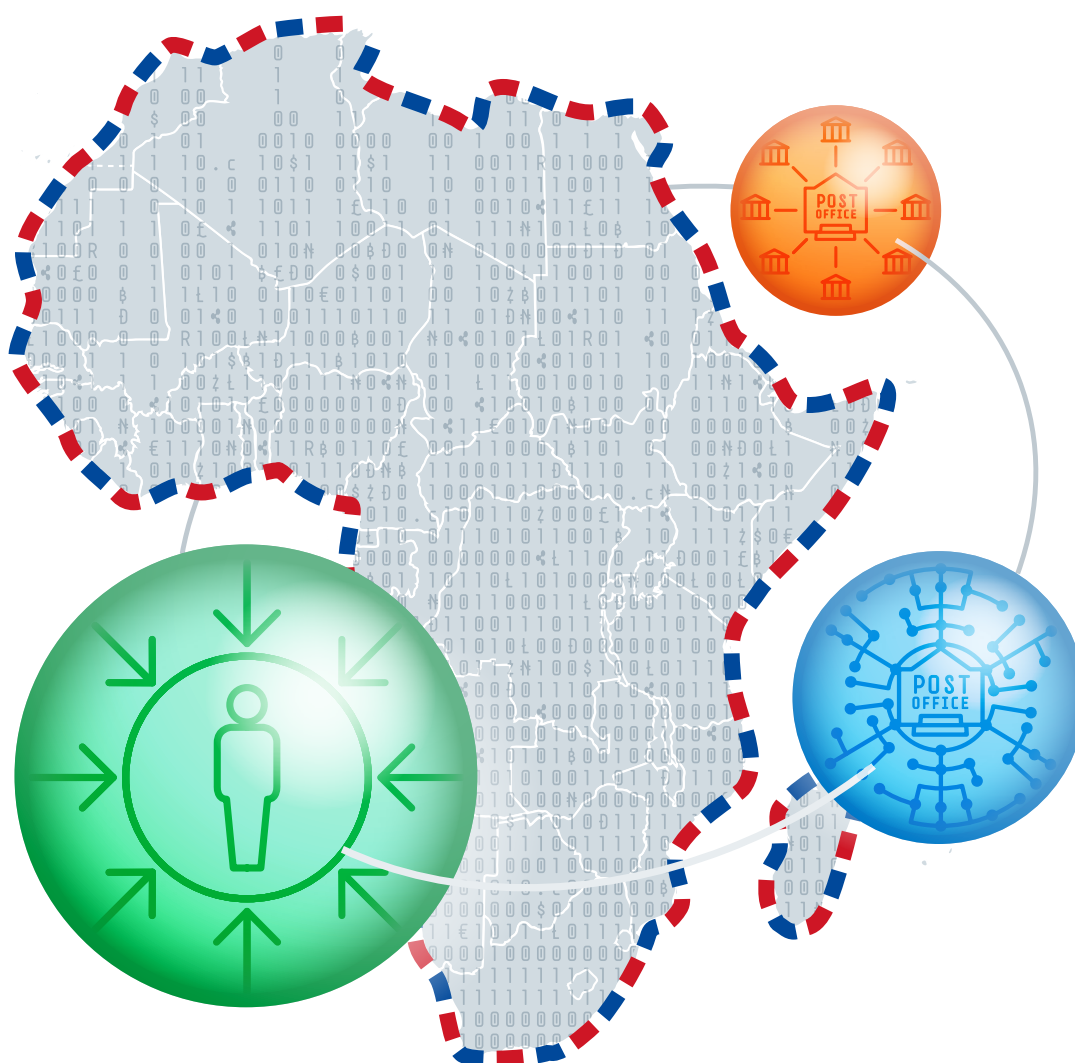


How post offices can leverage the impact of remittances

A set of working papers



Delivering trust: how customer centricity can ensure the future of post offices

This set of working papers results from the outcomes of the African Postal Financial Services Initiative (APFSI), a unique broad-based partnership led by the Financing Facility for Remittances (FFR) of the International Fund for Agricultural Development (IFAD), and bringing together the World Bank, the Universal Postal Union (UPU), the World Savings and Retail Banking Institute (WSBI), and the United Nations Capital Development Fund (UNCDF). The joint goal of this regional programme, completed in 2018, was to enhance competition in the African remittance marketplace through supporting and enabling African post offices in offering financial services. More specifically, it aimed at promoting a cheaper, faster, more convenient and more client-friendly transfer of remittances, particularly to rural areas, while fostering dialogue among stakeholders, regulators and policymakers. The APFSI programme was co-funded by the European Union (EU).

Further information is available at this link: www.ifad.org/en/apfsi



ACKNOWLEDGEMENTS

These working papers were prepared by Hans Boon, Senior Expert on Postal Networks and Remittances at IFAD's FFR, under the supervision of Pedro de Vasconcelos, FFR Programme Manager, and Mauro Martini, FFR Programme Officer.

The FFR acknowledges the contribution of Michael Hamp, Lead Regional Technical Specialist, Rural Finance, Markets and Value Chains at IFAD's Sustainable Production, Markets and Institutions Division (PMI), Maria Elena Mangiafico, PMI's Knowledge Management and Grants Officer, Bibiana Vásquez, FFR Monitoring and Evaluation Specialist, and Frédéric Ponsot, FFR Remittances and Financial Inclusion Specialist, for their time and expertise kindly provided during the internal review process.

The papers have been editorially reviewed by Alessandra Casano, FFR's Knowledge Management Specialist, and Rosanna Faillace, FFR Programme Assistant, with graphic layout by Andrea Wöhr and proofreading by Aymen Khalifa.

The opinions expressed in this publication are those of the author and do not necessarily represent those of the International Fund for Agricultural Development (IFAD) and its partners, or the governments they represent. IFAD and its partners do not guarantee the accuracy of the data included in this report. The boundaries, colours, denominations and other information shown on any map of this publication do not imply any judgement on the part of IFAD and its partners concerning the legal status of any territory or the endorsement or acceptance of such boundaries. The designations "developed" and "developing" countries are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.

