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

Day 1 ~ July 16, 2014

The Client Journey "Engage" Phase

Roger Morier ~ Emcee

Let's move on to the next session now. This is where we get into the Client Journey. This is the "Engage" phase of that part of the journey. We know that customer engagement is a process and it's based on iteration after iteration and that those iterations are based on client interactions with the company's brand or with its product. And customer engagement means understanding the rationale, the behavior, the emotional elements that drive the decision making in a specific context.

So our next session will be featuring panelists who have very different approaches to how to gain that understanding. That understanding of poor families and their financial transactions sometimes is a very nuanced understanding. How do they do it? We have a very good moderator with us, Tillman Bruett. Till Bruett is the Program Manager for Mobile Money for the Poor at UNCDF. He leads that initiative. It's trying to make mobile and branchless financial services available to low income and rural households in the least developed countries. Till has more than 20 years of experience in commercial banking and microfinance, financial inclusion. So Till, over to you.

Tillman Bruett ~ UNCDF

Thanks, Roger. So I was going to say, I didn't have gray hair when I started doing financial inclusion, but it has been 20 years, so fair enough. So for my colleagues who are not from Europe, I just wanted to give you a little advice before we continue with the rest of this Symposium, and that is back away from the espresso bar. It's much, much stronger than you think if you wish to sleep for the rest of the week.

So before I introduce our very caffeinated panel today, what I wanted to do was to set the stage a little bit about the Customer Journey. A lot of us have been to several events recently, and lots of discussions around the customer journey, and everybody agrees that it's important. Everyone agrees that we need to be more customer-centric.

But it's just not that easy. It's hard practically to do this. There's a reason why 20 years ago when we were doing microfinance, we were trying to systematize everything possible, and make it just like widgets because it was very easy to manage the volume that we needed. And then we also found a way in doing that to commercialize it and find a way to also make it sustainable. That was a huge emphasis. So now we're kind of back to where microfinance started in the first place which was designing something around customers. What's changed is that we have so many more tools now to understand the customers than we did then, and that's what we'd like to explore today in this panel is the range of tools that we have, but also have a really practical conversation about what they are, what they can do for you, what they can't do for you, and where you start to use them.

We have in-house data that many of your institutions have access to. We've also got some great public goods out there like FinScope, Financial Diaries, the Financial Inclusion Insights that are also being done now. There's a lot of great public data to be mined. And then also we have experiential data, so going out and interacting more with clients, learning more about their stories and their journeys. So what we'd like to do is touch on all of those, as well as touch on big data, which of course is the new big thing. And to do that, we have a super panel. Very excited to have you all here.

First, we have Daryl Collins, now Director at Bankable Frontier Associates. Daryl leads the research efforts of Bankable Frontier Associates with a specialization in demand-side dynamics of development finance. She was the principal investigator of Financial Diaries, a 2003-2004 field study based at the University of Cape Town, South Africa, and is co-author of the bestselling book, *Portfolios of the Poor*. And I told Daryl today, if I had to give her five cents for every time I referred to, used, quoted, or thought about *Portfolios of the Poor,* she would have a nice Italian villa right now. She later joined the finance faculty at University of Cape Town where she began her research on financial behaviors for the poor.

Also with us, Olivia White. She's an Associate Partner at McKinsey & Company based in San Francisco and she's a core member of the Firm's Risk Management and Service Operations practice. She has extensive experience serving a broad range of financial institutions and social sector clients. Her areas of focus in risk management include operational risk, enterprise risk management, risk appetite, stress testing, organizational design, and she has significant experience in helping to design and lead

transformational change initiatives. Prior to McKinsey & Company Olivia was a Pappalardo Fellow in Physics at MIT.

And last, but certainly not least, we have Marco de Natale, Chief Financial Officer with FINCA Azerbaijan. And Marco is responsible for all financial operations, and prior to joining FINCA he worked for ten years in different investment banks, and also as a regional manager for Blue Orchard Finance in Geneva.

So we have a really great panel. And through this, we'd like to talk about our journey through how we engage with customers using both data and interpersonal approaches. So with that, Daryl, you have the unenviable task of giving us the lay of the land. But in part, you've earned it because you helped create what exists today in terms of public goods. So it's good to have you here to discuss it. But I wonder if you could start by giving us an overview of some of the common tools that are out there and available.

Daryl Collins ~ Bankable Frontier Associates

Great. So let's take you on a little tour if you will of the different ways to understand your clients better. And the way I want to frame that introduction is to almost think about it along two axes: The first in terms of investment, so low investment to high investment; and then the other in terms of the how specific the problem is that you want to resolve because sometimes you just want to know about your clients, and sometimes you really need to know something very specific. We would encourage more of a journey up that axis to really think about the business problem that you're trying to understand clients for. You'll get a much better bang for your buck, and I think you're going to hear that reiterated throughout this panel discussion.

But if we first think about the very low investment, you just want to understand your clients, I think there's nothing wrong with research by walking around. It's a method employed constantly by a bank called Capitec in South Africa. They didn't really pay a lot of attention to FinScope or any of the other data sources that they could have had. What they really felt really gave them the best sense of their clients was research by walking around, talking to clients. Likewise, Equity Bank tends to recruit its research people from its branches. So they want people in the corporate office who really understand and have been among the clients. So that would be sort of a very low investment for a non-specific type of research tool.

