

# The Journey to **CUSTOMER- CENTRICITY**

How Janalakshmi, a financial inclusion service provider in India, is transforming through customer-centricity.

## Elements of the Journey



Understanding  
Current/Potential  
Customers

Designing  
Effective  
Organizational  
Delivery

Making the  
Economics/  
Business  
Case Work

## The Project

Most microfinance institutions provide a narrowly focused product range, usually only microcredit. Until recently, this was the major focus of Janalakshmi Financial Services, a microfinance institution in India serving over a million customers in urban areas. Janalakshmi built its portfolio around a Grameen-style group loan product. In 2011, Janalakshmi took the first steps toward customer-centricity, segmenting its customer base and designing the “Jana-One” delivery channel to offer a full range of financial services to the owners of high-growth potential microenterprises, a segment they called “accelerators.” While this move was an innovation for Janalakshmi’s business model, the institutional mechanisms were still set up to deliver credit. Recognizing this tension between the vision and execution, Janalakshmi partnered with CGAP to explore new approaches in understanding its customers and to implement the principles of customer-centricity throughout the operational structures of the organization. The Janalakshmi journey toward embedded and internalized customer-centricity will span three broad phases (Understanding Customers, Designing Effective Organizational Delivery, and Making the Business Case Work). This brochure shares the learnings from the first phase of work to understand customers. Janalakshmi, CGAP, and Innovation Labs (a Bangalore-based design-innovation consultancy) worked together over six months on this project.

## The challenge

Financial service providers struggle with understanding customers and their evolving needs over time, and with systematically translating that understanding into better products and services.

## The solution/innovation

The first phase of Understanding Customers focused on the creation of an “Insights Engine” that helps to develop profiles of customers over time.

## The process

To develop a deeper and organizational level of understanding customers, a cross-functional team at Janalakshmi (with members from product development, service delivery, and marketing) applied the design thinking process facilitated by innovation consultants. This consisted of studying the customers in the field using qualitative anthropological methods—for example, understanding the customer reality, aspirations, and views at such a granular level that it can serve as a basis for the design of a household profiling tool.

The research team identified six diverse microentrepreneur households and spent an entire day with each of them, immersing themselves in the household and their neighborhood. They had in-depth conversations with family members about life events, religious rituals, aspirations, income sources, expenses, support structures, and other issues. They also collected data on daily cash transactions for the microenterprises linked with these households.



## Customer Insights Generated by the Process

### **Customers are great at “Cash Management” but not as adept at “Wealth Management”**

The poor lead extremely complex financial lives and have sophisticated systems to manage cash day to day. We interviewed the owner of a corner store who uses different cardboard boxes to manage different categories of expenditure. In addition, he has multiple loans and is managing their repayments. However, the pressures of his everyday life and limited knowledge of financial instruments prevent him from thinking about creating wealth in the long term.

### **Children act as motivators for saving**

Culturally, households place their hopes on the shoulders of their children and invest heavily in them. Most households saved in some form for their children, typically for the marriage of daughters or for the education of sons. The avenues for saving were most often gold, material goods, or an informal investment, such as a local chit fund.

### **Microentrepreneurs are highly conscious of opportunity costs of daily income**

Most households worked long and often extended hours to run their business, with very little time for anything else. Taking time off from the business is considered a loss of daily income, causing driven households to sacrifice social activities. Taking time away from their business to travel to a financial institution was viewed as an opportunity cost.

### **Unexpected family events have long-term financial implications**

The trajectory of a family resembles a game of “Snakes and Ladders” (Snakes and Chutes for our American readers). Positive events, such as an inheritance or starting of a new business, create a positive outlook, and unexpected events, such as fatal accidents, medical emergencies in the family, or being cheated by local moneylenders, leave the family’s finances in shambles for years.

### **Family attitudes indicate financial behavior**

The attitude of the primary breadwinner, the spouse, or even children greatly influences the financial outlook of the family. A couple that is content and not looking for an aggressive growth in lifestyle approaches their finances very differently from a household with high material needs and an aspirational outlook for the future.





## The Tool: Kaleido

The team synthesized the insights about customers into five areas or sections that, when viewed together, will provide a nuanced understanding of the household and over time will serve as the basis for identifying financial needs and designing products, services, and delivery mechanisms that will fulfill these needs.

