RCT: INCOME COLLECTION

By adding one extra sentence to arrears letters and envelopes we *increased* payments by 9% and *reduced* inbound contact by 17%

Overview

This trial focussed on adaptations of arrears letters over the first two stages of the escalation pathway. These stages are entirely automated for the organisation in question and include letters, texts and phone calls. This trial applied minor changes to the existing actions based on two well-documented behaviour change principles: *Fear Appeals* and *Social Norms*.

Trial summary

Control Group	Existing arrears communications.
Norm Intervention	As per control, but with additional message: *"99.8% of all rent due in your neighbourhood is collected on time."*
Fear Intervention	As per control, but with additional message: *"Last year, 177 people lost their homes because of rent arrears."*

Results Summary

- Tenants in the *Fear* group were **more than twice as likely to** make a payment than those in the control group, after all other variables had been factored out. Tenants in the *Norm* group were **nearly twice as likely** to make a payment than the control.

- Both the Fear intervention and the Norm intervention brought forward **7% more revenue** than the control.

- The *Fear* condition resulted in **17% less contact** than the control, with the *Norm* condition delivering **13% less**, in line with the behavioural objective to reduce the cost associated with contact handling.

- At least one intervention group was **more effective than the control on all metrics apart from one** (agreements). On 4 out of the 8 metrics, both intervention groups outperformed the control.

9% INCREASE IN PAYMENTS

17% DECREASE IN CONTACT

7% INCREASE IN REVENUE

1 EXTRA SENTENCE

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Trial design

The use of *Social Norms* to encourage behaviours has been successfully employed in a wide range of contexts[1][2] More specific studies have focused on the effectiveness of *Social Norms* in the context of debt collection, again demonstrating a positive impact[3][4] In line with previous studies, *Social Norms* are taken to be behaviours proven to be manifested by a large majority of a reference population.

The use of *Fear Appeals* has also been shown to influence specific changes in behaviour in various contexts.[5] Fear Appeals aim to highlight the negative consequences of an undesirable behaviour to make a desirable behaviour more appealing.

Two specific messages were developed to represent the *Social Norms* and *Fear Appeal* principles. The *Norm* message informed the recipient how many of their fellow residents paid their rent on time, whereas the *Fear* message focused on how many fellow residents had been evicted over the previous 12 months. A third group served as control and received the organisation's existing arrears communications.

The trial conditions were applied to stages 1 and 2 of the organisation's escalation pathway. In all cases the only difference between the conditions was the addition of the extra message; all other visual and textual variables remained constant across all 3 arms.

The messaging was applied to the outside of envelopes, the tops of letters and was also added onto automated text and telephone scripts.

The sample comprised all tenants who fell into arrears during the trial.[6] This result in a final sample size of 1061

The organisation's entire tenant base was randomly flagged with a number 1, 2 or 3 within its housing management system. When a tenant fell into arrears, the system automatically targeted tenants with the communications appropriate to their trial arm. This ensured that subsequent actions also triggered communications consistent with the tenant's trial arm allocation. As all actions are automated, no human intervention was required.
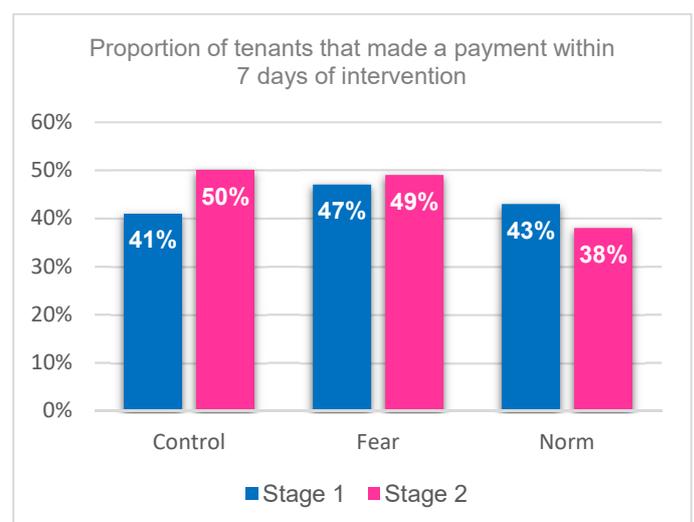
Results[7]