And then as you get into further investments, you might start to have focus groups and ultimately surveys. Or, you might start to tag some of what Till calls the public goods out there—so FinScope, Findex—to help you try to describe your client base or try to begin to segment your client base. Fairly low level, if you want to get started, I think that's a good place to get started. As you have a better and better sense of what you want to use this data for, and we move out the investment curve, Financial Diaries is sitting right out there. They're pretty expensive. And having run them and worked on those costings, we have yet to see a financial institution actually run their own Financial Diaries. Maybe it's something we should enable more. But you have to ask the question, what do you learn from Financial Diaries? And the Financial Diaries that *Portfolios of the Poor* were based on was not a household writing down their cash flows, and doing a self report. It was researchers visiting the household every other week for a year keeping daily cash flows.

So there's two challenges with institutions actually implementing that type of research themselves. The first is that if you have a loan officer, and somebody from your institution doing these interviews, the household will definitely be much more conservative about what they'll tell you. So you need a dedicated resource to do that for a year, and you tend to need about six people to do a decent sized sample. So the investment as you can imagine is worth six salaries for a year. That's a pretty substantial investment. But secondly, you really need to understand what are you going to get out of these?

And what Financial Diaries really give an institution are the gaps in the market, the gaps in their client's portfolio. So what is it that no other financial service is providing to those clients, and what are the products that you could provide better than they're getting from, say, the informal sector? How could you provide a competing product that you think is actually going to beat out their next best alternative?

If you think about that, a great deal of what you're looking for then is launching a new channel or launching a new product. And unless you're really going to be gearing up and launching a whole bunch of new products or a whole new way of doing business with your clients, Financial Diaries is not going to be your best bet. It's probably going to be a lot of investment, as Mark said, what was it? It's going to be an expensive way of having fun.

So, we want to reiterate that a couple of times. We want to stay away from the expensive way of having fun. If we can move up the investment curve, and more specifically into using data for a particular purpose, Olivia's going to tell you quite a bit about big data analysis. Now, this is the type of thing BFA has actually done a bit with some of the financial institutions that we've worked with. What we've taken is big transaction and balance, chunks of data, just a wall of data coming from the institutions. And we usually use that for segmentation purposes. We try to track the behavior, then necessarily the demographic. So it moves you away from that demographic and closer to the behavior just as Leslie has pointed out this morning. Olivia is going to be talking quite a bit more about big data, so I'm going to stop there on that topic.

And then, if you move further up the very specific way of doing research with your clients, I think the human-centered design is a significant investment, but you really need to use it for very specific purposes. Now, Leslie spoke this morning about different products. But we've actually used human-centered design at BFA to help a bank in South Africa know how to drive their clients to their new agent banking channel. They had opened up all these agent banking channels, nobody was using them, they needed to figure out why. That was a nice, specific question that we could use human-centered design to try to give them some answers.

Now, human-centered design you're going to be hearing quite a bit more [about]. Leslie talked about it this morning and gave you a glimpse, and then there's going to be a workshop either this afternoon or tomorrow. But human-centered design is sort of a good way of taking a whole package of observational tools. Most of the tools we use to understand our clients is voice. We talk with them. But human-centered design tries to expand that level of observation, and we do a lot of just watching and noticing. And we also interplay a certain amount of interaction. So this idea of prototyping, and ideation, and iteration, and then prototyping again—that is all part of human-centered design.

But let me just end this little tour of different research methodologies with this specific takeaway. As someone who has focused mostly on understanding how the poor manage their financial lives, I found nothing quite as satisfying as being able to work with a binding constraint of a business problem. When we were doing Financial Diaries or writing *Portfolios of the Poor*, it was fun. It was interesting. But you know, you can just simply describe the financial lives of the poor until the cows come home. It's very, very interesting and fun. But you don't really get to brass tacks with that methodology and any of the other methodologies I spoke about until you have the binding constraint

of a business problem. That's when it gets interesting, and that's when you can really start to see these methodologies pay off.

So let me stop there, and hand it back to Till. (Applause).

Tillman Bruett

Thanks, Daryl. So we're going to hold questions until the end just to allow, to get the three different approaches out there, except for me. I get to ask questions, and so do you all. And my question is, so this was a great staged approach, the walk-around, FinScope, in-house, Financial Diaries, big data, human-centered design. So already we're starting to see some answer to the question of where can I start. But to put the theory to a test a little bit, here's my problem. I'm a small financial institution. I'm trying to raise more deposits. I definitely have need. I have FinScope data that tells me a lot about what's going on in the areas where I work and maybe there's also some household surveys based on small holders. When I look at that, where do I start? Do I look at it with an open mind? Do I look at it with a specific problem in mind and try to pick out the data that's going to be useful to me? How do I actually use this public data in a way that I can get something out of it and put me on a path to solving my problem?

Daryl Collins

I would err more towards having the specific problem in mind. And that's a place where you start to combine these methodologies. Part of big use of, or an important use of public data is telling you where to start. Where do I start thinking about this problem? And then what I think could be interesting in that particular problem which we come up against all the time is looking at one's own data, and saying, well, who in my portfolio does actually do a lot of the depositing, who definitely doesn't, and what are the different behaviors? And that's where I think big data can be incredibly helpful. And then you can use focus groups or one-on-one interviews to then specifically look at those segments and say, why is this group behaving in this way, and this group behaving in that way? So combining these methodologies is really where you gain a lot of traction.

Tillman Bruett

My experience of working with institutions is that they often will read the FinScope or even Financial Diaries work that's been done outside their institution. But they'll read it,

several people will, they'll get some ideas, but then it kind of stops. They don't know where to take it. So, while I know Marco's going to talk about organizational structure, do you have any suggestions on who should be involved in this conversation at the beginning in terms of reviewing these public goods with your problem in mind? Everybody? Where does it usually start within an organization?

