



Using behavioural insights to boost business compliance

18 April 2024

Panel 2: Levelling the playing field with active compliance and enforcement

Georgia Conduit

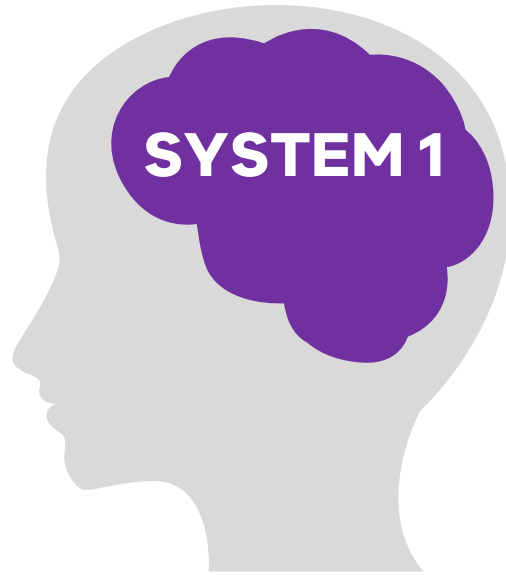
Human behaviour



What is behavioural insights?

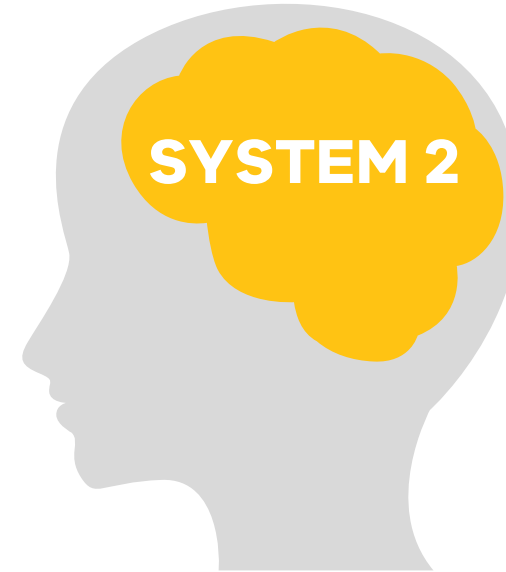


System 1 and System 2 thinking



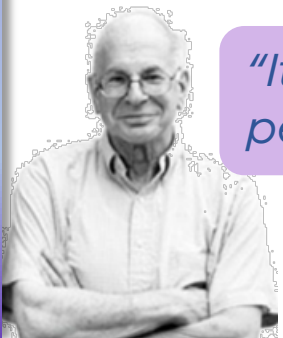
- Fast thinking/Automatic
- intuitive, effortless

Taking your daily commute



- Slow thinking/Reflective
- deliberate, analytic

Planning a trip overseas



*"It turns out that the environmental effects on behaviour are a lot stronger than most people expect" – **Daniel Kahneman***

Effect of environment on behaviour

Framing



Social norms



Intention is not always enough

The Intention-Action Gap



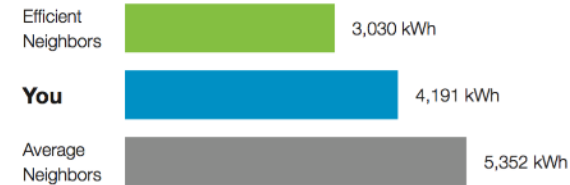
How BI has been used for consumers in the electricity sector



Using BI to influence customer behaviour



Here's how you compare to neighbors



Jun 20, 2013 - Jul 21, 2013

You're compared with 10 homes within 6 mi of you that are a similar size (1,200 sq. ft.) and have gas heat. Efficient neighbors are the most efficient 20% of this group. See back for details.

Great
Good
Using more than average

38% more electricity
than efficient neighbors



Researchers from BETA found that consumers who viewed **energy rating labels** were **11% more likely** to purchase more efficient appliances.

SOURCE: BETA, 2017. Energy labels that make cents: A randomised controlled trial to test the effect of appliance energy rating labels.



Peer comparisons and feedback on energy consumption in energy reports have been shown to reduce households' energy usage by **as much as 6% in high energy users**.

SOURCE: Allcott, H. (2011). Social norms and energy conservation. *Journal of Public Economics*, 95(9-10), 1082-1095.

How to motivate businesses to comply voluntarily



Behavioural drivers in organisations



COGNITIVE

- Better at rational thinking
- Can alleviate individual biases
- Constraints: information limitations, limited mental capacity, limited time



SOCIAL

- Competitiveness
- Groupthink
- Personal interests



CULTURAL

- Social norms
- Corporate identity



SOURCE: pixelfit iStock photo

*SOURCE: Behavioural Drivers of Organisational Decision Making REALinksFINAL.pdf
(publishing.service.gov.uk)*

Businesses don't always behave as predicted

The theory	The reality
Businesses always maximise profits	In a complex and uncertain world, it is often too difficult and time-consuming to assess the best strategy every time a business is faced with a choice. Often, businesses are satisfied with average rather than optimal profits, rely on rules of thumb rather than cost-benefit analysis and leave cost savings on the table. ¹
Businesses are primarily interested in profits	Around a third of small and medium sized enterprise (SME) owners think of growth in terms of improving their reputation, market share or employment rather than profits or turnover. ²
Businesses are well-informed about their performance and respond to competitive forces	79% of business managers believe that their firms are as productive or more productive than their peers, and business managers consistently overrate their abilities. ³

