

MicroLead Webinar #7

Alternative Delivery Channels

Managing ADCs Performance

Our panel



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Agenda



- 5 min Background and introduction to the Reporting Framework
- 15 min Detailed views of Reporting Framework:
 - (1) Access
 - (2) Scaled Usage
 - (3) Sustainability
- 5 min Reflections on Proof of Concept

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Key stages of ADC Performance Management project

What are the stakeholders' **strategic objectives** for ADCs?

How to assess MFI ADC performance towards these strategic objectives?

What **information** is **required** to assess MFI and ADC performance?

What is MFI **capacity to produce and use** this information?

Pilot to identify improvements and **implementation considerations**.

Survey findings: have you or your organization done further thinking, reading, discussion or action on the topic of performance measurement of ADCs?"

"YES" - 100% of participants answered

ADCs have been a key point of discussion with senior management.

Discussion has focused on: technical integration and how to make the framework replicable

Survey findings: what were the key points of action taken?

Reviewed framework with BFA; numerous calls; established temporary reporting

Established steering committee to evaluate performance

Planning for the practical implementation of a usable monitoring dashboard for better management of ADC's.

Survey findings: where do you see as constraints to rolling out ADCs measurement for your organization?

Data availability: accessing data in an easy repeatable format has been more difficult than expected

Balancing high growth in other business areas and at the same time reviewing our business model

Stakeholder alignment on strategic objectives for ADCs

Objectives for ADCs (and belief that ADCs will):

For customers

Improve access to financial services

- Reduce costs, save time, expand menu
- Improve convenience and proximity

For the MFI banks

Client acquisition & retention

- Open new accounts; re-activate and retain accounts
- Increase activity, promote cross-sell

Savings mobilization

- Lower cost of funds
- Diversify sources of funds

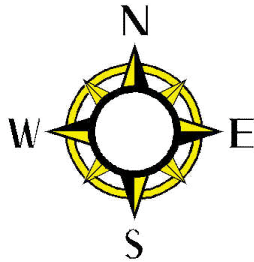
Reduce costs

- Infrastructure (Capex)
- Per transaction (Opex)

Increase fee income

- Increase transaction income

ADC journey: most getting started in a general direction, “let’s go north” ...



Most stakeholders pursuing strategy of “**Going North**”, not yet focused on detailed directions to final destination.

Business Intelligence, such as ADC PMF, is helpful to inform MFIs when and how to make decisions around investing in ADCs, managing them, and re-engineering TDC activities (i.e., ‘**find the optimal path north**’).

Challenges to implementing Reporting Framework

General Challenges	Important specific illustrations
Desired principles	<ul style="list-style-type: none">• <i>Automation</i> (low burden for ‘producer’)• <i>Simplicity</i> (easy to digest for ‘user’)• <i>Producers also users</i>
How to disaggregate profitability	Quest for comparable, useful method to allocate income & expense, across business activities and channels
Complicated definitions	“Active”, “ADC”, “Agent”...
How granular do we need to get on usage	Exactly what transactions do we want to see; to what level of disaggregation (type, channel...)?
Quantifying qualitative concepts	How to measure “Access”, especially “social”?

Defining “delivery channel”

Traditional Delivery Channel

Definition: A Physical Service Delivery Point (PSDP) which is a **full-service brick and mortar branch (staffed, fixed location)**

Characteristics: Full service means capable of processing all three

Service Types:

1. **Value** (e.g. withdrawal, deposit, money transfers)
2. **Information** (e.g. balance inquiry, statement)
3. **Administrative** (e.g. loan application, account opening, KYC)

Alternative Delivery Channel

Definition: NOT a full service, staffed and brick & mortar location. Often utilizes automation and/or digital, but not necessarily.

Includes: 1) Limited service branch, 2) roving staff, 3) call center, 4) agents (bank or telco/3rd party), 5) mobile phone, 6) ATM, 7) Internet

Reporting Framework Overview

Access

95 indicators in
3 sub-categories

- **Physical access** (14)
(service points)
- **Financial access** (3)
(affordability)
- **Social access** (78)
(quality, diversity)

Scaled Usage

326 indicators in
2 sub-categories

- **Customers & accounts** (166)
- **Transactions** (160)

Sustainability

162 indicators in
6 sub-categories

- **Profitability** (70)
- **Portfolio quality** (20)
- **Agent liquidity** (4)
- **Costing** (45)
- **Asset-Liability structure** (13)
- **Customer size** (10)

Outreach

Sustainability

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5 min Background and introduction to the Reporting Framework

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5 min Reflections on Proof of Concept

