

# Customer Centricity and Financial Inclusion: Lessons from Other Industries

Many financial service providers struggle with high levels of account dormancy and customer dropouts, limited service usage, and loss of their best clients to other providers (GMSA 2014; Cheston, Conde, Arpitha, and Rhyne 2016). Negative customer experiences that erode customer trust are at the root of many of these challenges. Many of these negative experiences are the result of poorly designed products that do not respond to clients' needs, are difficult for customers to activate and use, do not deliver on promised features, or are costly relative to their benefits.

The challenges financial inclusion service providers face to acquire, retain, and grow their client relationships to create sustainable, profitable businesses, however, are not unique. Financial service providers can benefit from lessons learned from other industries. This Brief touches on these lessons from other industries.

## What Drives Businesses to Be Customer Centric?

Across industries, companies are changing the way they do business to reflect the reality that the customers who purchase and use their services are the source of all value created for the company (Fader 2012). Customer centricity provides significant opportunity for financial inclusion service providers to tackle and overcome the very real challenges that threaten their organizational sustainability and growth.

Three factors drive the adoption of customer-centric models: (i) the growing number of informed consumers who demand greater value for money, (ii) a more competitive playing field, and (iii) the quest for sustainable business growth. These models are supported by digital technology that enables firms to discover new customers and decrease cost to serve their customers, while simultaneously supporting the development of more convenient and robust customer value propositions.

## What Is Customer Centricity?

Customer centricity is a business model that operates in a company's ecosystem of customers, employees, suppliers, shareholders, and the communities it serves. In this ecosystem, customers are at the

center of corporate strategy, decision-making, and organizational design (Leather 2013). At the heart of customer-centric models are the differentiated value propositions and customer experiences that support the development of enduring, trust-based relationships that generate value for a company and its multiple stakeholders. Customer-centric business models support customer retention, customer loyalty, more efficient customer acquisition and service strategies, and an expanded customer relationship. These goals are particularly relevant for financial service providers that seek to provide customers with value propositions that incorporate a range of services to manage wealth and risk and achieve life goals supported by full financial inclusion. Importantly, providers have a significant opportunity to use customer centricity for competitive advantage in a rapidly evolving and increasingly crowded financial services marketplace.

## What Makes up the Customer-Centric Business Model?

### The core: The differentiated customer experience

For the customer-centric company, the customer experience is its product. At the center of a customer experience is a fundamental value proposition or solution that solves a customer problem. Customer experience is shaped by customers' interactions with employees who inform and care for the customer. The customer experience generates positive or negative emotions based on whether or not the customer's expectations are met or exceeded and whether the customer perceives good value for money. When trust is earned, customers deepen their relationships by accessing more services, potentially

### Box 1: Leadership-Led Change

At **MetLife**, customer centricity was promoted to address growing customer retention challenges. Having secured Board support, leadership launched a process to develop a customer-centric transformation strategy. First, the company created a six-month task force to better understand customer centricity, focusing on companies that were leaders in retaining loyal customers. The company established a Center of Excellence to carry out a comprehensive analysis to understand key customer satisfiers. **Metlife** identified organizational capabilities required to deliver customers' satisfaction with their experiences and barriers that had to be overcome. **Metlife** then mapped and created the ideal customer experience, identifying critical "moments of truth," where customer value is created and important customer decisions are made. **Metlife** created a new vision for the company based on key value differentiators in its industry and a customer promise to enable and embolden its customers. **Metlife** reports major improvements in policy take-up, improvements in customer empowerment, and vast cost savings due to better informed customers.

consolidating their use with a single provider and recommending the service provider to other potential customers. Experiences that incorporate strategies that empower customers to learn about, test, trial, use, and evolve their service choices are critically important for financially excluded customers.

### The institutional foundations: Leadership and culture, operations focused on the customer, and capable and empowered employees

**Committed Leadership and Company Culture.** Customer-centric transformation requires leadership that is committed to putting customers at the center of all decision-making. These leaders create a sense of urgency around the need for transformation and enlist key players to shape and buy into the customer-centric strategy. Leadership creates a unifying vision around the customer promise and drives the development of a company culture that rewards customer-centric performance. (See Box 1 for an example from MetLife.)

**Customer-Focused Operations.** Customer-centric companies organize their people and build their

operations around designing and delivering a differentiated customer experience. They recognize that every part of the organization contributes to the customer experience. Customer-centric companies create cross-functional teams that bridge customer-facing units, product groups, marketing, and back-office functions to ensure the seamless delivery of the end-to-end customer experience. Institutions redesign business processes to improve customer experiences, productivity, and efficiency. Critically, more efficient processes can reduce the cost to serve customers, making services more affordable and accessible for financially excluded (2 billion poor people who do not have accounts) and underserved (who has an account, but use it only to receive payments, or not at all) customer segments (see Box 2 for an example from USAA).

