Different Strokes for Different Folks

A Customer Onboarding Comparative Analysis

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Background and Introduction

The measure of viability (or lack thereof) of any business bears many parameters and criteria, depending on the operating environment and other incidental or adjoining success factors. A lot has already been said about the 7 Ps (covering Product, Price, Place, Promotion, Process, Physical Evidence and People),[1] and their contribution to the success of the financial services sector, especially when appropriately and proportionately mixed and applied. Whereas to a great extent these time-tested parameters[2] have remained true in driving favourable outcomes, little has been said about the tactical elements applied in targeting and acquiring new customers into the sector.

At its inception in 2016, the Scale2Save Program (referred to as the Program in this report) set out to acquire one million customers through 10 innovative projects across the six countries of Kenya, Uganda, Nigeria, Cote D'Ivoire, Senegal and Morocco. All 10 projects were uniquely defined by a product/service mix that targeted diverse sectors and market segments of the local economies – ranging from micro, small and medium enterprise (MSMEs) to agriculture to micro-insurance. The projects applied domesticated and dynamic go-to-market strategies in their implementations – denominated only by the need to drive small value savings accounts – especially for hitherto unbanked or underbanked populations.

As the Program is wrapping up, this publication looks at the strategic operations and tactics applied by the Scale2Save partners in East and West Africa to acquire customers. An attempt is also made to analyse the quality and impact of the level of effort and investment made, evidently at varying degrees, against the outcomes that were delivered, particularly regarding the experience a customer gets through that first touchpoint.

Objective of the Case Study

This case study sets out, *ab initio*, to validate the dynamic nature of customer targeting and acquisition, and the varying degrees of success that accompany each tactical approach. While not in doubt that in effect, a combination of tactics would ordinarily be desirable to achieve the expected outcomes, it is safe to assume that one or two dominant tactics tend to carry the greatest burden of the customer acquisition drive for any product or service.

This case study takes a closer look at these tactics with the following objectives in mind:

(a) Despite the quantitative and qualitative objectives documented for each project, *Scale2Save* is primarily a learning programme, with deliberate decisions made to test certain products and services.

(b) This study also makes comparisons between customer acquisition decisions made across the different projects – and the varying degrees to which these projects have contributed to the project success and the organisation's long-term prospects.

(c) While appreciating that there may be common themes and common approaches in some geographies, this study tries to understand how the operating environment could impact outcomes of any strategic or operational approach.

(d) Based on performance and outcomes of the projects to-date, the study will seek to understand or unravel the key drivers of customer acquisition and the challenges faced.

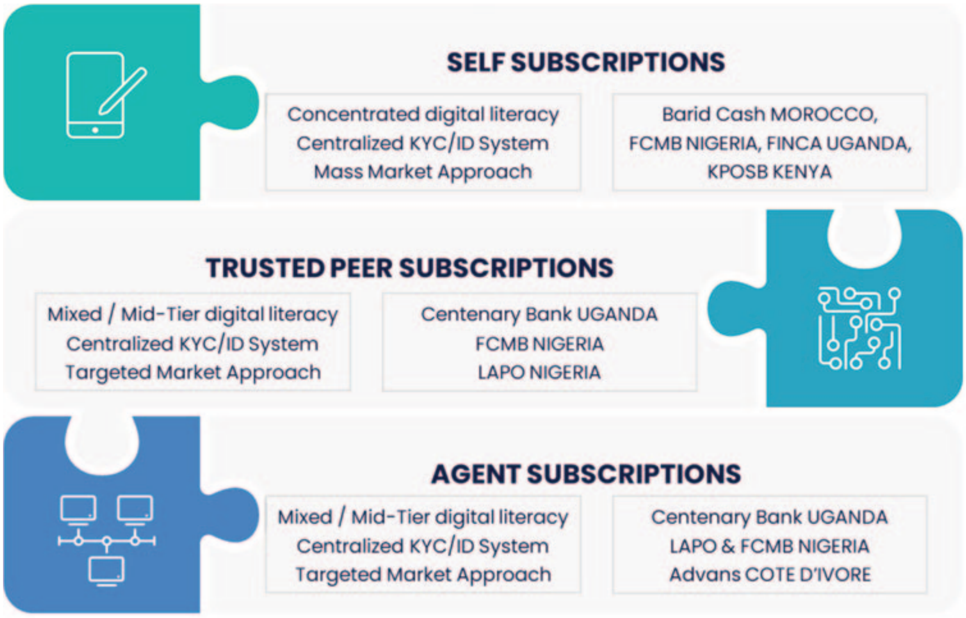
For good measure, we will endeavour to safeguard the identities and data of our partners, but hope that this notwithstanding, you will be able to appreciate the key messages and the general hypotheses that this publication seeks to deliver – both in addition to the body of knowledge and the improvement of practice.

