



Savings and Retail Banking in Africa

Unpacking the customer through demand side data

May 2022



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Glossary

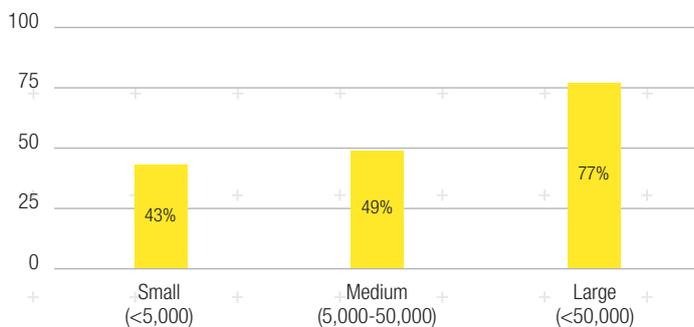
- ATM Automated teller machine
- CGAP Consultative Group Against Poverty
- DFS Digital financial services
- FI Financial inclusion
- FSP Financial service provider
- HH Household
- MFI Microfinance institution
- MSME Micro, Small and Medium Enterprises

1. Introduction

Data today is as universal as oil and its products. Those who have lots of it – and know how to refine it – are benefiting from their efforts. The key question, however, is *how do I use data, and to what end?* This case study is designed to highlight African banking examples where data has been used successfully to make inroads into the low-income market. Customers in this market often work in the informal economy – and make little use of their accounts – a characteristic known as dormancy. When accounts are used, they are often used as mailboxes, and only one or two simple transactions are performed. Knowing this, how is one to understand – let alone develop, this market?

Data is key to financial service provider (FSP) profitability, and its use by FSPs is rising rapidly in Africa and worldwide. Yet a 2019 survey of 331 African FSPs found that only 62% had a data strategy, and of these, 30% had yet to allocate funding and put it into effect¹. Only half had a dedicated data analyst.

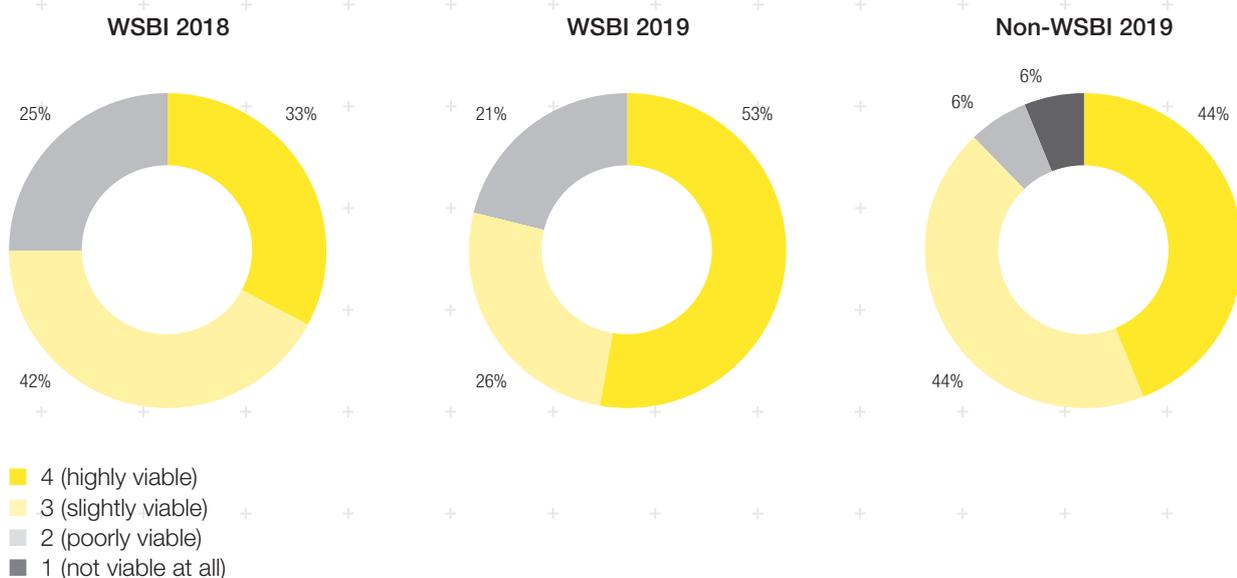
Figure 1. Data analyst by FSP size



All FSPs need to develop their customer base, acquiring and retaining more customers. Leveraging data – both internal and external – can help them. FSPs, however, face varying data-related challenges. Savings and Credit Co-Operative Societies (SACCOs) said they had little budget for data collection and lacked personnel specialized in data analytics. But many are keen to use their data more intensively and gather more. Among banks, meantime, almost 75% said they will need to upskill their data analytics staff over the next decade.

Despite their challenges with data analytics, by 2019 a WSBI study found that 53% of African members of the WSBI believed that the low-income market is highly viable for them, and a further 23% saw it as slightly viable, while half of non-members considered it viable. One of the main challenges in cracking the market has been insufficient client centricity or client understanding – cited as a leading barrier in the state of the industry report 2020². The roots of the problem lie in data related challenges.

Figure 2. FSP perception about viability of low-value service offerings



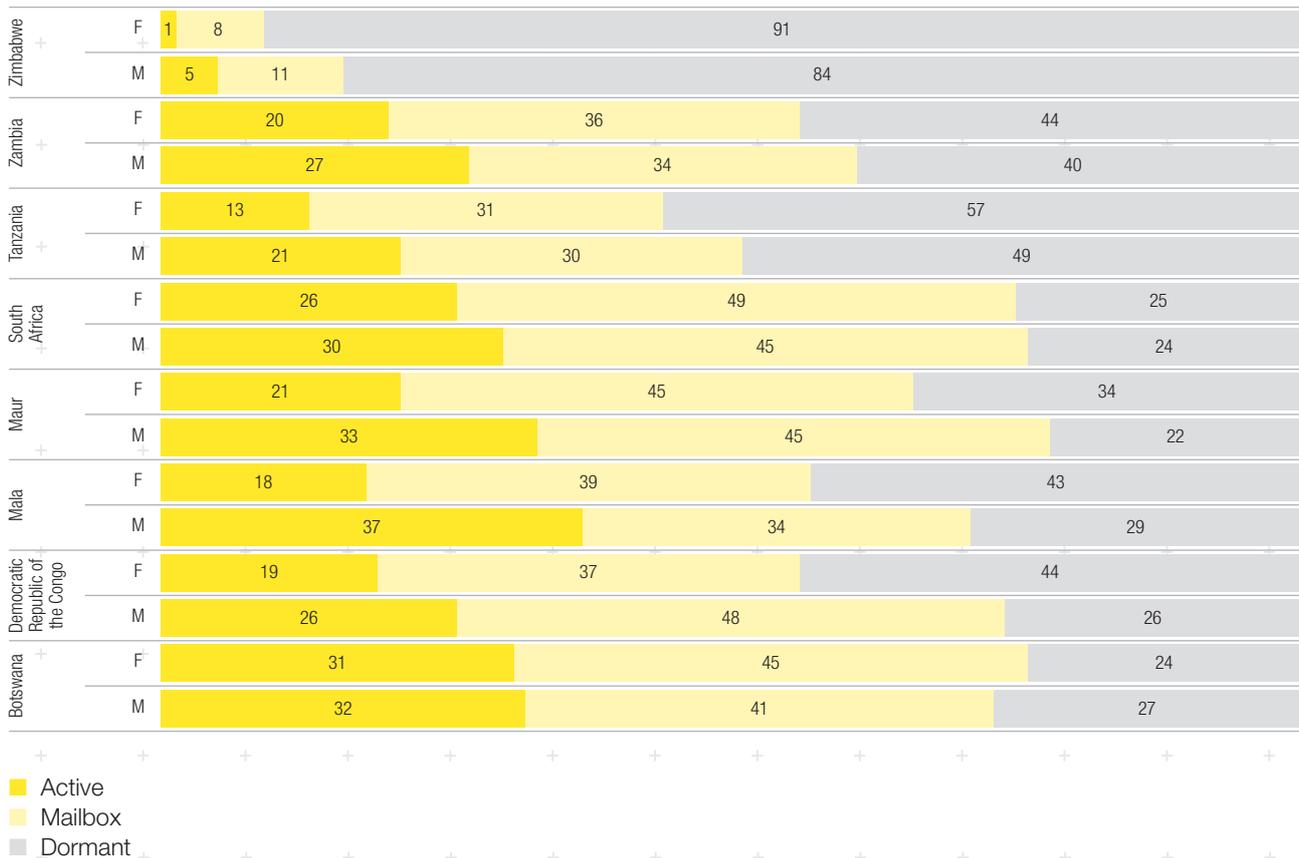
1 Ghana, Kenya, Rwanda, Uganda, Tanzania and Mozambique

