CUSTOMER CENTRIC BUSINESS MODELS

Customer-Centricity Learning Event India
20 February 2018
Facilitators

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Head Customer and Provider Solutions
CGAP

Jayshree Venkatesan
Customer and Provider Solutions
CGAP
# Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
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<tbody>
<tr>
<td>11:00</td>
<td>Business challenges and customer centricity</td>
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<tr>
<td></td>
<td>Learn from your customers</td>
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<td></td>
<td>Design solutions</td>
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<td></td>
<td>Develop a Customer Experience Project</td>
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<td></td>
<td>Guide to Customer-Centric Business Models</td>
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<td>13:00</td>
<td>Closure</td>
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The ‘Business Case’ for Financial Inclusion

Good progress with access and uptake, but use lagging behind

721m accounts opened (2011-14)
- 54m mobile
- 666m ‘Bank’

$13.3b account opening cost
- At $5 per mobile account
- At $20 per ‘Bank’ account

Use of accounts as a driver of revenue
- Mobile: 63% used less than once in 90 days
- ‘Bank’: 50% used < once per month, 20% dormant
- Majority used as ‘mailbox’ accounts

Global Findex, 2015; McKinsey, 2016; Centre for Financial Inclusion, 2016; CGAP 2016
Why customers may not open an account or use financial services?

“When I had the problem the agent didn’t give me satisfactory answers. I was discouraged. They should find a way to convince people who have problems with their office. But looking down at people is a bad thing. That’s what I didn’t like. When I went to see them I didn’t like the way they talked to me.”
Rural Customer Cote d’Ivoire

- Accounts or services are not relevant to their needs.
- Their expectations are not met.
- They see no added value in having an account, besides getting paid or receiving money.
- Costs of formal financial services are too high.
- They lack confidence to engage with financial services providers.
- They do not trust financial institutions and do not feel valued or respected.
What challenges do financial service providers face in serving low-income customers?

- Customer segments that are difficult to reach, excluded, or marginalized.
- High costs and low revenue due to low uptake and little or no use.
- Lack of understanding of customer needs, motivations, and behaviors.
- Lack of capacity to design and deliver customer-focused solutions.
- Inability to create value for customers, which leads to lack of value for providers.
- Inability to identify scalable business models.
Business Challenges
In your group

Identify and discuss the major business challenge your FSP (or the FSP you work with) face

Describe the challenge through a customer lens – as a customer pain point

Write it down – we will use it later

Share out
A customer journey lens

CUSTOMER EXPERIENCE FOR RETENTION

**Customer Journey Phase**

- **ACCOUNT OPENING**

**Retention Challenge**

Customers begin onboarding but don’t finalize account set-up – or allow too much time to elapse before first use.

**PRODUCT USE**

Customers use their account once or twice – then it lies dormant.

**RELATIONSHIP MANAGEMENT**

Customers switch to a competitor’s offerings.

What can you solve by being more customer-centric?

<table>
<thead>
<tr>
<th>CHALLENGE</th>
<th>OPPORTUNITY</th>
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</thead>
<tbody>
<tr>
<td>ACQUISITION</td>
<td>Increase customer awareness</td>
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<tr>
<td></td>
<td>Expand customer base</td>
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<tr>
<td>USE</td>
<td>Reduce dormancy</td>
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<tr>
<td></td>
<td>Increase uptake of products and services</td>
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<td></td>
<td>Improve customer value proposition</td>
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<tr>
<td>RETENTION</td>
<td>Increase customer loyalty</td>
</tr>
<tr>
<td></td>
<td>Increase lifetime value of customers</td>
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<tr>
<td>EXPANSION</td>
<td>Save for stagnant growth</td>
</tr>
<tr>
<td></td>
<td>Enter a new market</td>
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<td></td>
<td>Launch a new product or service</td>
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Customer centricity
“Customer centricity is defined as the ecosystem and operating model that enables an organization to design and deliver a unique and distinctive customer experience. This architecture enables the business to acquire, retain and develop targeted customers efficiently for the benefit of customers, employees and stakeholders.”

Doug Leather – The Customer-Centric Blueprint
How is a customer-centric focus different?

What drives the adoption of customer-centric models?