Daryl Collins

Well, I think part of the problem, and I think that Marco is going to talk about this quite a bit more, is that if you have just a research department that isn't very well integrated into the business, then you have again an expensive way of having fun. I think that that's going to be the favorite quote of the whole Symposium. Thank you, Mark. And you see a lot of great ideas coming up. You see a lot of great thoughts about clients. And then, do they actually get put into place? That's when you again have that binding constraint. If you are thinking in a vacuum, then you're not necessarily going to be actually resolving anything or seeing something get implemented.

Tillman Bruett

That's great. Thanks. So speaking of data, we've talked about the different stages, but we'd like to touch on one of them right now which is big data. So, big data, a lot of us have read a little bit about it, but I think most of us actually don't understand it all that well. At least I don't. And so what we've asked of Olivia is to give us the lay of the land in big data, but also help us to understand exactly what it is, and how does our data fit into this realm of big data. So with that, I'd like to turn it over to Olivia.

Olivia White ~ McKinsey & Company

So big data, what is this thing? And I'd like to demystify it a little bit first by giving just a kind of common sense way of thinking about it, and then something a little bit more technical, and then talking a little bit about what that actually means in practice. So common sense way of thinking about it is just making sure that you're harnessing the data you have, or you have access to, to best possible advantage. It's easy to get excited about all of the various sources of data that exist in the world and where we're heading technologically. But just making sure that you have a good view of how much of the data that you have that you're actually using, and whether there's other data you might pull in reasonably easily that you could harness. And I have to say we find in

emerging markets as well as in developed markets that the vast majority of institutions don't do anything like take full advantage of what they just have in front of them.

That said, a slightly more technical way of thinking about big data, there are two sorts of axes that are important here. One is to think about structure versus unstructured data. Structured data is this sort of typical data that a bank might have. Account number, customer age, address. Unstructured data is the sort of things that are not so easy to array by various data field, but that you might want to use anyhow. This is stuff like sentiment data, and anybody also who's using social media, for example, or data garnered from the internet is going to be thinking a lot about how to use unstructured data.

So that's one axis. Second axis is just the degree of complexity of the data. Again, customer name, age, account number, account balance. That's simple. More complex is stuff like what's a full transaction period over time? How do your various telephone calls and text messages and other uses of your telecom service string together in a sort of network over time and place? So, when you think about big data and when people talk about big data, they typically mean these sorts of complex webs or networks of data, and often how do you weave in the unstructured data there.

Again, I want to reiterate that even a little bit of that, or none of that at all, when you're using the data that you have in an intelligent way is often already good enough. And quite frankly, when you hear people talk about big data, in fact, they're often just talking about intelligent uses of the more sorts of traditional data that have always existed but have often not been used to really truest and greatest advantage.

So what does all of this mean in practice? Before I say anything more, I just want to reiterate the degree to which I believe fervently exactly what Daryl was saying about the absolute importance of having a business problem. So a sense of what it is that you want to know, and what that means from an economic standpoint. So now you're actually trying to answer a question. And as you use your data to answer a question, you have to realize and just remind yourself that though it's great you've got a lot of it, or you may have a lot of it, it's not going to give you the answer in easy ways. So as Till asked his question, this doesn't obviate the need to go out and just think about how you structure the problem and how to answer it, and then you bring in the data to help you in doing that.

So, when you think about using data, I like to think about three stages of engagement with a customer that data really, really can help with a great deal. So the first is initiating the relationship. Got a marketing side? Who are the right customers to target? How should you target them in ways that will attract them to you? And it's also got, for financial services, a strong and important risk component. How do you know that you're attracting the people that are the risks that you're financially capable of taking?

Second component is how you manage customers or interact with them and build your relationship during the phase in which they interact with you? So how do you move from single use to usage? And how do you do this in a way that potentially expands the product set that customers use? And how do you do it in a way that retains the sort of risk profile that you want to retain?

And then finally, what do you do if something goes wrong? So in credit, this means how do you collect or how do you loss mitigate as people say? In insurance it means what happens when a claim is filed or you see that a claim should be filed? But what happens when the customer is upset? Or you see declining usage? How do you respond to that?

So, now what kinds of sources of data might you have? Now remember, I said that part of the question that one should ask oneself is of the data that I have, what's the fraction of it that I'm actually using? But beyond that, in the sorts of context that most people here are most used to dealing with, let me just suggest six to consider. The first and most obvious is telecoms; the second is utilities data; the third is data or information that one can get from wholesalers. And this is particularly relevant in a sort of small to medium enterprise context where you can see an awful lot about a business' income and potentially something about its level of trustworthiness through such data.

The fourth is data from retailers. Again, you can see an awful lot if you have point of sale data, for example, about the sorts of things that people buy. That can indicate something. Healthcare products, sim products, something that's just household maintenance related. And you can probably see something about income levels and regularity of income. A fourth source of great data in at least certain countries is government data. So governments collecting a lot of data, but you also have in many, many instances a very good sense of how when people collect their social service payments for example. Governments can be good partners at least in certain circumstances. And then the sixth is the data from financial institutions themselves.

This goes back to the question of are you using all of the data that you have? Do you have reams of paper in drawers somewhere and you're not taking advantage of the data that you might get? Or, are you asking people for the information that would truly be most useful to you? Are there simple changes in your processes or in your forms that would help you get more that's better and can help more?

So those are six real interesting data sources to think about. Now in harnessing them, you first gotta identify the data that you want to use. And part and parcel, very important part and parcel of that is making sure you know what question you're asking. Second is making sure that you can get access to it. So, if you kind of want to go for the full thing, if you want to try and get some large subset of data from these various different six sources that I mentioned, you've got to have partnerships. But even if you're not thinking that broadly, even if you're just saying, "Look, how is it that I want to use my own data?" And maybe talk to some retailers who interact with me also or wholesalers who interact with me also. How are you going to get that access that you need? Then you need to be able to make sure that you're going to be able to generate insight, and do it in a way that's completely consistent with how your business operates. And this will, I think, segue into what you're talking about mostly Marco.

