



**Session Title:** Plenary | Year 2030: Have Financial Services Become Customer-Centric?

**Date:** February 20, 2018

**Time:** 9 a.m. India Standard Time

**Speakers:** Sashwati Banerjee, *Sesame Workshop*; Lorenzo Chan, Jr., *Pioneer Insurance Group*; Isabelle Barrès, *the Smart Campaign*

**Moderator:** Gerhard Coetzee, CGAP

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- Gerhard started the session by noting that the partnership with SPTF for a customer centricity workshop was a natural fit. All the sessions will be a good platform for managers and investors of financial service providers (FSPs) to see the business case for customer centricity. The core objectives of each of the sponsor organizations (SPTF, CGAP, Dvara, and Leapfrog) are aligned to work on this conference.
- He then explained the structure of the session: Looking back from 2030, this session will reflect on ways in which FSPs learn from customers and creates a customer-centric culture. Speakers will share their vision for the next decade.
- Gerhard discussed some of the reasons we are fixated on customer-centric models, particularly with the growth in digital credit.
  - From 2011-14 the change in Findex numbers was quite significant.
  - There is a huge difference in costs of opening an account on mobile (\$5) and bank (\$20). Thus, digital inclusion comes at a much cheaper cost.
  - People don't use their account the way the provider community thinks. In mobile banking, one-third of users use their account more than once in 90 days. In the banking sector, half of the users don't use their account at all.
  - With regards to lending services, people drop out after the second or third loan cycle.
  - He posed the question: Why don't people use bank/mobile accounts? Do they not see value in those services?
    - There is a lack of trust in the system and a low understanding of its functions.
    - Users question if the account is indeed designed for them and their pain points.
    - The FSPs fail to understand their customers' problems. There is a lack of well-designed products. FSPs face many internal and external barriers to effectively implement design led solutions
- Gerhard defined a customer-centric approach as one that works in an ecosystem of customers, employees, suppliers, shareholders, management, partners, and communities. Every actor in this ecosystem is focused on the customer. Customer centricity is not merely restricted to being friendly/warm to customers; the design should be for the customer.
- What drives adoption of customer centricity and brings value?
  - Typically, FSPs use customer centricity when they face shocks in terms of negative customer experience at a large scale.
  - FSPs identify that there is a need for change in strategy, culture and structure.
    - Culture can be changed by incentivizing solving customer problems, instead of incentivizing selling.

- Structure can be altered by thinking across customers' financial lives, instead of functionally separated silos, such as insurance, savings, credit, etc. Customers don't think or plan their lives based on these functions.
- Customer-centric business models use an approach empower employees with tools and insights, as well as measure success in terms of value brought to the customer.
- What does customer centricity bring to FSPs?
  - The business case for customer centricity includes reduced costs, fewer customer drop-outs, and improved sustainability.
  - Globally, research shows if customer centricity increased by 2%, costs would be reduced by 10%.
  - For example, Digicel in Haiti, went from 40k users to 807k users by adopting a customer-centric approach.
- Gerhard said participants can visit <https://customersguide.cgap.org/> for more resources, tools, and materials to understand customer centricity and the business case for it.
- Audience members shared comments on customer challenges (solved and unsolved), as well as approaches towards customer centricity:
  - Buhle Goslar of Jumo (a mobile financial service that partners with banks and MNOs) said her challenge is to get all partners involved to act together in the interest of the customers. How can you get partners to work for the customers? Jumo is trying to work on this challenge, while acknowledging that it is a difficult task.
  - P. Veera Shankar of NABARD (which pioneered self-help groups – or SHGs – in India) said the challenge the organization is facing is how to integrate banks with the SHGs. NABARD developed a system called E-shakti, which provides information on SHGs to banks in real time.
  - Nina Nair, a consultant, identified the following challenge: While working with various stakeholders, she has observed a top-down push for financial innovation. However, field users, and especially women, are hesitant to adopt FinTech with mobile platforms. It is very difficult to get female customers to trust new FinTech, given the latest developments (e.g., bank fraud in India in Punjab National Bank). Such incidents might push the customers to “go back to (saving under) the mattresses.” Women are disproportionately disadvantaged in terms of financial inclusion. There is a persistent 9% gap between men and women in access to formal finance
  - Anil Kumar S G of Samunnati Financial Intermediation (which provides financial services to farmers) said the formal financial system does not have customized solutions designed for the cash flows of a farmer. This leads to the financial exclusion of agriculture workers.
  - Others noted challenges in perception: The role of intermediaries is to sell the brand, but the rest of the market perceives that intermediaries take away all the value in the process of a transaction.
- Sashwati Banerjee began her address with an overview of Sesame Workshop's mission: to improve the financial empowerment of India's youngest customers, with the aim of making children smarter, stronger, and kinder.
  - She said poverty is multidimensional; it's not only income driven. In India, 31% of children face multidimensional poverty. Partnering with MetLife Foundation, Sesame Workshop launched a program called Sapna, Bachat, Udaan (Dream, Save, Do), which targets families with young children to help improve financial literacy, discuss

