# Session 8:
# Keeping Clients Active Once They Are Linked

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BIG BANKS & SMALL SAVERS

# 1st & foremost: Key elements of an effective demand-driven savings product suite

| # | Required elements—savings product design |
|---|---|
| 1 | Safe |
| 2 | Liquid |
| 3 | Private |
| 4 | Respectful |
| 5 | Affordable |
| 6 | Convenient |
| 7 | Clear |
| 8 | Known (product awareness) |
| | **Illustrative Innovation Propositions** |
| | **Cross-product elements** |
| 9 | Payment function access |
| 10 | Prospect of access to credit |
| | **Psychological elements** |
| 11 | Commitment/discipline |
| 12 | Separate pockets for different savings objectives |
| 13 | Yield perception |
| 14 | Fun |

- 1st impressions matter…
- Continue to improve on these elements…

Carry to alternative c**hannels:**
These elements must be present across all channels (e.g., agent trust-respect-privacy-convenience; technology respect-clarity-trust-convenience)

## 2 strategies lowered dormancy:

– **Customer pays ($2) to open the account**, it is not free.  While a barrier to some (poor rural Indian women was target customer), it is a helpful screen to ensure the customer really wants the account, and is not just opening it without a real intent/purpose to use it.

– **Regular financial/economic activity "near the FSP"** service point (weekly group microcredit meetings) created regular opportunity and impetus to save on a regular basis.  (Also, *savers were encouraged* to save to ensure always have money available to pay loan.)



Active ratio was > 70%, compared to typical Indian ratio of < 20%!

# Juntos Finanzas

- JF worked with Bancolombia, aiming to increase active ratios (decrease dormancy) and increase deposit balances.

- Choreographed series of SMS, aimed at **engaging** client: 2-way communications.

- ➔ Result (compared to a control group):
  – Ratio of active accounts increased 33%
  – Savings balances increased 50%.

JUNTOS:
Happy savings day!
The habit of depositing money
is very important. Save something today!

