The MasterCard Foundation Symposium on Financial Inclusion:
Clients at the Center

Day 2 ~ July 17, 2014

The Client Journey: "Use and Regular Usage" Phases

Roger Morier ~ Emcee

This session we'll talk about the Client Journey and the use and the regular use phases of that journey. It's going to take a look at why mass take-up is not always followed by regular usage and long term client retention. We know about opening of accounts, but we also know a lot about dormant accounts, and this will address some of the issues that are related to that.

The work in this area tends to revolve around purchases, which is a onetime decision, and the difference between that and regular usage which is of course repeated behavior. What are the differences between the two, and what stimulates one or the other?

The panelists here are going to be offering insight into their own experiences and the experiences of their organizations in meeting the challenges of improving regular usage. How do you move from just a single act of a purchase if you will, opening an account, to regular and continued usage of that account.

Katie Martin is going to be moderating this panel discussion. She is the Managing Director of ideas42. For those of you who aren't that familiar, ideas42 is a non-profit consulting firm and a design lab. It uses insights from psychology and behavioral science, and behavioral economics to help solve social problems. Much of the work looks at how programs and policies and products can be adjusted to change people's behavior. And of course, if we change behavior, we're seeking to improve outcomes. So ideas42 works across a number of different sectors, and they work in a number of different parts of the world. But interestingly enough, increasingly, they are looking at financial inclusion. So I think that we have a very interesting topic ahead of us now.

Katie, the panel is over to you.

Katie Martin ~ ideas42

Thank you very much. We really appreciate you being here. As we talked about, this is all about usage and regular usage, which is absolutely essential when we're talking about financial inclusion. We want people to use the product. We want people to have a sustained sort of pattern of behaviors. That means they can get the most out of the products that we're offering to them. And this is a really important part of the 5-part framework that Bob set out yesterday. In fact, two of the five elements involve usage. We saw that it was engage, buy, use, share, and reuse. We want to make sure that the use and reuse is really coming into play.

This involves a really close look at behaviors of our consumers. You know, how can you translate that one of behavior whether it's signing up for a savings account, or joining a particular scheme into this kind of repeated ongoing action that will create the outcomes that we want to see?

And that's where ideas42 kind of comes into it. We look very, very closely at behavior, at psychology to try and understand some of the behavioral bottlenecks that might be preventing some of these actions. But obviously, there are a whole range of different problems that might be coming into play, and they are the kinds of things that we're going to be talking about today.

So just to kind of help us make this problem tangible, a really obvious example that we've talked about is signing up for a savings product, but not actually using it, whether that's using it at the beginning, and then it becomes dormant later, or never actually making a payment. I think we can also think about it in terms of our own lives. I suspect I'm not the only one here that's signed up for a gym and only go a couple of times and then kind of kept the direct debit coming out of my account, but never actually used it. So, clearly not acting in my own best interest there, but we're all kind of fallible to these problems, or susceptible to the problems.

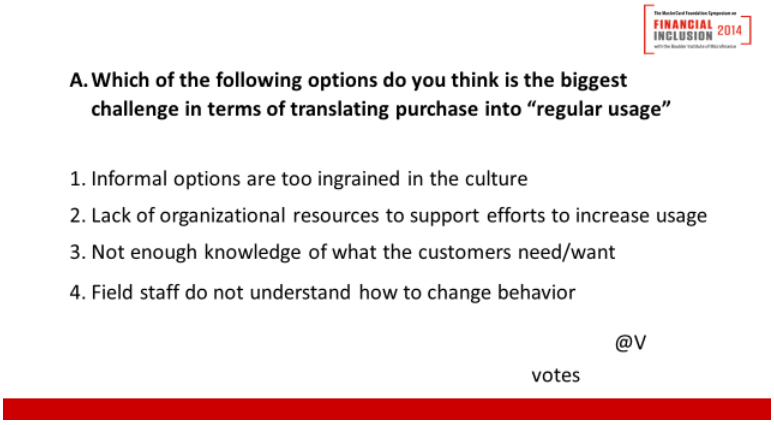
I'm joined on stage by three very well-informed panelists who will talk more about their own experiences. We've got Lara Gilman, the Senior Commercial Manager at GSMA. Lara works in the Mobile Money for the Unbanked team and she looks specifically at how to scale up mobile money services.

Zung Nguyen, Consultant at ReD Associates in New York. She works on tech, healthcare, and particularly emerging markets.

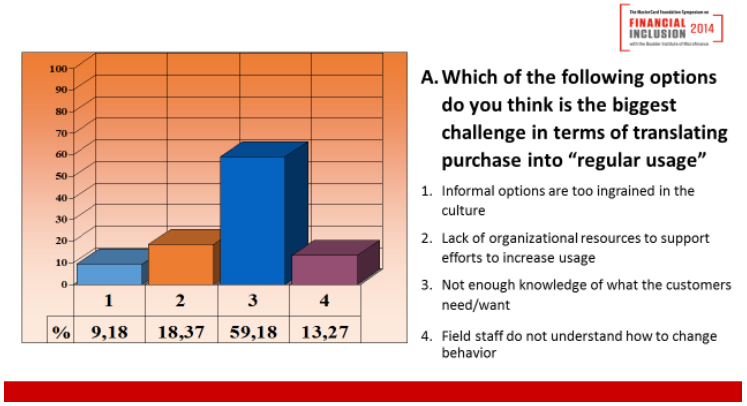
We have Dori (Dolores)Torres from the Philippines. She's the President and CEO of CARD Bank. And CARD Bank provides a range of financial products to specifically low income women in rural areas. So a fairly distinct group of people, although a very large one.

We're hoping this is going to be a fairly interactive session. We'd like to hear a lot from you about your own experiences of problems with regular usage, and some ideas and suggestions for how you solved those problems, and think they can be solved. But before we move on to that, I do just want to put a question to you guys. So you're used to using your clickers be now. We have a question up here for you.

Which of the following do you think is the biggest challenge in terms of translating purchase into regular usage? Probably accept that all of them can be a challenge, but what do you think is the biggest?



Do we have an answer? Fantastic, interesting. A clear winner.



Not enough knowledge of what the customers need/want. I wonder if that would have been different if we'd asked this question at the beginning of yesterday. But that's really interesting to see actually. We all recognize that there needs to be a greater knowledge of what the customers need and want, and what their behaviors are, what's going to create these behaviors.

