



CGAP

# CUSTOMER-CENTRIC GUIDE

[customersguide.cgap.org](http://customersguide.cgap.org)

A photograph of a woman and a young child in a field of flowers. The woman is wearing a patterned sari and is looking down at the child. The child is looking back at the camera. The background is filled with green foliage and flowers.

The Executive Summary was written by Gerhard Coetzee of CGAP.  
September 2017

### **Photo credits**

Cover: Dhruvajyoti Bhattacharjee | CGAP Photo Contest

Page 3: Pritha Chakraborty | CGAP Photo Contest

Page 6: KM Asad | CGAP Photo Contest

Page 9: Wim Opmeer | CGAP Photo Contest

Page 13 (top to bottom): Wim Opmeer | CGAP Photo Contest, Alamsyah Rauf | CGAP Photo Contest, Raju Ghosh | CGAP Photo Contest, Jon Snyder | CGAP Photo Contest, KM Asad | CGAP Photo Contest

Page 14: Brandon Smith | CGAP Photo Contest

Page 16: Bambang Wirawan | CGAP Photo Contest

## CGAP MEMBERS



Ministry of Foreign Affairs of the Netherlands



BILL & MELINDA GATES foundation



Global Affairs Canada



OMIDYAR NETWORK



UDENRIGSMINISTERIET  
MINISTRY OF FOREIGN AFFAIRS OF DENMARK



Federal Ministry for Economic Cooperation and Development



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra  
Swiss Agency for Development and Cooperation SDC



Australian Government  
Department of Foreign Affairs and Trade



Norad



Michael & Susan Dell  
FOUNDATION



USAID  
FROM THE AMERICAN PEOPLE



MetLife  
Foundation



Fondo Multilateral de Inversiones  
Miembro del Grupo BID



FORD FOUNDATION



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG



mastercard  
foundation



Citi Foundation



KfW  
Bank für Wirtschaft



WORLD BANK GROUP



Investing in rural people



European  
Investment  
Bank

# Creating and delivering value for customers and businesses to improve financial inclusion

Retention, acquisition, and expansion of product use by customers are core challenges faced by financial services providers serving low-income people. The CGAP Customer-Centric Guide explores these challenges and emphasizes strategies and actions that lead to value for the business and for the customer. It offers guidance on how organizations can move toward customer-centric business models.

## LOW ACCOUNT USE AND CHALLENGES WITH UPTAKE

Dormant bank accounts, mobile money inactivity, high microcredit dropout rates, and lapses in microinsurance payments are common challenges faced by providers serving low-income customers. All too often, customers open an account just to receive grants or wages; they do not see value in using other financial services.

### Background

Between 2011 and 2014 as financial inclusion efforts grew around the globe, 721 million accounts were opened. Of this number, 55 million were mobile accounts, two-thirds of which were used less than once every three months.<sup>1</sup> Most of the remainder were “mailbox accounts,” with customers immediately withdrawing all cash upon receipt of wages or social benefits.

### Why customers may not open an account or use financial services

- Accounts or services are not relevant to their needs.
- Their expectations are not met.
- They see no added value in having an account, besides getting paid or receiving money.
- Costs of formal financial services are too high.
- They lack confidence to engage with financial services providers.
- They do not trust financial institutions and do not feel valued or respected.

### What challenges do financial services providers face in serving low-income customers?

- Customer segments that are difficult to reach, excluded, or marginalized.
- High costs and low revenue due to low uptake and little or no use.
- Lack of understanding of customer needs, motivations, and behaviors.
- Lack of capacity to design and deliver customer-focused solutions.
- Inability to create value for customers, which leads to lack of value for providers.
- Inability to identify scalable business models.

Lack of use translates into lack of revenue for the financial services provider. A CGAP high-level analysis shows that at current usage rates, providers will find it difficult to recoup the \$13.3 billion it cost them to open these accounts.<sup>2</sup> Low usage confronts many providers with some core business challenges: What does it take to encourage customers to leave money in an account and to use digital payments mechanisms? How do you retain customers? How can you provide customers with a comprehensive suite of products and services? How do you expand customer portfolios?

