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## Product Diversification: What works? What does not?

# Session Objectives

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1. Define successful product diversification
2. Recognize 24 risks and 6 major challenges inherent in the product diversification process
3. Share lessons learned with respect to what makes product diversification successful
4. Identify at least one idea for making your product diversification more successful in the future

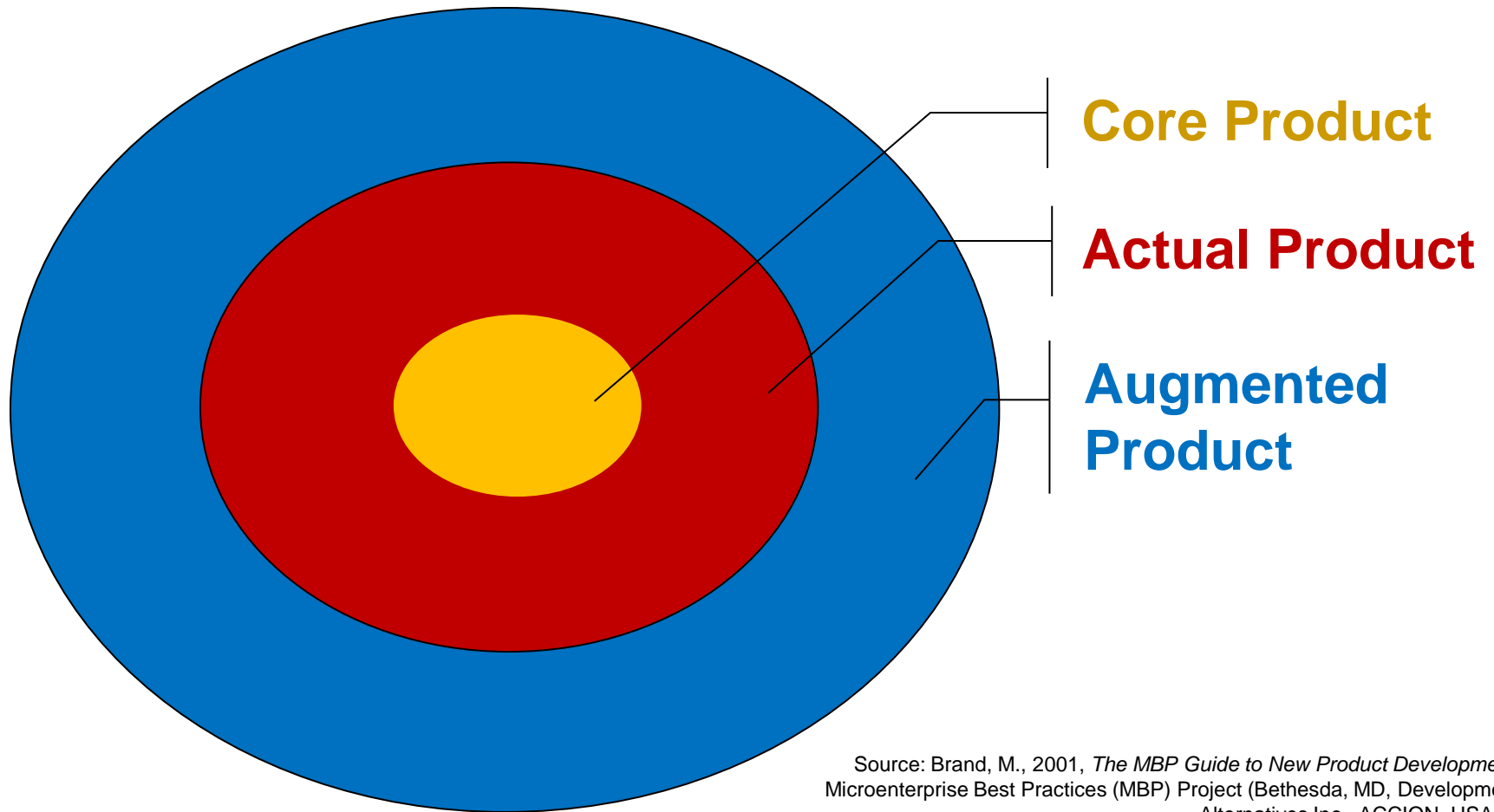
# A Common Starting Point

## ■ What is a product?

*A financial service that customers purchase because it fulfils a particular need*

- ▶ Some products combine two financial services in one package
- ▶ Others integrate financial and non-financial services

