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September 27, 2012

Putting Clients at the Center: Designing and Delivering Effective Financial Services

Guy Stuart
Consultant



María Jaramillo
Microfinance Opportunities





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Jeffrey Levine (Moderator)

USAID

Jeffrey Levine is the Division Chief for the Microenterprise Development team in the Office of Microenterprise and Private Enterprise Promotion with USAID. He has 25 years of experience in designing, implementing and evaluating rural development programs. His work covers agriculture, enterprise development, value chains, trade, business enabling environment, microfinance and access to financial services. Levine has lived and worked in Costa Rica, Bolivia, Peru, Bulgaria, Romania, and Uganda. Before joining USAID, he had a variety of other development experiences including serving as a Peace Corps volunteer, Vice President for International Business with the Greater Des Moines Chamber of Commerce, and Chief of Party for an agricultural NGO.



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Guy Stuart

Consultant

Guy Stuart is an independent consultant who conducts client-focused research for financial service providers interested in serving low-income individuals and households. He uses a variety of methods in his research, including financial diaries, participatory exercises, and data-mining of financial service providers' own data.

He is a Senior Advisor to Microfinance Opportunities for whom he has served as Principal Investigator on five financial diaries studies and as project leader for the development of the Financial Capabilities Index Web Portal. As a Fellow at the Ash Center at Harvard University, he also conducts research on distributed service delivery systems.



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María Jaramillo

Microfinance Opportunities

María Jaramillo is responsible for the implementation of financial education programs that promote the adoption and use of branchless banking technologies. Jaramillo also develops new partnerships for Microfinance Opportunities' financial education programs in Latin America.

Jaramillo has extensive experience providing technical assistance to microfinance institutions and developing financial products that respond to the needs of low-income households receiving remittances. Before joining Microfinance Opportunities, María worked at ACCION International, Viamericas Corporation, and the Inter-American Development Bank.



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Monique Cohen

Microfinance Opportunities

Monique Cohen, founder and president of Microfinance Opportunities has more than 25 years of field experience and is widely regarded as one of the world's leading experts on client and microfinance services. Cohen founded Microfinance Opportunities in 2002 to dive deep into the study of how low-income individuals manage money and risk, and to provide them with the training and confidence they need to make wise financial decisions. Prior to founding Microfinance Opportunities, she spent eight years as a senior technical advisor to USAID, working on issues of microenterprise development. Cohen has a doctorate degree in economic geography from Clark University.



Putting clients at the center: Designing and Delivering Effective Financial Services

