MPEP SEMINAR SERIES

Exploring Frontiers in Inclusive Market Development

Customer-Centricity for Financial Inclusion: Why It Matters

Audio Transcript

August 07, 2014

CONTENTS

Presenters 3

Presentation 4

QUESTIONS AND ANSWERS 25

Presenters

Tanaya Kilara, Consultative Group to Assist the Poor (CGAP)

Monique Cohen, Independent Advisor

Presentation

Heath Cosgrove: First, I want to just say it is a pleasure to be here today. This is an important topic that I think we're all focusing on these days that we're concentrating on in terms of the realm of inclusive markets writ large. Over the years, USAID has been a significant partner with CGAP and looking at the microfinance side of things. Today's conversation is particularly important because of the customer centricity aspect of what we're looking at: the consumer aspect of microfinance. I think this is a growing area of interest and it makes a lot of sense, and I'll have to say, pardon me if I'm going to duplicate what you said, but the brief here, I received it, I don't know, a while back, but the brief that they've provided on your chairs is very interesting, as well, and I encourage everybody to read that.

So, without further ado, I want to introduce everybody to our two guests today. The first is Tanaya Kilara, who is a member of CGAP's Client Centricity team. She's been with CGAP since 2010 and leads its work on translating consumer insights into improved delivery of financial services. Before joining CGAP, she spent four years working on a startup urban microfinance institution in India, and she has her MBA from University of Pennsylvania's Wharton School. Next, we are very happy to have Monique here, Monique Cohen, who is one of the world's leading experts in client-centered financial services for the poor. Monique has a strong, long and distinguished career in development, including eight years as a technical advisor of the Office of Microenterprise Development at USAID before founding her own organization, Microfinance Opportunities in 2002. She has a PhD in economic geography from Clark University. So, without further ado, please join me in welcoming our guests today.

[Applause]

Tanaya Kilara: Great. I think I'll kick us off, then. Welcome, everybody. Thank you so much, Heath, Jennifer, online for having us here today. It's really a pleasure to be with all of you. I'm not sure where the camera is, but hello to our webinar guests, as well. My name is Tanaya Kilara, and I work on our Customer Centricity team at CGAP, and we've been thinking about this issues of customer centricity for financial inclusion, so very excited to be with you all today, share where we are in this journey and really looking forward to hearing your perspectives as we get started with the conversation, as well.

I'll start off by giving you just a brief background on financial inclusion and the role that CGAP plays, because I know we have a fairly varied audience here. Some of you are deep into financial inclusion, that's what you do full-time; some of you work on other very, very interesting aspects of development which have obvious links into financial inclusion. But then, I'll dive into the challenges that customers face when they're trying to access formal financial services and the challenges that providers of those financial services face, which are really the challenges to financial inclusion at this point of time. That should hopefully set the stage and make clear why customer centricity is important as a new paradigm of the business model for financial institutions serving the poor, and then I'll share some of the experiences we've had on this topic.

Let's start with just some numbers to frame this discussion, and I'm sure you've seen all these numbers in different contexts; we just wanted to put it together. One in two people live and work in the informal economy, if you look across the world. More than 40 percent earn less than $2.00 a day, and half the world does not have a formal financial account. I want to zero in on this 50 percent without a formal financial account number. If you look at this number worldwide, it's 50 percent, and this graph we have up here is the percentage of people who have a formal financial account. So, the inverse of this is what is the people who do not have a formal financial account, and if you look in some regions, particularly in sub-Saharan Africa, in the Middle East, in North Africa and parts of South Asia, you know that that 50 percent figure actually camouflages that four out of five adults are actually financially excluded.

At CGAP, that's our mandate. CGAP is a global partnership that seeks to advance formal financial inclusion, and really CGAP has been in existence for almost two decades now. We've seen the evolution of this industry from very narrow microcredit to micro-entrepreneurs, but _______ evolving to a broad effect of financial services, so whether that's a range of credit services, savings, micro-insurance, payments, pensions, so a broader range of services. We've also seen a new range of players delivering these services, so from microfinance institutions to larger banks getting interested, telecom operators to retailers, so really there are a broader range of players here than there have been before. These are very big strides that have been made in financial inclusion, but the challenge in front of us is still vast, right?

We have 50 percent of adults who do not have formal financial accounts, and in some places in the world, that's 80 percent of adults who do not have formal financial accounts, and so we said, "If things go on as usual, if it's business as usual, we will not see the kind of progress that we actually need to see," and so that's really the frame for this discussion. I'm going to talk now a little bit about if people could have access to formal financial services, why aren't more people actually in the formal financial system? What are the challenges that customers or users of formal financial services actually face, and on the provider side for institutions that are providing financial services, what are those challenges?

Especially as this new range of players has entered the provision of formal financial services for the poor, there's a tendency to take what works for middle-class customers and say, "It must be similar, and we'll just offer those same products and services just to a new segment. We'll offer this to this lower-income segment, and things should work just fine." In this brief that Beth Rhyne and I just published that's on your chair, we say really the bottom-of-the-pyramid customers are fundamentally different from their middle-class counterparts along four dimensions. The first is along informal, irregular income, so low-income consumers do not have the same steady wages that their middle-class counterparts have. Their wages are more subject to seasonality. They're micro-entrepreneurs. There's a large mingling of business and household incomes and expenditures.

The second dimension is along their spending and consumption factor, so a larger portion of their spending is actually taken up by just their basic needs. They spend and consume in different places from where the middle-class spends and consumes, so where the middle-class might consume in more formal retail, large retail chains, a lower-income consumer might have more of their consumption at the local mom-and-pop store, and that has implications for the delivery of financial services. The third dimension is their relationships with informal financial service providers. Lower-income consumers, our bottom-of-the-pyramid consumers, it's not that they do not have access to financial services; they currently have financial relationships, these are just not in the formal financial system, and informal financial services are more expensively typically, are exploitive. But, on the other hand, informal financial service providers actually in many ways are quite linked in and connected to what the customer needs. I'll share with you a story I heard from someone in India.

In India, gold is a big thing, right? People buy a lot of gold across socioeconomic classes, and gold is both a saving/investment device but it's also a status symbol, so when people need money, there's an emergency or they need access to cash, they actually pawn their gold, so they go to a money lender and pawn the gold. I heard this story about how money lenders will actually give customers their gold back when they really need it, so say they have to go to a wedding, and you can't go to a wedding without all your jewelry on – it's a status symbol. So, the money lenders will stand outside the wedding entrance, give the customers their gold, the customers will go in with their full gold on so their image is actually maintained in the society in which the live. As they come out, the money lender is waiting behind the fence to take the jewelry back. That's really extremely customized at the place where they needed delivery of financial services, and so I'm just saying there's a bar that formal financial services actually have to meet and jump over when you look at alternatives.