https://cenfri.org/wp-content/uploads/Survey_Data-in-FSP-decision-making_Findings-from-six-African-countries_March-2018.pdf

2 WSBI – Scale2Save Program : https://www.wsbi-esbg.org/SiteCollectionDocuments/0913_ESBG_BRO_2019SURVEY_FINAL.pdf

Information on the low income-market is generally poor, and many accounts are dormant, or little-used. Dormancy is a frequent problem in the battle for financial inclusion. When clients have accounts, sometimes reluctantly, simply to receive salaries or government payments they remove all of their money the moment it arrives. Such behaviour – and the data it generates – do not help us understand clients much better, because they offer no insight into the financial life and needs of the client. Many credit applicants – especially for microloans - are so-called thin-file clients, lacking a repayment or other financial history that would allow the bank to assess and acquire them as customers on its credit book. This segment may try to engage with the formal financial services sector, but in the absence of data, the FSP cannot segment customers in any meaningful way.

Figure 3: Account dormancy and mailbox usage behaviour for individuals with an account



Without deep and meaningful segmentation, and a clear product design, channel and distribution strategy, a host of important decisions are made on limited information. The result? Products that do not meet the needs of customers, or customers who don't really understand how products and services offered can meet their needs. To better serve the unbanked, or those who make little use of their accounts, FSPs will need to gain a solid understanding of their customers' unmet needs. They can gain this only through data collection and analysis.

Volume is key to success in retail financial services, and customer centricity is the key to volume. Within the S&P index, FSPs that excel at customer centricity are more profitable than their peers, and those in the S&P Index deliver returns 150% higher.³

Becoming customer-centric is no simple task – and there is no single solution that fits all. Each institution should design its own solutions that helps put customers at the core of what it does. However, there are frameworks that can be used to structure the challenge of becoming customer centric. For example, the Consultative Group Against Poverty (CGAP) suggests that the acquisition of customers involves identifying new markets, raising awareness of the product value proposition, and selling the product to the customer. Customer retention involves driving continuous use amongst customers and building trust and loyalty into the customer relationship. Expansion involves increasing the value of existing services and successfully offering existing customers new services.

This study concludes by outlining tangible steps that FSPs can take in their particular markets to both generate, and to use the data they gather more effectively.

3 https://customersguide.cgap.org/sites/customersguide.cgap.org/files/resource/2018/07/CGAP%20C-CGuide-FinalLowRes_Web.pdf

2. Executive Summary

Why is data the key to developing customer centric banking and enhancing financial inclusion?

To retain customers and attract new clients, and thus build market share, financial service providers need to understand customer needs and develop a portfolio of products that satisfy customers today and introduce new products as customer needs evolve.

What data do they need?

To develop a truly relevant portfolio of products and services, FSPs need to be able to access and analyse supply-side data about rivals in the market and their own activities. But they also need to access and comb-through demand-side data about who lives where, their incomes and spending, and what kinds of products and services they need.

Does the necessary data exist in Africa?

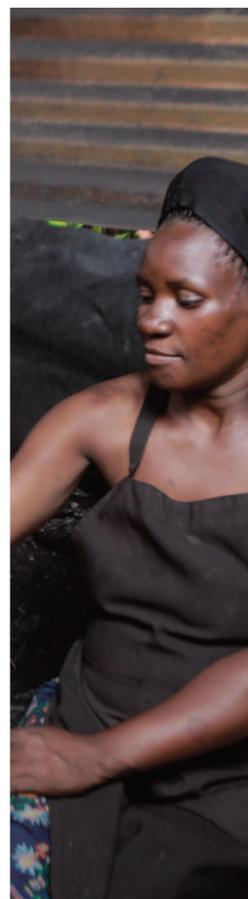
FSPs may need to modify or modernise their systems to ensure they can unpick the data their systems contain. Meantime, demand-side studies exist for many African countries, conducted either by central banks and regulators, or by non-governmental organisations dedicated to promoting financial inclusion.

Has anyone put this into practice?

This study highlights three FSPs that are already reaping the benefits after a transition to data-driven, customer centric operations and product portfolios.

What steps should other African FSPs that want to adopt these practices take?

- Invest in a dedicated analytics function
- Participate in industry-level initiatives
- Allow customer data to lead their decisions



3. An overview of data use within FSPs

To gain a full-picture of the level of financial inclusion and of opportunities to improve it, FSPs need to examine both supply- and demand-side data⁴. Supply side data is information that is collected directly by financial services providers or by partners such as telecommunications companies. It includes data about branches, automated teller machines (ATMs), agents, and online access. It details account holders, their income, gender, age, location, occupation and account activity, as well as complaints data lodged with, for example, a regulator that is shared with an FSP. Demand side data is collected by surveys (including national census data, if current), and interviews and focus groups (qualitative data) from individuals, households and firms. The two are complementary.

Both data sources can provide powerful insights for FSPs. Some of the most common use cases, and how they contribute to the business, are outlined in the table below.

Table 1. Supply and Demand side data

Use case	Collected from	Classed as
Credit risk scoring	<ul style="list-style-type: none"> - Client transaction information - Repayment/Performance data from other FSPs - Alternative data – such as telecommunications - Client-supplied information 	Supply-side
Fraud detection and prevention	<ul style="list-style-type: none"> - Administrative data (complaints by customers) - Transaction data 	Supply-side
Distribution channel mix	<ul style="list-style-type: none"> - Transaction engagement per channel / customer - Administrative data (Engagement time on call centres, etc) - Feedback from FSP clients 	Supply-side
Segmentation	<ul style="list-style-type: none"> - Transaction information (though of limited use) - Qualitative and working groups - Survey data - Census information 	Blended supply-side & demand-side
Product design	<ul style="list-style-type: none"> - Transaction information - Qualitative data from interviews and focus groups - Survey data - Census information 	Blended supply-side & demand-side

4 <https://www.cgap.org/sites/default/files/researches/documents/CGAP-Forum-Financial-Access-2011-An-Overview-of-the-Supply-Side-Data-Landscape-Jun-2012.pdf>

Focusing on understanding the customer through segmentation and appropriate product design. African FSPs say that their most pressing current challenge is creating products that resonate with their existing and prospective clients, especially prospective clients who have largely remained outside the financial system. When selecting case studies for this report, we focused upon the insights they provide into three key factors:

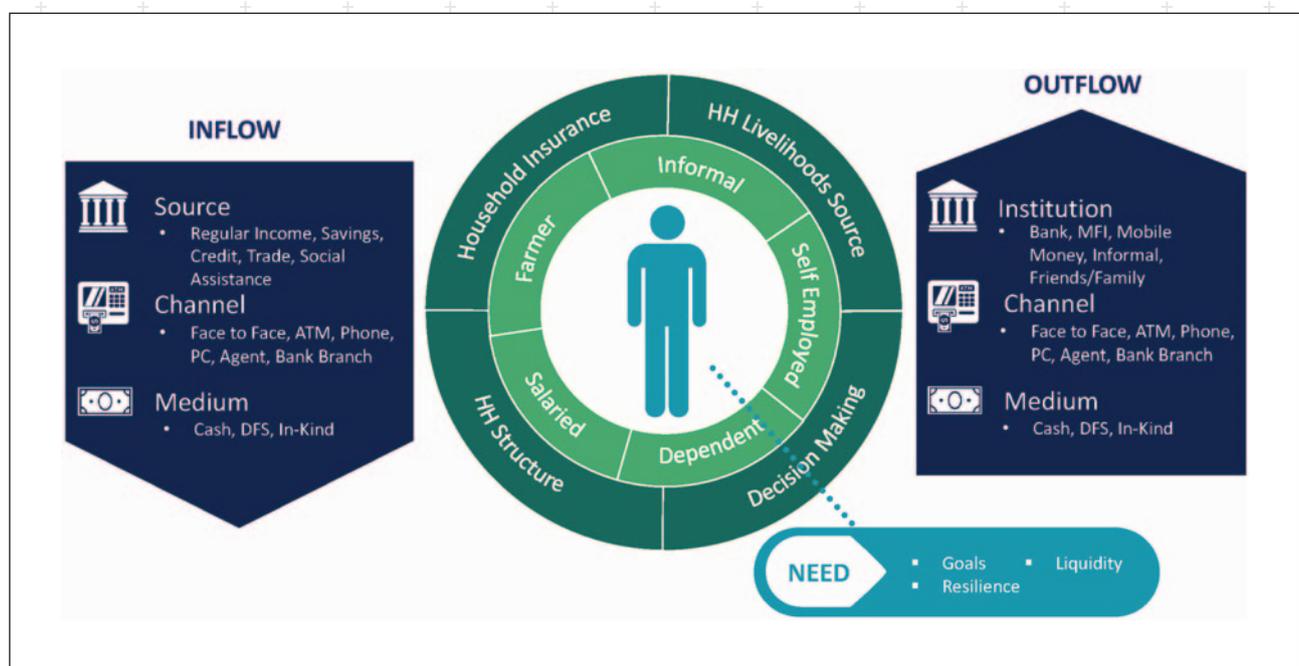
- **Cheap to implement:** data solutions come in all shapes and sizes – ranging from small scale qualitative studies and limited quantitative studies, through to large cloud-based systems. We focus on those that can be implemented with few resources
- **Require minimal re-adjustment:** when incorporating new data analytics systems into their business, FSPs often face constraints arising from legacy IT systems, or technical / IT requirements that would cause significant business disruption to adopt. It is important to avoid these pitfalls.
- **Have delivered to the low-income market:** there are plenty of solutions focusing on capturing the middle- and upper-income segments of the market. We focus on solutions that can and have been deployed successfully to serve the low-income market.

Though not universally-available, demand-side data is often abundant, and has proved useful for FSPs. Demand side data in Africa is both plentiful and scarce. Plentiful in the open way the data is collected and shared, often funded by public-private partnerships. The data is also deep and reliable, where it is available. Yet scarce, since the data is often collected irregularly, and some countries are missing from data-sets. Assisting the private sector to gather and use demand-side data can help plug the gaps. The absence of national statistical agencies often makes data difficult to locate, where it exists.

On the following page is an overview of demand-side data tools. Demand-side data ranges from censuses, through phone-administered surveys, to face-to-face surveys. Data can be nationally representative, or focus on particular segments only. Table 2 gives a summary of some surveys available in Africa.

Available information meets many of the needs of regulators and FSPs. The demand side surveys outlined above capture information that should allow segmentation of actual and prospective clients. Within each segments, it should be possible to understand the source of income, how it is received, and how it is managed (including informally). The datasets also show how individuals within these target markets match the financial tools at the disposal of FSPs to meet their goals. Figure 4 below gives an overview of the information collected in a typical FinScope survey.

Figure 4. Typical information collected in a FinScope Survey



The datasets listed above are freely accessible to FSPs. We will now examine how some FSPs have leveraged data in varying ways to access and thrive in the low-income market.

Table 2. Overview of demand-side surveys available in Africa:

Name	Who	Representative	Use case & Limitations
FinScope (Zambia, South Africa, Lesotho, Ghana, Mozambique, Uganda, Rwanda)	Approx 3,000 to 40,000 people per country	National, regional, local, urban/rural	Powerful nationally-representative data on a wide variety of FI matters. Allows for segmentation, needs analysis, and unpacking informal use & more. Costly to implement.
FinAccess Kenya	Approx. 10,000	National, regional, local, urban/rural	Powerful nationally representative data on a wide variety of FI matters. Allows for segmentation, needs analysis, and unpacking informal use & more. Costly to implement.
A2F (Access to Finance) Nigeria	Approx 22,000	National, regional, local, urban/rural	Powerful nationally-representative data on a wide variety of FI matters. Allows for segmentation, needs analysis, and unpacking informal use & more. Costly to implement.
FinDex Global	Approx 1,000 per country	National, urban/rural	Powerful for comparing countries performance to each other – limited in segmentation and analytics potential, and limited indicators.
Listening to Africa (Multi-country)	Approx 1,000 – 3,000	Depends on country	Powerful for segmentation and analytics potential, however often not nationally-representative and not focused on FI.
Census information (At national level)	Entire population	National, regional, local, urban/rural, local district	Fully representative, however contains minimal information on financial inclusion. Often used alongside survey information.

