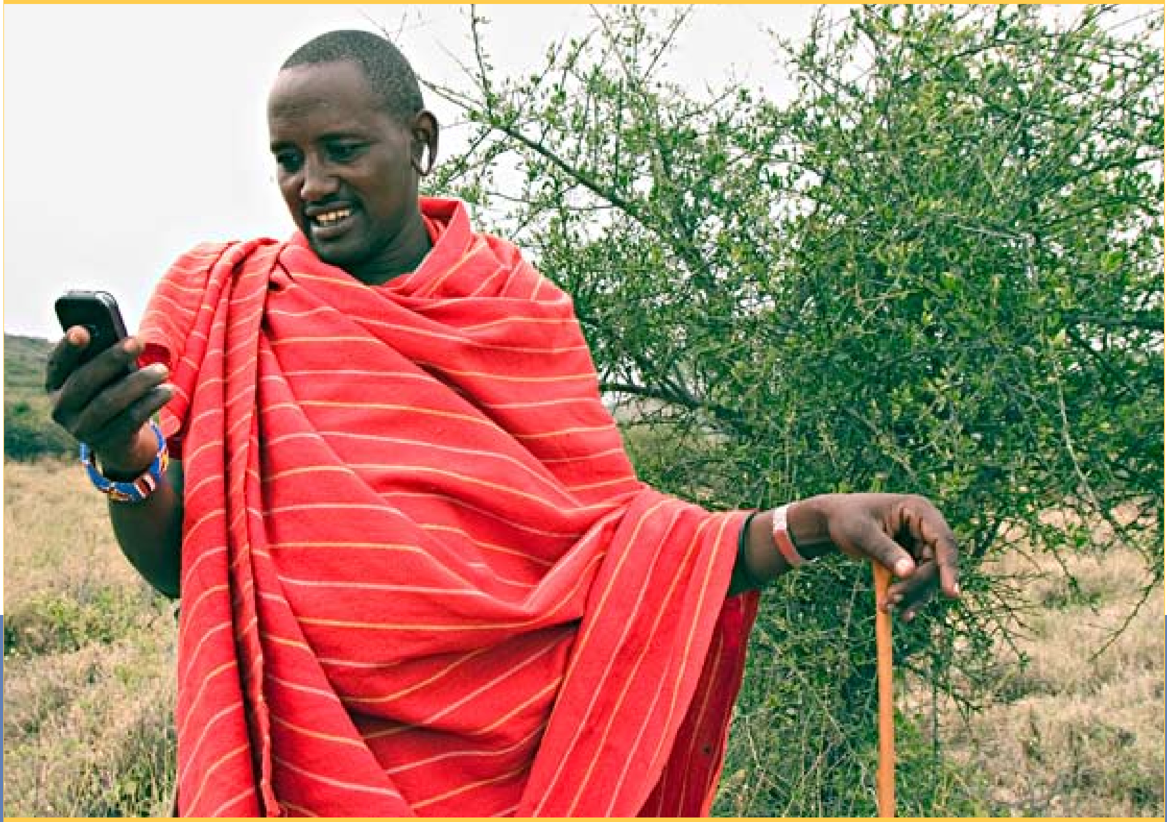
MicroSave

Market-led solutions for financial services

E/M-Banking Volume IV



Optimising Performance and Efficiency Series

MicroSave's

Inspiration:

"A world in which all people have access to high-quality affordable market-led financial services"

Mission:

"Strengthening the capacity of financial service providers to deliver market-led financial solutions"

MicroSave

Market-led solutions for financial services

Presents

Optimising Performance and Efficiency Series

E/M-Banking Volume IV

The Optimising Performance and Efficiency Series (OPE Series) brings together key insights and ideas on specific topics, with the clear objective of providing microfinance practitioners with practical and actionable advice. Based on *MicroSave's* acclaimed Briefing Notes and India Focus Notes series, the Optimising Performance and Efficiency Series provides succinct guidance on a variety of topics from product innovation to delivery system optimisation. Each of the booklets addresses a key topic that can transform a microfinance institution for the better. The Series will help improve microfinance institutions' double bottom line – both the business and its social performance.

Also in this series…

- **Individual Lending**
- **Product Development**
- **Savings**
- **Risk Management**

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Electronic and Mobile phone-based Banking: Opportunities, Issues and Challenges

Background

There is no doubt that mainstream banks need alternative channels to reach out to the financially excluded population, both in urban and rural locations. The set up and subsequent costs of operating "brick and mortar" branches is not viable in many environments and geographic markets. The best model so far is deploying technology, complemented by a network of agents/customer service points. Technology (e- and m-banking) facilitates transactions without the customer having to visit the bank's formal branch, and agents/customer service points manage the cash in/out with (or sometimes even without) logistical support from agent network managers (ANMs) or as they are called in India, "business correspondent network managers" (BCNMs).

For several years now, *MicroSave* has been closely involved with several e/m-banking initiatives in Africa, Asia and Latin America, in particular working on the "soft side" of e/m-banking where the technology interfaces with the customer. *MicroSave* provides support conducting market research, process mapping and analysis, pilot-testing, brand/marketing and financial education etc. *MicroSave* has worked on e/m-banking with leading banks (in Bangladesh, Colombia, India, Indonesia, Kenya, Papua New Guinea, South Africa and Tanzania); agent network managers (in India, Kenya and Papua New Guinea); and mobile network operators (in Kenya and India). For more details about *MicroSave*'s work in this area, please see our e/m-banking brochure on our website www.*MicroSave*.org or http://bit.ly/qsRJeB.

MicroSave also coordinates the Banking Correspondent Network Managers' Forum in India, which brings together all of the leading Indian agent network managers to identify and address issues, as well as to exchange information and data about the industry.

In addition, *MicroSave* periodically holds "M-banking Dialogues", to bring together a select group of providers that are actually implementing m-banking solutions. These allow practitioners to discuss some of the nitty-gritty details and challenges involved with developing, testing and rolling out e/m-banking solutions. These Dialogues have proved immensely valuable for participants, who leave with significant learning through the peer-to-peer exchanges.

Additional information and interviews with leading m-banking practitioners can be found in short films available from *MicroSave*'s MicroFinance Podcast, also available on our website www.*MicroSave*.org or http://bit.ly/p7ApSS.

Finally *MicroSave* supports, and regularly presents at, Clarion Events' acclaimed Mobile Money conferences to discuss lessons learned, and promote best practice in m-banking rollouts.

The present volume of OPE series deals with another set of key challenges faced by the industry. The Notes are based on the work done by *MicroSave* with different financial institutions and ANMs/BCNMs. This compendium examines various aspects of costing and pricing of financial services from the perspective of users, intermediaries and banks. There has to be a fine balance to ensure that the user feels he is getting value for money using the service; agents and network managers are sufficiently remunerated for the work they do (and the capital they have to invest); and the banks find the proposition sustainable. The compendium also includes insights gained from customer and channel satisfaction surveys conducted over a long period using *MicroSave*'s Customer and Channel Satisfaction Measurement and Management (CSM) tool. ANMs have used the CSM results to improve their systems and services and thus significantly improved customer and agent satisfaction.

This compendium takes a practical approach to some of the most complex issues, analyses them and offers possible options to deal with them. The papers are as follows:

1. ***Mobile Money - Questions That Your Clients Will Ask You***
   Akhand Tiwari and Krishna U.M. Thacker

   This Note is a summary of some of the key questions that usually surface during customer interactions regarding the use of e/m-banking platforms. The key objective of the Note is to serve as a reference for institutions engaged in e/m-banking for their marketing plan design and promotion strategies. These questions, simple but important, can help institutions fine-tune their product, processes and, most importantly, their communication strategy.

2. ***Microfinance in India – Is Business Correspondent the Way Forward?***
   Manoj K. Sharma

   This Note explores the shape and direction of the future of microfinance sector in India and proposes a model where MFIs act as agents of banks.

   It tries to make a win-win case wherein clients benefit from the wider bouquet of product offerings; MFIs de-risk their operations and banks get intermediaries with closer to the ground presence and a more equitable risk - return ratios.

3. ***Individual or Institutional BCs: The Client's Perspective***
   Alphina Jos and Minakshi Ramji

   This Note is the first of a two-part series, which provides some perspective on how individual business correspondents (BCs) and institutional BCs are perceived by clients and banks. This Note approaches the question from the client's perspective. It concludes that institutional BCs have the advantage of delivering better on most of the key parameters: trust and customer relationship; quality of service delivery; consumer protection and cash availability, primarily because the BCNMs are dedicated to, and focused on, the success of the overall system. In the case of individual BCs, clients may find that the local bank branch does not have the motivation or the resources to provide dedicated teams to provide superior service. This is especially true in India where the banks prefer to outsource their priority sector/financial inclusion activities (for both credit and savings).

4. ***Individual or Institutional BCs: The Banker's Perspective***
   Alphina Jos and Minakshi Ramji

   This Note provides perspective on how individual and institutional BCs are perceived by banks. The Note examines how banks might choose between the two approaches, by using the decision parameters such as (a) Customer Acquisition and Outreach, (b) Customer Relationship and Retention, (c) Control: Monitoring and Support, and, (d) Resources. It serves as a starting point for discussion and decision-making for banks interested in entering the BC business, and for BCNMs interested in partnering with them.

5. ***Marketing E/M-Banking Deliberately and Strategically (1/5)***
Swati Mehta and Stanley V. Thomas

The Note is the first of a series of technical briefs focused on strategic marketing for mobile money, covering the following topics: challenges in marketing, branding, product marketing, and parallel links with successful marketing efforts to the rural poor by other industries. This Note, in particular, attempts to highlight the need for marketing e/m-banking services and derives its content from several field research initiatives undertaken by *MicroSave* along with its Action Research Partners (ARPs) in India, Indonesia, Kenya, South Africa, Colombia, Papua New Guinea and the Philippines. The Note also introduces the strategic marketing framework of *MicroSave* and how it applies to e/m-banking context.

6. ***Top Marketing Challenges For E/M-Banking (2/5)***
Ritesh Dhawan, Stanley V. Thomas and Swati Mehta

Marketing cannot only be seen as an expense to avoid or incur as little as possible. Through marketing, customers are told about a service and how it addresses their need and gives them a reason to use the service. In case of e/m-banking, while there has been significant investment in marketing and promotions, not many providers (except for a few) have achieved significant scale in customer adoption. This Note attempts to summarise the key challenges that the e/m-banking service providers face while promoting their services and also covers potential, actionable steps that could address the challenges.

7. ***Role of Branding to Promote E/M-Banking Products & Services (3/5)***
Stanley V. Thomas, Sonal Agrawal and Swati Mehta

This Note discusses the first element of *MicroSave*'s Strategic Marketing Framework i.e. "Corporate Brand Strategy" as applied to e/m-banking context. This Briefing Note examines the role that branding can play in promoting e/m-banking products and services to the unbanked and underbanked. The Note discusses how e/m-banking providers create a brand (in most cases leverage an established brand such as that of an MNO or bank) and corporate identity, and then communicate it internally as well as externally through marketing/promotions and public relations.

8. ***Product Marketing Strategies for E/M-Banking (4/5)***
Stanley V. Thomas and Anurodh Giri

This Note focuses on explaining the importance of product marketing strategy for e/m-banking service providers. The Note briefly introduces the reader to the key elements of the product marketing strategy and attempts to explicate each of these components by providing examples of current practices adopted by e/m-banking service providers across the globe. The Note exhibits the example of e/m- banking service providers from the countries like Kenya, Tanzania, South Africa, Pakistan and India, which are the leaders in mobile banking services. The note concludes by imparting important lessons to be followed by e/m-banking service providers for designing marketing strategy.

9. ***Marketing Lessons for the E/M-Banking Sector from India's Corporate Giants (5/5)***
Anurodh Giri, Ritesh Dhawan and Sakib Mehraj

The key objective of e/m-banking initiatives in India is to increase the outreach of banking services to the Indian rural market. The challenge to penetrate the Indian rural market is not new and various corporates have successfully conquered the rural market by designing effective marketing campaigns and strategies. This Note portrays some of the successful rural marketing strategies of Indian corporates and attempts to show how these strategies can be adopted by Indian e/m-banking service providers. The Note concludes by offering the reader, critical lessons that are peculiar to Indian rural markets that need to be incorporated for building a successful rural marketing strategy of e/m-banking service providers in India.

10. ***Graduating SBI Tatkal Customers***
Abhishek Lahiri, Sharad Bangari and Swati Mehta

Eko's *Tatkal* remittance product was introduced at a time when business correspondent network managers (BCNMs) were struggling to gain visibility and trust among their target segments, as the No Frills Account (NFA) product alone was not sufficient to meet customers' expressed needs. This is evident from the widespread inactivity/dormancy experienced for NFA accounts. *Tatkal* has given BCNMs an opportunity to gain visibility and improve the business case through increased volumes. This note discusses when and why customers may be ready to try new services beyond the entry *Tatkal* product and how BCNMs could leverage the increased footfall at their agents' outlets due to *Tatkal* by cross-selling other financial products, to graduate customers to use a wider range of m-money services.

11. ***Pricing Mobile Banking Services***
Graham A.N. Wright

This Note examines perceptions of transaction v. ledger fees and poor people's willingness to pay for agent-based financial services delivered in their villages. It identifies a wide range of barriers for low income people to transact in traditional bank branches and provides evidence that they are indeed willing to pay reasonable fees for convenient service. Poor people recognise the benefits of agent-based banking but have concerns about agent-based systems that will also negatively affect willingness to pay. To cover the cost of paying agents, banks will either have to charge for deposits, or look to make money on other services delivered through their agents, including from remittances and payments selling insurance, and interest earned on loans. Pricing remains a challenge – but there are many opportunities!

12. ***Pricing for E/M- Banking***
Nitin Garg

This Note discusses customer perceptions around some of the key pricing issues for banks while implementing agent-based banking:

- Pricing across different channels: how to price new channel relative to existing channels at par, or lower or at a premium?
- Flat or percentage based pricing: Percentage based pricing works out to be cheaper for small transactions, but do the customers choose on that basis?

Pricing is one of the most important aspects for the success of a mobile banking initiative. In the mobile banking landscape there is no one successful pricing scheme. From discounted/free m-banking services to charging customers differently in different channels, pricing schemes can be very different.

13. ***Incentives for E/M-Banking Customers to Drive Usage***
    Nitin Garg and Shiv Shankar V.

    This Note looks at various ways of incentivising customers to increase the uptake and use of m-banking services. Since mobile banking services are new to most of the target clientele, it is important to devise incentive schemes which will encourage clients to try out these services and start using them regularly. This Note also presents some popular incentive schemes offered to drive customer usage by mobile banking deployments across the world. Operators should measure the effectiveness of the incentive scheme periodically. The effectiveness can be measured on three dimensions:

    - The overall success of the scheme in terms of additional business volume and revenue generated;
    - Satisfaction of customers; and
    - Channel feedback and satisfaction.

14. ***Incentivising E/M-Banking Agents***
    Nitin Garg and Shivshankar V.

    For agents to wholly endorse the e/m-banking proposition, to motivate them to generate customers, and to maintain float and perform transactions – sufficiently incentivising agents is extremely important. This Note discusses the basics of incentivising e/m-banking agents. It also discusses the different types of incentives and experience across different e/m-banking deployments. Agents are the primary customer interface for the implementing banks/ANMs. The success of the ANM is largely dependent on the performance of the agent. Hence it becomes extremely important to sufficiently incentivise the agents. Apart from devising the right incentive model, it is also important to choose the right channel and frequency for the payment of commission that keeps the agents motivated to remain in the business and facilitate client transactions.

15. ***Managing Channel Satisfaction In Agent Banking***
    Minakshi Ramji, Ritesh Dhawan and Sachin Bansal

    Customer and Channel Satisfaction Measurement and Management (CSM) is a qualitative tool to collect information from two of the most important stakeholders in m-banking—agents and clients. Without adequate support, agents will quickly become disinterested. A CSM exercise is a great tool to understand the agent's perspectives on products and client take-up and thus, optimise the on-the-ground reality. This note covers the major areas where an agent's input would be valuable to ANMs seeking to improve their mobile money products, services and delivery channels.

16. ***Managing Customer Satisfaction In Agent Banking***
    Minakshi Ramji, Ritesh Dhawan and Sachin Bansal

    This Briefing Note discusses the design and implementation of a Customer and Channel Satisfaction Measurement and Management (CSM) exercise which seeks feedback from m-banking customers on important areas that influence take up and on-going use of services. These areas should include (but not be limited to) the product, cost/charges, marketing, process and service provided by the agent. While there are many ongoing m-banking pilots, few have shown capacity to be taken to scale. The CSM is a good way to understand the extent to which the product is satisfying customer concerns and make amendments accordingly.

17. ***Driving Viability for Banks and Business Correspondents***
Puneet Chopra

Business Correspondent model is quite often considered onerous by banks and is taken as a burden thrust on them by the regulator and policy makers. Low-income consumer segments, BCs as service providers, No Frills Accounts (NFAs) and bank's portfolio of products are viewed in isolation of one another and not as pieces of the same puzzle that, if put-together appropriately, can address the wide ranging financial needs of the low-income unbanked or under-banked.

This Note examines various enabling factors that can accelerate profitability for the banks and viability and sustainability for the BCs.

18. ***Lessons from CSMs: Agent Perspectives***
Minakshi Ramji, Ritesh Dhawan and Nitin Garg

This Note explores how Customer and Channel Satisfaction Measurement and Management (CSM) exercises helped Eko India Financial Services, a business correspondent network manager (BCNM) for State Bank of India (SBI) and ICICI Bank in Delhi and Bihar, improve its systems over an 18-month period. This note particularly focuses on agent customer service point (CSP) feedback. Regular CSM exercises can be very helpful in judging the pulse of its agents or customer service points (CSPs). For Eko, feedback from agents resulted in improved agent management systems, the introduction of a dedicated CSP hotline and prompt remuneration for agents. Furthermore, based on the CSMs, Eko also received insights into the agent selection process and marketing.

19. ***Lessons from CSMs: Customer Perspectives***
Minakshi Ramji, Ritesh Dhawan and Nitin Garg

This Note focuses on feedback received from customers on the product offering, customer service, and the processes involved in m-banking, all important aspects of product acceptance and usage. The information in this Note was collected during several CSM exercises with Eko India Financial Services (Eko), a BCNM for State Bank of India (SBI) and ICICI Bank in Delhi and Bihar, over an 18-month period. Based on the CSM feedback, Eko has now taken significant, yet often simple, steps to augment customer satisfaction, such as the introduction of new services and an improved back-end MIS to improve transaction confirmation, amongst others.

Mobile Money - Questions That Your Clients Will Ask You

Akhand Tiwari and Krishna U.M. Thacker

INTRODUCTION

MicroSave is currently involved with a large number of mobile money deployments across Africa, Asia and Asia-pacific. As part of its involvement, *MicroSave* team regularly interacts with numerous customers and agents. A deep understanding of customers and their needs helps *MicroSave* to validate and support recommendations to its clients on both strategic and operational issues.

This Note is a summary of some of the key questions that usually surface during customer interactions regarding the use of e- or m-banking platforms. The key objective of the note is to serve as a reference for institutions engaged in e/m-banking for their marketing plan design and promotion strategies. The questions are categorised based on features of product design. These questions, simple but important, can help institutions fine-tune their product, processes and, most importantly, their communication strategy.

Product

Where does the money go when I deposit it in the machine?

How does the money come out of the machine?

Where is the account?

While these are obvious questions, a proper response is necessary; else, there remains a doubt and ultimately affects uptake and use. A document that clearly describes the features of products, and the processes involved will be an essential reference for employees, clients and promoters. Promotion can include using opinion leaders, a mix of direct marketing like street plays etc., and agent incentives, supplemented by above the line marketing to help build awareness and trust.

Do I earn interest on this account?

The inferred thought is important: Customers are asking, Is this account same as a bank account where people earn interest?

Product

Can one withdraw after a day of depositing money?

There will be concerns about the liquidity of the account and ability to withdraw at will in the same way as a typical bank account.

Does the card need replacement after few days? What if my card/mobile is stolen or lost?

Customers are often concerned about damaging or losing the card (be it SIM, magnetic strip or smart card)

Is there a minimum balance requirement?

Customers will compare this with the bank accounts they know. They will be asking: Does this offer the same benefits? What is added advantage of this kind of account?

Clients' understanding of the idea of electronic money is key, as physical appearance of cash being taken out or being deposited in a branch or ATM is the existing experience and/or mind-set. Developing trust in the idea of operating an account using local shopkeepers as agents, and without the bank branch infrastructure visible is a tough challenge to address.

Price

Is there a charge to access these services?

Any shortcoming in the clear and transparent communication of pricing may lead to a huge reputation loss and cause a slump in uptake and use. Agents should be trained to explain the reasons for charges.

Place

Where the machine will be installed- market, shop, open space? Will I have to withdraw/ deposit money at the place where I opened the account?	Customers' current banking experience is limited to bank branches, defined physical structures. The concept of banking outside branch is new. The location of agent must be easy to reach, and the agent must offer a trustworthy, friendly, customer responsive and secure banking experience.

Process

What happens to the savings when machine is lost? How will one access account if card is lost or broken; mobile PIN is forgotten Are my fingerprints same as my siblings? Are they same as of twin brother?	The new technology and channel must address the concerns over card damage, or loss, and/or loss or breakage of the mobile or POS device etc. Customers want to be assured that it is indeed backed by a bank. The issue arises because with traditional savings systems in case passbook is lost, it can be updated again using bank records.
Can one withdraw more than the balance in his accounts? What happens to my money if I die?	At the same time, the solution has to ensure that there are zero (or minimal) chances for the client to lose money.

PosItIonIng

How will I know more about the product, processes? Why should I open an account through this channel?	The product should be positioned as an easily accessible and yet secure, bank account or payment solution, using technological advances to offer unparalleled convenience.

People

How can I trust an agent? What happens when agent runs away with the money? How I would make sure agents' transactions are correct?	It is difficult to replace bank staff with next-door shopkeeper. A dominant factor is whether there is trust in the shopkeeper to perform banking transactions, especially savings … and whether he/she is capable (well enough educated/trained) to do so. Customers also need to be confident in the security measures in place. Marketing and communications must address concerns on security and correct transactions.