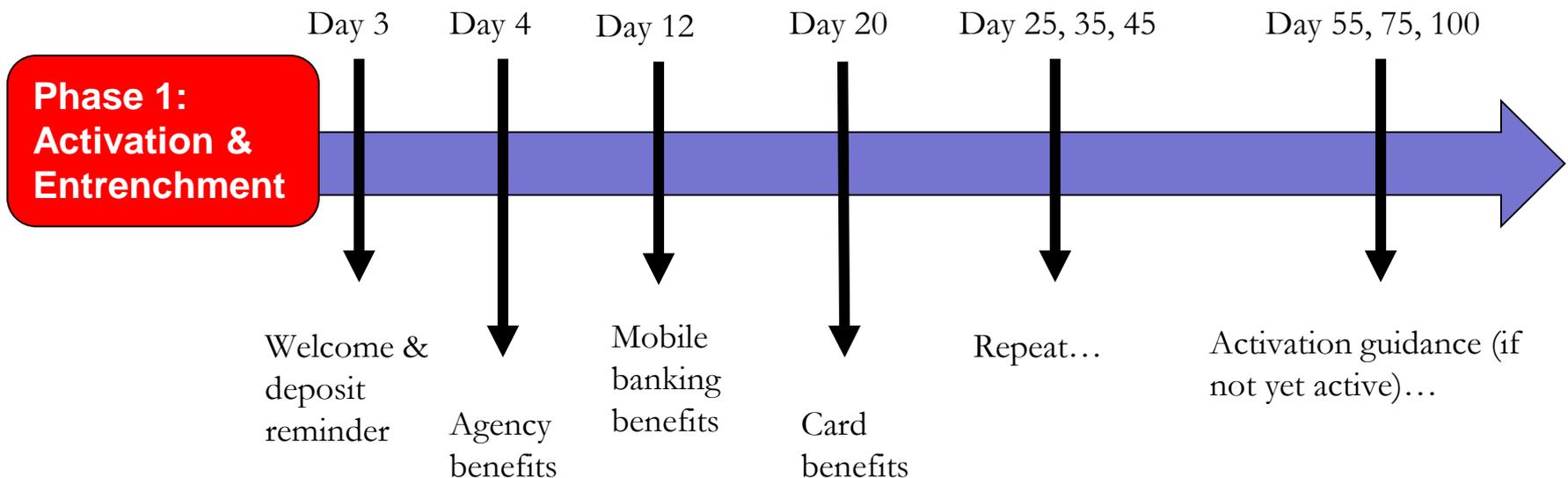Content of sequential communications include:
- "Discussion" of savings goals.
- Reminders and encouragement toward these goals.
- Personalized communications
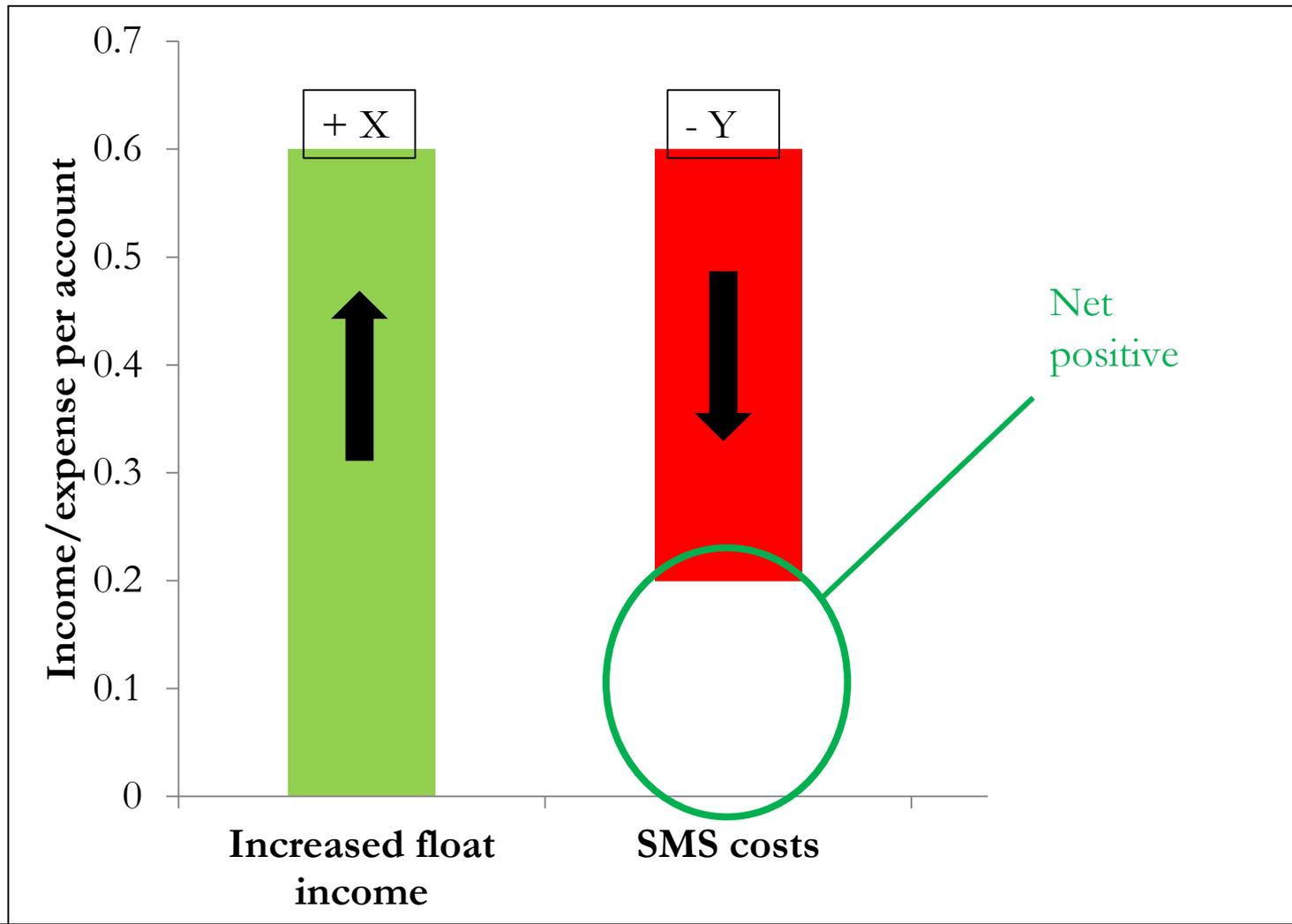A "relationship" is established.
People often feel isolated in their financial lives and the text messages make them feel that someone is with them. Many interact with the technology as if it were a person - customers even texted "Merry Christmas" to Juntos!

# "Project Activate"

- Bank **challenge**: many new **accounts opened were never used**, resulting in unnecessary costs to the Bank and missed opportunity for customer to benefit.

- Project Activate is a proactive customer contact approach that **aims to get new account holders to deposit money and start transacting**.

- Carefully designed **series of SMS during 1st 100 days** after account opening…

- Result: steady decrease in "never activated" accounts year on year (Year 0 = 33%, Year 1 = 21%).



| Day 3 | Day 4 | Day 12 | Day 20 | Day 25, 35, 45 | Day 55, 75, 100 |

**Phase 1: Activation & Entrenchment**

Welcome & deposit reminder

Agency benefits

Mobile banking benefits

Card benefits

Repeat…

Activation guidance (if not yet active)…

# Cost of growing balances with SMS



Numbers here are illustrative, not actual. But actual results of SMS initiative were ~ 50% increase in average balance and ~ 33% increase in active %.