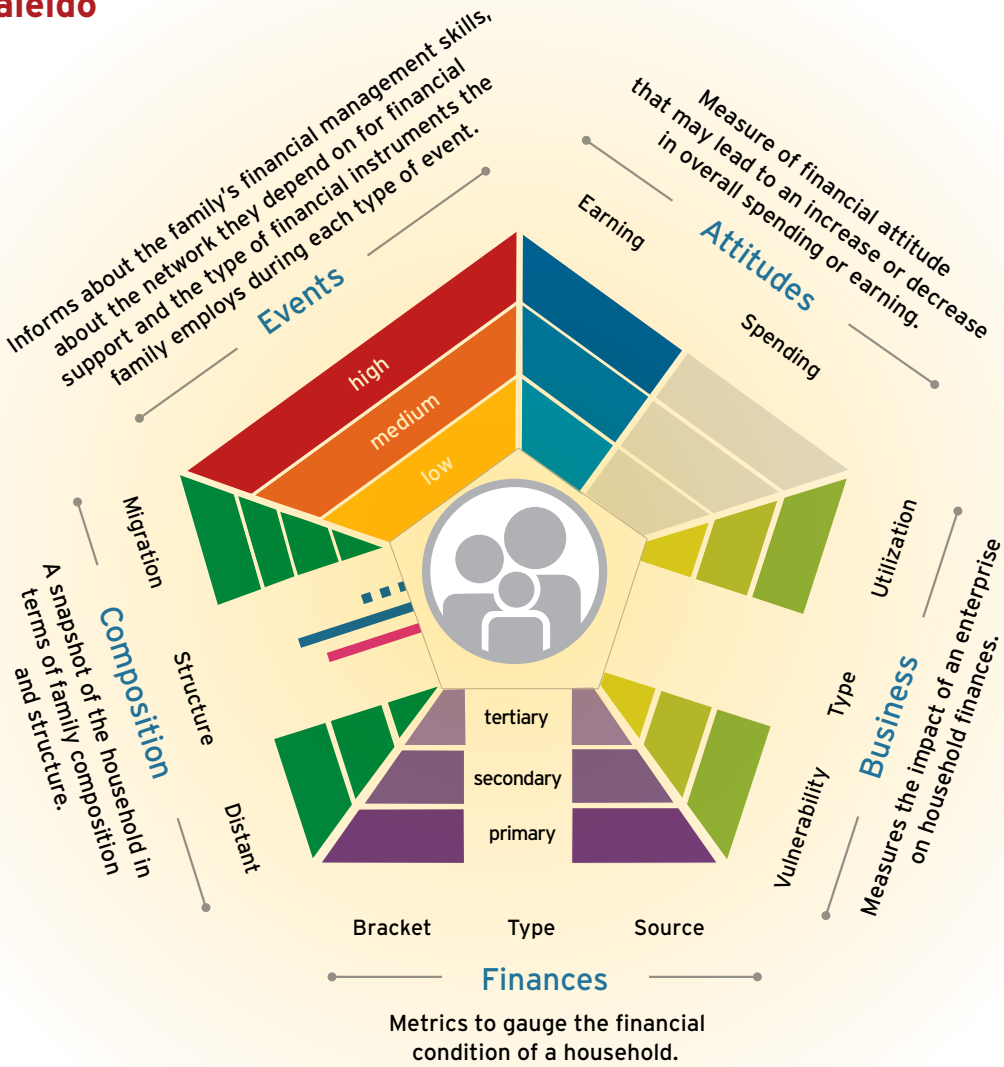
The **Kaleido** tool was co-created from a number of iterations by various stakeholders at Janalakshmi, CGAP, and Innovation Labs. Kaleido can be used to understand and map the financial context of a household. Information provided by the family through a questionnaire they complete upon enrollment is used to develop a visual map that indicates high-level attributes representing a 360 degree view of the household's financial indicators. Information is added to the client's profile as the relationship progresses. Over time, Kaleido is expected to evolve into a rich source of data for developing new products as well as assessing the financial progress of a family.

Kaleido aggregates the financial view of a household into a visual graph with five sections related to the household. These are composition, events, attitudes, business, and finances. Each section has several subcomponents that provide more fine-tuned information. The assumption is that the specific reality of each contextual component will influence the design criteria in such a way that products and services designed on the basis of this tool will speak directly to the specific profile, in terms of financial product and service needs.

### Kaleido as a platform

- Kaleido operates with a household-microenterprise as the unit
- Kaleido gives front-line staff the nuanced profile of a family in one view
- The power of Kaleido also lies in the data it will generate. Over time Kaleido will have information on the journey of a large number of households
- Kaleido acts as a tool to continuously and systematically source customer insights
- Future applications of Kaleido data include subsegmentation, product mapping, and new product and service design

# Kaleido





## Composition

This section provides a quick snap shot of the household in terms of family composition and structure. For example, a family strongly linked to another area, with a recent migration profile, will have financial product needs specific to remittances.

**Migration**—Indicating when the family has moved to the current house.

**Structure**—Information about members currently living in the household.

**Distant**—Members of the family living away.

## Finances

Metrics to gauge the financial condition of a household.

