A Journey in
Customer-Centricity

Liberia · Rwanda · Zambia

AccessHolding

*always*Access*ible*

Content

Forewords

CUSTOMER CENTRICITY

When our banks started operating in 2006, it was in a market that was shaped by the suppliers of services, not the customers. Nobody considered what clients specifically wanted outside extending micro-loans to them.

Market conditions have changed considerably since then. We realised that if we wanted to remain competitive as a business, we would need to adjust our products, channels and the way we interact with clients. Ultimately, we will need to advance our digital capabilities while still giving banking a human face.

The core clients of the AccessGroup are micro and small businesses, their family members, staff and business partners. Delivering meaningful financial services to small businesses and, in particular, extending business loans will continue to require physical interactions with our clients, including first-time visits and debt recoveries.

Technology helps us automate internal processes, become accessible to our customers 24/7 on various channels and reduce costs by digitising information and thus making it available for data processing and analytics. On the other hand, we need to maintain physical contact with our business clients – although on a much-reduced level – to understand client needs, to deliver responsible financial services and prevent over-indebtedness. Customer needs analysis is an essential part of this endeavour. Digitisation and organisational change are the other two critical transformations required to further foster customer-centricity.

A change like this requires a dramatic mind shift. Employees need to see the world from the outside in, through the eyes of the customer, instead of the inside out. We are in a perfect position to achieve this change as our staff members are part of the local communities we serve, and our people work with our clients face-to-face daily.

Bernd Zattler
CEO AT ACCESS MICROFINANCE HOLDING AG

PRESSING THE RESTART BUTTON ON CUSTOMER-CENTRICITY

As a bank, we have always strived to put the customer first, but after conducting customer needs analysis research we have found that there is much more to becoming a truly customer centric business.

Before embarking on the research, we segmented clients into two broad categories: clients who had set up their own business operations and those who were employees. In retrospect, we were looking at our clients from a product perspective, putting them all into boxes and presenting them with the same solutions.

In early 2018, when we kicked off the research project, we sought to better understand our existing and potential clients through a series of one-on-one interviews and focus groups. The insights we got from the research enabled us to come up with detailed customer personas that articulated the different pain points experienced by our clients. These personas have allowed us to gain a far deeper understanding of the different needs and aspirations of customers, which has also helped us identify which products and services will fulfil these.

On the back of the insights we gained from the Customer Needs Analysis project, we have already begun to make changes in the way we operate and what we offer our clients. Structurally, we have broken down the silos that stood in the way of responding to customer needs in a seamless way. Instead of operating as separate teams, offering clients either loans or savings products, our credit and retail teams have been merged and the business officers have been trained to serve the customer based on their individual needs rather than selling them products.

These changes, I believe, are a good start to our customer centricity journey. However, we understand that in order to keep abreast of changing customer needs and preferences, we will need to keep in touch with our customers. Thus, we have set up a department responsible for innovation, which will capture client feedback, conduct periodic focus groups and put together an annual customer satisfaction survey. We will then revisit, refine and adapt our offerings based on these ongoing customer insights.

Arah Sadawa
CEO AB RWANDA

1 The journey to customer-centricity

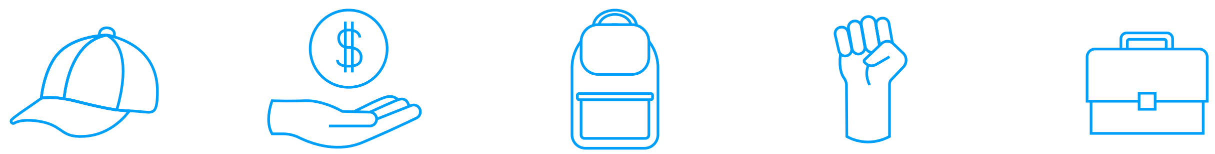
In this publication, we take you through our exciting journey where we set out to get a more detailed and comprehensive understanding of how existing and potential bank customers fulfil their current financial needs. In three banks in our network, AccessBank Liberia, AB Bank Rwanda, and AB Bank Zambia we elaborate on how this understanding, is used to build and deliver solutions based on the needs of our customers.