So in terms of being able to get insight, you have to have the right people, you have to be able to have the right systems, and very, very importantly, you have to make sure that people from different parts of your business are talking to one another at the right times in the right ways. So that means issues about the various researchers and how they're integrated, but it also means, do your marketing people talk to your risk people, for example? And that's true even if you've got a small institution. We see going out and talking even to institutions with tens of people. Sometimes you've got people very, very dedicated to one task who aren't really making the connections to others dedicated to tasks that in a big data or in a data-rich world really are very relevant.

I think I'll stop here.

Tillman Bruett

I want to thank you. I feel much smarter now. I appreciate that. I feel like I can have an intelligent conversation over espresso about big data which is good. But I wanted to go back to our example to keep things concrete, which is, okay, I'm trying to mobilize savings from my retail customer base. I am a medium sized financial institution. Let's

build the story a little bit more. I have online banking, mobile, through phones, and I link up with a telecom company. And that online banking also allows people to pay utilities, top up their phone, and do other things that are out reaching to the larger business community. So I've defined my problem. Where is a good first step?

Olivia White

I'm going to give you a good first step. You and big data is what we're talking about, right? Do you have any history of what sorts of customers in the past have been promising depositors? Do you know who you might get in based on the data that you have? Or, do you have indications that maybe some of the data you have will tell you things that you think are good markers for somebody who is likely to come in? Same set of questions for whether you know about how to keep people in once they're there. Or, questions about what are the markers that somebody might start drawing down on in an account so that your deposit base might not be as stable as you would want it to be, and hence, for any given person might not be as stable as you would want it to be, and hence your overall level of deposits might be lower than ideal.

Again, do you have historical data that can tell you what patterns would be? And of course going forward, because presumably this is a question you have to answer today but retain through the future, can you start to monitor various features of these customers that you have, and it will be a pretty simple set because you don't have that much data, but you've got some. Which of these features are actually predictive of people's signing up, so you know in a sort of rich way what segments are helpful. And what pieces of data are predictive of people continuing to use, keeping stable deposits? And can you then appeal to people who have these various markers and help ensure that they stay in and behave in a way that you'd like them to? And then, can you understand why you're not appealing to others who have markers that indicate that they're not going to be as good a deposit base as you'd like them to be?

Tillman Bruett

This is, again, extremely helpful. I'd like to talk a little bit about price though. I'm a manager, and I have to think, well I have a marketing budget, and I have a sales force that are both pretty hefty investments, and that's in my mind where I'm generating my revenue. How much, or I guess what's the convincing argument that I should divert

some of these resources and really focus more on my data? How do I know if there's going to be much of a payback?

Olivia White

Well, the answer with big data, or using your data, is it's going to be expensive, as you say, in the short run. But it's going to be much, much less expensive in the long run, because marginal costs of using it sensibly is near zero. So if you've got the luxury of making a bit of an investment, it's almost certainly a sensible one to make. That said, you do want to make sure you know what your business question is, and you know what the possible payback. Back of the envelope might be from using your data in a sensible way.

Tillman Bruett

And I think both of you have raised really key points and we'll reiterate them now so they're takeaways. One is, know what is your business problem that you want to solve, and then know how you're going to measure how you've solved it, or if you've solved it. So, I think that's really helpful and people often don't think about that. But we also know there's a huge soft side to all of this which is the organization itself. And so we've talked about qualitative, quantitative, and now we're going to go to client interaction and how you really maximize that client interaction, but how you maximize it throughout the entire institution rather than have it too siloed. So with that, I'd like to turn it over to Marco and talk a bit about what FINCA's been doing to get the process going.

Marco de Natale ~ FINCA Azerbaijan

Thank you, Till. I think I am very happy to be able to present the experience of FINCA Pakistan specifically which we feel is probably the most sophisticated of our 22 affiliates globally on client-centered, product development and research. And I will try to touch on some things that did work for them, some lessons learned on the process.

One of the things that was mentioned before is precisely the organizational dimension. Touching the broad topic of how do you go into client-focus, how do you implement it successfully every day, how do you convince your management board and your board of directors to make significant investments into this?

One thing that worked very well for FINCA Pakistan was, again, to make sure that the newly created research department does not operate in a void, in a vacuum. So they don't have like preachers in the desert so to speak. And they did that by having a research unit, a product development unit obviously with a constant dialogue between them. Both of them reporting to the management board member in charge of business banking. In real terms, essentially, what this accomplished was you had the business banking, managing director, let's say, in charge of the marketing portion, in charge of sales, and you had research and product development both accountable to him. And you didn't have one single unit in charge of the whole journey of what information to get, how do we get it, how do we incorporate it into the product. So there was a good specialization and there was a good, I think, organizational structure that we had to pay dividends for them. So that's one aspect I think important to remember.

Another topic that has been touched here is on the costing, of course. Is it worth it? How can you tell if it's a good investment? I think this connects with, how do you generate the buy-in internally? Sure, costing, cost benefit, I think keeping in mind that cost benefit means we need to try to quantify the upside that investing into client-focus will bring you. This means essentially identifying partners in the organization and speaking their language. In this case, as a CFO in my organization, that's also what's happening very much in Azerbaijan, not in Pakistan; I keep sort of challenging the marketing and the operation credit people to quantify, to come up with an estimate, to make an effort to identify an upside. And I think that's the best way to then have a case that you can use to convince your stakeholders, your shareholders, the board.