### WHAT IS THE BUSINESS OPPORTUNITY IN CUSTOMER CENTRICITY?

Research has established a strong link between customer satisfaction and business performance. Ranjay Gulati<sup>3</sup> of the Harvard Business School demonstrated that organizations that focus on customer solutions rather than products delivered shareholder returns of 150 percent between 2001 and 2007, outperforming the Standard & Poor's 500 (S&P) index, which returned 14 percent over the same period. It must be noted that this also shows the resilience of “outside-in” companies because this period included the massive fall-out in financial services markets over 2007–2008. Such organizations experienced sales growth of 143 percent compared to S&P growth of 53 percent. Gupta and Zeithaml<sup>4</sup> show that a 1 percent increase in customer satisfaction results in a 2.37 percent growth in return on investment (ROI), while a 1 percent decrease in customer satisfaction brings a 5.08 percent decrease in ROI.



Learn more about the business value of customer centricity in the **Business Challenges** tab of the **Why Go Customer-Centric?** section.



## What is a customer-centric business model?

Customer centricity is a business model that operates in an ecosystem of customers, employees, suppliers, shareholders, and the communities an organization serves. In this ecosystem, customers are at the center of corporate strategy, decision-making, organizational design, and operations.

—Doug Leather, author of *The Customer Centricity Blueprint*

## WHO IS TAKING A CUSTOMER-CENTRIC APPROACH?

MetLife Inc. and Amazon.com Inc. excel at building their businesses around customers. They use internal and external customer data to design and deliver better services that empower customers. Focus is continuously improved, and value is measured based on actual customers, not just products.

Equity Bank in Kenya, Pioneer Life in the Philippines, Zoono in Zambia, and AMK in Cambodia are among the many financial organizations that differentiate themselves through a customer-centered approach. In an industry that overemphasizes products and sales, a focus on people achieves substantial results.

### Keys to a customer-focused approach include:

- A granular **understanding of customers**.
- Financial **solutions designed** specifically for customer needs.
- An organizational setup that delivers through a **customer-centric business model**.

## HOW TO SHIFT TO A CUSTOMER-CENTRIC BUSINESS MODEL

Most financial institutions today are still product focused. However, push and pull factors are forcing change. On the push side, customers are walking away; they are better informed and driven by the power of social networks and social media. Competition is heating up in many markets—and from diverse sources in the FinTech and startup arenas. On the pull side, savvy providers are finding that greater focus on customers, better customer experience, and delivering value to customers bring results.

The move to a customer-centric business model is not simple, and the process is not swift. It requires emphasizing a portfolio of customers rather than a portfolio of products, with growth based on meeting customer needs and creating long-term customer value. The shift begins with leaders who emphasize

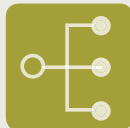
### Customer centricity requires a shift



STRATEGY



CULTURE



STRUCTURE

the strategy and lead by example to build a customer-centric culture, one that rewards employees for solving customer problems and deepening long-term relationships.

A shift in strategy and a culture change is followed by a change in structure: from employees who operate in product silos to business units linked across functions by teams or task forces that serve customers at different points in the journey. These diverse groups allow organizations to rally various functions around customer needs and segments.

## WHAT TO CONSIDER WHEN FACING ACQUISITION CHALLENGES

Building business opportunities in markets where customers have limited knowledge of formal financial services requires hard work. The number of customers who actively use financial products is usually small, so any opportunity to improve acquisition is a major benefit to the bottom line. The following elements must be considered when working to acquire new customers:

**New Markets.** Providers often look to serve new markets because existing markets are saturated—or they seek new business opportunities. It is essential to get to know which segments of the market to enter and then tailor offerings to better ensure success.

**Awareness.** If customers have never heard of a product or service and the value proposition is not immediately clear, they need more time to understand its worth. On the other hand, customers may see the value but feel intimidated by a brand or by formal financial services in general. To overcome these hurdles, customer-centric organizations develop a more welcoming environment for new customers. They factor in the time and effort required to empower customers to understand and use their products and services.

**Enrollment.** If the value proposition is not clear, customers are unlikely to sign up. When thinking through the customer journey, customer-centric organizations consider every type of cost and value, including the social and psychological costs that customers experience when using their products and services. Hidden costs may be





associated with poor customer service or with the stresses involved in carving out the time to gather required documents for enrollment. On the positive side, customers who form a strong bond with an agent or experience excellent customer service may perceive more value than expected.