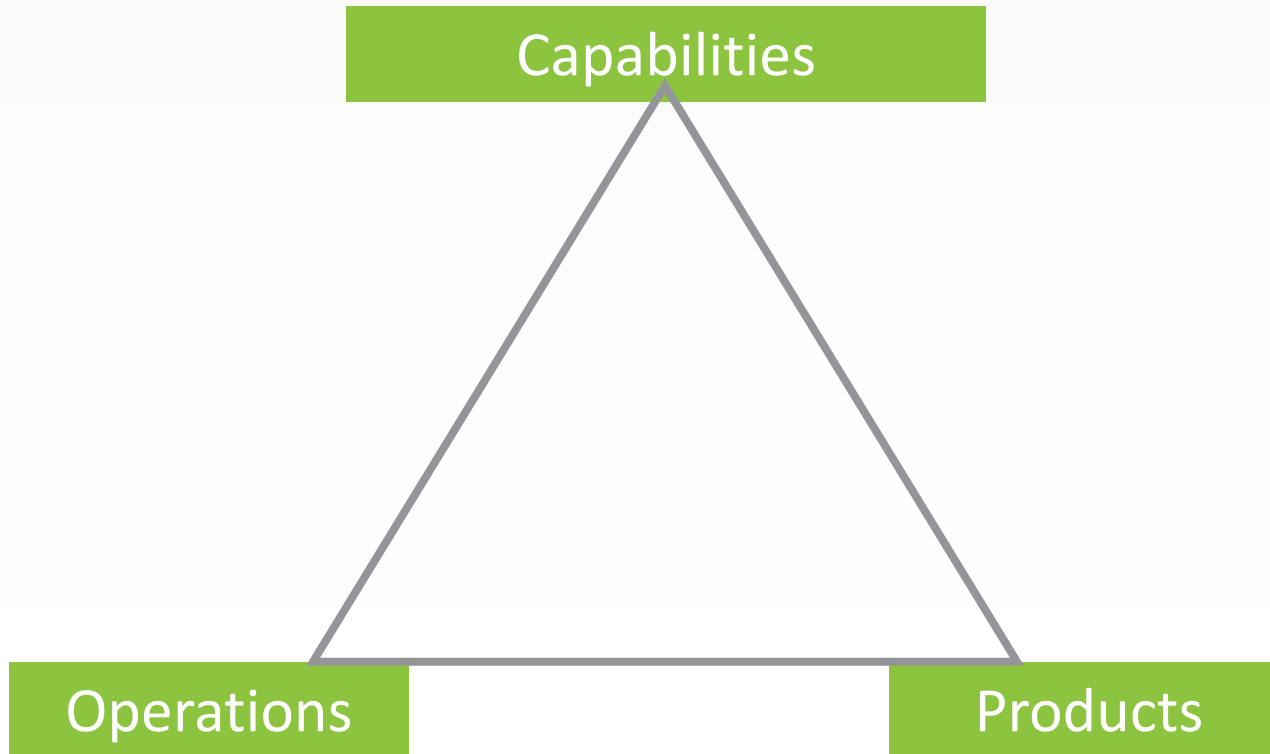
September 27, 2012

MFO's Role in Consumer Education and Financial Inclusion

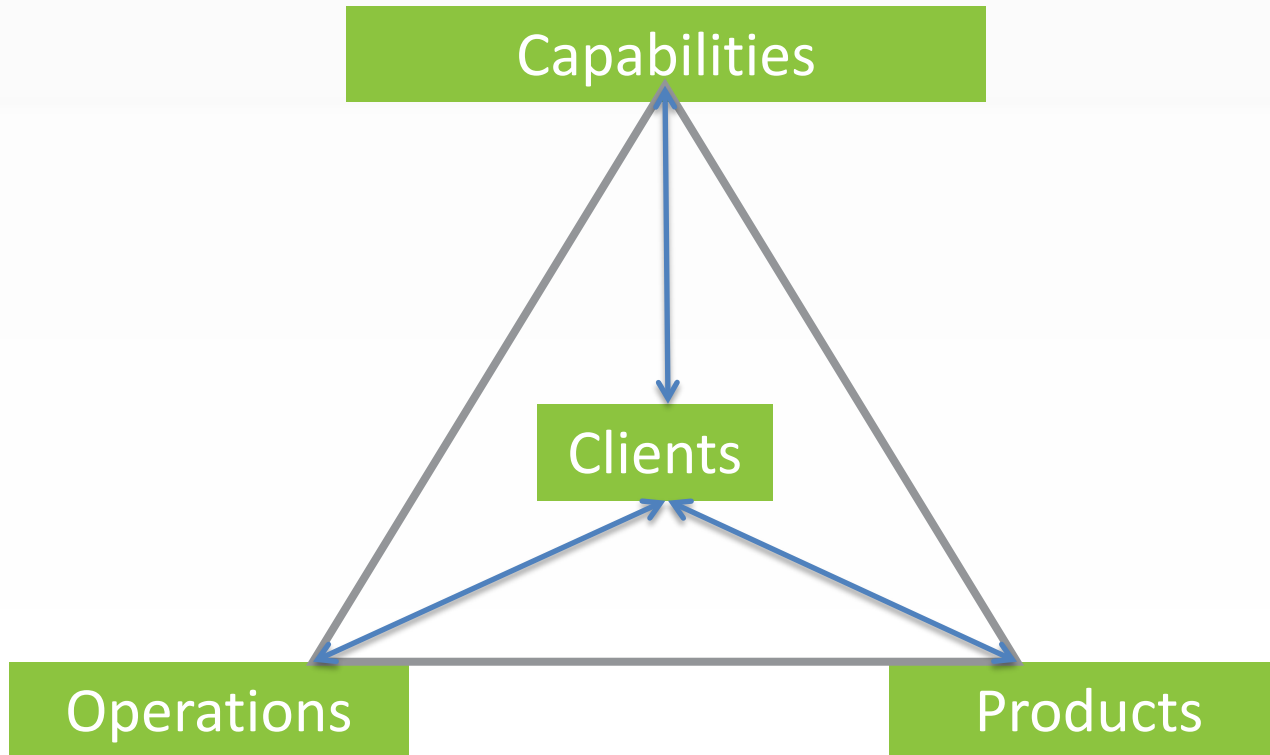
Championing the Consumer Perspective since 2002

- Studies the financial realities and behaviors of low-income households
- Enhances the capacity of low-income consumers to make informed financial decisions
- Shapes the design and delivery of financial products and services
- Enables private and public sector supporters and implementers to bring financial education and consumer-oriented financial solutions into the mainstream