1. Payment rates

Proportion of tenants that made a payment during trial

Control	Fear	Norm
63%	72%***	71%***
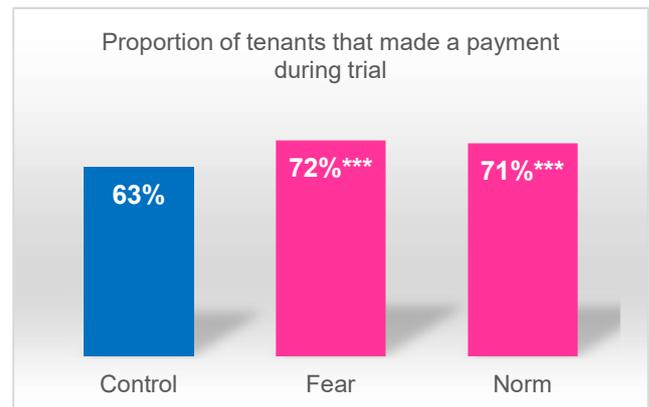
An average of 69% of tenants in the sample (731 out of 1061) made a payment during the trial. Both intervention groups performed significantly better than the control tenants, with the *Fear* and *Norm* groups **making 9% and 8% more payments** respectively, compared with the control group.

Analysis showed that tenants in the *Fear* group were **more than twice as likely to** make a payment than those in the control group, after all other variables had been factored out. Tenants in the *Norm* group were **nearly twice as likely** to make a payment than the control.

In terms of modeled future impact, the same analysis estimates that if rolled out, the *Fear* condition would result in a payment rate of **between 73% and 84%[8]** compared with the 63% achieved with the existing arrears communications. The same analysis predicts that the *Norm* condition would deliver a payment rate of **between 70% and 83%.**

Proportion of tenants that made a payment within 7 days of intervention

	Stage 1	Stage 2
Control	41%	50%
Fear	47%	49%
Norm	43%	38%

An average of 43% of tenants made a payment within 7 days of the first-stage intervention. Tenants in the *Fear* group made 6% more payments, with those in the *Norm* group making 2% more payments, compared with the control group.

As to be expected, at the Letter 2 stage the control group sees a higher volume of payments (given that the intervention groups are more likely to have already paid at the first action stage). 50% of the control group paid within 7 days in response to receipt of the stage 2 action, compared with 49% and 38% of the *Fear* and *Norm* groups respectively.

In relation to payment within 7 days of first-stage action, analysis showed that with all other variables factored out, tenants in the *Fear* condition were **1.24 times more likely to pay** than the control group.

In relation to modeled future impact, the same analysis estimates that the *Fear* condition would lead to a 7-day payment rate of **between 38% and 55%** at the first stage (compared with the 41% achieved by the existing communications) and **between 38% and 64%** at the second stage (compared with 50% achieved by the existing communications).

2. Payment values

A total of £333,306 was collected directly from tenants who passed through the trial (i.e. excluding Housing Benefit payments).


Average payment impact factors across entire trial.
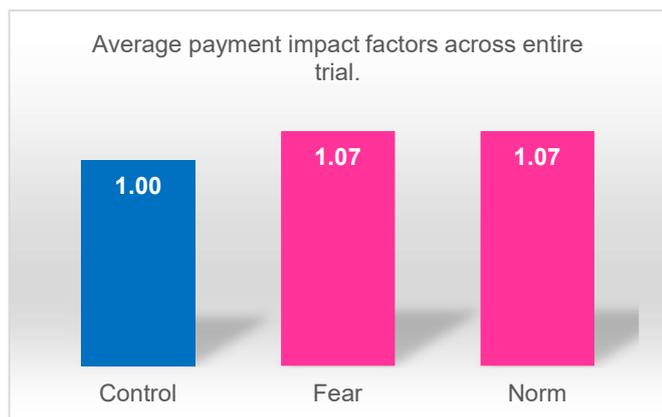
Both intervention groups had an impact factor of 1.07, compared with the control group (1.00). This means that, with all other variables factored out, the intervention groups were responsible for **7% more revenue each than the control.**

