



CONCEPT DOCUMENT

Small Bites

TEAM MEMBERS

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PROBLEM DEFINITION

Establish a compelling introduction that inspires the reader to learn more about your innovation. Define the problem (“how might we”) in one sentence. Give proof problem exists and convince the reader that the problem needs a solution.

Debt is an overwhelming issue for anyone who has it and it can feel like an elephant blocking the road. Immovable, inflexible and an incredibly heavy burden. Debt can take many forms – car loans, payday loans and the ever increasing credit card. Think about this, the average American consumer owes over \$5,000 in credit card debt and the average owed per household is \$15,983.00¹.

Despite the variety of existing tools for budgeting and alternatives in the market, people continue to struggle to make a dent in their consumer debt. As credit unions, we are more likely to be in a position to work with members, so **how might we help members who are struggling with debt pay off their debt faster?**

INNOVATIVE SOLUTION

Give your elevator pitch and describe your solution to the problem, focusing on what makes it truly innovative compared to what may exist in the marketplace today.

Small Bites is a credit card repayment solution that uses behavioral science to improve a person’s comfort, consistency and success with paying down credit card debt. By adding this as an enhancement to your online or mobile banking platform, you’ll be reaching a high volume of credit card paying members.

PROTOTYPE

Describe what was built and the processes/resources you used to build the prototype. Include screen shots, mock-ups, flowcharts, and other graphical representations of your prototype as appropriate.

We developed a simulation of the application based on the desired user experience and with an emphasis on using the behavioral science concepts in the design and execution. Analysis of data from our own credit unions indicated that 60% of members with credit card payments are making those payments through the online or mobile channel. Although our focus is on this channel, credit union could implement similar strategies with less technological requirements.

The user experience guides the member from login to conclusion and would also accommodate existing user who would like to edit their Small Bites payments. A

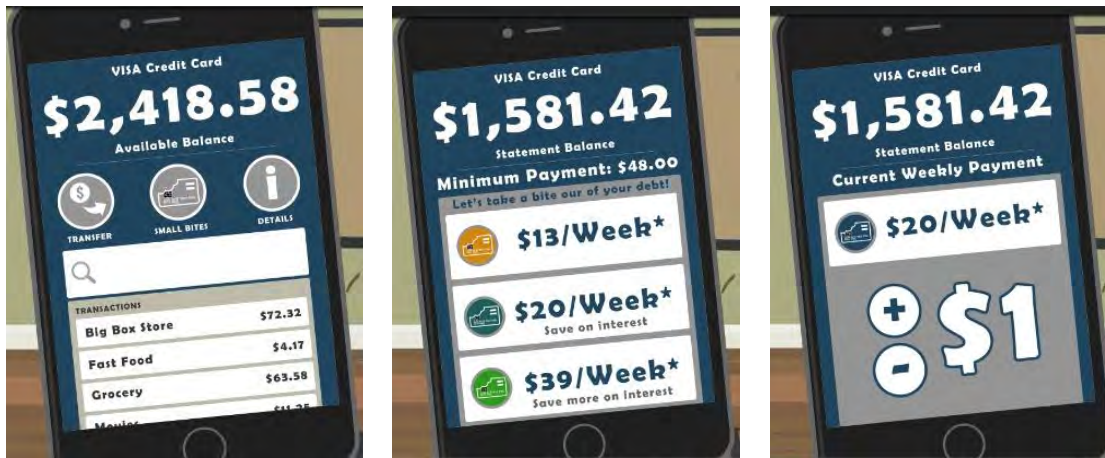
All payment options are designed to help the member pay down debt without a drastic increase in monthly expenses are emphasized through placement to take advantage of the principle of default bias which is what we see when people choose the option that is boldest, brightest or centered to their vision.

We also present all values in whole numbers and allow the user to adjust to favorable numbers which is based on the principle of psychologically pleasing numbers.

The third principal that guided the development was to remove friction. All options are preset with reasonable values and a simple click & go strategy get the user enrolled with automatic payments setup in three (3) clicks with no time wasted on figuring out what amount could help reduce debt.

