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What is it like to partner with a behavioral design lab?

For three years, ideas42 empowered financial institutions in Mexico and Chile with behavioral science to improve the financial health of their low and middle-income clients. With generous support from MetLife Foundation, we and these financial providers collaborated to apply behavioral science to financial services, uncovering new insights about how behavioral science can bolster financial health in the real world. This brief demystifies what it's actually like to do behavioral design and compiles insights that can support other organizations that want to innovate. It captures what senior and mid-level managers at our partner organizations have learned about using behavioral science and behavioral designs to improve lives, and what surprised them most about the collaboration:

- ▶ A behavioral perspective can generate surprising insights
- ▶ “Small” solutions can address big problems
- ▶ Rigorous evaluation is achievable and useful
- ▶ Our collaboration can inspire innovation beyond our work

A behavioral perspective can generate surprising insights

Behavioral science gives us a richer understanding of how people make decisions and act in the real world. The study of behavioral science, which draws from psychology, economics, and decision-making theory, has shown that human behavior is often strongly influenced by the context in which people operate. Our interactions with others and the design of the programs, processes, and spaces we encounter can often have a big impact on the decisions we make and actions we take.

ideas42 has been on the forefront of applied behavioral design for a decade, and we have a systematic approach for using behavioral insights to create positive outcomes for more people. We diagnose barriers to decision-making and taking action across a range of areas, including financial services. A behavioral lens can uncover actionable barriers in a process that impacts people’s lives meaningfully, such as the process for opening a savings account or contributing to it regularly.



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Partners



40

Interventions



10

Projects



440,000 STUDY PARTICIPANTS



OVER 21 MILLION PEOPLE REACHED

Over the course of our collaboration, our partners were often surprised by just how effective it is to align program and service design with research about human behavior. While our partners already knew a lot about the clients they serve by conducting market research on how users experienced their services and programs, the behavioral approach generated new insights they could leverage. One reason for this is ideas42 uses a different line of questioning as well as direct observation of the context in which people make decisions and take actions to understand how it may influence their behaviors, often in ways that they themselves may not fully recognize.

As Juan Carlos Reyes, Manager of Market Intelligence at CAME, a large micro-finance institution in Mexico, pointed out, **“a big takeaway from this partnership is that you can’t take people’s answers at face value. It is important to observe people’s behavior and dig deeper to understand how they make decisions.”** For example, in Mexico and Chile, our partners believed they needed to provide clients with more information on the importance of saving. But while going through our process, they discovered that the vast majority of clients were aware of the benefits of saving, but most did not follow through on their intention to save because they faced behavioral barriers. This finding made it clear that lack of information was not keeping clients from taking up and using savings products. Instead, we discovered that many users of CajaVecina, a correspondent bank of BancoEstado, underestimate their probability of experiencing financial shocks, making it easier for them to put off saving. In Mexico, because CAME began as a loan provider only, when they added savings products clients had a “mental model” that kept them from considering CAME as an option for savings. By generating new insights into client behavior, our partners are now engaging with them differently and in new, innovative ways based on our findings.

“Small” solutions can address big problems

Tackling the barriers that keep people from saving is a longstanding challenge. Having worked in the financial health space for years, our partners have relied on costly solutions such as marketing campaigns, blanket incentives, or nation-wide market research to promote savings products. While in some cases larger interventions are needed, our partnership has led them to re-think the scope

OUR COLLABORATION WITH PARTNERS



Increased retirement savings, working with Mexico’s regulatory commission (CONSAR) and pension funds (Afores), with new designs for channels ranging from account statements to sales staff to mobile apps.



Built savings for small business owners in Chile with **CajaVecina**, a correspondent bank of BancoEstado, through automating savings of a portion of their monthly commissions.



Helped low-income business owners save more with **CAME**, a large microfinance institution in Mexico, by creating a behaviorally informed savings product facilitated by a savings ‘champion.’



Tackled late loan repayments and poor credit scores with **kubo.financiero**, the first regulated peer-to-peer online lending platform in Mexico, through a plan making tool and gamification.

of possible solutions. Even seemingly small changes can produce substantial impact, and the tiniest details matter when it comes to human behavior.

Reflecting on the designs we created throughout the collaboration, CAME shared they were initially skeptical about whether the simplicity of the savings card we developed (which included a personal savings goal, stamps for each deposit, and the client's signature) would have a meaningful impact on adoption and usage of their savings product. Rooted in qualitative and quantitative research, the savings kit was meant to motivate usage by creating a sense of commitment. Evidence suggests that a design that can act as a commitment device for saving goals imposes an emotional price to not pursuing them, thus making saving feel like the better choice even when it is difficult to do.

Once CAME started offering the savings card, significantly more people were opening accounts and making regular deposits at the branch. As Yanin Islas, Market Research Coordinator at CAME explained, ***“there was evidence supporting every decision involved in design.”*** Juan Carlos was similarly surprised at the effectiveness of ideas42's design, ***“initially, I thought our marketing team created more visually attractive designs so I was surprised when ideas42's savings card produced such a dramatic change in client behavior.”*** By designing for a specific problem with a behavioral lens, our partnership brought CAME a step closer to achieving their overall objective of helping people save more money.