4. Using public demand-side data to design products

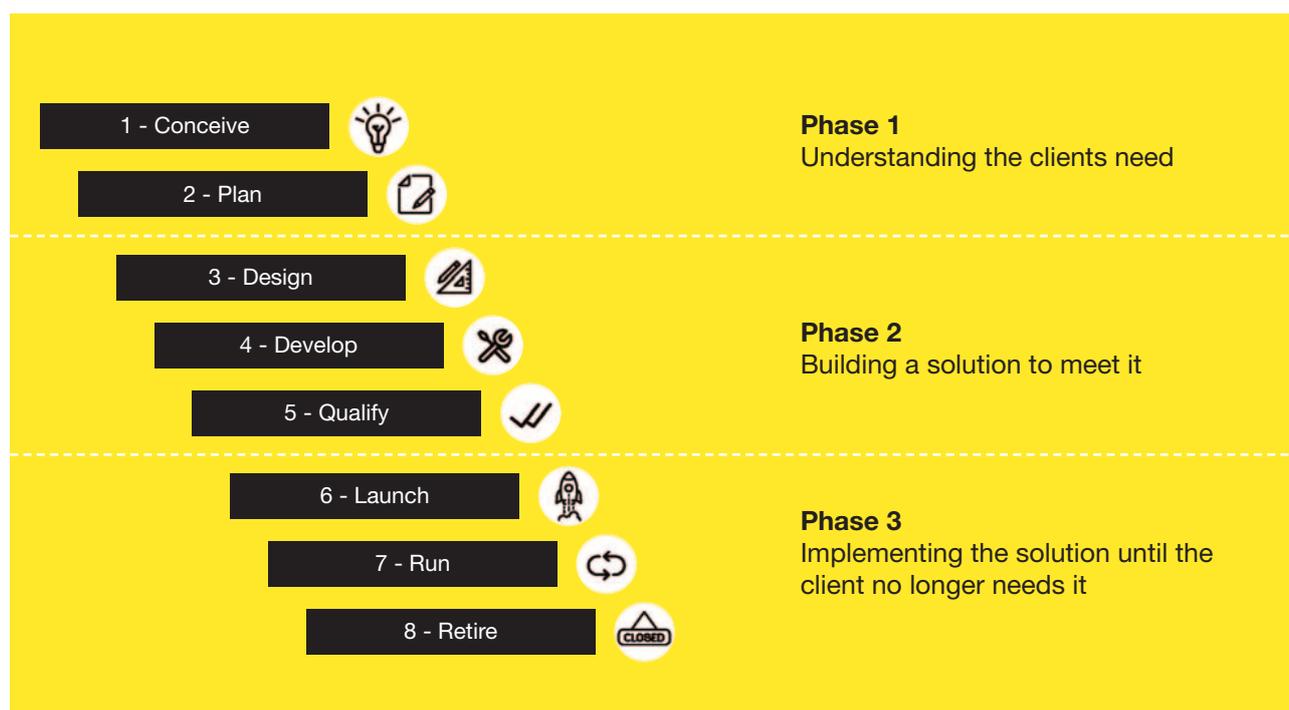
Zanaco National Commercial Bank, Zambia

Zanaco National Commercial Bank, based in Lusaka, was the first institution to launch an ATM in Zambia, the first to adopt agency banking, and in 2008, the first in the country to introduce mobile banking through their Xapit platform. Innovation underpins the bank's goal of becoming one of the top retail financial institutions in Zambia. It has a focus on the growth of the Zambian economy. The foundation for growing its client base is its drive to understand and be close to its customers.

Zanaco follows an eight-step process, shown below, to design its products and services around customer needs. Proposals are validated by a committee of specialists from different departments in the bank. The steps, outlined below, are split into three phases. The first phase focuses on understanding the market and its need, the second on building a solution to meet it, and the third on running the solution:

- **Phase 1 - Conceiving the product:** the data and research team analyse data – such as census data and the FinScope data for Zambia – to understand customer needs and potential market opportunities.
- **Phase 1 - Planning the product:** the team then looks at what needs can be met and designs a possible product to meet them and weighs how many customers it might reach.
- **Phase 2 - Designing the product:** Once the prospective product is sufficiently refined, and the project approved by management, the product features are specified and a strategy drawn up for its roll out.
- **Phase 2 - Develop:** Once the product has been designed, it is developed by departments such as IT, risk and others.
- **Phase 2 - Qualify the product:** as development nears completion it is beta tested with a limited number of users.
- **Phase 3 - Launch the product:** Once sufficient beta testing has taken place, and the product is ready for the mass market, it is launched by the team.
- **Phase 3 - Run the product:** product performance on the market is monitored, and tweaks may be made as market conditions and needs change
- **Phase 3 - Retire the product:** when internal and external data show that the product no longer meets customer needs, or maintaining it no longer benefits the business, the product is retired.

Figure 5. Zanaco's process to design a product



Zanaco uses client-level data sources, including census information, qualitative research and FinScope data, to paint a picture of client needs. This information forms the departure point for product design and conception, but also indicates to Zanaco when it may be time to retire a product. This customer-centric approach is reinforced by using the bank's internal data.

Whilst data analytic skills are found within various units, to design products Zanaco leverages the expertise of a dedicated research unit focused exclusively on understanding market trends and customer needs. This unit within Zanaco leads the first stages of developing and conceiving the product – before handing it over to development teams to create and deploy. Having a dedicated function to conduct these first two steps using data and evidence is key to the success of Zanaco products.

How does Zanaco use the FinScope data available in Zambia?

Zanaco seconded a staff member to FinScope to assist their Zambian study. This ensured that the bank was close to the research process and equipped to navigate the study and data once it was released. Zanaco also helped design the questionnaire, and ensure that the data collected are accurate and meet the needs of Zanaco and other institutions in Zambia. This survey was completed under the authority of the Ministry of Finance, with support from Financial Sector Deepening Zambia.

Once the study was completed, Zanaco received the full results and took part in brainstorming sessions. The results are presented in segments that cover different income categories, such as salaried workers, piece workers, dependents, and others. It also looks at urban and rural splits – facilitating design of appropriate products.

Going forward, Zanaco will be using the raw dataset for further research, creating its own bespoke segments and conducting internal research to support further product development.

Growing its share of the mass market is a key part of Zanaco's long term strategy. Its approach is to be present in all key areas, and to increase its presence in areas where it is already active. Distribution, acquisition and retention strategies are designed to facilitate access to all segments of the market. Ensuring that products are designed with specific segments in mind – and ensuring that these are retired when they no longer meet these needs – ensures growth because Zanaco and its products are always attuned to client needs.

Key lessons from this case study

- Demand-side client data can be very useful for product design when used as a point of departure.
- Demand-side client data, combined with internal data, helps you understand how customer needs are changing, spot when rivals are offering something better, and identify when it is time to retire a product and design a new solution.
- Proactive participation in African market studies can provide meaningful insights for an FSP – especially one that wants to participate in the mass market.

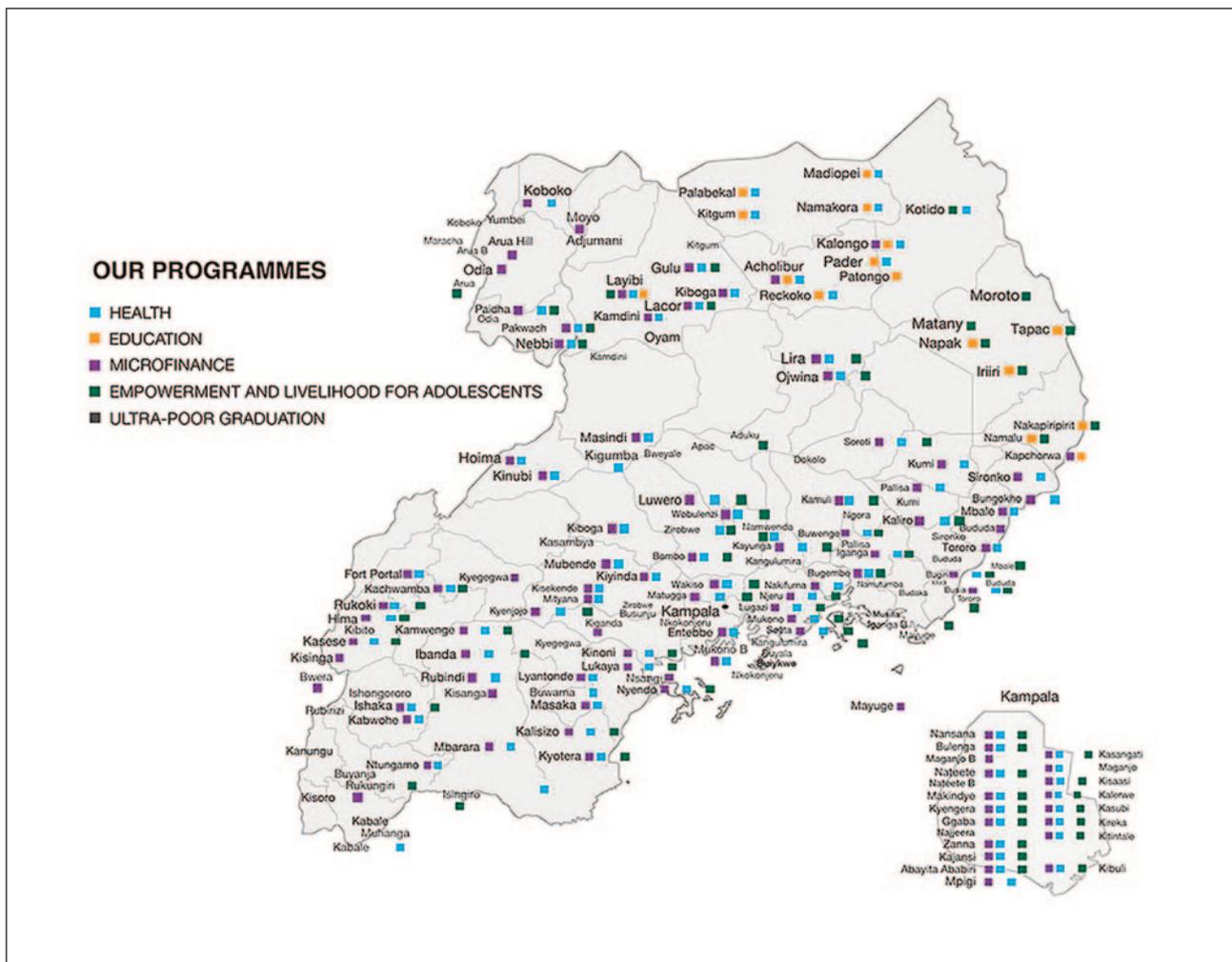
5. Leveraging demand side data to build localized distribution strategies

