Designing Financial Services For Youth

Timothy H. Nourse
President
Making Cents International
Tim@MakingCents.com
www.MakingCents.com

www.caribbeanmicrofinanceforum.com © 2015

Bringing out the Youth in You

- Think back to your first experience at a financial institution. What do you remember? Why were you there? What were your impressions of the place?

- Turn to your neighbor and share your experience

www.caribbeanmicrofinanceforum.com © 2015

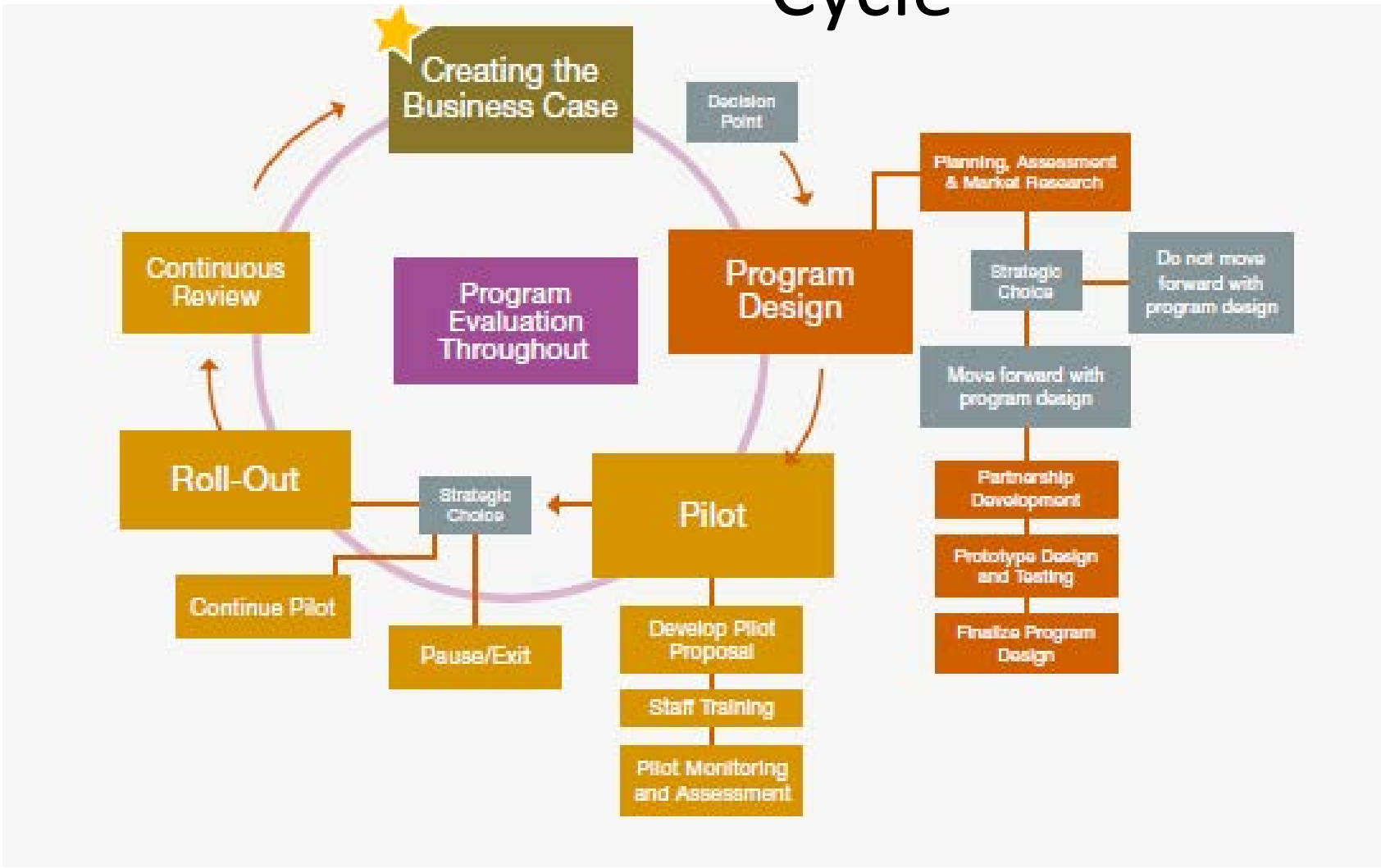
Emerging Guidelines for Youth-Inclusive FS

