

What Catches Your Eye and What Sticks in Your Brain

Matt Hilchey studies what people see and what people remember.

His current project is to apply those two concepts – attention and memory – to improve the effectiveness of things consumers don't normally read or pay attention to at all: the information presented in credit card agreements.

Hilchey admits to having little experience in financial services. He is a cognitive psychologist working as a post-doctoral researcher with the Behaviourally Informed Organization project (BI.ORG) in Toronto.

The project brings together researchers from 15 universities, five non-academic organizations, and 18 partner organizations that include government units, for-profit entities, consulting firms, consumer groups, and academic centres. Consumer Council of Canada is a partner.

Hilchey was asked by BI.ORG project director Dr. Dilip Soman to read two reports about ineffective financial disclosure. Both reports outlined the difficulty in gaining consumers' attention to key financial terms and conditions.

If important information is overlooked or ignored by consumers, why not use the expertise of someone who has extensively studied what catches the eye and what sticks in the brain to search for better ways to communicate it?

"I have a background in attention. This seems like an interesting entry point for me. It was a bit of happenstance, but also a natural marriage there," Hilchey said.

In his earlier academic studies, Hilchey said: "I became captivated by this idea that seemingly intangible cognitive concepts like attention and memory could be studied and understood through carefully designed behavioural tests."

Hilchey is now the one designing the behavioural tests. He and his colleagues have built a "digital financial sandbox" – a virtual online bank – to help with the current work.

“When Dilip and I were chatting about some of the experimental work we could do, the knee jerk reaction was we could play around with the presentation standards and measure things like comprehension and attention,” Hilchey said. “It’s important to study information processing in the environment in which it naturally occurs. We don’t own a bank, so the best that we could come up with was to create a facsimile of an online bank environment.”

Their first area for examination is the cost of borrowing regulations, which Hilchey read to learn about required disclosure.

“I didn’t know in what universe you had to live to think that these would be an effective way of making consumers aware of key financial terms and conditions,” he said. “They fell short on so many different levels. I thought ‘let’s prove how ineffective this is, in hypothetical environments, and then let’s try to improve on it.’”

A review of current lender web sites showed a multitude of choices. Hilchey noted a tremendous emphasis on benefits like cash-back or low-interest balance transfers. These benefits were introduced on one page, then re-emphasized through numerous visual tricks as the customer moved through the online sales process. Disclosures of costs were often left to the very end of the process, and not generally used as differentiators.

“The credit market in general is just saturated with different products. Every consumer doesn’t have the patience or bandwidth to comprehend and then internalize all those lengthy terms and conditions.”

Hilchey plans to test the effects of changing the order in which information is provided.

“You can really see how these information hierarchies guide the end user through the process sometimes to the very end, at which point, maybe, you realize that there’s some significant costs that you’re not aware of.

“It’s interesting to consider what would happen if that hierarchy were reversed. Instead of the policymaker getting the last word in the process –

whether you can even get that because people don't generally read those things anyway – if they got the first word, if the cost structure were disclosed up front.”

“I don't think any of these problems can or will ever be solved by regulation that requires lenders to provide some text-laden summary table,” he said. “The purpose of this sandbox is that by developing a better understanding of the discretionary disclosure package that lenders already use, by developing smarter disclosures that are sensitive to capacity limits, we could create more effective disclosure that would help consumers who are taking on more debt make better choices.

“That's what the sandbox is all about, to understand how discretionary disclosure in the current online lending department can impact consumer choices for better or worse. Then identifying what would need to be done to the disclosures in that environment to nudge people toward healthier financial choices.”

He said the project could benefit consumers, lenders and regulators, but was uncertain how regulators might react to the results. “We're hoping our information would be useful to policymakers.”

The digital financial sandbox can be adapted to study other issues. Hilchey has an interest in ‘teasers’, and the ways lenders describe products as ‘special offers’ creating an artificial scarcity. “I'm very interested in how they could adversely impact the consumers in a space where we could actually determine the long-term financial costs of the product.”

He also has projects outside the sandbox. He is working with one U.S. organization to improve flu vaccine uptake, and another to increase motivation in students to complete homework assignments and pursue more challenging academics.

BI.ORG is a project formed by Prof. Dilip Soman and housed at the Behavioural Economics in Action Research Centre at the Rotman School at the University of Toronto. It uses behavioural studies to help organizations understand how real people act, and to use that knowledge to design better

products, services and programs. It received a grant through the Social Sciences and Humanities Research Council (SSHRC), a federal research funding agency that promotes and supports postsecondary-based research and research training in the humanities and social sciences.