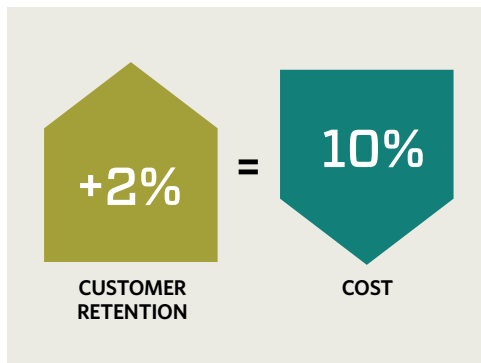
## WHAT TO CONSIDER WHEN FACING RETENTION CHALLENGES

Retention requires anticipating and responding to changing customer needs. For low-income people, life events such as marriage or business expansion often result in significant changes in finances. Customers also can be poached by competitors who offer superior incentives. The following elements should be considered when working to retain customers:

**Account Opening.** Customer-centric providers find ways to remove technical barriers to onboarding customers and support account usage. For example, they could consider incentives to encourage first-time use of a newly opened account.

**Product Use.** Customers may not understand product value or may not have a sense of loyalty. Retention requires anticipating and responding to customers' changing needs through constant dialogue.

**Trust and Loyalty.** Low-income customers look for the same things every customer wants: choice, respect, voice, and control. By reflecting one or more of these drivers in services and customer experience, trust is earned and customers build confidence in using financial services. This enables customer empowerment, greater loyalty, and higher value for both customers and organizations.





## WHAT TO CONSIDER WHEN FACING EXPANSION CHALLENGES

Existing customers are critical for growing the bottom line. They drive as much as 50 to 80 percent of revenue, making expansion strategies more cost effective than acquiring new customers. Providers typically increase customer value through cross-selling, adding to portfolios, or up-selling existing products and services. Consider the following to expand customer offerings:

**Uptake.** If customers do not understand the full range of products or services available, they take outside advice and find other providers to fulfill their needs. To discourage this, customer-centric organizations get to know the nuances of customers' financial lives and understand their aspirations and decision-making processes. This knowledge leads to greater insights and better solutions.

**Value:** Expanding customer relationships requires more than just the right mix of products and services. Relationships are based on strong foundations of trust nurtured through many forms of feedback and engagement.



For more on optimizing strategies for acquisition, retention, and expansion, visit [customersguide.cgap.org](https://customersguide.cgap.org)

## WHAT DOES IT TAKE TO IMPLEMENT A CUSTOMER-CENTRIC APPROACH?

Solutions for pain points always begin with a granular understanding of customers, their life challenges, money management practices, and context. These insights translate into design criteria, new concepts, and prototyping. However, few financial services providers have the knowledge and skills to implement the solutions, even though they may have the resources. Some get to the stage of concept, prototyping, and selection of final designs but then face real obstacles inside and outside the organization that thwart successful implementation. Organizing for delivery, empowering



A solid understanding of customers' lives, motivations, and aspirations is the first step to improving customer experience—and increasing value for customers and organizations.

employees, and managing change efforts are the keys to following through on newly identified customer solutions.

### **Learn from customers**

This is where customer-centric organizations begin. A solid understanding of customers' lives, motivations, and aspirations is the first step to improving customer experience—and increasing value for customers and organizations. Learning from customers is the entry point for designing more effective products and services.

Although every member of a customer-centric organization is responsible for thinking about customer needs and experiences, it is the research team that regularly draws insights from customer information. Insights can come from existing interactions between customers and tellers or agents, or from specific studies.

A combined qualitative and quantitative research approach is most effective for understanding customer behavior. An efficient research plan first taps into existing internal knowledge then dives into the unknown. If data already exist, focusing on knowledge gaps may generate more relevant findings. Many organizations already have internal data with the potential to provide great insights; however, it is used only for annual reports.

Data analysis follows the data collection process and is usually of three types:

- Descriptive analysis, which provides a descriptive summary of numerous customers at a specific moment in time.
- Predictive analysis, which helps draw insights that may not be directly observable in the data.
- Prescriptive analysis, which recommends actions and indicates likely outcomes.

Interesting patterns and outliers can point to behavioral insights. Organizations may need to hire a data scientist to perform analyses or outsource this function.

To uncover new opportunities, it is important to have a solid understanding of target markets. A segmentation exercise looks at a market base and helps organizations figure out which products or strategies fit specific customer segments. Details about sub-segments further enhance product development, service delivery, and customer satisfaction.