+ **Shocks** - negative customer experiences that erode customer trust leading to non-take-up, low usage, drop-outs, dormancy
+ Customers that **demand value**
+ **Competition**
+ Quest for **sustainable** business growth

To adopt a customer-centric organization, shifts are required
The 5 Pillars of Customer Centricity

- Customer-centric leadership & culture
- Customer focused operations
- Empowering people with tools and insights
- Customer experience design and delivery
- Customer value leading to business value
Customer centricity results
Delivering good customer experience adds value

2 - “Outside-in” companies are defined as those who put the customer at the center of everything they do\(^2\)

<table>
<thead>
<tr>
<th>Shareholder returns</th>
<th>Sales growth</th>
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<tbody>
<tr>
<td><strong>Outside-in Companies</strong></td>
<td><strong>S&amp;P500 performance</strong></td>
</tr>
<tr>
<td>2001 - 2007</td>
<td>150%</td>
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</table>


Customer centricity results
Delivering good customer experience adds value for customers and FSPs

- Customer focused product simplification reduce call center calls by 75%
- 12% vs 3% average growth of competitors in key emerging markets

- Focus on customer needs, agent training, pricing, customer empowerment
- From 40 000 active mobile money clients in 2015 to 807 000 in 2017

- Empowered employees and value to customers – Sikhula Kunye
- Sustained double digit growth in revenue and profit for past 17 years

Claire Burns, MetLife (2015); Forthcoming Digicel Case Study (2017); Leon Lourens, PEP (2014)
The CGAP Customer-Centric Guide is a collection of hands-on toolkits and experiments that help you design and deliver effective financial services for low-income customers.

WHY GO CUSTOMER-CENTRIC?

customersguide.cgap.org
Learn from Customers
Learn from your customers

- Collect customer information
- Analyze
- Generate insights and turn it into design principles

Source: Customer Experience Toolkit workbook  [https://www.cgap.org/sites/default/files/CX%20Workbook.pdf](https://www.cgap.org/sites/default/files/CX%20Workbook.pdf)
Collect customer information

- How do you collect customer information in your organization?
- Write each example on a Post-it and place it in the relevant category
- Share

Source: Customer Experience Toolkit workbook [https://www.cgap.org/sites/default/files/CX%20Workbook.pdf](https://www.cgap.org/sites/default/files/CX%20Workbook.pdf)
Analyze
Start with what you have, see what you need

Data Capabilities

KEY CHALLENGES
Here are some key pitfalls related to data capabilities.

Data Sources/Collection
Limited focus on collecting customer data because data has not been considered a business asset

Data Quality
Data collected is often not standardized or verified because it’s seldom referenced

Single Customer View
Data sources are separate and difficult to connect, so the organization has a fragmented view of their customers
Segmentation

Customer segmentation reveals nuances in demographics, attitudes, and behaviors. These differences may help you identify where your products and services can fill unmet needs and provide the most value to you and your customers.
Tools for analysis in the Guide

customersguide.cgap.org/resources
In your groups - consider this table, a product of customer insights over many years, and many settings.

- Identify which segment is your main target audience
- How would you use these insights when designing solutions?

### Money management strategies, a segmented view

“adopted and adapted!” from Monique Cohen and Ignacio Mas

| Questions | EXTREME POOR  
(I survive and manage liquidity I do not have) | MODERATELY POOR  
(I protect my gains) | VULNERABLE NON-POOR  
(I build assets) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>What they seek</td>
<td>Daily liquidity to meet needs</td>
<td>Satisfy wants i.e. anticipated expenses</td>
<td>More convenience</td>
</tr>
<tr>
<td>Key money concern</td>
<td>More predictable income</td>
<td>Planned expenditures</td>
<td>Asset investment and protection</td>
</tr>
<tr>
<td>Key money activity</td>
<td>Increasing access to liquidity</td>
<td>Managing available liquidity</td>
<td>Managing assets</td>
</tr>
<tr>
<td>Risk management</td>
<td>Ex post responses / Plan backwards</td>
<td>Ex ante responses / Plan forwards</td>
<td>Long term planning/protection</td>
</tr>
<tr>
<td>Time horizon</td>
<td>Daily</td>
<td>Tomorrow</td>
<td>Next generation</td>
</tr>
<tr>
<td>Decision frequency</td>
<td>As cash comes in and goes out</td>
<td>Regularly – according to budget cycles</td>
<td>Periodic, consistent</td>
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## Insights into Action