Does anyone just want to put a hand up and talk a bit about why they've chosen a particular option? Don't feel compelled. There will be plenty of opportunities to contribute later. That's fine. We'll come back to this later on. And I think you'll see how some of these challenges have been sort of addressed in some of the problems. But we don't want to give too much away now. What we're going to do is hear from each of the panelists about the specific problem that they faced in terms of either working themselves or with a particular client to help them promote regular uptake. They're going to talk a bit about the context of the problem, a bit about the background, and then just in a very descriptive way explain or describe the behaviors that they were seeing, and the behaviors that they wanted to see.

We're going to start with Lara. Do you want to talk about your problem?

Lara Gilman ~ GSMA MMU

I work at the GSMA. It's interesting because we've gotten a really diverse group up here, and my perspective is going to be probably a little bit different than perhaps my fellow panelists. At the GSMA we take a really birds eye view and we work with operators across a number of markets. And today I kind of want to talk a little bit about what's happening and what we see as a common story. I spend a lot of time celebrating the success of mobile money and I think that we can't do that enough, because we are now at a place where we've got 200 million customers who are using a wallet globally, and we've got about 60 million who are active. That's a little low. So lapse usage is definitely one of the challenges that is persistent.

My current situation right now is thinking of one particular operator who we had touched base with, and heard from, and they launched, and they launched a product which was kind of a classic model. They were driving, they thought there was a really clear corridor from urban to rural. They were really targeting that P2P value proposition which is something in common that we see. They did a big bang launch, and a couple of years later, they had lots of registered customers and not that many users. And we started sort of thinking just a little bit around, "all right, what do you guys think"? And

they said, "Listen, quite frankly, you come to us and you're bringing some insights, and that's great and helpful, and we're doing a lot of those things. But honestly, we're not Kenya. And Safaricom M-Pesa was a blip, it's great, but our customers, our market's different, and our customers aren't ready to give up cash."

So that was the scene that was set for us, and we'll leave it right there at the moment. But the important thing is that they were committed to this, they did feel like this was an important business. But nothing was happening yet.

Katie Martin

Zung, do you want to explain a bit about your problem?

Zung Nguyen~ ReD Associates

Sure, let me spend two minutes explaining more about who I am and what I do. So I'm part of ReD Associates. We're an innovation and strategy consultancy that operates out of New York and Copenhagen, and our kind of take or approach on solving the type of problems that companies give to us is we believe in a qualitative one. So we don't really do surveys or rely on industry best practices or large quantitative data or net user ratings or other type of metrics. And the core of what we believe in is really going out there and not only just talking to people, but spending half a day or a day with them, observing them while they're working, while they're consuming or playing with friends, or whatever it is activity that we want to understand to get really behind the needs and aspirations that we talked about before that can be really difficult to grasp. And a lot of times if you just ask people, they aren't able to articulate themselves.

So the problem that I'm going to present you today is not one necessarily within financial inclusion, it's about pension funds in northern Europe, or more specifically Scandinavia which is a market that is fairly financially included, even though I'm from Vietnam. But I think that some of the findings and problems are relevant to a lot of you here. We all know roughly how the pension fund model works. Once you start working, you put a lump sum of savings into the pension fund each month, and you get interest on it, and when you retire, then what you will get is a check every month, or depending on what the agreement is.

The client that we were working with is the largest pension fund in this Scandinavian market, and it has about five million customers, and it has really succeeded in making itself the default for especially private company employees. Whenever especially new

employees, whenever you start a new job, and sign up for a pension fund, this is likely to be your first choice. They have 30% of the market, and there's another big competitor, but other than that, it's usually just very small like niche institutions. So like the teacher's union pension fund, or firefighter, like small funds that target very specific groups.

We've been talking about high-touch and low-touch before, and what my opinion of previous debate now that I get to give it, is that there always needs to be a combination. And our client also had a combination model between consistent low-touch. Every month, many of you will be familiar, every month you get an email saying that this is your savings so far. This is how much you have in your fund. This is your interest rate. This is how much you get, and maybe this is your projection. And then what they have done is invested a lot of high-touch interaction at the beginning. To get customer acquisition, really teaching people who are just new to pension funds or like signing up for the first time about what it is, what their future will look like, what are their options, etc. And they've really dominated and become successful in being the default.

Now, of course, similar to everywhere, people change jobs. And with each job, the employer might be assigned to a different pension fund. So according to their data, on average, by the time people retire, they have six to ten accounts at different pension funds. What had been happening in Scandinavia in the past ten years was a wave of deregulation where they made it a lot easier to transfer money from one fund to another without being penalized. And so what our client had been experiencing for the past maybe decade slowly growing was that there was a sharp dropout rate. From about ten years from before people retire, from when people start to turn 50-55, they saw a huge dropout. What people were doing were pulling money from our client's pension funds and putting it into other people's pension funds, and they were losing about 20% of their customers yearly overall, but mostly in this age group. So 50 to 55 to 65. Ten years before they retire. And that's a huge retention problem. The question really was, why was that happening? They didn't know why. What they wanted to do was decrease the churn, and they had some sort of vague idea that to do that, they wanted to increase engagement and somehow create loyalty and thinking that if the relationship between them and their customers were better, then people would drop out less.

Katie Martin

Okay, so we're moving on to solutions here.

Zung Nguyen

Right. We're moving on to solutions here and I'm not going to give out the solution. But I guess then the question is how, not only why, but also how. So how do you know where to put high-touch, where to put low-touch, and what messaging. So that was the problem. That was the problem that we were doing.

Katie Martin

Thank you. Dori, do you want to talk about your experiences in the Philippines?

Dolores Torres ~ CARD Bank, Inc.

Good afternoon everyone. I think what I would like to share is a unique journey because I'm a practitioner directly involved in understanding the women and their needs. And as you know the story of CARD started with 20 pesos. And we used the 20 pesos for buying bond papers where we type the proposal and that proposal was granted by a Japanese NGO. We lend 1,000 pesos to a woman to start the credit and savings program, and that 1,000 pesos that's barely $25 is being repaid on a weekly basis with very strong discipline. At the end of the first year, we had only 89 women who were really attending meetings and paying at 100%. We told ourselves that is what we needed, but at the same time, when we formed CARD we dreamt of establishing a bank that will be owned and controlled by the women themselves. So after ten years of operating as an NGO, when we have less than 100,000 clients, we approach the central bank of the Philippines, told them about our experience, showed our records, and tell them, we are willing to test opening a credit and savings program, now termed microfinance, in 1996, and they're a regular banking structure.