SEGMENTING OUR TARGET MARKETS

All over the world, consumers have the same general needs. They want to improve their lives, have better health outcomes, educate themselves and their children, save for old age, and enhance their resilience, among other things. However, the values, needs, and behaviour of different low-income customer segments are very nuanced, and it is crucial to understand these if you want to meet their financial needs. To do so, we needed to segment the target markets to get a deeper understanding of each segment's aspirations, financial needs and, behaviour, as well as attitudes towards financial institutions. We believed a needs-based segmentation of customer groups would identify new growth opportunities, uncover areas where we could streamline product offerings and improve profitability by providing tailored products, services and pricing and thereby transforming the banks into customer-focused organizations. In all three banks, we used a combination of tools and instruments to review existing segmentation and arrive at the new needs-based segmentation of the banks' target markets in Liberia, Rwanda, and Zambia. The methods used to develop the segmentation were based on the CGAP segmentation toolkit[1] and guided by the question: what determines the financial behaviour and needs of our clients and where do we have the most significant potential to meet their needs? Typically, our main target group, the enterprises, are defined by their business size or their debt capacity. We, however, looked deeper into the way they conducted their business. Using a multi-segmentation approach, we assigned enterprises into categories such as "day to dayers/hustlers" and cash-based, family or advanced enterprises. These segments encapsulated the way they saw their business, as well as how they managed finance and their businesses. In each country, we came up with slightly different segmentations both for businesses and for consumers. However, the exercise highlighted and reinforced the fact that the priority segments of the banks were small businesses (both urban and rural). In all three banks, we also identified young adults, or, as we called them, "active youth", as a priority segment. Creating a segmentation that truly worked required an in-depth study of not only each segment's unmet needs and potential impact of these on their lives, but also attitudinal and behavioral insights into how the segment related to money and financial services in different aspects of their life.

A needs-based segmentation of customer groups would identify new growth opportunities

[1] www.cgap.org/research/publication/customer-segmentation-toolkit



UNDERSTANDING NEEDS AND BEHAVIOUR

We developed an outline for research to determine each segments' financial and banking needs and the context in which they made financial decisions. We aimed at detailing what triggered the uptake of financial services and products and what decision processes influenced continued usage or disruption of usage, i.e. we wanted to explain the pathway clients followed from beginning to do business with a particular bank to, hopefully, becoming loyal clients. If the different elements that influenced decisions around uptake usage and continued usage were well understood, clear decisions could be made on:

1. The target segments, products and service offerings on which banks should focus.
2. How the bank could positively influence uptake of its products and services.
3. How the bank could influence continued usage and enhance client loyalty.

DESIGNING IN DEPTH RESEARCH

The research was also used to identify patterns in what people need

A qualitative deep-dive methodology was required, based primarily upon face-to-face in depth interviews and focus group discussions. Research would explore very specific aspects of uptake of products and services, as well as decision-making processes. The research was also used to identify patterns in what people need and what they do, thereby confirming or adjusting the segmentation hypothesis. This allowed us to document the needs, values, drivers and barriers, as well as social dynamics and cultural codes, of the different client segments. In each of the three countries a market research institute was contracted to conduct the research.

In each country, around 40 in depth one-hour interviews were conducted. These were complemented by up to 10 focus group discussions. It should be emphasised that qualitative research samples are purposive and quota-driven in nature; they have no statistical validity or reliability. The purpose of qualitative research is to give generalised indications of the drivers of the respondent's underlying behaviour and attitudes, by exploring responses in greater detail and depth. However, it has no quantitative accuracy in terms of identifying proportions of populations holding stated views.

Patterns of what people need

Hierarchies of needs

» Needs access to regular, small amounts
» Needs it to be in cash
» Needs rapid decisions

Drivers and Barriers

» Barriers keeping people from utilizing existing offerings
» Drivers like mobile money making it possible to transfer money safely

Patterns of what people do

Social Dynamics

» All community decisions must first pass through elders
» Importance of participating in savings clubs

Cultural Codes

» Cash is Flash (importance of cash at ceremonies)
» Interest rates are never discussed openly

2 Translating customer needs into bank value propositions

Using the insights we achieved, namely understanding what customers required to manage the different aspects of their financial lives, enables us to move away from being product-centric and towards putting our customers at the centre of how we do business.

