THE
BEHAVIOURAL
INSIGHTS
TEAM

Nationwide Prize-linked Savings

Report

Contents

Executive summary

The Behavioural Insights Team (BIT) was commissioned by the Money and Pensions Service (MaPS) to support Nationwide Building Society (Nationwide) in the design and communication of a prize-linked savings account called *Start to Save*. The account aims to help people, who might otherwise struggle to save, to begin a savings habit through offering attractive interest rates, easy access to their funds, and incentives for small, regular deposits. The study contributes to a wider conversation that is driven by growing interest in prize-linked savings schemes by banks, building societies and credit unions in the UK and internationally.

In the UK, prize-linked savings could support savings behaviour among people who belong to two main segments, in particular:

- Those who are financially struggling - individuals who struggle to keep up with bills and payments, and with building any kind of savings buffer.
- Those who are financially squeezed - individuals with significant financial commitments, but relatively little provision for coping with any sudden changes to their financial circumstances or security.[1,2]

This report summarises our findings on effective ways to design prize-linked savings products, and effective ways to communicate their benefits. Using primary quantitative and qualitative research, as well as a rapid evidence review, we found that:

- Framing the monetary commitment required in terms of a daily amount (e.g. less than the cost of a cup of coffee) is likely to appeal more to customers, and appear more manageable, than a monthly savings goal.
- Smaller, regular prizes may boost take-up more than occasional larger rewards.
- While deposit requirements will depend on commercial viability, allowing small deposits could help more people save, particularly amongst those who may otherwise struggle to save
- Nationwide's first Start to Save product has been available for two years and interviews with some Nationwide members that started the account early on suggest that the account has helped them save. Tentative conclusions from another study suggest that this might be long enough to form a habit, and

[1] Money and Pensions Service: Market Segmentation Overview 2016

[2] Behavioural Insights Team: A behavioural approach to managing money: Ideas and results from the Financial Capability Lab

further research into Start to Save customer's financial behaviour would be very valuable.

- Campaigns to advertise Nationwide's first Start to Save product did not focus explicitly on the prize draw. A campaign that explicitly highlights the prize-draw focuses attention on winning money and will likely increase sign-ups.

Based on these findings, we make the following recommendations for the design and communication of other prize-linked savings schemes

- Highlight the **prize-draw as a key feature**. We found that highlighting the prize-draw aspect generated more interest in the account than messages that focused on the ease of saving.
- Tell people about the **deposit in daily terms**. Communicating the deposit required in terms of a daily amount rather than a monthly one may boost sign-ups. In the same vein, trialling technological solutions that allow customers to make small daily deposits may boost sign-ups for similar reasons.
- Offer **smaller prizes more frequently** to increase the appeal of these products to customers
- Design the product to **appeal to people with lower incomes and less means to save**. This includes having lower deposit requirements, allowing flexible withdrawals without penalties, and offering regular rewards for saving. Taken together these are all likely to make these products more attractive to and supportive of those who are financially struggling and squeezed.

Background and introduction

According to the Money and Pension Service's UK Strategy for Financial Wellbeing, having a saving mindset and engaging in saving behaviour are crucial predictors to achieving financial wellbeing.[3] The benefits of saving go well beyond financial wellbeing. There are knock-on effects for welfare, employment, housing, mental health and the consequences of high-cost credit.

Approximately 11.1 million working age individuals in the UK do not save regularly and are classified as financially squeezed or financially struggling.[4][5] They have a range of incomes (generally low to moderate). Some but not all claim benefits. Within this group, 14% have no savings at all and 12% have under £100 in total savings.[6] This means about 2.9 million people do not have any savings, making them particularly vulnerable to unexpected costs[7] and debt.[8]

This report introduces prize-linked savings, and Nationwide's Start to Save product as it stands. We then review our findings that inform how best to design a prize-linked savings product before turning to the question of how best to communicate this offering to customers. Finally, we offer some summary conclusions and recommendations for the design and launch of other prize-linked savings schemes.

Prize-linked savings

In recent years, banks and building societies have launched initiatives to encourage their customers to save. Some credit unions have also taken over the Prize Saver account, a government-backed prize-linked savings pilot, once it ended.[9] Traditionally, savings accounts have been designed to keep money safe, and customers have benefited from competitive interest rates and easy access to their money.

Prize-linked savings are an innovation that seeks to encourage saving by incorporating a prize-draw whereby customers who save regularly can win a periodic reward. Over each period (of say a few months to a year), customers who saved a minimum amount are eligible to enter a draw, and one or more customers are

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[3] MaPS: UK's Strategy for Financial Wellbeing

[4] MaPS: Nation-of-Savers-Challenge-Pack-UK

[5] MaPS. Market segmentation

[6] MaPS: UK's Strategy for Financial Wellbeing

[7] Nearly three-quarters of households receive an unexpected bill every year with average costs including £1,300 on car repairs, £300 when personal technology breaks down or £200 unexpected opticians costs: Money Advice Service (2016) Closing The Savings Gap

[8] Money Advice Service press release: 'Low savings levels put millions at financial risk'

[9] https://www.prizesaver.co.uk/home

selected to receive a cash prize. This is designed to appeal to customers and create a savings habit by bringing in an element of fun.[10] A literature review found that there is promising evidence that prize-linked savings schemes can encourage saving behaviour and that they offer promise in helping low-income households overcome psychological barriers to saving.[11] Thus, there is an opportunity to apply behavioural insights to the design and communication of these offerings to maximise uptake and "nudge" savings behaviour amongst customers.

Nationwide's Start to Save account

Nationwide's Start to Save account is a prize-linked savings account that seeks to support those who would typically struggle to save. The first iteration was launched in 2020 to serve those who are financially squeezed. Each quarter, customers who had saved £50-£100 were entered into a prize draw with a prize of £100, with the odds of winning set at between 1 in 34 to 1 in 67. The account also offered a competitive interest rate of 1.00% (which has since increased to 1.25%).