**Exercise – match the insights with a design principle.**

<table>
<thead>
<tr>
<th>Insights</th>
<th>Combi</th>
<th>Design principles</th>
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<tbody>
<tr>
<td>1. Poor people save, but savings is highly nuanced and takes a surprising variety of forms</td>
<td>e.g. 4, ?</td>
<td>A. Design for trust</td>
</tr>
<tr>
<td>2. Customers goals are short term. The future is a distant concept and hard to imagine because present needs are so prominent</td>
<td></td>
<td>B. Talk like people talk</td>
</tr>
<tr>
<td>3. Cash works, it is about control.</td>
<td></td>
<td>C. Offer limits not temptations</td>
</tr>
<tr>
<td>4. People trust people more than they trust organizations.</td>
<td></td>
<td>D. Offer benefits now</td>
</tr>
<tr>
<td>5. Distrust of banks are prevalent</td>
<td></td>
<td>E. Help people maximize their money</td>
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<tr>
<td>6. Communities pool resources for financial and emotional support.</td>
<td></td>
<td>F. Build consistent support into the system</td>
</tr>
<tr>
<td>7. Social networks drive financial and technological awareness</td>
<td></td>
<td>G. Design for concrete goals and dreams</td>
</tr>
<tr>
<td>8. Poor people are at best uncomfortable, at worst, fearful, of new technology.</td>
<td></td>
<td>H. Community (networks) counts</td>
</tr>
<tr>
<td>9. The need for safety in financial services is context specific</td>
<td></td>
<td>I. Give the customer control</td>
</tr>
<tr>
<td>10. Fees do not hurt when the service works.</td>
<td></td>
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1. **Work in groups** - match the insights with a design principle.
2. **Each group focuses on allocated design principles.**
3. **Share and discuss.**
# Insights into Action – possible matches

*Exercise – match the insights with a design principle*

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<td>variety of forms</td>
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<td>1, 3</td>
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Tools for generating insights

customersguide.cgap.org/resources
Iterative process to improve CX

Influenced by human-centered design, innovation techniques and agile product management approaches.

This is NOT a linear process. It’s an iterative one and should be customized to fit your team, project needs and capabilities.

Design solutions and Guide tools

Design Solutions

The customer-centric process is about building products and services with customers in mind. Once you’ve drawn insightful customer information, you can design for better adoption and use.

What is customer experience?

Customer experience consists of every interaction a customer has with your organization, products, or services – in person or online. When your offerings are intuitive and easy to use, customer experience is positive. When your organization meets customer needs, profits increase. In turn, customers feel empowered and move toward economic freedom.

customersguide.cgap.org/resources
Customer experience project
Activity 1: Create the mission

Work in a group using the main customer pain point you identified earlier.

1. State the earlier customer pain point in the form of a CX solution that you want to design
2. Assemble your ‘dream’ team
3. Pick tools and experiments

The cue cards are color coded – hints for each step. Note, you may not find a hint specific to the pain point.
Activity 2: Make it successful

Continue working in your groups

- Identify and solve internal and external obstacles (change management)

What are the main obstacles inside and outside your organization that prevent successful projects and innovation?

Identify two main obstacles, inside and outside, and indicate why these are obstacles and how you would solve it.

Share out

Note – the cue cards are only hints!
Share, feedback and discussion
Thank you

To learn more, please visit customersguide.cgap.org
Annex on Guide Use
CGAP Guide for a Customer-Centric Business Model

The CGAP Customer-Centric Guide is a collection of hands-on toolkits and experiments that help you design and deliver effective financial services for low-income customers.

customersguide.cgap.org
Miriam is looking for guidance on retention challenges

Why Go Customer-Centric?

Putting customers at the center produces loyal, active customers and moves your organization towards competitive advantage.

Customer Centricity
Customer-focused competitive edge

Business Challenges
Solve acquisition, retention + expansion

Leaders
Advice from executives

What to consider when facing retention challenges?

Retention requires anticipating and responding to customers’ changing needs. This is particularly true with low-income segments since life events such as marriages or funerals can result in significant changes in finances. Customers may also jump around to various providers based on sales and incentives. Consider these key elements to retain your existing customers:

- **Account Opening.** Customers may begin onboarding, but something distracts them from finishing the process. Think about how to remove technical barriers to account opening or consider incentives that connect account opening and first use.
- **Product Use.** Providers face challenges because customers may not understand product value or may not have a sense of loyalty as they jump around to various offerings and brands. To ensure active use of your products, retention requires anticipating and responding to your customers’ changing needs through constant dialogue.
- **Trust and Loyalty.** Low-income customers who seek financial services look for the same things every customer wants: choice, respect, voice, and control. By reflecting one or more of these drivers in the products and services they design and deliver, providers earn customers’ trust and build their confidence in using financial services. This enables customer empowerment.

Key Resources

- **Tigo Cash Lessons Learned** - (PDF, 1 Page)
  Learn how a financial service provider in Ghana designed better services and experiences for customers.