© 2020 by the International Fund for Agricultural Development (IFAD)

TABLE OF CONTENTS

Abbreviations and acronyms	2
Glossary	3
Executive summary	4
1 Introduction	6
2 Why customer centricity?	7
3 Customer experience is key to increasing and diversifying revenue	11
4 Keeping customers satisfied	14
5 The pillars of customer centricity	15
6 Building customer centricity is a journey; reaching maturity takes time	17
7 Measuring customer centricity: The metrics of new key performance indicators	19
8 Customer centricity terminology	22
References	28
 Figures	
Figure 1: AI's impact on front-line marketing operations	23
 Tables	
Table 1: Product-centric versus customer-centric business models	12
Table 2: Customer-centric maturity model	17

ABBREVIATIONS AND ACRONYMS

AI	artificial intelligence
APFSI	African Postal Financial Services Initiative
ATM	automated teller machine
CLV	customer lifetime value
CRM	customer relationship management
CSAT	customer satisfaction score
DBMS	database management system
ERR	early repeat rate
FFR	Financing Facility for Remittances
IFAD	International Fund for Agricultural Development
KPI	key performance indicator
NPO	national postal operator
NPS	net promoter score
ROI	return on investment
SMS	short message service
SVC	single view of the customer
VOC	Voice Of the Customer

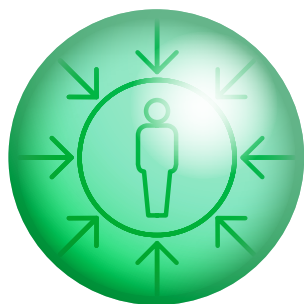
GLOSSARY

Postal terminology

National postal operator (NPO)	The incumbent organization or entity
Post or mail	Letters, postcards, printed matters, small packages and parcels
Postal service(s) or mail service	The organization or system for physical transport and logistics of post or mail items
Post or post office	Retail outlet accessible for the public for services provided by the NPO
Postal network	The chain of retail outlets used by the NPO
P.O. box	A uniquely addressable lockable box located on the premises of a post office and rented to the user for receipt of mail items
Postal money order	A money order is a service and messaging system provided, operated and owned by the NPO whereby the sender pays the amount plus a commission at the post office and upon notification the recipient picks up the money at a post office
Postal financial services Postal banking	A range of basic financial services accessible at post offices of which the distribution is organized by the NPO
Postbank	A brand or trademark of a licensed financial institution for financial services distributed by the NPO via post offices (alternative brands are: postfinance, postpay, postcash, etc.) Name of a financial institution whose origin stems from links with the NPO
Post office savings bank (POSB)	Historic agency agreement between the Minister of Finance and the Postmaster-General to (i) collect small deposits via post offices and (ii) invest those monies in the state's treasury. In several cases this evolved into a separate institution
Universal Service Obligation (USO)	The NPO's regulated duty to ensure a certain level of availability, accessibility and affordability to a basic range of postal services

Remittances terminology

First mile	Sender's side: colloquial term related to the distance of the sender to the point of access to transfer a remittance
Last mile	Recipient's side: colloquial term related to the final leg of the transfer of money to be collected by a recipient
Money transfer operator (MTO)	A licensed business entity that provides and organizes money transfer services between agents in the first mile and agents in the last mile



Delivering trust: how customer centricity can ensure the future of post offices

Addressing the technical, operational, cultural and strategic dimensions of customer centricity

EXECUTIVE SUMMARY

This working paper is designed to explain the concept of customer centricity and how it can be implemented by national postal operators in Africa. The changes in the postal industry and the broader environment of communication, finance and shopping deeply impact the traditions of Posts as monopolists. Perhaps the biggest change is not the strategic diversification into new services and the use of new technologies, but rather the need for a great mind shift towards a new paradigm and sustainable transformation of the Posts to view the customer as the centre of their services. A new generation of customers is emerging who came of age in the digital economy. They own mobile handsets and have never written or sent a physical letter. How does the post office reposition itself to be a preferred point of service?

The paper explains the rationale of customer centricity for post offices. It can be considered a condition to survive and transform into a sustainable and profitable operation, mainly through diversification toward demand-driven services and reducing the cost of traditional, supply-driven services.

There are seven pillars of customer centricity that provide a framework for action, giving Posts the insights needed to track, measure and improve.

There are seven pillars of customer centricity that provide a framework for action, giving Posts the insights needed to track, measure and improve. These pillars include experience, loyalty, communication, assortment, promotions, price and customer feedback. Ultimately, it is about loyal customers increasingly using services offered by the Post that drives business and growth.

Transformation is not achieved in a few days. It requires changing the shape and course of a huge operation, shedding off the past and building a future. This paper provides a roadmap for Posts to move



from a traditional product-centric business to one that focuses on the customer and nurtures greater loyalty and achieves higher profits. When implementing the roadmap, it is essential to keep track of progress and objectively measured results.

This requires a new set of performance indicators, not only productivity indicators. The paper presents and explains the most frequently used critical performance indicators for measuring customer centricity.

The paper also introduces readers to a new set of terms and definitions used in the arena of customer centricity. The last chapter presents many of the terms used and the ideas behind them.





INTRODUCTION

The fourth industrial revolution with its digitalization and rapid pace of innovation has altered the patterns of daily life forever. For the postal world, these changes have resulted in the swift decline in letter mail and the sharp rise in providing access to digital financial services and in parcel delivery due to the growth in global online shopping.

The question is whether African national postal operators (NPOs) still have a place in this new digitized environment, which is characterized by new norms in customer expectations for transparency, speed, choice, convenience, reliability and more.

The answer is obviously yes. Postal peers are reinventing themselves to adapt to the changing landscape. While Africa's megacities and Millennials who have grown up using mobile devices have kept pace, vast segments of the population are not yet included. Fortunately, post offices appeal to the people who are underserved by other channels, and in particular to rural households and poor populations with limited access to the financial system. In order to survive, NPOs must transform to meet the changing needs of the customer. However, now the playing field is much wider, with non-traditional providers competing with traditional postal players for market share in delivery solutions, and as a result the primary activity of many post offices is the delivery of financial services in rural areas.

This paper provides insight to policymakers, stakeholders and managers with a look at the impetus for NPOs in Africa to make customer centricity a core aspect of their business in a highly competitive market for rural access to financial services.

Postal peers
are reinventing
themselves to adapt
to the changing
landscape.



2

WHY CUSTOMER CENTRICITY?

The African postal landscape has dramatically changed in the past 20 years, which has had a major impact on how Posts interact with their customers.

Marginalized letter mail volumes impel to transform

The electronic substitution of physical letters is a global trend. Since the 1990s, traditional letter mail volumes have declined by more than 65 per cent in Africa. These volumes were already quite low in comparison to the global average. In many cases, the volume has dropped to less than one item per capita per year. More than 50 per cent of postal traffic stems from inbound foreign mail, which points to a low domestic demand for sending mail. For most African countries, the annual volume of letter mail is equal to the hourly volume of messages sent via email, short message service (SMS), and social media. Generally speaking, every household has one or more devices for sending and receiving digital messages at a lower cost than the stamp to send a letter; and in many places receiving letter mail entails the cost of a P.O. box rental. Moreover, digital messages are received instantly in contrast to physical mail, which can take up to a week to arrive. This downward trend of the letter mail business in most African countries implies that the economic viability of the once core postal business has evaporated.

Moreover, there is the knotty issue of the relevance of postal services to younger markets. Generation X and Millennials do not use the post office for mail or communications; they prefer social networking, email and instant communications platforms. This situation raises the question of how NPOs will be able to maintain their credibility as a key communications and marketing channel in the future. While NPOs may view institutions and companies that undertake large mailing campaigns as their primary customers, in fact their customers are all the stakeholders in the delivery chain. Even large mailers and banks use Facebook, Twitter and similar channels to reach vital segments of their audience and to cut costs.

