Maryland CASH CAMPAIGN
Creating Assets, Savings and Hope

'Better, Faster, Stronger:'

Thoughts on the Use of Incentives in Non-Profit Programming

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INTRODUCTION

Organizations that offer financial education and other services like financial coaching, credit counseling, or access to financial products often consider the use of incentives as a mechanism for encouraging positive behavior change. Goal-oriented financial education looks at behavior change as an avenue to usher in financial growth and asset development. Sought-after behaviors can include attendance in classes, saving money for the future, or avoiding new debt. The use of incentives to encourage behavior is hardly new; in fact, the private sector often uses sales promotion tools like coupons, contests or premiums to induce a faster and higher buyer response.[1] Non-profits and public sector entities may similarly use gift cards, giveaways, recognition, and service rewards to incentivize behavior. The non-profit Maryland CASH Campaign (Creating Assets, Savings, and Hope) conducted two focus groups in Baltimore City and a literature review in order to offer insight on the use of incentives by non-profits to get a better, faster, stronger response to offered services or to encourage behavior change by clients.

Maryland CASH conducted two focus groups on May 15, 2012 and June 6, 2012 specifically about incentives and non-profit services to inform future programming decisions. Both focus groups were held in Baltimore City at CASH Campaign headquarters and consisted of female African-American clients who responded to an email request for participation. All participants had received at least one service prior to participating and received $50 as compensation for their time in the focus group.[2] Maryland CASH also conducted two additional focus groups on children's savings accounts in May of 2013 at two Baltimore City public middle schools. These groups brought together parents of school-age children to discuss a potential child savings account offering, incentives, and financial services. Parents received $50 gift cards for participating. Feedback from the portions of the 2013 groups that focused on incentives is also included here. What follows is a summary of feedback on incentives and initial staff conclusions, complemented by a literature review by the University of Wisconsin- Madison Center for Financial Security.

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[1] "Communicating Value," Kotler, P. & Lane, K. Marketing Management, p486. 13th edition.

[2] Financial Stability services include financial education, credit counseling, budget counseling, financial coaching, free tax preparation through the Volunteer Income Tax Assistance Program, and access to financial products.

FRAMEWORK: Take a strength-based approach and directly connect to goals

It is important that organizations involve clients in designing the incentive process.[3] Many low-to-moderate income people are already setting goals and managing money. All MD CASH focus group participant indicated that they had previously or were currently working toward a financial goal. One woman suggested that non-profits ask people how they can do something 'better' as opposed to assuming they are not doing it at all. This is a strengths-based position and also helps to show respect for the people served by the organization. Financial goal-setting is both familiar and strategic: nearly all of the focus group participants routinely set goals and had used goal-setting to improve their lives.Financial goals may be privately or publicly acknowledged. Two participants indicated that they kept written journals where they tracked progress on their goals, and chronicled the journey towards achieving them. People want the option to tell others about their financial goals, but may have their own reasons for wanting privacy. In American culture, personal finance is a private matter and people may be reluctant to share financial data or goals. There may be additional social or family reasons that people do not want to share. One participant noted that she did not share her financial goals or successes with family members, because then she would be expected to "share the wealth" throughout the family.

Organizations should also consider using the strength-based approach when marketing or describing their services. Organizations can start with any messaging included in advertisements or publicity for financial stability services. 'Budgeting' sounds more proactive than 'credit repair.'[4] Several participants noted that they would prefer to hear about budgeting and saving than about credit repair strategies, because "people might not be in a position to improve their credit, but they can make good decisions daily."[5] People use a variety of survival strategies to boost their income or decrease expenses. This is consistent with recent research on how individuals would raise $1000 given a financial emergency.[6] Most participants explored alternative revenue streams, such as participation in focus groups and market research, as well as side jobs or freelance work to boost income. Many turned to family for help, and expected themselves to be ready to do the same. One was a self-described "coupon diva," and all were full of ideas on budgeting, and savings. Focus on existing skills and confidence to start with clients where they are, not where others may assume is their starting point or motivation.

