

# Nigerian Microfinance Platform Meeting

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**Report on Digital Product Pilot**

**May 2018**

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# Project Background

# The AFOS Project in Nigeria (1)

- AFOS Foundation is implementing a programme to support the growth of the microfinance sub-sector in Nigeria. The program seeks the use of innovative financial service solutions (mobile/agency banking) to improve savings mobilisation by microfinance banks by supporting the development and deployment of a shared savings product for the sector
- This project was conducted within the auspices of the Nigerian Microfinance Work Group on “Savings Mobilization, Agency/Mobile Banking”.
- AFOS Foundation envisages using lessons learnt from the work done with the 2 partner MFBs to guide subsequent digital product design and pilot tests for other MFBs

# The AFOS Project in Nigeria (2)

*MicroSave* in collaboration with AFOS has so far supported partner MFBs in the following:

1. Developed a digital savings product concept

2. Provided pilot planning support to selected MFBs

3. Developed a pilot implementation plan

4. Conducted a stock taking exercise of the pilot

The MFBs were expected to take full responsibility and ownership of the implementation phase with support from AFOS Foundation based on guidelines provided by *MicroSave*. This report shares the lessons from 2 MFBs following the review of the pilot planning process.

# Product Design

The product concepts developed in Phase 1 of the project were further refined by the partner institutions in consideration of their target markets and overall growth strategies.

## **Product 1**

- ▶ A paperless mobile-based tier 1 bank account to be offered exclusively to all MTN subscribers (registered customers), accessible through dialing a USSD code.

## **Product 2**

- ▶ A self-service digital savings account with an insurance value add targeting women in gainful employment (self or employed) and other existing or prospective customer looking for an opportunity to save.

# Implementation



# Pilot Implementation

The implementation is at different stages for the two participating institutions.

## **MFB 1**

- ✓ Launched product pilot in August 2017 in 2 locations
- ✓ Pilot monitoring and evaluation carried out in December 2017
- ✓ Recommendations for product revision adopted
- ✓ +450 account opened to date

## **MFB 2**

- ✓ Concept was created in June 2017
- ✓ Pilot reliant on agent network
- ✓ Pilot also reliant on platform development
- ✓ As at mid April 2018, platform was undergoing user acceptance tests

# Emerging Lessons from Pilot Tests

# Key Lessons – Product Design

Experience	Key Lessons Learnt
<b>Customer acquisition via MNOs is a challenge</b>	<ul style="list-style-type: none"><li>▶ Strategies for alternative customer data should be part of initial acquisition planning – partnerships very valuable here</li><li>▶ Do not assume customer understands USSD and downtime is a challenge for conversion – SMS may be better (SMS management software required)</li><li>▶ Running a call centre that can support the digital onboarding process is helpful. Partnering with an external provider is expensive and we found this did not drive conversion rates</li></ul>
<b>Digital products rely heavily on physical marketing and acquisition</b>	<ul style="list-style-type: none"><li>▶ Budget for sufficient physical marketing, even for digital products.</li><li>▶ Well-designed incentives absolutely crucial – for both call centre agents and field officers who are responsible for on-boarding customers</li><li>▶ Running market storm activity is helpful for a local buzz, but did not experience significant conversion with third parties – far better to source, train and incentivise internal agents</li></ul>
<b>Large focus on profitability</b>	<ul style="list-style-type: none"><li>▶ Focus on customer acquisition and correct product design for commercial rollout should be focus during pilot</li><li>▶ Initial customer acquisition numbers should be small – not too aggressive in the first 18 months</li><li>▶ The numbers (profitability) from digital products will only come after careful planning and significant investment – not immediately</li></ul>
<b>The customer journey had too much friction,</b>	<ul style="list-style-type: none"><li>▶ Simplify customer journey as much as possible – branch visits should only occur when needed. In this case, KYC only required when customer withdrawals</li><li>▶ Removal of savings plan and well-designed incentives to encourage saving is considered a better approach than a fairly generic savings plan</li></ul>

# Key Lessons - Processes

Experience	Key Lessons Learnt
<b>Project management skills/ capacity/ incentives</b>	<ul style="list-style-type: none"><li>▶ Dedicated project manager required, ideally someone with digital skills to support the general journey of digitisation</li><li>▶ The project leader and team must have the capacity (time)/ skills and incentives to deliver, otherwise digital products will not gain traction</li><li>▶ KPI alignment for senior management team on delivering key metrics will encourage buy-in</li></ul>
<b>Confusion by client over savings vs. lender proposition</b>	<ul style="list-style-type: none"><li>▶ Product proposition should be more clearly articulated in planning process – with full target customer segmentation/ pain points and articulation on how the product aims to meet these needs</li><li>▶ Detailed research to understand customer proposition is crucial</li><li>▶ Clarify between what the bank wants to achieve with the launch of the product, and what customer needs the product is hoping to meet</li></ul>
<b>Messaging strategy is overshadowed by marketing efforts</b>	<ul style="list-style-type: none"><li>▶ A clear messaging strategy at every point of the customer journey to give the customer comfort is crucial for any digital financial product</li><li>▶ Automated SMS is a crucial tool here to be able to scale</li><li>▶ Training of staff at branch level is vital – supporting client staff to ensure training material is consistent with overall messaging is valuable</li></ul>
<b>Challenges with documentation and key processes</b>	<ul style="list-style-type: none"><li>▶ Processes must be clearly defined in advance. In the planning process, sufficient time need to be allocated – local team will need high touch support in this process</li><li>▶ Alpha and beta testing is crucial to ensure all processes work cohesively – these were not completed to a high standard during the pilot</li></ul>

# Way Forward

# Way Forward

## MFB 1

- Refine the product features and processes for a seamless customer experience
- Project management for day-to-day focus on project
- Improving communication strategy through out customer journey
- Extend pilot to implement findings of the previous review

## MFB 2

- Incorporate findings of market research on an insurance feature on product
- Roll out agents to increase touch points for digital product
- Scheduled to roll out pilot from end of May 2018 following successful completion of user acceptance tests

# Thank You



International FI consulting firm with **20+** years of experience



**11** offices around the world



Projects in **~50** developing countries

## Our impact so far



**300+**  
Clients



Implemented **>75**  
DFS projects

Developed **250+**  
FI products and channels now used by

**50 million+**  
people



**>550**  
Publications

**MicroSave**  
*Market-led solutions for financial services*



Trained **6,500+**  
leading FI specialists globally

## Key partners and clients



*MicroSave* the local expert in financial inclusion