

Managing money online – working as well as we think?

A behavioural economics study for the
Keep Me Posted campaign

Prepared by London Economics



EXECUTIVE SUMMARY

This behavioural economics study by London Economics has been conducted on behalf of the Keep Me Posted (KMP) campaign. KMP is a partnership of over 70 leading charities, interest groups and businesses, campaigning for the consumer's right to choose, without penalty, how they receive important financial information.

The study investigates how the method by which people receive information influences:

- Their understanding of the information
- The choices they make; and
- The actions they take

The results show there is a clear disconnect between people's perceptions and reality when it comes to the efficacy of online statements compared to paper statements.

The online survey responses show that people believe that electronic information is better than post in terms of helping them manage their finances; however in the behavioural experiment those who received a paper bank statement and notice of change were more likely to **understand** the information they were given, **take appropriate action**, and **make better financial decisions** as a result.

The study also looks at whether people are more likely to trust information sent by post or electronically. The study found that, when information is sent by a bank, people are more likely to trust that the information is genuine, accurate and secure if it is sent by post rather than electronically.

Methodology

Data was collected by YouGov in October 2014. Three thousand six hundred people were invited to participate in the study. Half of the invitees were sent a mock bank statement and a notice of changes to overdraft fees by post, while the other half were sent the same information by e-mail².

Participants who took up the invitation (2,399) completed an online survey on their attitudes to mail. They also completed behavioural experiment questions relating to the bank statement and notice they received³. The behavioural test required respondents to retrieve, recall and assess information contained in the bank statement and notice of

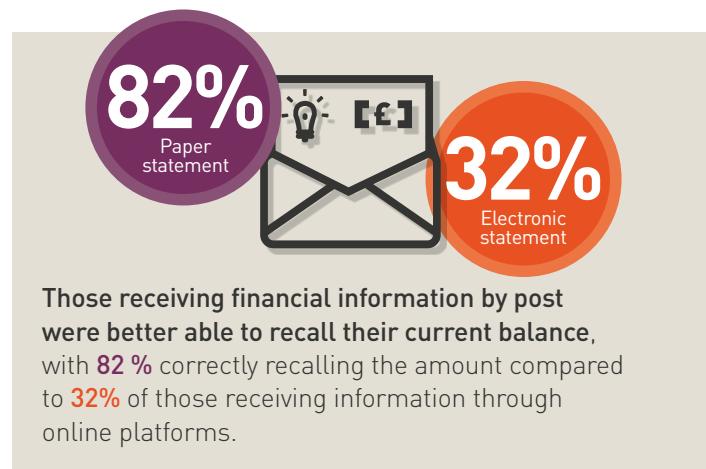
changes, and then identify the correct course of action to take. Respondents were told they would be entered into a cash prize draw if they answered the questions correctly. Therefore, since the experiment involved real payoffs, it examined consumers' decisions and behaviour in a setting where they had to undertake tasks that were in their own financial interest⁴. In addition, 310 people who rarely or never use the internet participated in a face-to-face survey which mirrored the online survey.

KEY FINDINGS

People understand information better when they receive mail by post

How information is received, by post or electronically, has a big impact on people's understanding and the choices they subsequently make. Despite people's perception that electronically-received bank statements are better than paper statements in terms of helping them manage their finances, the behavioural experiment revealed that the *opposite* is true. **The results of the test show that people are more likely to understand information and make better financial decisions when they receive information by post rather than electronically.**

For example, people were more than twice as likely to correctly identify how much money was in their account if they received the statement by post (82% vs 32% who receive statements online).



In addition, more than two-thirds (71%) of people who were sent the bank statement by post correctly identified the value of the largest payment into their account, compared to less than one in three (30%)

of those who received an electronic statement. Paper statements also enabled people to work out more effectively whether accounts were being well-managed. Three quarters of people (75%) who received the statement by post correctly assessed the health of the account, compared to less than half (48%) of those who received an electronic statement.



Twice as many of those receiving information by post were able to identify the value of the largest payment into their account when compared to those who received the information online **71% to 30%**.



When asked to assess the financial health of their accounts, **75%** of those who received a paper statement did so correctly compared to **48%** of those with electronic statements.



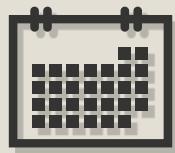
When asked whether a specific payment was made from the account (a payment to Tesco), **96%** of those in the postal treatment group correctly answered this question compared to **77%** in the electronic group.



Respondents were asked if there was enough money to cover a £250 payment on a certain date. **60%** of those referring to a paper statement correctly assessed whether this payment could be covered, compared to **44%** who were referring to an electronic statement.



Around twice as many of those in the post group correctly recalled the type of information provided by the notice (a change to overdraft fees) compared to the electronic group (**82%** to **42%**).



81% of respondents in the paper group correctly recalled when the change specified in the notice would take effect, compared to just **54%** in the electronic group.

People make better choices when they receive information by post

People's understanding of information they receive has important implications for the quality of the financial and non-financial choices they make. Those who received the statement by post made better financial choices. More of them were better able to spot ways in which to improve their finances, such as reducing spending (90% compared to 77%), or switching to an alternative account which offered a better deal (90% compared to 85%).



90%
Paper statement

77%
Electronic statement

Asked how they would respond to an "unhealthy" bank statement, **90%** of those receiving traditional paper statements opted to curb their spending, compared to **77%** who received statements online.

People are more likely to take action when they receive information by post

The experiment showed people are more likely to respond to and review communication received in the post rather than by e-mail. Of those who received the bank statement and notice by post, eight out of 10 (80%) responded to the study, compared to just over half (54%) who received the information electronically. Nearly all those (98%) who received the statement and notice by post reviewed the information, compared to 86% who received the correspondence by e-mail.

80%
Paper statement

54%
Electronic statement

80% of those approached who received bank statements and notices by letter responded to the study, compared with 54% of those who received information electronically.

98%
Paper statement

86%
Electronic statement

When asked to review their mock bank statement 98% of those who received it in the post did so, against 86% who received it online.

Trust and security

When receiving information from their bank, people are more likely to trust information that is sent by post, and believe it is secure. For example, when receiving information from their bank 25% said post is better in terms of being able to trust that information is genuine and accurate, compared to 16% who said electronic is better. 22% of people said post is better in terms of being able to trust that the information is secure, compared to 15% who said electronic is better.

25%
Paper statement

16%
Electronic statement

25% said post is better in terms of being able to trust that information is genuine and accurate, compared to 16% who said online is better.

CONCLUSION

This experiment shows that people are:

- A. Better able to understand information
- B. Make better choices; and
- C. Are more likely to take action when transactional mail is received by post rather than electronically.

This has important implications for consumers, businesses and policy makers.

The research indicates that receiving paper correspondence may help people avoid detrimental situations, such as going overdrawn inadvertently or spending beyond their means.

In addition, these results also have important implications for organisations – such as government and companies – that wish to promote positive behavioural changes among the public or their customers. In particular, the results indicate that providing information by post may be more likely to encourage individuals to take action and make better decisions.

¹ Partners include The Money Charity, AgeUK, Mind. A full list is available at <http://www.keepmeposteduk.com/>

² The letters/emails and mock correspondence that were sent to respondents, as well as the online and face-to-face survey questionnaires, are presented in the annexes to the report.

³ This was to differentiate the research from normal survey questions which simply ask about perceived preferences – instead the experiment examined consumers' actual decisions and behaviour in a setting where they had to undertake tasks that were in their own financial interest.

⁴ In the literature this is referred to as an 'incentivised experiment'.

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