So not just costing exercise, saying okay, you know, these are the salaries of the people that we plan to hire, or this is the kind of operation expenses that we can ascribe to this investment, but also the benefit side. So, trying to come up with a convincing identification of the potential.

I like that in FINCA Pakistan the fact that they had some creative thinking about how you can be cost effective. For example, they recognize that in Lahore, in Pakistan in Lahore in particular the region where they operate, they have a powerfully good university, a good education system, and you have a lot of departments and graduate students that are very keen to conduct business applied research projects. And so they sort of tapped into that and they were able to conduct a large number of research projects, over 50 research projects over the past 5-6 years. Again, paying of course the students—nobody's advocating for underpaying staff—but you kind of help them to

leverage on their effort. And I think you have maybe, just the last comment on this first topic of quantifying the cost benefits of investing into client focus and implementing it. I think thinking creatively also, about the upside in terms for example, that's something that FINCA Azerbaijan, solving or maybe improving your client retention.

Often we see that a lot of our affiliates have a pretty high dropout rate, and this forces you of course to always look for new clients, for aggressively finding new clients. Whereas, you would have probably much healthier, much solid, much better growth by retaining also the clients that normally live, and doing this kind of research is I think it can help. It can also be very cost effective because you don't need to invest in massive client acquisition campaign. You can just listen to the clients you have and retain them instead of seeing 30% of them leaving.

That was one area that I first wanted to touch. The second area very briefly is on kind of concrete lesson learned on getting the information from the clients which is something of course that has been touched so far. What worked for FINCA Pakistan was for them, they have a very strong belief that in-house is better than outsourcing. So they feel very strongly about it, and they justify it not just in financial terms. They of course, in-house in my situation is cheaper than retaining an external company. But for them, they also felt that when you're … you know, their identified situation like prioritization. So they said, you know, when you're a relatively small organization, in a relatively niche or young and budding market, if you outsource the task to an outsource company, maybe they will not really prioritize your request. They will dedicate more junior staff to your case whereas for us it's a key priority. So we feel we want to invest our best energies into this.

And also they pointed out the fact that, for example, in the individual loan product market in Pakistan is an extremely young one. And so in a way, there are some specific aspects that probably would be lost, even with a company, with an outsource company that is focused on financial services. When you deal with a brand new market, or a brand new market opportunity, they felt that they know more than the available research companies could. So that's one thing where they feel very strongly about.

Something also that has been touched before, it's pretty obvious, but they developed a pretty large number of client collection information. They have different methodologies, focus groups with 12 people going through a very structured questionnaire and methodology that has been developed over the months. They call it rapid acquisition, is

called participatory rapid appraisal, where they leverage more on the communities themselves, to provide the information, probably something similar to Financial Diaries with some facilitators that go on a regular basis, but they leverage a lot also on the work of the communities themselves, one-on-one interviews and something that has been mentioned, and they have been trying to do in Azerbaijan, campaigns. I call it tinkering a little bit with product terms to see the reaction in the market, to have kind of a real life feeling. The broad idea for them is broader toolkit, a broad palette of instruments to collect this information that they can adopt to a different context. More urban, more remote, more rural, and so on.

And a third point, again, that has been mentioned, and I think quite important is on the iterative back and forth loop, the sort of process, and client-centered, product design is. They had some really nice examples. They developed a product on livestock, farming financing, and essentially they went through a first cycle of collecting information from the client. They identified the opportunity. They identified that around the Eid season in Pakistan there is a need for pretty large capital funding to purchase livestock that can be repaid also pretty quickly.

So they said okay, that's the dimension, that's a key dimension that we have from the process. We need to be able to provide larger loans and we can have biweekly repayment schedules and so they went about this. They were comforted by the fact that this was coming from the client. But then they didn't see the growth materialize. So they had another cycle of client information gathering and they found out that a couple of completely unrelated things were hampering the growth. One was a guarantor requirement that for confidentiality or for cultural reason was discouraging a lot of potential clients to take the loan. There was one issue on the repayment schedule. And so they quickly adopted the problem, they reduced the requirement for a guarantor for clients with a good credit history. And as a result of that, the growth really took off. So it's just a simple example to say of course it's something to keep in mind to not sort of launch the rocket and then forget about it. But it's a constant monitoring and, again, iterative process.

The very last thing I'm speaking about, identifying … I'm running out of time. Speaking of collect as an iterative processes about when you identify the … when you want to generate the buy-in, and you identify the upside, again, to track, to keep tracking as much as possible the results that can be ascribed directly to your investment and client focus. It's difficult of course. There's not a magical formula that says you're increasing

and before your clients and profit can be uniquely ascribed to your investments. But my understanding is that it did help a lot in Pakistan to broaden over the months the internal buy-in and alliance because they could show, look, we were growing 7% and we're now growing 35% in products that have been piloted as a result of this. Maybe it's not only us, but it's certainly something to do. So that's it.

Tillman Bruett

As the institution here, you are our guinea pig. But I wanted to get some sense of when you started, the extent to which you started with the data you had and analyzed that, or the extent to which based on your problem you went out and identified the data that you felt you needed?

Marco de Natale

That's a very good point. I would say FINCA Pakistan did start with a more systematic approach of reading the data that they had, and they sort of evolved over that. But they didn't, I think even now my impression is they became very good at analyzing the information that they have and leveraging also on obviously getting information from the field on a regular basis. I would say that has been their experience, and we're trying to go on a similar path in Azerbaijan. We are maybe a little bit more open on external contributions, but I think they've been successful using the other path.