Putting Clients First

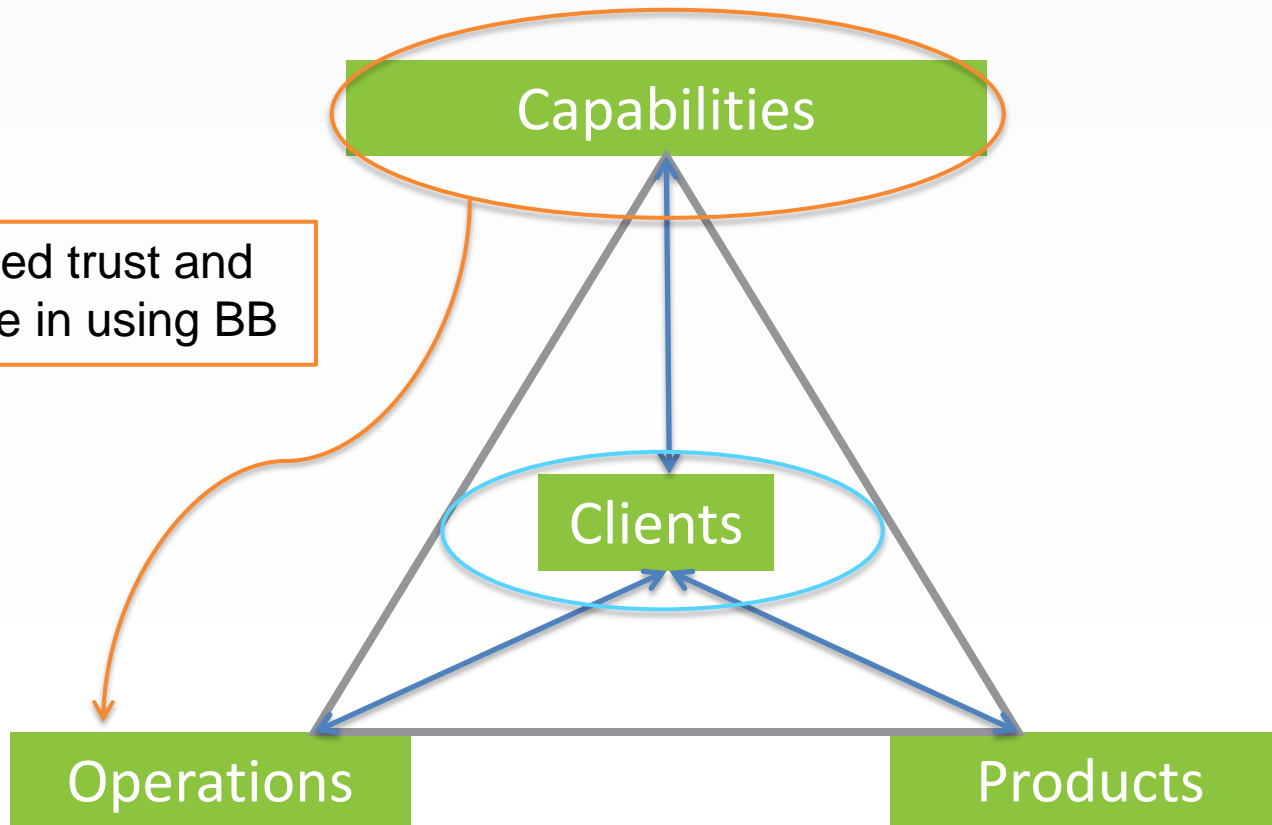


Putting Clients First

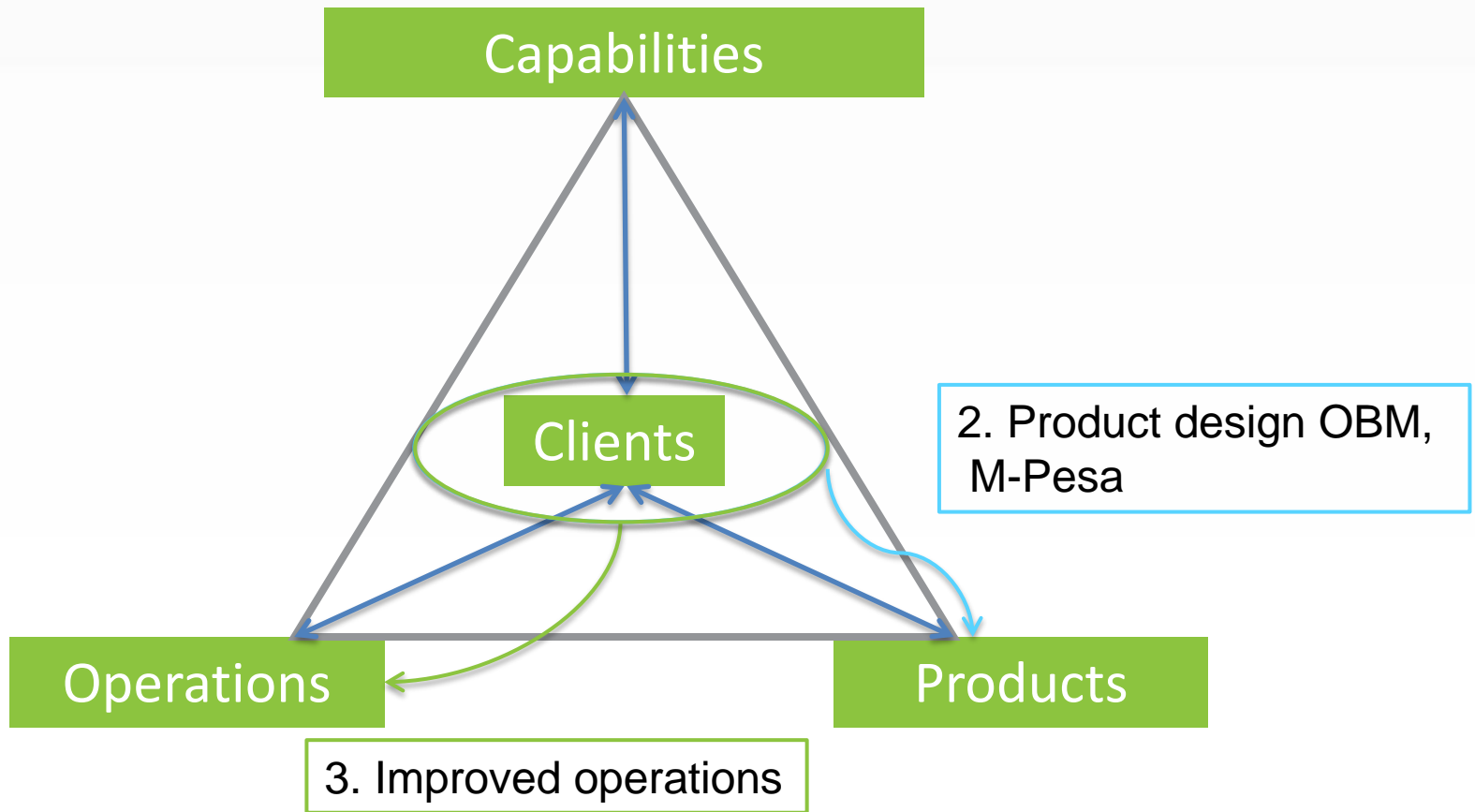


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Consumer Education: Potential



Transactions Analysis: Potential



What is Branchless Banking



In the Philippines

Working with:
Microenterprise Access to
Banking Services (MABS)
program and
Rural Bankers Association of
the Philippines (RBAP)

Partner offers:
Technical assistance program to
expand access to microfinance
services

Objective:
Increase uptake and use of a mobile
wallet for banking transactions



Key Questions

1. What knowledge, skills, and attitudes (KSAs) do clients need to have to make informed decisions to adopt and use BB services?
2. How could Consumer Education combined with BB services help clients manage their money effectively and facilitate their active use of financial services?

Key challenges limiting up-take and use of Branchless Banking:

- Lack understanding of built-in security features of technology (PIN, SMS confirmations)
- Lack knowledge of how to perform transactions
- Misunderstandings around service negatively impact customer's decision to use service
- Customers need skills to troubleshoot
- Confusion → Who is ultimately responsible for my money? Bank or Globe?

Challenge # 1: Trust

Challenge

Clients have difficulty trusting a system with no paper receipts

BEFORE CE

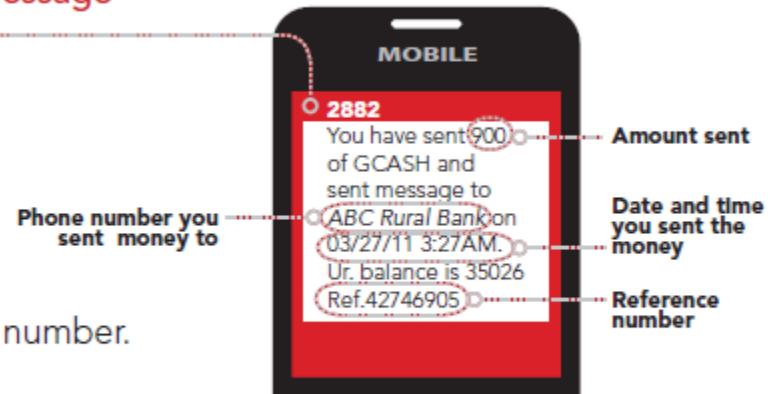
- Built-in security features of the technology are not understood (PIN, SMS confirmations)
- Clients believe successful transactions are based on paper receipts

Starter Kit: How to read your SMS

2. After each transaction you receive a text message receipt.

This receipt shows you the amount of money you sent, the cell phone number you sent it to, the date and time of your transaction.

You also receive a reference or confirmation number.



Accountability and Trust in System → Clients can also compare what is written in the tool with the SMS message that they receive