(1) Measuring 3 types of Access: Physical, Financial, and Social



Section I: Access

Physical Access	Units (at end of quarter)
Number of active physical service delivery points (PSDPs) (total)	# of PSDPs
- Full-service branches	# of branches
- Active ADCs made up of:	
Number of directly contracted active agents (where the FI has contracted direct to the agent).	# of directly contracted agents
Total number of MFI staff	# of staff

Financial Access	Units (latest month in quarter)
MFI's total charge to customer (if any) for the following specific basic basket of monthly savings activity (sum): 2 deposits, 1 withdrawal, 1 balance inquiry, 1 monthly account fee, plus the amortized value of any account opening fee (divide the total account opening fee by 24 months)	
- at Full-service branches (all activity at full service branch)	monthly charge to customer
- at ADC (cheapest mix of 100% ADC activity)	monthly charge to customer
Nominal APR on declining balance 6- month individual loan	% rate

Social Access: Quality and diversity of financial services delivered	Y/N (at end of quarter)
At your institution, can the customer:	
- open deposit account at an ADC (i.e., without need for the customer to physically visit a full service branch)?	Y/N
- conduct both debits and credits (on this account) at an ADC?	Y/N
- obtain information (e.g., balance inquiry or statement) about account at an ADC?	Y/N
- send a money transfer at an ADC (i.e., without need for the customer to physically visit a full service branch)?	Y/N
At your institution, can the borrower (or prospective borrower):	
- fully apply for loan at an ADC (i.e., without need for the customer to physically visit a full service branch)?	Y/N
- receive loan disbursement proceeds from an ADC?	Y/N
- make regular loan repayments at an ADC?	Y/N
Number of calls received per month to your customer Call Center	# of calls/month (average in the quarter)

Drilling down to sub-categories: # of physical access points



Physical Access	Units (at end of quarter)
Number of active physical service delivery points (PSDPs) (total)	# of PSDPs
- Full-service branches	# of branches
- Active ADCs made up of:	
- Limited service branches	# of branches (or offices)
- Roving staff	# of staff
- Proprietary agents of the financial institution (FI), made up of:	
- total using POS machine as <i>primary</i> FI transaction (trx) device	# of agents
- total using a mobile phone as <i>primary</i> FI trx device	# of agents
- total using something else (not POS or mobile) as <i>primary</i> FI trx device	# of agents
- Non-proprietary agents	# of agents
- ATM (total)	
- ATMs (owned by FI, located at branch)	# of ATMs
- ATM (owned by FI, standalone)	# of ATMs
- ATMs (non-owned, networked)	# of ATMs
- Networked merchants (with accessible POS device at bricks & mortar location)	# of networked merchants
Number of directly contracted active agents (where the FI has contracted direct to the agent).	# of directly contracted agents

Questions for attendees:

(1) Access



Questions for polling

Does your FI currently use “agents” to accept cash deposits (or loan repayments)?

Y/N?

If “yes”, what is your FI’s current agent strategy: do you use only “proprietary agents” or only “non-proprietary agents” or a mix?

- a) Proprietary agents only*
- b) Non-proprietary agents only*
- c) A mix of both*

Here, “proprietary” means your FI has a contractual relationship with the agent (e.g., agent has your FI’s brand and/or you pay the agent a commission and/or cash deposits at agent directly hit your FI’s CBS), as opposed to, for example, a MNO agent accepting CICO which may, in turn, be pushed into your FI as a separate trx.

(2) Scaled Usage: Customers, Accounts and Transactions



Section II: Scaled Usage

Customers and Accounts	Units (at end of quarter)
Number of customers (i.e., depositors and borrowers)	# of customers
Total number of unique OTC users	# of OTC users
Total number of active depositors ("unique customer IDs" with at least one active deposit account)	# of active individual depositors
Total number of deposit accounts	# of deposit accounts
Number of active borrowers (total)	# of active loans

Transactions	Units (during the quarter)
Number of Administrative transactions (e.g., account opening, reactivation, PIN reset):	# of transactions/quarter
Number of Information transactions (e.g., balance inquiry, account statement):	# of transactions/quarter
Number of Deposit Account Value transactions (<u>credits</u> , such as deposits or incoming transfers):	# of transactions/quarter
Number of Deposit Account Value transactions (<u>debits</u> , such as withdrawals or payments):	# of transactions/quarter
Number of OTC transactions (e.g., money transfer, airtime or electricity purchase, bill-pay):	# of transactions/quarter
Number of Loan Account Value transactions (<u>credits</u> , namely, direct loan repayments)	# of transactions/quarter
Number of Loan Account Value transactions (<u>debits</u> , namely, direct loan disbursements or loan charges)	# of transactions/quarter
Monetary value of Deposit Account Value transactions, in local currency (<u>credits</u>):	# of transactions/quarter
Monetary value of Deposit Account Value transactions, in local currency (<u>debits</u>):	# of transactions/quarter
Monetary value of OTC transactions, in local currency	# of transactions/quarter
Monetary value of Loan Account Value transactions (<u>credits</u> , namely, direct loan repayments)	# of transactions/quarter
Monetary value of Loan Account Value transactions (<u>debits</u> , namely, direct loan disbursements or loan charges)	# of transactions/quarter

