

VALUING THE UNCONSCIOUS MIND

View from the behavioural frontier



Introducing **our team**:

Our core team has advised a wide range of clients on behavioural economics, including government departments, retailers and charities, using a toolkit which includes everything from microeconomics to behavioural psychology. Whether it's how to encourage volunteering with a charity; how to increase the take-up of online banking statements; or how to ensure compliance in a new regulatory environment, or another customer-facing issue – we can help.

Gus O'Donnell As former Cabinet Secretary and chair of the Government's Behavioural Insights Team ("Nudge Unit"), Gus brings with him a wealth of experience in using psychological insights to shape policy interventions.

Simon Gaysford Simon has over 20 years of experience in advising clients on commercial and regulatory issues. His recent work in behavioural economics focusses on the changing landscape of financial regulation.

Antti Lemberg As an adviser to banks, insurers, reinsurers, and regulators across Europe, Africa and Latin America, Antti is Frontier's financial services expert. He has advised on the use of behavioural economics in proposition design and regulatory strategy.

Stephen Heal Stephen's extensive business experience covers finance, strategy and retail operations - both within businesses and as an advisor. Stephen brings creative yet practical experience to bear on projects large and small.

Phil Maggs Leading Frontier's retail and consumer work, Phil works on using behavioural economics to improve his clients' existing customer insight, help design more creative propositions and run trials to test their impacts.

Philip Graves Phil is a customer behaviour psychologist who has worked widely in retail, FMCG and financial services. His bestselling 2010 book "Consumer.ology: The Market Research Myth, the Truth about Consumers and the Psychology of Shopping" provides some insights into our work.

Tara Patel Tara is a behavioural economics expert, working across retail and financial services. She has advised a range of retail banks on customer insight, proposition design and running trials.



How can **behavioural economics** change customers' behaviour?

Behavioural economics helps us to understand customers better. With a better understanding of customer decision making, and what drives their behaviour, we can help our clients to create innovative propositions which will encourage behavioural change in their customers. To change behaviour in a specific and targeted way, we first need a thorough understanding, or **diagnosis**, of what customers are currently doing, and why.

Many of our clients use standard market research methods such as surveys and focus groups to find out about what motivates their customers. We don't. Focus groups and surveys can remove the correct context in which customers' decision-making happens. They replace it with an artificial and hypothetical context which can sometimes result in misleading insight. Instead we use a combination of behavioural psychology, profiling and economics to get a richer picture of what really motivates different types of customers, rather than what they say motivates them. So we work alongside psychologists to get to customers' true motivations.



With a clear view of what is driving customers' behaviours, we think about how best to **target** them. Using a range of behavioural levers, we help our clients to generate new customer propositions. We believe that the **creative** process is best done together. Likewise, we can also examine existing propositions and advise on which ones are likely to lead to consumer harm.

We carefully select propositions which pull on the behavioural levers identified as relevant, rather than generating ideas that simply sound interesting, but which may not resonate with customers. The types of new propositions can be wide-ranging: launching new products, using different styles of communication, enhancing website language and layout, or implementing completely different customer service models.

Using behavioural economics helps develop many innovative propositions. Our clients invest time in **testing** (and learning from) these propositions, where subtle differences often make a big difference. We help our clients design tests that ensure economic, psychological and statistical validity, as well as supporting the analysis of the results, before propositions are **rolled out** and scaled up in the business.



How has **behavioural economics** helped our clients?

Our behavioural economics work is grounded in a holistic framework. This includes diagnosing current behaviour; targeting specific psychological levers; creating new propositions; testing variants of them; and delivering successful propositions throughout the business.

Diagnose

Target

Create

Test

Deliver

250

number of new ideas
generated in proposition
design workshops

Generating propositions for a high street bank to reduce costs.

A high street retail bank wanted to cut costs across its branch and telephony network. Given its extensive online functionality, it could not understand why some customers continued to bank in “traditional” ways, rather than online.

Frontier looked at where the biggest cost savings could be made and undertook customer-facing psychological research to understand the drivers of key behaviour. We then created a complete psychological profile for different customer segments. Some of the new ideas generated in the proposition design workshops are now being trialled.

Trialling messages encouraging opt-in rates for a media company.

A media company developed a membership programme for customers, but was disappointed by the number of people opting-in to receive e-mails and other communications.

Without being able to send customers personal emails, our client had limited ability to draw customers’ attention to new services and to engage with them. It wanted to increase opt-in rates, without a forced “opt-out” approach.

Frontier developed a randomised trial of alternative forms of messaging next to the opt-in box, using themes of social proof, heightened status, reassurance and loss aversion.

19%

increase in opt in rates
by changing language
on website



What is **behavioural economics**?

Behavioural economics brings together two complementary toolkits: economics and behavioural psychology. This allows for a richer understanding of customer behaviour. This fresh perspective on customers leaves behind simple 'rationality' and allows us to:

- help our **commercial clients** develop new and innovative propositions which resonate with their customers;
- approach **policy-making** from a more empathetic position; and
- advise clients in **regulatory environments** on the latest thinking in behavioural science and its application to consumer protection.

ASSOCIATIONS
 HEURISTICS Social proof
 PRIMING Test and learn
 Loss aversion MOTIVATION
 ATTENTION REWARD
 PROPOSITION Behavioural science
 PSYCHOLOGY REGULATION
 Framing RE-TRACK
 HABIT EASE

OUR AIM?

to create better strategies by blending rigorous economic analysis with insights from psychology.

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