Application of Behavioural Economics to Interactions between Clients and Financial Institutions

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Behavioural Economics (BE):
Draws on aspects of psychology and economics to understand everyday decisions made by individuals. Classical economics describe all human decisions to be rational; however in reality, the decisions made are often irrational.

Purpose:
Utilise BE to target client types and improve interaction points

Client Types:
- New clients
- Existing clients
- Renewals
- Switch-ins and switch-outs

Categorisations:
- Financial status
- Life-stages / life-styles
- Client needs and wants

Client Interaction Points (CIP):
Points of communication between the financial institution (FI) and the client used to improve client relationship and influence buying decisions
- Marketing
- Website and mobile
- FI branches

Applications of BE to Capstone Project:
- BE sheds new insights on lending products for purchase decision and utilisation by targeting client types
- The project design easily connects customer needs to an almost custom response from the FI
- The ideal outcome is to decrease complexity, minimise financial stress to the client and reduce losses to the FI

Key Take-Away Findings:
1. Client types: FIs are aware of client types and use the information for product design, analysis and improvement
2. FI-Clients Interaction: It is imperative to effectively target CIPs to enhance product / service performance and customer satisfaction
3. Principles of Behavioural Economics: BE creates a new perspective for advancing CIPs and guiding client types