Of course, we had many apprehensions at that time. The central bank people were so shocked that a small NGO like CARD would approach the central bank and apply for a license. When we were granted a license, we thought that the savings will come automatically because we are a bank. In the Philippines, only institutions with bank can mobilize deposits. That's why the option that we took was to ask for a license, is for us to mobilize savings. And when we had the license, savings is not coming.

I was also fortunate that before we became a bank, I was enrolled at the Boulder Institute. I attended a course that prepared me to become the CEO of CARD Bank, because when I attended, I was the Executive Director of the NGO, and we thought that I needed something to widen my perspective in terms of banking. So was fortunate to

attend that. During one of the conversations with the professors, I remember it's Marguerite Robinson. She said that a true savings mobilization can turn your institution upside down. I said what does that mean? You have to do a lot of reengineering, improving capacities, maybe the staff has to be prepared a lot. So those were words of wisdom that I remember and one of the best takeaways I had from the Boulder Institute.

And then in order to understand the savings mobilization because we were good at giving loans. In fact, when we became a bank, our repayment rate is 100%. So the central bank who was shocked was also shocked to see our records that we got 100% repayment rate, even though we don't take any collateral.

So going back to the challenge in terms of the savings mobilization which we would like to address because we don't want to waste the license that we are a bank. And we do a lot of quick surveys among our clients and among the general public, because as a bank, we have to open the services not just to our existing clients, but to the general public. So we did several quick surveys that really told us what the clients needed.

Shall I stop in there?

Katie Martin

If you want to talk a bit about the actual behaviors that you weren't seeing that you wanted to see, that would be fantastic.

Dolores Torres

So, it took us a whole lot of savings mobilization and Grameen Foundation helped us in the journey. So we started what the clients wants. We looked at the results of the surveys, and to give you an example how they regard an NGO, turning into a bank is, I don't want to make a deposit in your bank because when I kick your door, your bank is already open. My money is not secured. So they value security. So we have to do something about the facilities. We cannot become a good bank if we retain an office in a small house where our staff sleeps. We have to have security guards, etc. So we have to do like that.

Katie Martin

I am going to stop you there. So just to summarize the three different problems. Lara, you talked about the fact that people were signing up for a mobile banking service.

Lara Gilman

Mobile money service.

Katie Martin

Mobile money service, expressing an intention to use that by signing up, but then not actually using it. Yours is a slightly different problem because it was more about retention. So they had joined the pension scheme, had kept their money in it for a long period of time, but then they were making a decision to move it. And in your case, Dori, it was you offered a new savings product, people were actually taking out that savings product, but weren't making regular deposits. Am I right on all of those summaries?

Dolores Torres

Exactly.

Katie Martin

Great. So now what I am going to do is turn over to you guys in the audience. I think what we'd love to hear is a little bit about any problems that you faced around regular usage of products that you've already successfully sold and your experiences of increasing uptake, any thoughts you might have on these particular problems that we heard about, any thoughts on how they could be solved as well. And then we'll circle back at the end and hear about how these guys actually addressed the problems that they faced. So would anybody like to open up the discussion? Okay, gentleman down here. And feel free to ask any additional questions about these particular problems as well if you would like to hear more.

Paul (Audience Participant)

Paul Le Roux from PEP South Africa. There's many ways we can do it, but what we've tried to design because we are what we call an EDLP player, every day another surprise. We offer certain products, financial services products, which is basic products like money transfer, bill payments, all those great things. But what we also try to do is when a customer walks in a store, that EDLP price will apply. However, if that customer does the same thing, and just does a deposit into our account, but do the actual product on the mobile outside of store, there is a discounted or even further reduced price. So by doing a variable pricing methodology, we get the right results.

Other things we also try to do because e-time is so big in South Africa. When a customer walks into a store, and he want to do a deposit into an account, which is a full bank account with mobile access, he doesn't stand at the counter and deposit money into the account. When he wants to do a deposit, he comes and buys what we call a token, and a token is like e-time. So the moment when he bought that token, which is a transaction that takes us about 3-4 seconds, that customer walks outside of the store and deposits that token directly via his mobile. By doing that, we encourage mobile usage, and by reduced pricing on that mobile channel, we encourage the customer to do more products by the mobile 24/7.

Katie Martin

And that obviously makes it very easy for people to take the action. Do you think that's what's resulted in regular usage, or do they have particular prompts to kind of remind them to take that action on a regular basis?

Paul (Audience Participant)

Yes, the front takes apart the different customers, and I'm glad the forum discussed about acquisition and retention. So acquisition as we've explained earlier is to our dynamos, our dynamos need to get the product and to understand them, they will need to use it themselves. And that's why with every new product, we will never launch a product unless our 12,000 dynamos don't have the product themselves, and do comply to all our key metrics. If it doesn't do that, we go back to the drawing board and redesign our product.

I want to get retention again. Our dynamos will go back to our customers and say, "Do you know? If you do that particular transaction outside of store, you don't queue up my toll, you don't have go in the store and wait in that queue. You can go outside of that store and do that transaction 24/7, and as a customer, next time, you don't even have to come into town and pay your taxi fees. You can do that transaction at home. It's more convenient and much more cost effective.

Katie Martin

So this is about simplification and ease of use to promote regular activity to summarize. Okay, anybody else?

Is somebody from MicroEnsure here? There we go. I understand you've got some interesting insights to share.

Ishmael Otchere (Audience Participant)

My name is Ishmael Otchere from Microfin Ghana. I want Dolores to share her experiences in the transition from the NGO to a full bank, because normally if you have bank, the type of application that you have to go through is very very stringent. The central bank will want to look at your governance, will want to look at your internal controls, will want to look at your liquidity, capital adequacy, a whole lot of indicators that you need to meet. How did you manage that? You may also have to talk a little bit about even your question. Because now your pricing is going to increase. As a bank, you need to incur in new costs in terms of additional infrastructures. You need to even get full security. All this are going to add to your costs. How did you manage that?

Dolores Torres

The whole transitioning of the bank, of the work as an NGO to a bank in the formal structure, has also been a meaningful journey for CARD because we're taking the heart NGO into a banking structure, and we have to prove to the central bank in the Philippines that we can become a banker with a heart. So first, we have to lobby why our loans are all unsecured, 100% unsecured. They told us, your loan must be 70% collateralized, and we said, "But our repayment rate is 100%. What do we use the collateral for?" So they looked at our records, they look at how we are getting the 100% repayment rate, and at that time we're following the Grameen Bank scheme of quickly meeting where repayments are coming at the weekly meetings. I brought the examiners there for their own orientation on how a 100% repayment rate, among very poor women, can be achieved. And the examiner was so surprised when he attended a meeting and he saw monies coming in into the middle of the table, voluntarily. It's inserted in the passbook of the clients. And I think that was what the Central Bank needed—an assurance that clients, even without collateral, will pay.