- strategies to save, and increase dialogue between parents and children, with the help of transmedia content
- There were several barriers to this work. For example, people in India typically do not talk to children about finance-related matters. Additionally, there are social and psychological barriers. The approach also must be tailored geographically; rural children face different challenges than their urban counterparts.
  - To help combat these barriers, Sesame Workshop:
    - Works with facilitators and NGOs in the community.
    - Asks women in SHGs to bring their children to engage in workshops.
    - Uses radios and phones to spread their message in areas of low television penetration. In a case study of a high-density slum in the urban areas Delhi, they partnered with community-based organisations to repurpose a vegetable cart with power batteries for TV and radio.
  - Sesame Workshop's mantra is design, feedback, design.
    - When some tools did not work in absence of certain technology, they developed a universal content that would work in low-resource populations
    - The idea of digital products did not work in the field. Clients preferred graphic-based communications over text-based.
  - Currently, 68 million children are using a combination of media and outreach by their organization. Their goal is to reach 600 million children by 2030, through partnerships and collaborations.
  - Lorenzo Chan, Jr. began by providing an overview of Pioneer Insurance Group.
    - It started providing microinsurance, in 2008. By 2017, it reaches 8 million people, which is 8% of the Philippine population. It's targeting to reach 20% of the population – or 25 million – by 2030.
    - It offers basic accident, calamity, and health coverage, as well as crop insurance for small farmers
    - In 2017, it had 17 partners, such as motorcycle dealers and other channels the markets frequent with, deal with, and trust.
    - When mom-and-pop stores are used as distributors to sell insurance, it requires realigning skillsets to reach out to those merchants.
    - The biggest challenge has been agent-introduced mobile savings. Micro agents did not want to handle the technology, there were delays and no real-time transfer. When there was no one to blame, people blamed the tablets.
    - Insurance can be realized only through claims being satisfied, and thus his organization emphasizes satisfying every legitimate claim within a stipulated time.
    - Grievances and queries are taken by phone or face-to-face, which results in restricted scalability. It is also attempting to test a chat box for those who want immediate responses, as well as to reduce costs.
  - Isabelle Barres of the Smart Campaign said that customer centricity includes various steps: understanding clients, listening to clients, learning from clients, and observing client behaviour.
    - While getting behavioural insights is important to improve customer experience, it is not enough since intentionality to do so is equally critical. Providers must:
      - Focus on end client needs and increase client satisfaction and experience.
      - Improve through fair and responsive pricing.