Drilling down to sub-categories: # of deposit account value transactions



Transactions	Units (during the quarter)
Number of deposit account value transactions (<u>credits</u> , such as deposits or incoming transfers):	# of transactions/quarter
- at full-service branch	# of transactions/quarter
- at ADC	# of transactions/quarter
- Limited service branch	# of transactions/quarter
- Roving staff	# of transactions/quarter
- Proprietary agent	# of transactions/quarter
- Non-proprietary agent	# of transactions/quarter
- ATM	# of transactions/quarter
- Mobile phone OR online banking	# of transactions/quarter
- Call Center	# of transactions/quarter
- Inter FI EFT	# of transactions/quarter
- Inter FI EFT - Mobile money / wallet scheme	# of transactions/quarter
- Inter FI EFT - Bank	# of transactions/quarter
- Inter FI EFT - Other	# of transactions/quarter
- Within FI electronic transfer	# of transactions/quarter

Questions for attendees:

(2) Scaled Usage

Questions for polling

What percent (%) of transactions (e.g. deposits, incoming transfers, loan repayments) are conducted in cash at a branch (number, not value)?

- a) Greater than 80%*
- b) Between 50-80%*
- c) Between 20-50%*
- d) Less than 20%*

Of transactions NOT done in cash at a branch, what percent (%) are electronic (non cash) transactions (e.g. direct wage payment or mobile money transfer)?

- a) Greater than 80%*
- b) Between 50-80%*
- c) Between 20-50%*
- d) Less than 20%*

This is not a quiz - imprecise estimates are fine and expected; for discussion purposes only, all answers will be treated anonymously and confidentially!

(3) Sustainability: Income and Expense



Section III: Sustainability

Profitability		Units (at end of quarter)
ROA		% rate
Total financial revenue		currency/quarter
Portfolio / Asset Quality		Units (at end of quarter)
Total non-performing loans, by channel of origination		% PAR >30 days
Agent Liquidity		Units (at end of quarter)
Number of e-float purchases per period		number/quarter
Costing (annual)		Units (at end of quarter)
Unit costs for originating a new deposit account (i.e., point where initial application taken from customer):		currency/new savings account
Unit costs per cash deposit transaction:		currency/deposit
Unit costs to process an electronic credit to deposit account:		currency/deposit
Marginal cost to establish each new PSDP:		currency / PSDP
Cost of funds for deposits (i.e., interest paid on deposits)		% rate
Cost of funds for wholesale borrowings (i.e., interest and fees paid on borrowed funds)		% rate
Total operating expense		currency/quarter
Assets / Liability structure		Units (at end of quarter)
Total assets (local currency)		currency/quarter
Total deposit value (local currency) of voluntary deposit accounts		currency/quarter
Total deposit account value (local currency) of mandatory deposit accounts		currency/quarter
Total "wholesale borrowing" value (local currency)		currency/quarter
Loan portfolio (gross) outstanding (local currency)		currency/quarter
Customer size		Units (at end of quarter)
Median deposit account balance (at end of reporting period)		local currency
Average size of loan disbursed (current period)		local currency

Drilling down to sub-categories:

Unit cost to originate new deposit account



Costing (annual)	Units (at end of quarter)
Unit costs for originating a new deposit account (i.e., point where initial application taken from customer):	
- at Full-service branches	currency/new savings account
- at ADCs	
- Limited service offices	currency/new savings account
- Roving staff	currency/new savings account
- Proprietary FI agents	currency/new savings account
- Non-proprietary agents	currency/new savings account
- ATM	currency/new savings account
- Mobile phone OR online banking	currency/new savings account
- Call Center	currency/new savings account

Questions for attendees:

(3) Sustainability

Questions for polling

Does your FI use a costing methodology to calculate “unit costs” for activities such as opening accounts or processing cash deposits?

Y/N?

If “yes”, does the methodology differentiate such unit costs across different channels?

Y/N?