So after that, we had series of sessions and training, orientation, where we trained examiners of the Central Bank. As a result the Central Bank established a microfinance unit in order to assist microfinance oriented banks like our bank. And after that, several circulars have been issued, and they really reform the banking regulations and the banking laws in order to be very supportive to microfinance oriented banks like our

bank. And so other microfinance institutions became positive in becoming a bank also. So some followed, the others are in process.

Katie Martin

So you led the way.

Dolores Torres

Yeah, but you know it was very scary. When the examiner came and said that our loan is substandard, I said, "I can't accept that because we're getting 100% repayment rate every day, so how can that be substandard?"

Katie Martin

I think we will move on because this is slightly away from the subject of regular usage. Maybe we can carry on this conversation over cocktails in an hour or so. But that was fantastic to hear and I think you answered the question really well. So just bring it back a little bit to problems around regular usage and the problems that we've heard here. I think the gentleman up there, over there to my right?

Peter (Audience Participant)

Hi, I'm Peter Gross from MicroEnsure, and insurance is one of the classic kind of cases on problems of usage and customer retention. So essentially if you're poor, you face risk every day, but you're really going to pay your insurance premium once per month. And so the insurer has a very distant relationship with you. And so we've really overcome that in a couple of ways. One is that we have had others pay for insurance. So we work with a lot of telecoms, banks, and other aggregators to provide a business case such that reliable, useful insurance is of an interest to clients who take the product for free. The aggregator pays for it, and so that overcomes the premium payment and client retention problem. So our retention, of course, is 100% because who doesn't want something for free? But then once we give someone the insurance for free, they see that it works, and they see that claims are paid by the thousands.

In Ghana, we have a product with Airtel, has 600,000 clients in six months, and the average claims payment is within 78 minutes. And so that's another element of usage that people see money comes very, very quickly to your phone. Once we then get people on the free products, what happens is they then are able to pay a premium of

the product that they've already seen work for them for free and the premium is paid on a daily basis just one or two cents a day. So now they're actually paying for more of the service, and maybe it's a double your cover product or buy for a family member and so forth and so on. And so the premium retention is a function of the daily payment as opposed to a less frequent monthly payment that people would struggle to make I think. And so that's been overcome that way, and the retention rate is there much better than we would have on a monthly premium.

The third thing we're getting into now is actually where we're more excited which is that insurance only kind of addresses the tip of the iceberg in terms of risk for the poor. They deal with risk in other ways. They deal with risk by educating themselves ahead of time so they don't have to face the risk. So for example, if I get health information now, then I'm better educated about how to deal with health risks before the risk actually affects me. So if I can educate people and give them tips to cope with risks ahead of time, that might help them avoid insurance in the first place.

But the third thing is actually gaming. So yesterday in the opening session, we talked about Pop Tarts being what people kind of choose to buy before emergencies. Well, I love Pop Tarts. Not personally, but that's what people buy, so why do we want to fight that? Why do we? So we have people play games. And so they get on the phone, and when they get to our app, it used to be just kind of an insurance product. Well, now it's got insurance, and tips that you like, and games that are just fun. And all those things circulate and come to the same place in your mind which is risk. And so now we've got people that want to come to the app every single day to have fun, to have some information, to pay their daily premium which is dedicated from the air time. And we find that's a much stronger client retention tool, all dealing with the risks they face whether in insurance or not.

Katie Martin

Thank you very much. We have another contribution down here. We have two actually. So let's go with the gentleman at the front first.

Male (Audience Participant)

Thank you very much. I really appreciate the panelists and I want to ask one question. CARD Bank. You have been changed from NGO to bank, and yet your repayment rate is 100%. I would like to hear as to how you manage risks. I see that our external

problems repeatedly happening in your country, the Philippines. I also appreciate your people to face such unexpected challenges during that even at time of difficulties when external problems very high. Still what you say repayment rate is 100%. I mean, for practitioners, it is better to hear about portfolio risk than repayment rate. Anyway, what did you do, and what supervisor central bankers do at time of difficulties when those catastrophe happened? And what was the behavior of clients and is there anything that affected your portfolio? Thank you.

Dolores Torres

In terms of managing risk and especially at this time of the year when typhoon is really hitting Philippines. There was just one typhoon that left, and another one coming. But in November, there was very, very strong, the strongest typhoon ever recorded in the world hit our branches in Visayas region. I have not mentioned that we have retained the CARD NGO as an institution, and then we have CARD Bank, and we have our own Microinsurance Mutual Benefit Association. So, in terms of mitigating risks for clients or members who are affected by calamities, those major institutions are helping each other. So the claims for the house, the life insurance of the clients affected are given on a 1/3/5 day time. First day, when it happens, claims are being distributed in the field. If not on the third day then maximum on the fifth day. That was also a major change in the landscape of the insurance and how insurance is managed in the Philippines.

So now because of that, the regular usage has been very strong with our 2.5 million clients. We have 10.5 million insured individuals in the Philippines and that comprises more than 30% of the insured Filipinos. Because we really changed how the insurance works, then clients are regularly using it, the services, and are happy and content with the service. But they also repay in trickles during the weekly meetings, like 20 pesos or in US dollar that is less than half a dollar a week they pay. The insured member, but also the husband. With less than half a dollar a week being paid for insurance, we insured the husband as well as the children who are 21 years and below. So it's like a one payment for the entire family. So in terms of calamities, that's how we manage risks, and then of course in terms of other risks, we have other risk mitigating measures.

Katie Martin

So the gentleman further back.

David (Audience Participant)

I'm David Cracknell from MicroSave. I'm sometimes asked by our clients to help them drive more in deposits, both in usage and in value. And I thought I'd share in briefest outline an approach that I've adopted or we've adopted on occasions.

Deposits is about delivering the right product in the right way to the right people. So there's a lot picked in that one sentence. One of the things I start off with is taking a look at how we're delivering our services to our customers. The institutions themselves know already where many of the problems are in their processes, their procedures, the way they do things. So we study how we're doing what we're doing. We spend some time workshopping that. We know then how to improve what we do. That's just one part of the puzzle. Unfortunately, deposits is a many-layered puzzle.

