Channels Methodology for Microfinance Institutions

Accion Digital Solutions

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What is it?

Utilizing a foundation of decades of experience in designing and implementing digital financial services around the world, Accion's Digital Solutions team has created a simple *Channels Methodology*.

The Methodology aims to support Microfinance Institutions (MFIs) to properly plan, pilot, roll-out, and operate scalable and effective digital delivery channels, such as mobile banking, mobile point of sale, agent banking and other forms of branchless banking. Embedded within are best practices, key activities, tools, and components that should be in place in order to allow digital financial services (DFS) to thrive and scale. The approach is designed to help organisations remain agile, facilitating continuous improvements as monitoring and evaluation insights inform necessary adjustments.

By sharing the best practices, tools and guidelines we've developed, we hope to advance industry knowledge to facilitate future development and usage of digital financial services.

How is it used?

The *Channels Methodology* is applicable but not limited to two main use cases:

- The planning and implementation of new DFS delivery channels
- The review of existing DFS channels as a way to revisit certain steps and diagnose areas for improvement

In each case the Methodology defines a structured approach, which is universally applicable across all DFS channels.

Structure of the Channels Methodology

The structure of the Methodology consists of 8 components comprising a high-level process flow for the planning and implementation of DFS channels. Underpinning each component is a requirement to constantly assess and review potential risks, taking action where appropriate. Figure 1 describes the structure of the Channels Methodology illustrating that each stage is secured by risk assessment.
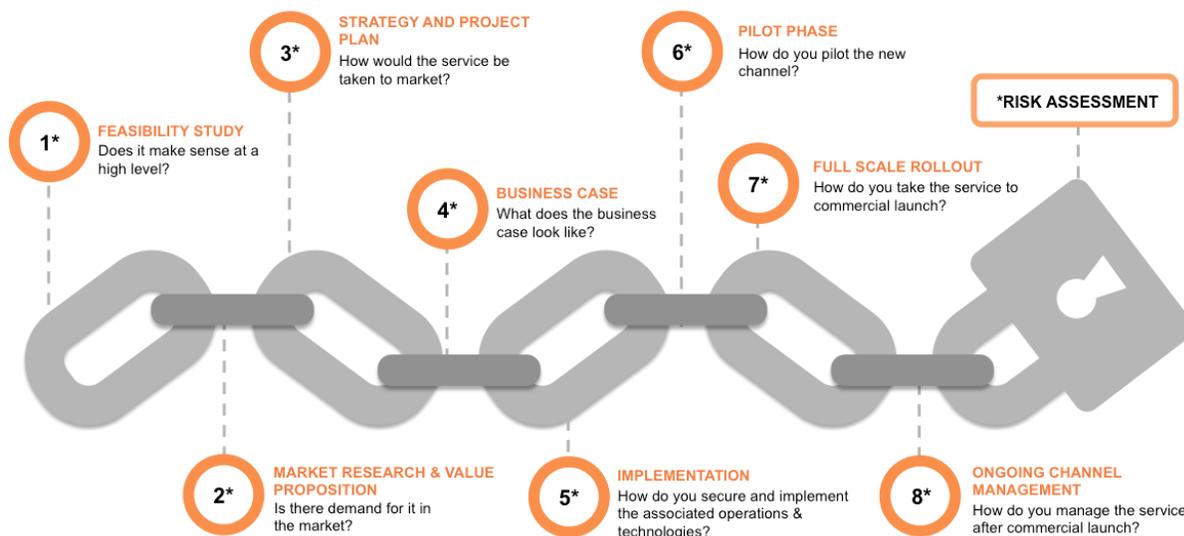

3* STRATEGY AND PROJECT PLAN — How would the service be taken to market?

6* PILOT PHASE — How do you pilot the new channel?

*RISK ASSESSMENT

1* FEASIBILITY STUDY — Does it make sense at a high level?

4* BUSINESS CASE — What does the business case look like?

7* FULL SCALE ROLLOUT — How do you take the service to commercial launch?