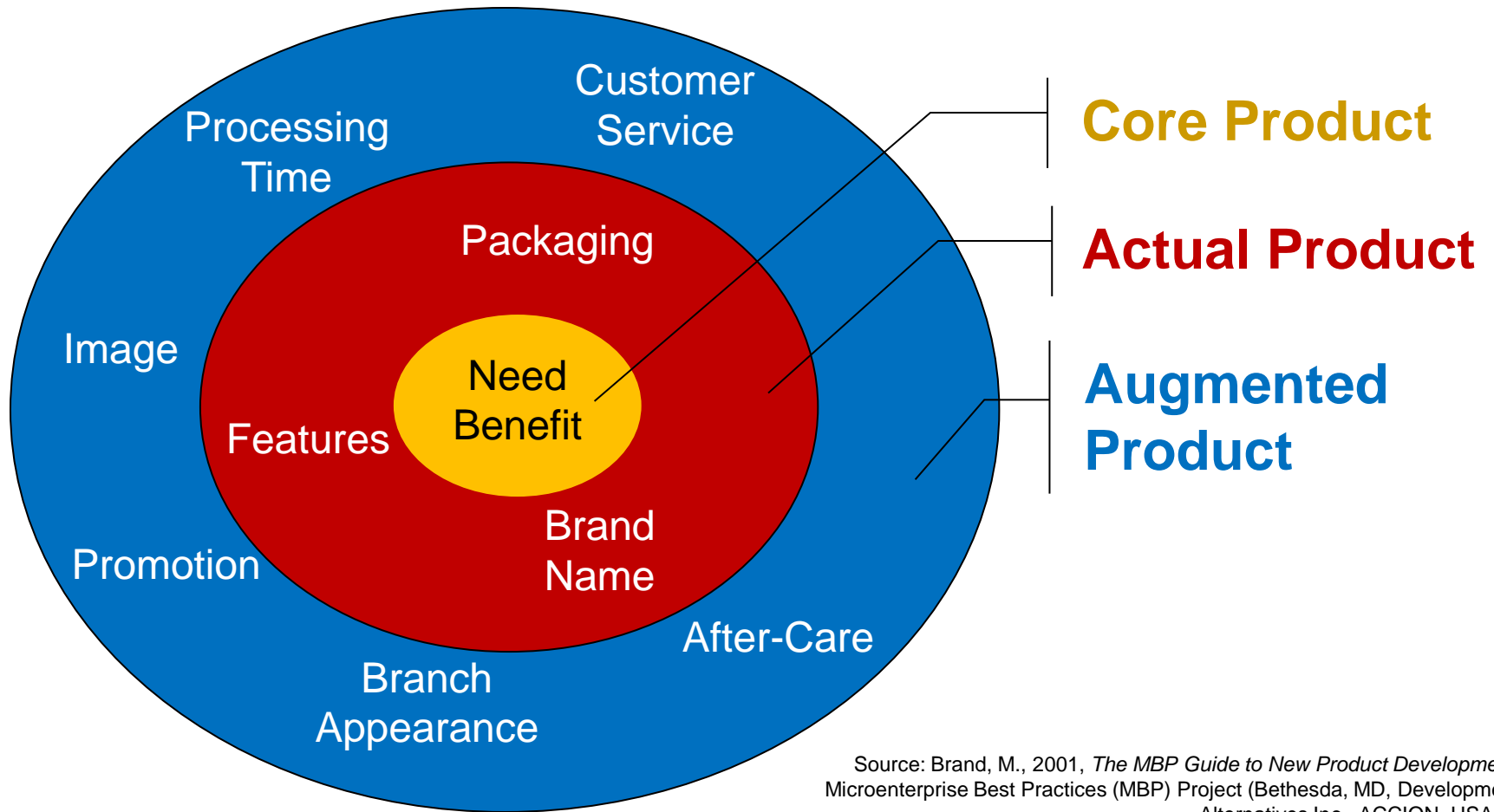
# The Total Product



Source: Brand, M., 2001, *The MBP Guide to New Product Development*, Microenterprise Best Practices (MBP) Project (Bethesda, MD, Development Alternatives Inc., ACCION, USAID)



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Source: Brand, M., 2001, *The MBP Guide to New Product Development*, Microenterprise Best Practices (MBP) Project (Bethesda, MD, Development Alternatives Inc., ACCION, USAID)

# A Common Starting Point (cont.)

- What is a product?

*A financial service that customers purchase because it fulfils a particular need*

- What is product diversification?