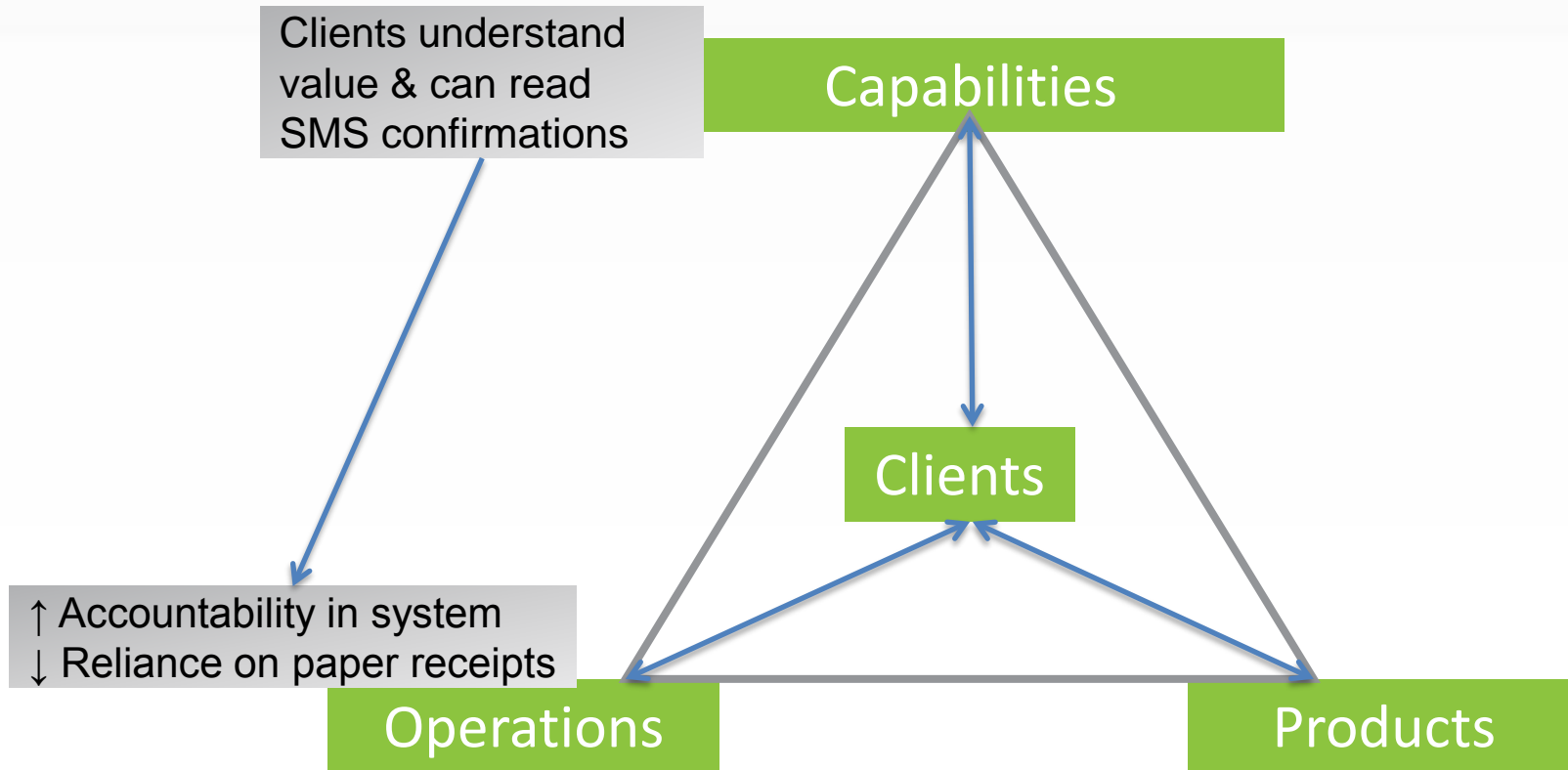
After CE: Increased trust in service in

Better understanding of safety features of Mobile Phone Banking (MPB) services

EVIDENCE

- Majority of Treatment clients → their transactions are safe because they receive a confirmation SMS
- Comparison clients → less than 1/3 cited SMS confirmation as proof of security of transaction

CE Can Help Standardize Processes & Hold System Accountable



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Challenge #2: Customers have a hard time understanding process for transacting

Before CE

- Clients lack confidence to perform transactions on their own
- Rely on merchants/agents to carry out transactions on their behalf

Starter Kit: How to “Text a Deposit”

SAY GOODBYE TO LUHO SPENDING!

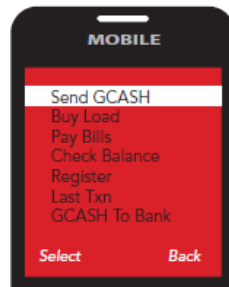
- Send money to your savings account from wherever you are.
- No amount is too small. Save as little and as frequently as you want.



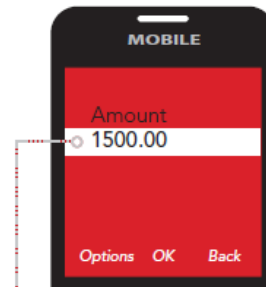
HOW TO SAVE MONEY INTO YOUR BANK ACCOUNT

Text-A-Deposit

1 Access GCASH

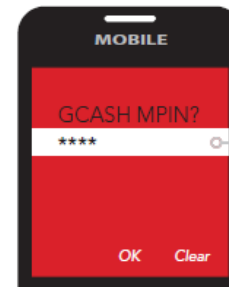


2 How much?



Enter the amount you want to save in the bank.

3 Enter Secret MPIN



Your MPIN is a 4-digit password that keeps your GCASH safe. It's like a house key – you don't want to give it to anyone!

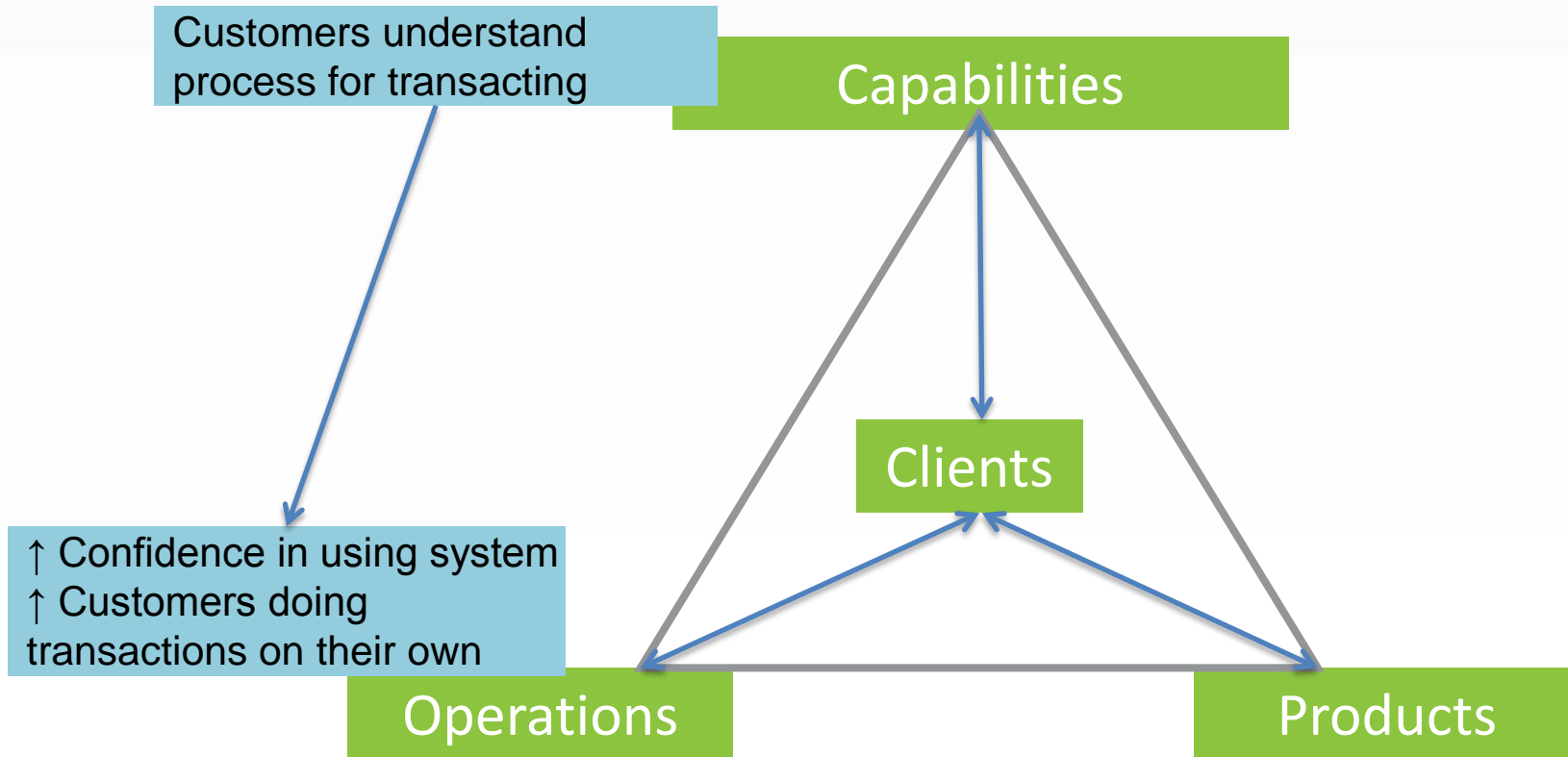
After CE: More customers performed transaction on their own