The second thing we do is we take a look at the image of the institution and how the institution is perceived by its customer base, and we take a look at the typical customers that actually use the service. We do some segmentation. You'll find that in many deposit, many microfinance based deposit institutions, 90% of the customers are not doing much in deposits because they don't want their deposits in the institution that gives them loans, because they don't want you to sweep their deposits to repay their loans. So you've got a whole issue about trust and how you work. But you've also got an issue with who you're doing that work with. And maybe what you should be doing is taking a look at your existing segmentation information and seeing if you can't build the people that actually do value you. So there's a lot of work there in terms of who you're working with as depositors.

Also, you have to look at the sort of emerging area which is how we do what we do in terms of increasing our ability to service our customers through alternative channels. And we've been talking about that over the last few days. And that's really integrating our operations through agency, through mobile, to basically bring our services at a lower cost, closer to our customers.

Now if you put all of those things together, it can make a very big difference. We've helped institutions more than double, triple their deposit base. But it's not just a quick shot one answer thing because you've got to, generally speaking, you've got to work on all of these areas.

Katie Martin

Pretty fantastic. Thank you for sharing that. We have one more comment down here in the middle.

Rogers Nwoke (Audience Participant)

Thank you. My name is Rogers Nwoke, I work with HASAL Microfinance in Nigeria. I just wanted to share our experience when it comes to customer reception and retention that performance measurement and the direction you look at it also has a role to play. And my experience comes from how we describe size, and coming to the Boulder Microfinance in 2012 and interacting with several lenders and funders, we found out that once you introduce yourself, the first question you get asked is how many customers do you have? And you find out that the organization would like to describe themselves from the perspective of how many customers they have. So you get your employees, like the question that was posed at the beginning. People want to describe themselves by the number of customers they have, and not really translating that into number of customers that are doing business or that have been retained. So our experience after the Boulder Microfinance in 2012, had to go back into strategy and said, what exactly is happening to our business? We saw that customer acquisition was growing, but customer dropout was also growing at the same rate, and we had to say, look, the idea is how do you acquire customers, and at the same time retain them into doing this business over and over again?

And then we set up a team that we called "Resurrection Team" and said your responsibility is to restore all the customers. And we started talking to these people and we have about 12 guys whose job is to call every customer who's dropped out to say, "Why are you out of business?" And we found out that 80% said to us, "Well, after the first time, your people never came back to us." And we realized we were concerned in customer acquisition rather than customer retention. And between 2012 and now, we've done a lot of work and we're able to reduce the dropout rate, the dormant accounts from about 55% down to 23% as of June 30. So I think that what you tell your employees about how you want to be seen, about how you want to be described is very important in customer retention. The question is what exactly is the full cost? Is it that you are big, you have two million customers? Or you have 500 customers, but they are doing the business every day? Thank you.

Katie Martin

Fantastic. Thank you very much. We have another couple of people who wanted to comment.

Monique (Audience Participant)

Hi, I'm Monique Cohen and I don't run an MFI, I don't run a financial institution. But I do worry about clients, and I worry about them a lot. And the question that seems that's on the table is how do you go from adoption to usage, because we lose, as we heard from the previous gentleman, a lot of people along the way. And then everybody says, we have to look at their needs and their wants, their preferences, priorities. I agree. But is that all we need to think about?

So if you want a customer to stay, what you really want is loyalty and trust and confidence in both transacting and confidence in the institution. And we tend to forget about these things because if you take the example of digital financial services, we have to remember that for most poor people what we're asking them to do is to leapfrog into the technology era and leapfrog into banking. They don't trust banking and they don't know technology. So we have to have a little patience and a little focus on how to give them the space and the time to experiment and learn by doing, and then they will answer the question for you, what do they need? Because they will figure out where the value of a product lays for you. And it is frequently not where you think it will be. People want digital financial services for very different reasons depending on who they are. But they're not functional. They're not because they're a small holder necessarily or a trader. It's because there's some personal issue that they find value in using them.

So I would like to make the point and encourage the institutions to think a little outside the box, not what works for you, but what will work for the customer so they'll stick around?

Katie Martin

Fantastic, and thank you very much. I think they've all been incredibly interesting insights and some really good suggestions. And I'm now going to hand back to the panelists who are going to go, "Why didn't I think of that?" And they're going to talk about some of the ways they actually did try and overcome the regular usage problems, and then we'll kind of hear a bit about that, and then we'll circle back at the end and talk a bit more about different ways to solve these problems.

So Lara, we'll start with you again.

Lara Gilman

And thank you, this has actually been great. I wish that you guys were around at all times whenever I needed you. So going back to what we were facing, we had an operator who to some extent started to give up and started to say our market is just not going to work. We can register, really good at that; activating not so much. So we decided to get on a plane armed with all of our tactical solutions and things that we can test and research, we can run. And we got there, and the numbers had started to pick up. We're like, what happened? Oh, we got a new CEO. What? Yeah, our new CEO actually came in and said, "Excuse me, this business is really important and in fact, you guys are under-resourced and you don't have a clear strategy, and why is no one actually using this service internally? Because we're the ambassadors. So I want a culture change."

And that's what happened. And then, lots more tactical solutions followed that. There was an engagement process with customers who had balances and forgotten their pin to actually reach out and call them and understand what's going on. There was more research done around, is our value proposition right? Are we pitching ourselves to the right market? All of that happened. But most importantly to get to that starting line, someone from senior management said, "I care." And I think that now what I see when I engage an operator is that I'm sure it's the same across the industry and anywhere you look, but if I see an operator who's like, "Yeah, I've got a problem and I don't feel like I got support from senior management," I said, "Well, then that's your problem." If you don't feel like you have commitment behind you from the top down, if you don't feel like there's actually a vision, you know, like we heard from Pep and from Nigeria that you've got dynamos and what did you call them? Resurrection Teams and it shows internally that there's a language of enthusiasm and commitment. Then, you've got a long road ahead of you. So for that particular problem, the solution was really started internally.

Katie Martin

So started internally, but then translated into this tactical approach that involved customers, a greater understanding. But it was really driven from the center. Great. So do you want to talk a bit more about now and I think it relates really well to the sort of different segmentation and understanding the people that you're working with.

Zung Nguyen

I completely agree with some of the opinions I've been hearing in the audience about understanding what drives different people's needs and how do you build that sort of loyalty and trust? So the way we approach things is we took the problem one step up. Instead of looking at pension funds, the problem that we dug into was aging and old age. Because if a retirement fund is to prepare people for aging and that moment where you don't work anymore, to really understand what people want from a pension fund, you have to understand how they view aging and becoming elderly, and also how our client viewed aging and elderly.