SOURCE: BIT, 2019. *Boosting businesses: applying behavioural insights to business policy toolkit*

Many factors affect compliance



- **Costs/benefits**
- **Acceptance of regulation**
- **Respect for law in general**
- **Knowledge of rules**
- **Capacity to comply**
- **Respect for the regulator**
- **Deterrence – risk of detection**
- **Risk of sanction**
- **Severity of sanction**

SOURCE: NSW Police nab contender for world's dumbest criminal | The Courier | Ballarat, VIC
14 compliance questions: [ch13.pdf \(anu.edu.au\)](#)

Case studies of business compliance



CASE STUDY

Energy Savings Opportunity Scheme (ESOS) checklist design

In the UK, ESOS requires organisations to carry out an energy audit at least once every 4 years of their buildings, industrial processes, and transport. BIT developed a recommendations template to help increase the take up of recommendations.

ACME Corporation is losing **£25,000** per year on energy bills by not adopting the following 'top 3' energy saving recommendations. They have been identified as the highest priority for your organisation, based on a combination of potential energy savings, ease of implementation, return on investment, and/or payback period. **We strongly advise you to implement these immediately, to avoid losing money on your energy bills.**

The following recommendations have been identified as the highest impact for your organisation. Implementing these immediately will:

- Reduce your annual carbon emissions by **[X]%**,
 - Stop **[organisation]** from losing **£[X]** per year on energy bills
 - Maintain or improve **[organisation]'s** energy efficiency relative to peer organisations.
- Nine in ten organisations have implemented an energy efficiency measure.² To keep up, we suggest **[organisation]** follows through on the recommendations in this report.



Loss aversion: the financial cost of inaction by not implementing the recommendation.



Social norms: a great majority of organisations have planned or implemented energy efficiency measures

CASE STUDY

Designing energy bills using BI principles



Retailer Name

ABN: 11 222 333 444



Jane Citizen
PO Box 123
Anytown STATE 0000

Account number: **123456**

Bill issue date: **1 April 2022**

For supply at: **1 Street Road, Anytown STATE 0000**

National Metering Identifier (NMI): **0123456789**

TAX INVOICE

Need help?

Enquiries and complaints
Retailer Name: 131 131

Faults and emergencies
Distributor Name: 11 22 33

Disputes
Ombudsman: 1800 111 222

Your bill

Your amount due is

\$79.87

due on

27 April 2022

Could you save money on another plan?

Based on your past usage, our **Super Saver Plus** plan may cost you up to **\$81.45** less per year than your current plan.

To switch plans, go to **retailer.com.au** or call us on **131 131**. Conditions may apply.

The Australian Energy Regulator requires us to include this information.



Best offer: increases respondents' intentions to switch plans.



Salience: position, size, loss aversion



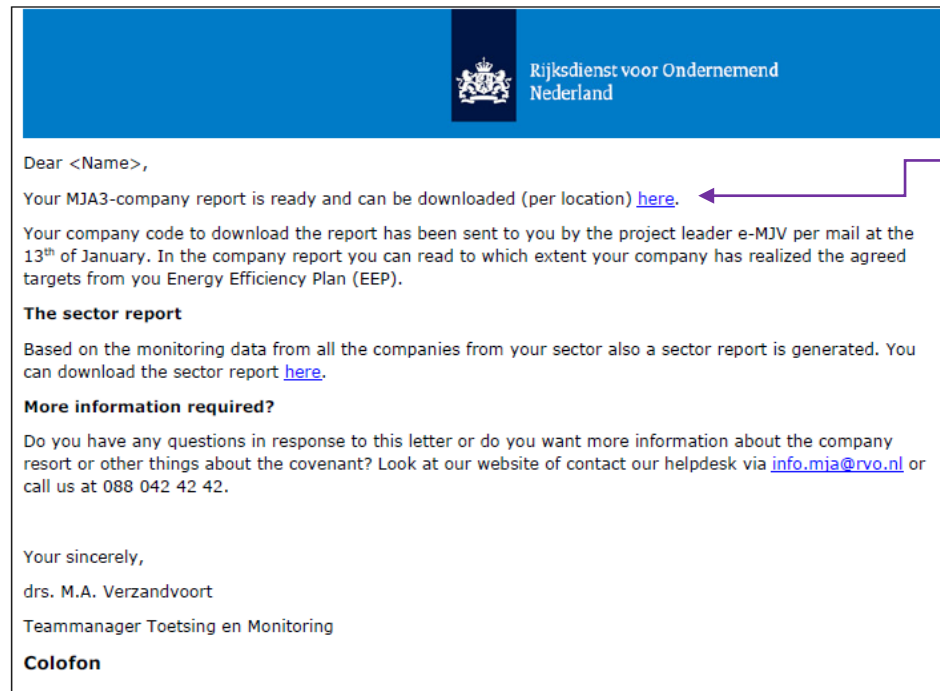
Easier to switch: how to take the next step

The guidelines lay out what regulators need to include in their bills and provide illustrative sample bills and factsheets

CASE STUDY

Using BI to increase access to energy efficiency reports

The Dutch government offers annual energy efficiency feedback reports to companies that sign up to a voluntary scheme. Only 14 per cent of companies were downloading the report.



Making it easy: Researchers sent a shorter email with a single click required to access the report. This **trebled the download rate**.

Removing a friction cost increased **access and consideration** of energy saving measures

Compliance behaviour of business can be influenced by:

- **transparency**
 - **peer comparison**
 - **minimising friction**
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Thank you