Physical Evidence

How do I know I have an account? How can I recognise an agent? How do I know my money has been credited to my account?	Credible evidence of the existence of the bank, the bank account, the agent and the transaction is essential. While this relates to trust, it forms the basis of future use of e- or m- banking as well. These set of questions are perhaps among the first five questions that arise. Facilities to check balances or receive mini statements help create trust.

The above, by no means, is an exhaustive list. The idea is to provide those involved in product design and communication related to e- and m-banking solutions with a starting point. Institutions should also consider developing a FAQ (for customers and employees as well) note to answer such questions clearly. This can be used:

1. During staff and agent training;
2. To help develop the communication strategy; and
3. As part of the marketing/ promotional material.

Microfinance in India – Is Business Correspondent the Way Forward?

Manoj K. Sharma

Microfinance in India is going through turmoil. The turmoil is, in some measure, because of the rapid growth of microfinance institutions and the consequent government response, leading to drastic changes in the regulatory environment in Andhra Pradesh (AP). These two factors put together are largely responsible for the problems currently facing the microfinance sector.[1] However, from every upheaval, something new (and perhaps better) emerges - this paper explores the potential shape and direction of the microfinance sector in India, post the now famous “Andhra crisis”.

The direct group lending methodology, under which MFIs borrow bulk loans from banks and, in turn, lend smaller loans to people in the low-income segment, has its own set of flaws. While the loans are reflected on the books of the MFIs, up to 80-85% of an MFI’s assets are created from resources that come from banks as term loans, with the equity capital contributing the balance 15-20%. The microfinance industry was, until recently, a highly profitable industry as the demand for credit from the underserved segment was more or less price inelastic. In this situation, MFIs could charge reasonably high interest rates and generate returns on equity of 25% and above. This, in turn, led to high growth and higher valuations of MFIs as they were seen to operate in a sellers’ market with limitless possibilities for growth.

By the fourth quarter of 2010, with the “Andhra Crisis” and the consequent non-payment by clients, banks suddenly realised that most of the exposure in field was from money that they had extended as credit. As a result, default, in the field, on loans from MFIs would soon lead to default by the MFIs on banks. Since the loans extended to MFIs were collateralised on the very portfolios they were financing, they were poorly secured.

Thus banks were left holding 80% or more of the credit risk, whereas equity investors and promoters were holding only up to a maximum 20% of the risk. The returns ratio in the business has, however, been the inverse, with the majority of the returns going to the equity investors and banks loading the usual debt pricing on credit extended to the sector. Bankers were happy because targets for priority sector lending were being met on account of the microfinance portfolio.

This will now change and a new model for microfinance delivery may emerge in India. While the risk return equation is one of the reasons for reworking the model, the other is the political risk that has become so clear in Andhra Pradesh, and has on more than one occasion, loomed as a threat in other states. Lenders, and indeed investors, cannot be sure that such political interference will never again happen in another geography. Indeed, the political risk in microfinance can possibly never be fully mitigated even with regulation; the possibility of a state political establishment posturing as the saviour of the poor and consequently blocking recoveries cannot be ruled out.

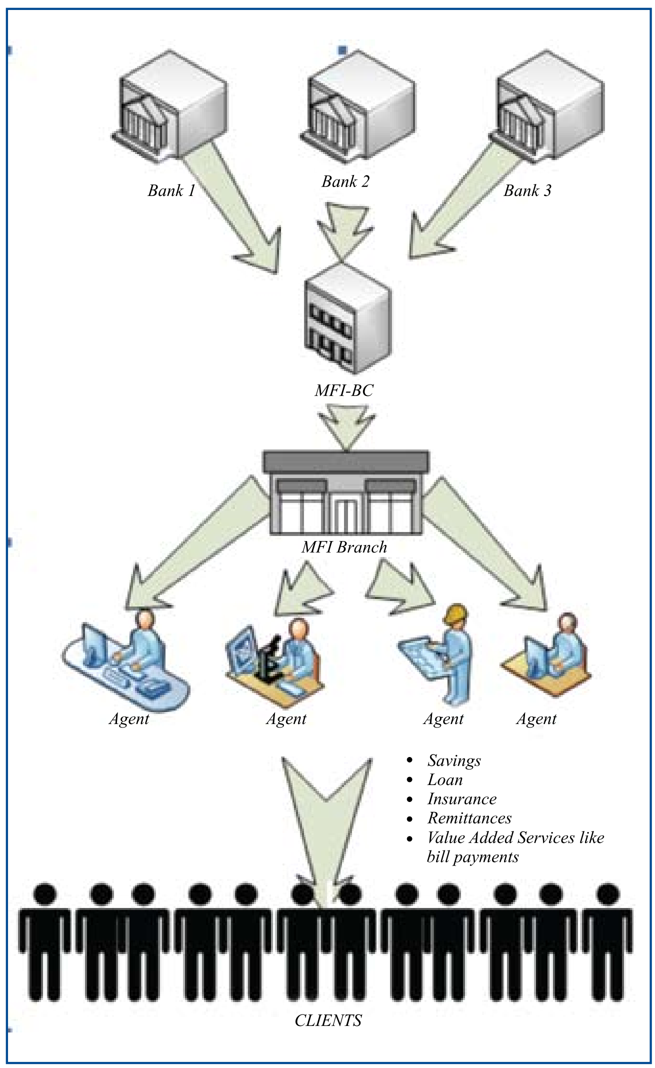
The possible solution is to have MFIs as agents of banks operating as Business Correspondents (BCs). The way the model can work is for banks to use the outreach and the efficient distribution structures that MFIs have established. However, as an off-shoot of banks, the channel can be used to not only push credit, but also to offer a much wider range of products - savings, credit, insurance, pension and remittances. The model can de-risk MFIs from a variety of risks such as the political and operational risks that came to the forefront in AP. Local political interests will find it difficult to interfere at an operational level with agents of banks, regulated by RBI. MFIs as BC model will also ensure greater degree of oversight from banks (and hopefully RBI) than has been the case with the bulk lending model currently in vogue. At the same time, MFIs as agents of banks will be able to offer clients with a wider range of products. Even happenings in Kolar district in Karnataka where a section of the borrowers

[1] See *MicroSave* India Focus Notes 41 “Microfinance - Time to Get to Back to Basics?” and 43 “Commercialisation of Microfinance in India: Is it all Bad?”

refused to repay on account of interventions from local religious leaders[2] can be de-risked to some extent. In a multi-product environment, it will difficult for any section of the stakeholders to suddenly put brakes on the operations of MFIs. The MFI would not only be offering credit but would also be the front end for savings deposits and withdrawals, as well as for pension and for insurance services – thus broad-basing their relationships with clients.

A tiered model with local merchants at the front end, MFI acting as 'super-agents' and banks at the back-end should evolve into a lower delivery cost model. Under the new regulatory guidelines, with interest and margin caps, the outreach of typical group microfinance, and outreach in far-off areas, will be constrained. MFIs will not be able to address remote clients unless some form of local agent structures are integrated into the delivery methodology. Local *kirana* (grocery) shops, medical shops, teachers etc. can be agents for MFIs, who in-turn act as agent aggregators and managers for banks, to enable technology backed delivery models with lower delivery costs. The way the model can operate is depicted below:

The benefits that the model presents for MFIs are:



1. The model significantly de-risks MFI operations. Operating as agents of banks almost entirely removes political risk from the equation. Banks and their agents come under the sole purview of the Reserve Bank of India, and the possibility of state government interference will be significantly minimised if not altogether eliminated – particularly when poor people's savings are involved.
2. MFIs will be able to offer a wider range of products and thus to meet the real financial needs of the clients rather than pushing credit alone and optimistically claiming that it is for entrepreneurial activities.
3. Savings is a service that is universally needed by people in the low income segment. Offering the poor a range of savings, pension and remittance services will create higher degree of client satisfaction, and thus customer loyalty and reduced default. The savings history of clients will also enable better credit appraisal and will help (to some extent) address the problem of multiple borrowing.
4. BC relationships ride on either card- or mobile phone- based technology as the front end. This will enable better and

[2] See *MicroSave* India Focus Note 55 "The Andhra Pradesh Crisis: Three Dress Rehearsals … and then the Full Drama"

more efficient cash management at the MFI end. Currently 1-3 % of the total cash at the MFI is typically either in transit or stacked in vaults in the numerous branches. This can be an instantaneous process riding on technology.

5. The BC relationship will also open up the possibility of appointing agents in villages to offer savings and pension services. While client origination can remain with the MFIs, agents can deal with day-to-day operations and settlement can take place with the MFI on a daily basis. This should reduce the cost of operations, and the economies achieved can be passed on to clients.
6. MFIs can build efficient channels to offer financial services and work with multiple banks to reach the under-banked/unbanked segments. Banks will be interested in such tie-ups not only because of the regulatory pressures, but also because once they begin servicing this segment, they will realise the potential that it holds.

The benefits that the model presents for banks are:

1. Banks are struggling to establish agent networks that can profitably and reliably service the low income, unbanked segments of the economy. While they have been successful in opening accounts, they have not been as successful in promoting transactions. As they expand the range of services and seek to drive credit through agent channels, banks will have to depend on MFIs that understand this segment and have built systems and processes to serve it.
2. Banks can reflect the assets and liabilities in their books thus enhancing their balance sheets. Banks can increase the spread and share the risk-return of lending to the low income sector with the MFIs in a more realistic manner.
3. Banks will partner with MFIs that have built much more cost-effective outreach channels. The operating expense for an MFI branch that can service 2,000 – 3,000 clients is in the range of Rs.5-600,000 per annum. One entry level officer in a bank will cost as much. Banks, on account of cost considerations alone, will struggle to directly service the low end market; tie-ups with MFIs provide tremendous opportunities.
4. The banking regulator will be more satisfied when it knows that banks have their skin in the game. If banks use and monitor MFIs as banking agents this will inspire confidence in the regulator that they are maintaining the requisite oversight and due diligence.

Individual or Institutional BCs: The Client's Perspective

Alphina Jos and Minakshi Ramji

Introduction

This IFN is the first of a two-part IFN series, which provides some perspective on how individual busbies correspondent (BCs) and institutional BCs are perceived by clients and banks. This IFN approaches the question from the client's perspective. In part as a function of history and the sequencing of Reserve Bank of India (RBI) circulars,[1] the appointment of business correspondent (BC) agents in India has followed one of two approaches.

The first approach is that banks appoint individuals directly from the community as BC agents. This was followed in several initial pilots when the RBI guidelines mandated the use of not-for-profit agents only. During this time, banks entrusted their branches to identify and appoint BC agents of good repute from the community. Appointing individuals as BC agents is less popular today, but many banks continue to follow this approach in certain districts. For instance, about 25% of the SBI BC agents in India are individual agents.[2] Some banks also directly appoint business facilitators (BFs), agents who help clients with the documents and the application process for opening accounts or applying for loans.[3]

The second approach involves appointing firms or organisations to manage agents, called BCNMs (business correspondent network managers) in the rest of this note. Under this aggregator approach, BC agents would be employees or contractors of the BCNM. For instance, FINO Fintech Foundation (FINO) acts as BCNM for several banks. A FINO employee is then designated as the agent for a given area.

The relative merits of using an individual BC agent (direct individual) versus a BCNM (aggregator) from the client's perspective are analysed based on the following parameters:[4]

1. Trust and customer relationship
2. Quality of service delivery
3. Consumer protection
4. Cash availability

Client's Perception of BC: Individuals and BCNM

Parameters	BCNM	Individual BC
Trust and Customer Relationship	😐	☺
Quality of Service Delivery	☺	☹
Consumer Protection	☺	😐
Cash Availability	☺	☹
☺ 😐 ☹ : Satisfied, Indifferent, Dissatisfied Client		

1. **Trust and Customer Relationship**
   Under the individual agent model, the BC is directly tied to the bank. In the BCNM approach, since clients do not know the BCNM as a provider of banking services, the level of trust may be lower. For example, Eko's agents have often mentioned during *MicroSave* research that the BCNM needs to advertise a much stronger link with their partner bank, State Bank of India.

   Furthermore, at the start of BC operations, clients wish to verify BC's relationship with the bank. In the case of the individual BC agent, the information can be easily confirmed at the bank branch, since the agent falls under the direct purview of the bank. However, if the BC agent belongs to a

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[1] See RBI Circulars RBI Circular RBI/2005-06/288, RBI/2007-2008/295, RBI/2008-2009 /141, RBI/2009-10/238, and RBI/2010-11/217 to understand the changes in policy governing entities who can act as BCs. While the BC model was initially envisioned as a service provided by NGOs and select individuals, it may now be taken up by all companies, except for NBFCs.
[2] List of villages having population above 2000 covered under financial inclusion plan up to 30th June 2011, SBI Website
[3] See RBI Circular RBI/2005-06/288 on RBI's website for more information on the difference between BCs and BFs.
[4] The choice of these four parameters is based on the results of *MicroSave* research on Agent Networks in Gujarat and Uttar Pradesh, the risk concerns described in Thorat, Srinivasan et al (2010) "Agency Network Management – Feasibility of Engaging Corporate Retail Networks As Business Correspondents of Banks – A Study," and *MicroSave* IFN 66: What Do Clients Want in E/M-Banking Agents.

BCNM, the bank's branch staff may not be familiar with the agent. Indeed, in at least one case, a branch manager of a public sector bank even mistook a BCNM-appointed agent of his own bank for an imposter! In addition, bank staff may not have the time, desire, or ability to respond to each individual enquiry about BC agents (particularly when they are managed by a different organisation), and this has the potential to create debilitating doubt in the market place.

> **A rural m-banking user's view:(a)**
> ***"Bank par bahut vishwas hota hain par aadmi ka koi vishwas nahin".***
> **(I have a lot of faith in banks but not on individuals.)**
>
> **(a) *MicroSave* research 'Optimising Agent Networks —Gujarat' on http://www.*MicroSave*.net/research_papers**

Largely, clients recognise and trust banks much more than they do BCNMs. However, if other well-known organisations become BCNMs for banks that are not as well known in rural areas, the reputation of the BCNM could help customers decide whether or not to use BC services. For example, clients may welcome a well-known MFI becoming a BCNM for a private bank with a small rural presence, even if the bank is not well-known to them.

2. Quality of Service Delivery

Potential clients state that 'education', which they perceive to mean the ability to handle banking transactions, is an important attribute for a good BC agent.[5] Knowledge of banking services is also important to become an effective BC agent. The quality of agent training will play a vital role in the ability and the speed with which the agent can handle transactions and queries. BCNMs could be better able to aggregate and train agents more effectively than banks using the direct hire model. BCNMs usually have qualified staff, formal programmes, and regular field follow-up. Managing training for a large cadre of BC agents is a task which a BCNM is usually better prepared to do than a bank staff.

Unless the bank takes specific measures to monitor the service that individual BC agents provide, clients can have complaints of service delays, lack of reliable timings, convenient location to transact etc. Furthermore, banks may not be able to devote the time, energy and resources required to monitor BC agents closely, especially as the BC network grows. On the other hand, a BCNM is specifically dedicated to providing this service and should be able to provide better customer service.

3. Consumer Protection

Consumer protection implies safety of the client's money, acknowledgement of transactions and the grievance redressal process.

The risk of fraud is likely to be greater with individual agents since there is little accountability and supervision, given that the bank is not situated in the community. When the bank is handling many individual BC agents across villages in a radius of up to 30 kilometres, the staff's ability to monitor all these agents is further compromised. Thus, clients' money is likely to be less safe. Individual agents may not have appropriate cash handling and storage mechanisms, which could also compromise the safety of the clients' cash.

[5] *MicroSave* India Focus Note 66: What Do Clients Want in E/M-Banking Clients by Denny George and N.A. Venkata

With BCNMs, there is more than one layer of monitoring the work of the BC, which should reduce incidences of fraud. Additionally, the BCNM network may facilitate safer cash handling and storage methods since there is a tiered system of agents and super-agents.

Individual agents fare better than BCNMs when it comes to grievance redressal. Since there are fewer layers between the bank and the client, it may be easier for the client to approach the local bank branch to provide feedback. With BCNMs, there are many layers between the client and the bank. This means that complaints will take longer to reach the bank, and thus longer to be resolved. In fact, the BCNM may choose to ignore the complaint altogether.

BCNMs and banks (where they are using individual agents) need to be vigilant to tell clients to protect their PIN numbers and to ensure they are given appropriate receipts. Clients are much more likely to trust a channel which provides a receipt.[6]

4. **Cash Availability**

There are two ways to ensure that there is neither too much nor too little cash at the agent's location. First, the bank or BCNM can leave the agent on his own to interact directly with the bank (and the closest branch) to buy and sell e-balance (this is more typical in the direct-to-bank model). This may pose problems in remote locations where poor roads mean travelling even a few kilometres can take the entire day and pose a risk of theft. Thus, clients may often be unable to transact because the agent does not have enough cash/e-balance.

The second option, the one adopted by most major BCNMs in India, is to use a federated structure of agents and super-agents, where the latter mediate the relationship between the BCNM and the BC agent. BCNMs encourage agents and super-agents to develop relationships so that liquidity can be managed locally and internally within the agent network. In some cases, super-agents have one dedicated staff person ferrying cash between agents. Thus, managing liquidity via super-agents appears to be a smoother and more efficient way to manage liquidity risk. Managing liquidity via super agents also increases security of the cash. If the super agent is closer to the bank, the super agent can intermediate the agents' e-money top ups. Thus, cash risk to agents is lowered.

Conclusion

BCNMs in India have the advantage of delivering better on most of the parameters above, primarily because the BCNMs are dedicated to, and focused on, the success of the overall system. In the case of individual BCs, clients may find that the local bank branch does not have the motivation or the resources to provide dedicated teams to provide superior service. This is especially true in India where the banks prefer to outsource their priority sector/financial inclusion activities (for both credit and savings).

Both individual and institutional agents have their own relative advantages. However, these advantages are not

[6] *MicroSave* Briefing Note 74: Managing Agent Networks to Optimise E- and M-Banking Systems by Graham Wright and Veena Yamini

Individual or Institutional BCs: The Banker's Perspective

Alphina Jos and Minakshi Ramji

Introduction

This IFN is the second of a two-part IFN series which provides some perspective on how individual and institutional BCs are perceived by clients and banks. This IFN approaches the question from the bank's perspective. The appointment of business correspondents (BC) in India has followed one of two approaches: individual BC agents (direct individual) or using business correspondent network managers (BCNMs). This IFN examines how banks might choose between the two approaches, by using the following decision parameters:[1]

1. Customer Acquisition and Outreach
2. Customer Relationship and Retention
3. Control: Monitoring and Support
4. Resources

This note serves as a starting point for discussion and decision-making for banks interested in entering the BC business, and for BCNMs interested in partnering with them.

1. **Customer Acquisition and Outreach**

   All banks have the responsibility to achieve Reserve Bank of India (RBI) financial inclusion mandates and hence opt for the BC model to increase outreach.

   Through the individual agent route, banks will be able to achieve only limited extension of banking services. Banks may consider employing individual agents in numerous locations, but this would entail significant human resource and monitoring costs.

   On the other hand, BCNMs currently represent the only route to scale up quickly, achieve numbers and cover multiple geographies. Additionally, some BCNMs, such as NGOs, MFIs and corporates with large retail networks, come with the added advantage of having an existing client base. Vodafone and Hindustan Unilever (HUL), both having a strong rural presence, have signed on as BCs for ICICI Bank and SBI, respectively.

2. **Customer Relationship and Retention**

   Under the BC model, banks' image and reputation are at risk, as they effectively license their brand to these BC agents. Unsurprisingly, banks feel some trepidation to hand this over to BC, since customer relationships are such a crucial part of banking.

   Informal conversations with bankers reveal that many banks generally prefer to appoint individuals directly as agents, giving the bank greater control of what happens on the ground. This is particularly true of banks with a broader outreach. These banks feel that their branch staff knows the community well enough to choose and appoint the right individuals as BCs.

   However, the risk with individual BC agents of migrating away from their area of operation

Bank's Per ception of BC: Individuals and BCNM		
Parameters	**BCNM**	**Individual BC**
Customer Relationship and Retention	☹	☺
Customer Acquisition and Outreach	☺	☹
Control: Monitoring & Support	☺	😐
Resources	☺	☹
☺ 😐 ☹ : Satisfied, Indifferent, Dissatisfied		

[1] The choice of these four parameters is based on informal discussions with banks in India over the past year, the results of *MicroSave* research on Agent Networks in Gujarat and Uttar Pradesh and on the risk concerns described in Thorat, Srinivasan et al (2010).
"Agency Network Management – Feasibility of Engaging Corporate Retail Networks As Business Correspondents of Banks – A Study." and *MicroSave* IFN 66: What Do Clients Want in E/M-Banking Agents

or stopping BC business is high. Banks would then need to replace the agent and find ways to serve clients in the interim. With BCNMs also, this risk exists but is lower as it is the BCNM's responsibility to replace the agent. Some BCNMs, such as Eko, have back-up plans, such as help-lines that clients can call for the nearest available agent, if the usual one is unavailable.

3. **Control: Monitoring and Support**

Theoretically, the individual agent model should allow banks to control the system better. Yet under this model, banks must supervise and monitor these individual agents on their own, from often over-worked, branches. As the number of agents rises, this could over stretch branch staff or necessitate additional resources dedicated to BC support functions (as Equity Bank is doing in Kenya). However, Indian banks have not yet fully committed to this model as a business opportunity and do not have separate field teams.

A BCNM monitors the BC agent activities on behalf of the bank, allowing the bank to maintain a bird's eye view of the monitoring and support process. BCNMs should also have robust reporting structures. However, banks have to ensure that the right systems and resources are in place to protect the client and the bank from any abuse.

The pressure on banks to supervise BCNMs increases with scale. Several exercises conducted by *MicroSave* underscore the need to provide agent support, frequent field visits and to maintain open communication channels. While providing technical assistance to one existing BCNM, *MicroSave* found that agents want frequent visits from BCNM staff, refresher training, and much closer involvement from the BCNM. While the BCNM was able to take steps to mitigate these concerns, a bank managing its own BC operations directly may not be in a position (or willing) to take up these additional responsibilities. Also, BCNMs should be much better placed to help banks achieve growth targets without losing too much in quality control.

4. **Resources**

For banks, the BC model is a way by which they can extend outreach, while keeping the demands on financial and human resources to a minimum. A recent GSMA report[2] analysed the costs of MTN Uganda's first two years of mobile money operations into three categories:

a. Fixed costs (including marketing, field agency costs, SIM upgrade fees for non-mobile money customers, agent handset subsidies, fixed m-wallet provider fees and agent POS merchandising) were 43% of the total.
b. Step costs (including management staff and back-office staff) accounted for 12% of the total.
c. Variable costs (primarily customer registration commissions, agent commissions, and per-customer technology licensing fees) were 45% of the total.