# Cost of origination is important to consider in assessing account dormancy

- **In seeking sustainability, the cost of originating accounts is an important factor. It can really hurt sustainability.**

- **One way to minimize the "financial pain" of dormancy is to lower the cost of origination (e.g., unit cost), such as by shifting to lower cost "alternative delivery channels" (ADCs).**

- **While this by itself does not eliminate the "wasted" cost of originating a never-active dormant account, it does decrease the amount of waste.**
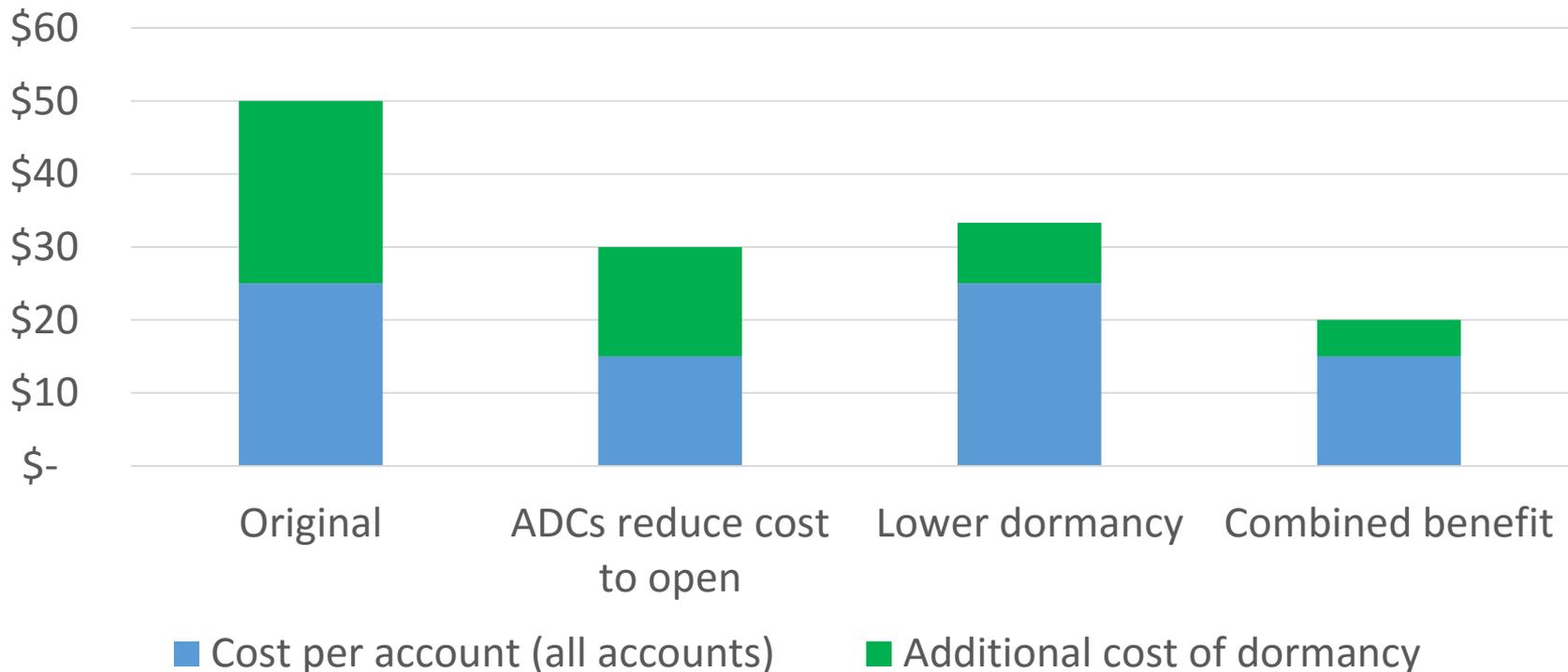
Agent-led account opening, in communities



Even "self-service", over-the-air account opening

# Two ways to lower cost of origination



The *effective* cost to open one active account is made higher by the wasted cost of opening dormant accounts.
(This assumes the active accounts must absorb the wasted dormancy costs.)

Analyzing *effective* cost to open an **active** account

$60
$50
$40
$30
$20
$10
$-

Original | ADCs reduce cost to open | Lower dormancy | Combined benefit

■ Cost per account (all accounts)    ■ Additional cost of dormancy

# THANK YOU