It puts us in a position to ensure that our products and services meet the specific, and deep-seated needs, of our customers; helping them achieve their dreams and attain their financial goals. The financial benefits bank products and services offer can be turned into compelling value propositions that satisfy the emotional appeal of the product or service and directly speak to the customer's need. This core principle allows us to develop value propositions for each client segment, which demonstrate how the banks are meeting their customers' needs. With this in mind, we are currently bringing these segments to life. On the one hand, we are looking at the services and products we can bundle, reorganize, and design to match the needs of the identified segments. On the other hand, we are refining the way we communicate and market to the segments and the public overall. These are the steps we need to take to overcome a traditional product-centric mindset. This remains a challenge because it requires banks to make culture changes, break down silos and reorganize workflows. However, this research has given us the valuable insights we need to inform future efforts, thereby enabling our banks to engage with our customers in a meaningful and effective way.

PERSONA SNAPSHOT

Spotlight on: Day to Dayer

Samuel is a soccer fan, but also sees himself as a street fighter. He is a taxi driver and accepts cash from his clients. On a daily basis, he buys the necessary petrol to run the taxi and pays for other expenses, such as airtime and household groceries.

If there is any money left over at the end of the day, he deposits it his mobile money account. However, he is not able to build up savings as the money put aside is used for "emergencies".

Needs:
» To deposit cash on a daily basis
» Help in making financial transactions
» Access to loans when business is down
» Assistance in money management

Drivers:
» Creative and innovative in overcoming challenges

Challenges:
» Has no access to capital needed to grow
» Plans and lives from day to day

