Global Customer Segmentation Framework for Financial Health

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DATA + STRATEGY + DESIGN

We use data, strategy, and design to generate actionable insights and build innovative products and services.

Our mission is to leverage the best of the private and public sectors to raise global living standards and mobilize effective responses to the world’s most pressing issues.
THE WORLD WE LIVE IN

Enormous untapped market potential in emerging economies with billions of people

Limited data and a poor understanding of the vast majority of people in those economies

Limited usage of digital products – especially digital financial services – caused by poor product fit
THE WORLD WE ENVISION

We need a **holistic, specific, actionable understanding** of consumer markets in emerging economies

- New data driving a textured, nuanced and differentiated understanding of consumers in emerging economies
- **Segment-specific insights and opportunities** that are scalable and actionable
- **Tailored offerings** (strategies, products, messages, and channels) to develop and seize untapped opportunities
Global Customer Segmentation

OUR APPROACH

• Most FSPs in emerging markets use basic contextual and demographic variables for segmentation, overlooking important patterns and thus failing to engage BoP customers.

• Understanding the psychological and behavioral dimensions of financial decision-making will help providers improve products tailored to the needs of the BoP and marketing efforts.

• Our team use a segmentation approach based on demographic, behavioral, and psychometric variables.

Integration of demographic, behavioral, and psychometric variables.
1.86 billion people
6 countries
35 segments
11,500 surveyed
650+ variables measured
How We Did It

**Survey Design**

We created an extensive survey questionnaire customized for each country

- Using in-depth HCD, we designed a survey with over 100 questions on contextual, behavioral, and psychometric variables
- We made each survey relevant to country contexts, factoring in local nuances, questions on media, and feedback from local financial service providers

**Data Collection**

We ran the survey to 1,200 - 3,000+ people across each market

- We employed a stratified randomized sampling method to achieve a nationally representative respondent pool
- The questionnaire took 45-minutes in total

**Segment Identification**

We used a K-Medoids statistical method to identify and size 4-6 segments in each market

- We grounded our analysis in country specific qualitative data and insights that we generated through initial HCD research
- We identified clusters with similar characteristics based on K-medoids approach, which groups respondents into clusters based on common survey responses

**Product and Service Design**

We conducted follow-up HCD research in India and Pakistan to co-design segment specific offerings

- Leveraging our quantitative data, we conducted follow-on design research to capture segment-specific needs and aspirations, and co-design tailored offerings
- We used this understanding to prototype segment-specific product concepts with consumers and identified channels to target, modes of communication, and message framing
A Mixed-Methods Approach

Combined tools and approaches from HCD, market research, behavioral science

Varied approach helped us surface psychological dimensions of financial decision making, and allowed us to test concepts along the way

Helped us understand the contextual, behavioral and psychometric variables that matter the most in financial decisions and behaviour

Leveraged behavioral science to see how that our understanding relates to the global literature
Qualitative Research Output

76 IN-DEPTH USER PROFILES

Deeply grounded data analytics

Relatable insights and holistic human understanding

Test targeted offerings against beliefs of real people

Rich and compelling storytelling
Sample Survey Questions

<table>
<thead>
<tr>
<th>Type</th>
<th>Example Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic and transactional questions</td>
<td></td>
</tr>
<tr>
<td>• Demographic: Age, Gender, household context, education, employment situation, social network, socio-economic status</td>
<td>• What is your relationship to the household head?</td>
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<tr>
<td>• Financial approach/management: basic FPS usage, main money interaction channels, phone access</td>
<td>• On average, how many people do you speak to using your phone?</td>
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<td>• What messaging service do you use?</td>
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<td>Psychometric questions</td>
<td></td>
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<tr>
<td>• Self-efficacy</td>
<td>Example statements: Rate each of these Example statements on a scale of 1 to 5 with 1= strongly disagree to 5=strongly agree:</td>
</tr>
<tr>
<td>• Conscientiousness</td>
<td>• You always return a favor. [Dependability]</td>
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<tr>
<td>• Trust in people</td>
<td>• Most people can be trusted. [Trust]</td>
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<tr>
<td>• Respect for authority</td>
<td>• When I get what I want, it's usually because I worked hard for it [Locus of control]</td>
</tr>
<tr>
<td>• Dependability</td>
<td></td>
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<td>• Safety of saving</td>
<td></td>
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<td>Behavioral questions</td>
<td></td>
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<tr>
<td>• How individuals:</td>
<td>• Where do you find valuable and trustworthy information on financial matters?</td>
</tr>
<tr>
<td>o Engage with the community</td>
<td>• How often do you take part in religious services or ceremonies?</td>
</tr>
<tr>
<td>o Manage their day-to-day lives</td>
<td>• Suppose somebody close to you gains a lot of wealth and decides to give you a gift. Please tell us how much you spend on family, save in a bank, keep at home, spend on a future expense or spend on equipment</td>
</tr>
<tr>
<td>o Seek advice</td>
<td></td>
</tr>
<tr>
<td>o Respond to risk</td>
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Data Analysis

• Cluster Analysis
  o Grouping of set of objects in such a way that objects in the same group (called a cluster) are more similar to each other than those in other groups

• Silhouette width criterion

SEGMENT IDENTIFICATION

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Clustering Output

35 SEGMENTS

Defined through statistical analysis

Interpreted and enriched with HCD insights and storytelling drawn from user profiles

Robustly described in terms of contextual, behavioral and psychological characteristics

4-6 segments per market
To understand individuals’ current financial health, we quantitatively examined their behavior along the five dimensions of the BMGF-CFSI-CFIA* global financial health framework.