Once a user has paid down the debt, an option to request a balance transfer (if offered by the credit union) would encourage the member to bring over other credit card debt and continue with payments using Small Bites.

Screen Mockups

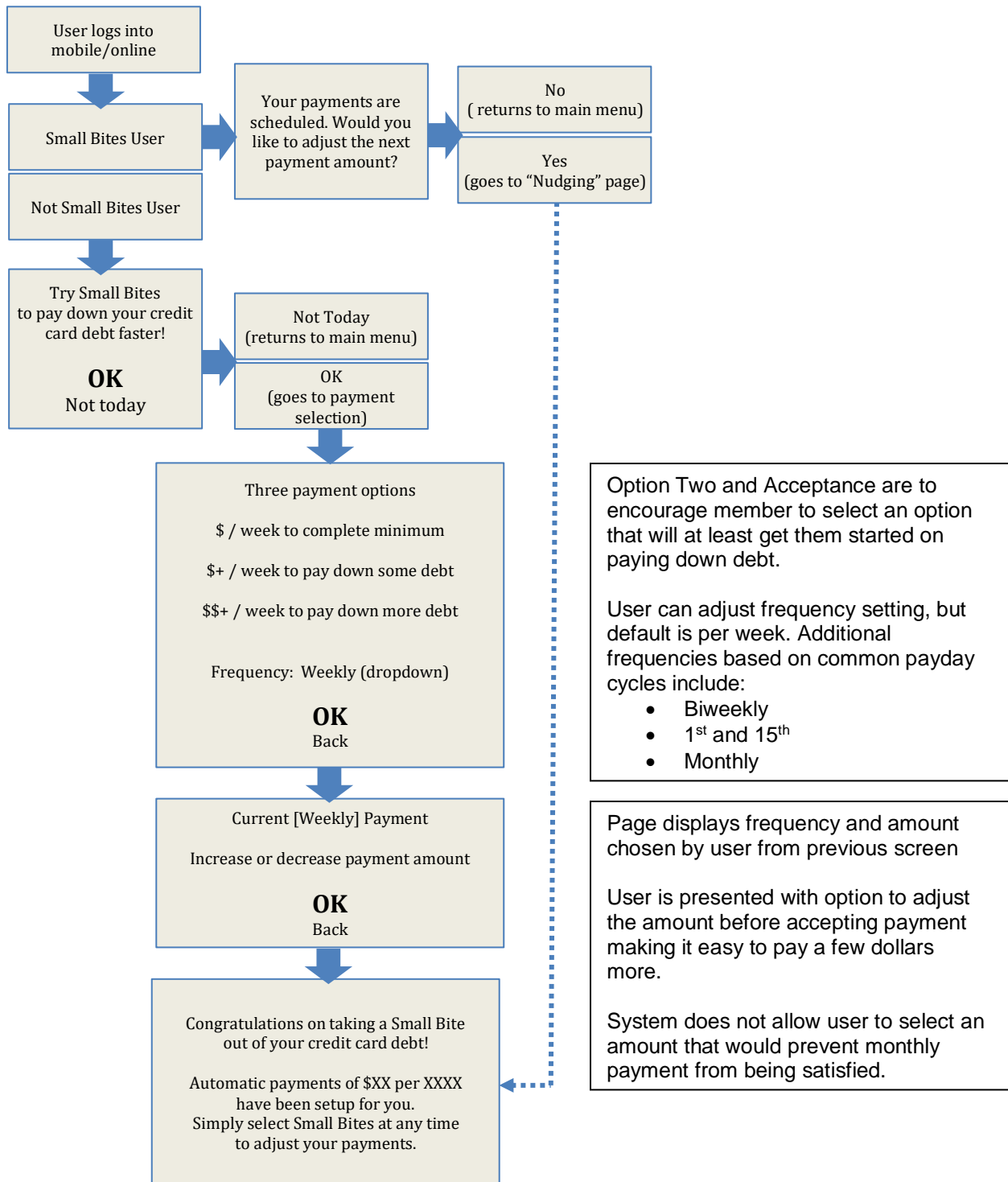


Some additional features that respondents were interested in adding to the prototype are:

- Progress Tracking
- Application to other debt types
- Streamlined activation with direct deposit

These features are not included in the current experience, but could be developed.