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[3] "Research on Incentives." Memorandum compiled October 8th, 2012 by Collin O'Rourke of the Center for Financial Security.

[4] June 6th 2012 focus group

[5] May 15th 2012 focus group

[6] Lusardi, A.M., Schneider, D. & Tufano, P. (2011). "Financially Fragile Households: Evidence and Implications."

THE LANDSCAPE: What are other organizations offering? Many other organizations have used incentives for financial education programs. For the Delaware Money School's 'Purses to Portfolios Program,' participants take financial education classes and access different prizes and events passes based on predetermined thresholds. The Connecticut Money School has used gift cards to incentivize class attendance, as has Family Services in Gaithersburg, which provides clients with gift cards to a local thrift store. Mutual Housing Association of Texas found that their most effective incentives were offering meals during classes and providing opportunities to students to open Individual Development Accounts (IDAs) upon completion of 7 of the 10 financial education classes. Goodwill has offered gas cards, bus tickets, and gift cards to clients who return for regularly scheduled check-ins. Howard County Community College partners with MakingChange to offer financial stipends to single mothers who participate in 3 financial coaching sessions. Maryland CASH's own CASH Academy is launching an incentive program, "Passport to Prosperity," where participants can earn points for attending classes, qualifying them for recognition opportunities and special promotions.

INCENTIVES: Help with a need or provide a want

CASH program staff asked focus group participants what types of incentives or rewards would be most motivating to encourage them to receive a service or to engage in a financial behavior like creating a budget or spending plan, or saving for the future. In both focus groups, the most popular incentives offerings were flexible and linked to money, like a VISA or MasterCard gift card. These gift cards can be used anywhere, and may represent a windfall to clients at the lower end of the income spectrum. Similarly, gift cards to stores with diverse inventory (including grocery) like Target or Wal-Mart were also popular. The more flexible the gift card, the better incentive it is: VISA pre-paid cards were the top-rated among participants, followed by Target, Wal-Mart, gas cards, and 7- 11. Each of these cards helps clients to meet needs like grocery, home goods, transportation, and personal care.

Incentives should address key needs or a key want, such as entertainment. Food is always helpful, but people also responded positively to family-friendly entertainment options. It may be that this makes people feel as though they are doing something not just for themselves, but also for the good of their family. Most focus group participants had children and wanted to engage their children with budgeting and savings so that they would grow up to be sensible about money. Materials and classes specifically geared toward this, "Budgeting for your family" or "Teach your kids to save," were more appealing than classes geared toward the individual. Participants surmised that when someone puts the "parent hat" on, they are more likely to be responsible and thus responsive to marketing for financial stability services. Similarly, incentives should be geared towards support of the family, in categories such as food or entertainment.

Key disclaimers are needed to make promotional materials appear legitimate and not "gimmicky."[7] To sound as though the organization has people's best interests in mind, indicate on all marketing materials that the organization is a non-profit and is able to offer services for free or low cost because it receives funding to do so. This eases the fear of hidden costs in "free services." To increase the appearance of legitimacy, add the name and phone number of a staff member for people to contact with questions about the offer, program, or service. Focus group participants recommended that materials include an explanation of how the service is free, a list of funding sources, and a straight-forward message that states the intent of the incentives, for example 'we want more people to use this service.' The "why" helped people to see it as a special offer, and not a gimmick or a ruse.

INNOVATIVE STRATEGIES: Coupons and trigger words

Another reason to involve clients in the design process is that they may offer innovative ideas that staff may not have considered. One of these innovative ideas was the use of coupons. A participant reasoned that frugal people are attracted to coupons, so non-profits should use coupons to promote services. Coupons could showcase the value of the service being offered, but should include a disclaimer about non-profit status and funding sources. Several participants noted that the inclusion of an expiration date would increase the likelihood of their use of the service, "because limited-time offers sound more exciting." For example, a coupon that advertised 'Free tax preparation, value $75' could incentivize more people to use Volunteer Income Tax Assistance (VITA) sites in their communities.