**Income Bracket:** Segmentation of household based on income.

**Type:** Segmentation based on the household's assets, liability, inflow, and outflow ratios.

**Source:** Tracking the household's income sources.

## Business

Since microenterprises are closely linked to households, the business section is used to understand and measure the impact of the enterprise on the household finances and vice versa.

**Vulnerability:** This factor measures the inherent vulnerability of the enterprise.

**Type:** Segmentation of business type based on cash flow scenarios.

**Utilization:** The degree to which an enterprise has reached its maximum earning potential.

## Attitudes

This measures the financial attitude of a family influencing the emphasis, for example, on consumption versus saving.

**Earning Attitude**—Captured by the goals and aspirations of the family giving an indication of a family's drive to earn.

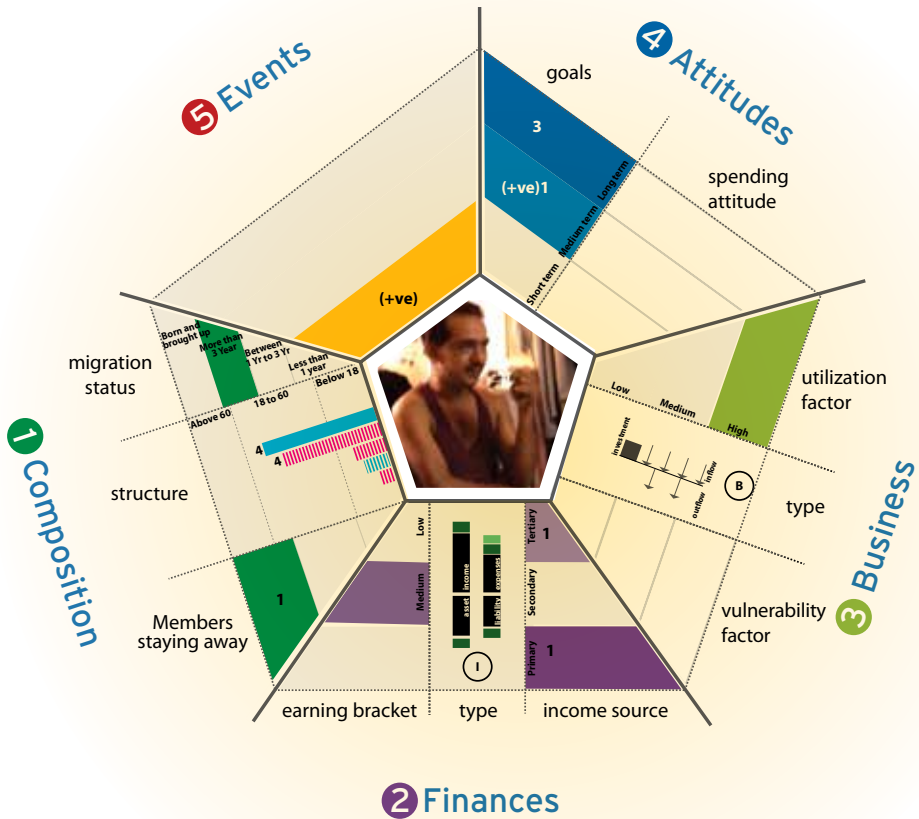
**Spending Attitude**—Captured by understanding the family's inclination toward spending for reasons such as religion, education, social occasions, self-indulgence, altruism, etc.

## Events

Most events (e.g., marriage, sickness, start of new business, etc.) that occur in a family have implications for the household's finances. Responses to events also provide valuable information about the family's current asset and financial situation, financial management skills, the network they depend on for financial support, and the type of financial instruments the family employs during different events. Events can be categorized as lifecycle events and trauma events, which have very different product implications.