BRAC Uganda

BRAC was originally set up in Bangladesh in 1972 as the Bangladesh Rehabilitation Assistance Committee (BRAC) to aid the country's development. It has since grown into one of the largest non-governmental organisations worldwide, supporting development work across the globe – including in microfinance financial services for those on low incomes. BRAC has been present in Uganda since 2006, and became a fully-fledged banking services provider in 2019. Today, BRAC Uganda Limited has a full banking licence, and a total loan book of approximately US\$41 million, supporting 163,092 borrowers. BRAC Uganda has 333,356 savers and 97% of clients are women⁵.

BRAC Uganda has made customer proximity an essential part of its strategy, as shown in Figure 6. It has over 86 branches located throughout the country, with 19 in Kampala alone. Each local office has a team responsible for servicing the region. These teams are responsible for retaining existing customers, attracting new customers, and expanding the range of services offered to existing customers in line with their evolving needs⁶.

Figure 6: Overview of the distribution infrastructure of BRAC in Uganda



5 <https://bracinternational.org/uganda/>

6 <https://bracinternational.org/uganda/>

To support the local branches, BRAC has a data analytics team at head office. Though the skills are distributed across different teams, the institution dedicates significant resources to collecting a host of data via many of its departments. This includes, but is not limited to:

- **Credit performance data:** BRAC both reports data to credit bureaus, and uses this information to assess customers, when available
- **Product uptake information:** for both savings and credit products, BRAC closely monitors the profile of clients, verifying who remains with the bank – and who ultimately disengages
- **Experience information:** BRAC collects information on user experiences across its market segments, and works hard to uncover motivations when clients close accounts

The view of the customer provided by this supply-side data is incomplete, however. It gives only the perspective of current and former customers. As BRAC established itself in the market in Uganda, it needed a different source of information in order to understand the Ugandan retail financial services market. It wanted to understand the customers that BRAC did not yet serve but wants to - for example those saving or borrowing informally, those historically marginalised by the formal financial services sector such as women and youths, and those in rural areas.

To support its drive to win customers, BRAC initially appointed external service providers to conduct market research. These local surveys were based on a mixture of quantitative and qualitative research. They helped managers understand the market, but lacked the detail needed to win new customers at local level.

The FinScope survey, launched in Uganda in 2010 and repeated in 2017, provides the missing insights. During the second edition, BRAC started drawing upon the survey and intends to continue using it (see Figure 7). Because the survey is nationally representative, BRAC could use additional data such as the number of people living in a particular place, their income and their use of other financial services to identify regions where its market penetration was lower than it should be.

The FinScope data is used to:

- **Identify groups of potential clients:** by creating segments of potential clients, such as farmers, salaried workers and dependents, BRAC is able to identify their income levels, needs and a host of other information.
- **Understand where potential clients are:** by looking at the rural/urban split, and digging down to district level, BRAC can identify important pockets or clusters of people – such as farmers of a particular crop – and where to find them. It also looks at who they are close to – including potential agent partners.
- **Understand how to reach each segment:** This includes understanding how each segment currently interacts with either FSPs, institutions (such as supermarkets) that could be agents, and at other relevant data, such as mobile phone ownership.

Figure 7: How BRAC used the FinScope data in Uganda



Segmenting the data, and using it to understand the questions above, allowed the BRAC team to take a more nuanced approach to gaining market share.

They were able to:

- **Determine which geographical areas (at regional or district level) are most viable:** for setting up branches, deploying and training staff, or appointing agents
- **Supply business intelligence support:** providing local staff with information about their local market, and their performance within it
- **Drive needs-based product design:** this is particularly useful for loan and credit cycles in agriculture, where loan cycles and crop cycles should be closely aligned
- **Support general management:** providing managers with strategic information on how BRAC is doing compared to sector rivals

The complementary use of demand-side and supply-side information is now standard practice for BRAC Uganda. Branches regularly receive information about both their current and past customers, and about groups of potential customers. This has allowed BRAC to set sales and customer acquisition targets and use administrative data to see whether they are being achieved. Today, the combination of external demand-side data such as FinScope data, and internal administrative data is part of regular data analysis at BRAC – and has been an important contributor to the bank's success in Uganda.

Although no dates had been fixed for the next FinScope Uganda survey as our study went to press, BRAC intended to collaborate on the next survey, which is championed by FSD Uganda under the Ministry of Finance. BRAC Uganda intends to leverage the dataset to monitor and evaluate its performance since 2017. Crucially, this will take the effects of the pandemic into account and allow BRAC to re-calibrate its distribution strategy – as well as to change the way it acquires customers in the future.

Key lessons from this case study

- Combining supply-side and demand-side information provides a much more complete view of customer needs
- Improved understanding of customer needs can make for better decisions on a host of choices from product design through to distribution channel combinations.
- Using demand-side information helps set targets that are realistic and achievable at local level. It also allows for more localized efforts to acquire customers.

6. Leveraging a patchwork for information to drive client centricity

Awash Ethiopia

Named after the Awash River that traverses central Ethiopia, Awash Bank has been in operation since 1995. The river has long supported communities along its banks: Awash Bank strives to support clients and the economy as they pursue their lives and economic growth. The bank focuses heavily on supporting customer groups that are key to the development of the economy – such as Micro, Small and Medium Enterprises (MSMEs) and those in the diaspora who remit funds to relatives in their country of origin.

Awash Bank has been through a transformation process designed to diversify its client base, build market share and strengthen its brand in the minds of the public. During this process, Awash Bank identified target market segments, and how best to serve them. It then set out to re-configure its operations, including IT systems, distribution channels and products, to focus upon these segments.

Awash identifies its target market segments using a multitude of data sources. The first is by using internal transactional and customer profile data. This is augmented with external research that includes the national census and studies by the National Bank of Ethiopia. The central bank, which is responsible for facilitating financial inclusion in Ethiopia, produces copious research and data to support its work. These provide a rich source of information that helps Awash identify customer needs.

Strong central planning is a feature of the Ethiopian economy. Awash Bank has aligned with government goals by prioritizing market segments that the government is keen to see well-served with financial services. One example is the Ethiopian diaspora. Diaspora banking is now one of Awash Bank's leading product lines, after the government of Ethiopia changed its regulations to allow non-residents to obtain credit and purchase homes.

Awash Bank gives careful attention to qualitative research within its data analytics. It regularly engages with civil society organisations, particularly within the segments it wants to serve – such as the diaspora and their dependents, and MSMEs. This helps the bank's research and analytics specialists to intimately understand the context of their potential new customers. This more-than-data approach enables Awash to build more tailored products.