[2] "Is There Really Any Money in Mobile Money?", Paul Leishman, GSMA Mobile Money for the Unbanked.

When managing individual agents, it is the bank's responsibility to oversee the activities directly, involving considerable time and resource costs (perhaps requiring full-time individuals in branches). If a bank has a small number of individual agents, these may be easier to monitor directly. For instance, the staff of a bank with just two to three agents around its service area, may be able to effectively manage their agents and clients. On the other hand, if BC agents are spread out and large in number, the bank may realise that the cost of coordinated supervision, monitoring and support, including operating costs, human resource costs, and technology cost is not worth the effort. Thus, for large scale roll out of branchless banking, the individual BC agent model may not work.

When these branchless banking functions are outsourced to a BCNM, this is likely to relieve the bank of extra work and costs. A strong example of such functions is agent training, which demands significant resources and yet varies greatly over time in terms of activity. BCNMs usually have dedicated staff that plan and implement training in the field. SEED and Eko are BCNMs that provide proprietary training to their agents. Yet, another BCNM, Grameen Koota Development Trust, goes even further and trains both agents and customers on using the mobile banking platform.

Conclusion

A bank can make use of the parameters in this note, customer relationship, customer acquisition, control, and resource availability to help in the decision-making process on which agent model to use and in the actual selection of agents or the BCNM partner. Banks must decide if they have the resources to monitor and manage the agents directly and closely enough to ensure success.

Many of the larger Indian banks work in remote areas and may see the need to use third-parties to extend their reach even further. On the other hand, a smaller bank such as a regional rural bank (RRB) with only a few branches, might consider appointing individuals, since it may know the area in which it operates well enough to do this effectively. Other banks have chosen the middle path by both managing individual agents directly and using a BCNM, whose responsibilities are limited and primarily related to managing the initial selection and training or managing just certain tasks, like liquidity for agents (but not the entire agent operation). Some larger banks in South Africa, for example, have chosen this middle path to manage concerns related to reputation and control risks.

Alternatively, some agent network structures evolve over time. When Safaricom launched M-PESA in 2007, it had direct contractual relationships with all its 1,200 agents[3]. Top Image, a marketing firm, was hired to train and monitor agents. Over time, the existing agents began sub-contracting to other agents. At one point, these sub-agents formed almost 50% of M-PESA's total network. Ultimately, M-PESA chose to formalise this relationship due to concerns over the customer experience and now takes an active role in training and monitoring these sub-agents. Thus, M-PESA's relationship with its agents has evolved over time from a direct relationship to a tiered approach which has led to enhanced outreach.

[3] CGAP's Agent Management Toolkit: Building a Viable Network of Branchless Banking Agents

Marketing E/M-Banking Deliberately and Strategically (1/5)

Swati Mehta and Stanley V. Thomas[1]

[1]With support from Chris Linder

Previous *MicroSave* Briefing Notes and India Focus Notes on e/m-banking have dealt with a wide range of topics – such as the customer value proposition, implementation formats, agent management, and pilot testing. The following Note is the first in series of technical briefs focused on strategic marketing for mobile money, covering the following topics: challenges in marketing, branding, product marketing, and parallel links with successful marketing efforts to the rural poor by other industries.[2] This note attempts to highlight the need for marketing e-/m-banking services and derives its content from several field research initiatives undertaken by *MicroSave* along with its Action Research Partners (ARPs) in India, Indonesia, Kenya, South Africa, Colombia, Papua New Guinea and the Philippines.[3]

Is There A Need For Marketing E/M-banking?

With more than a hundred live mobile money deployments across the world, e/m-banking is being hailed as the newest and greatest alternative to the high-cost brick and mortar branch model for inclusive banking. However, despite the intense attention and investment in this channel over the past few years, the relative growth in the number of active e/m-banking users (and their usage of the services) has been low. Only a handful of deployments have been able to win customers' hearts and reach a scale to qualify as a game changer.

Some examples of successful mobile money deployments (that will be described in more detail in subsequent notes) are G-Cash-Philippines, Easypaisa-Pakistan, Giros Tigo- Paraguay, Eko-India, and M-PESA-Kenya and their efforts in marketing/promotion can take much of the credit for that success. While Globe, for example, has been actively promoting G-Cash in Philippines through television commercials, flyers and display boards at agent locations, Telenor adopted a similar strategy to create awareness and promote Easypaisa in Pakistan. Tigo in Paraguay realised the importance of marketing and targeting the right market segment when Tigo Cash did not take off as expected. This realisation helped Tigo modify its mobile money offering and launch Giros Tigo, using a two-pronged marketing approach: first awareness was created amongst the target segment, followed by demonstrating product functionality.

The significance of marketing for promoting e-/m-banking is clearly depicted in *MicroSave* India Focus Note 73.[4] This Note reveals the results from analyses of three different scenarios that played out over time for one of *MicroSave*'s partners and how each influenced customer enrolments, transactions and revenues.[5] The introduction of marketing activities increased the volumes for each revenue driver by at least 50% compared to the scenario where the products were priced without marketing.

Convincing customers to try the service has been one of the biggest challenges for providers and can be attributed to a variety of reasons: lack of awareness of m-banking services, absence of a strong proposition, and an evolving technology and related customer service issues (and trust).[6] As a result of these common shortcomings, the sales strategy for most of the m-banking services offered have been more of an inadequate "push" than "pull", where the focus of marketing has been skewed towards account opening *(see table below for examples)*. Many of these accounts have been opened on a

[2] Please refer to the series of *MicroSave*'s Briefing Notes on marketing, BN#103, BN#104, BN#105, BN#106

[3] Please note this series of Notes assumes that the reader has already conducted the necessary market research and segmentation. (Please refer to *MicroSave*'s Strategic Marketing Toolkit for more information.) Budgeting will also not be covered here but is an obvious issue to plan for before implementation. Therefore, these Notes will focus more on the actual marketing mix and implementation of actual marketing/promotional activities.

[4] India Focus Note 73: Sustainability of BC Network Managers (BCNMs) - Business Scenarios and its Effects

[5] The 1st scenario involved not charging customers any fees with no marketing; the 2nd scenario entailed charging customers nominal fees but still no marketing; and the 3rd involved charging customers combined with marketing (mainly below the line marketing activities such as street plays and promotions at village fairs).

[6] These challenges will be covered in more detail in the subsequent BN#103: Top Marketing Challenges for E/M-Banking.

mass-scale, free of cost, especially in India, and the new customers are not truly aware of why and how to use the new accounts.[7]

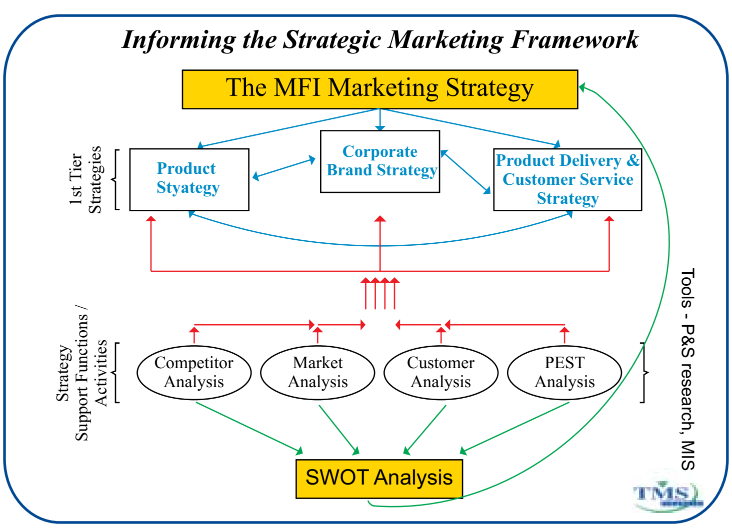
This clearly indicates that the role of marketing does not end once the customer is acquired. To ensure that they become regular users, a few other contributing factors— or "levers"—such as customer service, pricing, and technology, must be examined with a marketing lens along with typical branding and promotional efforts.[8]

"Push" Strategy	**"Pull" Strategy**
• Personal selling by field agents in village meetings • Taking assistance from opinion leaders to gain acceptance • Account opening canopies to directly target potential customers	• Promotional vans • Billboards, point of sale displays • Events organised in association with bank • Newspaper inserts and advertisements in local cable channels • Special schemes and discount offers

Strategic Marketing for M-Banking

Given that most m-banking deployments are still in the nascent stages, many providers still do not have a dedicated marketing function. Even for those who have such dedicated teams, the scope of activities is often limited to corporate communication/PR and disconnected and inconsistent promotions and advertising. There is often confusion (or a lack of providing dedicated time and resources) on what strategic marketing entails and how it must function in conjunction with product strategy, operations, human resource development, and technology.

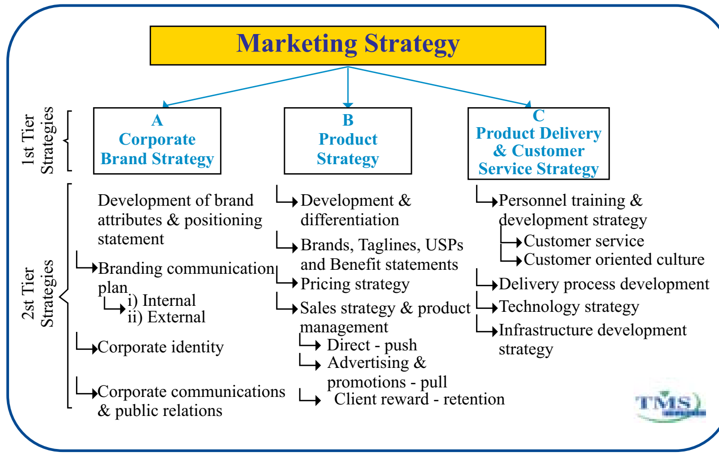
The strategic marketing framework developed by *MicroSave* for financial institutions serving the unbanked can be adapted for the context of e/m-banking. Strategic marketing is often confused in addressing just marketing communications, especially promotional activities. Yet, the framework (as depicted in the figure below) has three main pillars of marketing strategy – Corporate Brand Strategy, Product Strategy, and Product Delivery & Customer Service Strategy. It is essential to understand that the three marketing strategy elements should not be viewed as silos. The elements must all be addressed as there is much interplay between them. Most importantly, there is a strong need for coordination and consistency in the marketing efforts to ensure success.



MicroSave's strategic marketing approach strongly advocates a market oriented approach wherein market based information sources (as depicted in the figure below) are used to develop the first tier marketing strategies: the product, branding and

[7] For example, 'No Frills Savings Accounts' in India are the typical starting point for inclusive banking. Also in India, much of the recent drive for e/m-banking stems from financial inclusion targets given to commercial banks by the Reserve Bank of India (RBI, India's central bank). Due to this, the limited suite of products has been more supply driven rather than demand driven.
[8] CGAP Framework for Active Customers: Process from awareness to ongoing activity

customer service strategies.[9] Sources of information could be the needs of target customers, competitors, customer service quality tracking, and external socio-economic and regulatory factors. All of which should be relevant in the e-/m-banking context as many implementation issues have little to do with technology and more to do with misunderstanding customer needs and not providing appropriate messages.



Conclusion

As Agent Network Managers (ANMs) grow to understand more of the determinants of customer satisfaction and successful products, the role of the marketing function will expand to include customer service, delivery systems, and corporate branding and identity. With the entry of large FMCG companies (e.g. Nokia and Unilever) and a continuous push from the more marketing savvy Mobile Network Operators (MNOs) (e.g. Airtel and Vodafone), this trend of haphazard marketing should change for the better. The subsequent technical briefs discuss the major challenges of marketing for e/m-banking solutions, the various components of strategic marketing and lessons from other industries.

[9]Please refer to *MicroSave*'s Strategic Marketing Toolkit for more information.

Top Marketing Challenges for E/M-Banking (2/5)

Ritesh Dhawan, Stanley V. Thomas and Swati Mehta[1]

[1]With support from Chris Linder

Marketing is just as important in e/m-banking as it is in more conventional retail businesses and cannot only be seen as an expense to avoid or minimise. Through marketing, customers learn about a service, and how it addresses their needs; it should also give them a reason to use the service. Many e/m-banking solutions are said not to be working well because of low customer adoption when compared to the money and time spent on implementing the solutions. This Note focuses on the major challenges faced by e/m-banking service providers while promoting their services, and also suggests potential, actionable steps that could address the challenges.

Challenges in Customer Adoption

1. ***Failure to create a winning product***

   Too many e/m-banking solution providers have tried to promote and sell poorly designed or inappropriate products. This is a thankless task – as can be seen from the alarming levels of dormancy amongst No Frills Accounts in India.[2] E/m-banking channels need to offer real benefits, responding to real needs or mitigating customer pain points … they will not see any significant take-up without a persuasive customer value proposition.[3]

2. ***Failure to create a winning message***

   One of the main reasons why marketing does not achieve the desired result is because it may not address the need of the target audience, or the marketer is trying to sell to everyone. Good communication messages typically provide simple, compelling reasons for adoption, they stand out, and avoid setting unrealistic expectations. Many customers' decisions are based on emotions rather than pure logic – thus the need for appropriate and powerful messaging.

   While M-PESA, in Kenya, has succeeded in creating a winning message of "send money home" and attracted 13 million customers[4] to use it, a similar product and messaging did not work in case of another African country – Ghana. MTN launched MTN Mobile Money in Ghana in 2009. The messaging was similar to that of M-PESA and targeted young migrants in the city who could send money home using their phone. Despite huge investments in above-the-line (ATL) marketing activities, the offtake has been slow with only 1.8 million, and much fewer active, customers. Unlike Kenya where the rate of urbanisation is lower and the potential of domestic remittances is high, split families are not very common in Ghana and therefore a lower demand for domestic remittances. Hence, a marketing message developed without fully understanding the customers' pain points, failed to engage the customers.[5]

3. ***Overcoming limited customer knowledge & trust***

   Marketing is not a one-time activity. It does not stop just by creating initial awareness, but also involves helping the customer become comfortable in using the product. Marketing to a typical e/m-banking customer (with relatively sparse history with formal financial services and low levels of literacy) should focus on creating knowledge about how the service is going to benefit them and how it can be used.

   Tigo Cash-Paraguay, launched in 2008, for example, had an initial disappointing market reaction with low customer registrations and transactions.[6] Tigo then conducted a nation-wide market research to study the problem and identified modifications to be made and the need to focus on

[2] See *MicroSave* India Focus Note 62 "Responding to High Dormancy Levels in No Frills Accounts"
[3] See *MicroSave* Briefing Note # 47 "Mobile Phone Banking The Customer Value Proposition"
[4] Figure up to January 2011 as reported on MMU Blog, http://mmublog.org/m-pesa-2/
[5] "Technology Program - Country Note: GHANA", CGAP, June 2011
[6] GSMA Mobile Money in Latin America - A case study of Tigo Paraguay, Camilo Tellez and M. Yasmina McCarty

one specific market segment. Customers were not very concerned about the speed of transactions, however, but were more concerned about the price. Keeping this in mind, Tigo launched "Giros Tigo", a remittance product, in 2010. The marketing campaign focussed on only one market segment and first created awareness, followed by demonstrating how the product works and how people could save money compared to other informal channels through lower pricing and rebates. The advertisements showed three usage scenarios to inform customers on how and why to use the service: 1) A rural father sending money for his son's school fees; 2) A domestic maid sending money back to her rural home; and 3) A mom sending money to a neighbouring city for her son's birthday party.[7]

4. ***Selecting the right marketing promotional activities***

   Selection of promotional activities could entail either ATL or below-the-line (BTL) activities or a mix of both.[8] Experiences around the world depict a varied set of challenges for each of these types of promotional activities. BTL activities, for example, such as promotions through field agents, account opening canopies, and SMS blasts, can lose their inherent advantages of cost effectiveness and personal interaction if used to address too broad a population. *MicroSave* observed two other challenges for BTL with one of its clients. The first challenge was that the people running the BTL activities were not very well trained and were either not able to answer critical questions or gave the wrong information (often overpromising). The other was that BTL activities often are tied to some kind of incentive plan for staff and agents that were skewed towards account opening and not usage and understanding. This led to a high number of dormant accounts. Improved training, additional oversight and revised incentives have improved BTL efforts over time.

   ATL marketing activities, such as billboards and television commercials, have the distinctive challenge of cost – discussed below. Another challenge for ATL activities is overpromising on delivery when the basic infrastructure and ability to execute are not in place. Sharp ATL messaging and branding can only go so far before customers realise there are not enough cash points and the essential technology and processes have not been worked out.[9] This especially becomes a challenge for many new e/m-banking deployments that do not have a strong agent network in place from the beginning. MTN Uganda initially made the mistake of conducting extensive ATL campaigns without having a robust agent network[10].

5. ***Limited marketing budgets***

   As mobile money is a new concept for the unbanked and the under-banked, the service provider will typically need to use an appropriate mix of ATL and BTL marketing activities. However, the main problem that many service providers face, especially those without large, resource-rich parent organisations, is a limited marketing budget. On the budget becomes a constraint especially in mobile money deployments when the focus is more on regulatory compliance (to serve more of the rural poor generally) rather than creating a new business opportunity. In the bank-led business correspondent (BC) model in India, for example, banks often see such activities as a cost centre, while for the third parties who provide the service directly (the BC Network Managers-BCNMs), it is a question of survival. Due to the banks' attitude, the BCNMs cannot afford to conduct ATL activities extensively, as they do not have the financial resources for wide ATL campaigns. These BCNMs do their best by leveraging the bank brands (to evoke trust) wherever possible and use BTL activities extensively and consistently as they enter a new geographic market.

[7] Tellez, Camilo and McCarty, M. Yasmina, "Mobile Money in Latin America - A case study of Tigo Paraguay", GSMA, 2011
[8] McCarty, M. Yasmina, "Marketing Mobile Money: Top 3 Challenges", MMU, February 2011
[9] Mobile payments go Viral: M-Pesa in Kenya: Ignacio Mas and Daniel Radcliffe.
[10] Barriers to customer Activation: A Case study from MTN Uganda.

There are two potential solutions to such a problem. The first is to find a more willing and able partner to provide support in marketing. For example, EasyPaisa is a partnership between Tameer Microfinance Bank and Telenor, in which the marketing campaign is handled by Telenor. As this may be difficult, the other, more realistic solution could be to use non-traditional techniques and become more locally focussed, using the distribution network in place. FINO in India has used a localised approach by involving opinion leaders and appointing villagers as agents in rural areas.

6. ***Lack of adequate customer service***

All the messaging, education and promotions cannot assure success if customers are not treated well, post-acquisition. For M-KESHO in Kenya, despite the clear positioning, backing of two strong brands (M-PESA and Equity Bank) and promotion activities, the product has not been able to take off due to reported pricing, network and customer support issues. As a result, customers' and agents' trust in the product has been variable over time.[11]

A strong customer service framework is, therefore, needed for two main reasons: 1) Even if the customer is educated well in the pre-acquisition stage, he will still probably not fully understand how to use the product until he actively tries the service for the first time; and 2) issues and questions will inevitably arise no matter the level of product comfort. For e/m-banking in particular, there are many potential confusing aspects for the rural poor, especially new technology (e.g. USSD and STK) and financial services terms (e.g. KYC and security PINs/passwords). E/m-banking, and banking in general, is based on a long-term relationship, which must expand beyond the initial service to ensure profitability.

Better customer service can be ensured at the first level by providing adequate training and appropriately incentivising the agents for the kind of behaviour desired, such as encouraging regular transactions and not just account opening. For WIZZIT, the incentives of the WIZZkids are not only linked to account opening, but they also receive a bonus on the basis of the transactions conducted by customers after a certain amount of time. The second line of customer service is typically customer service call centres, preferably manned 24-hours, such as M-PESA and Eko. The most critical challenge for call centres is who should receive the call (or rather who owns the problem). The agent network manager's (ANM) call centre, or an outsourced call centre provider, may be able to take the most common issues and resolve them, but other calls may be too complicated and may need to be answered by either the technology service provider or the bank/MNO.

Conclusion

One-size-fits-all marketing that often works in typical retail does not work for e/m-banking. Understanding the context, customer needs and pain points first and then devising the marketing strategy is the key. Moreover, marketing needs to be consistent to create a certain image in the minds of customers and take them from being unaware to becoming actively engaged. The next briefing note in this series discusses the former of these goals: creating a certain image in the customer's mind, in other words, branding e/m-banking services.

[11] "Is Equity Bank MKESHO in a crisis?" Area 254, May 2011.

Role of Branding to Promote E/M-Banking Products & Services (3/5)

Stanley V. Thomas, Sonal Agrawal and Swati Mehta[1]

[1]With support from Chris Linder

Introduction[2]

According to Stuart Agres, "a brand is a set of differentiating promises that link a product to its customers".[3] A brand helps to differentiate one service provider from another, and it helps to own a place in the customer's mind by giving a product or service an identity. Branding is often the first of three elements needed when designing an overall marketing strategy.[4] Similar to industries like airlines, telecom and FMCG that make consistent efforts to own customer mindshare through brand promotion, branding also plays a significant role in the promotion of e/m-banking products and services. This Note focuses on the role that branding can play in promoting e/m-banking products and services to the unbanked and underbanked.

E/m-banking products or services involve handling customers' money, keeping it safe and delivering it when the customer demands. It is far more complex than selling airtime where the customers enjoy the benefit immediately after paying the money. Electronic or mobile banking is an exceptional shift for those who have never had a bank account, and often the only knowledge they have about banks is tangible aspects such as branches, passbooks and ATM cards. Marketing mobile money is tougher because customers must wait to be assured that their money is safe in their account. This is why balance enquiry is the most common transaction at the start-up of m-banking systems. This is where branding can play a very important role. In the absence of perfect information, we all use the reputation (brand) of companies we know well to make decisions. With many e-/m-banking solutions, we find well known brands licensing their names to lesser known partners.