User Experience Guide



Option Two and Acceptance are to encourage member to select an option that will at least get them started on paying down debt.

User can adjust frequency setting, but default is per week. Additional frequencies based on common payday cycles include:

- Biweekly
- 1st and 15th
- Monthly

Page displays frequency and amount chosen by user from previous screen

User is presented with option to adjust the amount before accepting payment making it easy to pay a few dollars more.

System does not allow user to select an amount that would prevent monthly payment from being satisfied.

TESTING AND RESULTS

Use this section to describe how you tested your prototype along with relevant results and insights gleaned from your testing in about a page. Approach the reporting of test results from an objective perspective.

Testing was developed and conducted with the assistance of the Common Cents Lab at the Center for Advanced Hindsight, a research center with Duke University. A survey was distributed by three credit unions to between 12,000 and 20,000 members depending on credit union size. Half of the selected members have a credit card with the participating credit union and half did not.

We asked a series of questions to identify the scope of credit card debt among credit union members and how people made their payments. We then presented a short video highlighting our product and asked follow up questions to determine interest in the product. The survey concluded with some basic demographic data.

These are some of the key results that supported or guided our development:

- 51% indicated that they are currently carrying credit card debt month to month. 75% indicated that they have at some point carried a balance.
 - **This proved that there is a need for credit card pay down solutions**
- Only 4% of respondents who were carrying a credit card balance were interested in a weekly payment option. Most respondents (58%) who are carrying balances preferred a payday alignment.
 - **Our prototype was modified to allow users to modify frequency**
- When asked how much they would pay if they paid weekly versus monthly, respondents with credit card debt indicated that they would pay an average of 74% more than the minimum payment amount.
 - **This proves that there is some flexibility in amounts paid and we added the option for the member to “nudge” payments up or down.**
- When asked if they would use Small Bites or suggest it to a friend, more than half of the respondents who are carrying debt indicated that they were somewhat likely or very likely to use/recommend it.
 - **This supports the idea that a simplified credit card repayment solution is of interest to credit union members.**

BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

Discuss factors that demonstrate the viability of your concept. Outline your plan for harvesting value from your innovation. Approach this through the lens of a credit union or other organization that would take part in the ultimate commercialization of your concept.

Include a high-level three year financial proforma (embed an Excel worksheet or Word table) that includes projections around revenue streams, initial development costs, ongoing direct expenses and impacts (positive or negative) on overhead expenses.

Because most of the individuals who will be using Small Bites are already in a challenging financial position, we do not envision Small Bites to be a profit center for the credit union. We do however recognize that reductions to charges offs may be a potential tangible benefit and, if supported by the credit union, incorporating a balance transfer opportunity would result in additional interest income while the member is paying down the new debt amount.

Most credit unions already utilize an online and/or mobile banking platform. Many online banking providers feature the ability to customize application program interfaces (API), utilize Single Sign On (SSO) connections to third party vendors and support customized programming and functionality. We see the potential for Small Bites to be developed through any of these options and recommend collaboration with a technology partner to help defer costs.

Expense	Initial Development Costs	Partner with a technology company who would be willing to incur costs due to resell capability to other credit unions
	Implementation Costs	We expect this would be similar to any other enhancement to online or mobile application (compliance, operations, marketing, etc.).
	Service Maintenance	
	Program Use Fees	None
Revenue	Charge Offs	Reduction of charge offs
	Interest Income	

COMMENTS, NEXT STEPS, AND CALL TO ACTION

Provide additional comments and discuss next steps for your solution and prototype. Conclude with a compelling call to action, inviting credit unions or other organizations to participate in further commercialization.

ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

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ⁱ Average debt stats