- All treatment clients felt Starter Kit helped them feel more confident using service

EVIDENCE

- Most customers were performing transactions on their own and not relying on merchants

CE Can Increase Confidence in Using System



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Challenge #3: Bank staff and agents have difficulty explaining service

Before CE

- “I need to know more and practice using the services in order that I may be able to tell customers about the service” (*Merchant, Philippines*)

Poster for Merchants:

SAVE TIME AND MONEY

Make deposits to the bank from your cellphone with new **mag-CellBank!**

Now we can save as little and as frequently as we want without visiting the Bank!

Save time
No more waiting at the bank

Save more
Send savings to the bank from home

No more temptation
Easy to resist spending on kobo

How mag-CellBank! works:

Step 1

Open a GIM Bank account and sign up for GIMba's GASH service. GASH is like having a wallet in your cellphone.

Step 2

Sign up for mag-CellBank! at your GIM Bank branch.

Step 3 Use mag-CellBank!

Deposit or withdraw money from your account and make bank payments from wherever you are without having to go to the bank.

REGISTER TODAY!

Ask a merchant, visit your local GIM Bank branch or call us for full details



After CE: All Treatment Merchants said tools helped them explain service

- All were able to explain what service is about and steps for transacting
- Tools helped convince clients to sign-up

- Half were interested in convincing clients to sign up. Other half felt it was role of bank.
- Having a good relationship with customers helps them convince clients
- Merchants will explain service if clients inquire about it

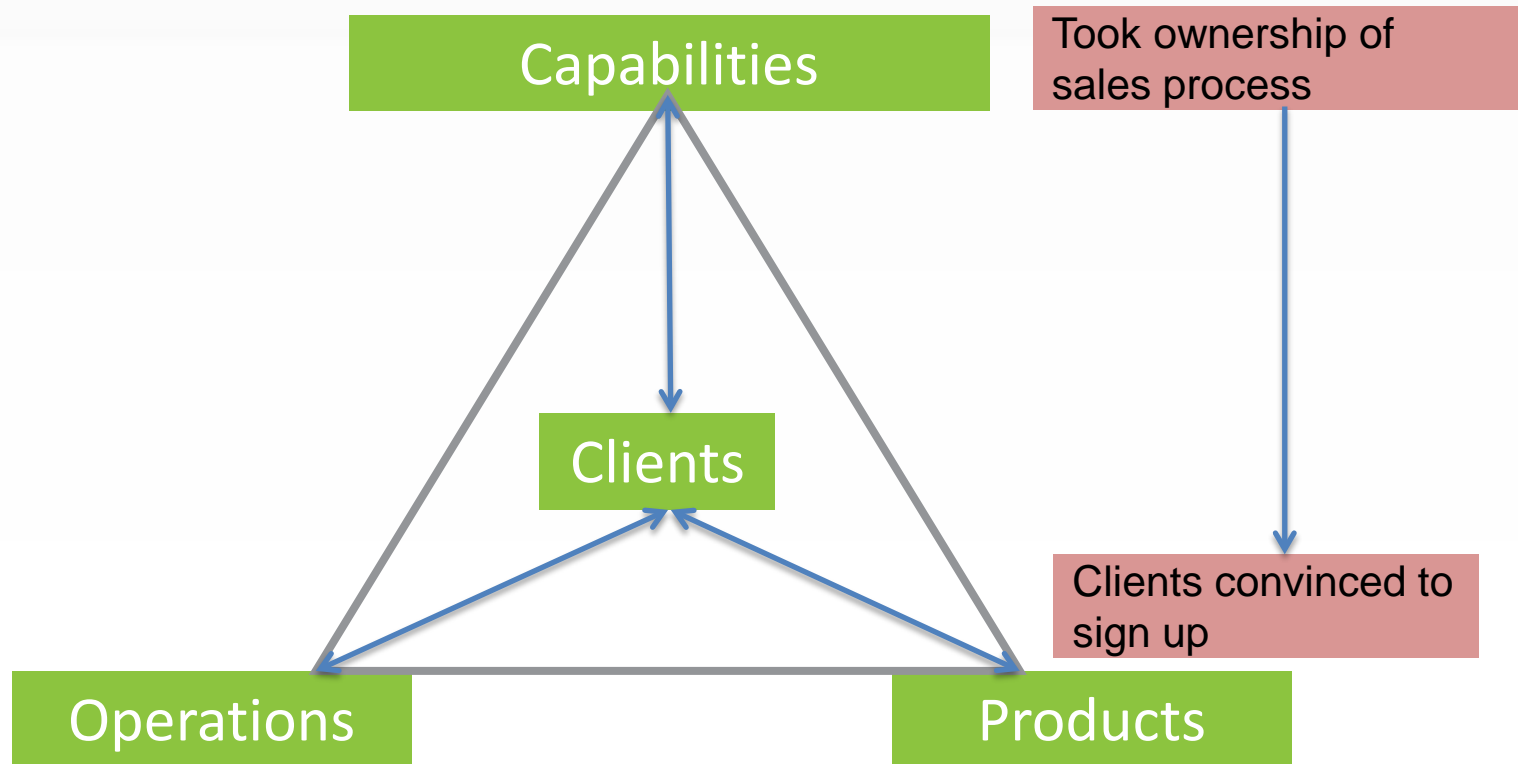
After CE: Bank Staff felt comfortable explaining service:

Uniformly positive response → tools helped them explain service and sign up clients

AFTER CE

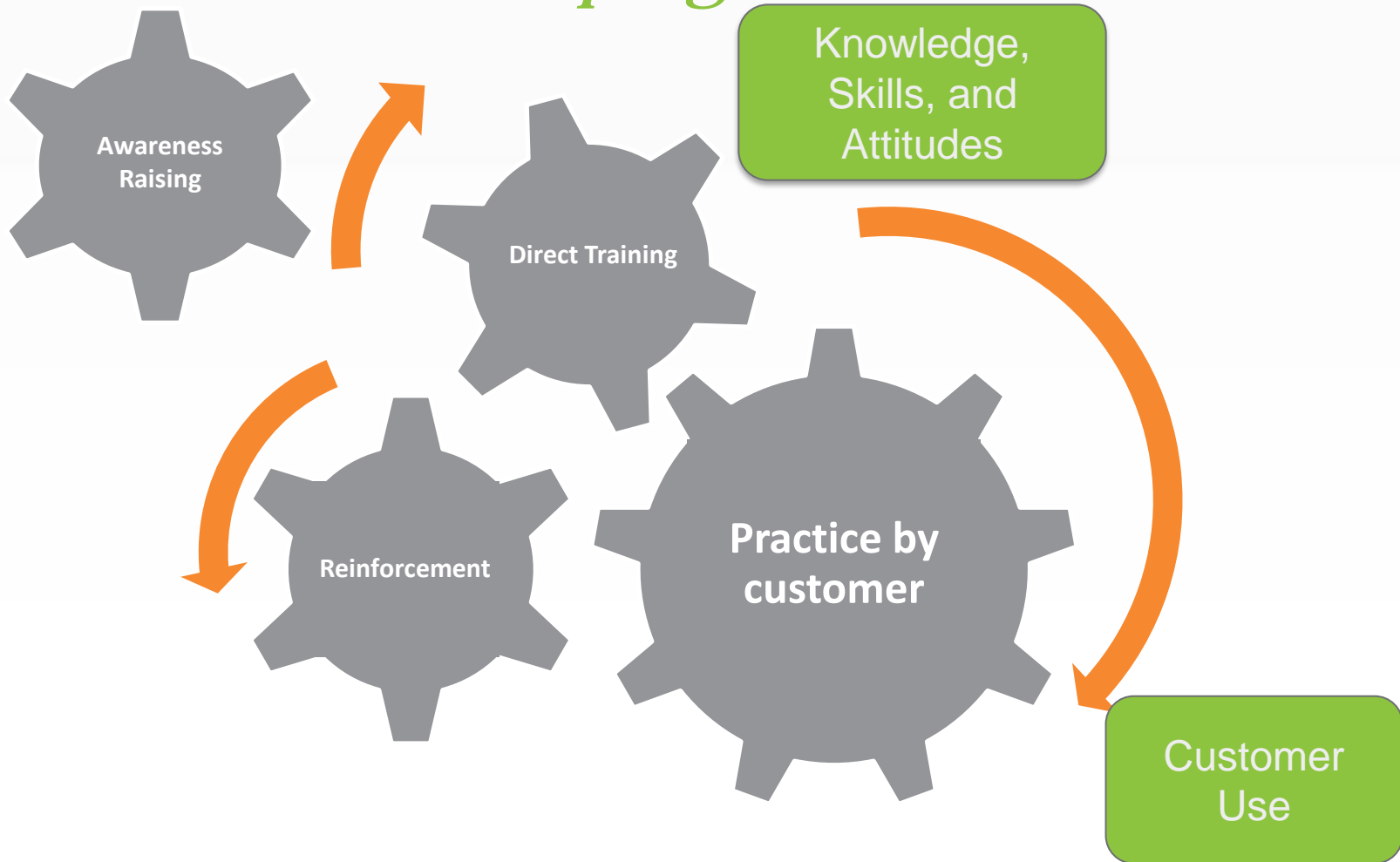
- Bank staff took ownership of sales process by customizing the use of tools and pro-actively engaging clients
- Tools provided a structure and a systematic way of selling service