*The development, marketing and delivery of one or more financial (and perhaps non-financial) services that expand an institution's existing product offering*

# Is this product diversification?

## Microenterprise Loan for Women

- Term: 12 months
- Interest rate: 15% p.a.
- Repayment schedule: weekly
- Collateral: peer group guarantee; compulsory savings of 20% of the loan amount

## Microenterprise Loan for Men

- Term: 12 months
- Interest rate: 15% p.a.
- Repayment schedule: weekly
- Collateral: peer group guarantee; compulsory savings of 20% of the loan amount

# Successful Product Diversification

*Expansion of a product portfolio that generates value for a financial service provider and its clients*



# Value (from the client's perspective)

The benefits  
provided by your  
product(s)

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The cost of  
receiving your  
product(s)



The benefits provided  
by the competition's  
product(s)

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The cost of receiving  
the competition's  
product(s)



# Value (from the FSP's perspective)

The benefits of doing business

The cost of doing business

Financial?

Market Share?

Social?

Environmental?



# Successful Product Diversification

*Expansion of a product portfolio that generates value for a financial service provider and its clients*

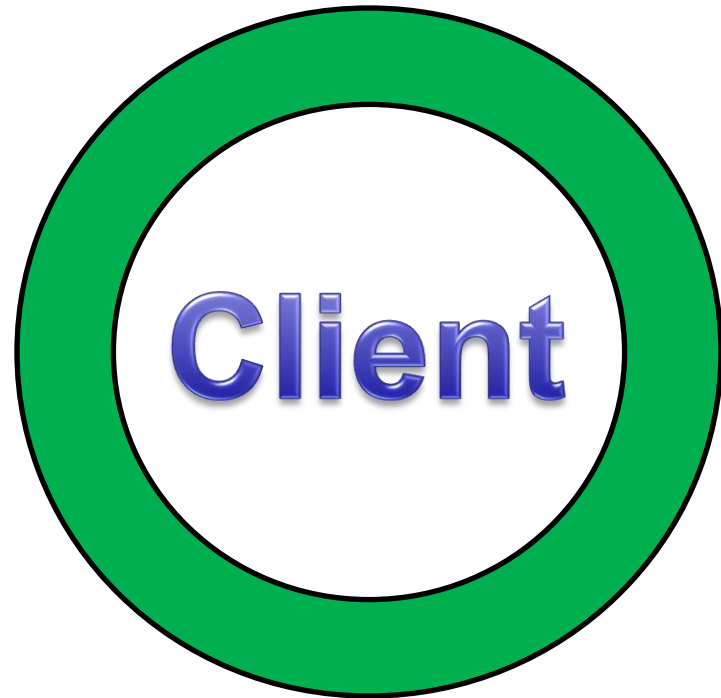
# How to diversify successfully?

- In small groups, discuss what works and what does not
- On each of your three yellow cards, describe one strategy that has helped you (or the FSPs that you work with) to diversify successfully
- On each of your three blue cards, describe one decision or action that hindered your product diversification
- 15 minutes

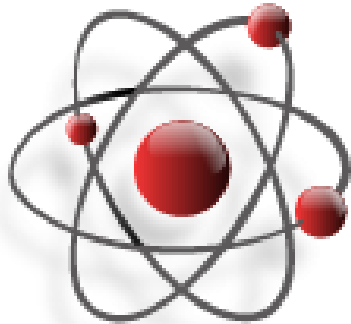
# Six Diversification Challenges

1. Adapting the institutional culture

# The focus must change



# What does it mean to be “client-centred”?



“Integrating client understanding throughout your operations”