Our research questions

This project sought to answer two main research questions:

1. What are the most effective ways of designing the product to boost saving rates?
2. What is the best way to communicate the features and benefits of the product to target groups (the financially squeezed and financially struggling segments) so as to encourage them to sign up.

BIT in collaboration with Nationwide and MaPS undertook a series of research activities to answer these questions. These included running an online randomised control trial (RCT) to test various messages, in-depth interviews with Nationwide customers, and a rapid review of existing literature and evidence.

The Financial Capability Lab Partnership

This report describes a collaboration between Nationwide and the Financial Capability Lab (the 'Lab'), funded and overseen by the Money and Pensions Service ('MaPS') and implemented by the Behavioural Insights Team ('BIT'). The Lab is a multi-year

[10] Making Savers Winners: An Overview of Prize-Linked Savings Products
[11] How effective are reward-based and prize-linked savings schemes?

programme to develop and test innovative ideas to improve financial well-being and demonstrate paths to scale.

Designing a prize-linked savings product

Prize-linked savings accounts offer customers an opportunity to win a prize for saving money. The design of the product can influence both take-up and the saving behaviour of customers.

The size of the prize – hyperbolic discounting

In prize-linked savings accounts the opportunity to win a reward is typically offered after a customer has been saving for some time. This is to incentivise people to save regularly and reach a minimum savings amount. Evidence on how the size of the reward will specifically influence savings behaviour is limited. However, behavioural research has consistently found that people prefer smaller, more immediate rewards to larger, more distant ones[12] but that, over time, their preferences tend to follow a hyperbolic discount function.

Hyperbolic discounting

We know that people prefer immediate rewards over future rewards. This means they are discounting a reward that is received later. However, behavioural insights show that the way in which people apply this discount follows a hyperbolic function. In simpler terms, if we were offered a choice between £1 today and £3 next week a large portion of people might choose £1 today. But if we were offered £1 a year from now and £3 one year and one week later, a large portion of us would choose the latter option. There is some evidence that this is particularly true for those on lower incomes[13]

In practice, the impact of this hyperbolic discounting is two-fold:

1. People tend to have a strong preference for immediate rewards versus those that are delayed, even when the delayed rewards are larger. In one study, the average participant was indifferent to receiving $15 that day versus $20 in a month's time or $60 in a year.[14]

2. The value we place on a reward tails off sharply if we have to wait for it. For

[12] Green, L., & Myerson, J. (2004). A discounting framework for choice with delayed and probabilistic rewards. Psychological bulletin, 130(5), 769.

[13] Eisenhauer, J. G., & Ventura, L. (2006). The prevalence of hyperbolic discounting: some European evidence. Applied Economics, 38(11), 1223-1234.

[14] Thaler, R. (1981). Some empirical evidence on dynamic inconsistency. Economics letters, 8(3), 201-207.

example, although we may prefer to receive £50 now instead of £100 in six months, if the choice instead is to receive £50 in three months or £100 in nine months, we are likely to choose the latter option. In both cases we would have had to wait an extra six months to get the £100 reward instead of the £50 reward, but the further away the choice is, the less influenced we are by our preference for quicker rewards.[15]

It is unclear the extent to which hyperbolic discounting applies in the case of prize-linked savings. Even just the element of a prize-based incentive may be more appealing than the typical interest rate payments received on a savings account. One paper found that a prize-based incentive was not only more appealing than a traditional interest rate payment of the same expected value, but customers were also more willing to defer payment to a later date than an equivalent expected value fixed interest rate.[16] Another aspect to consider is how regularly bonuses are paid. Giving people a sense of progress by paying smaller bonuses more regularly, rather than less frequent larger prizes, could help people feel a sense of progress.[17]

Deposit requirements – framing and anchoring

Another key product design element is the amount that people need to save to be eligible for the prize draw. These may be set as a minimum monthly deposit (e.g., £50 per month) and/or a total savings amount over a longer period (e.g., £300 saved over six months). Nationwide's first Start to Save account required monthly deposits of £50 to £100 to qualify for the prize draw.

Deposit limits should be carefully considered as they can directly affect sign-up rates. If a minimum deposit limit is set too high, it will be unattainable for many people on lower incomes.[18,19] Around 30% of those who have less than £500 in savings say that they would not be able to afford to save £100 every month.[20] In our trial (of people who struggle to save or who are squeezed), 32% of respondents said that they did not have £25 per month to save.

The way a monthly deposit is framed has also been found to affect sign-ups to saving schemes. One study found that framing the deposit requirements as smaller daily

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[15] Ainslie, George and Haendel, V. (1983) The motives of the will. in E. Gottheil, K. Druley, T. Skodola, H. Waxman (eds.),Etiology Aspects of Alcohol and Drug Abuse, Springfield, Ill.: Charles C. Thomas, pp. 119-140.

[16] https://www.sciencedirect.com/science/article/abs/pii/S0047272715000298

[17] Kivetz, R., Urminsky, O., & Zheng, Y. (2006). The goal-gradient hypothesis resurrected: Purchase acceleration, illusionary goal progress, and customer retention. Journal of Marketing Research, 43(1), 39-58.

[18] Boosting Lower Income Saving Report v3.indd

[19] Biosca, O., McHugh, N., Ibrahim, F., Baker, R., Laxton, T., & Donaldson, C. (2020). Walking a tightrope: using financial diaries to investigate day-to-day financial decisions and the social safety net of the financially excluded. The ANNALS of the American Academy of Political and Social Science, 689(1), 46-64.