Iliana de Silva Muñoz, Director of Marketing and Communications at CAME, has years of experience working with low-income clients to improve their financial health. She explained that a key to the success of the project was our ability to adapt to the context while still aiming for academic rigor. Working with CAME's clients who often don't know how to read and write, we created an intervention using 'savings champions' who would approach people while they were waiting to make deposits and verbally explain the benefits of opening a savings account and making regular deposits. Iliana explained that ***“our creativity in developing a design that was contextually-relevant while also finding a way of measuring its impact made a big difference in outcomes.”***

Behaviorally informed designs can be simple but powerful because they account for the context in which clients make decisions and act. With Cajavecina in Chile, we started investigating solutions by looking for hassles throughout the process of saving, such as unnecessary required steps or information clients would need to retrieve, that could be keeping clients from acting on their intentions. For instance, needing to input an account number on a form can deter a person from completing the steps to saving if they don't know the number offhand. For Valeska Plaza, a General Management Advisor at CajaVecina, our suggestion to make it easier for their local operators (small business owners who operated CajaVecina point-of-service devices in their stores) to save by offering to automatically deposit part of their commission into a savings account proved a powerful tool. From the start of the project, Valeska was optimistic that our partnership would produce positive results, yet she was surprised by the dramatic effect that removing steps to save had on account usage and balance. She explained, ***“since operators did not have to do anything [to save regularly], they are now saving more than I had expected.”***

Rigorous evaluation is achievable and useful

Financial institutions face difficult choices about which approaches to invest in to improve outcomes for their clients and their businesses. While our partners all recognized the value of generating evidence about what works to inform these decisions, rigorous evaluation sometimes felt out of reach. To evaluate whether our behaviorally designed interventions produced positive results on retirement savings, voluntary savings, and loan repayment, wherever possible we work with partners to design and implement randomized controlled trials (RCTs), the gold standard for evaluating impact.

Despite their rigor in establishing a causal link between a behaviorally informed design and improved outcomes, RCTs are often cited as costly and time-consuming to implement. The slower pace of an RCT (as compared to rapid market research) was frustrating in the beginning for some partners. Sura, a pension fund in Mexico, was used to launching several campaigns and making adjustments to enrollment processes at the same time hoping that a combined strategy would stick and produce results. Raul Gallego, Strategy Director at Sura, found that ideas42's emphasis on learning what is most impactful and cost-effective rather than only generating a positive outcome especially interesting: ***“running an RCT has been a great learning experience, I learned the most from watching ideas42 run prototypes and test their effectiveness rather than from the outcomes.”***

Valeska Plaza from CajaVecina reflected on the many communications campaigns they had launched previously to inform operators of their products without knowing if the messages reached them. During this project, CajaVecina discovered the importance of testing to make sure they were using the right delivery channel to reach their staff and clients. Valeska also took the momentum from this project to launch RCTs in other programs: ***“We are now assigning treatment and control groups to other marketing and communications campaigns so that we can measure effectiveness. Before working with ideas42 we could not determine whether behavior changes were a result of our campaign or whether we'd see those changes happen naturally.”***

kubo.financiero, a peer-to-peer online lending platform, was already familiar with experimental research methods like A/B testing but Alan Lazalde, Director of Research and Innovation, explained that with ideas42's guidance they are now using a formula to determine sample sizes, assigning treatment and control groups to most of their campaigns, and using organization-wide staff meetings to come up with hypotheses and discuss what an experiment means. He emphasized that ***“through our work with ideas42 we started integrating experimental design into everything we do and incorporated it into our way of working.”***

Our collaboration can inspire innovation beyond our work

After working together to identify the behavioral barriers impeding financial health and designing and testing solutions to overcome them, our partners are now looking beyond the scope of this collaboration and leveraging what they've learned to identify how behavioral design can support their clients' goals in new ways. Part of this process is being comfortable with learning from failure and using those lessons

to refine their approach, as Raul Gallego from Sura explained, ***“I was disappointed and surprised with the first few pilots because they were dismissed for not being statistically significant, but we were able to learn from those and refine the designs until we got results.”***

For kubo.financiero, the experience inspired them to apply behavioral insights to communications campaigns across the organization. As clients watched the 2018 World Cup, kubo.financiero launched a behaviorally informed campaign using gamification to incentivize savings. CAME’s next step is to begin applying some of the behavioral insights gleaned from our work together on savings to another strategic priority area: individual credit. Iliana is already working with her team to identify potential behavioral barriers to accessing these products.

Conclusion

Throughout our three-year collaborations, behavioral science stretched our partners’ thinking about the challenges they face, the solutions available to them, and what it means to innovate. They were sometimes surprised at the power of using behavioral science to optimize services in unexpected ways. They learned more about their clients and were motivated to apply behavioral insights to tackle seemingly intractable problems in other areas of their work. Behavioral design and experimental research design are important tools that our partners identify as part of the solution set available to them, and have begun to build capacity to apply these tools themselves.

Collaborations like these, especially when partners continue to use behavioral design in their work, expand the application of behavioral science to improve financial health globally. Our collaborations with these financial institutions demonstrate that behavioral science is within reach and has wide applications. As we continue to partner with nonprofits, private sector and governments on these types of projects, we hope to create new products and programs that can make financial stability for low and middle-income people a reality.