Tillman Bruett

I know there's a lot of interesting experiences both positive and negative that are sitting out here in front of us. And so I'd like to invite some of you, if you'd like to raise your hands if you have a comment or a question, and there are a few other areas we'd to explore, but we'd like to perhaps get your input first. And I see we've got some. All right, so maybe we'll start down here in the orange.

Susan Davis (Audience participant)

I'm Susan Davis with BRAC USA. There was a large company in the US, for example, Walmart that hired a firm to find out what do people buy most when they're preparing for an emergency. And they found out that it wasn't batteries or water or … and these are natural disasters, you know, hurricanes or floods. It wasn't any of the things. It wasn't even toilet paper. It was Pop Tarts.

Tillman Bruett

I was going to go for red wine, but maybe that's just me.

Susan Davis

So the question that I ask, when collecting information about clients, is what do you do with that information? Are you using that to then try to sell more Pop Tarts? Are you trying to reinvent the Pop Tart to make it more nutritious? Are you trying to encourage people to buy Pop Tarts and red wine or toilet paper and batteries?

Tillman Bruett

Breakfast of champions.

Susan Davis

Or, are you exiting and doing something else?

Tillman Bruett

I think it's a very good point. You think you know an answer to a question, or you may even think you know the question, but you may not, and I think that's a key point. But then also, yes exactly, what do you do with that answer? Especially if it's a surprise? So actually I wanted to, I'm going to call somebody out here. But we had someone, Megan from Zoona? Megan? I wonder if, just I've had a chance, I know Zoona a little bit. I wanted to talk about your interactions with clients and how you're using that interaction and the data that you're collecting to improve client experience.

Megan Viljoen (Audience participant)

Hi, so Megan from Zoona. We have a payment platform, and we have an agent network in Zambia. We view our customers, our main customers as our agents. And so in an attempt to become client-centric, we sort of starting off what we view is going to be a quite a long process. But we've held workshops with our agents to understand what the journey is that they have with Zoona before they know that we exist up until the point where they are brand advocates. And doing that with various sectors of our customers, we realize that there's a very generic process that people go through very similar to the customer life cycle that was up on the screen earlier. And then

understanding what their expectations are at each of those points and drilling down into customer journey.

So the first time they hear about us might be through engaging with a sales packet. It might be through word of mouth and looking at what their expectations in each of those individual journeys that they do are. And then, designing to-be journeys so that we can delight the customer. I think that's the words that Leon used earlier. So meet, but exceed their expectations. And then from there, drilling down into what are the type of people that we need? What is the culture that we need in our company? What are the products that we need to meet and exceed those expectations? And what are the operational processes that we need to put in place so that we can support that? Our engagement with customers at this stage has been very much workshop based, but we also try and get out into the field as often as possible between our South African office and our Zambian office, and do as much cross communication between customers and employees.

Tillman Bruett

Thanks. And I wanted to ask you, so if your goal is to delight the clients, how are you measuring delight? How do you know how many are delighted or the extent to which they're delighted using your own description?

Megan Viljoen

It's an interesting question. It's one that I wanted to ask Leon, is how do they measure that? Because I think we need to put metrics in place, we need to put analytics in place. We haven't got there yet. At the moment, it's really customer interviews and asking them how they're perceiving us, and measuring us against their next best alternative. So, I think every time you ask somebody how are we meeting your expectations, unconsciously or consciously they're thinking of what their next best alternative which might be another mobile money wallet, it might be cash, it might be a bank down the road, or the post office. So at the moment, it really is just customer interviews. But going forward, we need to really formalize that with data analytics.

Tillman Bruett

Actually, Olivia, if you'd like, I don't know if you have a statistical viewpoint on delight that you can share.

Olivia White

I do, and I also wanted to add one other item to Susan's list that I hope can continue which is, what is, if we're talking financial services, what is the choice to purchase Pop Tarts rather than toilet paper, for example, tell me about somebody's creditworthiness? So, is there a way that I can take what's on the face of it, an unexpected piece of information or data, and correlate it to the thing that I know that I care about given that I am selling Idamax (sp).

Now, delight. There are actually two things that I have to say about this that are data related. The first is that quite often one thing you might do is say, "Look, I'm going to understand delight by how I talk to customers. I understand what they care about from how I talk to them, and the actual interactions I have with them. But as I do that I'm going to understand what specific measurable things that I do regularly that cause that delight. And then I'm going to design my metrics and my data acquisition and my data analytics around those things that are specifically measurable. And I probably want, not very many of them, but a couple of them that are outcome based, and a couple of them—and this just means top line/bottom line basically—and a couple of them that are operationally based.

So for example, what's the error rate for customers who are using my particular product? Is it small? Is it not? Is it not small? If I know that that's something that's highly correlated to whether they seem to like the product, or delighted by the interaction? And that's a great way to start to move to something that's very, very hard and measurable, but to make sure that it's tied to the softer things that ultimately are going to be the drivers of behavior and that really matter.

Tillman Bruett

The gentleman in the blue shirt over here?

Fernando Neri (Audience participant)

Thank you. My name is Fernando Neri and I am from Bolivia, from Parity-CB. And I have an observation which is you were talking about the value of data and how expensive it is to get. We're working with a project that's related to microfinance and climate change. And we found the most valuable data in bigger, multilateral, bilateral, but also UN institutions like FAO, for instance. And the question is, what is the role of

those institutions to keep that data up to date, or to keep that data valuable? Things I think is going to be the source to which many organizations are going to be plugging in to get all these, because it's very expensive to do it on a one-by-one basis. So it's more a comment, and I want to know what the panel thinks.

Tillman Bruett

Actually Daryl, we were talking about that, which is what should be a public good? What's the role of the funder in all of this? And maybe you could address that. But also the role perhaps in making it accessible, making it usable for people?