1 https://www.wsbi-esbg.org/what-constitutes-a-viable-business-model-for-small-scale-savings/
2 https://www.wsbi-esbg.org/SiteCollectionDocuments/Scale2Save_2019_report_final.pdf

Different Strokes

Except for onboarding of customers by bank staff directly at the branch level, the Program singled out and tested three non-traditional customer acquisition methods. Whereas the individual projects took their own decisions as to the tactics and methods to use, the Program made definitions on what could be tested for each project based on the product and value propositions and the prevailing conditions. The figure illustrates, in summary, the three key approaches utilised, and the project partners that utilised these approaches.

Figure 1. Non-Traditional Customer Subscription Tactics



1. Agent Channel Subscriptions

Agent Banking has seen phenomenal growth in many African countries. Data indicates that agent banking operations in some of the more digitally advanced countries in the continent like Kenya contribute to more than 50% of all transactions conducted. Data from some of the early roll outs of agent banking in East Africa, circa 2013 to 2015, also show that 7 out of 10 customers transacting at some of the agent banking locations never had a bank account before the agent banking location was set up, highlighting the critical role that the agent banking channel plays in motivating customer acquisitions.

It still holds, and without a doubt, that agent banking remains one of the most effective customer acquisition channels in the Scale2Save Program, with most of the projects setting up or utilising it. Even though not utilised for customer acquisitions, the bilaterally shared agent banking channel between FINCA and Centenary Bank saw the former's own customer acquisition increase by up to 35% on account of the availability of the channel.

Further afield, the agent banking channel remained the primary channel of choice for customer acquisitions for both Advans Microfinance Bank Cote D'Ivore and FCMB Nigeria. The agent channel delivered up to 55% of all customers onboarded by FCMB Nigeria under the program, while more than two-thirds of customers, majority of whom were cocoa farmers and ecosystems actors opened savings accounts with Advans MFB primarily through this channel.

2. Trusted Peer Subscriptions

In a stroke of genius, Centenary Bank Uganda figured out that based on its existing national distribution spread, a highly visible, trusted, and entrenched brand, it could leverage existing customers to do the bidding for new customers on its behalf. As such, *CenteXpress,* a savings account supported by the Program, was designed to subscribe new customers by leveraging the relationships of existing customers to family members and close friends.

Augmenting this family and friends' affair, Centenary also leveraged its close relationship with the Catholic Church in Uganda, a major shareholder of the bank, to procure the services of young parishioners as roving recruitment agents. These roving agents subscribed new unbanked customers within their own parishes serving as trusted lieutenants in ensuring that as they opened these savings accounts, they were able to provide accurate or reliable information to the new savings account holders.

Similarly, LAPO who initially started off utilising a fledgling proprietary agent network, shifted mid-project to a roving agent model. Built out of the tried-tested-and-trusted '*Susu*' collectors business model, LAPO utilised the services of youthful individuals to go around the local markets to support with new customer account acquisitions. This switch saw an immediate change in fortunes for LAPO, increasing new account acquisitions by up to 20% month-on-month. This flexibility and change in customer acquisition tactic was a prudent call, at a critical juncture.

3. Self-Subscriptions

Self-service by customers, for any service – not just restricted in the financial services sector – is an emerging theme and is increasingly being considered the gold standard in product value propositions and service offering. Self-service is *prima facie* evidence that the product design is appropriate, intuitive and well understood by customers. A well understood product or value proposition means that the bank can focus on product evolution, quality of customer service and market engagement.