**Capable and Empowered People.** Customer-centric companies empower employees with the authority to make decisions and create experiences that deliver on the company's promise. Employees are empowered with tools that support their ability to generate and apply customer insights to deliver a differentiated customer experience. The insights not only contribute to more consistent and efficient customer experiences but also enable financial service providers to create relevant and more affordable value propositions. The firms empower frontline employees (and agents) with the skills and

### Box 2: Cross-Functional Teams— Busting Silos

**USAA** was created to provide insurance to highly mobile military personnel who are excluded from insurance markets. As **USAA** grew and new financial services products were introduced, the company became organized around product silos resulting in an inconsistent and inefficient experience for customers who were forced to interact with multiple product departments, each with different processes and requirements. Negative customer experiences and expensive, redundant capabilities drove **USAA** toward a customer-centric model that is organized cross-functionally, with product and customer experience groups working closely together. IT and data analytics capabilities enable **USAA** to better understand and anticipate its customers' needs at various life stages to fulfill its trusted adviser role and empowering customers to achieve life goals.

### Box 3: Segmentation and Empowering Employees

**Tesco**, a large U.K. grocery chain and retailer, developed an “Insights Engine” at the heart of its customer-centric strategy. Using customer data, **Tesco** created new groupings of customers and new ways to identify and predict their behavior. **Tesco** categorized its customers into lifestyle segments and learned that, by matching the right lifestyle to the right offer, performance dramatically improved. Furthermore, its approach to segmenting customers described groups of customers that staff in stores could relate to. Having developed a trusted relationship with clients through its loyalty program and its in-depth understanding of its customer needs, preferences, and habits, **Tesco** launched a financial services business. **Tesco** was potentially more appealing as a financial services provider than the bank brands that had been in business for decades (Humby and Hunt 2003).

capabilities to connect with customers on a practical and emotional level, including leveraging community and social networks.

### The result: Value creation for multiple stakeholders

A customer-centric company focuses on the customer to generate sustainable growth and value creation for its multiple stakeholders. Such a company understands the value created in each step in the process of the customer experience to reduce customers’ transaction costs, deliver benefits that support customers’ goals, and reflect appropriate and affordable pricing for the benefits provided. Customer-centric companies understand the financial value generated by customer segments based on an understanding of the revenues generated by customers over their lifetime relative to the costs to serve and acquire those customers. Companies drive customer value by retaining clients longer, acquiring new clients the company can serve well, and developing deeper customer relationships. Partnerships enhance customer experiences and strengthen value propositions, thus generating additional value for customers and partnering firms. A company’s value creation strategy is built around a portfolio of customers that supports a company’s financial and social value creation goals. (See Box 4.)

### Box 4: Value for the Customer, Value for the Firm

**PEP** is South Africa’s largest single retailer providing clothing, home supplies, mobile phones, and financial services to low-income populations. **PEP** describes its customers as “remarkable people who on a very small budget make it possible for their families to live with dignity and pride.” **PEP**’s customer promise is to ensure it provides “the most up to date and durable products at the best prices.” To deliver on its customer promise, it ensures through constant measurement that, for the products it carries, it has the lowest prices, goods are always in stock, and goods are carried in bulk so a customer can rely on their availability at any store at the same price. To further deliver on its promise, when **PEP**’s margins increase, it gives back to its customers by lowering its prices. **PEP** has sustained a double-digit growth rate for the last decade and more since implementing a customer-focused approach, turning the company around from a loss making entity to be the largest and most successful retailer in South Africa serving the low-income population.

## How Can Financial Inclusion Service Providers Catalyze the Customer-Centric Journey?

The process of transforming into a customer-centric company is a multi-stage, multi-year process that requires a comprehensive approach to organizational change. Change requires overcoming barriers and enlisting enablers; it often engenders conflict that requires proactive change management on an ongoing basis. The following potential actions steps support organizations to catalyze the customer-centric journey.

- **Make the case and strategize for customer centricity.** Articulate a compelling “why” for embracing the customer-centric approach and empower teams with knowledge around the practices and benefits of customer centricity so that they can make a winning business case. Start the transformation process by conducting a diagnostic assessment of the organizational capabilities required to implement a customer-centric business model. Develop a clear vision with the customer at the center that articulates the customer promise the company will deliver on and articulate the underlying values that will drive a customer-centric culture. Finally, develop a

transformation strategy that incorporates a powerful change management plan.

- **Campaign to secure support for the customer-centric transformation.** Create a powerful guiding coalition, including senior management, champions throughout the organization, and Board members, to drive the customer-centric campaign. Lobby incessantly to win buy-in at all levels within the organization. Undertake some initial efforts that will yield “quick wins” to start demonstrating the benefits of a customer focus prior to a comprehensive organizational change.
- **Understand who your customers are and learn about their experiences.** Implement a “Voice of the Customer” initiative to listen to customers’ stories (and the stories from their social networks) about their experiences. Support initiatives aimed at fixing customer experiences—particularly at moments of truth when important customer decisions are made.
- **Make priority investments that will empower employees to improve customer experiences.** Prioritize the development of an “Insights Engine” to gather and analyze customer information that enables employees to systematically generate and apply customer insights. Implement a capacity-building strategy to empower frontline staff to provide a differentiated experience and the authority to make decisions.
- **Catalyze organizational transformation by transforming the way people and teams are structured and incentivized to operate cross-functionally.** Create cross-functional task forces that are organized around customer segments or customer

problems to be solved that work across pre-existing product silos and established functions. Build bridges between units through shared projects to enable people to communicate and understand interlinked processes that deliver customer value.

- **Ensure accountability for the customer-centric transformation process.** Identify leaders to drive execution of the customer-centric transformation. Identify key metrics to measure the cost and benefits of the transformation and understand what information is required to measure them accurately.

## References

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