The last dimension is that bottom-of-the-pyramid customers actually have a greater need for consumer protection as they enter the formal financial system because they're new entrants into the system and the system is new. That's really on the customer side of the equation. Let's now look at the provider side of the equation. So, whether you look across products, whether you look at mobile money deployments, you look at insurance policies, you look at savings products across the range of products, what providers of financial services to the poor have experienced is that people either sign up for an insurance policy, they register for a mobile money account, but then people don't use it. This high levels; you have high dormancy, you have high levels of inactivity, you have insurance policy lapses, even in microcredit and microfinance you see a dropout of customers, and this actually keeps that going. You keep having lower levels of financial inclusion.

On the provider side, this has a big impact, because for any product other than credit, and even for credit to a certain extent, the business model of providers really counts on usage, on transactions happening, on customers staying loyal to the system and continuously using products and services. So, what happens then is that providers say, "This segment is not profitable. I can't serve the segment profitably," but the problem is really with usage, and so this really calls for a different approach to the design and delivery of formal financial services, one that's more customer-centric. For a majority of financial service providers, this actually means improving the overall customer experience, changing the basis for that engagement with customers and designing products and services and the entire customer experience based on what customers value and what they prefer, and I'll come back to this part in a bit.

So, we've, we've heard the term customer centricity, the whole seminar is about customer centricity of financial inclusion, so I thought it's useful for us to just have a working definition of when we say customer centricity, what do we actually mean, and there are a number of definitions out there. We've chosen one that we think has the right elements but this is completely open to how you want to interpret it. The definition is up here. There are a couple of elements that I want to call your attention to. The first is really customer centricity as a business model, operationalized for organization of structures, processes, systems, and measures, so it's not customer centricity as charity. It's not, "Let me be good to customers, I'm doing something good." It's really, "As a financial service provider, I'm serving customers, and designing a customer experience that is really valuable for them, and it's a win for me. That actually has my business model."

You've heard me say a couple of times now, really this business model enables an organization to provide a distinctive customer experience that responds to customers' wants and needs and that generates value that can be grown and sustained over the long term for a range of company stakeholders, so for customers, for their shareholders, for suppliers, for employees, for the stakeholders that the institution operates with. So really it's about an ecosystem approach and not a single institutional approach. Okay, so let's look at then what's the difference between the current model and the model that we're talking about today, customer centricity.

So, if you look on your left, that is a product-centric approach, and this is the approach we have typically had in the financial inclusion industry where institutions are constantly pushing out new product, these products don't really respond or address customer needs. Since it doesn't respond to customer needs, customers continue using their informal financial services and never quite make the leap, and don't use products even if they sign up for it. This results in dormancy, inactive accounts, mobile wallet that are just not used and which leads to a fundamentally flawed business model for providers. It's really a vicious circle because they say, "Okay, this product is not working. Let me put the next product out," and then you keep getting in that same vicious circle.

On the right, you see the model that we are saying would actually make a difference, where a customer-centric approach starts with listening to customers, understanding what the customers' challenges are and what needs to be facilitated in customers' lives. The resulting products are then chosen – they're chosen and they're bought by customers. They're not sold or pushed. The customers actually use it and see value from it, and because of that constant use, the choice and usage, this brings scale and revenue for providers. So, again, this really is a business model that we're talking about.

We often hear from financial service providers, they say, “We can’t disagree with customer centricity, this makes sense, but how do I actually operationalize it? What does this mean for me in practice?” So, we did a piece of research, and you should see output from it early next year, around saying, “Okay, customer centricity might be a newer concept for our industry, but there’s a rich body of literature and work and experience outside our industry. The Amazons and the Apples and Procter & Gambles of the world are very good at this. They have learned over time, they have practiced it, and so what can we actually learn from other industries?” So, one of the big learnings was that it’s about the entire business model. It’s not a piecemeal, “There’s just one thing I need to do and then I’m customer-centric.” It’s really requires a fundamental reorientation of the entire organization around these five pillars.

So, you see at the core of this model is the customer experience, because that’s what is distinctive, right? You are providing a customer experience that meets customer needs at the customer level, so it starts with you put the customer, you actually learn from customers, you understand customer data. You listen to the voice of staff when you actually do this, and you design the experience that’s inclusive of product but not limited to the product, because financial services is a service business, and there are a number of touch points at which customers actually interact with a financial institution. So, actually looking at what is the customer experience across those touch points, so it’s about the entire experience and not just the product, and then really empowering the customer with what they need to be able to interact effectively with the product, to be able to use the product in a way that adds values to their lives. Customer experience is not a one-shot, “Let me do it at the point at which I launch the product,” but it’s really managing that customer experience over the relationship or over the lifetime of the relationship with the customer.

Now, to deliver this customer experience, you could say, “All I need is to train my frontline staff in a way that they deliver the customer experience and then all is good,” but all of you who have interacted with institutions will recognize that that just doesn’t work. For your frontline staff to be able to deliver a certain customer experience, you actually need different parts of the organization aligned, so the big part is leadership and culture, and we’ve seen this repeatedly. It’s really about strong leaders driving a change in culture on this issue. In Procter & Gamble, for instance, when Procter & Gamble was actually seeing a drop in profits, was seeing a drop in market shares, and they had their new CEO Lafley come in. This was not this time when he came in but this was about 20 years ago when he came in.

What he did was he said, "Okay, I believe that will help our business model is to really refocus around the customer. But this is a massive organization I have here, and to shift this whole ship is a big issue, so what I'll do is I'll pick one piece of the organization, I'll pick one product, and I will work with that product." So, he worked with the product manager of that product to go out, to understand customers, to redesign the experience for that customer based on what the customer wants, and then drove sales of that product based on that customer understanding. The product three or four times, and then he used that then as a demonstration for the rest of the organization that said, "Look at what is available at a business level for you if this is the process you take," so really strong leadership driving it.

The second piece you have there is around the operating model, so it's really not just about your frontline staff but it's about departments that you would think are traditionally not customer-facing. These are departments like your MIS department, your compliance department, your IT department, because if your frontline staff have to deliver a certain customer experience, you need to have the processes in place for that who drives the processes at all the backend, what are traditionally backend functions. So, unless the other functions actually are cognizant of what the customer wants and the kind of customer experience you're trying to deliver, there's no way you will be able to design and deliver that. Your people, we've talked already about your frontline staff, and really frontline staff acting not as champions for the institution but as advocates or champions for the customer within the organization, and then providing them with the tools that they require to actually be able to do this.

So, one of the tools we talk about is an insights engine, so how do you find a way to systematically bring customer insights into the institution and then have them used by the institution, and I'll come back to this a little later. The last pillar we have there is around value creation, so this is both measuring whether you're creating value for the customer, so are you reducing the cost that it takes for a customer to interact with your financial institution, because it's expensive for customers to interact with formal financial services. There's a cost they have, there's other economic costs they have. They have to sacrifice wages and travel on a bus and come and stand in a bank branch in a line and they lose wages.