Brand Development and Positioning

To promote e/m-banking services, a good corporate brand is important because it provides instant recognition, credibility, assurances, and goodwill and can also be a catalyst for word of mouth publicity. State Bank of India (SBI)[5] and Eko[6] provide a strong example of a bank-led model. Eko, being a start up, had minimal brand presence to leverage and also had marketing budget constraints (and a need of a partner bank for regulatory reasons). Therefore, Eko designed its strategy to leverage SBI's brand to promote mobile banking adoption. In order to be top of mind for target customers, Eko ensures that the standard Eko branding is followed at all promotional events and CSP locations – the use of green and white colours along with SBI's logo. Eko also leverages the trust of the SBI brand by promoting itself as agent appointed by SBI *"Bharatiya State Bank dwara niyukt Eko."*[7] Early on in a *MicroSave* study, several agents even urged Eko to change its positioning statement to focus more on the SBI relationship, going as far as suggesting new taglines: *"Your SBI ATM is now your own next door shop"* and *"Save with State Bank of India now at your next door shop"*.

SBI's universally known logo on an Eko CSP banner. *(Eko's name figures prominently in the middle green band.)*

[2] Please refer to *MicroSave*'s "Corporate Brand and Identity Toolkit" for more details.
[3] Stuart Agres is a Principal at Adduce Consulting Services and Owner, Adduce International Corp.
[4] The other two being product marketing and customer service design. Refer to *MicroSave*'s "Strategic Marketing Toolkit".
[5] http://www.statebankofindia.com/
[6] http://eko.co.in
[7] *MicroSave* and others have found that SBI's brand is very strong, with the rural poor trusting SBI over most other financial institution brands due to perceptions of stability (oldest bank in India and government-owned) and presence (widest branch and ATM network – especially in rural areas).

Brand Communication Plan

To build and deliver a brand, it is vital that the brand is effectively communicated both internally and externally. In case of e/m-banking, the agents are the first point of contact for the agent network manager (ANM) and the bank. Therefore, strong internal brand communication can ensure that agents understand and share the overall purpose to better serve customers. To do this, ANMs must provide adequate (and on-going) training, field support and regular communication to agents. Eko, for instance, conducts regular meetings with CSPs and circulates periodic newsletters that highlight best practices and recognise best performing CSPs. CSPs are also encouraged by Eko to seek feedback on customer perceptions about Eko's brand and services.

To communicate the brand externally to customers and media, ANMs often use a mix of above-the-line (ATL) activities such as point of sale displays, hoardings, and advertisements on television, radio and newspapers.[8] Irrespective of the medium used, the marketing message should be such that it fits within the overall brand image of the service provider. One of M-PESA's[9] current USPs[10] is accessibility ("MPESA is everywhere"), which fits well with both Safaricom, the parent and largest mobile service provider in Kenya, and M-PESA.

In addition, the brand communication should be designed to target the right segment of customers. M-PESA's original branding in Kenya was promoted through television and print ads with the simple and understandable tagline "Send money home", but perhaps more importantly in the beginning, it was underwritten by the trustworthy name of Safaricom. If we look at the first M-PESA ad below, the main focus is on M-PESA and what it does, but with the Safaricom subtly placed in the far right-hand bottom corner. By doing this, Safaricom was creating a separate and important brand for M-PESA, but at the same time, reassuring poorer Kenyans that Safaricom was behind the new service.

Corporate Identity

Corporate identity in e/m-banking includes design of the agent premises, signage, staff uniforms, and even agent and staff behaviour in public. This corporate identity is crucial to ensuring customers a consistent, standardised and a uniform experience. Safaricom had willing agent shops uniformly painted green across Kenya with a prominent display of the M-PESA logo so that customers could easily distinguish an M-PESA outlet from a normal airtime seller. Over time the individual M-PESA brand became so important that not only did customers flock to the service but the remaining shops who were not interested in the beginning were strongly requesting to become M-PESA agents. Eko's Customer Service Points (CSPs) were also branded prominently by joint SBI-Eko banners, and each CSP has a certificate that reads the CSP has been directly appointed by SBI.

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[8] Below-the-line (BTL) activities, such as community events, are much more interactive and close to the customer; often pointing out the attributes of the actual product. Please see IFN 105 on Product Marketing for e/m-banking.
[9] http://www.safaricom.co.ke/index.php?id=745
[10] Unique Selling Proposition (USP)

One does not always have to leverage a large corporate identity with significant financial resources to establish a strong branding presence. While still relatively small, KGFS, a partner of *MicroSave* in India,[11] has built a strong local presence in three Indian states through consistent branding using common colour schemes, branch layouts and documentation. Even the bicycles that field officers use are painted in the KGFS colour scheme, and all employees are trained and reinforced on what the "KGFS way" is. While not a bank, many customers say it is like a bank (and hence trustworthy), as operations look and feel like a bank.

Public Relations

While such branding efforts are useful and unavoidable, they are also expensive. E/m-banking efforts supported by large parent companies, such as M-PESA, have relatively expensive budgets, but the smaller ones, such as Eko, must be more innovative. Therefore, many also focus on Public Relations (PR) to raise awareness amongst the general public, investors and regulators. PR is an oft-used tactic in "guerrilla marketing"[12] in particular because it is often free. Eko, for example, as has often been mentioned in the Indian press and wider world, has tied-up with influential players, such as *MicroSave* and CGAP,[13] which in turn prompted a visit from Bill Gates, which again provided valuable and free PR. Eko also regularly presents its ideas to business groups and at conferences. Such PR initiatives provide significant scope for word of mouth publicity, increasing brand visibility in a less costly manner.

Keys to Success with Branding

There are two main keys to success when it comes to branding. The first is a combination of execution of the model and strong customer service. If M-PESA was not actually fast and consistently safe, no amount of leveraged branding of the Safaricom name or clever positioning of M-PESA could have kept the service from losing customers in droves. The other key is to ensure that the new service (in this note, Eko and M-PESA) is allowed to build its own brand position in customers' minds so that it may eventually survive and thrive on its own – differentiating itself from direct competitors and from the parent brand of complementary services. This combined with a balanced marketing mix and clear marketing message will ensure the success of branding. The next Note in this series will focus on marketing the key attributes and advantages of the actual e/m-banking products.

[11] Development Finance Institution (DFI); Please refer to KGFS's website www.ifmr.co.in/blog/tag/kgfs for more details
[12] http://en.wikipedia.org/wiki/Guerrilla_marketing
[13] http://www.cgap.org/p/site/c/

Product Marketing Strategies for E/M-Banking (4/5)

Stanley V. Thomas and Anurodh Giri[1]

[1]With support from Chris Linder

Introduction

Many mobile money service providers run on small budgets, and any mistake in designing the marketing strategy could prove to be costly. *MicroSave*'s Briefing Note # 104 explained the role of the first element of strategic marketing, i.e. branding, in promoting e/m-banking services.[2] This Note focuses on one of the other elements, product marketing strategy, adopted by various e/m-banking service providers and shares the lessons learned. Product marketing strategy encompasses elements such as product development and differentiation, pricing and promotional strategies.

Product Development and Differentiation

The strategy of developing a new product, or differentiating an existing product, helps to distinguish the product in the market, and set it apart from other available alternatives. Differentiation does not mean that the product/service will be absolutely better than the competition in every possible way, but it does mean that the product/service will be recognisably better in at least one significant way that matters to the target market. For example, M-PESA in Tanzania[3] was originally launched as a service to "send money home", but to differentiate the service from competitors who offered essentially the same service, Vodacom has now introduced a number of other value added services such as bill payments for electricity, water, and cable. Thus apart from offering an affordable, fast, convenient and safe way to transfer money using a mobile phone anywhere in Tanzania, M-PESA customers can also use it as a one-stop utility payment service provider. Another mobile phone-based banking service, Wizzit (launched in 2004 in South Africa), unlike its competitors, mainstream banks, designed a unique product exclusively focused on the needs of the poor. First, Wizzit does not require users to have a bank account for registration and is compatible with early generation mobile phones popular in low-income communities (and less costly). In addition to conducting mobile-to-mobile transactions, Wizzit account holders are also issued Maestro debit cards to be used at any ATM or retailer.

> 'Tatkal' a remittance product of SBI/Eko-India, allows the migrant poor to remit money home in real time through mobile phones. This significantly saves time and costs for migrants who, otherwise, would stand in long queues outside banks. The point of differentiation in this product was not necessarily "Send money home" as it is with M-PESA because India has many more choices for sending remittances, including more bank branches. The key differentiator was "avoid long queues" to the point that some bank branch managers understood the message so well that they physically guided customers to the Eko CSP locations.

Pricing[4]

Another vital element of product marketing strategy is pricing of e/m-banking services. This becomes even more critical when mobile money deployments have to balance between their profitability and customers' ability and willingness to pay. When the M-PESA service was first launched in Tanzania, fees were tiered for all transaction types including person-to-person transfers to registered users and cash withdrawals by registered users. This proved to be extremely confusing and difficult to remember for the majority of customers. For solving this, M-PESA used a pricing scheme that is similar to M-PESA Kenya where a flat fee is charged for person-to-person transfers to registered customers and tiered fees are charged for money transfers to unregistered customers. Similarly Wizzit in South Africa charges per-transaction fees that range from R0.99 (USD 0.15) to R4.99 (USD 0.78) based on the transaction size. It does not charge a monthly fee or require a minimum balance, as many of its banking competitors do, to the frustration of many poor customers.

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[2] Please refer to *MicroSave*'s "Strategic Marketing Toolkit" for more details.
[3] http://www.vodacom.co.tz/vodacom-m-pesa
[4] For more on pricing e/m-banking services see BN#107

Eko,[5] in order to encourage customers to use their accounts more frequently, occasionally makes transactions free for a period of one to two months.

Promotional Strategies

Nothing works like simple messages that communicate exactly what customers want. Customers closely consider the benefit or value that they derive from product/services, which is not necessarily objectively done. A strong understanding of the clients' likes, dislikes, beliefs and perceptions is essential to sell a product as a benefit. However, this is easier said than done, as it takes a great deal of effort to accurately understand the pressing needs of customers and then deliver that message through mediums the target customers use regularly. Below are descriptions of how various mobile money deployments worldwide have tackled this particular marketing challenge.

M-PESA by Safaricom in Kenya[6]

When M-PESA was launched by Safaricom, in Kenya, in 2007, it appealed to customers through a simple message, "send money home." The message focussed on a well articulated value proposition that addressed a pressing need of migrants. The advertisements also showed how easily and conveniently people-to-people remittances could be made.

Safaricom first used above-the-line (ATL) marketing activities for brand building (as mentioned in the previous BN). Once awareness was generated through ATL, Safaricom reached out more to the entire market, including the rural populations through below-the-line (BTL) activities such as road shows. During these BTL activities Safaricom signed up people for the service, explained the product and demonstrated the functional aspects of the product. This 'use and feel' experience helped to build trust in the product among users and add tangibility to a product like mobile money.

M-PESA by Vodacom in Tanzania

Vodacom launched M-PESA in Tanzania and adopted a similar marketing strategy as in Kenya to promote M-PESA. However, the results were not encouraging, and customer adoption of mobile money was low compared with Kenya. When probed, it was found out that people in Tanzania were aware about M-PESA services but saw it as a premium service for high-end users. They also were not aware of what the service offer was exactly or knew how to join the service. To address this, Vodacom adjusted its marketing to make it more relevant to the average unbanked and rural population. To correct this misconception, Vodacom focussed its marketing campaign on being more educational and highlighting cases where "M-PESA is easy, affordable and for everyone". The operator also shifted its campaign from ATL initiatives to BTL tactics since they were more effective as educational campaigns. This showed that addressing customer pain points should be the most important objective of developing marketing strategies.

Wizzit in South Africa[7]

Wizzit did not use ATL activities for promoting Wizzit, but instead relied primarily on certified sales agents called Wizzkids (who are previously unemployed youth from the local areas). Wizzkids educate potential customers about Wizzit, assist in account opening and encourage customers to use their accounts. The Wizzkids model allows Wizzit to engage directly with the customer on the ground on a face to face basis. Also customers draw a sense of familiarity and trust while interacting with Wizzkids due to similarities in their socio-economic backgrounds.

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[5] http://eko.co.in/index.phpCentral Bank of Kenya in August 2009.
[6] http://www.safaricom.co.ke/index.php?id=250
[7] Wizzit is a 'virtual bank' that provides banking to the unbanked or under-banked low-income population of South Africa, via mobile and a MasterCard debit card. Please see http://www.wizzit.co.za/.

SBI Mini Savings Account by Eko in India

In India, when Eko launched its Simplibank mobile banking service, it addressed the pressing need of people for whom accessing banking services had never been easy, with the message *"Khata kholo, har darwaza kholo"* ("Ease of access to a variety of financial services through a single Eko account"). This message worked, especially for urban migrant workers and small businesses, as they were well aware of banking but never felt comfortable using banking services regularly. Eko chose to use mainly BTL activities to deliver this message due to its target clients being mostly the migrant poor (and many without radios, TVs or newspapers) and because Eko did not have an extensive marketing budget. Eko carried out account activation "canopies" and handed out leaflets with details about the SBI (State Bank of India) Mini Savings account. It also conducted *Nukkad Natak* (street plays) and games to draw the attention of people. At busy places, promotion was done using stilt walkers and men wearing sandwich boards. Decorated vans and cycle and auto rickshaws moved around Delhi playing a tune about the SBI Mini Savings account. The only real ATL activity carried out by Eko was a continuous message display of SBI Mini Savings account on a local cable TV channel. Eko also encourages Customer Service Points (CSPs) to regularly demonstrate how the application is used to make a deposit and withdraw money.

Easypaisa by Telenor and Tameer Bank in Pakistan[8]

Telenor Pakistan launched Easypaisa in 2009, a platform that initially allowed customers to pay bills and transfer money Over-the-Counter (OTC). After strong customer demand for the OTC services, Telenor added a mobile wallet to the Easypaisa product line in February 2010. Most customers did not need extensive education due to their familiarity with OTC services, so Telenor primarily focussed on ATL activities such as television and billboards to promote the new product. However, Telenor was cautious in use of certain ATL media, especially radio because of its low popularity in Pakistan. Telenor launched thematic campaigns through creative television advertisements, focusing on safety, security, ease, simplicity and convenience of Easypaisa.

Conclusion

The development of a product marketing strategy should follow a structured approach and focus on delivering a consistent marketing message in sync with the key value proposition offered by electronic or mobile money. Mobile money deployments like, Eko in India, M-PESA in Tanzania and Wizzit in South Africa are leading examples to show that addressing pressing needs of the customer and differentiating from competitors helps to improve uptake of the products/services. Successfully pricing e/m-banking services the unbanked quite typically entails simplicity and transparency but is important to confirm with customers. Similarly understanding customers' awareness gap, designing suitable product message and delivering the message via the appropriate ATL and BTL activities, is of utmost importance. The next BN will address how other industries have successfully marketed to the rural poor and how the learning may apply to e/m-banking interventions.

[8] http://www.easypaisa.com.pk/

Marketing Lessons for the E/M-Banking Sector from India's Corporate Giants (5/5)

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[1] With support from Chris Linder

Introduction

This Note provides examples of successful marketing efforts of other industries in India that serve the rural poor well and how these experiences could be applied to marketing of e/m-banking products and services across the world. Unlike established industries such as fast moving consumer goods (FMCG), insurance, mobile airtime and agri-business, much of the e/m-banking sector does not have extensive experience in conducting strategic and systematic marketing efforts. Yet these industries and e/m-banking industry face common challenges such as geographical and demographic variability, and customers with unpredictable cash flows and who are often illiterate. To cope with these challenges, the aforesaid industries have invested much in designing marketing strategies and the appropriate marketing mix. They have then come up with effective marketing campaigns that successfully unlocked the latent purchasing power of the rural poor.

Identifying Gaps and Designing The Overall Strategy

FMCG, insurance mobile airtime and agri-business companies in India have well understood the needs of the rural poor and have tried to identify demand supply gaps. For example, the FMCG giant, Hindustan Unilever Ltd. (HUL),[2] identified the need to educate potential customers about benefits, such as health and hygiene, for products before taking on a large-scale product marketing campaign. HUL identified an awareness gap about the importance of iodine in the food and chose a strategy to educate the main caretakers of the household, the women, about the importance of iodine for the human body through TV advertisements, demonstration vans and promotion in schools. Then HUL introduced its new product, *Annapurna,* an iodised salt.[3]

ICICI Prudential, a large insurance company jointly owned by the private bank group ICICI and the multinational insurance company Prudential, has entered the rural market in recent years and has become a symbol of success in reaching rural Indians. They were successful in identifying gaps in the Indian rural market for life insurance: a lack of protection for the entire family and a need for security and savings. First, ICICI Prudential developed two products for rural India based on these gaps. *'Sarv Jan Suraksha'* was launched for rural people to take care of not just the primary policyholder but also the entire family. Similarly *'Anmol Nivesh'* was also launched with the aim of providing both the security of insurance and savings at affordable cost.[4] They then created a clear and appropriate marketing message: *"Badalte samay me apka saathi"* ("A friend in difficult times") to signify trust and protection for the unforseen such as death, illness, etc.

In 2000, ITC, an Indian conglomerate, with businesses in hotels, packaging, and agri-business, among others, launched a market-led business model called *e-choupal,* to address the gaps in the supply chain of agricultural commodities and the challenges faced by small and marginal farmers in selling their produce through intermediaries. It provides a platform where farmers can secure better pricing for their produce and access information about best farming practices.[5] Each *e-Choupal* is managed by trusted local farmers called *Sanchalaks*, who are recruited with the help of commission agents called *Samayojaks*. To increase awareness, ITC conducts a below-the-line (BTL) branding exercise called *"choupal pradarshan khet"*, which is a demonstration of best farming methods carried across 95 districts in four states.

[2] Trimble, Chris, "Hindustan Lever", Tuck School of Business, 2002.
[3] Prahlad, C.K., "The Fortune at the Bottom of the Pyramid",
[4] Please refer to the "Preamble on ICICI Pru Rural Business Initiative" for more information.
[5] http://www.itcportal.com/itc-business/agri-business/e-choupal.aspx

Marketing Mix

The aforesaid industries have also used appropriate marketing mixes to convey the messages appropriately from the overall product strategy. This note will focus on two primary 'P's of the traditional marketing mix: place and promotion. The **place** (or distribution) of these products must be highly accessible to rural customers, and often does not have a place at all (but is rather mobile). This is done through strong distribution networks and extensive penetration in the rural markets. The **promotion** of the products in rural areas is often done through various BTL activities such as road shows, and festivals.

Distribution (Place)

The largest Indian telecom, Airtel, has had significant success in establishing a strong brand through leveraging existing retail networks of FMCG agents and other rural organisations. For example, Bharti Airtel and Indian Farmers Fertilizer Cooperative Limited (IFFCO) formed a joint venture IFFCO Kisan Sanchar Limited (IKSL).[6] It uses IFFCO's wide rural presence and appeals among the rural agricultural community to market and distribute Airtel's products. Bharti Airtel Service Centres have also been set up in villages to complement the direct selling from retailers by addressing customer queries and complaints and act as sales and distribution points. These centres employ local people and offer sales and customer services using local dialects.[7]

At 'Birla Sunlife Insurance' personal contact with their customers is the key marketing strategy to cater to the rural market. Birla Sun Life promotes *"Bima Kavach Yojana"* (BKY) - a single premium insurance policy, specially designed for the customers, through village level contacts. To create awareness about BKY and to make personal contact with each individual customer, locally-based Village Extension Workers (VEWs) are appointed to make initial contact. These VEWs then act as an intermediary between customers and accredited insurance advisors.[8] ICICI Prudential's new insurance products, discussed above, were also successful because of ICICI Prudential's extensive distribution network and reach of 2,100 branches, 1,116 small offices and advisor base of over 290,000 individuals.[9] As of January 2011, over nine million policies had been sold.

HUL, mentioned above, not only used mass media for promoting its iodised salt, it also launched *Project Shakti* to create local level microentrepreneurs to promote and sell products directly to customers. This allowed access to women who are hard to reach through traditional media and created instant trust by using women of the same socioeconomic background. *Shakti* started with 17 women in two states. Today, it provides livelihood enhancing opportunities to about 45,000 women in 15 Indian states and provides access to quality products across 100,000+ villages and over 3 million households every month.[10]

Promotion

Airtel has also adopted the strategy of direct communication to promote its products to rural customers. To create a long lasting visual impact on its customers, Airtel markets its brand aggressively by painting its retailer shops red and white, their trademark colour combination. Airtel even pays rural households in the remotest corners of India to paint the Airtel logo on their walls. Airtel also promotes its brand through variety of posters, pamphlets and other marketing collaterals printed in local languages.[11]

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[6] "IFFCO and Airtel join hands to usher in the second green revolution" IFFCO, May 2008.
[7] http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/n s705/ns1058/Cisco_BhartiAirtel_CS.html
[8] http://www.birlasunlife.com/birlasunlife/Insurance/BSLI_MP/BSLI_InsPlans/Individual/Rural/bsl_bimakavach2.aspx
[9] "ICICI Prudential leads market for eight years", The Financial Express, May 2009.
[10] "Shakti: Economic Development Through Micro Enterprise", Hindustan Unilever (HUL).
[11] http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns1058/Cisco_BhartiAirtel_CS.html

Uninor, another MNO, in order to capture a niche in rural telecom market announced an innovative new marketing initiative called the *'Uninor Blue Brigade*.[12] The brigade fleet, consisting of 16 cars decorated with colourful graphics, were sent to over 100 towns including semi-urban, rural and remote areas of western Uttar Pradesh with the objective of spreading awareness about Uninor products and services.

ICICI Prudential also uses branded vehicles that tour the country, wall paintings, vans with loud speakers, street plays and billboards near railway crossings (which is key as most of the rural Indian population travels by train for long distances) to build the brand and generate customer awareness. Mass events like religious festivals and animals fairs are chosen to launch the product in an area. ICICI Prudential also conducts account-opening "canopy" events and uses traditional "town criers" *(munadi)*.

Conclusion: Applications for E/M-Banking

The following are the important take-aways from these Indian industries that the wider e/m-banking sector could use to design marketing plans:

1) Identifying the gaps: There is a need to identify the gaps in rural markets – these are diverse and many throughout India. E/m-banking providers must also first identify the gaps in each market. One simple way is to see how informal channels are being used by poor people to manage their financial affairs. Once the gaps are identified, the stage of creating a customised product will become easier. A similar strategy was used by HUL to promote the iodised salt, by ICICI Prudential to promote rural insurance products and by ITC to promote e-choupal.