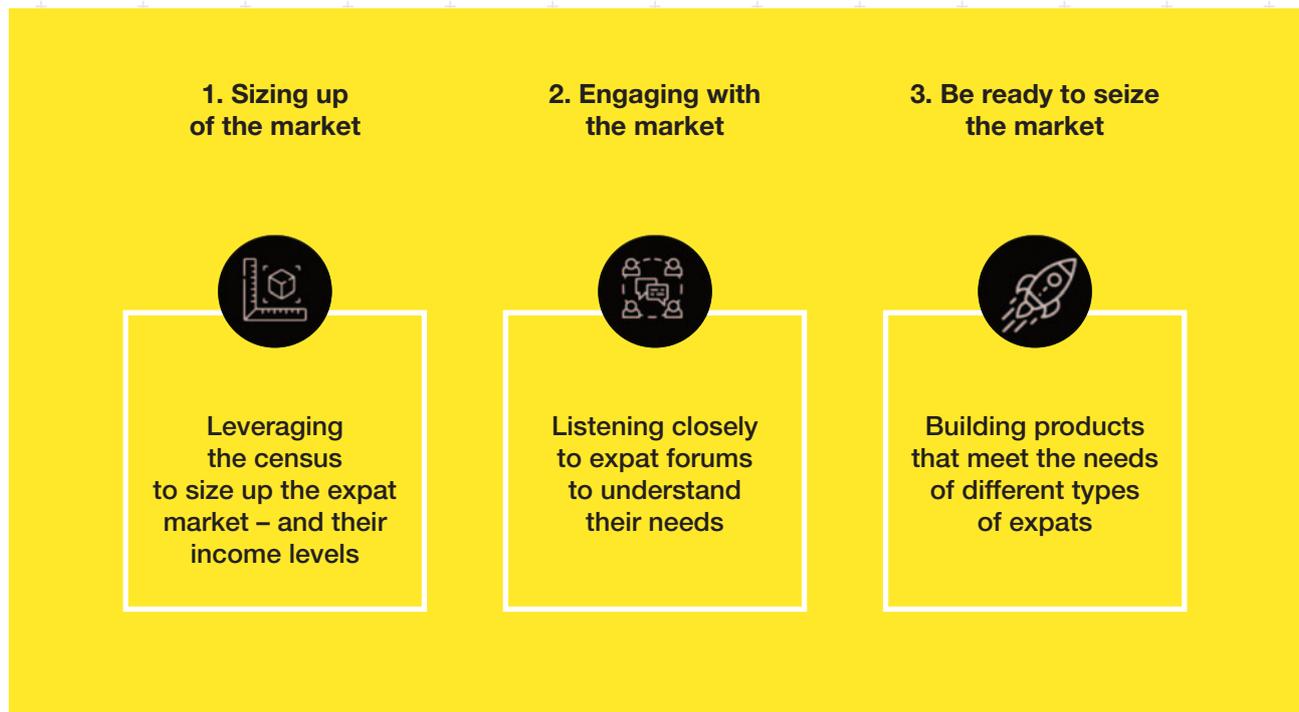
How did Awash bank target the diaspora segment so quickly?

Ethiopia has regular diaspora forums organized by civil society organisations that look after the interests of the diaspora and their dependents. In these forums, many families said that they are abroad temporarily, and intend to return one day. They complained that they were not able to purchase homes whilst they were abroad, and that their access to the banking system was constrained.

Awash bank has been participating in these forums for years – and had a strong qualitative sense of the needs of this segment from these discussions. This drove research within the bank using census data, market research studies, and the bank's own customer data to quantify this segment – and its potential profitability if the market was opened.

Regular monitoring of the regulatory landscape paid-off. As soon as this market segment was opened-up, Awash Bank aggressively marketed tailored products – becoming a leader in diaspora banking in Ethiopia. This has enabled many families to purchase homes, earning valuable foreign exchange for the country and becoming a key source of revenue for Awash.

Figure 8: Awash's three-step process to build products for the diaspora segment



Key lessons from this case study

- Preparing to serve market segments before regulatory changes can provide a big first-mover advantage.
- Government regulatory and liberalisation changes open up new markets – and aligning to government actions can create opportunities.
- A qualitative understanding – alongside a quantitative understanding – is valuable in driving customer centricity.

7. A short how-to guide for FSPs that wish to leverage market research data

All African FSPs can make use of market data. Market-level data or research is available in most African markets, and where regulatory authorities do not publish much information, donor institutions focused on financial inclusion often fill the gaps. Data analysts and researchers appointed by the bank need to locate and use this information.

FSPs need to allocate a budget, and a mandate. There is no one-size-fits-all. Among FSPs interviewed for this case study, some institutions created a specific market research unit internally dedicated to analysing demand-side data and providing strategy support. Some have integrated this responsibility within general research units, whilst others have outsourced this work to consultants. What they have in common is that the institutions that benefit from these data are the ones that have assigned the responsibility to analyse this information and provide strategic guidance – and given those responsible the funds they need.

Is it best to appoint a consultant or assign a team? That depends on the regularity of the data need (is this for a single product launch, or for regular strategy updates?) and how committed the institution is to adopt a data-driven approach. Data analytics are of course only possible if the data systems and architecture can provide the necessary data.

An FSP should adopt an approach tailored to the degree of development of its market ecosystem. The options available, beyond assigning a mandate and providing funding, will depend upon the institution's external data environment. Drawing upon the evidence of the case studies presented above, we outline below high-level options appropriate to three differing levels of market development (Figure 9).

The market development stages are:

- **Markets with no dedicated national retail financial services data:** in these markets, dedicated datasets on retail financial services do not exist or are severely limited. In such markets, most information related to financial inclusion will be found in census data or regular surveys conducted by the statistics agency, and in data and research published by the central bank and ministry of finance, which are responsible for promoting financial inclusion. In such markets, FSPs should focus on encouraging their industry body or – if they are large enough – the regulatory authority, to conduct a large-scale market research study of retail financial services.
- **Markets with limited or irregular national retail financial services data:** some markets have deep but irregular data on financial inclusion, collected every few years. In such markets, ensuring that the business case for the use of the data is well developed and articulated is important. Focusing on ensuring the data can be used by FSPs ensures that the use case is well articulated both internally – to ensure funding is made available and skillsets are dedicated to the task – and externally, to encourage industry bodies and peers to invest in market studies.
- **Markets with regular national retail financial services data:** where regular data collection takes place and the data are easily accessible, the focus should be on ensuring that the market data are kept up to date. Specifically, to ensure that the data captured continues to address relevant themes and is relevant to new research questions or hypotheses regarding product design or FSP strategy

FSPs that have either irregularly or regularly collected financial inclusion data have varying ways in which they can contribute to or participate in a data collection initiative such as FinScope. In Africa central banks undertake such surveys primarily to understand the lay of the land and to assess the health of the retail financial services sector. How exactly an FSP contributes depends on its own appetite.

Contributions could be at different stages, as outlined in Figure 10:

- **Non-participatory contributions:** FSPs may consider two types of contributions. The first is financial – by contributing either to their industry association to fund a data collection initiative or by contributing directly. This is typically done before the study begins.
- **Participatory contributions:** FSPs may second some of their staff to support the data collection initiative. This helps staff – who will have access to the data after the study is complete – to navigate the data swiftly and extract the most valuable insights. Staff members may review data-gathering questionnaires, take part in fieldwork, contribute to the statistical integrity of the results and more. This can be done throughout the lifecycle of the study.

- **Driving internalisation of the data:** all FSPs have access to the data – whether they take part in the study or not. All FSPs should therefore consider how they can use this dataset. An FSP may assign the responsibility internally to an existing unit or recruit a dedicated data analyst or research specialist to lead this function. Should these approaches not be viable, FSPs may consider appointing external data consultancy firms that specialize in data analytics to support data driven product and strategy development. This is done once the study has been completed.

FSPs should align their actions with national policy objectives. Nationally representative surveys cost upwards of US\$400,000 per cycle – and some more than US\$1 million. Only large FSPs, or government entities that collect the data to inform their policy-making, can afford such costs. FSPs keen to gain access to reliable data may choose to take on national development objectives by supporting MSMEs and growth, and driving inclusion across all segment and channels. They will then find a natural ally in governments and regulators that share their objectives. Data generated by government and regulatory policy processes – such as research studies – can then provide insights for an FSP.

