

## Can behavioural science save the world?

Human behaviour has wrought havoc on the environment. Can understanding that behaviour help to reverse the damage?



Academics and practitioners taking part in a 24 September webinar – "What can behavioural economics contribute to tackle the threat of climate change?" -- clearly believe that it can, although it will not be easy to reverse the way humans act when it comes to the environment.

Studying the hows and whys of peoples' decision-making, they said, may provide companies, banks, governments and activists with a roadmap to a cleaner and sustainable planet.

Perhaps it is a matter of "framing" things to emphasise the positives over the negatives. Or perhaps it is closing the gap between what people say they do and what they actually do. Yet again, simply finding out what people are willing to pay for greener products could help.

"We are facing some unprecedented and non-linear shifts," Mark Cliffe, global head of ING's New Horizons Hub, said of the rapid changes to our environment. "Climate impacts people individually and in their households and with families."

The webinar, hosted by ING's Think Forward Initiative and BehavioralEconomics.com, was organised to mark the launch of the latter's "Behavioral Economic Guide 2020", an annual report on human behaviour research.

Participants painted a fascinating picture of human conduct and how it can impact the fight for a greener planet. People tend to take the easy route to something and make it habit; looking ahead at negative consequences -- to the environment, for example -- is abstract and requires sustained attention.

Elke Weber, a psychology and public affairs professor at Princeton University, said that this abstraction meant that many people and businesses tend to prefer the status quo to an upfront cost to fix something they cannot see in the future.

They call this "conservative," she said, "(but) in the climate domain... business as usual is probably the least-safe option".

Both Weber and Aline Holzwarth, head of behavioural science at digital platform Pattern Health, cited multiple research that showed people respond better to positive concepts.

If you want to get people to pay a carbon tax, try calling it a carbon offset or dividend, for example. This would work in the same way that selling beef as 75% lean is easier than selling the identical thing as 25% fat.

"Negative gets attention, but it is very bad at keeping attention", Weber said.

Holzwarth noted that the term "global warming" itself is contentious with some people -- either politically or because it seems to contradict the arrival of colder winters.

"The framing makes a difference as to which might appeal to you," she said. "If you are trying to get people to take action, I would recommend using the term climate change over global warming."

## Working with clients

It is not all a matter of what words to use, of course. Combatting climate change with sustainable practices is a dilemma for many business and government, as well as consumers.

Helena Rubinstein, head of the behavioural science team at consultancy Innovia Technology, addressed what she called the "sustainability intention-behaviour gap". This is what occurs when values or goals do not correlate with action -- what we say, versus what we do.

She cited companies that say they want to do the right thing environmentally but that their consumers aren't interested, or, conversely, that consumers want pro-environmental products but won't pay for them.

Rubinstein, whose firm advises businesses, said that companies wanting to become greener should have a clear sustainability policy and should understand what their customers care about. Additionally, they should create a way of understanding what influences their customer's behaviour and experiment with ways to change things.

The banking industry has a similar dilemma when it comes to the status quo and the environment, according to Paula Papp, associate director at Frontier Economics, a consultancy specialising in microeconomics.

"Banks are on both sides of the economy in a significant way," she said, meaning that banks help

finance both dirty and clean businesses and support consumer activities that are both polluting and green.

Papp urged banks to become part of the green solution by not funding coal directly, by shifting from short-term financial goals to longer-term environmental ones, and by working to change their client's unsustainable behaviour.

"Banks need to go more from being an agnostic intermediary ... to actively working to change clients' behaviour," she said.

## People talk "bunk"

Meanwhile, does offering green products to consumers actually work?

To get to that answer, management consultancy Dectech, conducted research to calculate the premium that could be charged on various products that take an "ethical" stance of some sort.

Overall, the firm found that of five industries studied, the health and beauty sector could charge the most (11.5%, mainly for cruelty free products) and energy providers the least (2.2% for renewables).

But first, Dectech co-founder Henry Stott said, companies should understand that their customers actions don't match what they say they do.

"Self-reporting is bunk," he told the webinar. "People tend to be overclaiming how well they are doing."

As one example, Dectech research reported that around 90% of respondents said they had recycled in the past week, when in fact only around 55% had.

Stott did end on an up note, however. He said that although people were only prepared to pay a little over 2% extra for renewable energy, this compared with zero when the research was first conducted in 2006.

"There is a change," he said.