CGAP

BRIEF

Designing Customer-Centric Branchless Banking Offerings

Branchless banking[1] services have taken on a significant challenge: developing new channels through which to provide financial services to customers who have mostly used only cash before. Understanding the customer experience is critical, but focus groups and surveys may not be well-suited to understand customer needs in an environment with so many new and unknown dimensions. Intrigued by the success of design research in other industries, CGAP set out to explore how human-centered design (HCD) could be applied to branchless banking and its unique challenges.

Most financial service providers do not launch branchless banking services based on well-defined insights about low-income clients. Instead, they go to market with a one-size-fits-all mobile wallet that customers sometimes struggle to understand and use. Several customer-centric research and product development methodologies have been used in financial inclusion work for some time with mixed success. Because of its track record in other industries, CGAP has been exploring how HCD may help branchless banking providers understand their customers more deeply and develop offerings better suited to their customers' needs. The HCD process is centered on learning directly from customers and delivering solutions that work in specific contexts. Through careful listening and observation of customers in their own environment, designers understand the needs of the people they are designing for. Rapid prototyping and real-world tests with customers are then used to quickly validate (or invalidate) early designs and iteratively improve the final solution.

This Brief describes initial experiences using HCD to help five branchless banking providers understand their customers better and design offerings to meet their needs. Partners include large banks in Brazil, Mexico, and Pakistan; mobile network operators (MNOs) in Ghana and Uganda; and several leading design firms.[2] Three lessons from early experiences include the following:

1. In each project, the process uncovered critical aspects of the customer experience beyond the product that needed to function correctly for customers to trust and use the product. HCD was a useful tool to understand and improve the entire customer experience.

2. Although the HCD process helped develop innovative product concepts arising directly from customer needs, it did not solve implementation challenges, which can be just as difficult if not more so than concept generation.

3. The HCD process helped bridge the gap between senior managers and customers. Many senior managers engaged deeply and directly with customers for the first time and are adjusting organizational processes to ensure customers continue to have a greater voice in the organization.

Why human-centered design?

Traditional market research, such as surveys and focus groups, asks people questions on what they want based on what they consciously know. However, as Steve Jobs famously declared, "It's really hard to design products by focus groups. A lot of times, people don't know what they want until you show it to them." Most of the time, traditional market research leads to incremental improvements in existing products and services. HCD seeks to uncover needs, aspirations, and emotions that may in turn lead to new and different offerings.

For example, when Procter & Gamble (P&G) set out to improve its mop products in the 1990s, it discovered

1 Branchless banking is the delivery of financial services outside conventional bank branches through the use of retail agents and information and communications technologies to transmit transaction details. By relying on already existing retail infrastructure and widespread technologies, such as mobile phones, branchless banking dramatically reduces the cost of delivery and increases convenience for customers.

2 CGAP worked with branchless banking providers Bradesco Bank, Bancomer Bank, Habib Bank Limited, MTN, and Tigo Cash and design teams from Continuum, Grameen Foundation's AppLab, IDEO.com, and IDEO.org.

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that customers didn't really want better mops—they wanted clean floors without having to mop at all. P&G worked with a design firm, who followed people into their homes to watch them mop floors. They realized that the process was so time-consuming, dirty, and unpleasant that what customers really wanted was a new way to clean floors, not just a better mop. The result was Swiffer, a quick-clean product that is P&G's second most popular consumer product today, with annual sales of $500 million.

Applying design thinking to branchless banking

Figure 1 illustrates the HCD process applied to the project in Mexico in a highly simplified format.

Learning from customers

Generally, design teams learn from customers by watching and recording what they do in real life. For example, in the P&G case, designers followed customers into their homes to watch them mop floors. Unlike mops or other physical products, financial services are largely intangible. Most of the customers we set out to understand have never even set foot in a bank.