These societal changes create an urgent need for the Post to find alternative sources for growth and business, by focusing on delivering financial services, government services and e-commerce fulfilment, where feasible. As such, e-commerce is increasingly becoming a core business pillar for many NPOs in both developed and developing countries. The e-commerce market is set to grow from US\$17 billion in 2017 to US\$29 billion in 2022, according to research firm Statista, while McKinsey & Company predicts a growth towards US\$75 billion. However, it would be highly optimistic to expect that NPOs in Africa will easily follow in this development path as there are numerous impediments. One major hurdle is that e-commerce merchants must set up country-specific sites because of payment issues (most payment solutions operate in only one country), logistics problems, cultural differences and taxes. But this situation also presents an opportunity for African postal operators to strengthen their cooperation first in payments and in logistics.

Africa is primarily a mobile e-commerce market. Mobile devices, in combination with mobile-friendly payment systems, have opened up new shopping opportunities in places where physical stores often do not exist and infrastructure is lacking. As such, mobile commerce could be critical for rural development, enabling small farmers to order seeds, fertilizers and equipment online, and for other rural people to acquire health-related pharmaceutical goods and instruments and education-related teaching and learning materials.

Africans tend to be apprehensive about purchasing goods online because of fraud and delivery difficulties. This situation presents Posts the opportunity to build on their existing trusted image to become a player in e-commerce fulfilment. Unfortunately, the lack of a national street address system in most African countries is a major obstacle to doorstep delivery. This issue is particularly evident in the most remote and rural areas. Some African postal operators have recently begun promising initiatives to correct this problem using GPS location solutions. Even with such innovation, e-commerce fulfilment often requires the delivery person and the customer to stay in constant contact by mobile phone on the day of delivery. These conditions, in combination with the lack of infrastructure (e.g. paved roads), make global logistics companies hesitant to enter deep rural markets. Last mile delivery can be extraordinarily expensive. Couriers on bicycles or motorbikes make most deliveries in Africa. This situation presents a vast opportunity for NPOs; but for those Posts currently operating a delivery model limited to P.O. boxes in post offices, it will still require a large investment, recruitment of management, and other costs related to setting up a new business model.

A large segment of the African population is unbanked. Older consumers prefer cash on delivery, which is still the dominant method of payment in Africa. Luckily, about 280 million Africans already have mobile wallets, which is three times greater than the number of Africans with bank accounts. The typical African digital consumer averages 19 years old; and this trend in younger customers presents opportunities for NPOs to increase financial inclusion and interoperability with digital or online payment solutions.

The growth forecasts are exciting, and they are attracting the attention of many players: postal operators, the big global integrators (e.g. DHL, UPS, FedEx), major regional parcel players and many small local players – all competing for the same customers. In addition, major e-commerce companies have extended their offerings downstream, providing their own parcel delivery services.

In this highly competitive environment, excellent customer experience becomes a key differentiator; as such, it should rank as top priority for Posts. For the remaining business of letter mail (mainly document handling), in combination with services such as registered mail, insured mail and express mail, Posts should offer customer-centric solutions to prolong profitable business with these clients, and not lose them to new market entrants.

The frontier lines of the postal sector have been blurred

Before 1990, postal services were operated in most parts of Africa under an extensive, broad monopoly for letters, parcels, printed matters and courier services. Postal services were considered a relevant, separate sector of the economy, with annual



© IFAD/Andrew Esiebo/Panos

revenues well above 1 per cent of the gross domestic product in many places. However, the concurrence of liberalization, increased competition and technological substitution brought significant change, which today challenges the justification of talking about a postal sector. Some speak about a subsector and others about a postal industry. The lines between transport, logistics and postal have been blurred; the same is true for the lines between telecommunications, social media, advertising and postal. Likewise, historic postal financial services and modern digital financial services, or retail banking, have blended together.

Today, practically all postal products and services face fierce competition. With an Internet-driven electronic climate opening up markets and methods, as well as strong competitors with new concepts, there is a substitute for any given product in all customer segments, from individuals to small businesses to large companies and institutions.

The need for customer centricity

By making the customer the central aspect of doing business, Posts can thrive in the new landscape. The key components of customer centricity for NPOs are: product, access, services, relationship and price.

Product: The product range and selection must be one that meets customers' needs. When customers believe there are "holes" in the product portfolio, they look elsewhere. For financial services, customers prefer "one-stop shopping" with a complete package for their needs, including credit and insurance, as opposed to a few stand-alone products. For e-commerce, customers expect a combination of payment solutions and

fulfilment. For mailing services, customers want the choice of ordinary mail, next-day express delivery or same-day courier delivery. See Table 1 for more information on the differences between product centricity and customer centricity.

Access: Post offices are often commended for their easy, low-threshold access, proximity and convenience to products and services. As digitization becomes more common, customers increasingly demand both physical and virtual access to services, anytime (24/7) and anywhere (from home or on the move). Customers who are unable to obtain instant access to services may start to look for alternatives and limit their usage of the Post. So NPOs need to review and adjust the opening hours of their post offices to service their customers. Instead of closing at 4 p.m., they should remain open to accommodate those small traders and workers at farms or factories who would want to use the post office at the end of their working day. NPOs also need to provide access through multiple channels while ensuring that those channels appear coherent and synchronized. Further, customers are also deterred by long lines in post offices, difficult-to-navigate websites, and inconsistent service and answers across channels.

Services: Customers need value-added services, especially for more sophisticated products. NPOs need to take this into account whether working with large institutions, small farmers or poor households. Limitations in providing the services (e.g. closed after 4 p.m., not more than x amount, no such payment option, no doorstep delivery) can deter customers.

Relationship: NPOs often pride themselves in serving the nation and dealing with most of the population. Foot traffic to post offices can be very high. Postal tellers and letter carriers may know many customers by face, but none of this personal information is captured as data and thus post office visitors remain an anonymous flow. Typically, these customers are not identified, since no document is required to process basic operations (e.g. buying a stamp, or paying a bill). Knowing and tracking customer interaction and establishing a rapport and intimacy with customers is a challenge. Some data are readily available (bill payments include customer data; envelopes have address data), but taking advantage of these relationships requires the Post to capture digital data and store these in a database. Data mining eventually provides more insight in the profile and behaviour of the client and opportunities to improve the service.

Price: Competitively priced products and services are obviously another critical factor in customer centricity. Often NPOs are price leaders by regulation or policy, offering certain basic services at very low and affordable prices. However, transparency in pricing and enabling objective price comparisons remain challenges for NPOs. Because post offices often do not provide a clear and unambiguous overview of the cost of sending and receiving money, this situation may be one of the reasons why customers use the services of competitors – just because their price is known and looks better. Pricing of service packages, discounts for volume or for repeat customers often go unnoticed, which makes it easy for new market entrants and competitors to lure customers away from the Post.