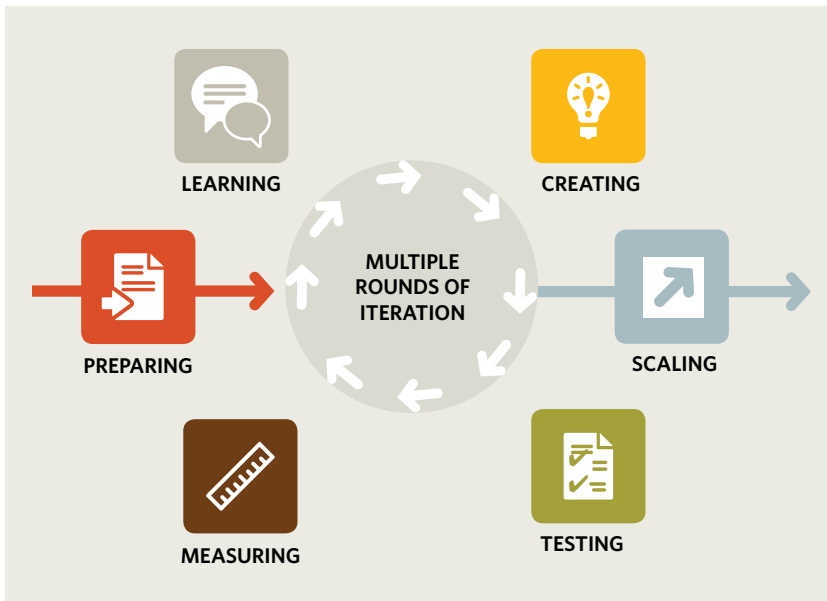


The **CGAP Customer Segmentation Toolkit in the Guide** offers practical experiments and tools to help organizations learn from customers. Identifying the right kind of innovation unlocks value for organizations and customers, especially low-income households that may not have access to formal financial services. Segmentation helps identify groups of customers whose journeys can be mapped to increase understanding of what factors lead people to close their accounts or to leave them dormant.

### Design solutions

Once they have extracted insights into customers, organizations are ready to design for better adoption and use.

Customer-centric design is about learning directly from customers in their own environment, then quickly working with them to develop and refine concepts. This ensures that customer needs and expectations inform design decisions, and in turn ensures a higher likelihood of adoption and success. Once gaps in customer experi-



ence are identified, organizations are tasked with making improvements. The process challenges organizations to understand, create, evolve, and test possible solutions, then repeat the cycle as many times as required.

It takes time and resources to design and deliver solutions that result in positive experiences and empowered customers. Interactions with customers must change, and employees must be guided to adopt a customer-empowerment mindset. The shift in attitude starts with simple steps that are not costly or time consuming. It is an evolution—not a sudden transformation.

### **Organize for delivery**

Customer-centric organizations structure themselves around customers and their changing needs. CGAP has identified five pillars that support customer centricity.

Customer-centric organizations create value for multiple stakeholders (customers, employees, and shareholders) by targeting change across the organization. It takes time to catalyze change, embed new processes, and shift mindsets toward new behaviors. The pace matches organizational readiness; it does not happen overnight, and every organization creates its own change journey.

Committed leaders must embrace customer centricity first, then drive change campaigns that rationally and emotionally appeal to employees.

An essential part of the change journey is institutionalizing best practices in innovation management systems. This covers investing in new business processes and building sustainable learning systems, along with sourcing, developing, and aligning human resources. It is key to build systems that measure progress and performance, then link them to key performance indicators.

Performance measures also change to include efficiencies, customer-led value drivers, profitability, and social returns. To ensure that customers receive value at an ecosystem level, organizations identify effective new partners to assist with delivering on customer goals and objectives.

Developing cross-functional teams that focus on customers enables each employee to understand his or her role in servicing customers. To ensure that new, integrated ways of working are implemented well, organizations build trust and provide teams with the internal support to work in ways that also build trust within groups.

The journey is most successful when organizations enlist enablers and nurture a culture that supports customer-centric behaviors and systems. Leveraging digital technology can promote and accelerate the change journey. Language is also critical,

## Five pillars that support customer centricity



### LEADERSHIP AND CULTURE

customer-focused leadership and culture



### FOCUSING OPERATIONS

focusing operations on the customer—compliance, risk, IT, HR, finance, marketing, legal, training



### PEOPLE, TOOLS, AND INSIGHTS

collecting information, generating insights, informing strategy, informing customer value propositions, and empowering employees



### CUSTOMER EXPERIENCE

based on insights generated, design, concepts, test, build, delivery, scale, and renewal



### VALUE

creating and measuring value; at customer, firm (commercial and social), and society (social and economic) level

Address business challenges and opportunities by aligning the business to focus on delivering customer experience that brings value to customers and the business—a journey, not an event





and leadership teams that tell stories demonstrate the power of change while bringing the effects of a new strategic direction to life. Rewarding and incentivizing the right behaviors also codify and embed those new behaviors.