In some contexts, there are religious or cultural costs to actually access formal financial services. If you're from an Islamic society, your religion doesn't allow you to pay interest, but that's the only way for you to access. There's a religious cost that you pay. There are other costs, like psychological costs. There's research around stress and the effects of stress on people, and that often causes stress. So, can you reduce the cost that it takes for a customer to interact with the institution, and the other side of the value creation is is there also value for the business, so is there a business case and are you actively – are there metrics that you're measuring to see that there's business value from this approach for your institution.

I'm going to stop here because I know I've thrown a lot of information at you, so maybe we can just pause for about five minutes, take any questions, comments you have about the model, or just experiences you have to share, does this resonate, what are the things you're thinking about. Yes, sir?

Dan Silverstein*:* I have two questions. My name is Dan Silverstein. I'm with USAID in the Bureau for Food Security. There was a reference on one of the slides to *The Customer-Centric Blueprint*. Do you know where we can find that? Okay, so I would like to know at some point this morning.

Tanaya Kilara: Yes.

Dan Silverstein: The second question is you're speaking a great deal about finding out from the customer what it is that they need. How do you do that? Thanks.

Tanaya Kilara: Angelina, should I just answer the question or wait for more questions? What would you rather do?

[Side Conversation]

The Customer-Centric Blueprint is a book written by an author called Doug Leather whose quote was up on the slide. It's available on Amazon.

[Laughter]

That is an easy question. The next question I think about how do you actually understand customers, I'm going to just pause on that because I know Monique is going to talk a lot about that, but there's a number of ways to do that, to really use your frontline staff to do it, to use the data that you have to do it. We've experimented, and I'll talk about that when we talk about projects, with human-centered design, and so really a very deep approach, ethnographic approach to understanding customers, but that's all I'll say for now just as a teaser, and I know Monique will come back to it.

Angelina Gordon: Tanaya, there's a question here from Steven Muhongy from Kampala, Uganda from our webinar. Thank you so much for joining. His question asks about internal infrastructure being a bottleneck to adopting this model.

Tanaya Kilara: Absolutely, absolutely, and I think that is one of the biggest bottlenecks is that you have the machinery and you have a ship that's moving, and you have an institution that's optimized for efficiency, and there's a lot of effort that institutions have put into really being efficient and delivering services in a certain way. I think the approach actually requires a reorientation. So, I think one of the things we say is it looks very overwhelming when you look at the entire model, making all these changes at once, so I think the trick is to see in your institution what would be really the key leverage points that would really make the biggest difference. In some institutions it might be what we need is a change in culture, and for other institutions it might be, "I think the culture is actually a pretty innovative, learning kind of culture, but what we really need is to figure out – we have no way of getting customer insights into the organization, so what I need to invest in is a way for me to bring customer insights into the organization." So, I think there are different starting points for this journey based on the institutional context and I have a colleague here customer centricity, so –

Audience: We're also thinking about the diagnostic, so if you look at an institution and you want to assist the institution to see where are the points that you start working, one way is sort of to run the diagnostic across the institution in all its facets and departments and then use that as a base for your decision.

Mariola: Hi. Mariola. My question is in this customer-centric business model, which for me appears more or less pretty standardized, I'm wondering what level, or what room or how much flexibility is there for any level of customization?

Tanaya Kilara: I actually think the model is completely customizable, because if you look at those pieces, if you look at the pillars, those are really pretty broad buckets, and what each of these pillars looks like within an organization is very different. Let me give you an example. So, if you take two companies that are actually now owned by the same people, Zappos and Amazon, they're both well recognized as extremely customer-centric institutions. The Amazon approach is completely around data, so you don't find their staff talking to customers but they have a whole lot of data about their customers, and their approach is around mining that data, understanding that data very well, and then using that to drive operations, so it's a very specific type of model. If you look at the Zappos model and you talk to Zappos about metrics, they're like, "No, no, what we really care about is providing a wow experience for our customers." I can't say V and W properly, so you'll have to excuse me.

[Laughter]

So, that's what they're all about, right? So, what they invest in is their call center, and so if customers call their call center, the metrics they have are completely different from any other call center. The metrics they have is your customer needs to leave delighted at the end of the call, not the number of minutes that you spend on the phone or getting off the phone as soon as possible. I was reading recently that Zappos actually doesn't pay their call center employees any differently from anyone else in the market, but what they allow them to do is they say, "You have decision-making power when you have a conversation with a customer, and you're allowed to be yourself." You're allowed to actually express your personality in that call, so employees are extremely empowered. They're completely able to be advocates for the customer because they've been empowered. So, I think when you take this model and what you do with it is very different based on what kind of institution you are.

Angelina Gordon: We'll take a couple more questions. One from the webinar. So, there's a conversation happening on the webinar between, let's see, Nakul joining us I believe from Uganda, Lorenz Wilde, and also Graham Wright about using surveys as a method to find a more customizable product, and Graham's comment is he would be careful or cautious of using surveys, but if you want to understand complex human financial behavior, you need to use qualitative research approaches, as well. That's something that Michael Fryer, as well, has been commenting that deep-dive interviews also help provide varying results for the surveys, as well.

Tanaya Kilara: This is another one I know Monique will come back to, but let me just say this. I think there's a lot of discussion we have around which approach is better – is qualitative better than quantitative – but I think that's the wrong question. The question is really what research method to answer what question, right? In our experience, what we found, and we are pretty agnostic around approach and we like to use a number of approaches together because we think these are complex problems that we're looking to solve. In our experience, what we've found is that when you want blue skies, really understand the customer deeply and be creative around the customer, qualitative approaches are great.

There's the human-centered design approaches, the anthropological approaches, and all of those qualitative approaches really matter. But it really helps then to validate what you're learning from qualitative approaches through quantitative methods, and then at the institutional level, when you want to take something to your board, it's very difficult to say, "I spoke to six customers and that's what they told me," even though you speak to people, they will say after 12 or 14 interviews, you start hearing the same things, so these are valid but it's very hard to convince a board this is valid based on 12 interviews. So, I think really the question is to use these methods smartly together and where you need qualitative and where you need quantitative, and I'll stop there.

Glen Burnett: Glen Burnett from Practical Action. Hello. I guess the question that I have, I know that a lot of different companies when they're usually using the customer experience approach, they're usually approaching it with kind of a lifecycle approach, where they're thinking about the way that the customer goes through that lifecycle, but you were also talking about how in many ways the type of work that most of the people in this room do really focuses more outside of the company so there's more of an ecosystem. So, I was wondering if you could talk about how the customer experience approach plugs into that larger ecosystem.