Facilitation and reflection required by CEO



MFI CEO / CFO analysis on Section I: Access	Units (latest month in quarter)
<p><i>Please comment on the metrics related to the ADCs offering new or additional access points. Why are the number of ADC access points increasing or decreasing and any observable reasons for any trends that may be emerging?</i></p>	<p>Written explanation and analysis</p>
MFI CEO / CFO analysis on Section II: Scaled Usage	Units (latest month in quarter)
<p><i>Please comment on the metrics related to usage of the ADCs by accountholders and/or non-accountholders. What are the reasons for any observable increase or decrease in usage of any of the ADCs? Has the level of usage of any ADCs led to any changes in the FI's business processes?</i></p>	<p>Written explanation and analysis</p>
MFI CEO / CFO analysis on Section III: Sustainability	Units (at end of quarter)
<p><i>Please comment on the metrics related to costs and revenues associated with ADCs or TDCs. Are any of the ADCs currently breaking even or have reached and maintained profitability for this reporting period?</i></p>	<p>Written explanation and analysis</p>

From past experience, we find it necessary for institutions not just to deliver data but to step back and reflect on those numbers, to analyze what occurred during that period. Accomplishes two things: 1) very helpful for funders and donors; 2) if CEO comments on the numbers, acts as a quality assurance check

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5 min Reflections on Proof of Concept

Key findings from pilot, to date

Relevant implications

High-level reporting tool
or day-to-day channel
management tool?

- RF originally envisioned as a quarterly tool to assess strategic goals, but MFI wants it to be “THE” (one and only) day-to-day reporting and management tool for channels.

Who are the stakeholders (users of the RF)?

What depth of information is appropriate to stakeholders?

Capacity to produce
and use info

- Pilot MFI has nascent (but growing) ADC portfolio

What is human and system capacity to produce and optimally use (and benefit from) information in the Framework?

Resources required
to implement

- System requirements to extract and input all relevant data to populate the Framework may not exist, and therefore may need to be developed.

What are costs and resources required to actually implement the RF? Does the institution need to have a defined level of business intelligence capability?

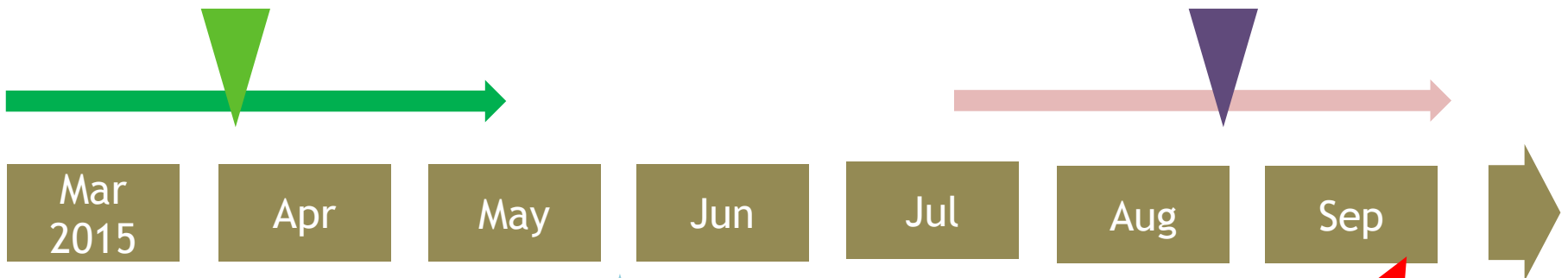
Findings underscore need for capacity development & deeper learning

- Stakeholder **core objectives** emphasize improving **outreach** and **sustainability**.
- MFIs & Network Partners **struggle to determine a costing methodology** for ADCs; costs not yet analyzed as unit cost; interest in revenue attribution too.
- ADC intervention implies **added delivery channel** that **impacts the business model and processes** (need for parallel re-engineering).
- ADC metrics must be **tracked and analyzed over time**.
- Resonance Testing demonstrated need for MFI and Network **capacity development** to produce and optimally use the Reporting Framework.
- MFIs need to “**get this right**” because of **competitive pressure** from larger downscaling banks and MNOs/telcos entering MF space.

Proof of concept: overview and timeline

Phase A: Validating the Concept
Testing the business usefulness of the Framework, and the capacity to produce and use the data; refine & enhance ADC costing methodology.

Phase C: Assessing the Concept
Reflect on lessons learned; determine roll-out process to wider set of institutions.



Phase B: Implementing the Concept
Making investments (system & HR time) to operationalize the Framework, producing data and using it to enhance biz

Note: project approx. ~30% complete to date

Q&A

Speaking



Mark Wensley
Program Manager



Speaking



Jeff Abrams
Senior Associate



Speaking



Nicholas Roose
Associate



THANK YOU