

PRODUCT DEVELOPMENT

Financial sector product development via Financial Diaries

L-I-F-T | Low-Income Financial Transformation



Do you..

...need to customise your financial product portfolio to increase your clients' satisfaction?

...want to offer truly innovative financial services that address pressing financial challenges?

...need to pilot or prototype-test your product?

Classical approaches to product development require perseverance, patience and deep pockets. Few organisations can afford the long throughput time. Product development usually follows a process of sequential phases. Each of these phases typically takes relatively long and earlier shortcomings might be hard to correct later. For instance, at

the product design phase it turns out that the market research did not ask all the right questions but it would be costly to revisit the market research stage. Or the pilot stage might have overlooked a promising tailoring to a service and there is not enough time to also pilot the customization.

An innovational approach to product development is Human Centered Design which follows a faster, highly participatory product development method. However, only a handful of people worldwide have the participatory skills and truly original minds to successfully design useful and appropriate new products through HCD. Costs are excessive for most organisations and successfully integrating these methods within organisations often fails. L-IFT, a company specialising in Financial Diaries now offers an alternative product development solution that significantly reduces these drawbacks.

What are “Financial Diaries”

Financial Diaries research is a straightforward but powerful research methodology. It interviews the same respondents repeatedly (weekly or biweekly) over an extended period of time (half a year to a year) about all their financial transactions as well as finance-related needs, desires, preferences and feelings. The Financial Diaries methodology offers some advantages: Firstly, they track in detail all the financial ups and downs over a long period and thereby providing much better insight into the reality of low-income people's finances. Secondly, a by-product of this particular methodology results in a far deeper level of trust between the respondent and the researcher which makes the data more reliable and makes it feasible to investigate more private and more complex issues.

Diagnostic power of Financial Diaries:



It lays bare people's fundamental financial management challenges that financial service providers may not be aware about



It demonstrates usage of current products: how people use certain services to solve which situations and, importantly, in which situations they use alternative options and why



It gathers invaluable data regarding the users' experience: what do clients appreciate about the current services, what not, and do they have suggestions for improvements

Financial Diaries process leading to product development:

L-IFT's Financial Diaries are specifically suited to product exploration and prototyping:



Intensive dialogue with a large number of people: product ideas can be tabled during the frequent interviews and suggestions on features collected from the respondents who are, after all, potential users/new customers



Future users themselves designing products they need: Researchers and respondents together explore solutions to financial challenges and identify the ideal characteristics for these products



Alpha testing: L-IFT can run several alpha versions of products simultaneously with various

sub-groups of respondents each testing one alpha version. Subsequently diaries can support identifying the most appropriate product design at an early stage.

The combination of these advantages means vastly improved cost savings, as it avoids revenue intensive beta-testing with sub-optimal products. Product roll-out will take place after several alternatives have been tested, when products have already demonstrated their worth, have gone through several rounds of tweaking and when it is already known to which user groups the product is attractive. This ensures that costly product launches only happen for proven products.

Examples of learnings from L-IFT diaries

Sudden income peaks:

Financial services (both savings and loans) are designed to achieve a “meaningful lump sum” and clients pay for this in small amounts. In the case of savings people first set small amounts of money aside until it accumulates to a meaningful amount and then withdraw the amount. In case of loans, clients start by accessing the meaningful amount and this is repaid in small instalments.

In L-IFT's Financial Diaries many people also reported challenges on almost the reverse problem: “What to do with sudden large sums of money”. Quite a number of the respondents received such sudden lump sums occasionally, particularly in the agricultural sector. Our

respondents then often went into a frenzy and purchased goods that seemed like good investments at the spur of the moment. Keeping the money in cash is too risky – due to risk of theft but also problems of self-control. Many of these sudden investments did not pay off, such as second-hand motor-bikes that had huge repair costs, merchandise that had less market value or got spoiled. According to L-IFT's Financial Diaries there is a significant opportunity to provide savings products for lump sums where the payout may be either small amounts gradually over time (annuity account) or a delayed lump sum when people have had more time to identify a ‘wise’ purchase.

Asymmetry of income and spending needs:

In most developed countries one speaks of “making it to the end of the month”. In several financial inclusion surveys this is one of the explicit questions. In L-IFT's financial diaries we have found that only a minority receive pay in monthly lump sums and making it to the end of the month is not an issue. Pay can be daily, weekly, bi-weekly or per season as it is for most farmers. For most pay is unpredictable.

L-IFT also found in financial diaries that people use informal financial services according to the frequency of their pay. There are different money lenders for those earning their casual labour wage on a daily basis and those earn-

ing seasonally as farmers, and of course there are pay-day lenders for those earning weekly or bi-weekly. Those who earn a daily wage face challenges paying monthly sums, e.g. rent, school fees or electricity bills.

L-IFT identified an opportunity for financial service providers to bridge the asymmetry of income and costs, e.g. offering daily labourers automatic savings for monthly school fees or monthly utility bills, designing loan services with repayment schedules that match exactly the income frequency. Altogether, L-IFT recommends financial service providers to closely study the product offerings of money lenders. They often have far better designed financial products.

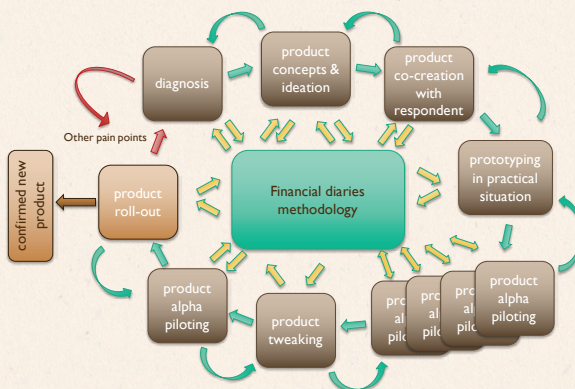
Beyond diagnosis....

To know which ‘pain points’ to relieve with which type of service is only the very first element in the product development process. In addition to diagnosis, we need concept testing, participatory reciprocal ideation, product design, prototyping and piloting and process design for roll-out....

L-IFT's Financial Diaries manage all these tasks through one simple mechanism, the diaries interviews.

L-IFT financial diaries can perform all the crucial product development elements dynamically and interactively, rather than rigidly and sequentially.

Product development process



Product development packages Over the course of 8 months we can deliver:

Deliverable	Required	Throughput time
First diagnostics	Setting up diaries, sample selection, sample size of 200 to 400 people	week 9
Product concept testing report	Interactive interviews, participatory discussions on product ideas, suggestions for alternatives	week 11
Product designs	Suggestions for product features, earliest forms of prototypes, visualization and mock enacting of products	week 13
Prototypes of products	Based on product design stage, products developed in mock version, as close as possible to the real thing	week 15
Product prototyping testing streams	Each stream tested with at least 50 persons	week 21
Product piloting	After customisation, these products will already be embedded into service delivery system (e.g. withdrawal can take place from ATM)	week 22 to 33
Continuous client feedback and product adjustment process	Highly dynamic interaction with users through the diaries interviews	week 24-33
Final product(s) design and roll out plan	All processes designed, technology identified	Starts week 35



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