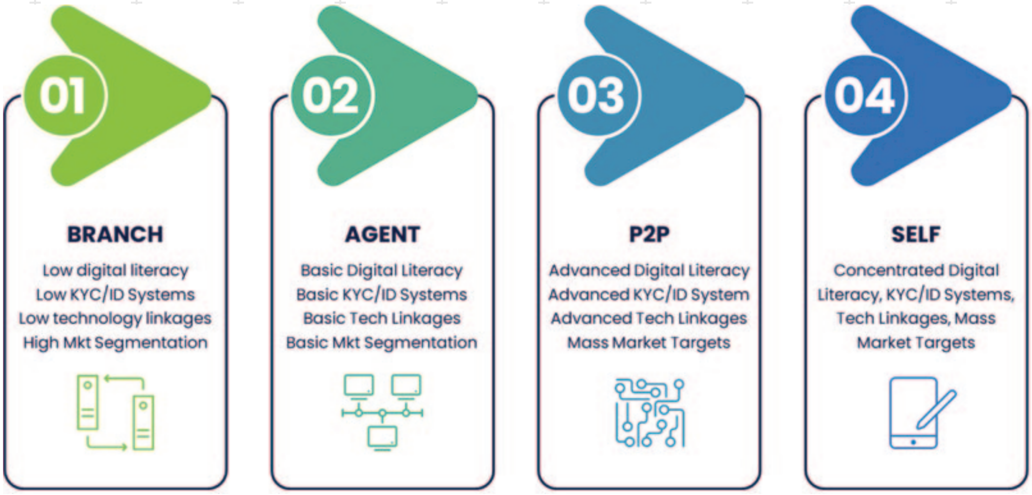
Kenya Post Office Savings Bank (KPOSB), operating in a market that set out the digitisation journey ahead of most African markets, set out to implement a project whose entire scheme was based on a customer self-onboarding system. The project remains one of the most cost-effective given that the solution has now been applied across the board for all customer acquisitions – beyond the primary savings product for which the support by WSBI was sought. Thousands of customers can query and have their bank accounts set up and activated, on the fly, within a few seconds.

FINCA Uganda has also been able to activate its customer self-onboarding system, which has had a seismic effect on the number of new account acquisitions – marshalling nearly 70% of its entire project customer acquisition target towards the end of the Program, as testament of the efficacy of this solution.

Different Folks

It is evident from the different implementations and countries, that certain parameters make it easier for specific customer acquisition models to achieve better outcomes. The figure below summarises the natural evolution and some of the conditions we found necessary for the success of the respective customer acquisition approaches. A clear finding is that certain population segments are best approached using specific channels, either because of the infrastructural or user limitations, as will be demonstrated on the following page.

Figure 2. Evolution Requirements for Customer Acquisition tactics



1. Branch

Many of the institutions that still utilise the branch network for customer acquisitions would ordinarily be institutions that target predominantly high net worth customers. The sheer per capita cost of handling customers makes it unbearably expensive and unattractive for most financial service providers to utilise this channel for blue and brown collar customers.

Notwithstanding the above, the branch network as a channel for customer acquisition is also utilised by poor or low infrastructure geographies where digital or electronic banking opportunities are limited or unavailable. However, maintaining branch infrastructure (without adjacent alternative digital channels), is indicative of a weak digital infrastructure investment and we know that low investment in digital channels may lead to poor customer service. Relying exclusively on branches obliges customers to travel often long distances to access services, provided by people they are unfamiliar with, during hours that limit their engagements, and in locations that are not especially convenient for them.

In more digitally advanced markets, bank branches are becoming less utilised and increasingly being converted into other functions. As they say, in the long run, banking will still thrive, just not sure if bank branches would be required in the fashion and style they currently operate in most African countries.

2. Agent Assisted Acquisitions

As stated earlier in this publication, agent assisted acquisitions are increasingly forming the bulk of all new low balance accounts acquired by many financial service providers. The drivers for this are firstly the fact that the agents, often neighbourhood pop-n-mom shops, are well known to their target customers. As such, the element of trust, which is essential, is quickly dealt with. For example, in the FCMB agro-value chain project, acquisition of the rural farming community through the agent channel was very easy, since the majority of the agents were themselves farmers embedded in the same communities.