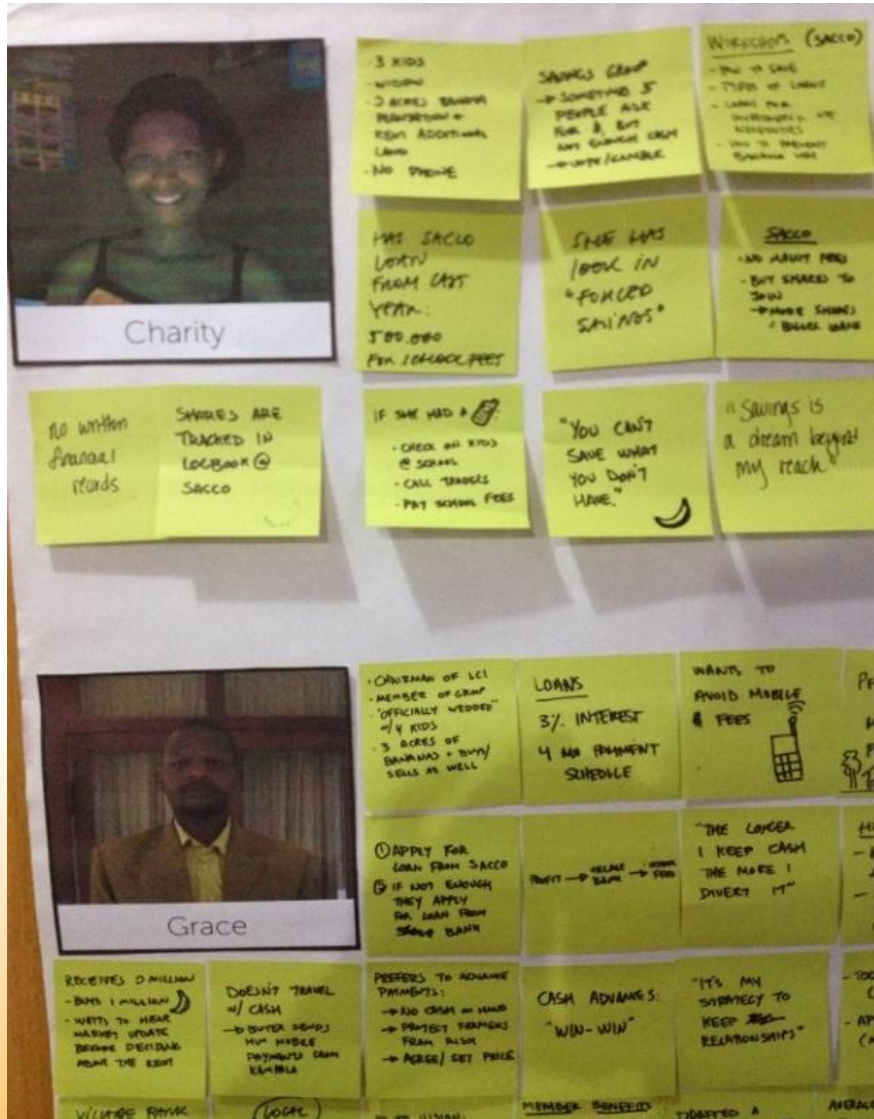


“Being focused on addressing customer needs and not on selling products”



“Engineering all parts of the institution around the customer in an integrated fashion”

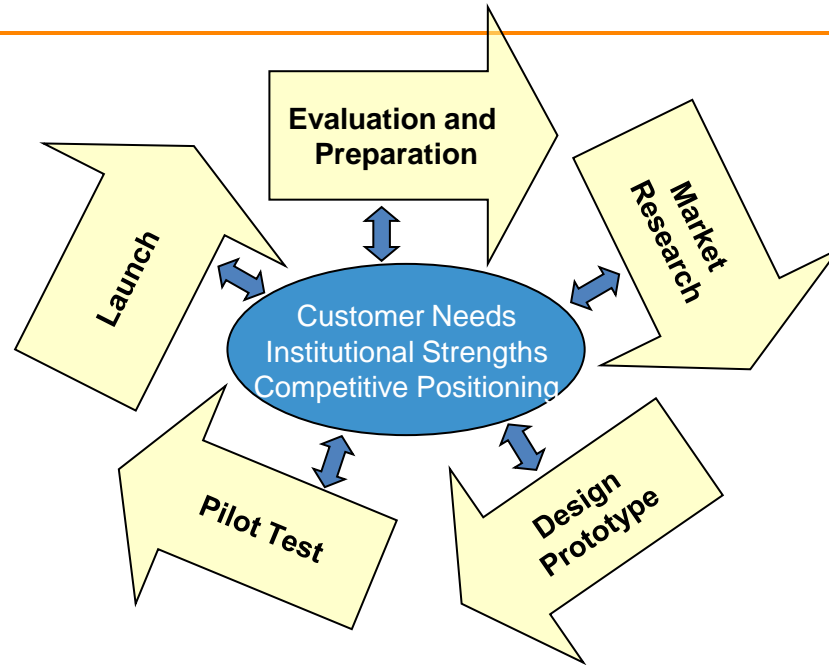
# Client personas, words, stories...



- “You can’t save what you don’t have”
- “Savings is a dream beyond my reach”
- “The longer I keep cash the more I divert it”
- “It’s my strategy to keep relationships”



# Comparing processes



## Getting Ready

Forming the team and kicking-off the project.

## Learning from Customers

Conducting research to collect stories and insights from customers.

## Synthesis and Ideation

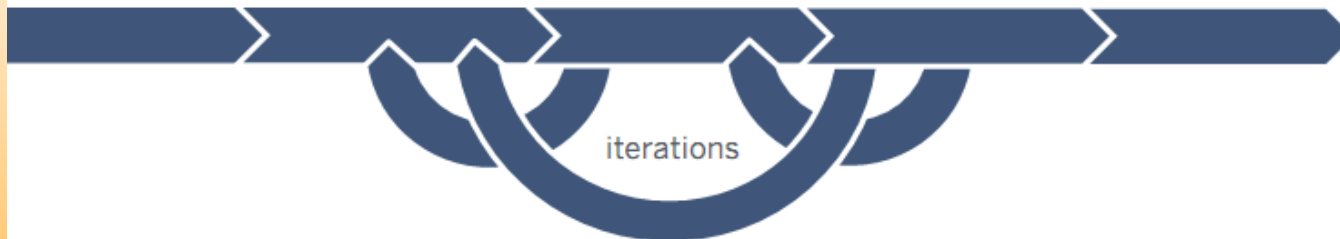
Translating insights into opportunities and generating solution ideas.

