Research Notes: Daniel Mochon and Janet Schwartz

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Daniel Mochon and Janet Schwartz's paper "Gain without pain: The extended effects of a behavioral health intervention" has been accepted for publication in Management Science. Financial incentive programs are an attractive way to for firms to help customers improve health behaviors such as better nutrition, increased exercise, better medication adherence and smoking cessation. While research from behavioral economics shows that these programs can improve a specific health behavior while financial incentives are in place, less is known about how they influence people's behavior in other areas or after the incentives stop. For firms hoping to leverage insights from behavioral economics on a large scale basis, these effects are crucial to understand. If a nutrition intervention gets people to eat healthier for some period of time, but also causes them to stop exercising then there may be little overall value in this approach. In the paper, Mochon and Schwartz examine these important questions. Their research, conducted in collaboration with Discovery Health, looked at the extended impact of imposing a financial penalty on customers who failed to improve their nutrition behavior. Those customers, whose households were receiving a generous 25 percent discount on healthy groceries, agreed to put their discount on the line by promising to increase their healthy food purchases. For each of the following six months, those who met the goal kept their discount; but those who did not had to repay it to the company. Although this precommitment was a somewhat painful and irrational approach, the intervention successfully helped households improve their healthy grocery shopping during the entire intervention. In fact, Mochon and Schwartz found that these households even continued their new healthy habits for six months after the penalty was removed. Buying more healthy food did not lead people to become lax in other areas of their health — those who agreed to the penalty exercised just as much as they had before. And, despite imposing a penalty on loyal customers, the results showed that overall customer engagement was not reduced. Taken together, the authors demonstrate how insights from behavioral economics can be implemented on a large scale basis, and can be done without compromising health in other domains or threatening customer loyalty. Mochon and Schwartz are assistant professors of marketing at the A. B. Freeman School of Business.