Help to grow | Location Matters | Cost over Efficiency | Prefers Simplicity

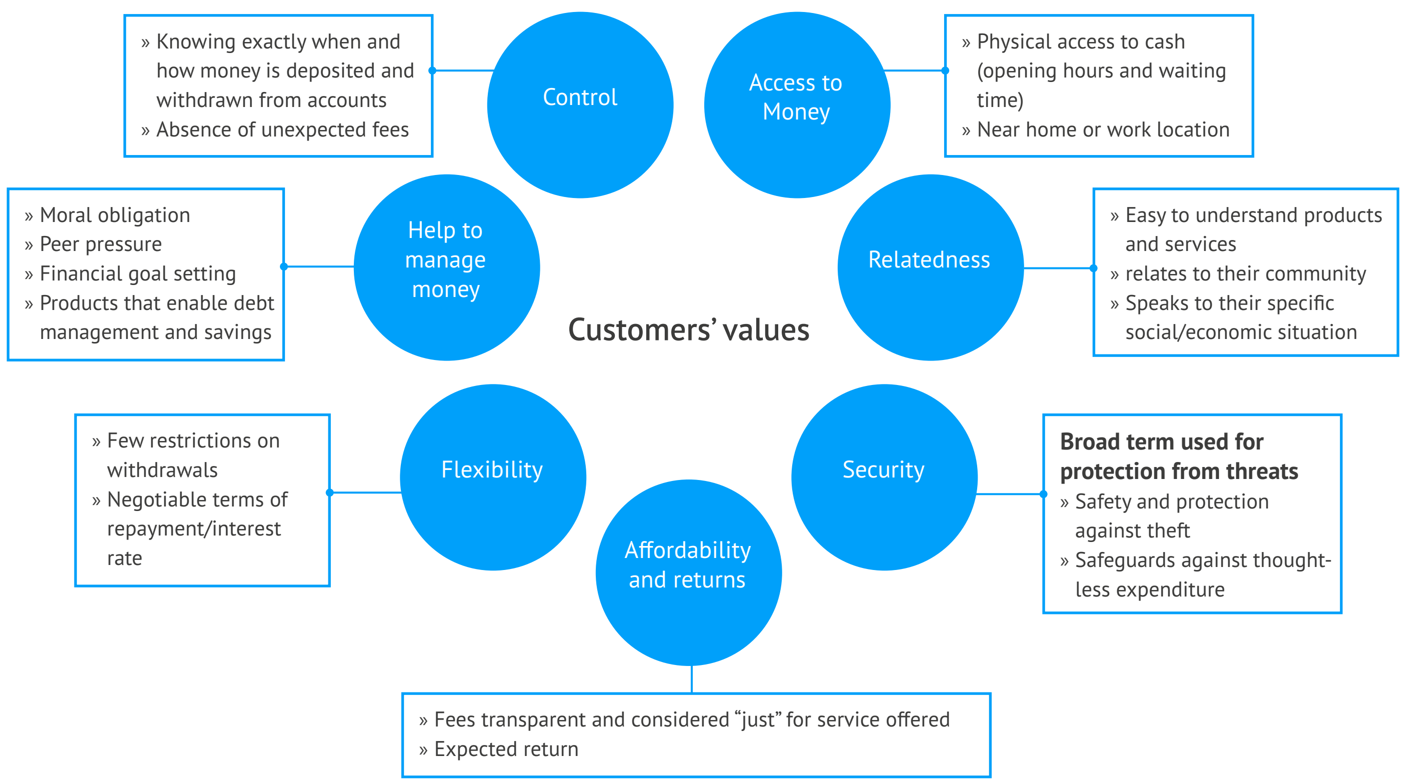
3 Customer Insights gathered

We identified the values that mattered to customers when managing money to fulfil their financial needs, including when they stored or saved money and when they managed debt. We further analysed how different financial devices addressed these values.

WHICH VALUES MATTER IN MONEY MANAGEMENT?

In Liberia, we found that unlimited access to money was, in some cases, more important than safety considerations or, more importantly, receiving interest. Many respondents preferred to keep their money at home and not in a bank account. We also found that people were willing to pay significantly higher interest rates on loans if they were granted "softer" repayment conditions (in Liberia and Rwanda, they preferred to go to savings clubs, as repayment terms could easily be renegotiated). Overall, identifying the values around money management enabled us to get a deeper understanding of the features in products and services that were most important to our target segments

Values that matter when managing money (example Liberia)



Storage
Receiving Value and storing it safely for usage along the income cycle

Rainy Day
Moneys that should help face higher than normal expenses (term fees, household repairs, illness etc)

Savings Groups
Money put aside to be received later (socially motivated)

Savings with a Goal
Money set aside for a specified period of time (longer than the income cycle) with a clear goal for use

HOW DO INDIVIDUALS MANAGE THEIR MONEY?

Puzzled by overwhelming evidence that, although national savings rates remained low, all participants were saving money, the research teams began to unpack the meaning of savings in these countries. They found that "saving", translated into the local language, encompassed several notions. It could refer to economizing, or using money more consciously (storage), as well as keeping and storing cash for future use. This finding was significant as, not only did it encapsulate the source and frequency of income, but, more meaningfully, it identified the intention behind "savings," which, in turn, determined the choice of device. Respondents stored ("saved") money they wanted to use within an income cycle in financial devices that offered them easy access to the funds. These were considered "near to liquid" and included mobile money or airtime (rainy day). In Zambia, respondents felt that it was important not to keep cash, as the financial device helped "economizing" money because it was not liquid and "at hand." Respondents who received salary payments in their bank accounts would transfer a specific amount "to be saved" on their mobile money account. Zambian women make use of chilimba, an informal local lending pool, to save for school fees, cars or businesses. With regard to savings with a goal, in particular, we found significant differences between the countries. While in Rwanda, many respondents had clear savings goals in mind or were saving for old age and retirement, virtually no respondents in Zambia and Liberia saved regularly, or towards a fixed goal (savings with a goal).

A Savings Group is comprised of 15-25 self-selected individuals who save together and take small loans from those savings.

We found that borrowing was a regular activity; part of everyone's budget management and deeply socially and culturally embedded behaviour. The ability to borrow money (socially from friends and family) at all times, impacted the way budgets were made and expenses delegated.