Participants also suggested advertising about financial stability services in places where money is already on people's minds. People are already thinking about money at the grocery store and are looking for ways to save. Our participants suggested that were they to encounter marketing messages on posters, flyers, or other interactions in these settings, then they might be more receptive to the service message. Banks or ATMs are another prime location for marketing.

Prize-linked savings promotions are a new area of interest for credit unions and other financial institutions.[8] The idea of accessing a chance to win a prize by participating in a behavior like saving was very attractive to all focus group participants. Opportunities to increase raffles and prize-linked promotions may improve program take-up or particular behaviors. Given participants' interest in winning, this concept could be applied to many of an organization's programs. Maryland CASH offered a savings bond promotion in the 2012 and 2013 tax season that was well received by VITA clients. During this promotion, clients who purchased savings bonds with their tax refunds were eligible to receive a scratch-off ticket where they could win $5 or $10 cash instantly, as well as be entered in a raffle to win $500. Focus group participants were greatly interested in this promotion and suggested CASH "add a raffle" when asked about how to get people to sign up for services.

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[7] May 15th focus group

[8] "Banks Get a Prize-linked Savings Incentive." American Banker Online. Published October 11, 2011. Available URL: http://www.americanbanker.com/issues/176_197/saveup-prize-linked-savings-chance-1043007-1.html

All of the focus group participants in the dedicated incentives group were women. Most were women in the parent groups too, but there were men (fathers) in both. This is an unintentional result of selection bias, as these were the individuals who responded to advertisements for focus groups. It is worth noting that some of these conclusions may skew along gender lines. For women, much of the language on budgeting is similar to that surrounding dieting. One participant noted that she went on "spending fasts," another said that she was on a "spending diet." All wanted to "cut back" on expenditures. This could be a good way to frame marketing materials.

Comfort is another trigger word. Participants suggested that non-profits interested in promoting financial education ask people if "they would be more comfortable if they used a budget or saved more money." Most participants noted that asking a question like this would be the best way for a service provider to start a conversation about finances with them, e.g. "Are you comfortable?" to "I can help you get more comfortable." Comfort makes people think of happiness, home, and family.

ACCESS: If the service is viewed as exclusive, access can be an incentive in itself

MD CASH facilitators of the focus groups in May 2013 asked parents questions on what types of programs, offerings, and services would motivate them to use a children's savings account to save for their children's higher education. A theme emerged that the goal of hoping for and achieving college was "incentive enough." Incentives for basic necessities like food and gas were mentioned, but the parents stressed that access to a product to help them save for college would be incentive enough. Savings and investment products were viewed as tools of the rich to help them build wealth, and the idea of accessing them in order to save for their own children's future was very powerful. One parent commented, "If I want to do this, and you're saying you can help me, then I'm going to let you help me, regardless. That's my incentive right there."[9] In both groups, the very offer of a 'match,' whereby an organization would put money into their child's account if the parent made contributions, was overwhelmingly popular but would be more expensive to implement than positioning resources to facilitate access to existing products.

FOLLOW-UP: Menus and methods

Some financial stability services, like tax preparation, are episodic. Others are longer in term, like financial coaching, more traditional counseling, or case management. In addition to differences between services, organizations also have different protocols for client follow-up. Maryland CASH also asked focus group participants about the type and frequency of follow-up they would prefer to keep them engaged with their financial goals and in the relationship with the service providers. Periodic check-ins help to keep people motivated. One participant suggested checking-in with people every two weeks, in line with payroll

[9] Parent focus group, May 23rd, 2013

schedule in order to have the most impact on financial decisions. Most agreed that checking in every week was too much, and risked becoming a nuisance. All participants noted that more check-ins were needed at the beginning of a financial goal than at the end.