## Prototyping and Testing

Putting tangible ideas in customers' hands and refining their design.

## Preparing to Launch

Assessing the business model and planning for implementation.



# What is an outreach strategy?

A plan for how you will find, recruit and serve customers in a particular market segment

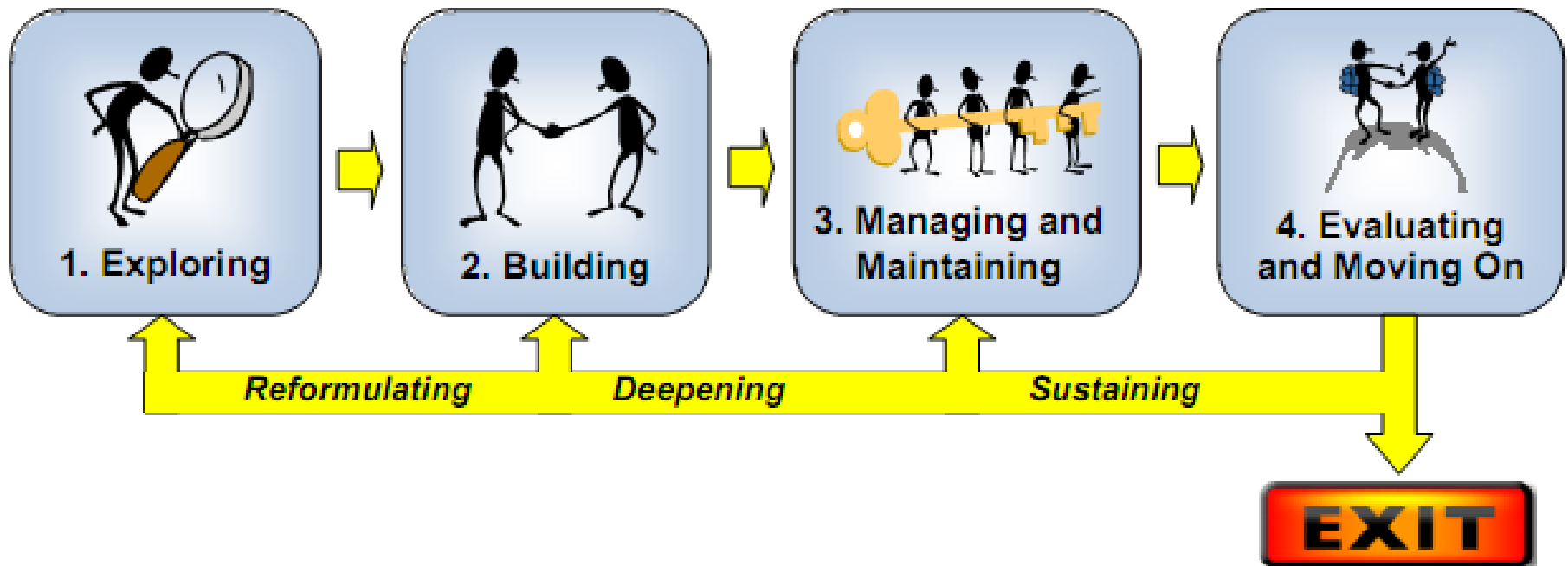
# Four questions to be answered by an outreach strategy

1. What **products** will you offer to this market?
2. How will you **communicate** the value of your products to this market?
3. How will you **deliver** your products to this market?
4. How will you build a **relationship** with this market?

# Six Diversification Challenges

1. Adapting the institutional culture
2. Deciding who should deliver what

# The Partnering Cycle

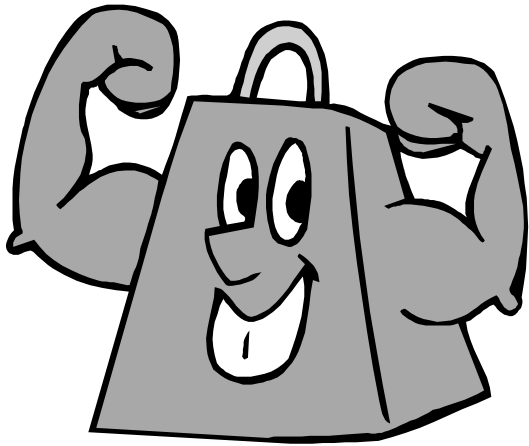


# Six Diversification Challenges

1. Adapting the institutional culture
2. Deciding who should deliver what
3. Empowering staff to deliver multiple products