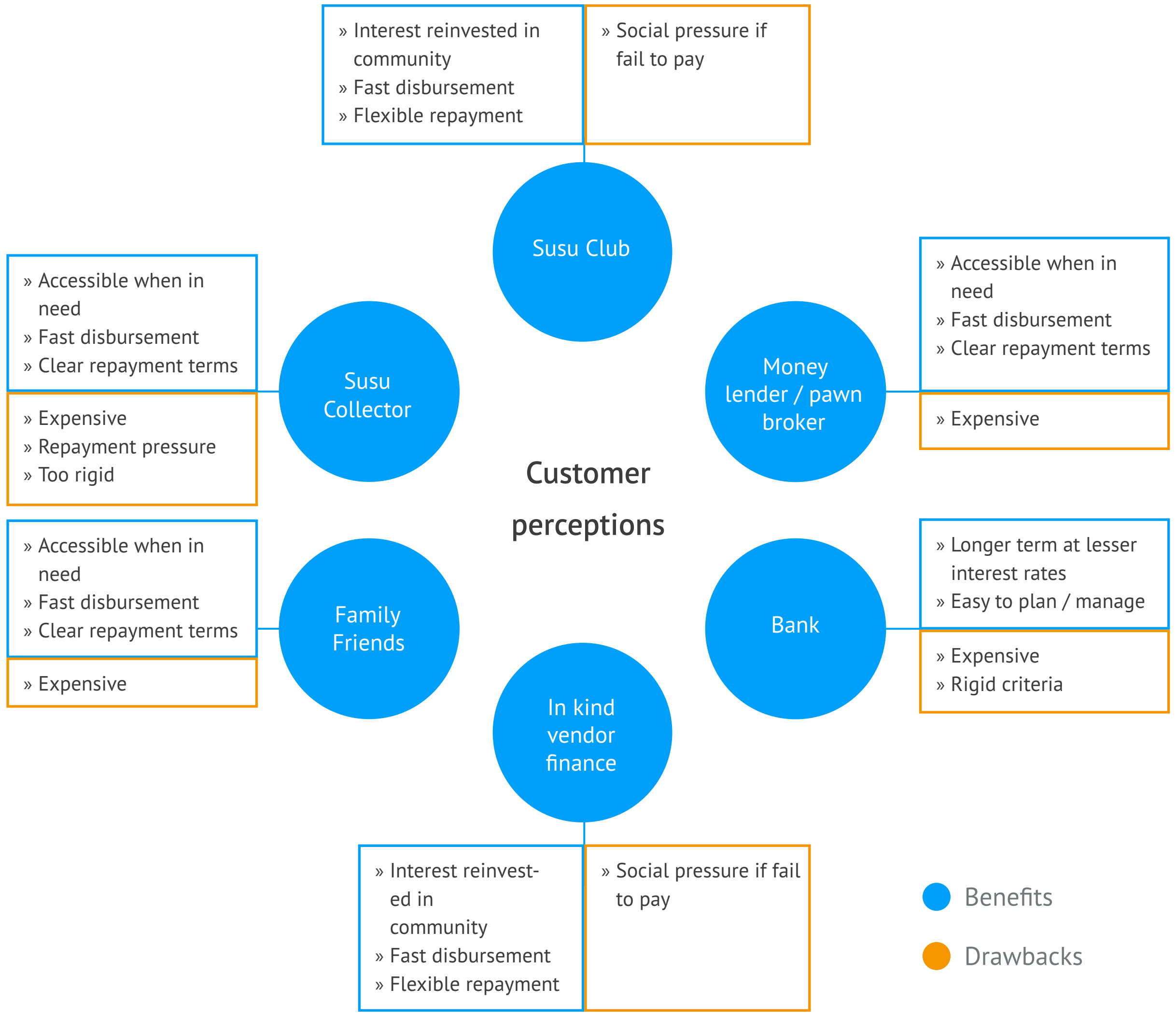
"If there is that need I always get credit from friends. I look for friends who can help by getting credit hence paying them at the end of the month".

(SALARIED EMPLOYEE, MALE, ZAMBIA).

Borrowing was based on reciprocity and therefore implied that everyone was obliged to lend to friends, family, and colleagues. Everyone formed part of a continuous cycle of borrowing and lending. Being debt-free was the desired situation, which was not often found among respondents, and several respondents were themselves professional "money lenders". Whether bridging a liquidity gap or financing purchases, borrowing informally between friends, family, peers, and money lenders was common. This was also true for markets in which consumers had access to formal finance, such as in Rwanda. We found that, while many respondents had access to loans from financial institutions, they preferred to borrow from their savings groups, friends, family, and colleagues at work.

We further examined how different financial devices were used for debt management and elaborated on the values they addressed as well as the benefits and drawbacks they had.