Figure 9. Market development stages

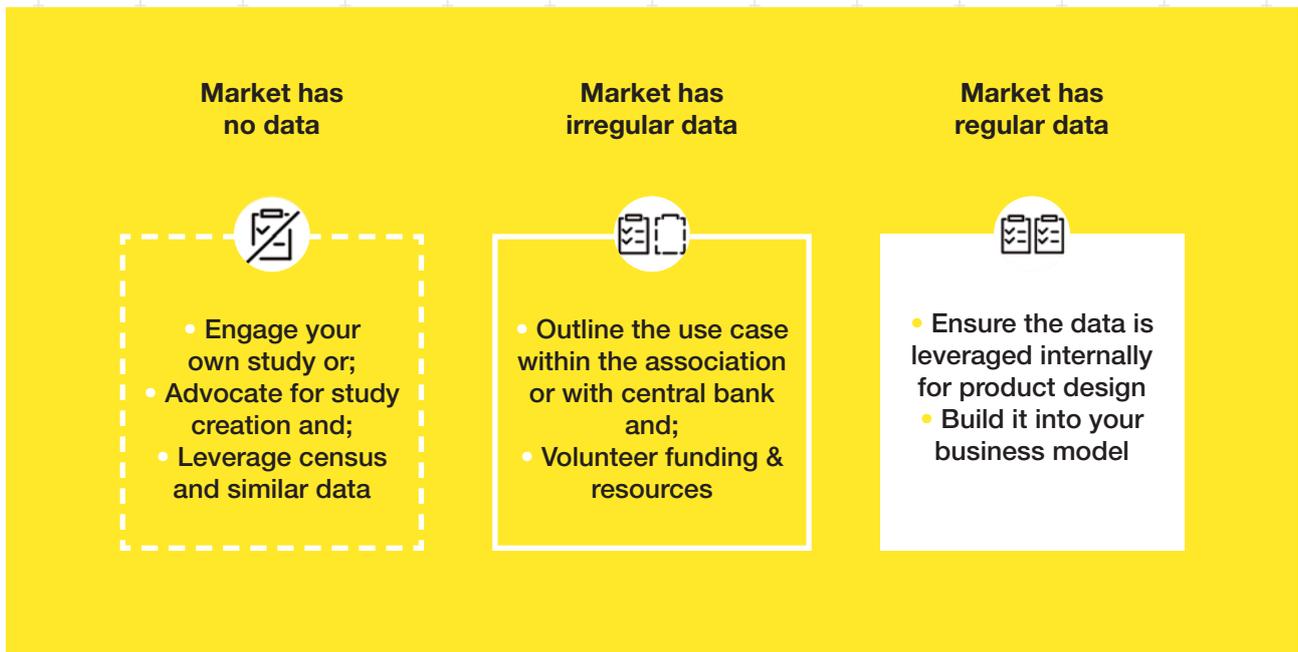
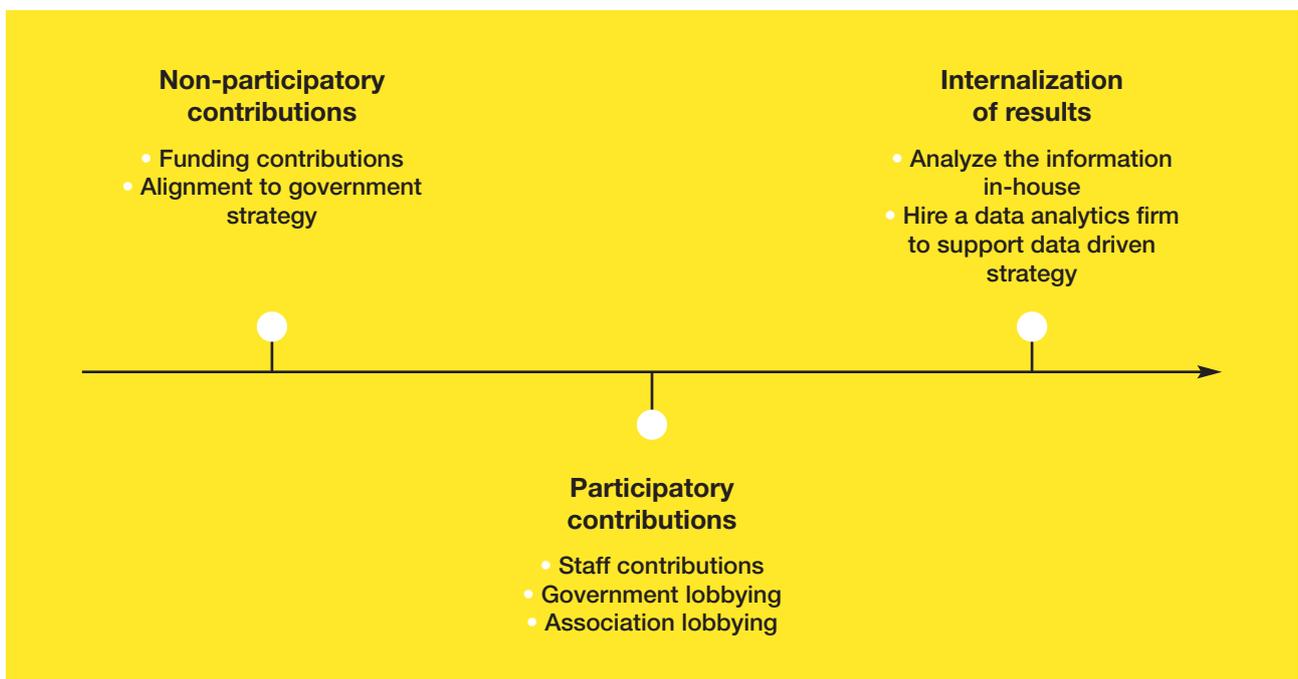