CE can equip Merchants and Bank Staff with tools to explain and sign up clients

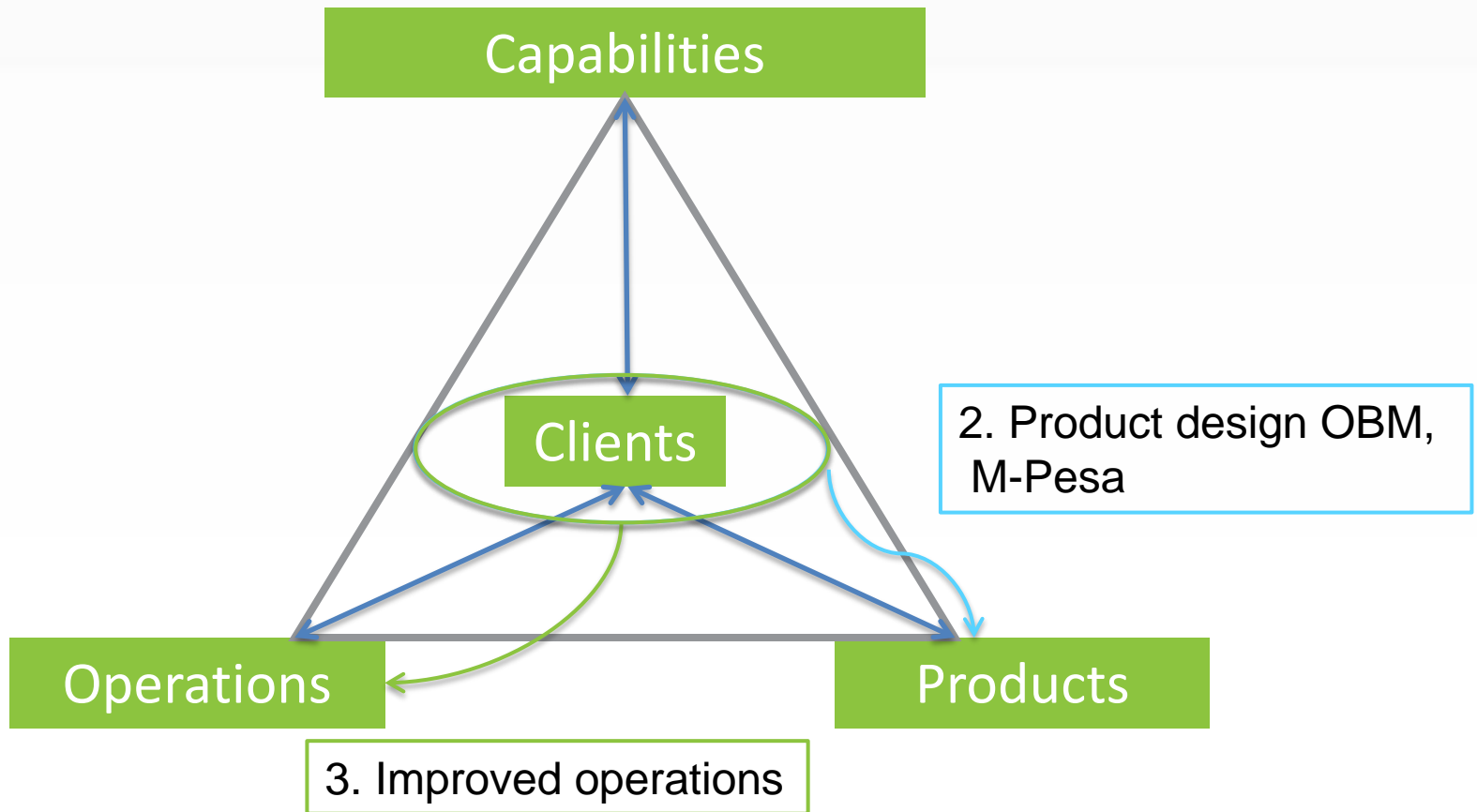


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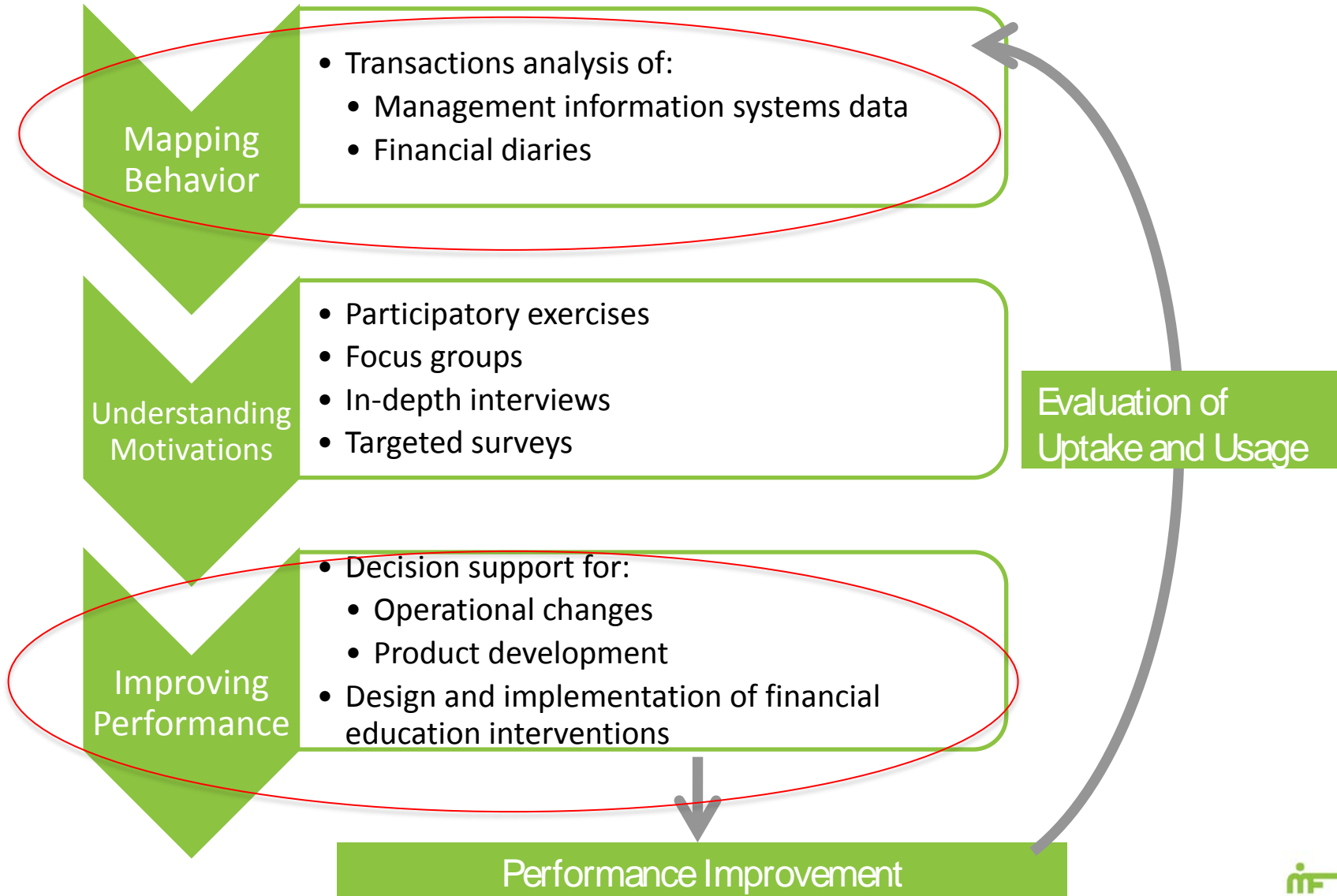
Key Elements of a Consumer Education Campaign



Transactions Analysis: Potential



Performance Improvement Framework



Dimensions of Transactions Data

Sequential information

Coincidence of transactions in time.

Patterns of transaction over time.

Network information

Who/what is on the other end of the transaction?

What channel did they use?

Spatial information

The movement of consumers as they carry out their cash transactions.

The transfer of e-money across distance between people.

Example of Financial Diaries Transactions

Financial Flows

Respondent: 201.1	Area: Kibera	M-Pesa User: Yes
Gender: Male	Livelihood : wage/salary	

Week:	Week Ending:	Type of Transaction:	KSh:	Flow:	FSP or Other Individual	Distance
18	2/19/2010	Cash Deposit	2,660	To	M-pesa	0 to 1km
18	2/19/2010	Remittance Sent	1,000	To	Associate	5 to 20km
18	2/19/2010	Remittance Sent	1,600	To	Spouse	> 20km

Linking **Financial Diaries** Data to **Product Development**: OBM

MANAGING CASH FLOW

Strategic shift in how OBM looks at the market

Formerly:

Identifying functional products and their attributes.
E.g. housing loan.

Today:

Identifying opportunities that come from understanding people's behavior.