Tanaya Kilara: It's a great question, and I don't know I have a simple answer for you. What I will say is that from speaking to companies across industries, I think the direction most industries are moving in is actually an ecosystem approach. It's no longer one institution being able to deliver services to customers. It's similar in financial services, right? More and more, I think they're going to see partnerships and really not one provider being able to provide every financial service. For instance, you're seeing telecom operators coming together with retailers, coming together with banks to actually deliver a range of services, so then they can deliver payments and they can deliver pensions and insurance all at the back and at the front, and the customer might just see one face, but, in the background, there are a number of players.

Similarly with Amazon, for instance, the customer sees Amazon but in the backend there are any number of partnerships. I think being able to manage this complex ecosystem of partnerships, so where – for instance, we said people in, and now even in financial services, often the person who is interacting with the customer is not your employee. It's an agent, for instance, if you talk about mobile banking, so how do you manage this ecosystem if everyone you are interacting with or everyone who has a customer interaction is not necessarily your employee, and so I think those are questions that, as, I don't think there are simple answers to it. I think we have to grapple with these issues and figure them out.

Peter Graves: It's a question and comment. I'm Peter Graves from the World Council of Credit Unions. Credit unions serve about 208 million members around the world. The customer-centricity is core to credit union membership. So much of this has been done for the last 40 years, 50 years of credit unions. I'm wondering if in your research you even touched upon credit unions. In your material, there's only two mentions of savings and nothing of SACCOs or credit unions. In Kenya, you have approximately $13 billion to $14 billion worth of savings, and a third of that is in SACCOs.

Tanaya Kilara: I think that's a great point. What I will say is in the research that we've done so far, we actually focused pretty much more or less outside financial inclusion, so now we're actually getting to the point where looking intensively at financial inclusion. So, I absolutely agree with you that credit unions should be a part of this conversation.

I just wanted to share a couple of experiences with you. I know we're hearing a lot of buzz in our industry these days, and I think even more broadly around human-centered design, so I just wanted to talk a little bit about what we've done there. About three years ago, we looked at it and we said, "Yeah, there is clearly this issue with customers accepting and using especially branchless banking financial services," and our thought at that point was the problem is that the right products are not out there. We don't have products that really respond to customer needs, and so what you need is disruptive innovation, and that will actually solve the issue that we're having in financial inclusion, and so we did at that point a number of projects across geographies. So, we did projects in Brazil and Mexico and Kenya and Uganda, in Ghana, in Indonesia; we used human-centered design methodologies, and we worked with a range of providers, so we worked with large telecom operators, with larger banks, smaller banks, but people who were actually in the branchless banking environment.

Out of these projects, we actually ended up designing a variety of products, so savings products, insurance products, payments products, so quite the range, and I can mention through it all used this human-centered design methodology, which really involves spending in-depth, great amounts of time with the customer, very observation-based, so you're actually watching customers interact in their own environment versus having them in a focus group or a survey. It's more one-to-one. real interesting things about human-centered design is how they synthesize insights about customers and how you actually rapidly prototype ideas, so you don't wait until you get all the way to a fully defined product before you start testing it with customers, as you're thinking actually with customers. So, we really gained a number of rich insights into the needs and behaviors of customers globally, and we also designed a prototype product that customers really liked.

Now, here is the funny thing that happened. What we saw was we prototyped this product, consumers liked it, and then we handed it off, institutions took it over to take it through their machinery and launch it or scale it. What we found is when it went into the machinery, when it went to the IT department and the compliance department and the marketing department, what came out at the other end looked exactly like every other product they had launched. It was really a moment of learning for us that you actually need the entire weight of an organization around the customer-centric approach to sustainably deliver a superior customer experience for customers. So, we really learned a lot and that was one of our learnings, and so towards the end of those projects, towards the second half of those projects that we did, we actually incorporated much more of an elemental thing. It's not enough to just hand it off but let's follow the cycle through.

Also, building on that, we're actually currently partnering with a microfinance institution in India, and the institution has over a million customers, and they're quite actively on this journey to customer centricity. There is high-level buy-in, they're driving to actually deliver that full package, and their starting point was microfinance institution in India. In India, it's really pretty much predominantly a group loan business, so they had over a million customers, but these were all customers in joint-liability groups. So, the starting point was they recognized, "We can't suddenly one day start being customer centric for this whole segment of customers that we have, so our starting point should be to actually segment our customers, so let's segment."

So, they segmented and then they picked one segment that they called the accelerator segment, which were really high-growth, microenterprise owners, high-growth potential microenterprise owners, whether they're high-growth currently or not, and then they said, "For this one segment of customers, let's figure out what it means to be customer centric, so let's actually see if we can deliver the entire range of financial services to them, let's see if we can offer financial advice, let's see if we can customize delivery channels for this segment of customers." That's the point at which we started our partnership with Janalakshmi. In the first phase, what we did with them is what I was talking about, designing an insights engine for the organization, so we said, "What would be fundamental is for you to find a way to systematically and consistently bring insights into the organization," and we ended up designing something called Kaleido. You'll find more about it on our website, so please do go check it out, and I think there are brochures about it outside, as well.

Following that, they're also actually actively engaged in a number of other initiatives to implement customer centricity. One of the things they've set up is a customer-centricity council, which has the heads of all the departments come together once a month to actually discuss the customer and have the customer be a central part of that conversation. They're designing delivery channels to get closer and add more value to customers' lives. But they would be the first ones to tell you that they're right at the beginning of the journey to customer centricity, and I really want to emphasize, and it's probably a good note to close on, that it's a journey. It's not one day I'm not customer centric and the next day I turn on a switch and I am. It is a journey, and incremental steps really make a difference over time, and you can watch more about Janalakshmi. We have a video about it on our website. So, afterwards, please do go check it out.

I'm going to just close quickly with two things. One is just to tell you about our approach to this issue at CGAP. As you know, CGAP is a global learning partnership, so we really want to influence the industry in this direction, and what we are working on is a guide to customer centricity as a business model, and this is a collaborative, open-source guide that we're looking to build, so really would love for those of you who are interested to participate with us in this process. Once we have the guide, we'll actually demonstrate and test this guide with financial institutions in the field, not a lot, but three or four financial institution partners over the next few years, and then really learn from that and take the approach to scale.

To build this open-source guide, we have created something we are calling the CGAP Customers at the Center Workspace. You can access it at workspace.cgap.org, the URL is up there, and really the workspace is a collaboration space, or like a sign box kind of environment is how we like to think of it. You'll find a number of groups there with different projects along each of the pillars, so do join us and contribute. We really look forward to keeping this conversation going and learning with you. I will stop there and hand over to Monique. Thank you so much.

Monique Cohen: So, I call this putting clients first because, essentially, that's what it's about, and for those of you who knew about Microfinance

Opportunities at its very beginning, that was our tagline. So, I want to take off from where Tanaya has just ended and kind of delve in and delve more deeply into kind of some of the issues that I think are important. I want to look particularly at what type of things do we need to know about clients, what is different about this, because that should be our starting point. The question was asked, "What do we need to know and how do we need to analyze it?" Well, let's look at how you would look at clients differently from what we've been doing traditionally, and let's scroll down to that direction.