Leadership teams clarify vision and values to ensure they align with the strategic shift toward a customer-centric business model. The CGAP Customer-Centric Guide details the **change process** and uses real-life case studies to illustrate lessons. It systematically guides leaders, starting with a call to action and first steps.

## THE VALUE OF A CUSTOMER-CENTRIC BUSINESS MODEL

Adopting a customer-centric business model enables organizations to support sustainable growth objectives linked to key value drivers: increased customer acquisition, retention, and use of services. The customer-centric approach empowers employees to resolve issues and become more involved in creating value and benefiting from it.

The model supports the ability to create more streamlined customer experiences that reduce costs for customers while generating value.

Customer-centric organizations also build customer loyalty. As a result, they see an increase in retention numbers and are more successful at acquiring new customers through brand awareness and word of mouth. They are resilient and find it less daunting to face competition or hazardous market conditions.

A customer-centric model leads to value for customers, value for organizations, and value to society, as evidenced in the performance of “outside-in” organizations. In a study of purpose-driven organizations, Ellsworth<sup>5</sup> refers to those that are customer driven vs. shareholder driven. He found that organizations that put customers at the center actually outperform shareholder-focused companies on *shareholder returns* (36 percent compared with 17 percent over the same period!).

In the final analysis, value for customers is the leverage point. When customers trust financial services providers to solve real-life challenges and dissolve pain points, this equates to realized customer value. In a world where low-income customers make little use of financial services, providing value is the missing piece of the puzzle to growing the business. Organizations that solve these challenges—and create customer value—see stronger sales growth, improved profits, impact on their bottom line, and sustainable growth.

## Notes

1. Asli Demircuc-Kunt, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden. (2015). The Global Findex Database 2014—Measuring Financial Inclusion around the World. Policy Research Working Paper 7255, The World Bank; GSMA. (2016). State of the Industry Report on Mobile Money. Decade Edition: 2006–2016.
2. Susy Cheston, Tomás Conde, Arpitha Bykere, and Elisabeth Rhyne. (2016). The Business of Financial Inclusion: Insights from Banks in Emerging Markets. Washington, D.C.: Centre for Financial Inclusion and the International Institute for Finance; James Manyika, Susan Lund, Marc Singer, Olivia White, and Chris Berry. (2016). How Digital Finance Could Boost Growth in Emerging Economies. McKinsey Global Institute.
3. Ranjay Gulati. (2010). *Reorganize for Resilience*. Harvard Business Review.
4. Sunil Gupta and Valarie Zeithaml. (2006). Customer Metrics and Their Impact on Financial Performance. *Marketing Science*, 25(6).
5. Richard R. Ellsworth. (2002). *Leading with Purpose. The New Corporate Realities*. Stanford, Calif.: Stanford Business Books.

## ABOUT CGAP

The Consultative Group to Assist the Poor (CGAP) is a global partnership of over 30 leading organizations that seek to advance financial inclusion. CGAP develops innovative solutions through practical research and active engagement with financial services providers, policy makers, and funders to enable approaches at scale. Housed at the World Bank, CGAP combines a pragmatic approach to responsible market development with an evidence-based advocacy platform to increase access to the financial services the poor need to improve their lives. Our mission is to improve the lives of poor people by spurring innovations and advancing knowledge and solutions that promote responsible, sustainable, inclusive financial markets.



## CGAP MEMBERS



Ministry of Foreign Affairs of the Netherlands



BILL & MELINDA GATES foundation



Global Affairs Canada

ON  
OMIDYAR NETWORK



UDENRIGSMINISTERIET  
MINISTRY OF FOREIGN AFFAIRS OF DENMARK



Federal Ministry for Economic Cooperation and Development



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra  
Swiss Agency for Development and Cooperation SDC



Australian Government  
Department of Foreign Affairs and Trade



Norad

**giz**



Michael & Susan Dell  
FOUNDATION



USAID  
FROM THE AMERICAN PEOPLE



Fondo Multilateral de Inversiones  
Miembro del Grupo BID



FORD FOUNDATION



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG



mastercard  
foundation



KfW  
Bank für Wirtschaft



Citi Foundation



Sida



WORLD BANK GROUP



IFAD  
Investing in rural people



European  
Investment  
Bank