

How Customer Psychological Mindsets Impact Their Financial Decisions

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The aim of this article is to provoke some thoughts and considerations of how you, as leaders in financial services, might augment your communications to engage both systems of your audience's brains—the smaller conscious, practical part and the larger nonconscious, emotional part.

The financial industry worldwide is, firstly, governed, framed and communicated in numbers. So, it is unsurprising that organisations in this space engage with clients in terms of numbers around risks, gains, yields, outcomes and so on. This makes perfect sense if we take it at face value from an industry perspective. Yet, if we look at it from another angle, that of human psychology, total reliance on communications based purely on numbers represents a not-so-insignificant set of problems—problems that assume we know what our audiences need (facts, figures, numbers, logic) or they fully understand what they need; problems that disempower the effectiveness of financial product and service communications as we assume people are more confident with their finances than they are; problems that fail to fully engage or be relevant to our target audiences because we assume what people's motivating factors are to engage with money; problems that undermine our organisation's ability to differentiate itself in a crowded market and create a nonnumerical-based reason to engage with us.

While one could write multiple doctoral theses on this subject, I will attempt, for the sake of this short article, to discuss the impact of a few of these psychological problems in relation to financial planning and decision-making (problems that apply regardless of culture, gender or geographical location). I will narrow the focus somewhat and consider several problems that are linked while assuming that our audiences are governed by rational, logical, computer-processing-type brains. I will counter this assumption by discussing the impacts of emotions on decisions, then evaluate the importance of our nonconscious brain before ending with the influences of cognitive biases in the financial sector.

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