2* MARKET RESEARCH & VALUE PROPOSITION — Is there demand for it in the market?

5* IMPLEMENTATION — How do you secure and implement the associated operations & technologies?

8* ONGOING CHANNEL MANAGEMENT — How do you manage the service after commercial launch?

Figure 1: Structure of the Channels Methodology

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Understanding the Components of the Channels Methodology

Each of the methodology components can be categorized as either planning or implementation stages as defined below. Figure 2 identifies subcomponents within each.

Planning: When deploying digital channels, a brief feasibility study is the first step in gaining a good understanding of what is possible and the potential for success, considering your market environment, institution and target clients. It will also provide a clear path and help with decision making and planning. This is followed by deeper market research and finalizing the value proposition, strategy, project planning and business case. Collectively, these steps can all be considered part of the planning phase.

Implementation: Execution of the plan comprises operational and technical implementation, pilot and roll-out phases, and ongoing channel management, with activities related to process, technology and communications, training, marketing, customer service, and monitoring.

Throughout the deployment of a channel, risks should be identified, assessed, and mitigated. Figure 2 provides a high level summary/checklist of the components of the Channels Methodology:

PLAN	
Feasibility Study	
Draft Project Charter	
Conduct an External Analysis of the market environment	
Conduct an Internal Analysis of the organization's readiness	
Create High-Level Business Case	
Present Overview of Feasibility Study Findings	
Make Go/No-Go Decision and How to Go Decision	
Market Research and Value Proposition	
Identify and size the target market	
Perform market segmentation	

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Perform demand-side research (including customer behavior and needs)	
Learn from the results and translate into services/products	
Conduct concept testing for value proposition and product(s)	
Strategy & Project Plan	
Define the priority and timeframe of objectives from the project charter draft	
Define impact metrics (KPIs)	
Define customer outreach/acquisition strategy	
Identify business requirements	
Identify partners and strategy. Define partnership scenarios and value proposition	
Develop project management approach	
Define market strategy	
Map financial products (new and existing) to channel(s)	
Finalize partners and engagement strategy	
Finalize project charter	
Consolidate and refine the high-level business case	
Assess the business case and Develop financial model	
Define assumptions and scenarios	

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Identify payment and pricing models	
Define cost inputs	
Identify cost savings	
Confirm potential revenue streams	
Calculate potential savings	
Perform total cost/benefit analysis for the pilot and if possible roll-out phase	

IMPLEMENT

Implement Channel (Technical / Operational)

Review and develop processes, procedures and policies (including agent network, segregation of duties and customer service).	
ICT: Define / Refine overall project plan and functional specifications	
Define technical specifications	
Training and Education planning	
Call center and helpdesk support	
Define disaster recovery and business continuity plans	
Marketing plan development	
Measurement and impact planning	
Development and Testing	

Pilot Phase	
Define pilot plan	
Perform pilot staff training and client education activities	
Define metrics that will measure pilot objectives	
Execute marketing activities	
Launch pilot	
Monitor and evaluate Pilot	
Make Go/No Go Decision	
Full Scale Rollout	
Define rollout approach and strategy and address issues identified during pilot	
Perform staff training	
Implement full scale helpdesk and call center support	
Implement full scale marketing plan	
Implement monitoring and evaluation plan	
Ongoing Channel Management	
Perform regular monitoring, focus on driving customer adoption	
Assess customer experience	
Conduct on-going staff training	

Conduct further market research (e.g., customer satisfaction surveys)	
Perform further marketing activities	
Perform ongoing customer education	
Adjust service as necessary (functionalities, pricing, support, offering)	

Risk Assessment	
Channels methodology risk review	
Operational risks	
Financial risks	
Reputational risks	
Technology risks	
Regulatory risks	
Other risks	

Figure 2: Components of the Channels Methodology

Channels Methodology tools, Guidelines and templates

Accompanying each component are tools, guidelines, templates and best practices specifically engineered to assist in the execution of associated tasks. These tools, templates and guidelines are designed to be customized appropriately to the dynamics of each individual implementation.