[20] Money Advice Service (2016). Closing the savings gap.

amounts rather than as largely monthly amounts quadrupled the number of consumers who enrolled into a regular savings account.[21] Consumers potentially perceived the small, daily deposits as being less psychologically painful and more feasible compared to the larger monthly deposit amount.

Framing effect

The framing effect is the phenomenon whereby our decisions are influenced by the way information is presented. Equivalent information can be more or less attractive depending on what features are highlighted.[22] For example a yoghurt that is labelled as "90% fat free" may be more attractive than one that says "10% fat"

An evaluation of the Saving Gateway scheme, a matched saving scheme rolled out in the UK targeted at low-income households aged between 16 and 65, suggested that setting both a minimum monthly deposit and a total balance to qualify for saving incentives can motivate saving behaviour.[23] One plausible explanation for this is that a minimum monthly deposit amount acts as an implicit recommendation on how much people should save. In other words, minimum deposit amounts have an anchoring effect which inadvertently recommends the amount people should save.[24,25]

Anchoring effect

Anchoring describes the tendency to rely heavily on certain reference points when making decisions. Often, this can lead people to rely on pre-existing information, or the first information they receive when making judgements or decisions. [26] For example, if we first see a dress that costs £600, and then see a dress that costs £50 we are more likely to view the second one as generally cheap.

The anchoring effect is consistent with findings from the matched savings and pensions literature. In the absence of matched contributions people tend to go for

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[21] Hershfield, H. E., Shu, S., & Benartzi, S. (2020). Temporal reframing and participation in a savings program: A field experiment. *Marketing Science*, *39*(6), 1039-1051.

[22] Tversky, A., & Kahneman, D. (1985). The Framing of Decisions and the Psychology of Choice. Behavioral Decision Making, 25-41. doi:10.1007/978-1-4613-2391-4_2

[23] MAS (2016) *Savings evidence review*. London: Money advice Service. http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1706-savings-evidence-review.pdf

[24] Choi, J. J., Laibson, D., Madrian, B. C., & Metrick, A. (2005). Saving for retirement on the path of least resistance. *RODNEY L WHITE CENTER FOR FINANCIAL RESEARCH-WORKING PAPERS-*, *9*.

[25] Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *science*, *185*(4157), 1124-1131.

[26] Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. Science, 185(4157), 1124-1131.

round numbers when deciding how much to save. When matched contributions are given, people tend to make contributions based on whatever the contribution is.[27,28]

For Start to Save those with inconsistent saving habits felt that the account had helped them to save more than they would have otherwise. Putting money into a savings account made it feel less accessible to customers, and this combined with the small, manageable amounts helped them save every month.

> *"I think it's helped me a lot. The fact that it was smaller amounts. It was amounts that were achievable for me. They weren't something that… Sometimes when you go to the bank, the bank look at your things and they go, 'You could easily save this,' but they don't always take into account other expenditures that you have to take out. Whereas I found that this amount was just easy for me and I didn't have no trouble [sic] with it." - Participant 5*

Customers who had previously struggled to save mentioned that saving with the account had given them more confidence that they could afford to set aside between £50-£100 a month, and they mentioned that their spending habits had changed since they had started to save more.

> *"If somebody had said to me probably two years ago, 'You need to put £100 away a month,' I would have said, 'I can't do that.' Actually, it is financially viable to do that… It's just the fact that you have to change sometimes the way you do things like instead of going to eat out… we used to do that - but now I don't. Now I will more cook it* [sic] *at home." - Participant 5*

For those with well-established savings habits, Start to Save did not change their saving behaviour and simply acted as a way for those customers to earn a competitive interest on their savings.

> *"[Start to Save] hasn't really [affected my day-to-day savings]… I'm not starting to save. It's not the first time I've ever saved and it's not the only savings that I've got… It's just another account." - Participant 2*

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[27] Benartzi, S. (2012). *Save more tomorrow: Practical behavioral finance solutions to improve 401 (k) plans*. Penguin.

[28] Price, W. (2013). The Impact of Matching on Savings i n the UK Savings Gateway Program. Matching Contributions for Pensions, 133.

Withdrawal penalties – commitment contracts

A final element in designing prize-linked savings schemes are the restrictions on withdrawing savings during the lifetime of the account (for Start to Save this is two years). Setting withdrawal restrictions on saving schemes can encourage saving behaviour by preventing people from dipping into savings, and it also helps to reduce costs for saving scheme providers.[29] However, withdrawal restrictions reduce flexibility. This is particularly relevant for individuals with lower incomes who typically face unexpected expenses (such as a broken boiler or a car repair) at least once every six months, and who may be put off joining a savings account with withdrawal penalties.[30]

Evidence suggests that consumers have negative attitudes towards schemes which are restrictive and inflexible. Although a small subset of consumers acknowledge that withdrawal restrictions help saving, the predominant preference among consumers is to have immediate access to cash when the need arises.[31] One Start to Save customer appreciated having a fund to dip into for emergencies or to deal with unexpected expenses.

> *"[Saving with the account has given] me some mild confidence that if unexpected bills come up then I've got some pot that I can dip into, I suppose… I do end up having to dip into it for emergencies. If I weren't [saving with the account], obviously, these unexpected bills and things that crop up would probably be more difficult to pay because I'd be spending it on ice creams and McDonald's and other random things that end up cropping up." - Participant 3*

The debt charity StepChange, suggests one method of providing consumers with increased flexibility, while maintaining certain restrictions to encourage saving, could be to allow withdrawals after a defined period of time (e.g. after 6 months, or after an interim saving goal has been met).[32] Alternatively, scheme providers could consider waiving withdrawal penalties in circumstances where supplementary deposits are made within a period of time, this might provide more flexibility to savers from low-income households.[33]

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[29] Designing a Life-Course Savings Account

[30] Step Change (2016). Boosting lower-income saving

[31] Designing a Life-Course Savings Account

[32] Boosting Lower Income Saving Report

[33] Kempson, H. E., & Finney, A. D. (2009). Saving in lower-income households: A review of the evidence.

