



CASE STUDY

Optimizing Digital Communications to Increase Customer Engagement with a Bank's Fraud Alert System

Our client, a large Canadian bank, leverages a range of channels to notify its customers of potentially fraudulent transactions involving their credit cards. While SMS is the most cost-effective channel for alerting, it fails to elicit high levels of customer engagement – a sign that our client is facing a challenge rooted in human behavior.

Optimizing SMS as a mode of fraud alert communication has the potential to save substantial operational costs, while enabling the bank to better serve and protect its customers.

To this end, we sought to develop and test behavioral interventions aimed at improving engagement with our client's fraud alert system, including the rates at which customers opt into it.

DISCOVERY & BEHAVIORAL DIAGNOSTICS

Identifying the psychological barriers to treating SMS as a viable channel for fraud alert communication

To begin dissecting the psychology of our client's customer engagement problem, we conducted stakeholder interviews, analyzed the company's fraud prevention calls with customers who turned to telephoning the bank after receiving an SMS alert, and performed a deep dive into the behavioral science literature.

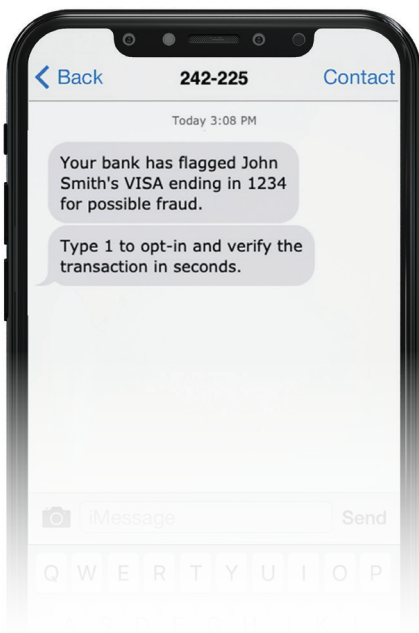
Our background research revealed several psychological factors that likely prevented customers from responding to their bank's prompts to sign up to fraud alerts. Firstly, the content of the standard SMS lacked clarity as to the next steps expected of the customer to deal with the alert. This may cause customers to worry about the time costs associated with engaging², underrepresent the benefits of doing so, and decrease the perceived urgency of tackling the issue.

Perhaps more importantly, we uncovered the crucial customer concern that the SMS – being an uncommon channel for the bank's communications – might be fraudulent itself¹. These findings informed the next phase of our project in which we designed and tested several candidate opt-in-boosting interventions.

IDEATION & EXPERIMENTATION

Developing and testing behaviorally informed tactics to boost opt-in rates

In order to boost engagement with the fraud alert system, we focused our efforts on customers who have not yet opted into the alert service and would thus benefit the most from an effective nudge.



We thus set out to experimentally determine the effects of several behavioral tactics, which fell into two broad categories:

1

Making the content of the SMS alert more streamlined and behaviorally informed using strategies such as:

- An emphasis on safety, and the customer's power to protect their account by reacting to the SMS, to tackle low perceived urgency
- A focus on the speed with which customers can resolve their issue via SMS, to address worries about hassle costs
- The use of simple language and a 'just do it' tone to overcome behavioral inertia

2

Leveraging cross-channel communication to overcome fraudulency worries associated with SMS as a mode of communication with the bank. Each SMS alert was combined with a concurrent email featuring nudge tactics from behavioral economics^{3,4}

Effects on opt-in rates were explored in a randomized controlled trial comparing our interventions to the control SMS currently used by our client. Each experimental condition was integrated into our client's fraud alert communications for 3 days, covering a total of over 30,000 individual alerting incidences at the bank.

CHOICE ARCHITECTURE

Leveraging digital cross-channel communication yields the highest returns on fraud alerting efforts

Our behavioral tactics significantly lifted rates at which customers opted into our client's fraud alert system. Experimental SMS communications that addressed worries about hassle costs by focusing on the speed of problem resolution yielded one of the top engagement rates of 45%. However, our top-performing communication strategy, which resulted in a 49.7% opt-in rate, was the cross-channel tactic combining SMS texts and concurrent emails infused with behavioral economics nudges.

Our findings shed light on the challenges faced by businesses as they navigate the complexities of digital customer experience. Our intuitions often tell us that digital service adoption can only increase when services are made quicker

and smoother; for example, by shifting to SMS communications designed for instantaneous problem resolution. But real-life customer behaviors frequently counter intuitions.

Channel shifts aimed at streamlining customer experience might inadvertently create new psychological barriers, such as concerns of communication authenticity, and thus jeopardize effective service take-up. But there is no need to guess about potential outcomes. Our research shows that these issues should and can be understood and targeted using evidence and experimentation.

REFERENCES

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