Tanaya mentioned the challenges to financial inclusion and one of them has been low usage rates. Now, for those of you who have been around a little while, you know that's not new. That has been around since the beginning of microcredit. We have always had this problem that more people sign up than actually use the products available. It's not a new problem, it just keeps recurring, and when times are bad, it even recurs more. What's interesting to me about it is how the business talked about it. So, first of all, it was retention, "How do we do retention?" and then there were the people who dropped out and who didn't re-up, and they became deserters, so they were seen as "unloyal." The response that we took to that was to do market research.

That's when market research became important. We did exit surveys. In fact, we developed them under the AIMS project at USAID, and that's widely used. We did focus groups, we did a lot of things, PRA, you name it, and we did it. But what we were doing was looking at products and what products people might need and asking, "How can we tweak what we have?" and that was really our objective. Something you should think about, in those days that was called being client-focused. So, if you listen to Tanaya, we've come a long way from that particular point. The next phase I think was the arrival of digital financial services and savings. We saw the dormancy problem, and we saw that more people signed up and used accounts. I think GSMA, the last I read, only 29 percent of all mobile banking accounts were active. That is a very small proportion. The other statistic I heard was that of all the people who cash out, less than 40 percent, and I'm not exactly sure about the number, cash in, so most of the people take the money out but they don't actually use the service.

Another thing that happened and we have to think about when we rethink finances as we think about digital financial services, and that's what our primary concern is right now, is people are going from high-touch to low-touch banking, and poor people like high-touch, so we're giving them low-touch and the emphasis has moved to the number of transactions versus the size of a transaction. So, if you were a client in an MFI, I suppose you would think that your institutional provider is becoming further and further away from you, and so we want to bring this back and create a better experience, so there's a real challenge to do that.

Last month in Turin, there was a three-day symposium on clients at the center, and I also advised CGAP and was involved in running a workshop on client empowerment. One of the questions we asked people in the room was, "My organization is customer centric and promotes customer empowerment," and we asked people to agree, disagree, strongly agree or strongly disagree. Before I tell you what they said, has anybody got a comment they would like to make about this statement about their organization?

Okay. That's all right. We'll move on. I mean it's something you probably haven't thought about, but it's something you should be starting to think about if you're going to move in this direction. So, what happened is we had four corners – agree, disagree, whatever, strongly agree, strongly disagree – and most people went to the agree and strongly agree groups. The implication was that we do know our market, we know all about clients, and this really works, yet what became clear over the three days of the symposium, there was a refrain, and it was, "We don't understand our clients and their needs and their priorities," which suggests, obviously, we don't know our clients. So, it's kind of an interesting thought to where is that contradiction coming from, because on one hand everybody thinks they're client-centric, and, on the other hand, they don't think they know anything.

So, what is putting clients first? Over the course of the three days of the symposium, it became kind of clear that what they thought was client-centric was what I referred to before, was a product-led approach, and they justified the success of their program by saying it appealed to the clients and there was a big demand. That is very different than what Tanaya has been talking about and what I think is client-centric, but that's where the state of the world is about this issue. So, in the course of a plenary, Greta Bull, who is an old friend of mine, she made the statement, and I kind of sat up and actually tweeted it because I was so amazed, she said, "We need to think about our customers differently." So, I thought about that and it seems like it is time to shake some things up and do some things differently.

Last year, I spoke at the symposium, and I made the case that we need to begin to go beyond what has been the traditional view of clients as statistics and as passive, and we have to start thinking of them as dynamic, and somebody mentioned the lifecycle. We haven't bothered with that until now, but we need to think how to grow with clients and how times change. As they age, their demands for financial services alters. Do we have the flexibility to respond in that way? We also, if we're going to talk about client centricity, we have to see clients as active. We have to see them as taking up a more active role and see them as players and drivers of financial institutions and the business of that business. So, what I want to talk about now is I want to explore a little bit a new perspective of thinking about clients, because the way we've been doing it until now, focusing on financial services according to a lot of market research, really hasn't delivered all the goods.

Okay, so there are four variables I'm going to talk about, and they are issues that I have been exploring over the last year and trying to bring them together, so this is exploratory work in progress. So, in the traditional way we've approached things, we've thought about products only, and the top line, the vertical is the products, and we've thought about designing the right product and tweaking it, and sometimes we have too many products, sometimes we don't have enough products, but our focus has been on products. But things have begun to change. First of all, digital financial services are a different delivery system, even if they have the same products. Informal and formal, they may offer the same product, but deliver it very differently. So, it is time to relate the problem that you want to look at, but also the need to both the delivery channel and the product. So, how do you make that choice?

I think it's important to understand a lot about how people make choices, so one of the ways is to think about, first of all, what's the task that a poor person needs financial products for? Next, there's when is it available? The biggest complaint about a lot of microfinance clients is when they have an emergency, it's not that people don't have emergency loans, but they can't get the loan when they need it, and so they go back to the informal sector, so you need to think about that. You need to think about what's available, you need to think about the cost, an issue that CGAP is going to get into, and then what you have to think about is the sequence of transactions that has preceded it. What have people borrowed, saved, done prior to this, and what can they do as they move forward?

The thing we have to remember, and it tends to get lost, because most of the experts sit in silos – some people do microcredit, some do insurance, some do whatever, savings – and they're looking at their little silos but clients don't live in silos. For them, life is one series of tradeoffs, and it's a tradeoff such as saving for emergencies, buying insurance, paying school fees, and this is the reality of financial decision-making for clients. As new technologies develop, the type of offerings often creates a different context, and you have to think, "How are they going to make the choices?" The problem is, as we bring onboard more digital finance, we have a group of people who are not equipped to do that and don't know how to make those tradeoffs.

The second point: moving beyond functionality. I said earlier that people use financial services to figure out the tasks they need to do, and experts on our side tend to look at financial services in terms of, "What function will they serve? Will they help me increase agricultural output? What does a small holder need in a loan?" and the implicit justification is that it will help the person do whatever better, the job better, and facilitate their cashflow. Well, with electronic financial services, the equation begins to change because we are asking people to leapfrog, leapfrog into a world of technology and banking, which are unfamiliar. We're asking them to leapfrog from the informal sector to the formal, recognizing they may use both, leapfrog into banking, which, for many poor people, has negative experiences, and to technology for the first time, go from bricks-and-mortar transactions to digital financial services using credit and borrowing for specific purposes to mobile money, which is a transactional service.

Now, don't underestimate. I started my work on digital services quite a while ago, and I was in Malawi, and what I recognized is paramount that nobody should forget is that poor people want to be part of the 21st century, and they want to be into digital services. They don't want to be left behind because they know they'll be left behind in every other thing, as well. So, they want to experience it and master it and use it, and I think we need to keep focused because we tend to forget that they aren't backward, they just want to be part of this. So, they want to feel the experience, but it's very overwhelming and so it's faced a lot with trepidation. In Microfinance Opportunities, we just finished a project with three mobile banking operations, and we found this fear of entering into transactions that way was really governed by a fear of loss, "Would I lose my money in the virtual environment?" and that is really an important thing to think about.

