SUSTAINABLE
+INCLUSIVE
DIGITAL FINANCIAL SERVICES

INSIGHTS from the BUSINESS LEADERS' DIALOGUE

FSP Product Development Practices: Gaps and Opportunities

LAGOS BUSINESS SCHOOL
PAN-ATLANTIC UNIVERSITY

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Product Development Practices of Financial Service Providers

Poor product-market fit and the general lack of a compelling value proposition is a critical financial inclusion barrier. Research has shown that the dearth of appropriate and affordable products is partly responsible for the exclusion of several segments of the population, especially the poor, rural dwellers and women. The Sustainable and Inclusive Digital Financial Services (SIDFS) initiative of the Lagos Business School set out to evaluate the product development practice landscape among Nigerian financial services providers, in order to identify the gaps.

On the 23rd of April, 2020, delegates from the Nigerian financial service ecosystem including deposit money banks, microfinance banks, fintechs, mobile money operators and financial sector development organizations attended a Business Leaders' Dialogue organized by SIDFS titled "FSP Product Development Practices: Gaps and Opportunities". The purpose of the BLD was to gain valuable feedback and insights from industry stakeholders based on findings from our research.

This document highlights the insights gleaned from the event for the purpose of:

« understanding extant practices
« benchmarking against best practices, identifying gaps
« introducing HCD as an alternative approach to product development.

SUMMARY FINDINGS FROM PRODUCT DEVELOPMENT ECOSYSTEM STUDY

Poorly designed financial products are characterized by:

- Value proposition misalignment
- Inappropriate distribution channels
- Weak marketing communications
- Poor customer experience

Major FSP product development challenges

- [Over]Regulation
- Weak communications infrastructure
- Limited (research) funding
- Talent gap
- Limited partnership / collaboration
- Uninformed market & limited awareness of financial products