Daryl Collins

I think that that's a very key question, is really understanding. I mean, there's a big push to collect a lot of data at the moment, especially in financial services and financial inclusion. But I think part of what we're losing sight of, and I know that CGAP is trying to focus on this a bit more through some of their work, is what's the use case in a lot of the data that's being collected, and that a lot of money is being spent on? What are the different use cases from policymakers and providers and consumers, etcetera. What is this data being used for, and trying to design that data collection around making it as usable as possible?

Which actually, if I can segue, brings me into another question which … I mean, as you were saying, Olivia, your marginal cost of using big data goes down to zero. But there are two stumbling blocks that we've found. The first is that, especially with this financial data, financial data, bank financial data is not kept in a way that you can easily use it for segmentation. I mean, we find that when we get that data, it takes us a good three weeks of one person's full time using Python to repurpose that data, and then we can play with it. So, I feel like that's a huge barrier because the data is kept in a format that you can use for financial reporting which is sort of what you need first and foremost within that institution. How do you actually then try to use it for analytics at the same time? And then the second thing that I thought about when you were talking was, you know, do you then actually bring on to your IT team, someone who is doing analytics all the time? Is that the investment? Or should you invest in a front end that gives you the indicators that you find are particularly useful. Do you want to keep that flexibility and invest in the labor costs? Or, do you want to invest up front in the report so to speak? I don't know if you have views.

Olivia White

I do, and I just appreciate you having brought this up because it's an enormously important issue. You go to the biggest, the most sophisticated banks in the world and their data is really, really tough to use. And then as the question here says, now what if you're trying to integrate data from a variety of different sources? The problem has just expanded vastly in difficulty. But so then to your question, Daryl, I'd actually like to pose that there's a third possibility and I think it's where I lean, which is, do you invest in somebody who thinks about structuring the data in the first place? And it's important that this is actually a different question from what's the IT, what's the technical back end. It's how do you define the data in the relevant ways so you can think about how you would in principle manipulate it. And you've got to know the answer to that before you even worry about what your back end is. So that's where I would actually put my investment first. Do you have a way of actually structuring your data so you can use it?

Tillman Bruett

Yeah, just maybe some practical thoughts on this is that you need to engage with those that are collecting the data to make them aware of what your questions are, because you're right, there are some great public data sources out there, but if they don't know who's using it or what they want to use it for, or what questions it's not answering, it's hard for them to adapt the data collection. And I know in the Pacific they do these household surveys every three to four years, and we found that by engaging with them, we could actually get a lot of financial inclusion questions answered at virtually no cost to us. All it took was us making them aware that we had questions. So I would recommend contacting these groups and letting them know what your questions are so they can take them into consideration. And in the top and the back please.

Anton Simanowitz (Audience participant)

I'm Anton Simanowitz. I want to ask a question or make a comment about Pop Tarts, Financial Diaries, and customer delight. (Laughter).

So I've been working with AMK in Cambodia which is one of probably the most customer-centric organizations I know. When I talked to senior management, one of their statements was, "We will never be a leader in customer service." And this comes down to this real sort of question about, I think, what drives what we're doing? And thinking about wants and thinking about needs? So when AMK says they will not be a

leader in customer service, what they mean is that they will not be the fastest, they will not be the easiest to access, they will not have the highest loan size. They will not delight the customers in just necessarily giving customers what they ask for. But what they do do is they do the detailed research in understanding client livelihoods, understanding the constraints that face people's lives, understanding the opportunities. So one very practical example is they insist on a household visit for the loan appraiser process because they recognize that without the household visit, they were not getting the detail that they needed to ensure that people were getting the right loan for their capacity. And that takes time. So they have a slower service than their competitors, and that is something that they are absolutely 100% committed to. So they will not delight the customer by being the fastest. But in terms of meeting the customer need, avoiding over-indebtedness, ensuring the success of the customer, they are the leader.

So I think there's a real critical question that we need to get here in terms of, what are we trying to do? What is behind all of this? It's not just about delighting the customer.

Tillman Bruett

Thanks for that. Also, I wanted to see if Bart from Musoni, are you here? Sorry, I called you out on the spot. But I wondered if you could share some of your experience because you're a very digital driven institution.

Bart Van Eyk(Audience participant)

Yes. For the people that don't know Musoni, probably a lot of you, we're still a small organization. We are completely cashless and digitized. We do all disbursements and repayments through Mobile Money in Kenya using M-pesa. In terms of gathering data, one of the big advantages that we have is data capturing. We do it through tablet computers. That means that the data is almost real time, and very accurate, and we also capture social data by using PPI, home visits, and what we've started to do about six months ago is also develop our IT. We spun it off in a separate company, and we licensed that to other institutions. That's quite recent, and so far we have ten institutions, asset/finance companies, microfinance institutions in not only Kenya, but also Uganda, Tanzania, Zimbabwe, Swaziland that use the platform that we've been developing ourselves over the past years.

And one of the elements that we're now working on is gathering all that data we get not just from our own institutions, but also the data that we gather through working with

these partners in developing credit scoring mechanisms. That's really what we're working on now. We started doing data analysis on our own data, and we've processed about 1.3 million transactions since the start, so that's a wealth of data. And starting to see, do we see a difference between gender, age group, what sector somebody is active in, and we're only at the beginning of that journey. Often, you get questions like, do you see a reliable credit scoring, completely replacing face-to-face contacts? I don't think so. Maybe for existing clients that need an emergency loan, yes. But I think for new clients, there's always a need for a face-to-face contact.