Change in Product Line

- Save Plan - “NKHOKWE” (food granary)

- Overdraft loan for farmers

Previously	Now	Previously	Now
Christmas savings product for the formally employed	Christmas savings product to include the self-employed and farmers	Used business loans for farming	Loan product for farmers with flexible repayment schedule [microenterprise income]

Linking **MIS** Data to Operational Change

LINKING UPTAKE AND USE

Uptake and Use Silos

- Uptake – through sales team
 - Announcement of the program
 - Registration
 - Welcome kit
- Use – through retail operations
 - First transaction
 - Testing the waters
 - Regular transactions
- Typical Result:
 - Uptake strong: 1,000s of accounts opened
 - Use low: a small share of accounts used

Linking Uptake and Use

CustomerID	Date_Opened	Account Type	Client_Gender
1	23-Jul-2012	Savings	M
2	25-Jul-2012	Savings	F
3	27-Jul-2012	Savings	F
4	1-Aug-2012	Savings	M

... and 100,000s of transactions

CustomerID	Trans_Date	Amount	Debit_Credit
1	25-Jul-2012	100	C
1	27-Jul-2012	100	C
1	1-Aug-2012	200	D

100,000s of customer accounts.....

...but only 10,000s of customers are transacting

- Results of analysis:
 - Give management a better sense of operational realities and lead to changes that improve performance
 - In our case: **Closer coordination between consumer education activities and retail operations**

Linking **MIS** and **Financial Diaries** Data to
Marketing
CLIENT SEGMENTATION

By “Clusters” of Behavior

	Wk0	Wk1	Wk2	Wk3	Wk4	Wk5	Wk6	Wk7	Wk8	Wk9	Wk10	Wk11	Wk12	Wk13	Wk14
1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0
2	4	4	0	6	0	12	0	16	0	0	0	0	4	4	0
	4	2	2	8	4	2	8	4	0	0	6	0	0	6	0
	2	6	2	6	2	6	2	2	4	2	2	2	2	0	0
	4	4	2	8	4	4	18	6	14	0	0	0	0	0	0
3	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0
	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	2	0	0	0	0	0	2	0	0	0	0	0	2	0	0
4	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0
	2	4	2	0	0	0	0	0	0	0	0	4	0	0	0
	2	0	4	0	0	0	0	0	0	0	0	0	0	0	0
	1	1	2	1	1	1	1	0	1	1	0	0	0	0	0
5	2	0	2	2	3	0	1	1	1	3	0	0	0	2	0
	1	1	0	0	0	0	1	1	1	0	2	2	0	0	2
	1	1	0	1	3	1	1	1	3	1	0	2	1	1	0
	0	0	0	0	0	0	0	2	0	6	0	2	0	0	0

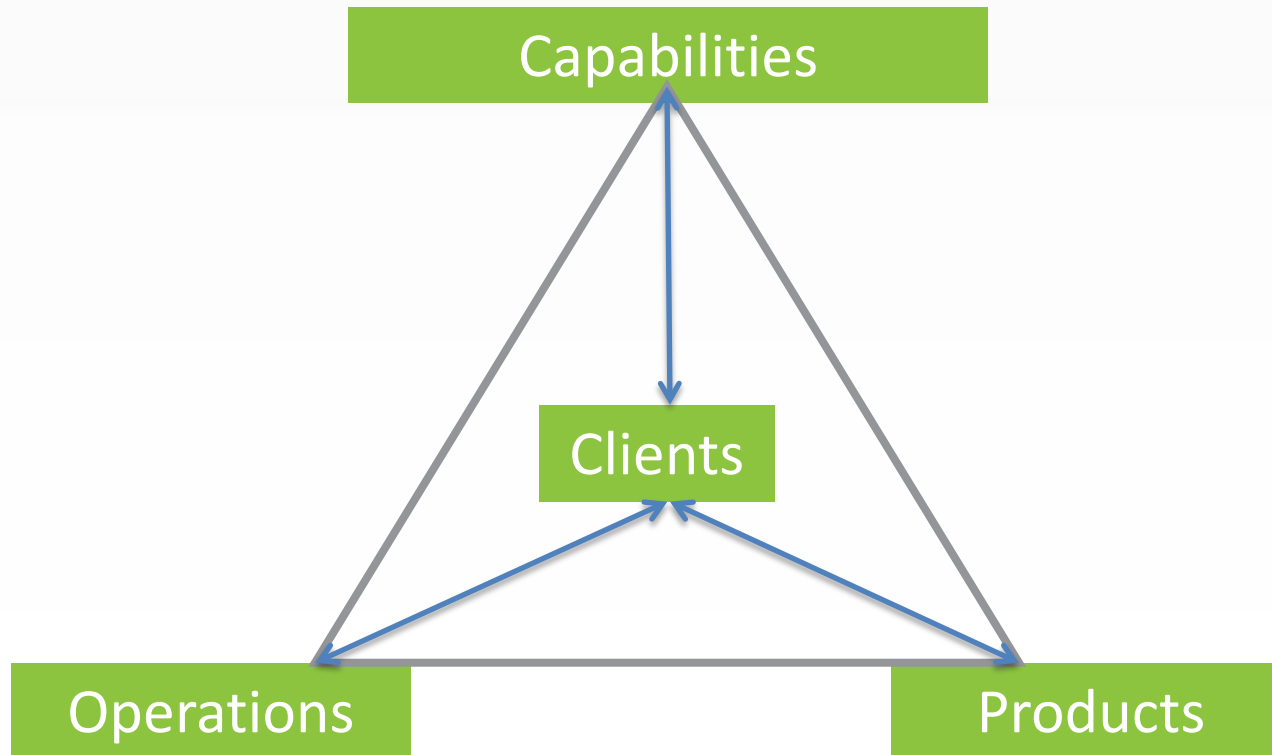
By Networks, Space, and Price/Cost

		Distance		
Purpose	Local Business	<ul style="list-style-type: none">• B2P: “Cash is King”• B2B: “Sweet Spot” <hr/> <ul style="list-style-type: none">• B2P: Price and habit• B2B: No obvious –s	Long-Distance Business	<ul style="list-style-type: none">• “Sweet Spot” <hr/> <ul style="list-style-type: none">• Lack of Trust
	Local Household	<ul style="list-style-type: none">• P2B: “Cash is King”• P2P: “M-Pesa Me” <hr/> <ul style="list-style-type: none">• P2B: Price and habit• P2P: Limited network	Long-Distance Household	<ul style="list-style-type: none">• “Send Money Home” <hr/> <ul style="list-style-type: none">• Limited network

Key Takeaways

- Consumer Education: can support up-take and use of Branchless Banking by:
 - ↑ Trust in service
 - ↑ confidence to use service
 - Equipping agents and bank staff with effective tools to support product promotion
- Transactions analysis:
 - Focus on client *behavior*
 - Financial Diaries: all economic transactions,
 - MIS data: interaction of clients with service provider
 - Enables:
 - Product and service delivery design
 - Market segmentation
 - Performance management

Putting Clients First



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Thank you

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