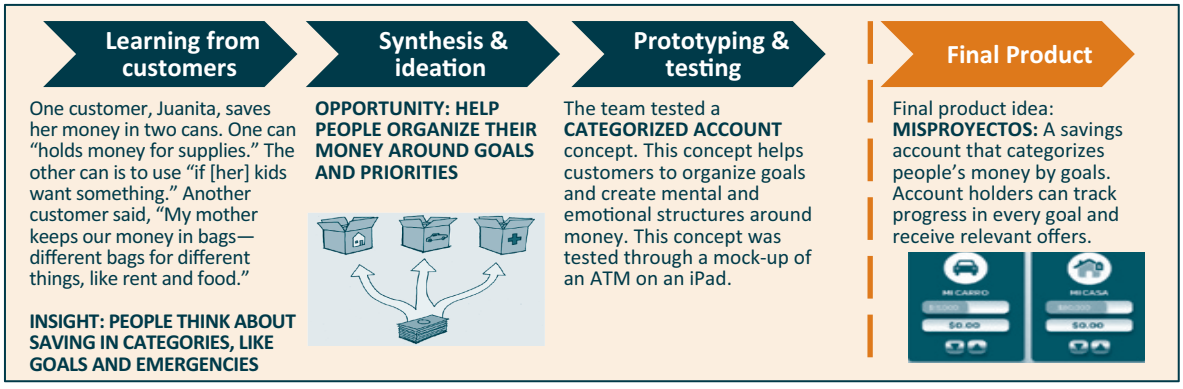
Learning from customers was done through in-depth interviews lasting several hours where designers slowly built trust and uncovered struggles and aspirations related to money management. Designers used a variety of techniques to try to replicate real-life financial behavior, often creating hypothetical scenarios with board games and role-playing to capture emotions and special behaviors associated with money. In the Mexico project, by the end of the interviews, people were comfortable enough that they showed the design teams where they physically stored cash in their homes. This proved to be the inspiration for the resulting MisProyectos product.

When IDEO was hired to design a prepaid mobile product for Bradesco, quantitative data in Brazil showed a strong growth in consumer credit in recent years. Financial providers assumed that poor people wanted more credit, yet in-depth conversations with interviewees revealed a more nuanced perspective. In a conversation with Luiz from Sao Paulo, he first strongly claimed that he did not want a credit card. Forty-five minutes into the conversation, he admitted that he used to have a credit card but got in trouble when a family member used it to buy an appliance and did not pay back the amount he owed. The experience was so negative that not only did he not want more credit, he wanted help to curb the temptation to buy on credit. This was such a common sentiment that the final product included a feature to help people accumulate "automatic savings" instead of the credit component the bank initially expected to include.

Synthesis and ideation

The in-depth analysis and synthesis of customer information is more intensive than it is in most other research techniques. The team analyzes each interview in great detail, usually immediately afterwards while impressions and observations are fresh. During brainstorms all kinds of ideas are shared, particularly wild ones based on "how might we . . ." questions. Some of these ideas are then developed into viable concepts and testable prototypes.

Figure 1. Connecting the dots: MisProyectos in Mexico



The many insights that arise from initial in-depth conversations with users are synthesized into a few design principles. These are essential principles to inform all further product development and can be used to help guide other offerings targeting the same customer segment. For example, in Mexico one of the design principles was "Stealth Savings," an easy-to-remember principle that prompts the provider to make savings as effortless and automatic as possible.

Prototyping and testing

Once new ideas are generated, they are developed into simple prototypes that are quickly tested with customers. Designers begin with inexpensive and disposable prototypes, such as sketches or mock-ups. As consumer feedback is incorporated, successive prototypes become more polished and complete. This incremental approach builds a feedback loop to quickly respond to customer likes and dislikes.

One of the product concepts tested in Ghana was that of a digital *susu*, based on the widespread use of *susu* collectors who visit customers daily in their home or workplace to collect very small and fixed amounts of savings and are compensated with a fee. As the designers attempted to navigate all the options for offering a similar product over mobile money, they drew simple pictures on flashcards to demonstrate concept ideas and see customer reactions to each feature. For example, in Figure 2, customers were shown various options to understand their preferences regarding how the daily contribution is collected. How loyal are customers to their *susu* collectors and would they be willing to interact with a mobile money agent instead? How much do customers value *susus* coming to their home and how willing would they be to walk a few blocks to an agent?

