Case Study: HSBC trials Nudge[1]

- The world's first banking app combining customer data and nudge theory (Behavioural Insights Team, 2012).
- Developed using behavioural science insights from the London School of Economics and Politics (LSE) about how technology can assist consumers' financial decision making.

HSBC has begun trialling a new consumer finance app - HSBC Nudge - designed to help customers achieve their financial goals with the help of gentle 'nudges' (Foxx, 2017). The app uses nudge theory to encourage customers to make small, regular financial decisions that will result in a change to long term spending habits.

A recent study by the LSE (Dolan et al., 2016), commissioned by HSBC, utilised behavioural science to explore the barriers experience by people when trying to achieve their financial goals. It identified that leveraging technology, such as automatic messages, was key in encouraging people to meet their financial ambitions.

Nudge theory is a concept which argues that positive and indirect suggestions or 'nudges', can influence an individual's decision making. Using software to evaluate individuals' current account data, HSBC Nudge identifies trends in customers' spending habits and sends regular, targeted digital 'nudges' to make people aware of their expenditure.

These messages are designed to encourage customers and help them achieve their longer term financial goals. There are currently 38 types of nudges in the trial, these include notifications about the amount of money spent on groceries in a week and updates on how much customers are spending or saving versus others in the same income bracket.

Nudge is being trialled by around 500 HSBC customers over a three-month period. During this time, HSBC will test the effectiveness and popularity of different nudges.

This trial follows the successful introduction of a text alert service that warns customers when they are approaching their overdraft limit. This service has already saved HSBC's customers over £85m in overdraft charges since its introduction, with £800,000 saved between Christmas and New Year alone.

Raman Bhatia, Head of Digital at HSBC UK said: "We know that many of our customers have good intentions for their financial futures, but that willpower alone is not always enough to drive a long-term change in behaviour. By incorporating nudge theory into our digital customer communications, we can help customers to achieve their financial goals."

Professor Paul Dolan, London School of Economics and Political Science commented: "Just as personal trainers can be effective in helping individuals stick to their exercise goals, financial institutions can play an important role in helping their customers follow through with their good financial intentions. It is great to see that HSBC is using the lessons from behavioural science to change customers' behaviour and improve their financial wellbeing."

[1] Source: https://www.finyear.com/HSBC-trials-Nudge-the-world-s-first-banking-app-combining-customer-data-and-nudge-theory_a35207.html.

e-Nudge Further Readings

1. Stieglitz S, Mirbabaie M, Deubel A, et al. (2023) The potential of digital nudging to bridge the gap between environmental attitude and behavior in the usage of **smart home applications**. *International Journal of Information Management* 72.

In this study, digital nudging refers to the use of digital interfaces to influence users' behaviour in a positive way, without restricting their freedom of choice. Examples of digital nudges in smart home technology include providing feedback on energy consumption, setting default temperature settings, and using gamification techniques to encourage users to save energy. However, it is important to note that the effectiveness of digital nudging depends on the context and the user's motivation and preferences.

The study used a mixed-methods approach consisting of an online experiment and interviews. The online experiment involved recruiting participants via a crowdsourcing marketplace and testing the effectiveness of different types of digital nudges in promoting energy conservation in smart home applications (SHAs). The study involved participants from 33 countries, including Poland, Portugal, Italy, Greece, Great Britain, Spain, and several other countries. The interviews were conducted with experts to gain deeper insights into the potential of digital nudging in smart home technology and to validate the quantitative findings of the online experiment.

The study suggests that digital nudging has the potential to promote sustainable behaviour and reduce environmental impact in the context of smart home technology. Specifically, their online experiment with 391 participants tested the effectiveness of three digital nudges in an SHA: self-commitment, reminder, and social norm nudge. Two nudge types (i.e., self-commitment nudge and the social norm nudge) are found to be effective. However, the effectiveness of digital nudging depends on several factors, such as the user's motivation, preferences, and the design of the digital interface. Therefore, the authors recommend that designers of smart home technology should consider the challenges and opportunities of digital nudging and ensure that nudges are transparent and respect users' freedom of choice. The study also highlights the need for further research on the effectiveness of digital nudging in promoting sustainable behaviour and reducing environmental impact.

2. Zimmermann S, Schulz T, Hein A, et al. (2023) Motivating change in commuters' mobility behaviour: Digital nudging for **public transportation use**. *Journal of Decision Systems*. DOI: 10.1080/12460125.2023.2198056.

In this study digital nudging is defined as a concept that involves using digital tools and platforms to encourage people to make more sustainable choices. In the context of public transportation, digital nudging can involve providing commuters with personalized recommendations for public transportation options based on their preferences and past behavior. For example, a digital nudge might suggest a particular bus or train route that is faster or more convenient than the commuter's usual route. By providing these recommendations, digital nudging aims to make it easier and more appealing for commuters to choose public transportation over private cars.

The research method used in this study is a choice-based conjoint (CBC) analysis. CBC analysis is a research method that is well-suited to mimicking people's choice decisions and provides valuable insights into the mobility preference structure that underlies a commuter's mobility decision to choose a public transportation trip. The study used a between-subject experimental design and assigned the sample randomly to a control or the treatment group receiving recommendations. The effects of the recommendations among participants in the treatment

group were analysed to determine whether there is a statistical significance for the choices of the control and the treatment group for the recommended trip option.

The experiment was conducted in Germany. The researchers posted a description of the study and links to the questionnaires in different mobility-related Facebook groups all over Germany to obtain a well-distributed sample. They posted the survey in groups based in specific areas or cities all over Germany.

The study found that recommendations, as a form of digital nudging, can significantly influence individual mobility behaviour towards more sustainable options, such as public transportation. The study also found that the effectiveness of recommendations as digital nudges depends on the individual's mobility context, such as the distance to the destination, the availability of alternative transportation modes, and the individual's mobility preferences. The study contributes to theory by shedding light on the effects of recommendations as digital nudges in the mobility context on an individual level. The study also provides practical implications for policymakers and mobility service providers to design effective digital nudging interventions that promote sustainable transportation behaviour change.

3. Ytreberg NS, Alfnes F and van Oort B (2023) Mapping of the digital climate nudges in Nordic **online grocery stores**. *Sustainable Production and Consumption* 37: 202-212.

In this study, digital climate nudging refers to the use of digital tools and techniques by online retailers to influence consumers' food choices towards more climate-friendly options. This is achieved through choice architecture and digital nudges, which target specific consumers with tailored information or nudges at the moment of decision-making. These nudges can take the form of decision information, decision structure, and decision assistance, and aim to alter people's behavior without restricting options or significantly changing economic incentives. By providing personalized feedback to consumers about the environmental effects of their food consumption, online retailers can influence the sustainability of food demand and help reduce consumers' climate footprints.

The research method used in this study is a content analysis of the digital platforms of Nordic online grocery stores. Specifically, the authors used a combination of examining the actors' digital platforms and reviewing press releases, annual reports, or other published, publicly available information from the platforms about their features. The mapping is explorative, intending to uncover what behavioural interventions are in place in the Nordic online grocery markets. The authors also applied the taxonomy of choice architecture techniques developed by Münscher et al. (2016) to categorize the climate nudges used by the online retailers.

The main findings of the study are that online food retailers in most Nordic countries have implemented digital nudges to promote more climate-friendly diets. The study mapped the digital nudge interventions to promote sustainable consumption in Nordic online grocery stores and found that there is a range regarding how many nudges the stores have, when in the customer journey they appear, and what levers they use to engage and influence customers. The study also found that there are few decision assistance measures in the Nordic market. The results from the mapping are presented in Table 1 of the study.