3

CUSTOMER EXPERIENCE IS KEY TO INCREASING AND DIVERSIFYING REVENUE

Despite the emphasis that many NPOs place on operational efficiencies with the usage of modern technologies, such efficiencies often do not address the most critical issue facing them today: profitable revenue growth.

Improving the customer experience drives revenue growth and helps NPOs achieve better results in two primary ways:

- **Retaining a greater share of wallet from existing customers** by helping to ensure the core service is right, and by capturing additional revenue that may be typically allocated to competitors. In other words: measure the turnover of clients and find ways to cross-sell or deep-sell more services to those clients. This requires offering product packages and expanding those packages, rather than providing separate services or operations. The strength of Posts lies in combining financial services with other digital services along with traditional physical delivery.
- **Meeting unmet customer needs** by innovating and launching new products and services that focus on one or more dimensions of the customer experience. Those dimensions can be, for example, the proximity and convenience of the retail network of post offices, or in adding mobile and digital channels to provide more options to access services any time.

Improved customer centricity should be the Post's goal, and in particular in advancing financial inclusion.

NPOs active in financial services are historically more product-centric than customer-centric. However, given the competition, changing ecosystems and changing demands, remaining so could be quite risky. In view of the disruption also hitting the financial sector, Posts have an opportunity to differentiate and to provide customers packages of services across different sectors, including financial, (mobile) communications, documents and logistics. Table 1 contrasts the differences between a product-centric business and a customer-centric one.

Meet unmet customer needs by innovating and launching new products and services that focus on one or more dimensions of the customer experience.



Table 1: Product-centric versus customer-centric business models

Characteristic	Product-centric business model	Customer-centric business model
Strategy	focus on creating a portfolio of products that drive growth; new product development mainly dependent on production capacity	develop a portfolio of customers and customer segments that drive growth, and provide solutions (product packages) that meet target customer needs; customer relationship management and development are key
Value propositions	create innovative products, extend existing product lines, prolong product life and develop new features; value is measured per product, not per customer (segment)	create differentiated customer experiences that exceed those of competitors; provide a customer solution, and generate value throughout the customer journey
Pricing	regulated, partially below cost, and for non-regulated market-based prices	mixture of regulated tariffs, with market-based prices in addition to pricing based on loyalty, value, risk
Desirable customer	seeks more products and more advanced products	loyal, company advocate, aligned with customer strategy, profitable
Culture	underlying values support and reward product development, and production, increased sales, and product profit margins	underlying values recognize customers as profit drivers and reward employees for solving customer problems and driving customer-generated value; employees seen as internal customers
Metrics	focus on new product sales, production, efficiency, new product development, product profit margins, and increased market share of that particular product	focus on customer experience, customer retention, customer lifetime value, share of customer wallet, and customer profitability
Employee rewards	production volume, product scale or scope, product development, product sales, product profitability	behaviour aligned with company values, quality of customer experience, fixing customer problems, increasing revenue per customer, efficiency, profitability
Organizational structure	employees operate in product silos or “factories”, interacting with other functions to get product to market; product profit centres	business units linked across functions by teams or task forces that rally diverse functions around customer needs and segments; customer profit centres
Front-line staff	front-line staff (postmen, post office tellers) are part of the operations process and require higher-level authority to resolve customer issues; employee performance is measured by production and efficiency objectives	front-line staff have decision-making authority, skills and information to resolve customer issues; performance is measured by contribution to the differentiated customer experience
Processes	processes created within product silos or product centres; focus is on operational efficiency but processes get duplicated across silos, resulting in inefficiencies	processes optimized to serve the customer; efficiencies can result in expense reduction
Marketing	product managers drive most of all operations with technology and then look at marketing, sales and communication	customer teams manage customer segmentation, promotions, messaging and channel strategy, and overall go-to-market approach

Characteristic	Product-centric business model	Customer-centric business model
Branding	assume existing brand value to be attached to new products and for new markets	brand value generated by loyal, satisfied customers who recommend the Post to potential new customers
Service experience	through individual product channels (different desks in post offices, different phone number) or product experts, often managed independently; customers learn about product-related services and buy and receive post-purchase support, which sometimes results in multiple customer hand-offs for multi-product customers that can be confusing and costly to the customer and company	customers access the brand through multiple channels designed and managed to be efficient and consistent across the customer life cycle; limited customer hand-offs from one touchpoint to another; value creation at critical touchpoints in the customer journey. Essentially, the experience is consistently synchronized regardless of product or channel
Technology strategy	many customer data are not captured at all (customers at post office counters remain unidentified, customer information on mail items is not captured); customer data managed independently in organizational silos, which often limits the Post's ability to develop customer insights based on a comprehensive view of a customer's interaction	an enterprise-wide strategy that supports the capture and analysis of customer information from all points of contact; supports the generation and application of customer insights
Partnerships with external companies	little or no interaction with partners once customer is handed off; Post remains a transactional agent only, not in control of the customer; limited visibility into each other's systems	post and partners design join-up processes to create seamless end-to-end customer experience; access to partner IT systems to monitor performance of shared processes that affect the customer experience

Moving from product-centric to customer-centric cannot happen overnight. Posts should assess where they sit on the product/customer axis, and develop a strategy accordingly.

It is no secret that with few exceptions, African postal operators struggle to offer a stellar customer experience. In comparison with other industries such as telecommunications or financial services, the performance of Posts is perceived as lacklustre, but not hopeless. In the same way that telecommunications and financial institutions have evolved over the past two decades, so must NPOs expand their traditional approaches in order to meet customer needs and drive profitable growth.

Moving from
product-centric to
customer-centric
cannot happen
overnight.





KEEPING CUSTOMERS SATISFIED

How can Posts improve their approach to the customer experience?

As a first step in improving the customer experience, Posts should conduct an assessment of the current customer experience, asking questions such as:

- How does the Post currently approach customers?
- What are the Post's revenue retention and improvement opportunities?

Creating an awareness of the gap between where the Post is and where it aims to be is already a giant leap forward in setting a path to achieve transformation goals.

Posts actually sit on a goldmine to excel in customer experience but face challenges in exploiting and digging in to the opportunities. Successful Posts would have the ability to:

- track customer behaviour and satisfaction levels;
- generate insight from transactional information;
- create additional revenue opportunities from the insight gleaned; and
- adapt their operating model to focus as much on the customer as on operations.