2) Simple product and messaging: The most effective marketing campaign will not work if the product is not simple enough to understand, such as ICICI's tagline "A friend in difficult times". The e/m-banking sector must understand that this is a low-value, high-volume industry - where volume is the key. This goal of volume can only be achieved if the message and the product are simple enough for anyone to understand.

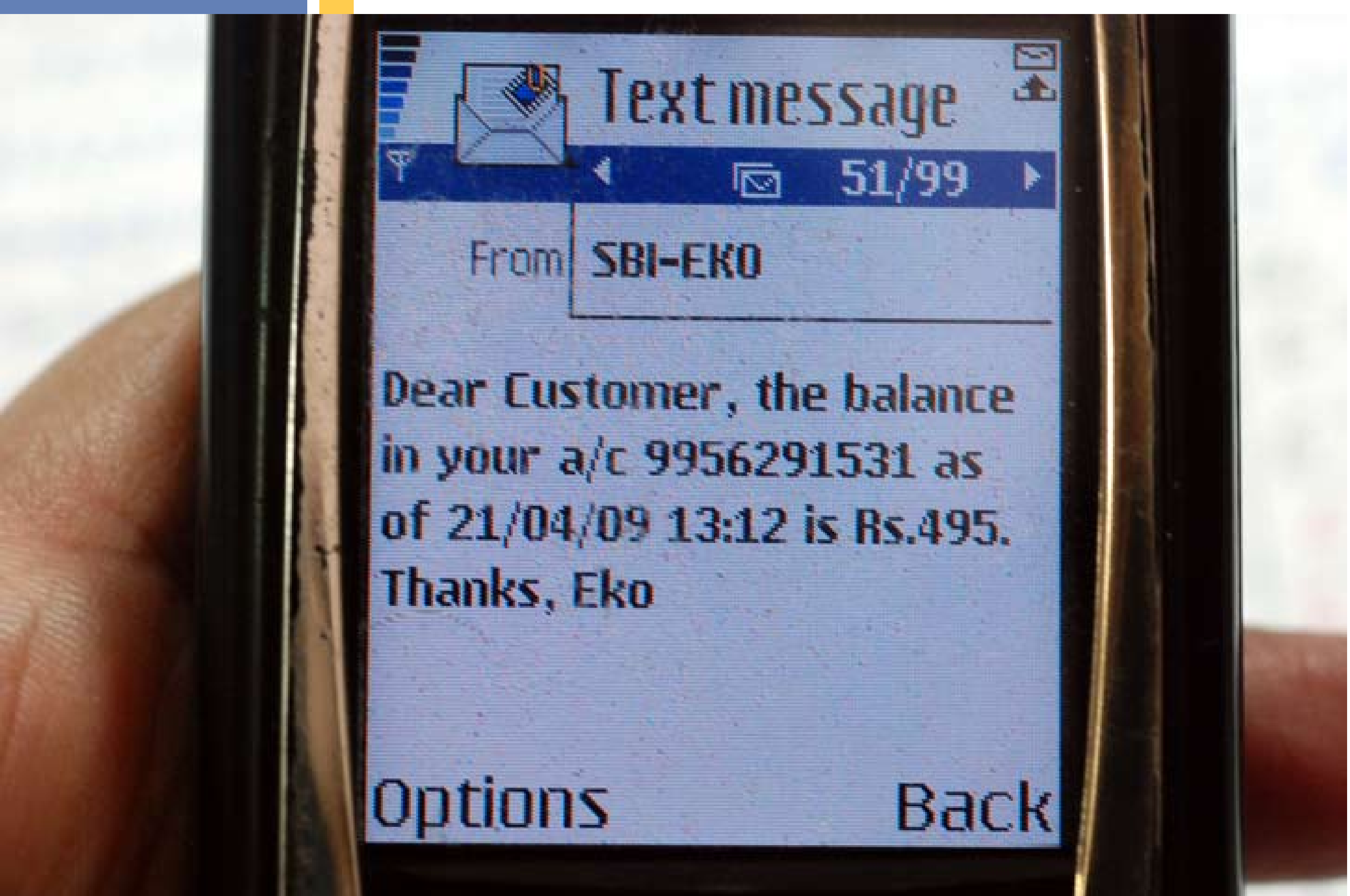
3) Personal contact: E/m-banking is an alien concept for the rural customer, much like life insurance was just a few years ago in India. It therefore requires personal intermediation to convince the customer and sell the product. This can be ensured through a marketing mix comprised of both ATL/BTL activities with a strong distribution channel that enables doorstep education and delivery of services.

4) Educating the customer: Poor rural customers may be completely unaware of the service offered or may not fully understand how it works. Marketing for e/m-banking should include an element of educating the customers about how the financial services fulfil an existing need without being too paternalistic or talk down to these clients (but rather listening to them more).

[12] "Uninor Flags Off Blue Brigade from Agra (UP)", Telecom Talk, March 2010.

Graduating SBI Tatkal Customers

Abhishek Lahiri, Sharad Bangari and Swati Mehta



Introduction

MicroSave India Focus Note 68 discussed the success of the new *Tatkal* product, a direct deposit product offered by State Bank of India (SBI) through the business correspondent (BC) channel with reference to the specific case of Eko, a BC based out of Delhi. Eko has managed to use this product as the real hook, which now contributes more than 75% of gross transactions, thus, improving the business case for not only Eko, but also its agents.[1] SBI is particularly happy since this has decongested its branches in urban areas.[2]

This Note discusses when and why customers may be ready to try new services beyond the entry *Tatkal* product and how business correspondent network managers (BCNMs) could leverage the increased footfall at their agents' outlets due to *Tatkal* by cross-selling other financial products, to graduate customers to use a wider range of m-money services.[3]

CUSTOMERS' Readiness to Graduate

During *MicroSave*'s field research, three key drivers for *Tatkal* users' readiness to adopt new products and services emerged. These are:

1. **Trust –** Customer's trust in the bank's brand (SBI in this case) and the relationship built with the BC agent, a local person, are the main source of trust in the Tatkal product. More than the BCNM's brand, it is the bank's brand and logo, which inspires customer's confidence and belief that a) their money is safe and b) the agent appointed by the bank will be trustworthy.

2. **Past Experience –** The experience with Tatkal has also instilled confidence in the BCNM's brand, which was one of Eko's major challenges. The research showed that due to good past experience with the BCNM, customers perceive that any new offerings would also be need-based, convenient and cost effective.

3. **Immediate proof of transaction –** *Tatkal* users receive confirmation SMS (mobile banking) or a physical receipt (kiosk/POS banking) from the agents after each transaction. While a confirmation from the recipient is necessary, it is usually delayed unless the recipient has activated SMS or internet banking. In such cases, an immediate proof of transaction serves as a strong physical and visual evidence for them.

Customers who use *Tatkal* frequently were more open to trying new products sooner than those who do not use the product as often. Most customers who indicated readiness to try new services mentioned that they would like to first test the products and compare the benefits with other service providers. Once the initial set of early adopters is acquired, Eko could incentivise them to promote word-of-mouth publicity (through referral schemes) to other customers.

What Products do *Tatkal* Customers Want?

The following section presents the products that existing *Tatkal* customers (interviewed during the research) were most interested in and which BCNMs can strategically cross-sell to this newly acquired, massive, customer base.

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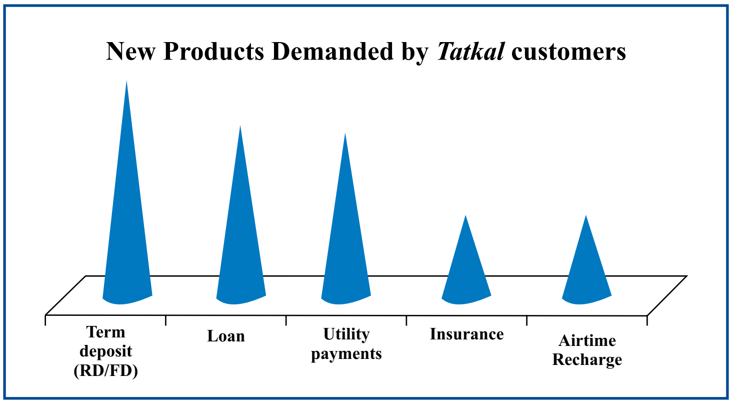
[1] CSPs, or Customer Service Points, are Eko and SBI authorised agents (typically a grocery/mobile airtime shop).

[2] During a research with Tatkal agents/customers, it was observed that bank branches consciously divert small-value deposits (less than Rs. 10,000) to BC agents to decongest their branches.

[3] This is based on brief qualitative research conducted with Tatkal customers and CSPs of Eko in Delhi and Bihar (23 customers and 6 CSPs were interviewed). This has been supplemented with another Action Research Partner of *MicroSave* offering the Tatkal product.



Basic savings[4] (already offered by BCNMs) was still important for *Tatkal* users, especially those using it for personal remittances[5] (i.e. sending money home) and wanting to set aside small amounts each day at home, or with their employer, before they send a lump sum home. BCNMs could cross-sell the no-frills account (NFA or a typical savings account-SA) already available at the BC agent to such users.

Recurring deposits (RDs) topped the wish list for new products across occupations. Those who were self-employed wanted the flexibility to deposit anytime in their RD account. The demand was also high with migrant daily wage labourers who do not have a local bank account to save in, due to lack of the necessary KYC documents.[6] Salaried customers were also highly interested in an RD, but the deposit frequency would need to be matched with their salary payments. These deposits could be made through linking the NFA with the RD account. Salaried workers with fixed incomes, and the self-employed who often have seasonal income, also wanted fixed deposits (FDs).

Utility payments for services such as electricity, water, and cable from other companies were also in demand due to the pain of travelling to the related offices and waiting in queue to pay the bills. This service was especially demanded by permanent residents of Delhi (mostly belonging to Segment 3 in the table below) who were willing to pay a premium to access these services at an agent outlet.

Segment	*Product demand*
1. Daily wage labourers	NFA/basic savings + RD + Mobile recharge
2. Salaried	RD/FD + Loan products + Life insurance
3. Self-employed: Petty shop owners/ Small businessmen	Savings account + FD + Loan products + Life/ general insurance (including payment of insurance premium) + Utility payments

Insurance, both life and general, was demanded mostly by segments 2 and 3 (as mentioned in table above). Businessmen want general insurance products for their inventory stock to save the hassle of going to insurance offices during business hours. Salaried users who are married want a life insurance product, as they want monetary security for their dependents.

Other product demands that came up during the research were overdrafts (ODs) on the savings account (mostly for the business community), loans and airtime recharge linked to the savings account.

Graduating *Tatkal* Users: A Phased Approach

A phased approach (with at least 3-4 months for each phase) to graduate these customers would likely be prudent instead of introducing all products at once. This would provide an opportunity for the bank

[4] The basic savings account (or No Frills Account) is not included in the chart since it was already being offered by Eko and other BCNMs. However, it can be re-launched with changes in features and positioning to ensure better take up and usage.
[5] Tatkal customers use the service for business payments (to suppliers, etc.) in addition to personal remittances.
[6] *MicroSave* studies across Asia and Africa (and the book Portfolios of the Poor) have also shown that the poor often prefer RD products, as they provide flexibility in terms of tenure and amounts and instills discipline in saving regularly.

and the BCNM to understand customer response, identify marketing gaps, and also allow agents the time to manage these new products. These products could be introduced in the following two phases.

Phase I: Introduce Savings and Payments Products

- Focus on no-frills account (NFA) or savings account (SA)
- Recurring deposit (linked to NFA/SA)
- Utility payments
- Fixed Deposits

The overall goal would be to first encourage customers to open a savings account that would link to other products (such as RD/FD accounts and utility payments). The target segments would be migrant labourers and salaried workers who do not have a local bank account. The NFA could be offered to those who send their entire balance home each month. A regular savings account (with minimum balance, ATM access, and cheque deposits) could be offered to those who are slightly better off and who can maintain a minimum balance. The RD account can be promoted among migrants as an account to save for larger, planned expenses around festivals when they must send higher amounts home. Utility payments could be a natural extension of Tatkal. Given that people are willing to pay a premium for such convenience, this product could be marketed extensively especially amongst residents of bigger cities such as Delhi.

This product strategy could be supported with targeted marketing such as referral schemes, SMS blasts, initial free trials and discount schemes. Below the line marketing, such as informational and account opening canopies, would help the agents cross-sell these new services to Tatkal users.

Phase II: Introduce loan and insurance products

- Overdraft (OD)
- Working capital loans
- Other tailored, short-term loans
- Insurance products

Once the customers have an established transaction history with the bank and their creditworthiness can be ascertained, then asset products such as overdrafts and business loans can be introduced. The target segments for this would be small businessmen and petty shop owners. Anyone who has maintained a good savings history or has an RD/FD with a certain level of transactions or balances could be eligible for the OD. The BCNM could alternatively act as a sourcing partner for an MFI, which would conduct due diligence and take on the balance sheet risk for working capital or other short-term loans. Insurance products could be bundled with loans or offered separately, such as for life insurance, and then offered as a "utility payment" when premium becomes due.

Conclusion

Tatkal was introduced at a time when BCNMs were struggling to gain visibility and trust among their target segments, as the NFA product alone was not sufficient to meet customers' expressed needs.[7] This is evident from the widespread inactivity/dormancy experienced for NFA accounts. *Tatkal* has given BCNMs an opportunity to gain visibility and improve the business case through increased volumes. The focus should now be to maintain customer service levels and gradually expand the product mix.

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[7] According to an aggregate estimate from *MicroSave*'s 2010 research reports, and 2008-09 CGAP, IFMR and Skoch Development Foundation figures, in most areas, only 20% or fewer use their accounts for small savings,3 the NFA's

Pricing Mobile Banking Services

Graham A.N. Wright

Introduction

In Africa people are used to paying to get access to financial services. Until a decade ago, ledger fees were common. *MicroSave* once worked with a bank in Africa that had a savings product with the tagline or slogan of "Grow With Us". When *MicroSave* performed the market research to understand why the number of account holders was low and stagnant, we quickly learned that, because the ledger fees typically exceeded the little interest paid on the balances held, the product was known in the markets as "Shrink with Us".

Transaction v. Ledger Fees

Most people prefer to pay transaction fees - they can see someone doing some work for them and understand that this costs money and thus they need to pay for the service. But when they leave their money in an account and return six months later to discover that much of it has disappeared because of ledger fees, they get upset. After all, the bank has done no work for them, and could have earned interest on their money if it was lent out!

This cultural norm of charging for financial services is, however, one of the reasons that mobile money has taken off quickly in Africa. In Kenya, the lowest withdrawal fee for any of the accounts aimed at poor people (i.e. those with low minimum balances) is Ksh.30. So it is very acceptable for M-PESA to charge Ksh.25 for a cash-out transaction. M-PESA agents are usually closer to their customers' homes or places of work. Agents' shops are considerably less congested than most banks' branches. So this fee offers (on a relative basis at least) real value for money.

Willingness To Pay

In the Indian sub continent, by contrast, bank transactions are free – and always have been. Indeed in India, the central bank recently mandated that all ATM transactions whether on- or off-us should be free of cost to the customer. This means that for many Indians, paying for financial services is an anathema – and completely new idea. But is it a completely unacceptable idea?

MicroSave recently completed a research looking at the reasons for wide-spread dormancy in the no-frills accounts opened by banks at the behest of the central bank. Much of the problem was driven by the inconvenience in accessing the services because of the distance to bank branches and the long queues in the branches.

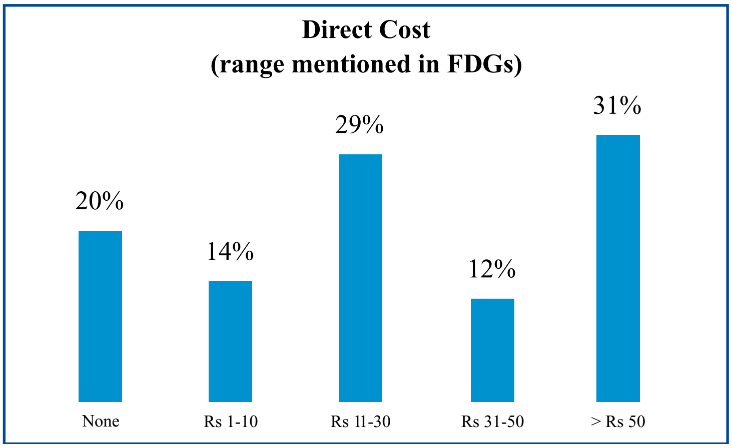
On the basis of this, *MicroSave* conducted a study on the cost people incurred to transact at bank branches and their willingness to pay for an agent-based system in their villages. Respondents were poor (three quarters of them earned less than Rs.5,000 or $111 a month), about half of them were illiterate, and about half were day labourers, selling their labour to survive. Respondents were chosen on the basis that they had a bank account. Forty percent of them visit bank branches twice a month and 61% have average transaction size of between Rs. 500 – Rs. 2,000 ($11-44).

There are many and varied reasons why poor people do not like to visit bank branches in India. Almost invariably, at the top of the list was the amount of time that has to be spent in a bank branch to make a basic transaction. This problem has been made worse by the payments of the Government's National Rural Employment Guarantee Scheme. These benefits are paid on the same day each fortnight or each month. This results in extremely crowded branches.[1]

[1] See *MicroSave* India Focus Note 63 "Why People Do Not Use Present Banking Systems – A Case For BCs"

Another issue is the distance that many have to travel to get to the bank branches, which requires them both to spend money on transport and to lose valuable time that might otherwise be spent on income generation or important household activities.

In addition, as is common worldwide, illiteracy creates significant barriers where transaction forms must be filled out – a problem often made worse by unhelpful bank staff.

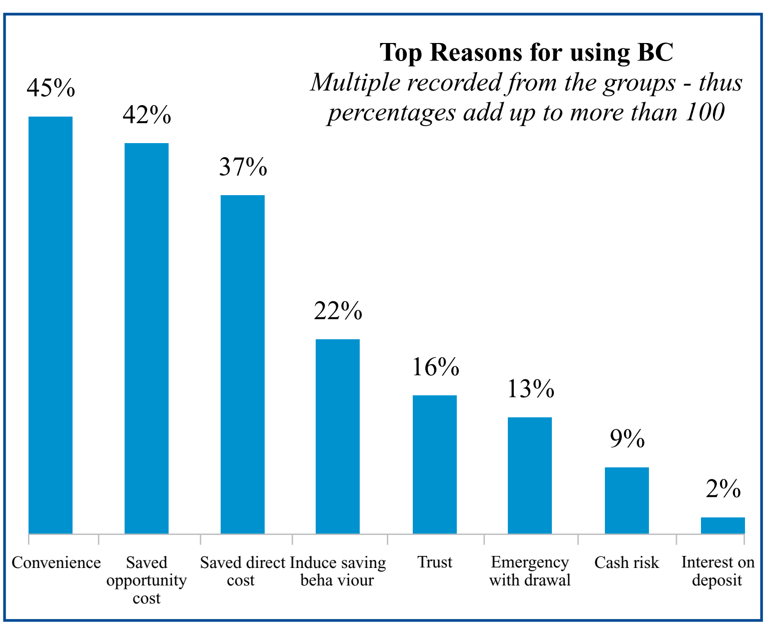


Other barriers to using distant bank branches include the risk of carrying cash; the cost of making the transaction; and the very way that the banking system operates, which is not welcoming to those making small transactions. The direct and indirect costs associated with travelling to a bank branch are not inconsequential. More than 70% report direct costs of more than Rs.10 ($0.22) and indirect costs of wage labour range from Rs. 50 to Rs.150 ($1 to 3) and sometimes more.

In the light of these barriers and the financial and opportunity costs associated with branch-based banking, we should not be surprised that poor people are indeed willing to pay for agent-based banking services in their villages.

The Benefits of Agent-Based Banking

The benefits that our respondents recognised immediately included:



- The convenience and time they would save
- The lower direct and indirect costs of making transactions
- The elimination of tiresome travelling
- The removal of cash risk
- An opportunity for women to save quietly without their husbands' knowledge
- Agent-based banking would encourage more savings and enable quick withdrawals for emergencies *and*
- Respondents looked forward to easier interactions with local and trusted agents

[2] See *MicroSave* India Focus Note 67 "Clients' Willingness to Pay "Reasonable Fee" for BC Services"

How Much Are They Willing To Pay?

About 69% of respondents immediately agreed to paying fees for an agent-based service, and an additional 13% agreed to pay at the end of the discussion of the idea. So 82% of respondents say they are willing to pay for services that will reduce their real and opportunity costs.[2] However, most were not willing to pay for deposit transactions. But they are typically willing to pay 1-2% of the withdrawal amount. Those that transact regularly want a fixed fee to reduce their costs. And of course, we should be aware that this is expressed demand – how many would really pay these fees if they were introduced remains to be seen.

There are concerns about agent-based systems that will also affect willingness to pay in India and indeed worldwide:

- Concerns about security of savings deposited through agents. In India, many have had bad experiences with private, unregistered groups and roving agents of financial institutions
- Others are simply unwilling to pay for services that they currently get free in banks and from some financial institutions' agents
- Some simply like the opportunity to travel outside village
- And of course some live near to the branch anyway and are willing to tolerate the queues.

India is one of the most price-sensitive markets in the world. With traditional banking services offered free of charge, many observers were concerned that poor people would be unwilling to pay for agent-based services.

This is clearly not the case in the vast majority of cases. Poor people are indeed willing to pay for local, convenient and friendly services.

Furthermore, they are quite rational about the amounts what might need to be paid. A 1% fee on a typical withdrawal transaction of Rs.1,500 yields $0.33, close to the rates charged by M-PESA.

The challenge will be that if banks (as opposed to mobile network operators) offer agent-based services in the villages, the deposits to withdrawals ratio will rise. In Kenya M-PESA sees one deposit for each withdrawal; whereas Equity Bank's nascent agent network initially saw 3-4 deposits for each withdrawal. *MicroSave*'s research suggests that this is for two reasons: first, the M-PESA wallet is seen as being too liquid and to encourage spending; and second, Equity is more trusted for savings as it is a bank.

Conclusion

To cover the cost of paying agents, banks will either have to charge for deposits, or look to make money on other services delivered through their agents, including from remittances and payments, selling insurance, and interest earned on loans. Pricing remains a challenge – but there are many opportunities!