Customer Perceptions of Financial Devices (example Liberia)



HOW DO BUSINESSES MANAGE THEIR LIQUIDITY AND FINANCE INVESTMENTS?

We found that business's aspirations were very different among the business segments we surveyed and that these aspirations determined their financial behaviour. The segments at the bottom of the "business pyramid" included the so-called day-to-dayers/hustlers, cash-based and household enterprises or "own account operators", which were informal business set up because the formal economy had not been able to absorb them. Others started their operations to manage risks or cope with fluctuations in household income or to increase household income. Many saw themselves as undertaking income-generating activities rather than running a business. These businesses had very short-term goals, often living from "day to day," which reflected in how their money was managed. To cope with unforeseen situations, they relied on informal financial networks.

"The most practical thing for people who are in business, we depend on social networks. In a sense that I am in business and there is a person in a similar business as of mine. Then, there are these written agreements where when you are urgently in need you go that person, and when they're in need, they will come to you. So, it more like an informal social network. They are limited as it cannot go beyond an amount such as 500, 000 Kwacha for example. That is what we use for urgent payments. We have what we call business relationships. Do you ever think of the bank at that time? No, never. They always ask where your bank statements are. They will want to assess the risk. It will take three to five weeks."

ADVANCED ENTERPRISE, FEMALE, LUSAKA

"It happens to us so often. It happens that when it is time to pay the rent, one has used the money to restock. In such a situation one borrows from his colleagues, his fellow businesspeople while he is waiting to get money"

CASH-BASED ENTERPRISE, KIGALI

The upper segment of the "business pyramid" included more established enterprises that were formally registered and, therefore, more organized. Many had been in business for some years. In all three countries, they had business plans, wanting to buy a machine for their business or to buy a house, build, or even buy a car. Only a few had concrete ideas of how to finance these investments and purchases. Bank loans were seen as the best alternative and were associated with long-term projects and more significant amounts of money, which enhanced the borrower's financial discipline, and gave them ample time to realize the investment or purchase. However, for their business finance, many relied on non-formal business networks.

We dug deeper to unpack the reasons banks were not used more frequently for managing liquidity and business finance and what business clients really valued. We found that, just as with consumers, businesses stated that the ease of access to funds (cash-in and out, as well as transferring value) was a main determinant in the choice of financial service and institution. In many situations, cash payments and cash handling were seen as more convenient than transacting through financial institutions. Businesses also greatly valued the physical proximity to the financial instructions, finding it important to personally visit branches. Thus they preferred banks with a wide branch network over others. We also found that recommendations by a peer or friend were important in deciding on the uptake and even continued usage of a financial service.

4 Focus on active youth

"Active Youth" is an important customer segment for the banks because most consumers tend to "stick to their first bank" with little incentive to switch banks. Therefore, acquiring young people as clients is important in bank efforts to build a solid future customer base.

This segment includes young adults who have recently become economically active; either employed or running their own start-up business, as well as those on the verge of doing so (final year students, participants in incubators, etc.). Active youth are venturing into their first economic activity in life. They are aiming to achieve financial independence and want to meet their basic needs. They are heading into "the next level" in life. Youth have inspiring ideas about their future and some dream of being agents of change in society through various platforms. Some talk about redefining leadership while at university and others are willing to dedicate their lives to help the less fortunate.

Our research finding were used to describe dreams and aspirations of youth as:

LIBERIA

The typical source of income for youth is business. Their income fluctuates and many feel the need to save for a rainy day. Their income is typically spent on household- related expenses such as food, rent, and transportation. Youth do not usually make a budget due to their highly irregular income. The youth who were interviewed have personal aspirations, such as getting married, having children, building a house, and owning a car.

Several youths also shared business-related aspirations. For instance, one female youth said: "I would like to have my own supermarket, the biggest supermarket, a Liberian owned supermarket".

However, compared to the two other countries, we found that youth seemed to have fewer clear plans for their future, often mentioning their dependency on help and support of others: "As a young man, it is not an easy task. The focus is to get empowerment but nobody to come in to help"…

"… so I am depending on my brother to send me car to do commercial driving, that is my plan."

"…when I see an opportunity, I will jump at it. That's the future plan I got."