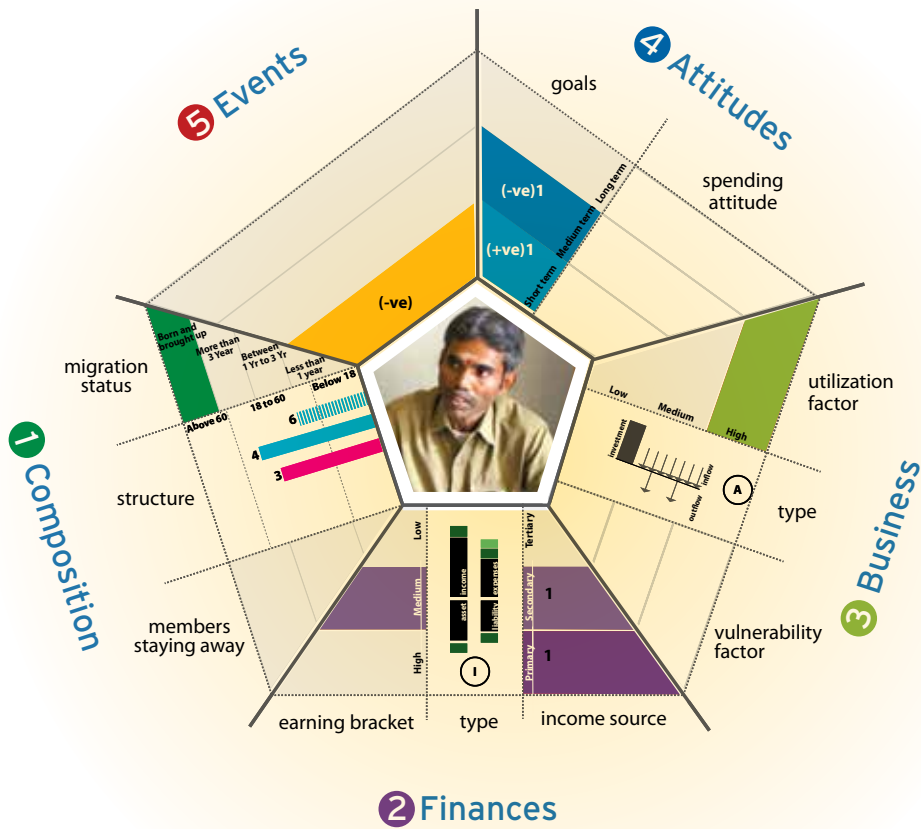
# Illustration of contrasting customer profiles

## Household A: Tailor



- 1 Five-member family with only one earning member, has a dependent mother staying away from the household.
- 2 Has two income sources, one primary and the other tertiary.
- 3 Business has a high utilization factor, and the tailor is thinking of diversifying his business.
- 4 Family has adequate surplus to meet its mid-term goals.
- 5 Events that have occurred in the family had a net positive financial impact on the household's finances.

## Household B: Auto Rickshaw Driver



- 1 Three-member family with both parents working, and a dependent son.
- 2 Has two income sources, one primary and the other secondary.
- 3 Business has a high utilization factor, but the family is content and not looking for aggressive growth.
- 4 Family has adequate surplus to meet its short-term goals, but is falling short of funds to meet its mid-term goals.
- 5 Events that have occurred in the family had a net negative financial impact on the household's finances.

The biggest achievement of this exercise is that we are talking about the customer. We now placed the customer in the center . . . which we otherwise lose sight of.

–**Ramesh Ramanathan**, Founder & Chairman, Janalakshmi

This project helped us develop a framework to understand customers. It is a platform with which we can have greater understanding of the customers. We need to think through how we are going to implement it.

–**Santanu Mukherjee**, Senior Vice President, Janalakshmi Financial Services

I could not have imagined an organization conducting a study of this sort to understand what exactly the customers need and want. It was a good way to take a step back, get into the customers' shoes and see what they need and what their requirements are. And then to be able to offer a product that addresses their needs directly.

–**NS Muthukumar**, Vice President, Client Insights and Analytics,  
Jana Urban Foundation

When you go and actually visit the customers, you are able to empathize much more with them. They are going through various things in their lives and you get to see it for yourself—it is very real. . . . The other thing that struck me in the immersions was that people in this socioeconomic class are extremely busy. . . . If you don't visit them, you don't realize just how packed their days are. Anything that we deliver in terms of financial services has to take this into account.

–**Neelanjana Gupta**, Senior Executive, Skills and Livelihood Program,  
Jana Urban Foundation

I never thought a customer would allow us to spend the entire day with them. With this experience, we shifted our product development around: we first went to the customer to understand who they are, what their likes are—and then created the products and services. The learning that you get this way is phenomenal.

–**Divya Nandakumar**, Program Manager, Education, Skills and Livelihood Program,  
Jana Urban Foundation





## **Taking the First Step with Kaleido**

- Customer-centricity delivers superior long-term value to customers and to providers of financial services.
- The first step is developing a systematic and on-going understanding of customers: Kaleido is a tool that launches providers on the path to customer-centricity.
- Kaleido was developed bottom-up by conducting immersions with household microenterprises and synthesizing insights from the immersions into a household profiling tool.
- Kaleido builds a nuanced profile of a household along five dimensions: household composition, events, attitudes, business, and finances.
- As Kaleido is empowered with data, it can be used to map the right products to the right profile, subsegment customers based on their profiles, and develop new products and services for specific subsegments over time.

## **Call for Action**

CGAP is seeking institutions to partner with us to test and improve Kaleido. Through a competitive process, CGAP will select a small number of institutions to work on demonstration projects. If you are a financial service provider that is interested in making the shift to customer-centricity, we invite you to contact us.

Stay engaged with CGAP as we continue our learning journey on customer-centricity. To receive updates and engage with a community of like-minded individuals, contact the Project Manager, Tanaya Kilara: [tkilara@worldbank.org](mailto:tkilara@worldbank.org)

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