We automatically see the justification for this and why it's a better product, and they look at it and they say, "What's the risk? What will I lose? I don't have very much money. I can't afford to lose it. Do I run a risk?" What we've learned is that people need time to settle in, to learn how to do it, then begin to build trust with the institution that's providing it, because often it's not banks, and they need to have a positive experience, which goes to the heart of experience. So, there always, I think, has been in digital financial services an assumption by the experts, "Hey, this is really great. It will lower your costs, it will do all these great things, and people will gravitate towards them." It's clear that these are learned behaviors and they don't happen very fast. So, how many people here have read portfolios of the poor? Okay, how many of you, if anybody wants to tell me one of their takeaways? long ago, can you remember?

Audience: I think one of the main takeaways is that low-income people actually have very intricate money-management skills. I think that was one of the – do I repeat that? Low-income customers have very good and intricate money-management skills, so I think that was the main takeaway.

Monique Cohen: Anybody else want to comment? There were a few more hands. Well, they do have very good management skills but they have it for a certain ecosystem and environment, and the question is if you're going to introduce a wider range of products, particularly the delivery systems, are they equipped for that? Do they have the skills?

Audience: I wonder if you could be a little bit more precise in your use of the term money management. Do you mean cash management, or are you also talking about entrepreneurial investment capital?

Monique Cohen: I primarily mean cashflow management, because that is essentially at the essence of what poor people have to do. She mentioned was it 50 percent of money goes on consumption? That's the first thing. They move from crisis to crisis, and their skill is to reduce their vulnerability and protect the downside, and that is what is the risk that they face all the time, so that's my particular context. Okay, so with limited money, but what's more important, they have limited discretionary money, so one of the things that one has to recognize is that one of the repeated benefits by the experts of digital financial services, you can save because that will help you manage your money better and manage emergencies, and yet that hasn't really happened. If the poor are good money managers, they know how to put money aside, but too many deplete their resources, and savings are hard to accumulate even when the promise is security and accessibility. Income levels and irregularities are primarily obstacles. You don't know when the money is coming in and you may not know where the money is.

If you want to increase financial inclusion rates, we need to consider other behaviors and how they affect demand, and I've put up three here on the slide that bear on what I've just been talking about. Everybody wants people to save, and they think they should save, and they save in certain sorts of ways, but in the research that I've been involved in, I'm very struck by when you talk about budgeting and planning, very few people plan ahead. Poor people cannot afford to plan ahead. What they do is they plan backwards. So, if you talk to them about budgeting, at the end of the month what do they do? They look where the money went, "How come I don't have anything left over?" Until they will have money left over, frankly I don't think they're going to be able to plan ahead. So, the challenge for us when we think about clients is to think about where is that point where they can begin to build a surplus?

The last variable is something that's cropped up several times. I've been involved in two sets of financial diaries, and I have to say I find them very exciting things to do and to analyze the data, but we should be clear, the data is about weekly transactions recorded every week, inflows and outflows, and they're a valuable source about how people use financial resources and how they manage their money. They offer an opportunity to match product line, delivery channels, and market an entire group. So, you can see, remember the first matrix I had, you can look at the data that comes out of diaries and figure out what is going where, what delivery channel and what product. It's not always what the experts assume. We often think, "Well, I use money this way or that way," not necessarily. How many of you know the story of M-Pesa, which was started as a loan product but in fact became a remittance product and a payments product, but who figured it out? The clients, not the experts.

There was another product that came up out of the diaries that we did in Malawi and in Kenya that is something I don't think I would have ever thought of as a potential market. But, if you listen to your clients and look at the diaries data, which was that most of the transactions that we recorded, even though they were very small, were within one social network, and social networks are very important because it's a way of making sure the money goes where it wants. You can ask a businessman, "Did you get the money that I sent you?" and he can say, "No." But, if you ask a family member, they can't say no. They might try, but there's always going to be somebody who will disagree. So, in Malawi, cash gifts between family members added up to more than seven times the number of transactions in commercial banks, and the data showed that 34 transactions per individual over a 73-week period.

In Kenya, 84 percent of the cash gifts were below $50.00, and in both countries, the majority were with family networks and with people, and it's important to remember that these networks have played the dominant role, yet think about it for a minute. More transactions, very frequent. No bricks-and-mortar bank is going to pick that up. It's much too expensive. But it does work for digital financial services. If the pricing can be right, there's no reason it won't work. So, I put there it might not be what you think, because I think there is a lot of people who think certain digital services will be good for the clients, but they forget to ask themselves, "What does the client think? What would they use it for?" We need to find a way to introduce products and wait and see.

So, in conclusion, I do think they have to think about clients differently, and I've shown that it's more than just thinking about functionality. You've got to think about the networks, you've got to think about what experience people have, you have to think about the context in which they live. But we have to go beyond basically our traditional approach, understanding what product will help people do a task and that's all, because there are more variables around it. We have to think about empowerment, and many of those things that were on the circles. The other thing we need to think about is when you leapfrog into this new world of digital finance, it might not be money management that you have to worry about. It might be the real issue, and that's is that trust and confidence are key.

You need to build trust with new institutions or clients need to build trust with new institutions, and the customers need to have successful experiences in using new financial products. There are enormous numbers of doubts about the risks that could occur, and they don't want them. However, we are all outsiders in this game, and we don't risk our money, so I would like to make a point of caution that we need to step back and learn from our customers, and, at the same time, ensure that the customer experience is one in which they feel empowered to exercise choice, to act, particularly in the context of consumer protection, and can expect to be treated with respect. The goal that we're moving towards is an interactive, customer-provider relationship that is a win-win for the customer and the financial institution. Thank you.

Questions and Answers

Joy Chen: And now, we'll take another round of Q&A. And we'll start with the webinar questions.

Angelina Gordon: Thank you, Tanaya and Monique, for a great presentation. We have about 88 people joining us via the webinar from all over the world, including: Bangladesh; Senegal; the Republic of Moldova; Uganda; sunny Miami, Florida; as well as Massachusetts; Kentucky; and many from Washington D.C.

Our first question comes to us from Jamie Lynn Lederhouse, who is in Chicago, Illinois, who would like to capture the understood value of this approach. She notes that there is much value in spending time to best understand our customers. Given the amount of time needed to conduct research, what are the costs in time and resources you've encountered in your human-centered design process projects, I'm sorry as this would be a challenge for providers?

And secondly, how did you see a return on this investment from the projects to balance the projects' sustainability and effectiveness for providing great customer experience?

Tanaya Kilara: Could we have a couple of questions? A few questions?