Ultimately, the evidence suggests that a general consideration for scheme providers when setting withdrawal penalties should be to consider the target group the scheme is intended for. If the target group is people on low incomes or with low levels of disposable income, penalties should not be financially onerous.[34]

Varying degrees of restrictions can have an impact on consumer saving outcomes.[35] Encouraging people to think about their savings goals, how it would feel to achieve them, and making a pledge to work towards these goals (make 'soft commitments') increased deposits at the beginning, but overall savings were higher among consumers who had harder withdrawal restrictions imposed upon them.[36] Encouraging people to voluntarily agree to restrictions has also been shown to help people save more than those who did not set savings targets.[37] This suggests that offering people the opportunity to commit to restrictions can be an effective way to provide flexibility while also encouraging more savings.

Commitment contracts

When people actively commit to achieving a goal, they are more likely to achieve it, especially if the commitment is paired with a penalty for failure.[38]

Building a savings habit

A key objective of a prize-linked savings product is likely to be to help customers build savings and develop a regular savings habit. As they use the product, customers may develop a habit of saving regularly. A literature review by MaPS found strong evidence that prize-linked savings help people build additional savings resulting from reductions in discretionary spending.[39]

There was some evidence that Start to Save helped customers to establish some useful savings habits which might continue after the account ends. For example, saving immediately after they were paid, or having a reminder on their phone to transfer money to their savings account.

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[34] Manturuk, K., Dorrance, J., & Riley, S. (2012). Factors affecting completion of a matched savings program: Impacts of time preference, discount rate, and financial hardship. *The Journal of Socio-Economics*, *41*(6), 836-842.

[35] Madrian, B. C. (2012). *Matching contributions and savings outcomes: A behavioral economics perspective* (No. w18220). National Bureau of Economic Research.

[36] Burke, J., Luoto, J., & Perez-Arce, F. (2014). Soft versus hard commitments: A test on savings behaviors.

[37] Madrian, B. C. (2012). Matching contributions and savings outcomes: A behavioral economics perspective (No. w18220). National Bureau of Economic Research.

[38] Cialdini, R. B., & Goldstein, N. J. (2004). Social Influence: Compliance and Conformity. Annual Review of Psychology, 55(1), 591–621.

[39] MaPS, Nation of Savers.

"I guess I'm in a habit of just transferring the money across at the beginning of the month so I would just know how to do that. If I opened it with another bank I'd perhaps set something up so it did it automatically if I could." - Participant 4

Customers who had well-established saving habits before the account said that they would continue to save because it was something they had always done. This is supported by research which suggests that people seem to develop a savings habit after they have been saving for two years.[40]

Communicating prize-linked savings offerings

In addition to the design of the prize-linked savings offering, how it is communicated to customers can have a large impact on take-up. We used in-depth interviews with Nationwide customers to understand how Nationwide's initial Start to Save communication strategy had performed. We also ran an online randomised controlled trial (RCT) to test how different messages might affect take-up and savings. First, we review the existing communications and then turn to the design and results from the RCT.

Review of existing communication

Nationwide's Start to Save account offered a competitive interest rate of 1.00% for two years, and the launch communications focused on encouraging customers to save the day they are paid. The prize-draw itself was not highlighted during the first launch. Customers who were already good savers chose the product for the competitive interest rate and were either not aware of the prize draw, or felt it did not factor into their choice to start using the product.

"To be honest, I'd actually forgotten about the prize draw… until you mentioned it." Participant 1

Customers appeared to understand deposit limits and the interest rate offered well but understanding of how the prize-draw worked was mixed. Those who were already well-established savers tended to know very little about the prize draw. Customers who were more interested in the prize draw understood the size and frequency of prizes but knew little about the odds of winning. When asked to guess, customers frequently underestimated their odds and seemed to view it as a relatively unimportant aspect of the prize draw.

[40] Loibl, C., Kraybill, D. S., & DeMay, S. W. (2011). Accounting for the role of habit in regular saving. Journal of Economic Psychology, 32(4), 581-592.

> *"If [information about the odds] had been available, it would have been something that I would have read, but I don't remember reading it." Participant 3*

Customers who had previously struggled to save felt that the Start to Save account might help them to save and mentioned multiple aspects of the account that appealed to them. This included the competitive interest rate, the achievable deposit limits, and the prize draw itself. While none of the customers we spoke to expected to win a prize (and none had) and did not see it as the central appeal of the account, they thought the prize draw was a nice perk.

> *"I wanted to save more because I wanted to be saving for certain things, and [the Nationwide branch advisor] told me all the different accounts that I could have… The interest on it is quite good compared to other accounts… I liked the fact that it's fixed and I know exactly what I'm going to put in there and what is… Then that amount is in there. I like the fact there was a bit of an incentive with the fact that each month they do their draws where you can win the extra money… it makes you think oh, it's free money!" Participant 5*

Testing new communications

We used Predictiv, an online platform, to test five adverts for a hypothetical prize-linked savings account. We designed and ran a randomised control trial involving 4,500 participants deemed to be struggling with their finances (see Appendix 2 for more detail). The adverts were designed to imitate tweets from a fictional bank (see Figure 1 below). We measured the impact on participants' willingness to sign up to the account, their interest in more information about the account, their saving intentions, and their confidence that they could save enough in the account.