[2] See *MicroSave* India Focus Note 67 "Clients' Willingness to Pay "Reasonable Fee" for BC Services"

Pricing for E/M-Banking

Nitin Garg

Introduction

MicroSave does extensive work to understand customer perceptions around pricing of agent-based banking products across different countries. Pricing is one of the key challenges that the implementing bank or agent network managers (ANMs) face especially while introducing a new channel.

This Note discusses customer perceptions around some of the key pricing issues for banks while implementing agent-based banking:

1. Pricing across different channels: how to price new channel relative to existing channels-at par, or lower or at a premium?
2. Flat or percentage based pricing: Percentage based pricing works out to be cheaper for small transactions, but do the customers choose on that basis?

This note will be useful for banks and ANMs pricing products and services offered through agent-based e/m-banking systems.

Issue 1: Pricing Across Different Channels

This section discusses pricing when a bank is planning to extend its offerings using alternative/non-conventional channels like agent-based banking (mobile or POS) in addition to conventional banking channels (like ATMs and branches). It analyses the outcomes of different ways of pricing new channels vis-à-vis existing channels.

Option 1 – Different pricing across channels

Banks generally follow differential pricing across channels to encourage transactions through a particular channel. Typically new/alternative channels are priced lower than conventional banking channels to encourage customers to transact using the new channels. On the other end, the implementing bank may also find it easier to recover costs through differential pricing by directly pricing transactions on the channel on the basis of actual (usually substantially lower) costs incurred.

However *MicroSave*'s experience with ongoing implementations in India, Kenya, South Africa, and elsewhere suggests that higher prices do not necessarily deter existing customers from using branches. They often still prefer to transact at the branches regardless of price, especially at the start, just to confirm the authenticity of new channels. Branches are still regarded as the face of banking.

Other issues with differential pricing across different channel are:

- Perceptions of quality and equality may arise if different channels are priced differently. For example, if the new channel is priced lower, customers may perceive it to be inferior to conventional channels. During one research in South Africa, respondents suggested that if agent based banking is priced lower than conventional channels, they will not accept it as banking channel as even the pricing suggests that the new channel is second-rate.
- Alternatively, some customers may feel excluded from the branches if services at branches and ATMs are priced at a premium, and so may not even open the account.

Option 2: Single pricing across all channels (new and existing)

A single price across channels is easy to communicate and is also perceived as a transparent method of pricing. Charging a single price across all channels will help to present the new channels at par with conventional banking channels. However, a single pricing strategy may not be always successful in decongesting the banking halls, as it does not create any difference between the channels and customers continue to use bank branches as a result of trust and habit. But in the different implementations, *MicroSave* has observed that while customers might initially visit branches to confirm the authenticity of the new channels, ultimately their behaviour is driven primarily by access and convenience rather than anything else.

Issue 2: Flat Vs Variable pricing

Whether to charge a flat rate irrespective of value of transaction, or charge a percentage based rate based on the value of transaction is one of the most debated pricing issues.

Option 1 – Flat price
Flat price is extremely easy to communicate to customers, especially in markets where banks are perceived as costly and non transparent. When it comes to pricing, customers are often more concerned about how easy it is to understand the tariff structure than the actual amount or what it effectively costs.

Research done by *MicroSave* in South Africa suggested that customers do not calculate the transaction cost as a percentage of transaction value. Instead they care about what it costs in relation to what they will not be able to do with the money spent: for example *"That will cost me the equivalent of a half kilogram of rice."* This is one of the reasons informal channels usually charge on flat rather than percentage basis.

Flat pricing also encourages agents to perform all sizes of transactions as the fee remains the same irrespective of the value transactions. However, it works out costlier for low value transactions and effectively penalises customers doing low-value transactions. State Bank of India charges a flat fee of Rs.25 (for deposits up to Rs.10,000) for all non-base or outstation branch deposits, irrespective of value. Nonetheless, out station deposits into an SBI account is one of the most widely used methods for domestic remittances by migrants in India.

Option 2 – Percentage based pricing
Percentage based pricing makes each transaction cost the same (in relative terms) regardless of transaction size. But if the agent incentives are also aligned with percentage based pricing, then agents may not be interested in conducting small value transactions.

Past experience indicates that percentage based pricing is difficult for agents and customers to calculate. For example, Vodafone M-PESA in Tanzania changed from percentage based pricing to a combination of tiered/flat pricing for this reason.

Option 3 - Tiered/Banded Pricing:
This is one of the most commonly used methods of pricing. It charges different amounts for different ranges of transactions. It allows the system to cover the cost of both low and high value transactions. For example, in Kenya, M-PESA charges tiered prices for all transactions.[1] For example, the fees for transfers to registered users are as follows:

Transaction Range (Kshs)	Charges (Kshs)
50- 100	10
101-35,000	30
35,001-70,000	60

[1] For more on M-PESA's costs and charges see *MicroSave* Briefing Note # 93 "Innovation and Adaptation on the M-PESA Rails"

This kind of pricing is, however, more difficult to communicate and for customers to understand. Implementing bank/ANMs have to put an extra effort to ensure that every agent has complete set of charges displayed – and can explain them to customers.

***Option 4 – Hybrid pricing** (fixed for low value transactions and variable for higher value transactions)*
This entails a minimum, flat charge for transactions up to a certain amount, e.g. Rs.100, to cover costs and then shift to percentage based pricing. Hybrid pricing perhaps has more advantages for banks/ANMs than for the customers. Hybrid pricing allows the system to cover the costs of low value transactions and at the same time maximise the income from facilitating large value transactions. But on the other hand, it is difficult for customers and agents to understand. For example, M-Paisa in Afghanistan recently changed from tiered to flat pricing for same reason.

Hybrid pricing is also discriminatory for clients making small transactions as it charges more for these transactions in order to cover costs. Finally, this type of tariff is more complex and thus difficult to communicate.

Global Experience on Pricing

Out of the following fourteen models in implementation - Easy Paisa (PAK), G-Cash (PHP), M-Paisa (AGF), M-PESA (KEN), M-PESA (TZN), MTN (IVC), MTN (ZA), Orange Money (IVC), Smart Money (PHP), Wing Money (CAM), Wizzit (ZA), ZAP (ZA), ZAP (KEN), Eko (IND), the table indicates the number of providers that charge a specific type of pricing:

Transactions	Free	Percentage	Tiered /banded	Flat
Cash In	7	4	2	1
Cash out	1	1	8	4
P2P transfer (within network)	0	1	4	9
Bill payments (excluding Eko)	1	1	0	12
Claudia McKay and Mark Pickens, “Branchless Banking Pricing Analysis”, CGAP, 2010				

Conclusion

Pricing is one of the most important aspects for the success of a mobile banking initiative. In the mobile banking landscape there is no one successful pricing scheme. From discounted/free m-banking services to charging customers differently in different channels, pricing schemes can be very different. In a price sensitive market like India, where traditionally banking services have been offered for free, pricing e/m-banking services can be very challenging when compared to markets, such as Africa, where banking services have always been very expensive. Apart from the pricing schemes, the method of calculating commission plays a very important role in moulding customer perceptions and earning revenues for the implementing bank/ANMs. Hence it is important to design a pricing scheme that is relevant to the traditional banking context and takes local socio-economic and cultural perspectives and norms into consideration.

Incentives for E/M-Banking Customers To Drive Usage

Nitin Garg and Shivshankar V.

Introduction

The previous Briefing Note 107 in this series looked at issues to be considered while pricing e/m-banking services. It presented challenges that arise while pricing new channels in relation to existing channels, and also the effects of flat or percentage based pricing. This note looks at various ways of incentivising customers to increase the uptake and use of m-banking services. Since mobile banking services are new to most of the target clientele, it is important to devise incentive schemes which will encourage clients to try out these services and start using them regularly. This note also attempts to present some popular incentive schemes offered to drive customer usage by mobile banking deployments across the world.

Free Registration and Cash-in Scheme

Many mobile banking deployments across the world offer free registration and/or cash-in. Offering free registration and cash-in has a direct impact on customer uptake and usage patterns. Free registration encourages customers to try out the service and (hopefully) start using it regularly. Offering free cash-in should result in customers depositing money in their e-wallets and using it for other chargeable services like transfers, bill payments etc. For example, popular m-banking deployments like M-PESA in Kenya and Easy Paisa in Pakistan offer free registration and cash-in. MobileMoney, MTN Uganda had gone to the extent of rewarding a start-up balance of Ush.5,000 (approximately US$0.2) for every new customer signing up for the service. However, the scheme did not result in increased customer usage.[1]

It is to be remembered that even if customers are not charged for account opening or cash-in, the agent channel must still be paid commissions to facilitate these services. This can be achieved by pricing the cash out transaction to customers in such a way that it will also account for the commission to be paid to the agent for facilitating deposits. Cost and willingness to pay research conducted by *MicroSave* in India indicates that majority of target clientele for mobile banking (the un-banked or underbanked) are willing to pay a fee only on withdrawals and not on deposits. They claim deposit fees would be a strong deterrent to regular savings.[2]

But on the other hand, a customer with limited withdrawals/transfers can enjoy a virtually entirely free saving account with a free registration and free cash-in. In these situations, service providers have to bear the costs of maintaining the account and paying channel commissions.

Free cash-out services are less prevalent than free cash-in schemes. First National Bank's e-wallet customers are allowed one free withdrawal each time they are sent money. For every additional withdrawal, they are charged R5 per R500 withdrawn, up to a maximum of R15 (approximately US$2.1). Some deployments offer free cash-out for unregistered users, but usually the sender is charged a high fee for transferring money to the unregistered user. For example, M-PESA charges Ksh.10 (US$0.11) for a transfer of Ksh.100 to a registered user. The same Ksh.100 transfer to an unregistered user is charged Ksh.75, but the unregistered receiver on the other end can withdraw for free. This is designed to encourage the sender to instruct the receiver to register for the service.

Incentives to Push Preferred Products

Across the globe, many e/m-banking service providers offer incentives to push one preferred product, usually by pricing them cheaper than other service providers in the geography. In a previous *MicroSave* India Focus Note,[3] it was argued that in case of bank-led models in India, it is evident that each bank and its commission structure favour a 'primary product', and not all favour the same products equally.

[1] Jeff Mbanga, MTN's Mobile Money Remains Profitable, Despite New Cracks, The Observer, 2011
[2] See *MicroSave* India Focus Note 67 "Clients' Willingness to Pay "Reasonable Fee" for BC Services"
[3] *MicroSave* India Focus Note 72: Sustainability of BC Network Managers (BCNMs): Review of Commission Structures, 2011

Vodafone implementations (M-PESA in Kenya and Tanzania, and M-Paisa in Afghanistan) and MTN implementations in Côte d'Ivoire and South Africa target money transfers. Several of these charge fees 20% cheaper than other providers of money transfer, but equal to or even above the fees of all service providers for other services.[4] To increase the usage of money transfer, SMART Money in the Philippines offered a limited period free airtime and free SMSs to customers when they transferred money.

Airtime Discounts When Purchased Through The Mobile Banking Network

In case of mobile network operator (MNO)-led mobile banking deployment, offering airtime discounts or bonuses when directly purchased through mobile banking network is quite common. Many m-banking deployments, which include G-Cash and SMART Money in the Philippines, and several African providers such as M-PESA in Tanzania, Orange Money in Côte d'Ivoire and Zap (now Airtel Money) in Kenya have offered airtime discounts and bonuses for a limited period or continuously. Offering airtime discounts is a win-win situation for both the MNO as well as the customer. When airtime is purchased through mobile wallets, MNOs save on cost associated with distribution of airtime through several layers of distributors and agents. For example, the recent limited period 'Supa Sunday' offered by M-PESA provided a 25% bonus on airtime top up. A customer who wants to transfer Ksh.1,000 and buy an airtime top up of Khs.250, with the Ksh.62.50 bonus earned through the airtime top up, the money transfer is effectively free (the fee for transferring Ksh.1,000 to a registered user is Ksh.30 or US$0.33).

However, offering such airtime discounts and bonuses cannibalises the commission earned by agents selling airtime. Since in most mobile money deployments, airtime sellers are mobile agents, these discounts may discourage agents from signing customers for mobile money accounts. To tackle this issue, operators like G- Cash in the Philippines offer a commission to agents every time when a customer whom they signed up does an airtime recharge through the mobile money account.

Limited Period Introductory Pricing Schemes

Whenever a new service is launched, many m-banking service providers offer the service for free for a limited period. Offering the service for free helps to encourage customers to try out and gain familiarity with the new service - and thus be more likely to use it continuously. Obviously, service providers should clearly state right from the beginning that these introductory, promotional offers are for a limited period and may be extended or withdrawn anytime. For example, in October 2010, M-PESA launched *Nunua-na* M-PESA which allowed M-PESA users to instantly pay for the goods purchased at select super markets using M-PESA account. The service was offered for free, but with a disclaimer that Safaricom may, at a later stage, introduce a nominal fee.

Loyalty Schemes and Reward Points

Mobile banking service providers also offer loyalty schemes and reward points for balance maintenance, usage or for the service charge paid. In case of MNO-led models, MNOs who already offer reward points schemes for their mobile subscribers have started extending these schemes to their mobile banking customers also. The popular Bonga points offered to pre-paid and post-paid customers of Safaricom is now available on chargeable M-PESA transactions which include withdrawal, transfers and bill payments.

[4] Claudia McKay and Mark Pickens, "Branchless Banking Pricing Analysis", CGAP, 2010

Subscription Plans

Of late, subscription plans are becoming quite prevalent in the e/m-banking landscape. Subscription plans aim to drive customer usage by collecting an upfront subscription fee that entitles the user to an unlimited or specific number of free transactions. In Brazil, Bradesco and CAIXA charge a monthly fee for a predefined set of transactions. Transactions beyond the predefined set come at an additional cost. Eko in India experimented with a yearly subscription fee that covered basic cash in and cash out transactions for a year. However, only a small percentage of customers bought the annual subscription plan, and most of the customers preferred to pay on per transaction basis, so Eko phased out the scheme. Subscription-based fees are perhaps unsuitable for low income customers used to buying goods in small quantities according to their daily needs.

Refer a Friend Reward Schemes

Usually, customers of m-banking services learn about them from their neighbours, friends and relatives. A regular user can educate the new user on product details and how to use the services. They can also influence a prospective customer by sharing their experience and benefits of the services. Offering 'refer-a-friend' reward scheme can be a very potential incentive for increasing customer sign ups. This kind of scheme is not used in e/m-banking, but is common amongst MNOs seeking new mobile connections, as well as banks for credit cards.

Non-cash Based Incentives

Apart from cash based incentives and rewards, there have been quite a few non-cash based incentive schemes offered by m-banking service providers worldwide. M-PESA in Tanzania launched a 'Recharge and Win' contest. Customers who recharged airtime through M-PESA entered a contest where they could win prizes through lucky draws. While M-PESA experienced an increase, both in recharge and use during this scheme, it is difficult to assess the direct result of this scheme as it was offered along with a 5% bonus on airtime recharges.

Conclusion

Offering incentive schemes can be very influential in driving customers for first-time and repeat use. But operators need to be very cautious while designing incentive schemes so that they do not have an undesirable impact on customer use and on the channel. Operators should measure the effectiveness of the incentive scheme periodically. The effectiveness can be measured on three dimensions:

1. The overall success of the scheme in terms of additional business volume and revenue generated;
2. Satisfaction of customers; and
3. Channel feedback and satisfaction.

MicroSave's Customer and Channel Satisfaction Measurement and Management (CSM) tool can be very effective to analyse performance of incentive schemes from customer and channel perspective. On the basis of this, mobile money providers can take strategic and operational decisions to ensure improved and effective incentive schemes.

Incentivising E/M-Banking Agents

Nitin Garg and Shivshankar V.

Introduction

Agents are the primary customer interface[1] for any e/m-banking implementation.

- If they do not add customers, the business volume for the operator will not grow;
- If they do not maintain float, customers will not be able to transact; and
- If agents do not wholly endorse the proposition, customers will not take it.

For agents to wholly endorse the e/m-banking proposition, to motivate them to mobilise customers, and to maintain float and perform transactions – sufficiently incentivising agents is extremely important. This note discusses the basics of incentivising e/m-banking agents.[2] It also discusses the different types of incentives and experience across different e/m-banking deployments.

What Are Agents Paid For?

Agents are generally paid to facilitate the following transactions/activities: customer enrollment; cash – in (deposit); and cash – out (withdrawal). In principle, agents should be paid for all the transactions that they facilitate (even if the operator does not charge the clients) so as to offer all services to customers without any bias. For example, M-PESA offers free deposits for its customers, but it remunerates its agents for accepting deposits.

Client Enrolment: Agents are generally paid a flat fee for every customer enrolled.This helps to keep the agents motivated by ensuring remuneration until the time customers start using m-banking services. However, it is common to see agents enrolling customers who do not have a real need for m-banking services just to maximise their returns and earn commissions. To mitigate this risk, some operators pay their agents only after the enrolled customer completes a certain number of transactions. For example Zain's Zap in Tanzania pays one third of the commission after the customer completes the first transaction and the rest after he/she completes five transactions within 6 months from the time of enrolment.

Cash – In and Cash – Out: In most of the ongoing e/m-banking implementations, agents are paid for cash-in and cash-out type of transactions on the basis of a tiered commission structure.This ensures that agents are adequately compensated for facilitating even small-value transactions. In some deployments, commission for cash –outs are set higher than cash-ins. This is because agents who perform mostly cash-in are most likely to be located in urban areas – at the sender's end of remittance corridors. Firstly, they do not need to maintain a higher float and secondly conversion of cash to e-money can be performed without much effort – particularly in urban areas where the bank branches/aggregators necessary for balancing cash to e-money are close-by. Whereas agents who perform primarily cash-out are located in rural areas – at the receiver's end of remittance corridors. Firstly, they need to maintain a float and secondly conversion from e-money to cash is time consuming as the bank branch/ aggregator where they can buy e-load is often far from their agency outlet.

Basis Of Commission

In *MicroSave*'s work across Africa, Asia and Latin America, we have seen three types of commissions:[3]

1. Flat – Agents are paid a flat commission irrespective of the value of transactions.
2. Percentage – Agents are paid a percentage commission based on the value of transactions.

[1] See India Focus Note 38 "Listening to Agents of M-banking in India"
[2] See India Focus Note 72 "Sustainability of BC Network Managers (BCNM): Review of Commission Structures in India"
[3] See Briefing Note#107 "Pricing for E/M- Banking"

3. Tiered – Agents are paid on the basis of transaction value, but it changes based on the range/tier it falls in. These tiers are designed based on the desired transaction behavior.

The table below looks at the strengths and weaknesses of each of the basis of commission discussed above:

Commission Method	Strengths	Weaknesses
Flat	Very easy to understand and communicate	Some agents may not be motivated to accept large deposits as they earn same amount for doing both small and large-value transactions. Agents may encourage clients to split transactions to increase commission.
Percentage	Easy to understand and communicate	Agents may tend to ignore/ discourage small-value transactions as they earn very low commissions on these.
Tiered	Agents are motivated to do both small and high value transactions	Agents may encourage clients to split transactions into smaller amounts to increase commission.

Should Agents Decide Their Own Incentive?

Few of the mobile money deployments (G-Cash and Smart Money in Philippines and ZAP) recommend a price range, but allow the agents to decide the final price to be charged to the customers. This helps the agent to decide his compensation taking his business case, as well as the demand and supply situation, into consideration. On the flip side, because of information asymmetry, the market forces may not set the right price. Also, this can, and often does, lead to customer dissatisfaction as they need to negotiate with the agent every time they want to carry out a transaction.

Heterogeneous Commission Structures

In most of the m-banking deployments, agents are paid uniformly. However, there are a few exceptions to this where some agents are being paid differently. For example, Standard Bank in South Africa has an agent network of different types consisting of small shops, retail chains, bill payment counters etc. and not all of them are allowed to offer a complete set of services. All these agents perform cash-in and out, but the tariffs are different and commissions are paid differently for different types of agents within the network.

Also, at one stage, the State Bank of India experimented with higher commissions for rural agents on the premise that they reached out to underserved areas and were likely to conduct fewer transactions and incur higher costs in rebalancing cash and e-money because they were operating in more remote areas.

How Are Agents Paid (Directly Or Through Aggregators, Mode And Frequency Of Payment)?

Directly Or Through Aggregators

Agents are paid either directly or through aggregators (or super agents, as they are called, in some of the deployments). Paying through aggregators allows the implementing banks/agent network managers (ANMs) to maintain close control on agents and take advantage of existing relationships between aggregator/super agents and agents. However, at times, this system leads to delay in agents receiving commissions. For example, M-PESA agents earlier used to get their commission through the aggregators, and agents used to always complain about not receiving the commissions on time. Safaricom has now started paying directly to agents once a month which has resolved the issue.

Mode Of Payment – Cash, Bank Transfer Or Electronic Value

Payment of commission in cash generally happens when the agent is allowed to charge his commission directly to the customer. For example, although this type of system has been used and then phased out by G-Cash in the Philippines and ZAP in Tanzania, ZAP in Uganda still requires its clients to pay the agents commission in cash directly to the agents.

Payment of commission through a bank account generally happens when the agent is paid on a periodic basis. For example, MTN in Uganda transfers the commission amount payable to the agent at the end of the month directly to his/her bank account.

Where commission is paid in e-value, it is mostly transferred immediately as soon as the agent completes a transaction. E-value equivalent of commission is credited into agent's account. The advantage of paying in e-money is that it encourages the agent to restock his electronic value with the commission earned. For example, True Money in Thailand and Eko in India pay commissions in electronic value as soon as the transaction is completed.

Payment Frequency (Real Time Or Accrual Basis)

It is very important to pay agent commissions in time as they reinvest in value usually on the basis of commissions received. So if they are not paid on time, they will start denying transactions to customers on account of insufficient e-value or cash. Also, many agents find it difficult to keep a track of the commissions earned and this becomes very complex if the commissions are paid after long intervals. For example, Eko in India used to pay commissions for transactions on a periodic basis, and it was a common complaint of agents that they could not reconcile the commissions received with actual transactions that they had done. Eko changed to real time commission transfer to agents to address this issue, and agents are now satisfied.