Average payments per tenant within 7 days of intervention
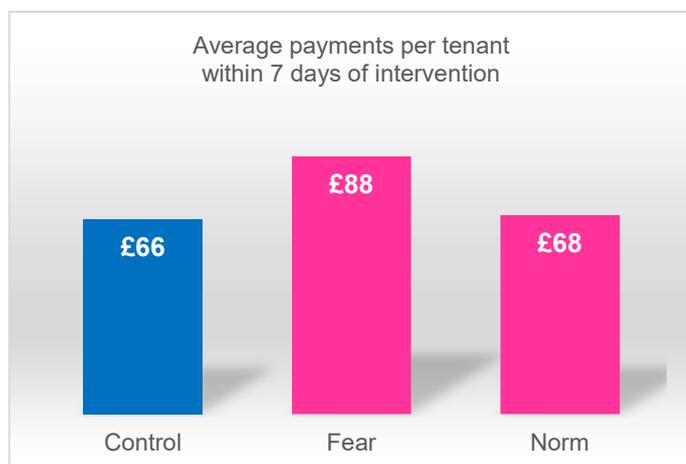
Within 7 days of receiving the intervention, the average payment value was £73 (excluding Housing Benefit payments). Tenants in the best-performing intervention group (*Fear*) paid an average of £12 more than the control group.

With an impact factor of 1.2, analysis showed that tenants in the *Fear* group **paid an average of 20% more** than the control, with all other variables factored out.

3. Tenant Contact

Proportion of tenants that made contact following intervention
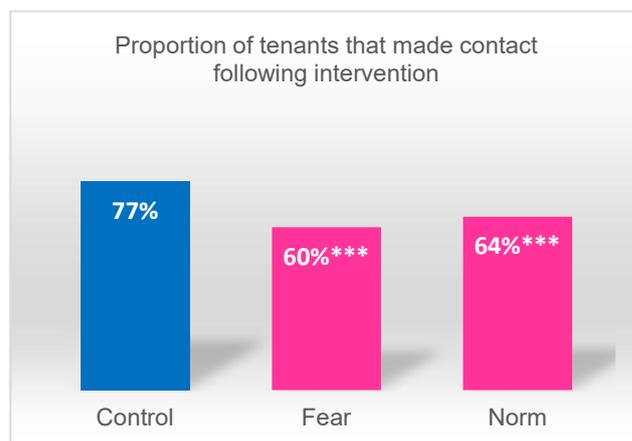
During the design phase of this trial, the organisation established *lower* contact rates as a key behavioural objective. The net value of contact to an organisation is relative: a balance between the operational cost of dealing with that contact with its ultimate outcome in terms of payments and relationships.

In very broad terms 'full, timely payment with no contact' could be considered the ideal behavioural outcome. That is, the income is collected fully and no costs are incurred in handling the tenant contact. The results from this trial demonstrate that the interventions achieved just that.

On average, 67% of tenants contacted the organisation during the trial. However, **17% more tenants in the control group** contacted the organisation compared with the *Fear* group and **13% more** compared with the *Norm* group.

Analysis showed that with all other variables factored out, tenants in both the *Fear* and *Norm* conditions were **less than half as likely to make contact** compared with tenants in the control group.

In terms of modeled future impact, we can estimate that if rolled out, the *Fear* condition would result in an engagement rate of **between 52% and 69%,** compared with the 77% rate resulting from the existing condition. Similarly, the *Norm* condition would result in an engagement rate of **between 54% and 69%.**

[1] Perkins HW. Social norms and the prevention of alcohol misuse in collegiate contexts. J Stud Alcohol Suppl 2002; 14: 164–172. PMID: 12022722 19.

[2] Wenzel M. Misperceptions of Social Norms about tax compliance: from theory to intervention. J Econ Psychol 2005; 26: 862–883. doi: 10.1016/j.joep.2005.02.002

[3] Coleman S (2007), The Minnesota Income Tax Compliance Experiment: Replication of the Social Norms Experiment, MPRA Paper 5820

[4] Bobek D, Roberts R and Sweeney J (2007), The Social Norms of tax compliance: evidence from Australia, Singapore and the United States, Journal of Business Ethics 74(1): 49–64

[5] Witte, K.; Allen, M. (2000). "A meta-analysis of *Fear Appeals*: Implications for effective public health campaigns". *Health Education & Behavior* **27** (5): 591–615.

[6] Between 29th September 2015 and 14th December 2015.

[7] Following standard conventions for illustrating inferential results, we use significance stars to indicate p-values (i.e. the level of statistical significance). The number of stars should be interpreted as: * = $P \leq 0.05$, ** = $P \leq 0.01$, *** = $P \leq 0.001$.

[8] Estimates are based on confidence intervals

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