Angelina Gordon: Sure. We have a second from Erin Didner Dunlap. Her question is: In a manner of speaking, customer centricity could be considered tautology. If take up isn't high enough, then you're not adequately client-centric. To what end are you benchmarking adoption rates that have used – been used to create product success? And how are those benchmarks determined?

Tanaya Kilara: I can take the first one. And Monique, you can take the second one – since it's the harder one! *[Laughter]*

So, I think the question around metrics and the cost and ROI are really important questions for this approach. Just given where we are in our journey and thinking about it, we have – I think there's less evidence we have right now from financial inclusion. And that's what we're hoping to actually gain over the first few years. So, what we have right now is from learning from other industries.

But really, the drivers, I think, for the business model on customer centricity are really around loyalty and retention. And so, it's really driven by – if you're managing to retain customers over their lifetime, to grow that relationship and serve customers over their lifetime, this approach actually makes sense.

So, if you are looking for quick returns next quarter, I would say this is a hard approach. Because it requires investment. Right now, you're absolutely right about, you know, you need to invest in staff and data and systems. There are certain investments you need to make right now with returns expected in the future. So, there's I think there's an inherent tradeoff. And you need to have as an institution have an ability to make that investment.

On the human-centered design, I think it's a very good question. And it's something we grapple with. Because if I think we can't be saying that we're recommending, you know, really expensive consultants to come in and implement human-centered design approaches for institutions. For most institutions, these are extremely high-cost resources for them to be able to sustain.

So, I think, really, the question we need to be asking ourselves as an industry is, you know: How do we develop internal capacity? How do institutions or financial institutions develop the capacity to be able to understand their customers over time. So, you know, you can one-off; you can say, "I have a big project and I want to go out and get consultants." But that's not a sustainable model for, you know, day-to-day acquisition and conversion of customer insights into something meaningful.

Monique Cohen: One of the points I want to stress that Graham Wright made is: There is a – always has been, I will say a tendency to not narrow down your questions. We have found I've found over the last 15 years when I worked on impact and the tools and what have you that the first thing I've kind of and when I've been teaching – is to say: What is your question? Narrow it down. People have big picture ideas. But the real issues are very focused and very particular.

And once you've figured out the question, then you have to ask: How do I measure it? And how do I research it? And I think there's a lot of tendency to overhype different methodologies. And you need to just be very ruthless and think: What's going to work to answer this question? And then: Who can do it within a very good period of time.

And I say that because you can get people who can answer the question – and take two years. These are businesses. They want an answer fast. And they want to proceed fairly fast. And the luxury of long-term research is not on. So…

And I have been saying that for, like, the last 15 years. And I once said this at a conference of economists, and they all turned to me and said, "Oh, don't worry about that. Just give us the money; we'll do it over two years. We don't want to do it in a very quick period of time." So…

But you've got to as practitioners be very insistent on what you want and how you want the results. And *when* you want the results.

No, the other interesting thing I want to mention is that we did the diaries. And I did them with Guy Stuart. And he went out to both countries – or, we both went to Kenya. And we took the data and we made sure that the clients that the institution's middle level management took that raw data – and *they* analyzed it. We walked them through the process and they analyzed it. And it was very interesting; they got a lot of insights that I would never have thought about. And they – but they saw them. And in Malawi, they developed two new products. The other lot was with Empesta, and that was a different thing.

So, how do you benchmark the success? One thing – if you're working in the area of digital finance, you're working in the area of transactional finance. And what you're interested in is the number of transactions. Not – whereas, traditional microquita, it's the size of the transaction that's really important.

And so, the question that you have to have is: You have to begin with a result that measures whatever you think is the appropriate usage rate. Not just new accounts, but usage. And figure out from there where to go next.

Joy Chen: We'll take a couple more questions.

Female Audience: Hi. I'm wondering, as we move towards this customer-centric model, who else do we need support from to increase adoption that may be people that aren't maybe currently engaged in the conversation right now or aren't listening? Like, who else needs to be involved and be engaged?

Monique Cohen: Are there any other?

Laura: Okay. I'd be – is it on?

Joy Chen: Uh huh. And say who you are.

Laura: Hi. This is Laura from USAID. I'd be interested to hear you mentioned your work in the field across a variety of contexts. And I'd be interested because you talk about leadership in culture by which I'm guessing you mean organizational culture but I'd also be interested to hear if you feel that there's a difference between larger cultures, in terms of whether customer service is even seen as something to aspire to? I sometimes feel as though the profit motive ought to be enough on its own, but sometimes it doesn't quite seem like that's there.

So, do we need to make almost a larger case that this is worth doing in the first place before we can get organizations to go there?

Angelina Gordon: And Elizabeth Alfonso Halifax from Accenture Development Partnerships ask if CGAP includes SACCO credit unions in their definition of a formal financial system?

Monique Cohen: So, who should be involved? I think you should get working and begin to show some evidence, and I think other things will follow. I think there's – like, if you've got to get the whole thing going, you'll never get there. It'll take too long.

I think that we have to have enough experiments to see how it changes consumer behavior. If we can raise those dormancy rates. If we can improve on – we have to look at what would raise the rates, but we have to have pilots to experiment with other techniques.

We have found that – I'll just give you an example. We found one way to increase usage rates was to really educate front line agents. But not just educate them about the product and what have you, but teach them communication skills. Because, actually, the real problem is that the front line agents are often no better off than many of the clients. But they don't have also the communication skills to get the points across. And we need to give them a tool so that they can talk about it.

That's a problem with a lot of institutions. Front line staff are all over the place; they all have different ideas. You have to bring them together to be consistent in the messages they're going to convey.

So, you need to start working on: What do I need – what do I want to achieve? And what are the ways to do it? And can I embed it in the organization? And build the evidence that will convince the champions.

Tanaya Kilara: I'll take the second and the third question. So, I think your question around larger cultures and smaller cultures is extremely relevant, because I think that larger cultures are harder to influence than smaller cultures. So, you have institutions which are earlier in their stage of development; it's easier to, you know, move that model than a large, existing organization which has its own incentives and, you know, efficiency and processes, and it works in a certain way.

So, I have two things I want to say. First is: You made a point around, you know, in many industries, a customer-centric approach is just what's good business. It's not something new that you have to do; that's the way you actually satisfy your profit motive. And I think financial services has been slower to this game. Not just financial inclusion, but financial services in general because we are a more regulated industry; because, I think, there's been more protection… Whatever those reasons are, financial services, I think, is actually a laggard industry on this topic.

So, I think both with – in financial inclusion with a move to – often, we speak to financial service providers, and you're actually having to make the case for financial inclusion before you are even making the case for customer centricity. Right? And so, there is – I think they're at an interesting point because in terms of the cost to service these customers with digital financial services and branches banking actually being able to bring those costs down to a point where it's profitable now for institutions to serve low-income customers.

