as service designers, intimately aware of the loan process, it can be difficult for financial experts to design financial products and services that feel intuitive and easy to understand to new users. Alliant has incorporated the majority of our design recommendations into the new loan application process.

### Highlights

- ▶ A behavioral review of online systems can help identify design tweaks for stronger consumer uptake
- ▶ Changing confusing terms and adding process timelines are two examples of how behavioral recommendations influence the design process

## Wide Applications

Based on these results, it is clear that credit unions and other financial institutions that take a behavioral approach to customer service can reap benefits for themselves and their members. Specific interventions may vary, but there are some key strategies providers can rely on when solving client centric problems. For example, by asking customers *what* and *how*, instead of *why*, during the mobile deposit project we discovered actual behavior patterns that told a different story than would be uncovered if members had been pressed to explain their actions in focus groups.

Our results also underscore the importance of collecting data—and using it! Data gives a fuller picture of behavior patterns that can reveal the root cause of a problem, and later, provides a benchmark to test whether

the solution worked—which we did rigorously with Alliant’s mobile deposit adoption rate.

It’s also clear that banking products and processes should be designed for real people. As we described in more detail in the CLOS section above, this means making things easy to do, easy to understand, and hard to mess up. Institutions should prototype and test new products and processes on real users – people outside their team.

Embedding the behavioral approach to product and service design among the financial institution’s staff is equally important. In addition to integrating this approach into Alliant’s mobile deposit and lending system, we worked in partnership with Alliant staff, seeking to build internal capacity in behavioral design through short trainings and hands-on engagement.

## Highlights

- ▶ Collecting and using data is integral at revealing behavior patterns and later, providing recommendations for change

## Notes

<sup>1</sup> <http://thefinancialbrand.com/53684/mobile-banking-payments-federal-reserve-study-2015/>

<sup>2</sup> Once members completed a mobile deposit, 85% of them continued to use mobile for subsequent deposits.