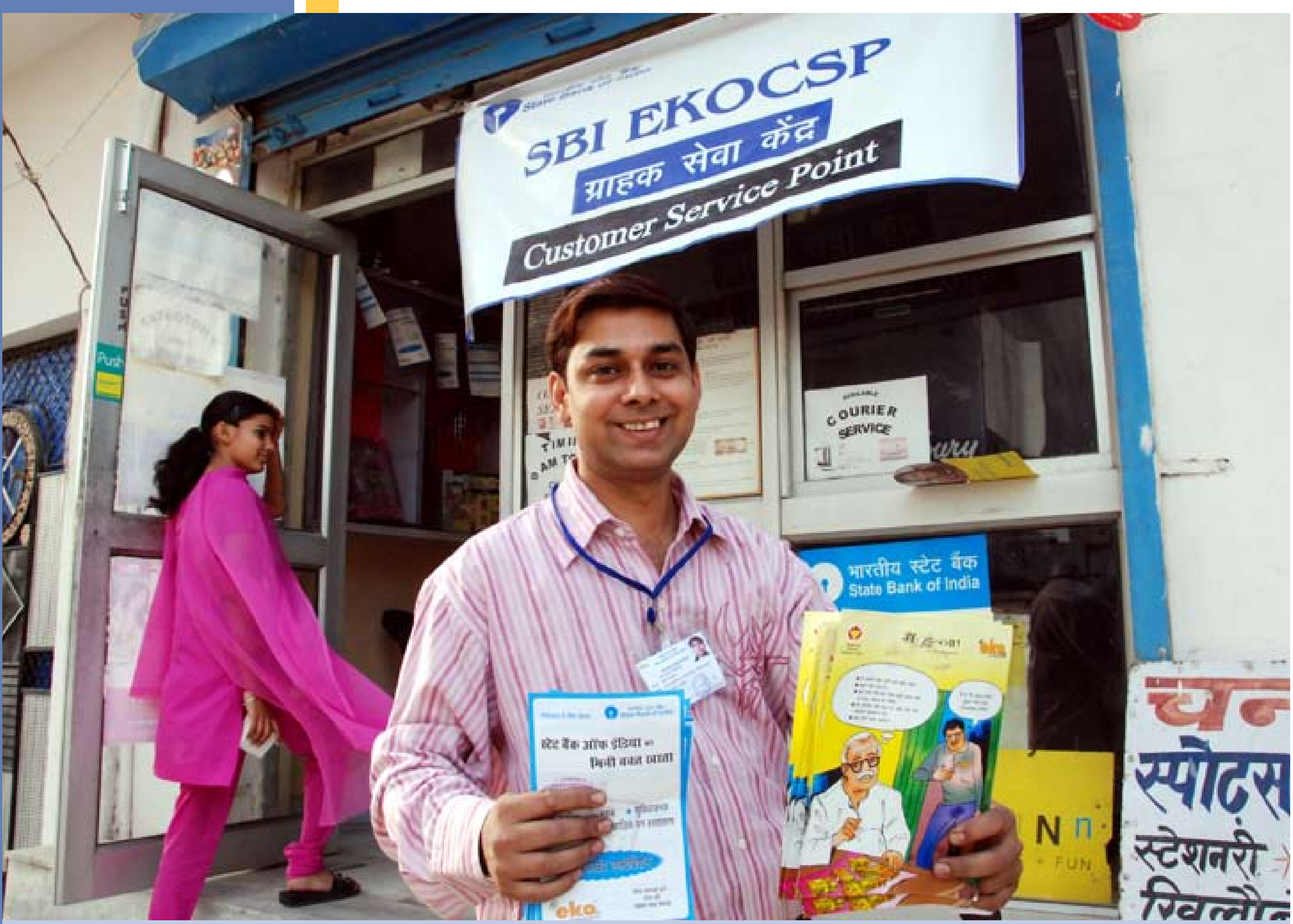
MTN in Uganda allow agents to choose between the option of real time (e-value transfer) and accrual based (month-end bank transfer) commission transfer. Agents can choose the payment option based on their preference.

Conclusion

As discussed above, agents are the primary customer interface for the implementing banks/ANMs. The success of the ANM is largely dependent on the performance of the agent. Hence it becomes extremely important to sufficiently incentivise the agents. Apart from devising the right incentive model, it is also important to choose the right channel and frequency for the payment of commission that keeps the agents motivated to remain in the business and facilitate client transactions.

Managing Channel Satisfaction in Agent Banking

Minakshi Ramji, Ritesh Dhawan and Sachin Bansal



Introduction

M-banking is at a nascent, yet still promising, stage. On-going pilots demonstrate that while clients are quick to open accounts, most of these accounts tend to remain largely inactive. Further, many agent network managers (ANMs) report the difficulty of selecting, training and retaining a cadre of agents who provide the front-end for m-banking customers. ANMs seeking to increase the volume of business for their companies need regular feedback from the frontline regarding the preferences and satisfaction of their clients and their channels. This is because of the critical role that these two stakeholders play in the uptake of services and products.

ANMs should conduct this type of market scanning on a continuous basis as a core business process, but particularly while refining a prototype, expanding to a new area or targeting a new clientele. Since m-banking is still new globally, it would be worthwhile to undertake such an exercise with a small client and agent sample on a regular basis, e.g. quarterly for start-up, or monthly for larger agent networks.

In order to assess client and agent feedback on areas such as product, marketing, processes, agent and customer service, *MicroSave* devised a tool called the Customer and Channel Satisfaction Measurement and Management (CSM).[1] It makes use of tailored market research, ServQual and qualitative participatory research appraisal (PRA) tools.[2] These techniques make use of a qualitative and conversational approach rather than a quantitative approach. The qualitative approach allows us to attain rich and detailed information on client and agent attitudes and preferences. In the context of a CSM, a quantitative approach would be able to provide numbers, but would be unable to explain the numbers and the human financial behaviour underlying them satisfactorily. This Note focuses on the Channel Satisfaction Measurement and Management, particularly examining the areas where an agent's perspective is critical. The next Note in this series talks about the issues of importance from the client's viewpoint.

Rationale for CSM with Agents

Many ANMs have had trouble with building and maintaining an agent network. Essentially, agents are often a forgotten customer when it comes to m-banking. Agents have opportunity costs of running their existing business or taking on the m-banking business. If the ANM does not provide these agents with adequate support and presents a real business opportunity, then they will either move onto other things quickly or lose interest. Thus, CSMs are essential to understand and retain agents. A CSM exercise with agents can also help the ANM understand client take-up and problems since they interact with customers on a daily basis. Furthermore, CSMs are essential to complement any existing agent support systems including call centres, ANM staff visits and others. Call centre agent support systems in particular, whether reactive (in response to call first by agents) or proactive (calling agents regularly) are inadequate to gain a detailed and nuanced understanding of agents' and customers' perceptions. A CSM provides invaluable qualitative information on both channel health and customer satisfaction to the ANM management.

CSM: A Three-Step Process

- **First Step:** Service provider must clarify the goals of the CSM, including the reason for the CSM and how the information will be used.
- **Second Step:** CSM discussion guide for the agent and client must be designed.
- **Third Step:** The service provider can use the results to make "quick win" adjustments and also strategise about more significant areas of improvement.

[1] See *MicroSave*'s IFN 38: Listening to Agents of M-Banking in India
[2] See *MicroSave*'s Market Research toolkit

The central idea of CSM is to understand the ground reality within which the product has been rolled out, and help ANMs modify their business strategy, as needed. As one report puts it, "Measuring satisfaction is one thing; managing satisfaction is another - and this should be the aim."[3] Prior to a CSM exercise, the ANM must consider the rationale for the exercise, ensuring a focused exercise yielding results that will be of greater use to the ANM. Using *MicroSave*'s experience, below we highlight some areas where understanding agents' perspective is critical. Consequently, these areas must be included while designing any CSM tool.

Product: Attractiveness of Key Product Features

Since the agent sells the product to the client and is the primary interface between the client and the product, it is important to understand his perspective on the product and delivery method. The CSM with agents broadly touches upon the following:

- How would he characterise demand for the product?
- What challenges does he face in selling the product?
- What features do clients like/dislike?
- How appropriate are the charges?

Commissions: Adequacy and Appropriateness

For obvious reasons, commissions are the primary driver for agents to conduct business. Thus, the agent's view on the following should be explored:

- Does he understand commission calculations?
- Does the agent consider the commission to be appropriate and enough to motivate him?
- Does he receive commissions in a timely manner?
- Does the agent have access to information regarding the current status of his commissions?

Process: Maximising Efficiency and Minimising Risk

Often, agents have the responsibility of explaining not only the product, but also the process, to the clients. At the outset of product rollout, agents sometimes actually conduct the transactions on behalf of customers. Furthermore, feedback on cash management, an important function, needs to be gathered. Thus, the agent's feedback is critical on the following:

- How easy or difficult is account opening?
- What is the time taken to process account opening?
- How does the agent maintain operational records?
- Has he had to deny service due to lack of cash?

Training: Effectiveness and Relevance

Agents undergo training to be able to offer the m-banking product adequately. Understanding training needs is critical and the CSM must touch upon:

- How comprehensive was the product training?
- Agent suggestions to make the training more relevant and effective.
- Are there any specific areas not touched upon which you would like to be trained on?

Operational Support: Care and Attention

Agents, especially new ones, need intense operational support from the ANM. This could be related to hand-holding for new agents, helping agents handle client grievances or providing technological support. A CSM can help the ANM understand the levels and kind of support required and agents' assessment of the support currently provided by asking questions on:

[3] Thijs & Staes (2008). "Customer Satisfaction Management" European Institute of Public Administration.

- How adequate is the agent care or support available via phone, face-to-face and otherwise?
- Does the ANM support all or most of the agent's queries?
- Do ANM staff members visit agents regularly?

Marketing: Campaign and Material Effectiveness

Marketing efforts in m-banking need to be focused to ensure effectiveness and to increase customer acquisitions. The CSM must ask agents about the extent to which marketing is achieving its goal such as:

- How do the clients find out about this product?
- How helpful do you find promotional events?
- How are marketing materials such as posters, banners displayed? How does the customer react?
- What kind of 'below the line' or face-to-face marketing efforts are undertaken? To what extent have they helped in customer acquisition, etc.?

Pawan Gupta is an agent for an ANM in Bihar, India. He believes that at this initial stage of his BC business, marketing of the product is the most important investment. He has even taken the initiative to print posters and create small boards to market the savings bank account by spending about Rs.1,000 of his own money. He believes that due to these efforts at least five new people inquired about the product, but most potential customers still lack knowledge of the product, preventing them from signing up. He wishes there was better marketing support from the ANM and bank, especially explaining the relationship between the bank and the ANM.

Communication: Timeliness and Accuracy

Clear and transparent communication between the agent and the ANM assists in building the agent's confidence in the product and the organisation. Agents should be able to communicate their issues and concerns to the management easily while simultaneously receiving information from the organisation. The agent's views should be gathered on the following topics:

- How do agents and the ANM communicate?
- Is communication timely, accurate and understandable?

Ability to Service Clients

It is also important to understand the kind of service the agent is able to provide. This can answer two dimensions. Firstly, it is useful as a self-assessment. Secondly, it helps the ANM understand the volume and level of service s/he can provide the client given the product features. This section can cover questions on:

- About how many new accounts are there weekly?
- What is the average volume of withdrawals/deposits that the agent services on a daily basis?
- Do you face any problems in servicing requests?

Conclusion

CSM is a qualitative tool to collect information from two of the most important stakeholders in m-banking—agents and clients. Without adequate support, agents will quickly become disinterested. A CSM exercise is a great tool to understand the agent's perspectives on products and client take-up and thus, optimise the on-the-ground reality. This Note covered the major areas where an agent's input would be valuable to ANMs, the next Note deals with collecting information from the customers. See India Focus Notes 80 and 81 for examples of how the CSM was used in practice.

Managing Customer Satisfaction in Agent Banking

Minakshi Ramji, Ritesh Dhawan and Sachin Bansal

Introduction

This Note is part of a two-part series on obtaining inputs from agents and customers on the mobile banking experience to improve field operations and overall strategy. The previous Note dealt with areas where an agent's input is invaluable; this note deals with customers' views.

Using *MicroSave*'s experience, the following areas necessitate understanding the customer's perspective to improve m-banking solutions.

Product: Easy To Use and In Demand

Similar to what was described in the previous note, it is important to ensure that the m-banking service being offered meets the needs of customers and to understand their views on the existing product(s). For example, while the No Frills Account (NFA) in India tries to help the financially excluded clients access formal financial services, low awareness levels and poor design have led to very low take-up. This example underscores the need for understanding the customers' perspective on the m-banking product on an on-going basis. The Customer and Channel Satisfaction Measurement and Management (CSM) with the customer should focus on:

- How useful do you find the product?
- Are the transaction limits adequate?
- Why did you sign up for the product?
- Does the product meet your expectations?
- Are there any other products you would like?

Process: Simplicity in Operating Procedures

It is essential that the procedures for using m-banking be simple and user friendly. Un-banked customers are already unfamiliar with formal banking, and m-banking adds another layer of complexity, as it is a technology which is also new to most of the target clientele. One of the major barriers to banking has been the procedures involved in accessing an account (mobile or not). Thus, in order to learn how comfortable customers are with processes, the CSM should probe customers on issues such as:

- How easy or difficult is it to open accounts? Why?
- How easy or difficult is it to deposit and withdraw cash at the agent's location? Why?
- How easy or difficult is it to deposit and withdraw cash using mobile phone? Why?

Customer CSM Interview (January 2010)
Name: Sushil Sharma
Profession: Businessman
Place: Sheohar, Bihar, India

Sushil Sharma is an automotive parts dealer in Sheohar. He has opened three Eko SBI accounts for his family. He was fascinated by the idea of an SBI account on his mobile phone, as he was in need of such a convenient account to meet his business needs.

Uses of Eko SBI account

- Making payments to his suppliers who have Eko accounts. *"Yahan baithe baithe sabko paisa transfer kar sakte hain"* (I can send money to my suppliers without moving an inch.)
- Receiving payments from his customers in another town. This saves money and time for Sushil, who earlier had to travel long distances on his bike in order to make collections.
- Small savings for the household.

Problems faced:

(The White highlight indicates the problem was subsequently solved by Eko/SBI)

- **Process:** He wished that he was able to transfer money to all his merchants directly without any need to visit Eko's agents or customer service points (CSPs).
- **Product:** He wants enhanced limits on transaction amount. On some days, when he has to transfer large amounts, the limit poses a problem for him, so the only solution now is for him to open additional accounts in other family members' names.
- **Service:** As he uses a non-Airtel number, there was always a delay in receiving confirmation message for transactions. He was neither able to check his balance, nor call customer care.
- **Service:** For higher withdrawals, he has to visit 2-3 CSPs, as a single CSP is not able to meet his needs due to their lack of liquidity. On the other hand, he also says that now there is competition between CSPs, with CSPs aggressively requesting him to visit their counter.

Service: Care and Attention Provided By Agent[1]

The agent is the primary interface between the ANM and the customers. His/her ability to sell the product influences customer acquisition, and his/her ability to explain critical features and procedures ensures usage. At the outset, s/he explains the product to customers and sometimes even physically shows them how to conduct transactions. Thus, the customer's experience is largely determined by the agent. Accordingly, the CSM must try to understand the following:

- Is the customer able to trust the agent?
- How easy or difficult is it to locate and approach the agent?
- Does s/he provide timely, professional and courteous service?
- Is the agent knowledgeable on all the m-banking services and products?

Tangibles: Appearance of Physical Facilities, Equipment, Forms, etc.

An important part of the customers' experience is ensuring that they are comfortable in the location in which they conduct the transaction and that they are provided clear and transparent documentation. This ensures that the customers come back for repeat transactions which increases their comfort level with the channel. The CSM should ask questions related to:

- Does the counter at the agent's location have enough space (and privacy) for the customer to complete transactions?
- To what extent does the instruction manual help to clarify doubts?
- Does the customer receive a receipt for the transaction or receive an SMS confirming the transaction? Is this easy to understand?

Costs/Charges

The cost of the service will play a part in determining the extent to which customers will use it. In addition, there may be additional services that customers may want to pay for, such as cheque deposits

[1] This Briefing Note focuses on agent enabled m-banking as practiced in developing countries.

or account statements, or there may be existing services for which customers are not willing to pay. Thus, the CSM should probe around the following issues:

- Does the customer understand all the charges related to this product?
- Does the customer feel the charges are reasonable?
- How do customers find out about revisions made changes in charges from time to time?

Marketing and Communication: Effectiveness of Promotional Efforts

Most marketing efforts in the mobile banking world rely more on face-to-face communication and other 'below the line' marketing efforts. Given that ANMs tend to be careful about resource allocation for marketing, they benefit from understanding how customers find out about their product and which of their marketing efforts have been most successful. In order to understand, the CSM must include questions such as:

- How did the customer find out about this product?
- How easily comprehensible/attractive did the customer find the communication about the product, its features and pricing?

But CSMs look so hard and expensive.
Not necessarily!

MicroSave has been able to carry out CSMs for partners in a very simple and relatively inexpensive manner, requiring the following resources, on average:

- 4 staff
- 2 weeks for collecting and analysing the data
- 20 agents and 40 customers

See India Focus Notes 80 and 81 for examples of how the CSM was used in practice.

Conclusion

This Note discusses the design and implementation of a CSM exercise which seeks feedback from m-banking customers on important areas that influence take up and on-going use of services. These areas should include (but not be limited to) the product, cost/charges, marketing, process and service provided by the agent. While there are many ongoing m-banking pilots, few have shown capacity to be taken to scale. The CSM is a good way to understand the extent to which the product is satisfying customer concerns and make amendments accordingly. When conducted in conjunction with a channel or agent CSM,[2] which obtains feedback from agents, the resulting data can prove to be a powerful tool to enhance the value proposition of the m-banking product.

[2] Described in the previous Briefing Note # 110

Driving Viability for Banks and Business Correspondents

Puneet Chopra

Do we need crystal ball gazing to predict if and when business correspondents (BCs) will become profitable (and therefore sustainable)? Perhaps not! Research and empirical evidence[1] from a range of practitioners makes it apparent that stakeholders across the value chain – banks, BCs and agents or customer service points (CSPs) – can become viable, provided certain guiding principles are followed. This calls for banks and BCs to candidly investigate the factors underpinning success in their context, together with mindset change and commitment to operationalise them. This note brings out the important ingredients to make the business case for banks and BCs stack-up.

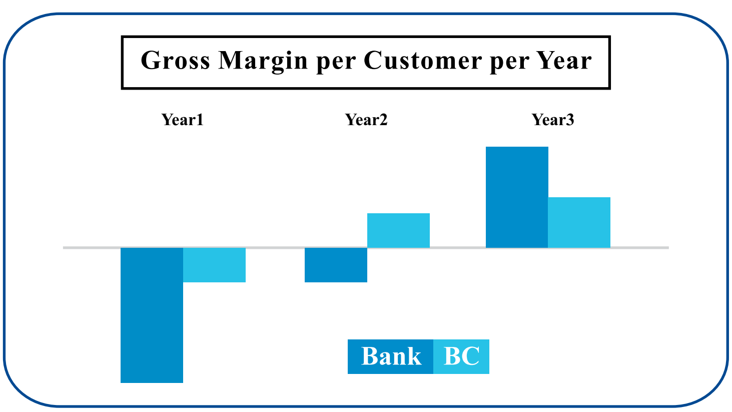
NFA Plus to Meet Customer's Diverse Needs

Financial needs and aspirations of the excluded segment are reasonably broad and not satiated by 'no-frills-savings-account' (NFA) alone.[2] For example, the benefits of regular and periodic savings are well recognised, and often availed through informal means, even though the terms 'Recurring Deposit' or 'Fixed Deposit' might be incomprehensible to them. Likewise, they might find insurance complex to comprehend and at times invest in it with a perception that it is a savings product, but the risk protection offered is quite clearly acknowledged. They would be too delighted to have a single integrated account to receive pension (under Social Security Pension), wages (under the Mahatma Gandhi National Rural Employment Guarantee Scheme or MGNREGS) and other benefits, rather than being loaded with two or three different accounts, of which the NFA offers no value-addition and therefore, to no one's surprise, frequently lie dormant.[3]

Unfortunately customer context and ground reality gets clouded by statistics on dormancy, without enough root-cause analysis and result in decisions that mar the foundation of viability.

Enable a Basket of Products

Even regular savings accounts are profitable for banks when incremental margins, from a variety of products customers subscribe to, are added to the relatively small float from the basic account. Therefore, expecting NFAs to cover costs and provide sustainability to the business merely from float is far-fetched. Off-take of one (or two) additional products on-top of an NFA (or an MGNREGS or a Pension) account, by each customer on an average, can start yielding positive gross margins for the bank and the BC by the third year of operations, illustrated through the exhibit above for a BC. Wherever banks have taken the lead in enabling BCs to offer a broader portfolio and innovative products like overdraft or micro-insurance, or where State Governments have shared generous commissions out of savings derived from switching over to electronic benefits transfer (EBT), the lead-time to break-even can even be condensed to two years.



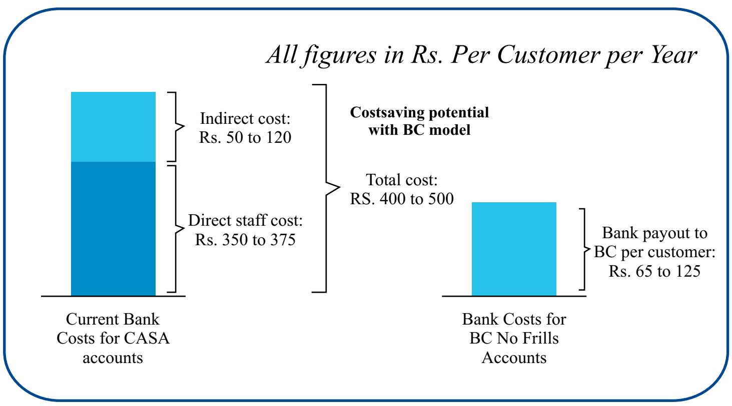
This translates into banks enabling BCs (technically and operationally) to offer a basket of five to seven bank-led products - across savings, remittance, insurance, credit and EBT, supplemented by products

[1] See *MicroSave* India Focus Note 68: "SBI Tatkal - From Cash to Cash Cow"
[2] See *MicroSave* India Focus Note 65: "Successful Banking Correspondents Need a Compelling Product Mix"
[3] See *MicroSave* India Focus Note 62: "Revival: Responding to High Dormancy Levels in No Frills Accounts"

that can easily ride on the same electronic/mobile channel, such as mobile top-up or rail/bus tickets –providing customers enough choice to subscribe to multiple products, depending upon their context, needs and affordability.

