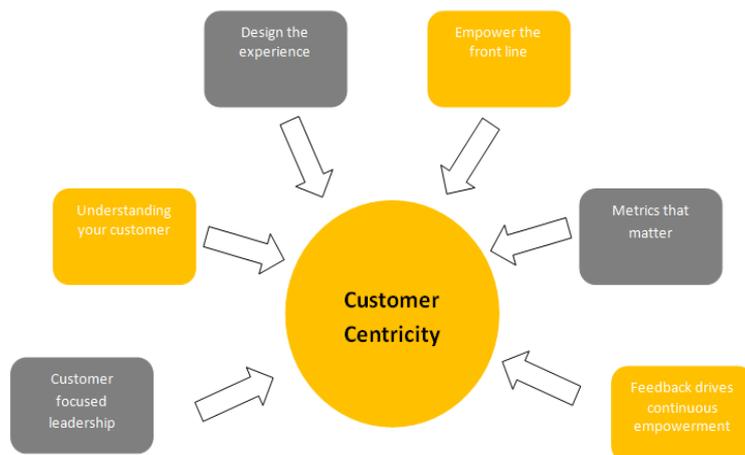


Deepening Financial Inclusion: Moving from Product Focus to Customer Centricity

What is customer centricity?

- Financial needs differ by customer segment, specifically by gender, age group, and economic status. Understanding such differentiated needs is the first step towards a customer centric approach.
- Including a deep understanding of customer needs, preferences and behaviour in product design, not only enables customer loyalty, but also generates long lasting business value.
- Tailored products can help customers meet personal and business goals as well as develop resistance against vulnerability.
- Without a focus on consumer specific requirements, up-take and usage of financial services will remain low in the long-run, hampering the goal of financial inclusion.
- Customer centricity provides a solution to the challenge of access-usage gap faced by financial service providers. To resolve this challenge, the providers need to understand in detail how their product(s) appears to and fits into the lives of the lower income customers.



Steps toward Customer Centricity

Dealing with Dormant Accounts

Low customer usage led MicroSave and its research partners to conduct market research with clients to understand customer specific requirements. This customer centric approach allowed targeting pain points on the supply side from planning pilot tests, cost and pricing to going to scale; from product marketing, risk management to customer service.

Establishing Service Model after Understanding Customers

VantageOne Credit Union, after studying customers decided to embed personally tailored education and counselling into its products for its low income members to help them overcome their limited knowledge about financial matters.

Offering Financial Contracts to Meet Needs

Micro-entrepreneur cash-flows in India are highly seasonal and depend upon weather, festivals and political factors amongst others. Traditional microfinance contracts with a rigid and frequent repayment schedule tend to increase the financial stress of enterprise owners during low cash flow months. By understanding business specific needs, IFMR LEAD in partnership with Sonata Finance has rolled out a flexible repayment contract for select locations in Uttar Pradesh.

Dealing with Competition

Strong competition in the Bolivian microfinance market forced BancoSol to reassess its relationship with its customers by undertaking series of market research initiatives to understand causes of client desertion.

Profiling Customers

CGAP piloted “Kaleido” with Janalakshmi Financial Services; Kaleido is a customer profiling tool that provides insights into the needs of the clients. The tool consists of a detailed questionnaire filled upon enrolment that details household financial indicators.

Organizational Outlook to Adopt Customer Centricity

- Recognize how lower income customers are different from the wealthier ones and embed these insights in the entire organization.
- Shift profitability analysis from transactions or products to customers and even customer segments.
- Move beyond event-oriented marketing to develop a holistic and continuous view of each customer's evolving life-cycle needs to increase penetration and to know what the customer might want.
- A fundamental shift in mindset from selling products to solving problems. Solutions replace products as the basic element of the customer value proposition.
- Enable a level of cooperation across functions, across product and service lines, and across company boundaries. Employees at every level in every division will also need to deeply understand customer needs to make the end-to-end client experience streamlined and satisfying.

Customer Centricity and Digitization

- Internet usage has been growing at an unprecedented rate for the past couple of years with over 460 million users¹. The evolving digital tools like mobile devices, big data, social media, etc. present a growing opportunity to financial service providers for understanding and engaging with customers.
- Digital technology makes it easier to create feedback mechanisms that can also permeate the information throughout the organization.
- Digital tools provide financial service providers with access to data like never before. Analyzing website visit data can help them make their website content and navigation better.
- Social media platforms provide an opportunity to customers to voice themselves in an unrestricted environment that may prove to be significant in facilitating customer centric products.

Customer Centricity and Digitization from around the world

Singapore Citibank offers customer discounts at retailers and restaurants based on the customer transactional patterns. By offering this service, Singapore Citibank has a significant increase in its card usage loyalty, retention and overall improvement of customer satisfaction.

American Express is using sophisticated predictive models to analyse historical transactions to forecast customer churn. By identifying accounts likely to close within the next four months appropriate steps taken to prevent them from churning

InVenture with its product InSight, tracks individual savings behaviour and then sells this data and their risk assessment to MFIs which then use it to tailor their products.

¹ <https://www.statista.com/topics/2157/internet-usage-in-india/>
CGAP Brief, 2014

<https://sokodirectory.com/2017/11/customer-centric-important-financial/>

<https://www.strategyand.pwc.com/reports/customer-centric-organization-from-pushing>