So, kind of talking to our client, we realized that they had three major assumptions about what pension funds meant and what getting old meant to people. So the first assumption that they had was that people don't really care about pension funds that much. It's sort of something that's good to have, but it's not something that people want to discuss or talk about. And the reason for this is because in the past they had tried a lot of high-touch engagements, so they would have people call up customers who had just signed up for pension funds. And people would be like, "Oh, we don't want to talk to you. I don't have time" like this isn't important, right? So they thought that it wasn't important, and therefore had designed a much more low-touch communication. Secondly, they envisioned that retirement was about giving people freedom. It was that you've worked 9 to 5, 9 to 8 for 30 years, and now is the chance that you don't have to work anymore. You don't have to put money into your pension fund anymore, and in fact, your pension fund gives money to you, and you can do anything you want. You can go on the beach, you can travel the world, you can really spend time with your grandchildren. And that was really the way that they had structured the messaging. So congratulations, are you looking forward to receiving this, right? The third assumption that they had was that people thought about retirement and pension planning in a rational way, so that they looked across the market, that they were comparing interest rates, and that most of the decisions were largely financial ones.

Therefore the types of communication that we're given were very scientific, data-driven, lots of graphs, lots of comparison of this chart, that chart, this fund, that fund. So what we did is we, from kind of the quantitative data they gave us, having identified the dropouts were happening the decade before people were retiring. What we did was then went out and spent a lot of time with people who had pension funds aged 40 to up to 75 to understand how they view retirement, how they view aging, what were their day-to-day concerns, what were their concerns with saving? What we found out was

that our clients' assumptions were perfectly true for clients who were younger. So for people, the segment that we would call savers, so people who were 40 to 50, who were still in kind of the busy part of their life, who were still struggling to make a family and raise their kids and pay off loans on their mortgages and college, these were people that really didn't … I would be in this segment right now. I really don't want to care that much about my pension fund. I know I have one, and that's enough for me right now. If you call me, I don't want to talk about it, and that's the least of my concerns because there are so many things in front of you.

What we found out actually then was that as people approached 55, and the older and older they get, retirement and aging becomes something a lot less abstract and much more visceral. You start to feel it in your body. There's a lot of signs and physical signs that are reminding people that, hey, I'm aging. There's a lot of things in their daily life that their kids have moved out and that's no longer a source of stress and pressure. And they've reached the peak of their career and there's not really a lot of chance to advance anymore. And so all this mind and space then, they start to think then what is the next step? What do I do after? And what we found out was that to them retirement wasn't freedom, wasn't seen as freedom. It was kind of seen as this thing that caused a lot of anxiety. It was a feeling of loss of control. It was all this blank space and how do I fill it.

So I remember one of the people that we met, he had been a car mechanic for many years and had approached retirement. And instead of spending those eight hours a day not having to be in the garage doing whatever he wants, he sort of recreated for himself the structure that he had existed before. So he would get up at the same time, leave the house at 8, and go to the park or whatever. But keep himself busy, and then still go home at 5. And some sort of trying to maintain that normality.

From there, we found that there were three ways what people needed and viewed from pension funds. First of all that when you approach the age of 55 and above, it becomes something that's of high interest. People care about it. The second one is that it's not about freedom. It's about getting control, it's about planning, it's about knowing your options. And lastly is that they don't want rational choice. In fact, it's a very emotional decision, and what they need at this stage is a lot of help and coaching and guidance and someone to sort of be on the journey with them, and sort of talk them through this very complicated and emotional process.

So from those three insights, we sort of redeveloped a new engagement model. Would you like me to go into that?

Katie Martin

Yeah, I think briefly. That would be great.

Zung Nguyen

So briefly go into that. And a lot of what we did then was about kind of shuffling the resources. So following the last panel discussion we had about high-touch, low-touch, where to put high-touch, where to put low-touch. What they had originally been doing was putting a lot of high-touch into acquisition. And what we said was no, actually, there you can have a relatively, obviously still communicate that and provide funding options for people. But a lot of the high-touch needs to come starting from 55 when people are nearing retirement.

What we designed was a three step meeting where first you give people the overview of what's going to happen to you in ten years, and then go through the concrete options with them, and then lay out their retirement payment plan. And all this happens much closer to retirement than beginning when you're 25 and you really don't want to hear about this.

Second is change the way to communicate with people. Earlier I talked about how a lot of their clients were a lot better at convincing customers to consolidate funds into their account, and our client was not very good. And so it's not possible to always consolidate all the funds into one account because there's some that have regulator issues, some that have government funds for example that have a much higher interest rate that you won't be able to compete with. What we designed for our client was kind of a communication model. We designed a back end tool for them to analyze which of clients' funds should and could be transferred to ours. And also designed a communication model that had like a red light signal. So if this fund is red light, that means that you shouldn't transfer it. If it's green light, it means that you should definitely transfer to ours because this is the benefits. And if it's yellow, then we can debate about it.

Also, hired a lot of new coaching staff to help walk our client through this process. So really, like you said, not just give them scientific information or data, but truly become a

coach or someone that can walk them through this complicated process and help them plan for the future and provide guidance and counseling.

Katie Martin

I think that's fantastic. I think again to kind of summarize, what you did was you went in there. You removed the assumptions or questioned the assumptions that they had been making about their customers. Looked again to get a greater understanding. Looked at how different types, the different segments of the customer thought in different ways, and this was particularly pertinent because it's such an emotional decision, and such a big decision for people, such a big part of people's lives which obviously is very specific to this particular context. But I think is applicable in any situation. People invest a little thought and energy and emotion in managing their finances. So that was a great example.

Dori, do you want to talk a bit about your solutions in the Philippines?

Dolores Torres

I already mentioned that we had a savings mobilization initiative with the Grameen Foundation. And the first findings that we had is that the loan officer is not effective in mobilizing savings. So during the partnership with Grameen Foundation, we hired a savings officer and customer savings officer who were trained to become the savings mobilizer of the bank. And through the partnership, Grameen Foundation brought experts who would help us in improving on other areas, and really increasing deposits and increasing depositors.

Part of the engagement resulted in having a viability model for a savings officer. So we had that, and then we developed a new training module for the savings officers, and we're implementing that now. They also brought other experts like ideas42 and they taught us how to use RCT, random control trial, which we readily pilot tested in three branches. And during that trial, we improved on the savings forms, and I think the very important input there is the depositors who would sign up for a deposit would state the purpose of why she would like to save. And I think that was a commitment that they signed, and they are reminded voluntarily, but part of that is we send SMS to remind them of the commitment that they had. Then we also improved on the motivation to save during the trial. The result was if we compared the control group with the other branches, the savings activity is higher in the branches where we implemented RCT.