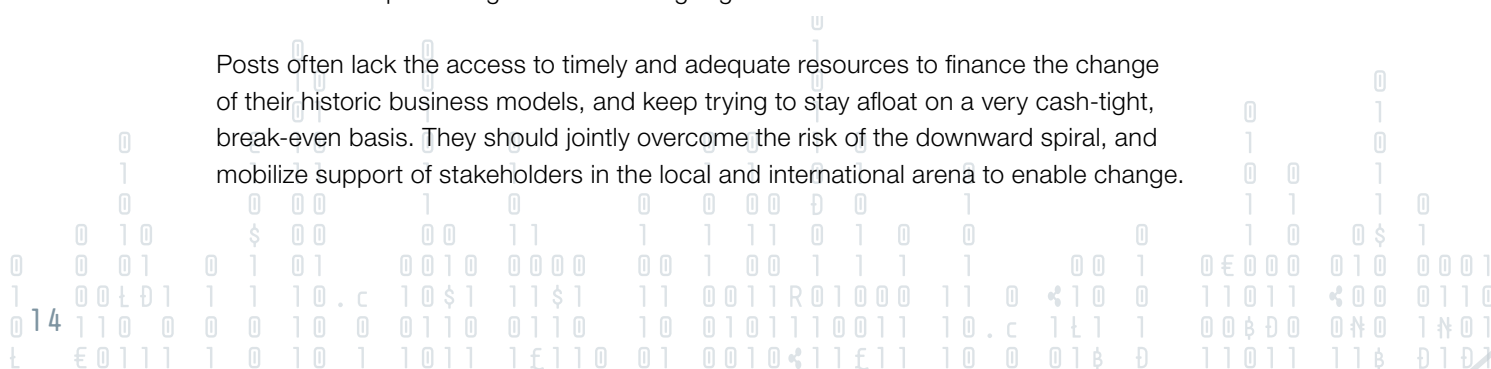
Doing so requires extensive data capture, database management, data mining, artificial intelligence and management to turn these data into usable information for improved customer experience with trained and skilled staff.

NPOs across Africa face several challenges in advancing an agenda focused on the customer experience.

Regulatory constraints often prevent Posts from enabling certain aspects of the customer experience. For example, pricing and product characteristics may be regulated and unchangeable. Perhaps more importantly, management teams often persuade themselves that taking action would be contrary to their mandate or regulations. However, the regulations do not prohibit a Post from improving customer centricity and changing operational models to focus on the customer experience.

Posts do not attract, develop and retain the talent and capabilities needed to better understand customer needs or to manage the customer experience as a strategic differentiator. They must overcome the challenge of regulated public-sector pay structures, limited "outside-in" recruiting, and the gravitational pull of operations, in order to develop a strong customer-facing organization.

Posts often lack the access to timely and adequate resources to finance the change of their historic business models, and keep trying to stay afloat on a very cash-tight, break-even basis. They should jointly overcome the risk of the downward spiral, and mobilize support of stakeholders in the local and international arena to enable change.



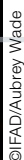
THE PILLARS OF CUSTOMER CENTRICITY

Experience: Make the customer experience easy, enjoyable and convenient. Posts that excel in customer experience make their customers happy or satisfied in such a way that they want to continue or increase usage of the services at the Post and to share their positive interactions with the Post with others in their social network.

Loyalty: Reward and recognize customers in a consistent way that is relevant to them. Loyal companies reward customers in ways that are meaningful. For Posts this could be reflected in recognizing loyal savers. Even if the deposits are small, a customer who keeps postal savings for 20 years needs to feel appreciation and be treated differently from a saver who held a deposit account for three months and then switched to another bank. The same can be said about senders and receivers of remittances. A loyal (repeat) customer who picks up a remittance for the seventh time in a year should be recognized and should be identified as a customer who might need a savings account and payment card.

letter carrier, tellers, mail or email, social media and SMS if they know who the customer is. Given their mandate in mass communications, Posts should be able to communicate with their customers.

Assortment: Have the right products and a strong variety of products to meet customers' needs. Posts do not need to have the widest selection of products, but they should be able to offer the ones their customers want. For Postal financial services it is particularly relevant to offer a complete range of products, including cashless or digital payments, a variety of savings programmes, credit and insurance; ideally these should be offered as packages tailored to the needs of the customers. By offering the right variety and packaging, Posts could appear superior in competition to banks, insurers, telecoms or other retail chains. The combination of postal, logistics, communications,



financial services, government services and other retail is unique – creating value when offered as a package to the evolving needs of the customers.

Promotions: Leverage promotions on the services that are most appealing and most often used by current customers. Posts with successful promotion programmes promote the products that matter the most to customers, taking into account the seasonality of needs (e.g. sending or receiving money is likely to be used more during certain periods of the year).

Price: Provide prices that are perceived to be in line with what the customer is looking for on the products they need most often. Posts do not have to be price leaders, although they are perceived as price leaders for letter mail even if sending an email or SMS is much cheaper. What is needed is transparent pricing and packages of services that are perceived as value for money. The critical issue is to have pricing that customers perceive as fair.

Feedback: Listen to and recognize customer concerns. Posts rank high in customer centricity when they have a two-way conversation and an emotional connection with their customers. Establishing such a connection means taking questions and complaints of customers seriously and having open channels of communications via social media.

When customers
perceive a
Post as being
“right for them”,
it correlates
to long-term
revenue growth.

Customer centricity is not simply about making customers like the Post. When customers perceive a Post as being “right for them”, it correlates to long-term revenue growth.

How can marketers help foster that kind of growth for Posts? It is crucial to focus strategies, operations and activities on the people who are ultimately responsible for a company’s success: loyal customers.

True growth – and the customer centricity that drives it – is not accomplished by a strong rallying cry or a catchy slogan. A Post must understand its customers’ behaviours and attitudes and have the internal processes in place to create a cultural change within the organization. By aligning deep customer insights with communications and operational processes, and identifying gaps in performance among the seven pillars of customer centricity, Posts should be able to drive sustainable results.



6

BUILDING CUSTOMER CENTRICITY IS A JOURNEY; REACHING MATURITY TAKES TIME

Introducing the concept of customer centricity and transforming the Post into a customer-centric business is not done overnight. It takes time and is likely to mature in several stages or phases. Table 2 provides a checklist for assessing where the NPO stands in the process.

Table 2: Customer-centric maturity model

	Stage 1: Undeveloped	Stage 5: Leading
Product and process	“Push” approach for separate products. “Pull” approach for products that are or were part of the monopoly. Little or no customer segmentation; products developed ad hoc; “one size fits all” is the service footprint	Tailored product offering based on discrete customer segments; real-time customer insight supports personalized interactions; predictive analytics employed to adjust offers and service actions accordingly; multi-channel approach based on behaviours and buying preferences
People	No ownership of the customer within the organization; compensation drives inconsistent behaviour; customer-facing employees not supported by back office functions; lack of authority to resolve customer issues at point of contact	Customer-centric culture pervasive at all levels of the organization; customer insight is a key component of the Post’s strategic agenda; employees take clear ownership for customer problems and manage issues through to resolution
Technology	Technology strategy not aligned with customer-centric culture; legacy systems limit ability to meet customer requirements; many customer data not captured at all, and other customer data trapped in organizational silos; lack of enterprise-wide data strategy hampers integration	Unified vision for data management across both enterprise and business partners; master data are managed as a corporate asset; proactive measures are in place as are ongoing data quality improvements; the organization embraces customer-facing technologies as integral to channel effectiveness
Brand and market positioning	Postal brand is well known but not valued. Low brand equity	High brand recognition and strong positive associations among target customers, based on real evidence and reputation for customer focus
Customer	Broad, undifferentiated offering; segmentation not specific to any distinct customer	Clearly defined target segments based on robust understanding of current and potential customer lifetime value
Distribution	Relationship driven by volume or production figures; little or no involvement in sale or post-sale customer activity	Highly selective approach driven by customer relationship and segment profitability; partnership approach with joint customer engagement model