1. Involve youth In market research and product development
2. Develop products and services that reflect diversity of youth
3. Ensure that youth have safe and supportive spaces
4. Provide or link youth to complementary non-financial services
5. Focus on core competencies through partnerships
6. Involve community
7. Establish Institutional Readiness

Principles Developed in concert with:

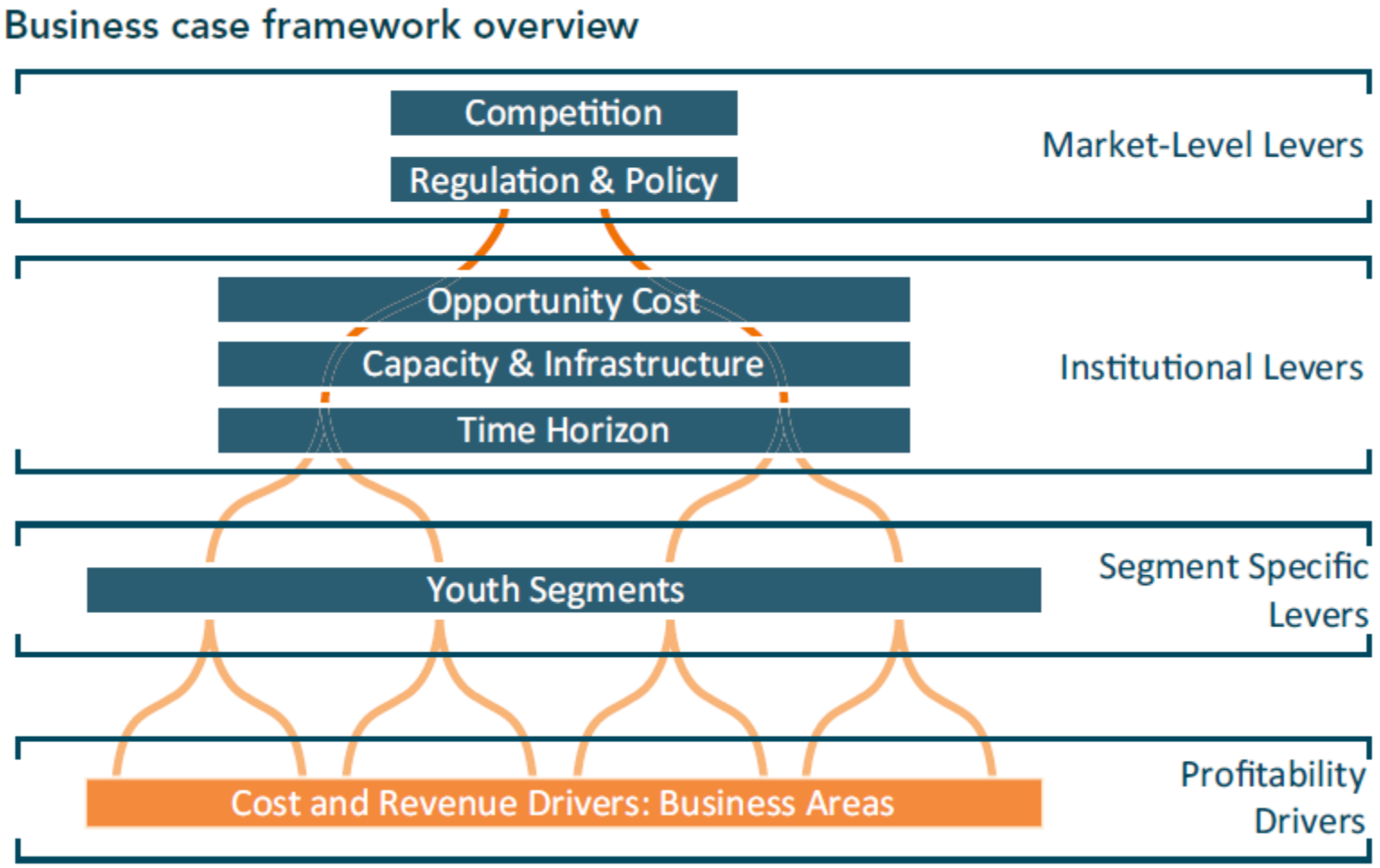
www.caribbeanmicrofinanceforum.com © 2015

The Product Development Cycle*



*Source WWB

Developing the Business Case



*Source CGAP

Market Research

Young People's Capacity to Co-Invest

The use of "money flow" or "asset mapping" focus group tools are an effective way of gaining insight into the kinds of financial and non-financial assets young people manage. A microfinance institution in Morocco that was interested in developing livelihood programming for youth was amazed to see the multiple sources of funds that passed through "poor" young people's hands.