- Isabelle emphasized the need for a higher focus on operation and customer insights, as well as for providers to be aware of the importance of being customer centric and the risk of not being customer centric.
  - Smart Campaign can provide FSPs with the tools to get started once the motivation to be customer centric is recognised, as well as help with getting other partners on board with it.
- Question from Gerhard to the panel: How will you get there? What is the single most important factor without which journey would be longer?
  - Sashwati said they will not reach 600 million children without partnerships. Today, if everyone takes the pledge that kids' financial lives are important, even at some cost to the providers, it is achievable.
  - Lorenzo said everyone must be on board with the vision. And the north star should also be what sounds best for the customer. Put the customer in the heart of a question. In times of conflict, what is best for the customer is the generally acceptable solution.
- Question from Gerhard to Sashwati: Co-creation takes time and is expensive. Is co-creation more expensive than independent in terms of long term gains?
  - Sashwati said it is less expensive to co-create if the organizations are for-profit organisations. If they involve customers from the beginning, they might invest upfront in the idea and get amortized over time. It's critical to note that they are then not only the customers but also ambassadors and champions because they are invested in the idea/service.
- Question from Gerhard to Lorenzo: It seems that employee empowerment is important to an organization. Can you elaborate?
  - Lorenzo said people are indispensable to a company. A mission is just a statement; employees are the ones who fulfil it. Philippines is a young country. 65% of the population is millennial. We have had to change the way we hire and design job profiles. From hiring based on schools and colleges to a customer-centric setting – Can they listen? Can they analyse?
  - Lorenzo said employees live with some clients for a period to see how their customers live, better appreciate the customers' challenges, identify the pain points, and see how the organization can help them. When their suggestion works, they feel a sense of achievement, are more motivated, innovative and can carry on the organization message further.
- Question from Gerhard to Isabelle: Do FSPs need to think about risk management in a more in-depth way?
  - Isabelle said customer centricity comes from a risk management perspective: What are the potential risks that the clients face? What are the potential negative consequences of the interaction? Designing mitigation strategies is useful. Managing risk includes risk for client and providers. The two are intrinsically linked. If providers manage client risk, then they are reducing portfolio risk and reputation risk. Looking at risks from different perspectives is important.
- Question from audience to Sashwati: Can you elaborate on the partnerships needed to achieve the target of 600 million children? How do you interact with partners?
  - Sashwati said they work on two levels: 1) broader, awareness-creation mediums, such as radio and television, to get immense outreach and 2) on-ground partners to get more impact. Partners would be FSPs banks, MNOs. It is essential to have partners believe in your work. But it is up to the organisation to show that it is beneficial to the providers.

- Children are a good entry points for parents. But one needs committed partners for shared vision and mission.
- Question from audience: Apple and Fiat say they listen to clients. How can FSPs listen to big companies' marketing strategies? Where is the innovation in the financial sector?
    - Isabelle: One can get client data to sell them more, to get more bottom line. FSPs must look at customer centricity from the customer side, not just the profits.
    - Lorenzo said excluded from financial inclusion are those in the bottom of the pyramid. It is not an issue of affordability; they can afford to a certain extent. But being customer centric requires understanding their lifestyle and fitting yourself in their lives. It is vital for us to have a deep understanding of customer issues. Allow customers to see their benefits too. Find a solution that is workable, but also work-in-progress.
    - Sashwati noted that cultural barriers play an important role. Behavioural change is a long-term process, and marketers don't spend enough time and energy.
    - Gerhard said the financial sector is the last sector to think about customers in a different way. How can we get the sector to act in customer centric approach? How do we empower customer to treat them as equal partners?
  - Question from audience to Lorenzo: How do we make customers tell others about their experiences with an FSP? Can you suggest three things to get the customers to share benefits of insurance?
    - Lorenzo said to send a crew to interview the customers to share their stories; agents can show this story to new customers. Pay all legitimate claims and spend extra efforts to explain all unpayable claims. Even after suffering losses, Pioneer paid all claims in a calamity. Then sales from that sector doubled, and we even got a partner from a competitor. Treat the customers well, and they will come to you. There is merit in volume.