# Performance =



Ability

X

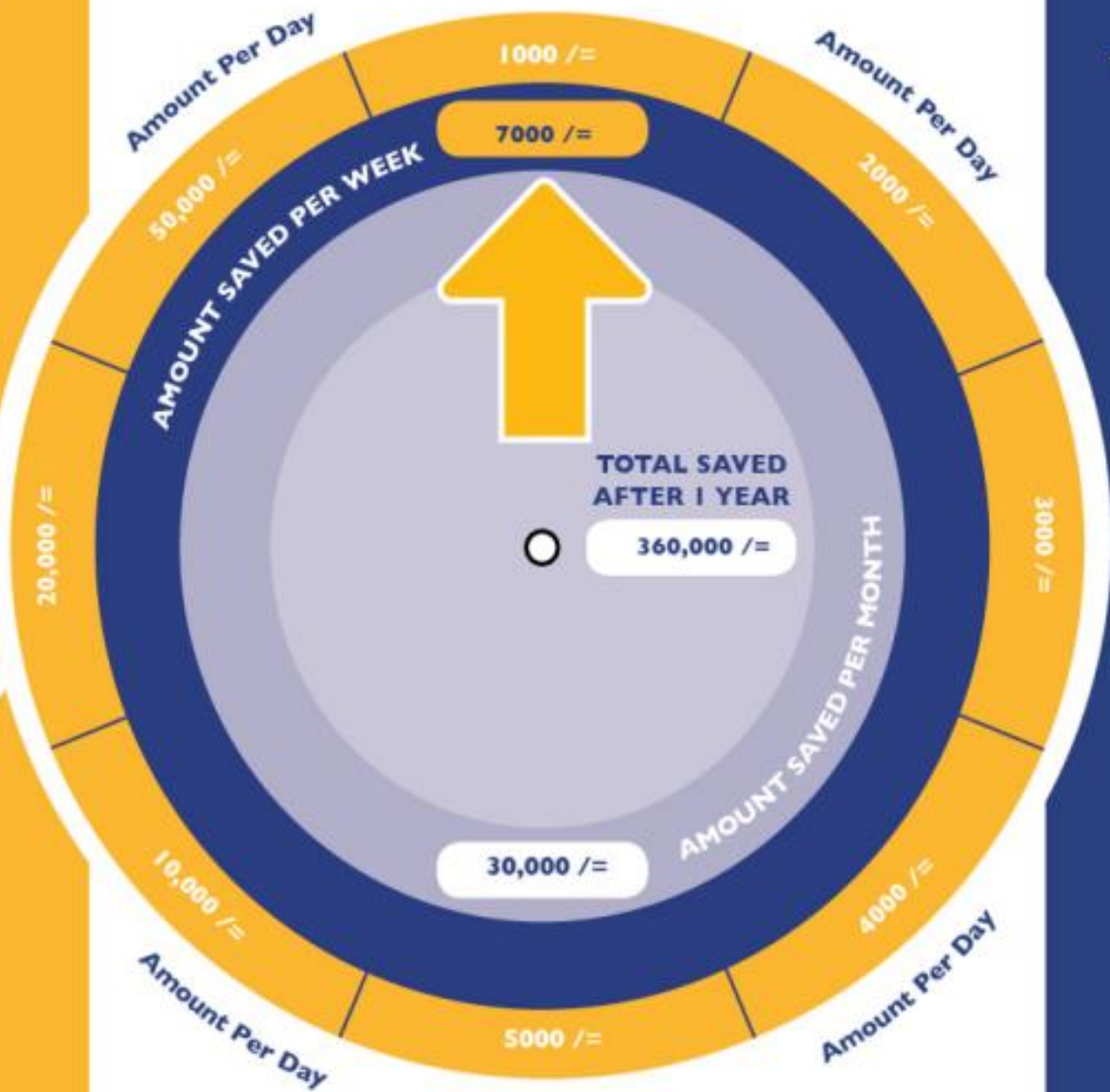


Motivation

What are you saving for?



How much can you afford to save?



How long will it take to reach your goal?