- Recruit a diverse team, including Youth experts
- Mix of data gathering techniques
- For customers, conduct research at household level
- Use research to segment market

www.caribbeanmicrofinanceforum.com © 2015

Product Prototyping

- Research should be designed around and inform development of product prototype
- Test prototype with management and small number of focus groups

Making Cents' 9P Financial Product Development Tool
1. **Product:** Terms and conditions, requirements, documents for account openings, guarantees (co-signers), etc.
2. **Price:** Interest rate, fees, penalties, transaction costs, etc.
3. **People:** Human resources; hiring, training, performance monitoring (incentives), etc.
4. **Promotion:** Marketing, advertising, public relations (formats and delivery channels)
5. **Positioning:** Competitive advantage or niche as perceived by target customer
6. **Place:** Distribution and delivery channels, branches, outreach workers or field agents, ATMs, mobile units, etc.
7. **Physical evidence:** Passbook, promissory note, etc.
8. **Process:** Systems, manuals, operating procedures, forms, queues, turnaround time
9. **Preparation:** Design of nonfinancial service package

www.caribbeanmicrofinanceforum.com © 2015

Fonkoze – Youth Savings Ps

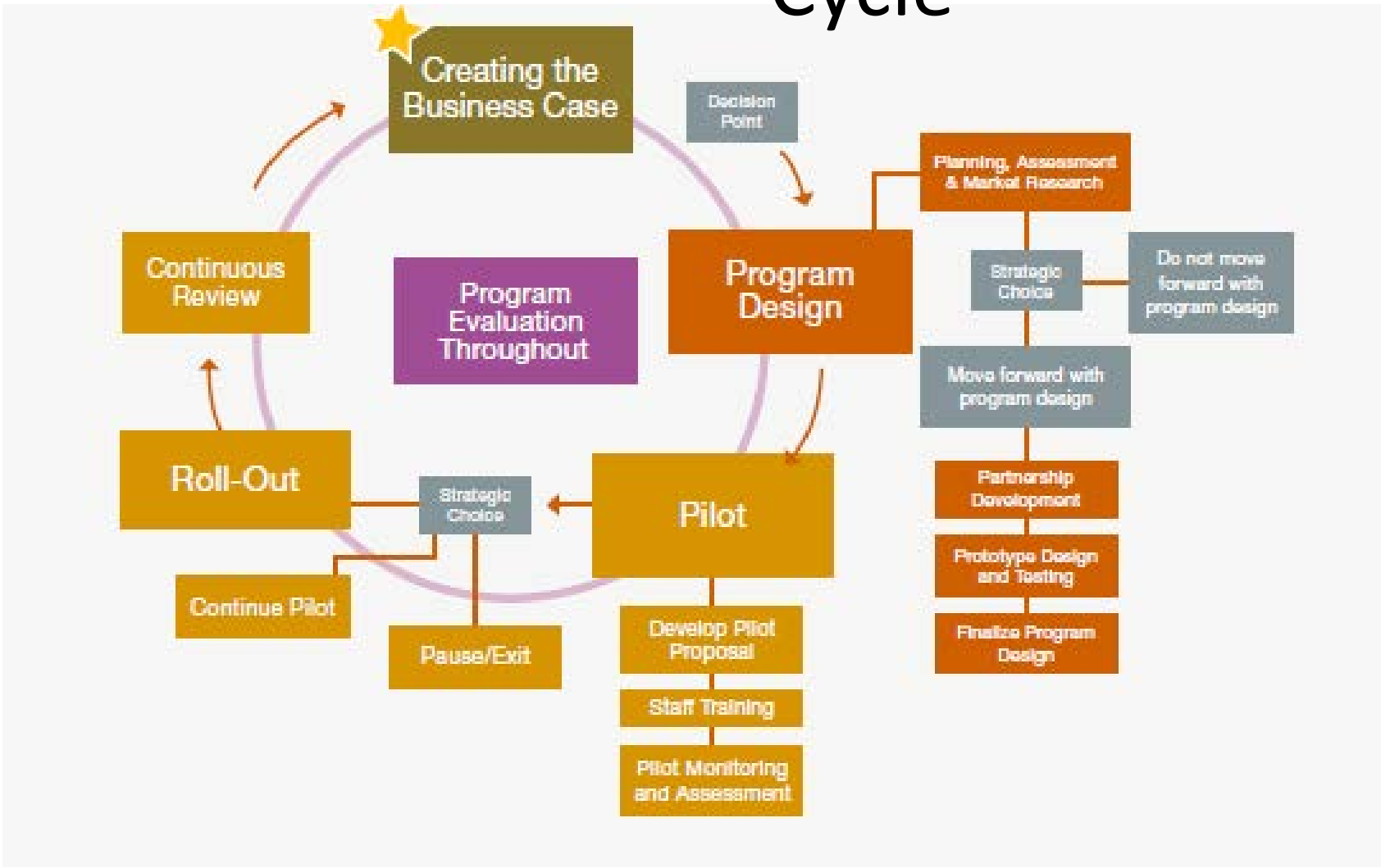
1. Product:	• 25 gourdes to open up account • Young people under 18 need a co-signer for opening accounts and withdrawal transactions • School ID is being used • 2 photos required for opening up accounts • Minimum balance of 25 gourdes to be maintained • Inactivity for 12 months and dormancy at 24 months
2. Price:	• Interest rate is 1.5% on balances 100 gourdes and over • No fees for transactions • 50 gourdes for passbook replacement
3. People:	• Staff at Jacmel branch trained in youth inclusive customer service and use of youth economic capacity tool by social impact team
4. Promotion:	• Word of mouth – schools, churches, youth groups • Via center meetings with existing client base • Messaging of safe and secure place to save money, flyers
5. Positioning:	• Fonkoze offers product to young people no one else in market offers
6. Place:	• Opening up of accounts at Jacmel branch, deposits can be made at centers, withdrawals made at branch
7. Physical Evidence:	• Passbook
8. Process:	• Account opening originally at branch and community events and then at branch when youth interested, two signatures on account opening for youth under 18. Either client can make deposit, withdrawal made by both • Special youth service times • Product guideline information