Stage 2: Emerging
Stage 3: Developing
Stage 4: Advancing

	Stage 1: Undeveloped	Stage 5: Leading
Propositions	Broad range of traditional postal and financial products: The set is standard but also complex, inflexible and quite opaque where it concerns fees or commissions of third parties	Focused product range based on insight into needs of viable customer segments; flexible design with transparent pricing, supporting advice and/or customer self-service
Service delivery	Transactional and admin-driven, reactive to customer and questions of postal tellers; low-touch approach with no proactive contact or value-added interaction	Relevant and value-adding customer contact through variety of media including phone, video and online self-service tools and information
Customer	No attempt to manage customer lifetime value beyond the incidental standard service operation	Explicit understanding of customer lifetime value with value-adding interventions at key stages including lapse, life-stage changes, maturity, retirement, etc., tailored to needs and value of specific customer segments
Culture	Increased production, efficiency and business volume are key metrics; customer data not actively managed or measured	Customer lifetime value management is key metric: clear focus on meeting needs of profitable customer segments across their whole life cycle



©Posta Uganda

7

MEASURING CUSTOMER CENTRICITY: THE METRICS OF NEW KEY PERFORMANCE INDICATORS

Pursuing a customer-centric strategy requires new key performance indicators (KPIs). The traditional ones – productivity expressed as transactions per year per staff member, or quality of service as the average time for the client to queue – fit into a production-centric strategy. Measuring the following KPIs will not answer all questions, but the Post will be on its way to placing the customer first and driving revenue.

Net promoter score (NPS) is a metric that measures customers based on one question: “On a scale of 0 to 10, how likely are you to recommend us to a friend or colleague?” Customers who are *Promoters* score 9 or 10; *Passives* score 7 or 8; *Detractors* score 6 to 0. NPS is an extremely valuable tool for measuring customer experience and loyalty, because it transcends single experiences. It is often referred to as a brand or relationship metric. The NPS question asks the customer to draw on the sum total of their experiences with your company, not just the most recent, making it a good indicator for repurchasing (and growth). As a result, it is often considered a “board level” metric. It is paired with an open-ended follow-up question, like “Care to tell us why?” so you also get rich qualitative feedback that can guide improvement efforts on products, support, marketing, etc. A Post can pilot NPS with its own staff as well, asking “How likely are you (as a postal employee) to recommend neighbours, relatives, friends to use the services of the Post?”

Customer satisfaction score (CSAT) is a popular transactional metric. A CSAT survey asks a customer how satisfied they are with a recent interaction – often a purchase or a customer service call – on a rating scale. CSAT is flexible and highly customizable. It always requires the Post to know who the customer was and how to reach the customer in a digital way. Customer satisfaction metrics are useful for gauging the “happiness” resulting from recent interactions, which is valuable information, especially when the NPO has been making changes and needs to track the results. The Post will need to dig into the qualitative feedback it receives to understand which attributes of satisfaction are most important to your customers and which are areas that require improvement. In the postal world, those attributes could be promptness of delivery, atmosphere in the post office, quality of transaction service, price/value, etc.

Customer lifetime value (CLV) measures the money and time a customer will spend over the length of his/her relationship with the Post. This should be thought of as an overall indicator of customer health, and it shows you whether everything the marketing team is doing, across all channels, is resulting in long-lasting, profitable customer

Customer satisfaction score (CSAT) is a popular transactional metric.

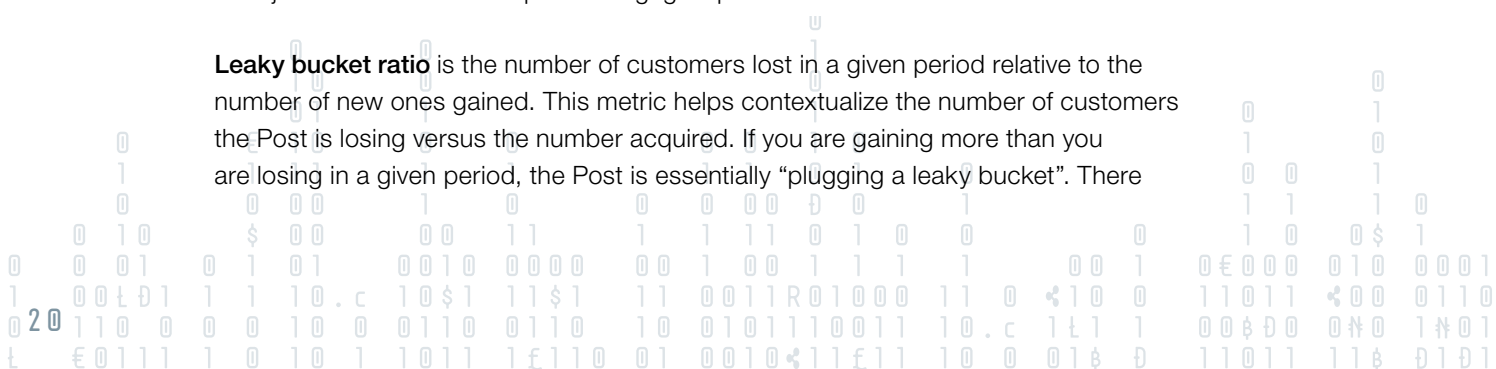
relationships. CLV helps to place the small transactions (such as paying utility bills and getting a tiny fee) in a better perspective. Imagine the value of the customer who picks up 5 remittances from abroad, paying 50 or more utility bills, rent, taxes, school fees, opening a savings account and paying the premium for a funeral insurance. Each of these transactions is small, but taken together over a long period of time, they make this type of client valuable for the post office. The customer's loyalty is a good reason for the Post to better know, appreciate and cater to this client. CLV also provides one dimension on which to segment your customers, allowing you to focus on your highest-value customers, which are for Post not the wealthiest customers but the most loyal ones, e.g. a smallholder farmer paying his/her bills, sending parcels, or receiving seeds and fertilizers ordered online. While CLV offers insights into how the marketing team's efforts are affecting customer acquisition and retention, this single metric does not indicate which of the team's efforts are driving these changes.

CLV by channel examines the lifetime value of customers acquired through each channel, as not all channels are equally effective at attracting and retaining customers. While customers acquired through Facebook may be frequent purchasers, customers coming from a mobile app, an affiliate website of the Post, an e-commerce or online payment websites may make only one purchase. Gaining insights as to which acquisition channels are providing the highest-value customers will help to determine which channels to invest in and which can be overlooked.