Recognise Value as an Alternate Channel

Branch based banking is extremely expensive, and therefore not an optimal option for serving customers at the bottom-of-the-pyramid is an obvious opportunity. However BC's acceptance as a low-cost alternate channel is yet to gain recognition, partly due to 'unscrupulous' BCs who have muddled the waters for genuine, long-term players.



While revenue will take time to reach meaningful levels, the cost side of the equation cannot be ignored. A rupee saved is a rupee earned. More importantly, outreach through BCs seems the only credible alternative on the horizon, therefore serious efforts to relook at the financials and to make adjustments for them to work is in order. The following exhibit demonstrates a direct cost saving opportunity for banks by leveraging BC as an alternate channel.

Legitimacy of Partnership

A BC is truly an extension of the bank. It is no different from how banks expand and operate their own network, except that it has taken the form of an outsourced arrangement and is a new approach, therefore needing time, efforts and experience to stabilise and become seamless. Current exclusive focus on quantity of targets achieved, ignoring quality in this endeavour, are not allowing enough opportunity for the bank-BC partnership to flourish and to grant the much-warranted legitimacy to this relationship. Furthermore, it is essential that the relationship moves from BCs as vendors of a service that must be sourced as cheaply as possible to that of BCs as partners with whom banks can work to deliver quality financial services.

Change of Perspective

A change of perspective is desirable on two counts. Firstly, the focus needs to shift from compliance with RBI directives on accounts opened to viewing them as another customer segment that can be profitably served through the BCs. Secondly banks need to recognise BCs as an alternate channel to service the wider low-income segment (not just unbanked), that otherwise is unviable to service through traditional banking and is usually denied access, convenience and quality service.

Once banks recognise BCs as their extended arms and better mutual trust is established, efforts to ensure win-win in the true spirit of partnership will gain ground. This will inevitably lead to segmenting customers, offering them suitable products addressing their needs, servicing them through the most efficient channels and investing in awareness building and targeted marketing.

Options such as gradual migration of a set of existing bank customers to the BC channel can then be explored, giving banks opportunity to decongest branches and to provide improved service to their preferred customers. BCs will, in-turn, get an assured incremental revenue stream to motivate them to offer superior service levels and to address customer expectations better.

Push the Envelope

Cash is king and benefits are welcome by all. No wonder EBT and remittances are witnessing substantial consumer-pull driven demand. They are flagship products offering a great opportunity to unbanked customers experience banking and therefore have the potential of accelerating financial inclusion.

Banks needs to create facilitating enviroments for remittance to scale and sustain, including:

1. Charging reasonable sums according to customer's willingness to pay, which, based on ample evidence[4,5], is reasonably elastic, given few and expensive alternatives available.
2. Attractive commission structure that is (a) compelling for BCs and agents/CSPs to stay put and drive momentum and (b) a hindrance for malpractices such as over-charging customers.
3. Integration of BCs with core banking systems (CBS) to institute seamlessness.

EBT needs buy-in and commitment from government departments. The early adopters have started witnessing the benefits like improvements in transparency and lower leakage. Some like the Uttar Pradesh Forest Corporation have adopted EBT for payments to tendu-leaf collectors and are very encouraged by the results[6]. However it is still a long-journey for most States. EBT makes considerable business sense for banks and they need to play catalyst in getting the late-adopting government departments on-board.

Gear-up for Competition

Policy makers are pushing convergence of EBT and FIP[7], along with opening up of competition amongst BCs within districts, which is much desirable, breaking the silo-ed monopolies that were beginning to form. Competition will help market-forces let the best player win, instead of the current practice of distribution of villages to BCs, akin to land-grab, ignoring merit and performance and putting customers at a disadvantage.

Conclusion

Financial inclusion is not a burden on banks. It is indeed a business opportunity to be tapped. However it requires non-traditional approaches and a paradigm shift in outlook. Multiple consumer businesses (telecom, FMCG, agri) recognised this opportunity early on and now have a well oiled-machinery in place to deliver the services and to harvest the gains. Many of the lessons learned can very well be applied by the banking sector.

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[4] See *MicroSave* India Focus Note 67: "Clients' Willingness to Pay "Reasonable Fee" for BC Services"
[5] See *MicroSave* research on Cost and Willingness to Pay: http://*MicroSave*.org/sites/default/files/research_papers/CWP_Overview.pdf
[6] See *MicroSave* study on EBT: http://*MicroSave*.org/research_paper/finos-electronic-benefit-transfer-system-for-tendu-leaf-collectors-a-study
[7] See Reserve Bank of India (RBI) Circular # 153 on Operational Guidelines on Implementation of EBT and its Convergence with FIP

Lessons from CSMs: Agent Perspectives

Minakshi Ramji, Ritesh Dhawan and Nitin Garg

Introduction

This Note is the first in a 2-part series on obtaining feedback from agents and customers on the mobile banking experience. This note explores how Customer and Channel Satisfaction Measurement and Management (CSM) exercises helped Eko India Financial Services, a business correspondent network manager (BCNM) for State Bank of India (SBI) and ICICI Bank in Delhi and Bihar, improve its systems over an 18-month period.[1] This Note particularly focuses on agent (customer service point/CSP) feedback.

Introduction of the Eko Distributor Information Centre (EDIC)

Feedback from several CSMs suggested that distributors, or super customer service points (SCSPs), were not able to track the status of new customer service points (CSP) application forms after they are collected from their office by the document collection centre. Furthermore, they were unable to monitor the performance of their individual agents or CSPs. Many SCSPs asked for a support system to track the performance of their CSPs and the commissions that were due to them.

MicroSave recommended an online system for channel management where both CSPs and SCSPs could look at the status of forms and status of commissions. Based on this feedback, Eko created the Eko Distributor Information Centre (EDIC), which provides complete online support for monitoring individual CSPs performance, making requests for e-load and inventory, and tracking the status of forms. While Eko has already implemented this for SCSPs, they plan to extend EDIC for CSPs so that they can also track the status of forms and commissions.

Introduction of a Separate CSP Support Helpline

The evolution of Eko's call centre is also one of the outcomes of the CSMs. Eko initially had one customer service support number for both customers and agents. Due to this shared call centre, CSPs remarked during CSMs that they were often not able to connect with call centre executives to resolve their queries. CSPs were also calling customer service support often on behalf of the customer. The CSPs also noted that the call centre executives should be better trained, as they often were not able to resolve queries.

Based on the CSM feedback and feedback from the sales team, Eko introduced a separate call centre line for CSPs. Call centre agents were also trained on frequently asked questions (FAQs), and a process of query escalation was formalised. Over time, this system has evolved into an IVR-facilitated (voice activated) system. After these changes, CSMs found that most agents and even customers were happy with the call centre support. The query resolution rate has also improved.

[1] For more information about CSMs, see BN#110

Introduction of a Special but Simple Docket to Hold All Eko Communications

One of the major findings for the first quarterly CSMs conducted in June 2009 was the lack of communication between Eko and CSPs. There were frequent changes in the product and services offered, the pricing, and other product features. Many CSPs were found to be unaware of the changes made even after 2-3 months. When the *MicroSave* team raised this with the Eko channel team, they said that circulars about the change were issued to each of the CSPs. However, most CSPs claimed that they did not receive any circulars.

Based on CSM recommendations and feedback from the sales team, a simple CSP docket was introduced at each CSP shop in which CSPs were asked to keep a copy of every circular that they receive. This docket is now used to confirm if the agents have received the circulars. Also every time the sales team visits agents, they again explain the message of the recent circulars to agents, referring to those in the docket.

Introduction of Prompt Commissions for Agents

One of the most common issues raised by CSPs and SCSPs during later CSMs was the late payment of commissions. All commissions were supposed to be paid monthly, yet agents typically would not receive their commissions even after3-5 months. Based on feedback from CSMs and the sales team, concerns about the commission process have since eased, and CSPs in the most recent CSM did not raise late payment of commissions as an issue at all.

CSP Selection Process

Eko tried two different ways to recruit CSPs in the early days: 1) depending on SCSP suggestions and 2) using an external agency to select and recruit agents. CSMs during the first year of implementation, however, suggested that many of the agents acting as CSPs were not at all interested in the business. Some CSPs were in fact not conducting transactions at all. *MicroSave* highlighted the need to have a more standard process of CSP selection and recruitment. Hence, a recruitment process and criteria was finalised with the help of the *MicroSave* team and Eko sales team. Eko has now fully implemented the new process, and agents are now only selected on the basis of the pre-defined criteria. The Eko sales team has since reported that the agents selected are performing well.

Continuous Feedback On Marketing Collateral

CSMs also ensure that there is continuous feedback on marketing materials. Given the novelty of Eko's product, there was an initial lack of awareness about the product and its features. During CSMs, many CSPs requested marketing activities in order educate potential customers. As a result, Eko conducted different forms of below-the- line marketing activities like *nukkad nataks* (street plays), 'canopies' or account opening camps outside agent stores, and mobile vans promoting the Eko product. Promotional posters and banners were made available and hung at prominent areas around the CSP location. (Given the large number of posters and banners that compete in Indian shops, the quality of posters and their ability to command attention make a significant difference.) During subsequent CSMs, CSPs reported that the quality of leaflets, posters and brochures had improved over time.

Eko has also designed a standard CSP kit, which includes account opening materials, registers, the CSP manual and the marketing collateral (sign boards, CSP certificate, posters, leaflets, and specific product/pricing collateral). In order to streamline this process, Eko also stipulated a timeframe within which this set of materials must reach a new CSP. A strong checks and balances system was also instituted, under which the CSP should sign-off on receiving the standard CSP kit. Thereafter, a monitoring visit by the sales team should happen after a fixed number of days to check if the materials were delivered and displayed properly.

Yogendra Sharan, 26 years, runs a small shop selling airtime recharge vouchers, CDs, DVDs, mobile accessories, etc. He has been a CSP for about four months in West Delhi, has opened 62 accounts and conducted over Rs.100,000 (about US$ 2,222) worth of transactions.

Why is promotional activity important *"bhai seedhi si baat hai joh dikhta hai woh bikta hai."* [Its simple, people buy what they see.]

Conclusion

Regular CSM exercises can be very helpful in judging the pulse of its two main customers: end customers and agents or CSPs. While these examples are not exactly ground-breaking, this continuous tracking highlights the importance for the BCNM to understand and optimally serve both its CSPs and its customers. This often requires reducing focus on growth in the short-term to ensure that the building blocks for large scale roll out are in place. For Eko, feedback from agents resulted in improved agent management systems, the introduction of a dedicated CSP hotline and prompt remuneration for agents. Furthermore, based on the CSMs, Eko also received insights into the agent selection process and marketing.

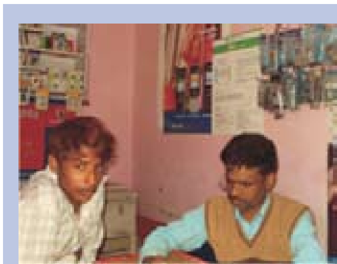
For more details on CSMs for agents, please see Briefing Note # 110.

Lessons from CSMs: Customer Perspectives

Minakshi Ramji, Ritesh Dhawan and Nitin Garg

INTRODUCTION

This Note is the second of a 2-part series on obtaining feedback from agents and customers on their experiences of mobile banking. This note focuses on feedback received from customers on the product offering, customer service, and the processes involved in m-banking, all important aspects of product acceptance and usage. The information in this note was collected during several Customer and Channel Satisfaction Measurement and Management (CSM) exercises with Eko India Financial Services (Eko), a business correspondent network manager (BCNM) for State Bank of India (SBI) and ICICI Bank in Delhi and Bihar, over an 18-month period.[1]



Asif Mohammad, 25, opened his account in Delhi in a mobile recharge shop. He deposited Rs.100 at the time of account opening. He called customer care and confirmed the deposit. When they confirmed, he felt that he could trust the channel. As a result, he deposited Rs.500 on the spot.

TRUST

The importance of trust and customer relationships in building m-banking networks cannot be overstated. The CSMs conducted with Eko customers found that they have high levels of trust in Eko customer service points (CSPs) and the product. From opening an account to completing transactions and checking one's account balance, Eko customers reported that processes are easy and simple. This is the first step towards building trust in the product.

Customers particularly expressed high levels of trust in Eko CSPs. One customer stated, *"Abhi to bahut accha lag raha hai, koi dikkat hota hai to main sharma medical mein jakar baat kar leta hoon aur unhe to hum pehle se hi jaante hain."* (I really like this service so far, if I have any problems I just tell Sharma Medical [the CSP], whom we already knew.) Agents are typically shopkeepers who have a long association with customers. In fact, many customers reported opening accounts based on the recommendation of the CSP. Such is the trust in the CSPs that some customers even leave cash with the CSPs when the transactions are delayed due to over-crowding at the CSP's shop or technical problems, expecting the CSP to complete the transaction in their absence. It is observed that customers even give their four digit secret pin to the CSPs to complete the transactions. While customers need to be sensitised about the potential risk in these last two examples, it certainly speaks about the level of trust between customers and CSPs.

Sukhi Sharma, a vegetable vendor, had been a customer for one month at the time of the interview. He had already completed 76 transactions totalling about Rs.35,000 (about US$778). He deposits Rs.330 every day in his account. He also has a recurring deposit (RD) account of Rs4,250 per month. This month he is planning to pay this from his savings in his Eko account.

Another aspect which instils high levels of faith in Eko is the association with a bank as well-known as SBI. One customer said, *Vaise to mujhe poora bharosa hai, aur phir SBI hai na!"* (I have full faith in this product, and in addition, it's with SBI!) The provision of instruction manuals and the transaction key booklet also make customers feel that their transactions are secure.

[1] For more information see BN # 110

Convenience

Many customers reported that having access to an Eko account motivated them to save more often because of the ease and convenience of the product, as in the case of Mr. Sharma in the box above. One other customer remarked, *"Main jitna bhi kamata tha pehle ghar le jaata tha aur poora kharach ho jata tha par abhi SBI-Eko mein bagal mein har din bachat kar deta hun kyunki yeh itna aasan hai"*. (Earlier I used to spend whatever I was earning, but now I can save a small amount next door,almost daily as it is so easy.)Eko's account is convenient for small deposits and withdrawals as most CSPs are located close to customers' homes, and customers do not have to wait in queues or understand the drawn-out procedures of banks. Many other aspects of the product promote convenience for the customer—easy withdrawal, longer CSP hours and call-centre support.

The Remittance Product

Many of Eko's customers in urban areas are migrants. As a result, there has always been a strong demand for remittance services through Eko, a fact noted consistently in CSMs. Eko has since worked with its partner banks to create successful new products such as SBI direct-to-core (D2C) banking transfers (direct deposit into another SBI account not connected to Eko). This product has seen significant growth since its introduction in August 2010. A total of Rs.8.7 billion (US$19.333 million) worth of remittances have been sent via the SBI DTC product in FY2011.[2]

During CSM exercises, customers said that the D2C product has led to greater convenience since they no longer must wait in a queue at bank branches. Many customers noted that bank staff themselves have guided customers towards Eko CSPs for remittances. This also helps to build trust with such a tacit endorsement from bank staff. Several CSPs also reported that many D2C customers have expressed interest in opening Eko savings accounts as a result of their experience with the Eko-SBI D2C product.

An issue which has arisen as a result of D2C service is the need to provide customers a receipt for transfers. Customers, especially those who transfer large amounts, desire some proof of the transaction, and some CSPs offer their own paper receipts. *MicroSave*'s research does show, however, that while it may be needed in the beginning, 70% of m-banking customers tend to give up paper receipts in favour of SMS confirmations after six months.

Wallet-sized OkeKey Booklets

Eko provides its customers a signature booklet, the 'OkeKey Booklet' that contains codes to be entered in at the time of transaction, ensuring greater transaction security. This booklet is an extra cost for Eko, and at the time of the first CSM, Eko was considering replacing the booklet with a scratch card.
However from the beginning, customers liked this booklet, saying that it helped them think of it as a passbook that banks use and made them feel their Eko account was a safe place. They saw the booklet

[2] *MicroSave* India Focus Note #68 SBI Tatkal From Cash to Cash Cow

as the only physical evidence that an account was opened with Eko. When customers were asked if they found using the signatures in the signature booklet difficult, most customers reported that initially it was difficult, but after a few transactions, they became used to it. Since they use their signature booklet only for withdrawals, they did not find its usage difficult overall. Due to this strong customer feedback from the CSMs, Eko decided to continue issuing the OkeKey Booklet. The two main changes customers requested were to change the booklet size to fit in their wallet and to make the font slightly bigger. As a result, Eko designed and rolled out pocket-sized signature booklets.

Conclusion

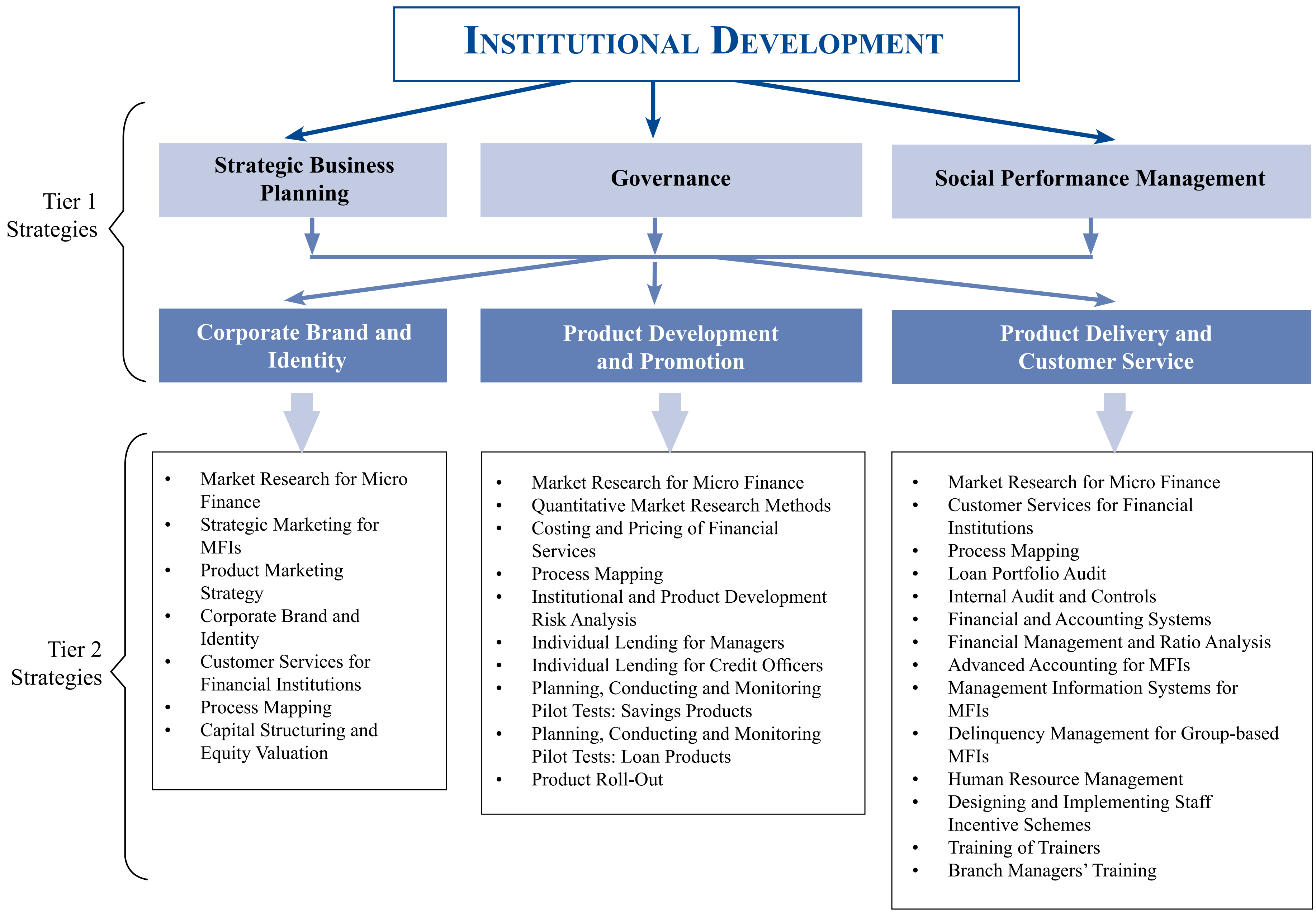
Often the findings and the suggestions given by CSPs are not necessarily startling or unknown to the BCNM, but what the CSMs do is allow the most urgent (and often simplest) issues to emerge above the daily and anecdotal "noise". Also most m-banking projects are on a high growth trajectory of acquiring as many customers as possible. CSMs play several important roles:

- Remind the provider of issues in the on-going operations, post-acquisition;
- Help assess which of the issues to address (by prioritising them on the basis of customer and CSP feedback); and
- Provide guidance on how to address the issues.

For example, without the CSMs, Eko would never have known that it was important for customers to have the booklets fit in their wallets – an issue that was easy to address.

Eko's customers and CSPs appreciate the simple, easy-to-use product. Based on the CSM feedback, Eko has now taken significant, yet often simple, steps to augment customer satisfaction, such as the introduction of new services and an improved back-end MIS to improve transaction confirmation, amongst others. Customers and CSPs continue to want more in terms of services and increased geographical outreach, and Eko is working hard to meet those needs.

For more details on CSMs for customers, please see Briefing Note # 110.



INSTITUTIONAL DEVELOPMENT
Tier 1 Strategies
Strategic Business Planning
Governance
Social Performance Management
Corporate Brand and Identity
Product Development and Promotion
Product Delivery and Customer Service
Tier 2 Strategies
• Market Research for Micro Finance
• Strategic Marketing for MFIs
• Product Marketing Strategy
• Corporate Brand and Identity
• Customer Services for Financial Institutions
• Process Mapping
• Capital Structuring and Equity Valuation
• Market Research for Micro Finance
• Quantitative Market Research Methods
• Costing and Pricing of Financial Services
• Process Mapping
• Institutional and Product Development Risk Analysis
• Individual Lending for Managers
• Individual Lending for Credit Officers
• Planning, Conducting and Monitoring Pilot Tests: Savings Products
• Planning, Conducting and Monitoring Pilot Tests: Loan Products
• Product Roll-Out
• Market Research for Micro Finance
• Customer Services for Financial Institutions
• Process Mapping
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