Figure 10. Contributions from FSPs in the collection of financial inclusion data



8. Conclusion

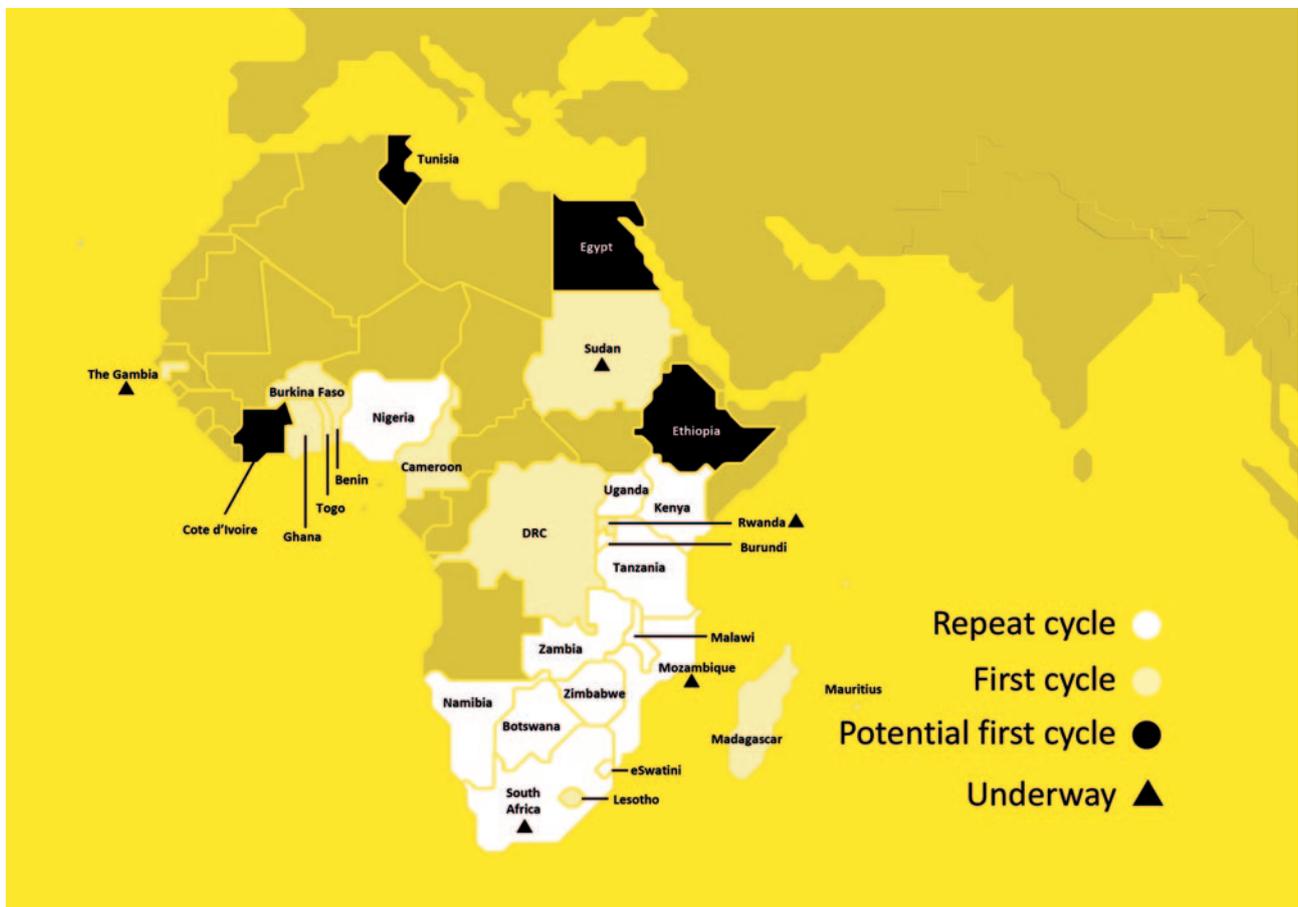
Deciphering the customer need not be expensive or complicated

Data and research are valuable tools to acquire and retain customers and expand the customer base. In each of the case studies presented here, FSPs have leveraged data and research to help develop their customer base. Data and research units help understand customer needs. This is crucial to attracting new customers on a continent where informal employment is commonplace. The development of customer centric products and operations helps ensure that customers who engage with the bank continue to do so, by aligning products with customer needs, and retiring them if they no longer do. Finally – as the Awash case study shows acutely – being aware of customer needs can help to rapidly launch new products to cross-sell to existing customers as soon as regulation or innovations allow.

There are few excuses for failing to understand customers. A great deal of research about diverse segments of financial services markets is freely available including information about potential customers who are not served by an FSP seeking to expand. Some FSPs fail to exploit this information, perhaps because of budgetary constraints, or because they are unaware of the information available. Yet many information gathering processes, including those led by governments, are open to private sector participation, especially via financial service industry associations.

Understanding customers remains crucial to the future of any FSP. The Covid-19 pandemic, and rising financial market participation by retailers, mobile phone operators and technology companies, are contributing to changes in the way people think about financial services. FSPs which fall behind and fail to continuously update their product offering to meet the needs of the mass market may lose market share, eventually becoming uncompetitive and even irrelevant. Yet FSPs can avoid this fate by tapping into data sources at their disposal. These can guide them to understand the needs of their customers and assist them in making data-driven strategic decisions. Figure 11 below shows where information is available in Africa – and the table in appendix to this case study provides a list of countries and data sources.

Figure 11: Overview of where demand side data is available



There are three common lessons for FSPs that want to leverage data to become more customer centric.

These are:

- **Invest in a dedicated analytics function:** whilst almost 50% of FSPs on the African continent still lack a dedicated data analyst, almost 50% now have this critical capability. Those we studied all began by acknowledging the need for data analytics within the business to inform their decision-making – from channel distribution location to product design.
- **Participate in industry level initiatives:** national surveys, such as FinScope and FinAccess, always consult the private sector via their trade associations, such as banking and microfinance associations. Institutions that proactively engage via their associations are likely to receive data – and even analytics – that may already provide insights and support the development of their business.
- **Allow customer data to lead decisions:** each of the FSPs that we used as examples allowed customers – and their voices – to determine what changes were needed in the market. By leveraging data specifically to become more customer centric (including embracing the needs of future customers) all three FSPs were able to adapt their businesses to the needs of their customers.

9. About the report partners

About WSBI and Scale2Save

The World Savings and Retail Banking Institute (WSBI) created in 2016 a new programme in partnership with the Mastercard Foundation “to establish the viability of low-balance savings accounts and use of customer-centric approaches to address barriers faced in access, usage and affordability of savings services”.

Called Scale2Save, the programme is set against a backdrop of problems such as high poverty rates and financial exclusion in sub-Saharan Africa, as well as low formal savings rates. FSPs have a poor understanding of the market savings potential of people in various low-income segments. The needs of existing and potential customers – and how much customers can afford to pay to meet those needs – are not well reflected in FSPs’ business models, customer interfaces and interactions. The resulting poor customer experience gives rise to extremely high rates of bank account dormancy and inactivity. This is a significant cost for FSPs and undermines potentially sustainable business cases to deliver accessible financial services to people in these segments.

The Scale2Save programme’s core activities are to:

- Provide financial service providers with technical assistance to develop savings services valued by low-income customers. WSBI works with eleven financial service providers to develop and deliver savings products that not only broaden access to financial services but also drive ongoing use of those services. The banks are located in Cote d’Ivoire, Kenya, Morocco, Nigeria, Senegal and Uganda. A bank in Tanzania acts as a knowledge partner.
- Conduct research and share lessons between partner banks. WSBI publishes the annual Savings and Retail Banking in Africa report series to facilitate peer learning and the spread of knowledge. The institute also researches new pricing models to help establish a business case for low-balance savings and conducts household research to contribute to knowledge of cash flows in households.
- Communicate lessons learned to the wider sector. WSBI has developed and carried out a targeted communications strategy to share the knowledge generated by the project with key stakeholders.
- Monitor and evaluate the programme. WSBI monitors project progress at partner banks and oversees mid-term and final project evaluations. The programme started in September 2016 and will continue until August 2022.

For more information about WSBI please visit: www.wsbi-esbg.org

For more information about Scale2Save, please visit:

www.wsbi-esbg.org/KnowledgeSharing/Scale2Save/Pages/EmptyHomepage.aspx

About the Mastercard Foundation

The Mastercard Foundation works with visionary organizations to enable young people in Africa and in Indigenous communities in Canada to access dignified and fulfilling work. It is one of the largest private foundations in the world with a mission to advance learning and promote financial inclusion to create an inclusive and equitable world. The Foundation was created by Mastercard in 2006 as an independent organization with its own Board of Directors and management.

For more information on the Foundation, please visit: www.mastercardfdn.org

About FinMark Trust

FinMark Trust is an independent non-profit trust whose purpose is "Making financial markets work for the poor, by promoting financial inclusion and regional financial integration". This goal is pursued through two principle programmes. Firstly, it creates and analyses financial services consumer data to provide in-depth insights into both served and unserved consumers across the developing world. Secondly it carries out systematic financial sector inclusion and deepening programmes to overcome regulatory, supplier and other market-level barriers hampering the effective provision of services. These programmes unlock financial inclusion and sector development through symbiosis between rigorous data collection and research activities. Their work can be found in South Africa, throughout the Southern African Development Community and around the world.

For more information about FinMark Trust please visit: <https://finmark.org.za/>





Learn more about Scale2Save at
www.wsbi-esbg.org/KnowledgeSharing/scale2save



WSBI