Besides trust, there is also usually a medium level of digital literacy expected of the customers. Whereas many customers prefer utilising their debit cards for transactions at the agent locations, it is common ground across the projects, that preferences vary largely by age and gender of the customers. For the most part, it is increasingly becoming unsustainable to issue cards to customers given the frequency of card replacements, and many banks including our partners, are opting for mobile-linked bank accounts that are also co-located and transacted at agent locations.

While very effective in mobilising customers and savings, as was evidenced by LAPOs project in Nigeria, the susu type or roving agent model still needs further review and consideration. The cost impact on this method by far exceeds the benefits accruing to the financial service provider, and at best could only be utilised in short intervals for mass acquisitions – yet without any guarantees or probative value to the service provider.

Agency banking in general would be considered more of a transitional channel in the digital evolutionary journey. Ultimately, while it requires high levels of digital literacy that again vary by customer segment, the customers would need to migrate to self-service options, which are a lot more viable for both the customer and the institution.

3. Peer 2 Peer Acquisitions

Leapfrogging markets from Branch to self-service would be the most-ideal situation, particularly for Africa, given the level of investment and operational requirements that is proving to be an increasingly and manifestly obsolete channel for the future. Peer to Peer (P2P) acquisition are, therefore, an appropriate bridge to shift from branch dependency to self-service.

As seen with Centenary Bank, P2P has made a critical difference in driving both acquisition of new account holders, but also in bridging the digital and financial literacy divide that subsisted in the Ugandan market. For P2P acquisitions to work effectively, there is a need for an enabling infrastructure including advanced digital technologies and ecosystems – including centralised KYC or ID systems that institutions can integrate with and call for validation. There should also be a sufficient population that is digitally proficient that would help in supporting the less digitally savvy.

LAPO's approach to utilising P2P for customer acquisition, though different in substantive arrangements, had a similar outcome in success. The lessons drawn in LAPOs case – which include a much more effective approach for customer acquisition, and better outcomes where customer literacy is a major concern - are very similar to Centenary Bank Uganda. It does however appear that Centenary leveraged closer relationships in its product design and Go-To-Market approach compared with LAPO, which chose to utilise company-employed roving agents to do its bidding. The LAPO approach proved to have a much higher cost of operation compared with Centenary which crowdsourced the roving agents.

Finally, for P2P to work effectively, customers must have prior unquestionable confidence and trust in the brand – and probably the only thing that remains for these customers, is an opportunity to set up an account with the institution.

4. Customer Self Service

Drawing from the experiences with KPOSB in Kenya and Barid Cash in Morocco, it is critical to have a good infrastructure set up both at an enterprise and institutional level for customer self-service to be effective. Customers tend to have very thin patience with self-service solutions – especially for financial services – if it doesn't work the first time, they will not try it again.

Success factors for self-service include a good quality and stable digital technology ecosystem, including integrations with centralised KYC/ID systems, higher levels of digital and financial literacy in the target market population, and availability of alternative technical support mechanisms for customers and third parties that form part of the ecosystem.

Conclusion

If the phrase "bankable population" is a fact, it also means that from the onset, the market for banked solutions is not infinite, within a specified timespan. If that is true, it also means, therefore, the customer acquisition strategy and tactics employed by the financial service provider must be effective. The choice of strategy, however, as seen in our illustrations above from the Scale2Save Program must be based on customer preferences, target trust building and follow structure and infrastructure for it to be optimised.

It, however, bears noting that besides the structure, strategy and tactics, all other enablers will need to be in place. Customers need to have confidence in the people behind the brand, the product and the value proposition needs to speak to the needs of the customers for whom the offer is being made.

Ultimately, customer acquisition is just the beginning. The real value for the customer is in regularly utilising the product to better their life and livelihoods.

Scale
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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. It was established in 2006 through the generosity of Mastercard when it became a public company. The Foundation is an independent organization, and its policies, operations, and program decisions are determined by its own Board of Directors and senior leadership team. It is a registered Canadian charity with offices in Toronto, Kigali, Accra, Nairobi, Kampala, Lagos, Dakar, and Addis Ababa.

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

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

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