Early repeat rate tracks the number of customers who have made a second purchase or transaction within a defined time period (e.g. 90 days). This metric could track whether the migrant family picks up the remittance every month or every two months. Early repeat rate allows you to track the behaviour of a cohort, or group of customers who joined at the same time. Because repeat purchase behaviour is a component of CLV, it is crucial to track why or which marketing programmes kept customers coming back. To drive more repeat transactions, the Post should consider putting cultivation triggers in place to educate customers about the Post and its complete range of services before the customer shows signs of fading away.

Win-back rate measures the percentage of inactive customers in a given period who were re-engaged into making a purchase. One of the challenges of the Post is that it is difficult to tell when a customer has stopped coming back for good. It might happen when a customer wanted to pick up a remittance and was told to come back another day. Every customer has a different transaction and purchase cadence; some may just be resting between purchases, while others are gone for good. In order to "win back" lapsed customers, consider targeted relationship messages such as emails and promotions to encourage these customers to make another visit to the post office. Acknowledging that a customer has not purchased in a while and personalizing an offer just for him/her will help to re-engage lapsed customers.

Leaky bucket ratio is the number of customers lost in a given period relative to the number of new ones gained. This metric helps contextualize the number of customers the Post is losing versus the number acquired. If you are gaining more than you are losing in a given period, the Post is essentially "plugging a leaky bucket". There





are two choices to improve the leaky bucket ratio: acquire more customers, or put effective win-back triggers in place to lower the rate of customer churn. Acquiring new customers is more costly than retaining existing ones. Keeping that in mind, the best way to improve the leaky bucket ratio is to put effective win-back triggers in place to reduce customer churn.

Share of wallet is a key marketing metric used to calculate the percentage of a customer's overall spending for a type of product or service that goes to the Post. Increasing wallet share can be a less expensive, more efficient (and therefore more profitable) strategy for boosting revenue than attempting to expand overall market share. The terms market share and wallet share are often confused. Market share refers to a product's overall percentage of sales in its category. Wallet share focuses on a brand's existing customers and seeks to maximize the dollars they spend regularly on that brand rather than on a competing one. Share of wallet implies customer centricity, focusing on building close and loyal relationships. Share of wallet also puts emphasis on cross-selling. A customer who wants to change money at the post office might also need travel insurance, or a prepaid debit card when abroad.

Putting new KPIs in place may seem daunting, but this effort will quickly pay off. If the goal of marketing is managing customer value, then the first step is putting the right metrics in place.

8

CUSTOMER CENTRICITY TERMINOLOGY

This chapter presents the most common terminology used with customer centricty, and aims to familiarize the reader with these terms as Posts improve their business and financial services.

Artificial intelligence (AI) is the simulation of human intelligence processes by machines, especially computer systems. These processes include learning (the acquisition of information and rules for using the information), reasoning (using rules to reach approximate or definite conclusions), and self-correction. AI makes use of the data capture, database management systems and data mining in very advanced ways. As such, it can aid NPOs in increasing the efficiency of flexibly staffing its counter positions, spotting customer interest in new products, identifying loyal clients, and many other ways. See Figure 1 for additional examples.

Blueprint
experiences and
road maps are tools
for understanding
the key customer
journeys and
segments.

Blueprint experiences and road maps are tools for understanding the key customer journeys and segments. The design process of these blueprints allows the company to plan the ideal customer experience at every touchpoint, optimizing people, processes and technology to deliver the result. Based on these blueprints, companies may pilot prototypes that test messages and offers to various segments.

Brand equity is the value generated from a company's brand, including the company's name, logo and reputation.

In general, Posts are assumed to have significant brand equity; however, they lack an objective valuation and subsequent strategy to increase value. Brand equity also requires Posts to assess reputational risk when dealing with new partners, clients or service providers. Brand equity is the result of many years, but it can be destroyed in a day.

Co-creation recognizes that customers shape the differentiated customer experience along with service providers. There are four key attributes to the co-created interaction:

- dialogue: shared learning and communication between two equal problem-solvers; for many Posts, this step represents major progress towards co-creation;
- access to information and tools;
- consumers taking part in solutions development; and
- transparency regarding price, cost and profit margins.

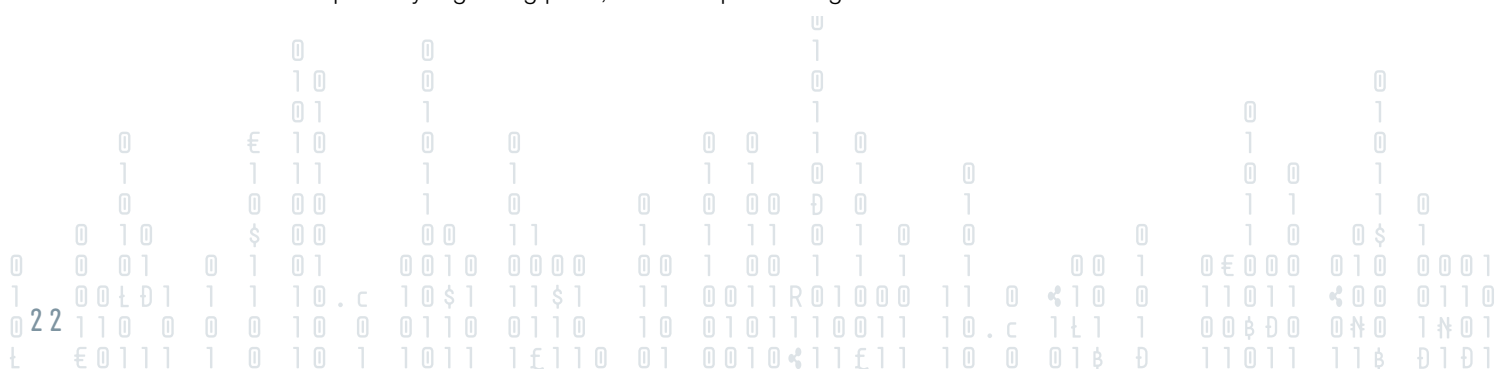


Figure 1: AI's impact on front-line marketing operations



Source: Kate Leggett, principal analyst for CRM and Customer Service, Forrester Research.

© 2018 TechTarget all rights reserved

Customer advocacy is a key value of customer-centric companies whereby companies focus on what is best for the customer or act in the customer's best interests.

Customer advocates are customers who recommend the Post's services to other potential customers. Customers can advocate for companies in multiple ways, for example, by providing references and referrals, blogging or even posting videos about their experiences with products, or recommending companies through participation in community or industry events. Keep in mind that customers might also use the same media to advocate against a company or product. Differentiated customer experiences are meant to lead to loyalty and customer advocates.

Customer equity is the sum of customers' lifetime values across a firm's customer base.