Interestingly, the incentives focus group participants overwhelmingly wanted to be able to choose from a follow-up "menu." Text messages, emails, and phone calls were all rated positively by participants, but each had slightly different feedback. The conversation then turned to a "menu" where each participant could choose how and when their counselor or service provider would follow-up with them. The option to include friends and family members in follow-up was positively received, but each participant again indicated that they would prefer to opt in/ out of this method. Members of the parent focus groups also wanted to be able to choose from a variety of communication methods, even indicating that there might be a difference of preferences within one household.

Figure 1: Word Cloud of Commonly- Used Words in May 15th Focus Group

BARRIERS: Cost and Signals

A memo commissioned by Maryland CASH from the Center for Financial Security at the University of Wisconsin-Madison notes that "research on incentives is relatively sparse, providing little in the way of definitive findings or best practices."[10] It goes on to surmise that "incentives work, but perhaps not to the extent that we may predict."[11] One important issue is cost. For example, even providing an

[10] "Research on Incentives." Memorandum compiled October 8th, 2012 by Collin O'Rourke of the Center for Financial Security.

[11] ibid

incentive for individuals to participate in the focus group cost Maryland CASH $50 per person, or $500 total. Implementation of wide-spread incentives can be cost-prohibitive for non-profit or public sector agencies. Furthermore, the distribution of cost is not equal. If an agency provides a $30 gift card to Target for everyone who attends two sessions of financial coaching, individuals who would have attended the sessions without the incentive receive the $30 gift card the same as those who would not have attended the sessions. The Center for Financial Security urged Maryland CASH "to consider how the costs and benefits of an incentive program are divided across participants."[12]

Community businesses who wish to support this work may be an excellent source of incentives, for example, grocery store gift cards. One MD CASH local partner was given a large number of grocery cards by a regional chain. They are able to use these to incentivize clients to attend certain sessions or activities, as needed.

Unfortunately, an incentive may send unintended signals to clients, particularly if the incentive moves a relationship governed by social norms into economic territory. The most oft-cited example of this is the daycare provider in Israel who started issuing $3 fines to parents who arrived late to retrieve their children. After the introduction of the fine, the number of tardy parents increased. The authors of the study attribute this to an unintended signal sent that the workers time was not valuable and arriving on time wasn't important.[13] In the past, there had been a social expectation that parents would pick their children up on time to avoid inconveniencing the teacher. When the center switched to monetary fines, the relationship changed to an economic one, where parents made the conscious decision that paying the fine was worth their being able to work longer. Even after the center switched back to not fining the parents for late pick up, the number of late pick-ups stayed at the higher level. This shows that once the move is made from a social incentive to an economic incentive, it is very difficult to go back.

Most service providers could imagine a scenario in which an unintended signal could have unwanted effects. For instance, if Maryland CASH provided an incentive for clients to come to the second session of financial coaching, is it sending a signal that the first and third are less important? Or that the second session represents the goal to be achieved and anything after that within the coaching relationship is unnecessary? If an organization has the opportunity to involve clients in the design process, through focus groups, surveys, or interviews, it is worthwhile to ask about the signals sent by any incentives under consideration.

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[12] ibid

[13] Gneezy, U., & Rustichini, A. 2000. "A Fine is a Price." Journal of Legal Studies no. 29: 1-17.

Figure 2: Key Takeaways On the Use of Incentives

Design

- Involve clients in the design process through focus groups, interviews, or surveys.
- Try new things. Reach out to community partners to sponsor various incentives and/or promotions.

Type

- Use incentives to meet a need like groceries or gas, or provide a family-friendly want, like entertainment.
- Consider the signals that different types of incentives will send to clients.

Message

- Use a strength-based frame for your messaging. Never assume people aren’t seting goals or engaging in positive behaviors, but rather ask if they might be able to do it better.
- Use personalized follow-up to keep clients engaged over time.