And I think about putting the clients central, microfinance is in quite a unique position compared to a lot of other businesses because I don't know a lot of other industries where we frequently go out and actually meet our clients. So, we are in a position to ask our clients, you know, what do you think of our service? What do you miss? What are your needs? What are your recommendations? And so that is one of the things, Till, that we're working on, the credit scoring, and is it completely going to replace face-to-face contact? I don't think so. Is it going to reduce the need for face-to-face contacts? I definitely hope so because it will mean another jump in efficiency for the microfinance industry.

Tillman Bruett

Great, thanks, Bart. So we have time for one more question and then we'll wrap up. Right next door.

Frank Nagle (Audience participant)

Thank you very much. My name is Frank Nagle and from Rabobank in the Netherlands and I want to make two brief comments. First of all, I like the stories and appreciate the stories. Secondly, sometimes I get the feeling that we look at financial institutions as coming from outer space. I mean, like the operative markets that are alien to them, which is not true, or shouldn't be true because these organizations are made up of people from flesh and blood, coming from the areas, from the local societies that also their customers operate in. And that is something that you should put to use, and this can be done on a very technical level. But it can also be done on an institutional level. And I would like to make two suggestions that I think are very promising.

First of all, I think it would be very wise for financial institutions to also look into the possibility of turning customers into shareholders of the institution. That is really

building bridges and starting a continuous dialogue with your customers, which is a great platform if you organize it well, which doesn't have to cost that much. Secondly, and it's also something we have some experience with in some countries, is to organize customer advisory councils at a branch level or at the regional level that you gather on a quarterly basis and have a dialogue with their customers. And like the man from PEP said, "with the dignity and respect." And that is a very good basis of retrieving very important information for tweaking your products. Thank you.

Tillman Bruett

And I think that's a good note to end on. No, we're not completely separate from our client base, and I'm always struck in talking to institutions how quick people are to take off the hat of their personal experience and hang it when they walk into their workplace without bringing that personal experience in to really inform some of the decisions they're making around products and services.

There were a lot of great takeaways from this. One clearly that everybody agreed with is know what your business problem is, know what you're trying to solve, and at least have some idea of how you will know if you solved it. So that's some, but I'd like to ask you for a few more key takeaways for everyone. We'll start with you, Daryl.

Daryl Collins

As I've been listening, it seems to me that a big part of why I think institutions struggle with saying, "Well how do I start to become more customer-centric?" is, all the different tools that we've been hearing about, there's been a certain amount of how do you put into place processes, tools, people so that you have an ear to the ground? How do you keep up that continuous listening? And yet we can talk in a completely different way about how do you make investments in understanding your customers that might give you a killer app? So it might be a one off, and I think Financial Diaries would fit into this. It's more of a one off. If you're thinking about expanding into a region or expanding your product offering or making a big expansion, making that type of investment might be a good way to find a killer app. But it needs to be complemented by this continuous listening. There's a lot of complexity that I think that institutions struggle with in how to do both of those well. And I'm just going to leave it there.

Olivia White

Let me make a point that's been implicit in some of what's been said, but I don't think has been quite explicit. I think it's fair to say that in some way or another the game that we're all in here is making sure that we can design products and services that people want or need in a really robust way, and a willing, or will be willing with the right marketing to buy, to do so at low enough cost, and at least high enough price so that the endeavor can be sustainable and scalable by whatever standards you set for yourself. The engaged sort of customer segmentation "engage" aspect of this, and the data you might use to do it can help all three of those things, but it might be focused in one or in another, et cetera. In thinking about the use of data for designing something for the customer, these things will play off of one another.

I saw a piece in the most recent *Economist* talking about coining the word "trilemma." And you're sometimes going to have basically, sometimes have to make a choice on which one of these three drops out. There was this comment about to what degree can data be a public good? To what degree will people share or not? Here I think it's important to realize that for things that have to do with lowering costs, and things that have to do with aiding compliance, there's probably a much higher chance of broker and sharing. You think about fraud, you think potentially about AML and the costs and the compliance issues there. I think there's a higher chance of sharing there than there is a chance of sharing around data that might actually give you a competitive revenue based advantage. And then this question about, or comment about delight. That's a real question I think. When do you want to delight, and when do you just want to satisfy? You know, when is good enough good enough? And how do you use your data to help you make that decision?

Tillman Bruett

One thing you brought up which was very helpful is looking at your structured and unstructured data. Are you using it, and could you structure your data better so that you could use it? And that sounded like a really great starting point. Marco?

Marco de Natale

For me, I will say, I will bring in the perspective of a full management board member of an institution. One thing I love about investing in client focus is that it really can save you a ton of money. And it can save you a ton of money not just, and I mentioned

before, do your costing well and identify the upside. But also, it can save a ton of money in terms of making some spectacularly bad decisions, especially when you manage a pretty mature large institution with a large portfolio in a competitive market. It's not your operation credit staff.

There is this automatic equation that if we want to grow more, if we want to be more competitive, we have to slash rates. We cut for example interest rates in Azerbaijan by 7-1/2% a few years back. If we did that now with a portfolio of over a quarter of a billion, we wouldn't be profitable and we would become loss making. What client focus teaches and tells you is that you've got to look in many more indicators. You've got to understand what matters for the client. You may make terrible mistakes if you leave $5-10 million of revenues on the table when the client is actually prioritizing the other aspects of the credit process, how you deal with them, other terms. Just something to keep in mind.

Tillman Bruett

Thank you. And with that, Roger's going to tell us a bit about some amazing workshops that we have this afternoon. It makes me want to split myself in three parts. At least three. But I wanted to thank the panel for really helping demystify how we get started. And you can find them at lunch as well. I'm sure they'll be happy to tell you some more. So thank you all very, very much. (Applause).

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