Generally, the savings activity is about 40%, but in the trial group it's more than 55%. The average savings is also higher, and the number of new depositors is also higher in the pilot branches. So we are encouraged by it, and we would like to roll it out in some more branches in order to test, especially considering we operate in different regions. So we'd like to test that also.

Also part of the trial is the use of a savings calendar where clients are given a calendar and they track their savings. So those things we learned in order to observe a change in behavior in deposits and savings mobilization. And we're seeing some changes in the behavior of the depositors.

Katie Martin

Thank you very much. Again to summarize, a couple of different approaches there. One is retraining your agents, and another is the work that we helped you with to change the forms that people used when they signed up for accounts to set goals, and then give them some reminders through a calendar that makes their savings goals very salient and some SMS messages. So a number of different approaches there with some very encouraging results which is fantastic to hear.

So just wanted to bring it back now to move on to a behavioral angle, some of the work that we do which kind of fits nicely. A lot of the things that we've heard about today, some of them are very much structural, some of them are more about kind of audience segmentation or client segmentation. But many of the things we heard about like making it easier for people to make regular deposits, or in your case, reminders, actually comes back to the work that we do at ideas42 which is understanding people's behavior in the real world.

I kind of touched on it in the beginning, the fact that we can all have these intentions and not necessarily follow through on them. And if we can't do it, how can we expect our clients to. But there were some really, really simple devices that can actually be used that aren't necessarily intensive. They're not high-touch; they're very low-touch. They're often just tweaking existing things, like changing forms that you already use, that can actually have a significant difference. But the absolute key here I think to the work that we do is understanding the context, understanding the lives of the people that we are seeking to influence and the behavior that we're seeking to change, and then making tweaks and changes to take that into account. And we will always test things to check whether or not that works. But it's really interesting to hear how so many of the

solutions do kind of talk to behavioral economics and an understanding of the realities of human behavior, like you talked about. People are not necessarily rational when they're thinking about their finances. They sometimes make decisions that aren't in their own best interests, and how do we help them make better decisions and it's a fascinating area and one that's hugely relevant I think to this space.

I think we've heard quite a lot about particular problems in different areas. We've heard a lot about solutions. We have a bit of time left, and I'd just like to open again to the floor just to see if anyone has any kind of further thoughts, any further input, suggestions, questions that they would it to ask?

Female (Audience Participant)

My question is to Dori. We have heard all the success stories, the wonderful way you have done what you set out to do, turn an NGO into a bank and this a big success story. But what were the hitches that you were met with? I would think management would be one because in transition from the informal banking to formal banking, what have you done with the employees, how did they react to it? So there would be one issue here. And then the second thing was, now that you're operating as a bank, what are some of the problems that you're facing?

Dolores Torres

In terms of training the management, before we opened the bank we sent our staff to an exposure or a hands-on training with a commercial bank because we thought we were putting the microfinance operations inside the banking structure and we must understand how to run a regular banking institution, and then put microfinance in there. So we immersed into a commercial bank, and a rural bank as well in order to learn the rigorous banking processes. And then we strategize a lot on how the microfinance scheme will be put into the banking structure without destroying anything, especially our relationship with the clients, our connections with the members, with the clients. So we protected that in every move and in every step that we made.

In terms of the second, the problems that we face. Of course, regulation. There are many regulatory or many regulations that does not fit microfinance. So a lot of lobbying has to happen and we have to be bold enough in lobbying with our Bangko Sentral (Central Bank) initially. Because initially they treat us as a regular bank, so we told them no, please, we are a microfinance oriented bank. We don't ask collateral, but the

repayment rate is very high. So that's the beginning of changing the mindset also of the examiners especially because they're the front line of the Bangko Sentral. So we did a lot of voluntary training with the Bangko Sentral, and we were assisted by the other microfinance institutions in the Philippines because we have a coalition then at that time, and we were assisted by them in terms of orienting the Bangko Sentral.

Another is on the discipline of the staff because as an NGO—or the scales and the discipline of the staff. For example, if in the center meeting we can address a woman with Aleng [foreign language term]. Aleng is respect for a rural woman. But we realize that in a counter of a formal bank we cannot do that because the bank is open to the general public, and if they see, for example, a teacher addressed with Aleng, sometimes it turns them off. So we have to adjust also, and a lot of positive improvements have happened. Our staff became more professional in terms of dealing with clients, and even though they are posing for loans, they also become promoter of the savings products at the same time.

Katie Martin

Thank you very much. Question right at the front here.

Ann Miles (Audience Participant)

This is a question for Lara. I'm really interested, and let's put M-Pesa aside and maybe even M-Shwari in the Kenya market. But I'm interested in understanding better. In the mobile network operators who are introducing mobile banking, where has usage been most effective? So beyond uptake. And in your view, for what reasons? So that's a very kind of general. Perhaps more specifically in Sub-Saharan Africa?

Katie Martin

Just to clarify, you mean usage rather than sort of registration?

Ann Miles (Audience Participant)

No, I mean, so just uptake, but continued effective usage along mobile banking services. So really what Mobile Money for the Unbanked is seeking to address. But I'm interested in the cases where it's actually working beyond M-Pesa.

Lara Gilman

There's a lot of them. They're growing within and outside of Sub-Saharan Africa, we've got 13 services that have more than a million customers, and we've got I think next year, as of last year and next year, we're seeing more and more cross that line. We don't have the number yet but we will very soon.

It's interesting. So I think the keys for success, the ones that are consistently successful do a couple of things. As I say, the first is starting at home. We talk about client-centricity. But the first thing to do is care about your client, which means that you're going to put resources to understand what they want, what they need, and what products work. And so that's honestly one of the things across everyone that is gaining traction, everyone that is seeing success in any kind of way or momentum. It starts there. It starts that actually things, even internally, like a lot of the salaries of some organizations were paid by the mobile money, which generates internal enthusiasm about what this product is, and is explaining an importance to it. So that's what happens internally.

The other part is a real slick understanding of what the customer experience is. So operators in some ways are quite constrained as to what channels they can use. They really have USSD and they have an STK which are just the two interfaces that they can play with. So they can't do lots and lots of product design, iterations and how does it feel, I'm going to prototype. They're really constrained. Which means everything else has to be slick. The agent has to be slick. The value proposition has to be slick. The customer segmentation has to be slick. And so what we say is that, okay, so look at those three areas. What's your value proposition? Is the segment interesting enough? Can you speak to them, and do they trust you even as an operator? If they can, great. Then that's 10% of your work done.

