

# RESEARCH IN CONSUMER FINANCIAL DECISION-MAKING

When we reframe the question we see a positive change in the rates at which we can recover revenue. And meanwhile, consumers are making rational decisions that affect their overall financial future

Creating a situation in which a consumer can make a rational financial decision when faced with the often emotional prospect of paying a delinquent bill has always been a challenge. For example, a direct question such as “How much do you want to pay today?” may result in a knee-jerk response such as “Well, what’s the least I can do?” Paying the bare minimum may not be the best decision even for the consumer.

Professional’s behavioral science team, led by Hayden Reece (BS-Psychology) and Richard Jolly (PhD-Systems Science) was tasked with the challenge of creating an approach to have Professional’s customer service reps (CSRs) engage consumers in a way that would lead to better mutual outcomes. The team reviewed applicable scholarly research and proposed to conduct an experiment based on theories about rationality, social preferences, and self-control, similar to work done by 2017 Nobel Laureate Richard H. Thaler.

The team’s review of Dr. Thaler’s work gave them the idea to provide consumers with a reference point within the context of their future situation. This would let the consumers see that they may want to pay a little bit more over a shorter period of time and either save on interest or achieve other financial goals, as long as they had the resources to do so. The key was how to get consumers to that point. The team developed an approach to encourage teamwork between the consumer and the CSR.

An example is to create a situation where consumers do a little bit of math to figure out how they will pay the full balance of the account over time. Often, they need to ask the collector for help to calculate the difference in interest charged over the life of the account. This collaboration between the consumer and the CSR increases trust between the two. It also empowers the consumer to make a decision that’s not simply a reaction to the oftentimes unsettling question, “What do you want to pay today?” The decision will be the result of a more rational review of their desired financial situation.

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The experiment included nine CSRs with four in the test group. After 30 days, the test group outperformed the control group by 10% of their expected revenue goals. Part of their success was due to setting up payment plans with higher than expected average payments.

The effect of these new techniques was surprising. For example, in one case, it seemed at first the consumer was only intending to pay the least amount, however, after the CSR reviewed time frames, payment amounts, and interest with her, she chose a nine-month payment plan. Her monthly obligation ended up being five times higher than the minimum acceptable payment.

When we reframe the question so consumers think about the lifetime of the account, we see a positive change in the rates at which we can recover revenue. And meanwhile, consumers are making rational decisions that affect their overall financial future.

After these positive results, the experiment was expanded to a much larger group and their usage of the techniques was tracked using the call recording and speech analytics solution.

Through the analysis of this data, the team saw a statistical correlation between usage of key phrases associated with the methodology and CSRs' performance vs. their goals. The correlation suggested that if the average CSR doubled the use of these techniques performance to goal could improve by 31%.

This experiment offers a glimpse into the decision-making process of consumers, in how they use reference points and compare the value of their money today vs. the value of their money several months later. This significant effect is exciting to see. We hope that our improvements will help consumers make better decisions by avoiding larger interest fees while giving more revenue back to clients so they can continue to operate most efficiently for their respective communities.

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