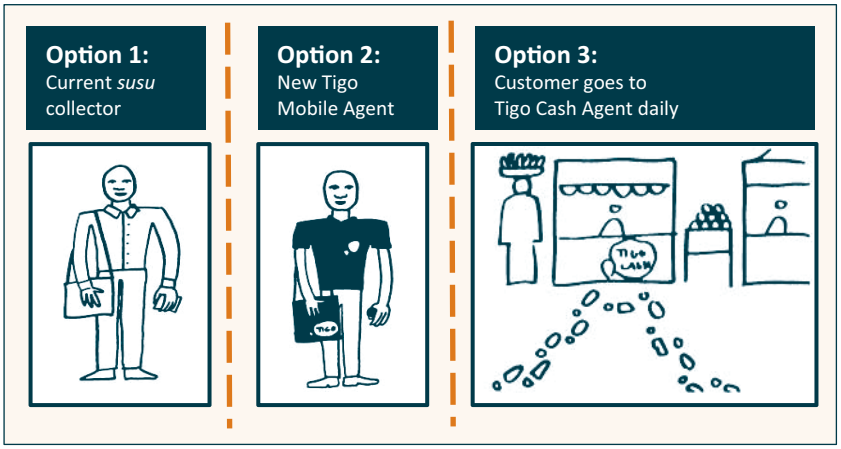
The MNO expected that customers would be loyal to the *susu* collectors who currently visit them daily in their home or workplace. Surprisingly, the exercise showed that the majority of people interviewed actually *preferred* a new mobile money agent over their current *susu* collector. Perhaps this is because they have either heard about *susu* collectors running away with people's money or they have experienced it themselves.

Prototypes can be used to test very specific messages or features, not just entire concepts. In Mexico, for example, people were shown an automated teller machine (ATM) prototype on an iPad. As one woman navigated the menu options, she chose to withdraw cash that previously had been in a special account for savings for a project. The ATM message read, "Enjoy your money!" She exclaimed, "No, no, no! It shouldn't say 'enjoy your money.' It should say, 'Are you SURE you want to withdraw this money from your project?'"

Unintended results from early experiences

Although each of the projects resulted in exciting new product concepts, bringing these to market has been challenging.[3] Applying a new way of understanding

Figure 2. Animated flashcards: Exploring digital *susu* concepts in Ghana



3 As of December 2013, three of five providers are implementing new services or products based on these projects.

customers when a new channel is being developed for a largely new customer segment is unproven territory.

One lesson learned is that even the most innovative, customer-centric product concept will not be successful unless the provider is committed to innovation and has organized itself to achieve this. Innovation is a new way of thinking and doing things that should impact each and every department. Many departments, such as information technology and marketing, traditionally make decisions based on macro data—trends, demographics, and competitor analysis. Unless they are brought into the HCD process and understand how their actions shape the customer experience, they will not be willing or able to make the changes necessary for a product to be successful. For example, in Mexico one design principle developed was "Speak People Speak, not Bank Speak" since customers were baffled and frustrated by bank jargon around annual percentage rates and loan terms. Unfortunately, the marketing team (which was not part of the HCD process) developed initial marketing material for MisProyectos that was filled with technical information in very small font and did not comply with this principle.

A second lesson is that even if a fantastic product concept is launched, it will not be successful unless the overall customer experience is good. Even the best product idea cannot scale without a viable agent network, user-friendly interface, or responsive customer service center. The good news is that HCD proved to be very useful in understanding how to make all aspects of the experience customer-centric. For example, in Pakistan the initial project focus was product development for very poor female beneficiaries of a government-to-person social welfare program. However, the design team found that the women were illiterate and were not used to accessing financial services and that they distrusted the basic ATM and agent channels they were using. The project shifted to helping the bank understand how to communicate and serve extremely poor and illiterate people and developing effective tools for that purpose. During prototyping, the team tested concepts such as whether customers learned how to use an ATM more effectively via a "talking ATM" or visual guides.

One unexpected result is how transformative the experience was for those bank and MNO managers directly involved in these projects. One manager of Bradesco Cards in Brazil said, "Being able to go into people's homes and talk to them has been an incredible experience for me. These people are much better managers of their money than I am! I am now so much more motivated and understand the kind of social impact this product can have." In our next set of projects, CGAP will expose more key managers from different departments to the design process and experiment with tools to build a design focus into the organization itself.

The HCD process forces managers to get out of their offices and into their customers' homes, providing the customer with a greater voice in product and service innovation. As branchless banking providers offer new services, HCD holds promise to understand the needs of the customer and to rapidly test new ideas and invest in those concepts that hold real potential to scale and increase financial inclusion.

To learn more about CGAP's work in Applied Product Innovation, visit http://www.cgap.org/about/programs/applied-product-innovation and follow our ongoing blog series at http://www.cgap.org/blog/series/applied-product-innovation-branchless-banking. The Technology and Business Model Innovation Program at CGAP is co-funded by the Bill & Melinda Gates Foundation, CGAP, The MasterCard Foundation, and the UK Department of International Development (DFID).

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