The other 90% is going to be you making an operation that allows you to build on that momentum. So I think the value proposition and the technology are the enablers, and then the rest of their emphasis is really spent on how do I make my agents match that expectation; how do I make my back office answer their questions, meet their needs, create their accounts so that every moment the customer interacts with the service that trust is gradually being built, and then they want to tell their friends. And so it's really where the network effect kicks in. To be honest, that's where we see a lot of diversity. So some operators sort of say, oh, it happens organically, and we kick back and they tell all their friends, they make their calls, and we watch it happen. Others play with

loyalty programs or incentive programs or incentive models for customers or agents and they find that that triggers it more.

So that is actually something where I don't feel comfortable saying there is best practice to drive those network effects, but there's a lot of triggers along the way that operators are testing and trying. And that will vary according to market context. But yeah, the operational slickness and the value proposition are kind of really core. Does that …?

Ann Miles (Audience Participant)

It does.

Lara Gilman

Starts to.

Ann Miles (Audience Participant)

It starts, and it's great. But just a quick follow-up question. How many in the next five years do you think, beyond the 13, so just your best guess?

Lara Gilman

That's a big question. Can I take off my microphone?

Katie Martin

There will be a different answer later.

Lara Gilman

Can no one tweet this? You know what I'm going to do? I'm going to let Strive answer this for me. I think 75% of Africa will be accessing banking via a mobile account at some point in the future. That's what I want to see because that's where we are with mobile penetration. Anybody who has a mobile phone should be able to have access to an account. I would love to see that. So if I'm going to put it more pragmatically in the short term, I am seeing on the ground an increasing momentum. So two years ago when I joined MMU a lot of the work we did was really on foundational issues—how do I

set up a master agent model, how do I manage my liquidity, how do I do this customer research. Now, those questions are fewer and far between, and it's a lot more like, how do I think about partnerships, how do I think about strategy going forward. And for me that's a really good indicator that we're no longer focused on the foundational issues quite as much as we used to be. Liquidity management is slicker, the agents are slicker, the marketing is slicker, the BTL strategies are slicker. So I think that we will start to see almost like a … the knowledge is meaning, but the learning curve now more operators are getting to the top of it.

Katie Martin

And the slickness translates into a better service for the customers, an understanding. Great so who else would like to comment or have a question? Got one down at the front here.

Pina D'Intino (Audience Participant)

So listening to you ladies, each of you presented a different problem that you resolved. I'm curious to know whether it's a challenge or whether it's an outcome, what is the one thing that surprised you most?

Katie Martin

So what's the one thing that surprised you most? Great question. And I assume you mean the one thing that surprised them in terms of solutions that worked that they didn't expect to work, or solutions that didn't work that they expected to? Is that what you meant? Fantastic. Who wants to jump in?

Zung Nguyen

I think the one thing that surprised me the most in this project, and usually a lot of projects, is often how simple the solution is. I've been hearing a lot about Dori, your experiences, and Lara your experiences when you're doing something new in a new market and setting up either a new startup or a new NGO. In that context, of course, it makes a lot of sense. Basically what I'm hearing is try everything. You try on the client side, you try to motivate people better, you try to make sure that they know better, you try to make sure that they're updated. You try to make sure that your staff is aware, that your staff is motivated, and you try to cut costs. You try to do everything. And obviously a combination of those things will work. What happens when the market

becomes a bit more mature, maybe when we're having these conversations in five years in mobile money. It's that when you have tried everything, and it seems like one thing is still not working, how do you isolate the problem? And that I think is the problem our client is facing.

They're experts, they've been in pension funds for so long, and they think that they know the product and the customer so well, and how simple it is that when we went back to the very original, that their staff and their client, what they thought about pension funds, their assumptions about people, their assumptions about aging were wrong and were misguided. And when that mindset shift has changed, and it really allows for a clear value proposition for the organization, a clear direction, how clear the solutions can be. So I didn't get to say earlier, but based on those types of things that we presented, the pension fund has piloted two of our programs. So the focus on helping customers pool together all their funds and focusing on the planning, and that has led to almost a 70-80% drop in dropout rates. So that was the most surprising to me.

Dolores Torres

Because I work with the very poor and rural women in the Philippines, I was always surprised, every day of my life, I was surprised at their ingenuity, their skills, their talent. They're very hard-working. I am always surprised by the outcome of the work that the women are doing every day of their life. For example, a very destitute woman would come and join our bank. Initially we will teach her how to make candies using 5 kilos of sugar every day. Now, the woman is making candies out of 75 sacks of sugar every day. She has a candy factory, but she was destitute. So I think that really is a big, big surprise for a worker like me.

Lara Gilman

I think my surprise is actually going to go, one of the things that's taken me back and been surprising to me in the last 12 months, is actually more at the industry level in seeing the number of turnaround stories that we're seeing amongst operators. And I think it speaks to the fact that even if you haven't figured it out yet, it doesn't mean that you're not close, or that it won't work in future. And so I think that applies across industries that there's an element of iteration that needs to happen, an element of learning that needs to happen. But it's not doomed, and as soon as you do hit something that resonates with that customer, and deliver it in a way that's reliable and responsible, then it does take off and it works.

Katie Martin

Thank you. Anybody else? Any other questions? So with that, I think we're going to wrap up. Thank you very much indeed for your insights today and for staying with us.

Just want to come back to what we talked about in the beginning. You voted on the different challenges that can be faced in increasing regular usage, and I think that we've shown that, or what we've heard is that actually they will pose problems, but they're challenges that can be overcome. So we can have a better understanding of our clients that can lead to regular usage which was the problem that most of you identified as being the biggest one. But also, we can see that organizational priorities can shift which can result in more regular usage. And you know, I think it just speaks to the fact that this is something that we need to put a lot of attention on, we need to focus on usage. Obviously there's been a lot of talk about uptake. Usage is absolutely essential.

There's no one answer to the question of how to increase usage. There are a number of different solutions, and one of the absolutely crucial things is understanding your customers and then testing and learning, as Lara said, and we've heard a lot. It's iterating, it's seeing some things do work and some things don't work, let's build on this, let's build on understanding, and move on from there. And I'm sure that some of the things that we've heard and shared here in the room today will be incredibly useful for us as we go back and try and increase usage in our own kind of contexts. Mine will be going to the gym more often.

So with that, I would like to say a very big thanks to the panelists for spending their time and sharing their insights with us. And thank you for you guys, and have a great evening. (Applause)

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