The 9th P - Preparation

- Financial education, entrepreneurship or other training can be critical enablers when combined with financial services
- Ensure effectiveness by making training timely, relevant, on-going and actionable
- Consider which model is most appropriate:
  - Unified (the FI provides)
  - Linked (the FI collaborates with external provider)
  - Parallel (FI works with affiliated provider)

www.caribbeanmicrofinanceforum.com © 2015

The Product Development Cycle*



*Source WWB

Piloting

- Pilot Plan
- Pilot Marketing
- Train Staff
- Monitoring and Assessment
- Strategic Choice
  - Continue Pilot
  - Move on to Roll-out
  - Pause/Exit

Pilot Timing

Fonkoze - 14 Months
Banco Adopem – 20 Months
Xac Bank – 6 Months
Peace MFI – 13 months

www.caribbeanmicrofinanceforum.com © 2015

Roll Out and Evaluation

Roll Out:

- Adjust product based on pilot
- Similar process to pilot plan, but on scale of full FI
- Preparation, training and marketing critical to success

Evaluation:

- On-going analysis of business case
  - Direct profit/loss
  - Cross-selling
  - Loyalty
  - Demonstrate CSR
- Impact on clients
  - Financial knowledge
  - Financial Behavior
  - Financial Status

www.caribbeanmicrofinanceforum.com © 2015

Some Successful Products

Banco Adopem– DR

- Girls Savings Account
- 25,000 youth savers

Equity Bank – Kenya

- Business loan and youth savings product
- 74,000 loan clients, 140,000 savers

Al Amal Bank– Yemen

- Individual and group credit products
- 15,000 clients

www.caribbeanmicrofinanceforum.com © 2015

Additional Resources

- www.YouthEconomicOpportunities.org

- Global Youth Economic Opportunity Conference

October 6-8, 2015

Questions?

Timothy H. Nourse
President
Making Cents International

www.caribbeanmicrofinanceforum.com © 2015