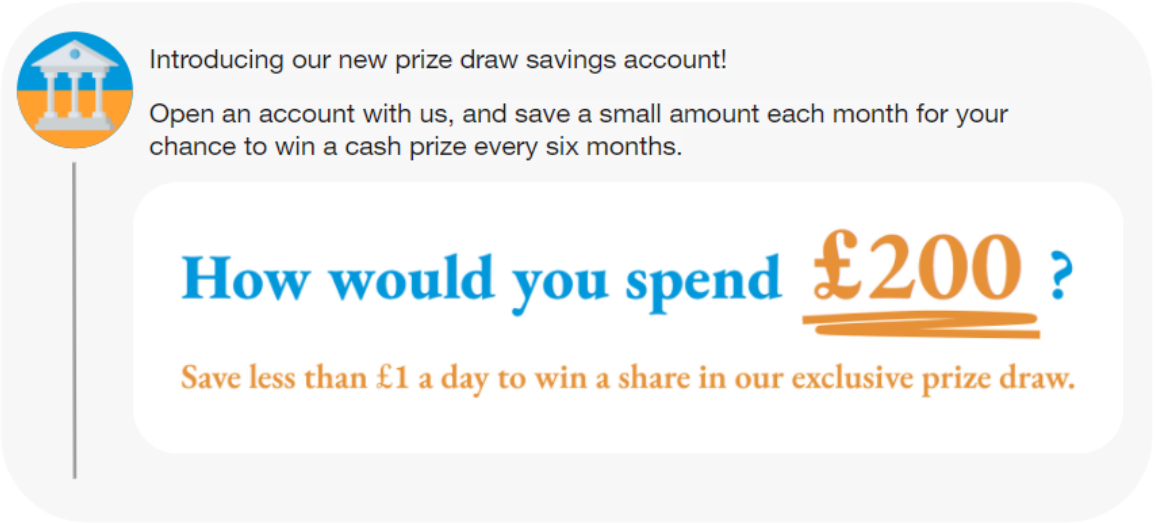
Participants were randomly assigned to view one of five adverts, all of which included text introducing the fictional PLS account, a simple call to action, and a link which led to a pop-up containing more information about the account if participants clicked on it (see Table 1 for a description of each advert). If participants clicked on the link this was taken as a proxy measure of interest in the account. We also asked participants a series of questions about their interest in opening an account, savings intentions and confidence, and other questions about the advert such as how trustworthy it appeared.

Table 1 - Descriptions of the five adverts and their respective rationales

Advert name	**Full message**	**Behavioural insights rationale**
Control	It's easier to save the day you're paid Set up a standing order today and start a more successful saving habit	*Prompts* - Giving people reminders at the right time can help them take action. This message prompts people to save at (potentially) the most appropriate time i.e. payday. This message has previously been used by Nationwide to advertise the Start to Save account.
Present bias*	How would you spend £200? Save less than £1 a day to win a share in our exclusive prize draw	*Present bias* - people tend to place a higher value on immediate rewards while undervaluing future rewards. This message tries to get people to think about the benefits of the prize now.
Framing effect*	£1.7 million Save less than £1 a day to win a share of it in our exclusive prize draw	*Framing effect* - our decisions are influenced by the way information is presented. This message frames the prize as a share of a much larger prize in an attempt to increase the immediate appeal of the account.
Reciprocity*	We've entered you into a prize draw to win £200 All you need to do is save less than £1 a day	*Reciprocity and endowment effect* - people feel obliged to repay favours, and tend to value items they own more than items they do not. This message attaches ownership to the prize draw, suggesting that the bank has done them a favour which they can repay by saving.
Messenger	When I got the email… I just started giggling! Linda won a prize draw and saved £100's in the process. Do the same for a chance to win £200	*Messenger effect* - we give greater weight to messages if we can relate to who gives them. This message also included a picture of 'Linda' to make the account more relatable for customers.

*Advertisements 2,3, and 4 also framed the amount in daily terms (£1 a day) to make it appear manageable.

Figure 1 - Example of an advert used in the trial (the 'Present Bias' advert)



Results

Generating interest

We measured participants' interest both through their self-reported responses (the percentage who said they were either interested or very interested in signing up to the account) and in capturing whether they clicked on the link that would give them more information about the account. Of the various messages tested, telling people about the £1.7m prize pot (the 'framing message') generated the most interest, 31% of people who saw this message said they were interested or very interested in signing up (see Figure 2 below). This was 5 percentage points higher than the message Nationwide had previously used (the control group).

When it came to clicking through to the information page (taken as a proxy of interest in the account) we also found that three of the messages ('present bias', 'framing effect', and 'messenger') performed better than the control message (see Figure 3 below).

Taken together these findings suggest that these three messages were effective in increasing interest in the account.

Figure 2 - Percentage saying that they were either interested or very interested in signing up to the account