**Planning and Prioritization**

Deliberately shaping income, building reserves, and cultivating receivables to achieve priorities.

**Building Reserves**

Building reserves by storing value in a manner that balance their unique needs for financial liquidity, security, and returns.

**Shaping Expenses**

Managing the size and timing of expenses to better meet needs and aspirations, and manipulating expense size and timing to better match expected income.

**Cultivating Receivables**

Cultivating access to financial resources a person can obtain, but does not currently hold; e.g., building reserves to establish credit, and making investments in social safety nets.

**Shaping Income**

Managing the size and timing of earnings, and improving income reliability to best meet need and aspirations.
Four Kenyan Segments

Open Individualists
Mostly males with primary or secondary education who perform casual work or farm. They have volatile incomes but save on a semi-regular basis. Open individualists have low trust in people and social financial networks, but are open to new things.

Resilient Cultivators
Typically female farmers with primary or secondary education who farm. They demonstrate strong financial health behavior and use diverse social financial tools. Resilient Cultivators have a deep connection with their community and strong belief in a better future.

Vulnerable Pessimists
A mix of younger and older people. Vulnerable pessimists are mostly females with limited education who rely on their family for support. They use formal and informal financial products infrequently. They have low self-esteem and low openness to new things.

Educated Elites
Generally males in the top two socioeconomic status brackets who are formally employed or self-employed. They exhibit the strongest financial health behaviors and use diverse financial tools. Educated elites are conscientious and optimistic about the future.
**WHO ARE THEY?**
- Age 25-34 (35%) or 35-44 (30%)
- 72% female
- Primary (53%) or secondary (40%) education
- Farmers (49%) or self-employed (20%)
- Married (71%)
- Spouse (50%) or head of household (40%)

**HOW IS THEIR FINANCIAL HEALTH?**
- Financially healthier than the average Kenyan
- Mainly use informal financial services
- Fairly conscientious financial planners and managers
- Monthly or weekly savers; less likely to invest than most Kenyans
- Relatively high resilience to economic shocks
- Low income volatility, despite farming being a primary or secondary occupation for most
- Extensive social networks

**WHAT DRIVES THEM?**
- Deep connection and trust in their community
- Strong belief in a better future
- Strong identity as dependable contributors and providers
- Disciplined and goal oriented
- Low levels of openness to new things

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"It's my principle. You don't help someone to get something in return...but I can't deny that there is an expectation. They come when there's a need and I also come when there's a need. “ – Marion, Limuru
OPEN INDIVIDUALISTS

WHO ARE THEY?
- Age 35-44 (36%) or 25-34 (25%)
- 62% male
- Primary (51%) or secondary (41%) education
- Casual workers (28%) or farmers (26%)
- Married (59%) or single (27%)
- Head of household (67%)

WHAT DRIVES THEM?
- Low trust in community
- Belief that community is unequal
- Negative outlook for the future
- High self-efficacy
- Relatively high value in savings

HOW IS THEIR FINANCIAL HEALTH?
- Relatively strong savers, primarily through mobile and family
- More likely to invest than most Kenyans
- Relatively low resilience to economic shocks, likely due to poor support networks
- High income volatility, in part related to occupations being farming and casual work
- Frequent phone users

"I don't like being close to people because of money. In some way, there is respect lost when you borrow from someone."
- Kamau, Kitui
"The potatoes aren’t very good, but they only take three months [to grow]. I plant them and then wait for it to rain."

- Scovia, Nairobi
I Google. I like to read. Whatever will come, I will learn from it. I also learn from example, by those neighbors who are doing well."

- Nyongesa, Limuru

**WHO THEY ARE?**
- 25-34 (46%) and 35-44 (26%) years old
- 70% male
- Secondary education (70%)
- Self-employed (39%) or formal employment (37%)
- Married (63%) or single (33%)
- Head of household (72%)

**WHAT DRIVES THEM?**
- Confidence in banks and authority
- High self-esteem and self-efficacy
- High conscientiousness and low impulsivity
- Strong optimism about the future
- Highest openness to new concepts

**HOW IS THEIR FINANCIAL HEALTH?**
- Strongest financial health of Kenyans – highest scores across all four of five behaviors examined
- High usage of formal and informal financial tools
- Strong financial planners
- Frequent rates of saving and borrowing
- Low income volatility
- Expansive social networks

**EDUCATED ELITE SEGMENT IDENTIFICATION**
Cluster predictions – Predictive Model

- Four clusters resulted from the clustering algorithm (Kenyan dataset)
- Analysis done to identify key variables (financial and psychometric variables) that best predicts cluster assignment of new respondents.
- This would assist FSPs in knowing the characteristics of their customers.
Thank you!