SUMMARY FINDINGS FROM PRODUCT DEVELOPMENT ECOSYSTEM STUDY

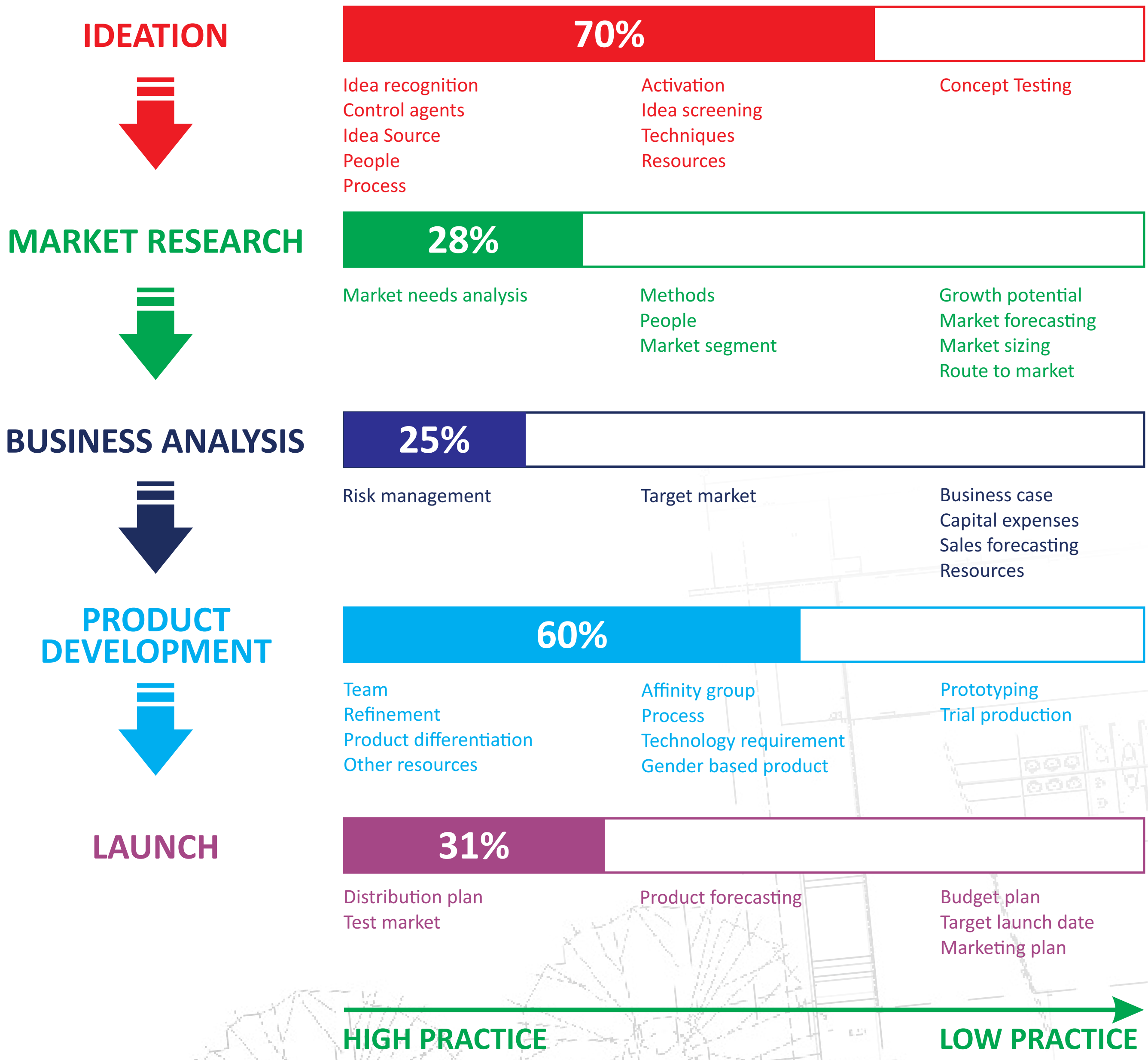

Fig 1: Adoption levels of best practices

- « Products designed for the poor do not address real needs of the customers. Majority are offshoots of already existing products designed for the general middle class bank customer.

- « FSPs should develop products for specific market segments instead of generic products to serve the general population e.g. smallholder farmers, postgraduate students etc

- « Poor product development practice complicates things for customers. A great product simplifies processes for the consumer.

- « Introducing new products and technologies to low-income segments may require phasing the customer onboarding process. For the first few months, handholding customers is necessary before transitioning them to self-service channels via over-the-counter (OTC) interface.

Current products in the market have poor product-market fit especially among low-income segments

WHAT IS HUMAN-CENTERED DESIGN (HCD)?

Human-centered design (HCD) is a creative approach to problem solving popularised by the design firm, IDEO.

The term is used by product creators to describe a process of designing for people. HCD develops solutions to problems by involving the human perspective in all steps of the problem-solving process.

HCD presents a holistic approach to design taking inspiration from real people, works within market and technological constraints, and considers every product touch-point as an opportunity to deliver benefits to users.

Human-centered design consists of three phases:

- Inspiration
- Ideation
- Implementation

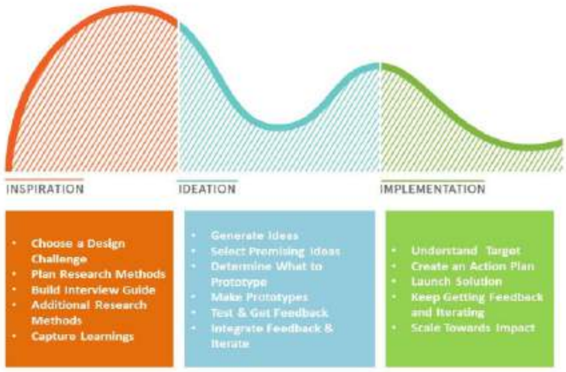

Image credit: Ideo.org

BENEFITS OF USING HUMAN-CENTERED DESIGN (HCD) TO DEVELOP FINANCIAL PRODUCTS

Flash Poll

of attendees at the BUSINESS LEADERS' DIALOGUE

67%

heard about HCD

37%

have used HCD processes in product development

- Adopting HCD practices in conceptualising financial products and services will enhance their product-market fit.

- Many low income citizens have limited or no digital literacy. Product designers should factor this into the design of their financial products and solutions.

- No matter how exciting or innovative a new product sounds, it must align with the target consumer's reality (such as financial and digital literacy, access to technology, and even needs).

- Market segmentation helps and speeds up the product development life cycle. The SIDFS Customer Segmentation Framework is a good launchpad for any FSP interested in employing HCD in reimagining financial products for particular customer segments.

- A paradigm shift is required. HCD is a necessary investment that will yield long term benefits for FSPs.

- A few FSPs are using HCD to develop products and these products are witnessing considerable product adoption.

- HCD will enable providers reimagine financial service products, offerings and delivery systems. This ensures that FSPs optimize every resource.

A good financial product that serves everyone is a myth.

PRODUCT DEVELOPMENT LAB

The SIDFS initiative is committed to helping the financial service community build capacity and bridge knowledge gaps in order to improve financial inclusion. The SIDFS Product Development Lab is one of such projects, and will equip financial service providers with cutting-edge product development skills and practices used by the world's most innovative companies. It is our vision that the lab would help providers rollout more innovative financial products, tweak product delivery systems and marketing strategy which would lead to a larger customer base, better returns on investment and a more inclusive financial service ecosystem.

We hope to launch the lab later in May, 2020 and will send out a Call for Participation soon. So you can look forward to that.

BLD PARTICIPANTS LIST

Access Bank
Al-Barakah Microfinance Bank
Association of Mobile Money Agents of Nigeria
Busara
Capricorn Digital
Crowdforce
EFinA
Esusu Africa
Etranzact
FSD Uganda
Inlanks
Interswitch Group
Jaiz Bank
Mamamoni
Moneymart Finance
MTN
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