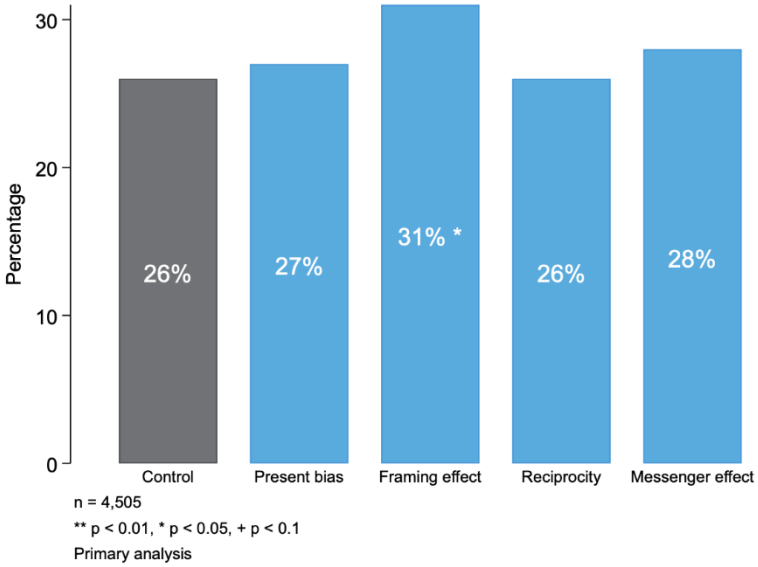
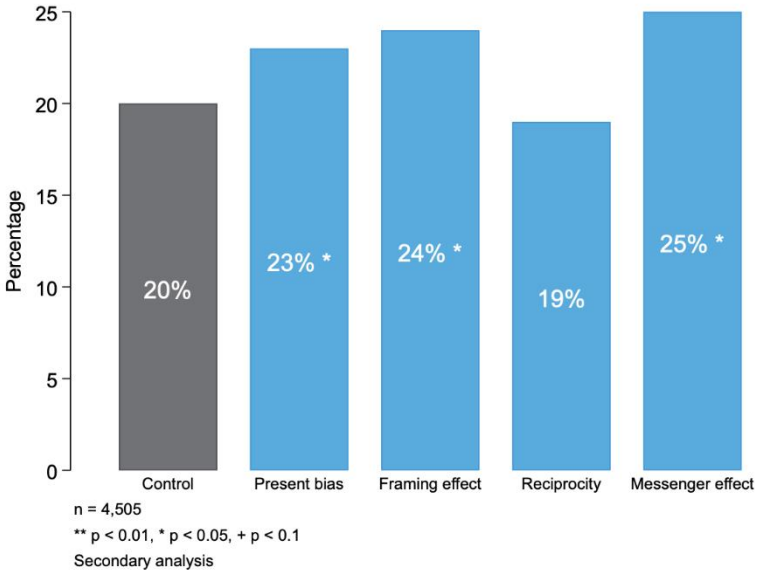


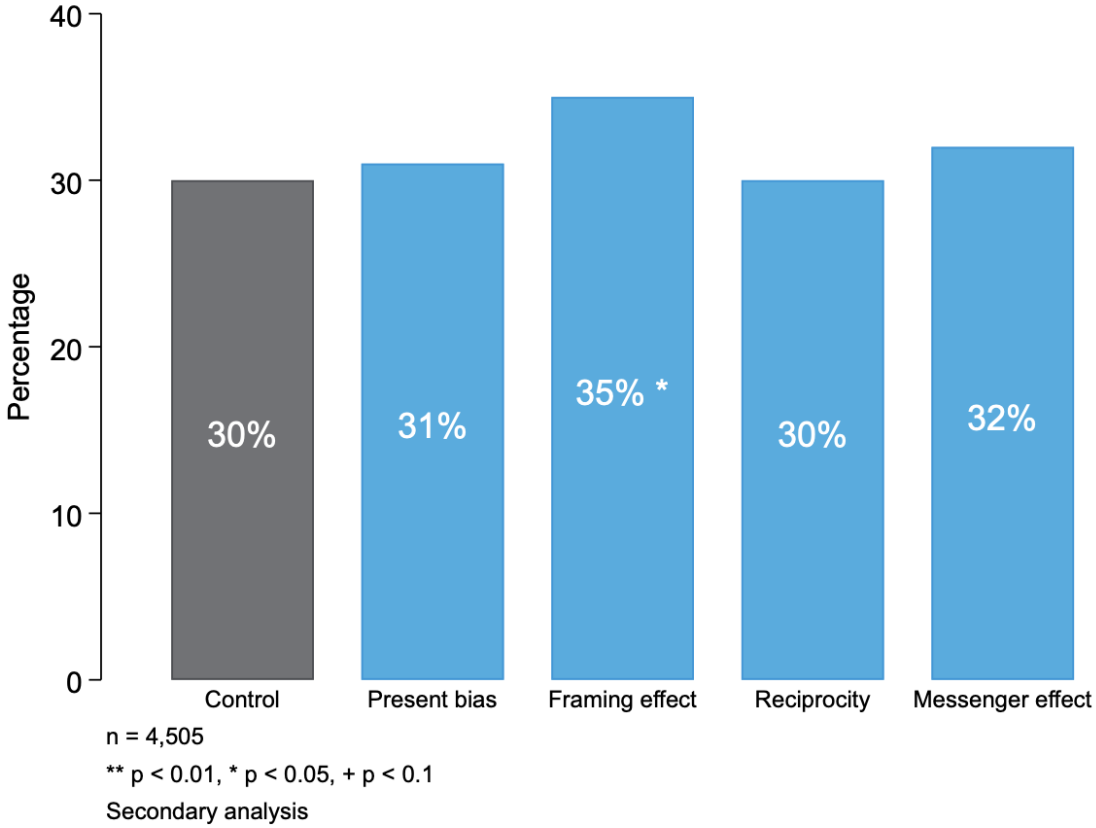
Figure 3 - Percentage of participants who clicked on a pop-up link to view more information about the PLS account



Intent to save

Telling people about the £1.7m prize pot (the 'framing message') also had the highest level of people saying the message would encourage them to save. Thirty five percent of participants who viewed this message said that they would save based on this message, five percentage points higher than the control group.