RWANDA

Youth in university dreamt more of pursuing certain careers and getting further education, whereas some youth were more focused on financial independence. The noteworthy similarity was that ultimately many youths wanted to be self-employed and own their own businesses.

University students' future goals revolved around finishing their current degree but also pursuing further higher education. One youth from Kigali said, "I study international Business and Trade at African Leadership University and I would like to become a business consultant and study for my master's degree while also working."

Some of the employed youth dreamt of working for themselves and doing activities that bring them a sense of purpose: "I would like to work for myself because it gives you purpose, you learn how to manage money well and it helps to secure your income."

"Everyone wants to work for themselves. I used to be a house help and worked hard to get a motor driving license and now I'm working to build like two or three houses that will help us retire well."

Some of the youth felt they had limited income and didn't feel like they were financially independent and meeting all their basic needs. Others had dreams of being agents of change in society through various platforms. Some talked about redefining leadership while at university and others talked about dedicating their lives to helping the less fortunate.

ZAMBIA

Youth wanted to be employed, married and have a family. Female youths had vaguer plans about their future and in the short-term their own education and marriage seemed to be more important. One female youth said, "I need somebody by my side who can be helping me because my parents are not going to be always there for me. I need a partner who will be there to advise me and to achieve the future with."

In the long term, female youths imagined opening and running social businesses (like schools or orphanages), while their male counterparts were more concentrated on businesses that would maximize their income.

In general, male youths were more realistic in their income expectations and had concrete plans for running businesses or seeking employment: "For me to be a pharmacist, I have big hope that I will finish my university level, and I have focus, I am sure I will be getting a huge wage"

"I need to pursue a job for me and for someone to hire me, it means they have money. As I am working for him, I will make monthly salaries and I can make my own budget to start my own business."

5 The Partners

AccessHolding

mastercard foundation

ACCESS MICROFINANCE HOLDING AG

Access Microfinance Holding AG (AccessHolding) operates a network of eight banks and microfinance institutions in sub-Saharan Africa, Central Asia, and South America. The Network Financial Institutions (NFIs) are microfinance-oriented and primarily located in urban and peri-urban areas. To date, the core business in the majority of the institutions has been the provision of micro, small, and medium business loans. All African network institutions are deposit-taking, as AccessHolding considers serving all of its clients' needs to be essential towards its mission. In 2014, AccessHolding opened the training centre AccessCampus for employees, which provides the necessary education for bank middle-managers to perform more senior managerial roles in their institutions.

ABOUT THE MASTERCARD FOUNDATION

The Mastercard Foundation seeks a world where everyone has the opportunity to learn and prosper. The Foundation's work is guided by its mission to advance learning and promote financial inclusion for people living in poverty. One of the largest foundations in the world, it works almost exclusively in Africa. It was created in 2006 by Mastercard International and operates independently under the governance of its own Board of Directors. The Foundation has offices in Toronto, Canada and in Kigali, Rwanda.

Visit www.mastercardfdn.org for more information and to sign up for the Foundation's newsletter.

Follow the Foundation at @MastercardFdn on Twitter.

A journey in customer-centricity

Access2Access

ACCESS2ACCESS (A2A) PROGRAMME

The Access2Access (A2A) programme was set-up in summer 2016 with a total value of USD 33 million. In September 2016, AccessHolding entered into a Partnership Agreement with Mastercard Foundation to support the A2A Programme with USD 15.5 million over a period of five years.

The overall objective of the A2A programme is to strengthen the capacities of the AccessHolding Network Financial Insitutions (NFI) with the aim to increase outreach and improve access to financial services that meet client needs more efficiently and profitably. The partnership with Mastercard Foundation has two components: (i) Capacity Building and (ii) Digitalisation.

The Capacity Building component strengthens human resources of the NFIs by supporting AccessCampus (network-wide education of middle managers), AccessFoundation (training of trainers and local advanced learning for all staff) as well as the development and implementation of an e-learning platform (AccessMind). The intensive and diversified Capacity Building initiatives qualify staff to manage complex changes related to the introduction of digital products and services, and to put the customer in the centre of all developments. The Digitalisation component broadens the range of channels, products and services that customers can access, based on a client-centric business model. At the same time the new developments improve the institutions' internal efficiency, and are built on a solid, scalable, flexible and secure IT architecture.

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