- **Business Challenges Booklet** - CGAP - (PDF, 24 Pages)
  Move your organization toward customer centricity and overcome the 3 most common business challenges: acquisition, retention, and expansion.

- **Customer Empowerment In Finance** - CGAP Perspectives - (PDF, 57 Pages)
  Why greater choice and control for low-income customers is better for business and helps achieve financial inclusion.

CUSTOMER EXPERIENCE FOR RETENTION

Customer Journey Phase

ACCOUNT OPENING

Retention Challenge
Customers begin onboarding but don’t finalize account set-up – or allow too much time to elapse before first use.

PRODUCT USE

Customers use their account once or twice – then it lies dormant.

RELATIONSHIP MANAGEMENT

Customers switch to a competitor’s offerings.
Miriam is now looking for Guidance on Learning from Customers

What’s the best method for analyzing internal transactional data?

3 broad methods can be effective:

1. Descriptive analysis provides a summary of numerous customers at a specific moment.
2. Predictive analysis helps draw insights that may not be directly observable in the data.
3. Prescriptive analysis recommends actions and indicates likely outcomes.

Interesting patterns and outliers found in analysis can point to behavioral insights. You may need to hire a data scientist to perform these types of analyses, or outsource this function.

Key Resources

Customer Analytics Toolkit | CGAP - (PDF, 110 Pages)
Follow this 4-phase process to rate and develop analytics capabilities + use analytics to drive customer centricity in your organization.

http://customersguide.cgap.org/learn-from-customers/analyze
The Customer Analytics Toolkit

2. Data Capabilities

KEY CHALLENGES
Here are some key pitfalls related to data capabilities.

Data Sources/Collection
Limited focus on collecting customer data because data has not been considered a business asset.

Data Quality
Data collected is often not standardized or verified because it’s seldom referenced.

Single Customer View
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Key Resources

- Customer Experience Toolkit | CGAP
  Hands-on tools and guidance for creating effective and empowering customer experience.

- Insights Into Action | What Human-Centered Design Means for Financial Inclusion
  Learn about how human-centered financial services work for the poor.

- The Customer Experience Process - (PDF, 1 Page)
  Review the phases of the customer experience process.
Organize for Delivery

What is change management?

Change management is a discipline that supports organizations in moving from their current state to an envisioned future state. It guides management teams as they prepare, equip, and support employees in successfully adopting change. A structured change management approach enables organizations to systematically plan for and access human and financial resources. In turn, newly developed systems and enablers break down old behaviors, allowing organizations to pursue new pathways that lead to sustainable growth and value creation.
Resources Library

View, download, or print our full collection of learning resources – everything you see in the Customer-Centric Guide in one convenient place, plus outside resources, too.

- **Toolkits:** Complete guides for specific business challenges + goals
- **Case Studies:** Real-world experience + lessons learned
- **Tips + Templates:** How-to exercises + practical tools for a quick win
- **References:** In-depth wisdom from CGAP + other organizations

Filter by: Type, Topic, Purpose

108 Resources showing

- **CGAP Customer-Centric Guide Executive Summary**
  - Toolkits | PDF, 20 Pages
  - An overview on creating and delivering value for customers and businesses to improve financial inclusion.

- **Customer Analytics Toolkit | CGAP**
  - Toolkits | PDF, 110 Pages
  - Follow this 4-phase process to rate and develop analytics capabilities + use analytics to drive customer centrivity in your organization.

- **Insights Engine Blueprint | CGAP**
  - Toolkits | PDF, 58 Pages
  - Tools and guidance on how to build an insights-driven organization.

- **Customer Experience Workbook | CGAP**
  - Toolkits | PDF, 58 Pages
  - 9 hands-on tools + 18 practical experiments that immerse teams and leadership in customer experience work.

- **Customer Empowerment in Finance | CGAP Perspectives**
  - Toolkits | PDF, 57 Pages
  - Why greater choice and control for low-income customers is better for business and helps achieve financial inclusion.

- **Business Challenges Booklet | CGAP**
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Learn from some of the top training providers in the financial inclusion space.

We are pleased to present our 2018 course brochure. Bringing together some of the leading providers in the sector, courses are now open for registration. Places are limited on many courses, so register now to secure your spot. We also welcome group registrations for your institution.

Gateway Academy is a curated learning platform focused on financial inclusion in Sub-Saharan Africa. It offers online and blended courses and cultivates communities of practice. Gateway Academy is partnering with financial service providers and leading training/content providers to identify knowledge gaps in the market and address them by providing high-quality, relevant courses.

Learn more and register at Gateway Academy.

Gateway Academy is a partnership between...