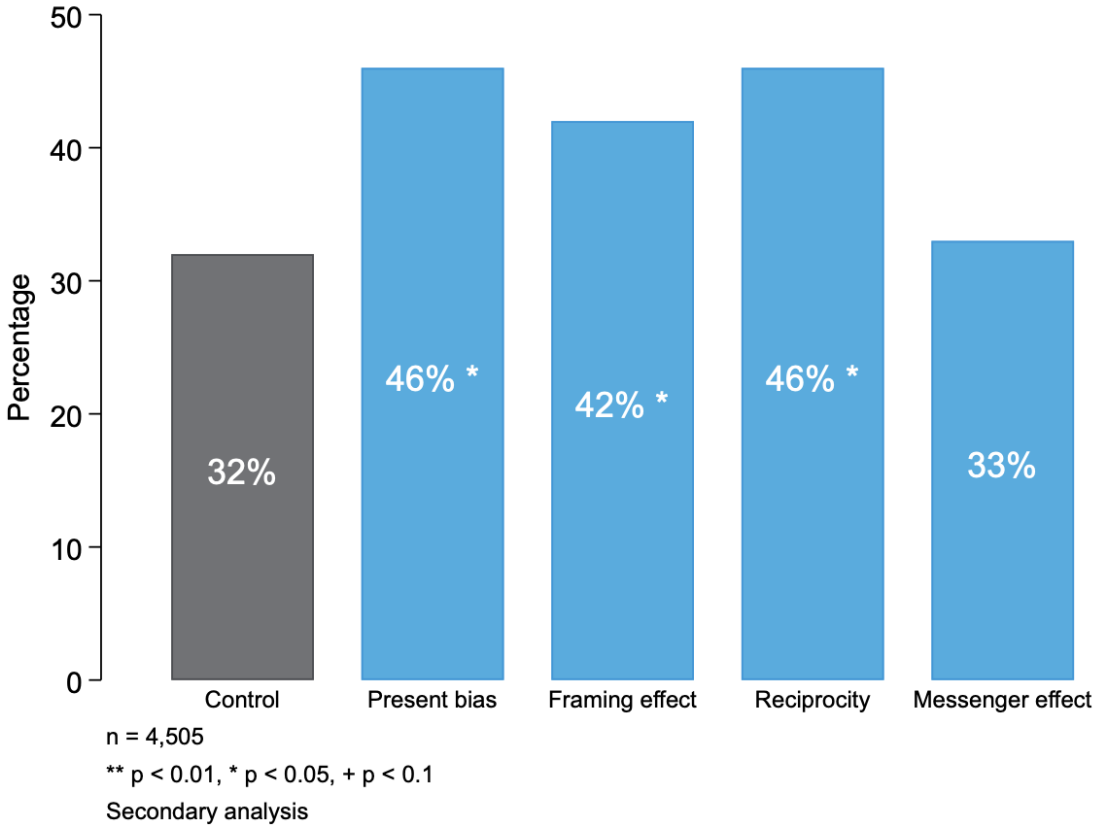
Figure 4 - Percentage of participants who said that a prize draw like this would encourage them to save



Savings confidence

The three interventions that included the message that they needed to save "less than £1 per day" helped people feel more confident about saving. Participants who saw the present bias, framing effect, or reciprocity messages were between 10-14 percentage points more likely to say they felt confident they could save enough money in the account compared to the control group (see Figure 5 below).

Figure 5 - Percentage of participants who said they were confident they could save enough each month in this account



Perceived honesty

While the framing message (highlighting the total size of the prize pot) was the most appealing, it was also rated as the least trustworthy and the least honest representation of the account compared to the other messages. Only 67% of respondents said that the advert was an honest representation of the account compared with 75% for the control message and 71-73% for the other messages (see Appendix 3 for details). This suggests that framing the prize in this way has the potential to increase interest in the account, but at the possible expense of undermining trust in the building society.

Conclusions and recommendations

Design of prize-linked savings

To increase saving in prize-linked savings accounts, prize-linked savings providers should offer smaller prizes, with more regular draws. People tend to prefer smaller, more immediate rewards to larger, more distant ones. However, people may be more willing to accept a delay for a prize-linked saving compared to a standard interest rate or similar incentive, given the potential bonus of a larger payout. The opportunity to win a prize more frequently may be particularly appealing to those who are financially squeezed or struggling given that they may struggle to deal with unexpected costs.

Deposit limits can help target people with less capability to save. The requirements and limits on deposits are an important part of any savings account, and there are commercial trade-offs between accessibility and commercial viability for any financial institution. Lower deposits can increase account accessibility but will have consequences for commercial viability. A lower amount could also potentially anchor people to a lower saving than they might have otherwise chosen. While the minimum deposit presents a trade-off, a low deposit threshold for the prize draw could be a good way to increase saving behaviour in those that are struggling or squeezed.

Have some withdrawal penalties to help people stick to their savings goals but allow some flexibility. While restricting withdrawals may put some people off signing up for a savings account, there is good evidence that restrictions can stop people dipping into their savings and can also reduce costs for saving scheme providers. This may penalise those on low incomes who face unexpected costs. To support people on low income providers should consider having some flexibility, e.g. allowing withdrawals after a certain period. Prompting people to make ‘soft commitments’ which state their intentions but allow some flexibility can also help people keep saving.

Test how long it takes to build a savings habit. There is some inconclusive evidence that it takes about two years to develop a savings habit. Nationwide’s first Start to Save account savers built up a savings pot for approximately two years and (unless they sign up for the new Start to Save) will no longer have the prize draw as an incentive to continue. This is therefore a good opportunity to explore whether people keep saving after the prize-linked draw is withdrawn, whether they stop saving but keep their existing savings, or whether they choose to spend their money.

Communicating prize-linked savings accounts

Frame minimum deposits in terms of daily amounts to increase uptake. Any message with a daily framing was more popular with trial participants than a monthly framing. We did not test whether actually encouraging a daily deposit (e.g. a daily standing order) rather than monthly would also be successful. This could be tested by a provider.

Be careful about focusing on the total size of the prize. Our results suggest that messages which focus on the total prize 'pot' rather than what an individual can win might initially appeal to customers but may backfire since they are seen as less trustworthy and honest than the other messages we tested.

Tell people about the prize-draw straight away. All of the messages we tested focused on some aspect of the prize draw. The 'How would you spend £200' and 'Linda won a prize' message were both more effective at getting people interested in the account and were seen as trustworthy. The evidence review carried out for this project suggested that some of the 'drier' parts of the account such as the interest rate might be better considered as a secondary aspect of the account. However, in the trial people liked the high interest rate so this information should still be included.