Another question is: How do you actually do it? And in a way that's good for the business and good for the customer? It's an interesting juncture I think we're at.

And then, I think, just the last point is on the larger culture's piece. One of the things we've been thinking about is: You know, maybe in larger cultures you don't try to shift the whole boat, but you actually create a unit which is accountable for moving some of these issues. So, whether that's an "Insights" unit or maybe saying an "A ha!" unit or whatever you call that unit, maybe there's a unit that's responsible for driving it.

And that comes with a certain set of challenges, you know? Because it's then: How do you integrate that unit into the operations? Should it be a unit? Or should it be individuals in different departments that are champions for this approach? I think these are questions that we are, you know, completely in an exploratory phase right now. But I think it's the right question.

And I think your question from the webinar on whether credit unions are considered formal, we do consider them formal financial institutions. And I think the Global Syndex data that they've been collecting in this round also includes credit unions, if I'm not mistaken.

Joy Chen: Let's take one last round of questions.

Dan Silverstein: Once again, I have – this is Dan Silverstein, USAID I have more than one question. So, you can answer all or one if you choose.

Do you have any sense of whether we're near at or near a tipping point at which the economics of electronic transactions is going to suddenly I'm not sure what the word is metastasize? And very quickly flow through the decentralized network of people at the base of the pyramid, so that in a year or so we are gasping at how fast the trajectory was of something that took off?

And the second thing is: Somebody has to be writing this code. Somebody has to be preparing the electronic infrastructure for any kind of digital transactions or financial services. Are you talking to or do you hear chatter from the major high tech companies throughout the world that they are trying to prepare applications that apply to the needs of base-of-the-pyramid cash management or financial transactions? Thanks.

Scarlet: I'm from the New America Foundation, actually,

Audio Tech: We ask that you use the mike so the recording

Scarlet: – on a project together. It's called YouthSave and we do – it's research and delivery of financial inclusion-type products, savings products for youth. And my question is somewhat related to sort of the broader cost analysis. So, I guess I have two questions. First, can you speak a little bit about kind of the cost of shifting not just a financial institution's culture, but kind of a culture of financial inclusion in communities?

So, this is something that we're seeing in relation to our project particularly. Sort of the level of education that you have to reach in terms of the community, as to sort of why it would be a good idea to go with a formal financial institution rather than sort of what has been working all along in terms of savings – perhaps saving under the mattress, et cetera.

And then, my second question is related to kind of this digital leap, which – I think it's very interesting, but I hear a lot less about security. Particularly in the context of trust and youth, which is sort of my specific focus. So, the – a lot of the information – for example, I know that M-Pesa gathers on the back end sort of transactional – if phones are GPS-enabled and things like that. There's sort of very little research and information out there about how financial institutions could in the future use that information, who could get ahold of that information.

And so, I think that particularly for exceptionally vulnerable populations, that's certainly a concern. So, I wanted to hear your thoughts on that.

Tanaya Kilara: I'll offer a few quick thoughts and then turn it over to Monique. I think, Dan, your question on the tipping point of for digital financial services… I think that's part of this argument which, I think, our industry has made for a number of years now about: If you build it, will they come? Right? And I think we assumed for a long time that if you do build it, you build the rails, you set up the infrastructure, low income customers will come and will use it.

And I think what we've seen and those are reflected in those usage numbers is that just building it, they will not come. You actually be designing for what customers want. You need to be crossing that implicit bar of what they currently use as in formal financial services. And you need to be designing a customer experience that engenders trust. That actually, you know, fulfills and adds value to their lives for their customers to use it. So, that's one point I'd make.

The other point is: Really, I think it is about the ecosystem of players. And you I think you see that developing very differently country by country. And different countries, I think because you are operating in an ecosystem, there is a certain regulatory framework within which you're operating. There's a certain, you know, innovation environment that you're operating within.

So, if you look at even Kenya or with Tanzania, the way digital financial services have developed in these markets are extremely different. And Kenya is much more of a monopolistic model, partly because of the way regulation was designed, versus Tanzania, which we're very excited about because there's a much larger group of players that are playing in the ecosystem. So, there are more providers. There's you know, in terms of infrastructure, there's interoperability that's possible. So, for – on the customer experience side, it's a much better environment, which will probably drive down, you know, the cost of accessing the system over time.

So, I think, if I had to say overall, "Is there a tipping point?" I don't think we're quite they're yet. But I think country-by-country, that experience is quite different.

I think just a point on the cost analysis, Scarlet, I think your question was around, you know: What does it… how does… even why should customers engage with formal financial services? And what would it cost to bring them into the formal financial system? Right?

So, I think that's the right question to be asking. It is. Why should customers I think we assume automatically, implicitly, formal financial services are better than informal financial services, so obviously customers should do it. But customers are proving with their behavior that it's not an obvious choice. Right?

So, I think I've said a couple of times we have I think we have to be designing for what it will take to move customers from informal to formal. Because I think we believe there is value for customers for moving. You know, both in terms of what it costs customers to use the system and in terms of issues like security. But then, you have to be able to build trust in the system.

There are a number of economies there *is* no trust in the financial system. They've seen, you know, time and again banks go bust. You have seen the high financial fees so, poor people put their money into an account, and at the end of the day there's a negative interest rate they receive. And their money's actually depleting.

So, there are I think there are real issues that the formal financial system has to address to bring poor customers into the system. I'll stop there. Monique?

Monique Cohen: I want to build on the question about tipping point. We did assume, as she rightly said, that if we build, the client will come. And we have learned that's not true.

But the problem that we didn't learn about digital services was: We thought if we offered the product, it was the right product. And it didn't prove to be that. And then, we learned that sometimes the client will figure it out. But in various countries where we've done the research, we've learned that people want to use it but it's not communicated correctly. The objection is not the product, per se. It's how people convey what the product is.

And security is a big issue. So, one of the things in the Philippines was: How do I know that the money went out? So, somebody they were told that they it was on the phone a receipt. But they wanted paper receipts. So, what do you do if you can't provide paper receipts?

So, the training was about building trust around: What does a paper receipt look like? What does a receipt on the phone look like? And that's what's similar. And once you get that across, you get one hurdle solved.

And so, a lot of problems about adoption and usage are about: How does this work? How do I know it will work? How can I do it myself? And you can deal with that; that's not a problem. But people have been slow at understanding the mechanics of doubt, of why people don't want to use it.

Male Audience: Proctor & Gamble spends $20 million a year demonstrating to women how to use Swiffer dusters –

Monique Cohen: Right.

Male Audience: So that they understand when they see it in the supermarket aisle what service it will provide them. So, communication is critical.

Monique Cohen: We – and the industry spends its money on telling people what the process is and what the product – how to use the instruments, rather than addressing the fears, the risks, the perceptions. And I would argue that you need financial capability, but in that context of building trust and confidence.

Joy Chen: So please join me in thanking Tanaya and Monique for a great presentation. *[Applause]*