Courting Solutions



# Six Diversification Challenges

1. Adapting the institutional culture
2. Deciding who should deliver what
3. Empowering staff to deliver multiple products
4. **Communicating with clients**

# Clear, consistent communication will not be easy...

Products currently offered	% staff who think this product is offered by the bank
Voluntary savings	79%
Long-term savings	36%
Small group loans	11%
Large group loans	4%
Individual microenterprise loans	89%
Housing loans	79%
Emergency or consumption loans	82%
Leasing	57%
Money transfers	96%
Insurance	7%
Non-financial services	29%
Other	46%

# The 8 Ps

Product

Price

Place

Promotion

Process

People

Physical  
evidence

Positioning

# The 8Ps from a customer's perspective

8Ps	8Cs
Product	Customer solution
Price	Cost
Place	Convenience
Promotion	Communication
Process	Concise, confidential
People	Courteous, competent care
Physical evidence	Confirmation
Positioning	Commitment, competitive edge

# Product Mix Approaches

- Market segment
- Client lifecycle
- Business lifecycle
- Developmental
- Core competence
- Entry and expansion
- Core vs. optional

# Strategies for Communicating More Clearly

1. Use the 8 Ps to differentiate products
2. Communicate solutions
3. Articulate a coherent product mix
4. Bundle products that are jointly needed to solve a problem
5. Tailor (and test) your communication for different market segments
6. Provide ongoing financial education through multiple touch points

# Six Diversification Challenges

1. Adapting the institutional culture
2. Deciding who should deliver what
3. Empowering staff to deliver multiple products
4. Communicating with clients
5. Reengineering systems to manage greater complexity

# Six Diversification Challenges

1. Adapting the institutional culture
2. Deciding who should deliver what
3. Empowering staff to deliver multiple products
4. Communicating with clients
5. Reengineering systems to manage greater complexity
6. Managing the changes required to implement the above



# Final task: Identify 3 barriers to expanding your savings product outreach



1. **Burundi:** Darlose, Richard, Alimata
2. **Cameroon:** Patrice, Chandramouli, Eric, Soh, Soulemane, Essouma, Fri, Alakokay
3. **Ethiopia:** Furgassa, Hermann, Amsalu, Jebessa
4. **Ghana1:** Gifty, Noel, William, Merene, Prabhat
5. **Ghana2:** Kwaku, Dana, Joyce
6. **Liberia:** Fata, Patrick, Christopher, Paula
7. **Malawi:** Dean, Ruth, Jennifer, Henri
8. **Rwanda1:** Jean, Marie, Remy, Paul
9. **Rwanda2:** Samuel, Joselyne, Julian, Arthur
10. **Tanzania:** Leticia, Sybil, Abby, Hamisi, Pam
11. **Uganda:** Pius, Sashi, Ivana



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## Savings product development: In your context, what can be done?

# Session Objectives

1. To address as many of the questions that you raised for discussion as possible
  - ▶ Savings product development
  - ▶ Mobilizing more savings
  - ▶ Reaching specific market segments
  - ▶ Other
2. To identify at least three ideas for addressing the barriers that limit your savings product outreach