Nationwide have played a leading role in the banking sector in providing innovative ways for people to save, and they have implemented changes based on the evidence gathered in this project.

Appendix 1 - Qualitative Research Methodology

Interviews with existing Start to Save customers

The findings from the randomised controlled trial were complemented by qualitative research which aimed to understand how customers of Nationwide's Start to Save account engaged with the PLS account. More specifically, the qualitative research was guided by the following research questions.

1. Why did Start to Save customers decide to open an account?
2. How (and why) did Start to Save 1 affect customers' saving behaviour? (E.g. did it help them to save, and if so, how did it help?)
3. What were customers' experiences with the account? (E.g. did they understand it, did they find it exciting?)
4. What are customers' saving intentions once the account comes to an end? (E.g. will customers continue to save, and if so, why?)

Procedure

The qualitative research involved six online interviews with existing Nationwide members with a Start to Save account lasting between 30 and 60 minutes. The interviews were conducted during February and March 2022, seven weeks after the Predictiv trial.

Sample

BIT used a survey to identify 19 individuals who held a Start to Save account, and all of them were invited to participate in the research. Of the six participants who responded and attended an interview, all of them were female, had been Nationwide members before opening a Start to Save account, and were between the ages of 33 and 47.

Appendix 2 - Quantitative Research Methodology

Using Predicitv to test communications

Predictiv is an online platform for running behavioural experiments built by the Behavioural Insights Team. It enables governments and other organisations to run RCTs with an online population of participants, and to experiment whether new policies and interventions work before they are deployed in reality.

Running evaluations online is hugely beneficial for organisations as it permits interventions to be trialled in a time-sensitive manner and speed which is simply not feasible in typical field trials. An online trial also permits a ‘sandbox environment’ in which ideas can be tested for products in a risk-free environment. A final advantage of the online trial is that it is the method in which many people will interact with PLS accounts: people will see communications on social media, and if they are interested they will sign up for the account online.

The quantitative trial was run as a randomised control trial. RCTs work by randomly allocating participants into groups. Usually, one group or “arm” receives a pre-existing intervention. This is referred to as the control group, as it provides a sample of “business as usual” behaviour i.e. the effect on outcomes without an intervention. Other “treatment groups” are given different, behavioural science-based interventions. The trial compares each group’s outcome to establish whether the interventions had the desired effect.

Sample selection

The sample for the Predictiv trial consisted of 4,500 participants. In an effort to mirror the target consumer base of PLS accounts, the trial screened for participants who were deemed to be struggling with their finances. Furthermore, the sample was intentionally skewed in favour of younger participants (n = 3,105 (69%) of the sample were aged between 18 - 44).

Predictiv trial sample descriptive statistics

Sample age						
18 -24	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75+
675 (15%)	1,350 (30%)	1,080 (24%)	675 (15%)	450 (10%)	180 (4%)	45 (1%)

Sample household income				
< £10k	£10k - £20k	£20k - £30k	£30 - £50k	> £50k
675 (15%)	1,350 (30%)	945 (21%)	990 (22%)	540 (12%)

Sample gender	
Women	Men
2,520 (56%)	1,980 (44%)

Aims of the trial

The trial was designed to test the most effective ways of communicating PLS accounts to people who do not regularly save. This was achieved by testing five distinct communications interventions that were designed as adverts for a hypothetical PLS account and were formatted to emulate adverts commonly seen on social media platforms. More specifically, there were a number of outcomes of interest in the trial. These are summarised in Table 1 below, breaking them down as primary, secondary, and exploratory.

Table 1 - Outcomes explored in the trial

Primary outcome	Secondary outcomes	Exploratory outcomes
Willingness to sign up to the account	Interest in more information about the account Saving intent Confidence to save using the account	Perceived appeal of the advert Perceived trustworthiness of the advert Ease of understanding of the advert Finding the advert informative Perceived honesty of the account after seeing more information

Appendix 3 - Trial findings by outcome

Primary outcome findings

Primary outcome: Willingness to save						
Outcome	Description	Treatment arm				
		Control (n = 898)	Present bias arm (n=949)	Framing effect arm (n=917)	Reciprocity arm (n=871)	Messenger effect arm (n=870)
Willingness to sign up	Percentage saying they were interested / very interested in signing up	26%	27%	31%*	26%	28%

* identifies values that are statistically significant $p < 0.05$

Secondary outcome findings

Secondary outcomes						
Outcome	Description	Treatment arm				
		Control (n = 898)	Present bias arm (n=949)	Framing effect arm (n=917)	Reciprocity arm (n=871)	Messenger effect arm (n=870)
Interest for more account information	Percentage clickthrough rate on pop-up link	20%	23%*	24%*	19%	25%*
Saving intent	Percentage saying a prize draw like this would encourage them to save	30%	31%	35%*	30%	32%

Saving confidence	Percentage of people saying they were confident they could save enough each month in this account	32%	46%*	42%*	46%*	33%

* identifies values that are statistically significant $p < 0.05$

Exploratory outcome findings

Exploratory outcomes						
Outcome	Description	Treatment arm				
		Control (n = 898)	Present bias arm (n=949)	Framing effect arm (n=917)	Reciprocity arm (n=871)	Messenger effect arm (n=870)
Perceived appeal	Percentage saying the advert was appealing	40%	42%	48%*	41%	40%
Perceived trust	Percentage saying the advert was trustworthy	45%	45%	40%*	41%	47%
Understanding	Percentage saying the advert was easy to understand	73%	77%*	74%	78%*	77%*
Finding the advert informative	Percentage saying the advert had the right amount of information	51%	71%*	65%*	71%*	67%*
Perceived honesty	Percentage saying the	75%	73%	67%*	71%	73%

	advert was an honest representation of the account (after being shown more information)					

* identifies values that are statistically significant $p < 0.05$