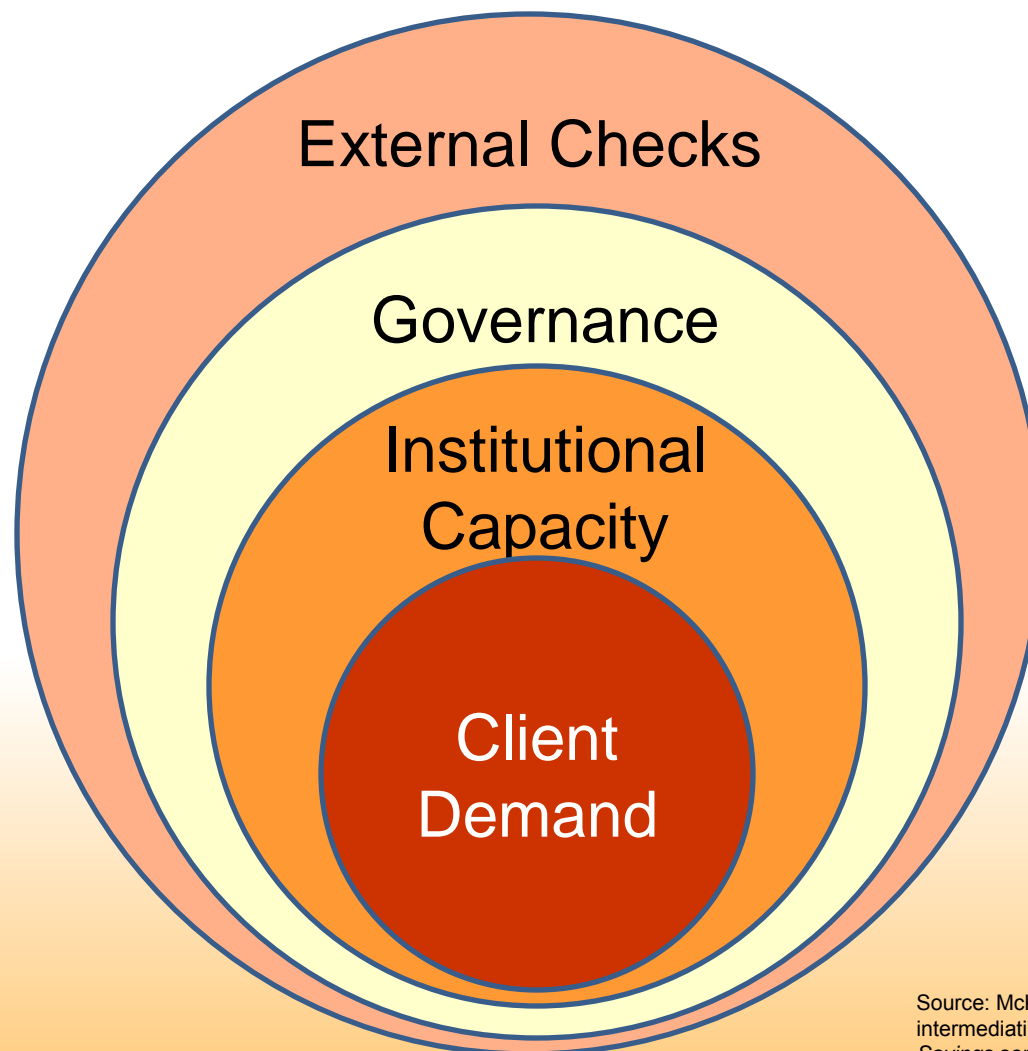
# Your product development questions

1. What are the major blocks to consider before embarking on developing a new savings product?
2. What are the critical factors to consider when designing savings products?
3. Ways and tools on how to develop savings products for the poor sustainably
4. New knowledge and insights on savings product development and diversification
5. A comprehensive strategy that aims to develop the innovative saving products
6. How to develop new savings products?
7. How to tailor savings products to unbanked needs?

# Two Types of Needs

	<b>Unexpected</b>	<b>Expected</b>
Liquidity	Unrestricted access	Restricted access
Frequency and Amount	Voluntary	Fixed
Product Type	Demand deposit <ul style="list-style-type: none"><li>▪ Open access</li><li>▪ Semi-liquid</li></ul>	<ul style="list-style-type: none"><li>▪ Time deposit</li><li>▪ Mandatory savings</li><li>▪ Targeted or programmed savings</li></ul>

# Preconditions for intermediating savings



Source: McKee, K., 2005, "Prerequisites for intermediating savings", in Hirschland, M. (ed.), 2005, *Savings services for the poor: An operational guide* (Sterling, VA, Kumarian Press, Stylus Publishing, LLC).

# Your savings mobilization questions

1. How to change people's attitude towards savings?
2. The nitty-gritties in savings mobilization
3. Do you have good and proven strategies to enhance savings ?
4. What effective marketing strategy should be used to mobilize large deposit amount?
5. How to facilitate longer-term savings?
6. How could I persuade and attract as many as possible potential depositors?
7. How to get buy in for savings particularly in an economy that is contracting?
8. Marketing social des produits d'épargne, techniques de mobilisation pour les personnes à faible revenu
9. How can an MFI compete with the commercial banks that have already developed trust for centuries in savings mobilization?
10. How can I communicate or market effectively to get people to save?
11. What innovative strategies are FSPs using to scale their savings products?
12. How would the staff profile and capacity affects savings mobilization?

# The Starting Point

- Understanding why potential customers are not currently saving with you (or not saving very much)
  
- Possible reasons include:
  1. They do not know about your product(s)
  2. They do not understand how to use your product(s)
  3. They cannot access your product(s)
  4. They do not want to use your product(s)
  5. They find it difficult to use your product(s)



# Reaching Specific Segments



Illiterate persons



Youth



Women



Rural areas



VSLAs

# Activity instructions

1. Choose a timekeeper
2. Identify at least one thing that differentiates the market segment you are focusing on (3 minutes)
3. Conduct a mini-SWOT analysis of the segment (5 minutes)
4. Discuss the components of an outreach strategy that would help you find, recruit and serve customers in this segment over time (20 minutes)
5. Share three of your ideas in plenary (2 minutes)

***Don't try to define the entire strategy!***

# Your specific questions

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1. How to price and market a medium-term savings product?
2. What is best practice in liquidity management for voluntary savings services?
3. How do you set yourself up to get to scale?
4. What is the latest work of the MLE partners and their impact and innovations?

# Towards the future...

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- Now's the time to see whether the last 24 hours will make any difference!
- Return to the group that you worked with at the end of the day yesterday
- Try to identify at least three ideas for addressing the barriers that limit your savings product outreach

# UN Capital Development Fund

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THANK YOU

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