Customer experience makes up every interaction the customer has with a Post at various points throughout the customer life cycle. At the centre of a customer experience is a fundamental value proposition; that is, a product or service solution that satisfies a customer's need or want, usually associated with a short- or long-term goal, for example, a payments account, savings programme, or a loan for furniture or a kitchen. The experience incorporates the service or product packaging, its ease of use, functionality and quality. The experience also incorporates customers' interactions with postal employees (or value chain partners) that inform and care for the customer, and other touchpoints that contribute to the quality of the experience, for example, whether it is timely and error-free. The customer experience generates positive or negative emotions based on whether or not the customer's expectations are met or exceeded



© IFAD/Marco Salustro

across the experience and whether the customer perceives good value for money represented by the experience.

Customer life cycle comprises the various stages of the customer journey from the time the customer first becomes aware of the Post or the postal brand through their first post office visit or sending a letter or depositing money, to the time the customer may decide to switch brands and use another bank or a courier. A Post may design an experience for a customer across the customer life cycle that is organized, for example, around a customer's life events that relate to key relationships over the customer's life span (children, marriage, caring for parents), or key life milestones at different phases of life (education, enterprise-building or community giveback).

Customer lifetime value (CLV) is the present value of future (net) cash flows associated with a particular customer. It is forward-looking to enable companies to determine how much a customer is worth to a company over time. To make CLV predictions, companies gather purchasing and other behavioural data that provide the basis for making assumptions on which to model future cash flows. These assumptions may be based around the propensity to purchase and customer retention, but it may also include elements beyond revenue, such as incorporating the value of advocacy or word-of-mouth benefits generated by customers. For postal financial services, CLV is an important metric. The Post or bank may not earn money on the small deposit of a university student, but retention of that student upon graduation, starting a career and building a family could indicate very significant CLV.

Customer relationship management (CRM) is a system usually built around an IT platform used to gather data about customer behaviours and attributes gathered through repeated interactions with a company (e.g. initial contacts, purchases, service support, etc.). Firms analyse customer data and apply insights to support a range of objectives, including creating better customer experiences, customer segmentation, estimating CLV, etc. CRMs are components of the company's insight engine. The first phase in CRM often concerns the companies and institutions having contracts with the Post for items such as salary payments, bill collection or bulk mail shipments. CRM is indispensable in developing postal financial services, with one customer database related to all products/services and recording all transactions and operations.

Customer retention is the percentage of customer relationships that, once established, a business is able to maintain on a long-term basis. Companies strategize to retain customers and to reduce customer defections since it is generally more profitable to retain and grow customer relationships than to acquire new customers to replace defectors. Customer retention strategies start with the first contact an organization has with a customer, and it continues throughout the entire lifetime of a relationship. Customer retention is critical for postal financial services.

Customer return on investment (ROI) measures the profitability (or return on investment) of customers. It takes into account the value generated for the Post by the customer (including revenue, advocacy efforts that support acquisition of new clients, and even participation in insight development exercises that contribute to service improvements) relative to the cost of acquiring and serving a customer (including promotional costs). For most African Posts, determining the true costs of serving the customer requires the use of new tools that enable activity-based costing techniques as well as other financial management and analytical instruments.

Customer touchpoints comprise every point of interaction a customer has with a company or brand throughout the customer experience. In the case of the Post, this includes post office visits, using the automated teller machine (ATM), using the app on the phone, picking up items at a P.O. box or parcel locker station, transactions at a postal agent, the letter carrier ringing at the doorstep to deliver a letter or parcel, or the customer calling the call centre or sending messages via social media or email to the Post. Posts have many touchpoints that need business processes to enable seamless customer "hand-off" from one touchpoint to another.

Customer value creation happens at every interaction between company and customer. Companies aim to maximize value at each touchpoint in the end-to-end customer experience. Through the customer journey, value is both created and destroyed for the customer. Customers and companies aim for consistent value creation at each touchpoint to create the differentiated end-to-end experience, but focus on moments of truth. Customer value can be destroyed when waiting too long in a queue or waiting for a parcel to be delivered. Customer value can be created by the smile and personal attention of a teller, helping the customer to improve a form, or to correct an address or to advise about an additional product. Customer value can also be created by the letter carrier paying attention to customers' personal needs and assisting them.

Customer value is also added when payments can be made or received instantly and discreetly at the post office.

Data capturing is the process of collecting data that will be processed and used later to fulfil certain purposes. Ways of capturing data can range from high-end technologies (e.g. sensor networks and computer simulation models) to low-end paper instruments used in the field. Data capture is input of data, not as direct data entry but as part of performing a specific action. For example, a barcode can be read when handling the payment of utility bills, scanning an ID, or reading address data on an envelope. Data with good metadata attached at the point of capture can expedite data sharing, publishing and citation.

Database management system (DBMS) is a software package designed to define, manipulate, retrieve and manage data in a database. A DBMS generally manipulates the data itself, the data format, field names, record structure and file structure. It also defines rules for validating and manipulating these data. DBMS is essential for Posts to increase the analysis of their clients and their behaviour.

Data mining is the process of sorting through large datasets to identify patterns and establish relationships to solve problems through data analysis. Data mining tools allow NPOs to predict future trends in the behaviour and activity of their clients.

End-to-end customer experience is the journey travelled by the customer interacting with the Post through the range of customer touchpoints (post offices, postal agents, stamp sellers, calling the customer centre, using the app, ATMs, parcel stations, P.O.



boxes) from the beginning to end of the customer experience. For many customers, “end-to-end” may be a lifetime.

Moments of truth are critical points in the customer experience, for example, when the customer forms an opinion about a service or makes a decision to activate or terminate a relationship based on the perceived value of the cumulative experience. Such moments tend to happen at milestones in life, such as marriage, moving to a different town or new house, or starting a new job.

Net promoter score is a customer loyalty metric and management tool that measures the willingness of customers to recommend a company’s products or services to others. It is an alternative to traditional customer satisfaction metrics and is used as a proxy for assessing the customer’s overall satisfaction with a company’s product or service and the customer’s loyalty to the brand.

Share of customer wallet is the percentage of a customer’s available spending that goes to a firm. Different firms compete over the share they have of a customer’s wallet with the aim of winning as much of the potential customer spend as possible. Posts could have a significantly large share of wallet of certain customer segments if they are able to combine and cross-sell broad packages of services. In general, companies seek to deepen customer relationships and increase share of customer wallet to increase a customer’s lifetime value.

Single view of the customer (SVC) represents an integrated view of products owned and used by customers and how customers make day-to-day use of their products. SVC builds a picture of a customer’s attributes, behaviours and attitudes. Creating the SVC usually requires Posts to integrate disparate technology platforms and pockets of data to generate insights that can be shared across the organization. SVC is used to improve customer experiences to drive loyalty and increase wallet share, value customer segments, create tailored product mixes for a segment or customer, and customize pricing based on segment value and risk. The Moroccan Postbank (ABB) can be seen as an example of progress in building SVC.¹

Voice of the customer (VOC) describes the in-depth process of getting to know the Post’s customers. Using various market research techniques and tools, VOC efforts generate information and ultimately insights into a customer’s needs, wants, perceptions, expectations, preferences and aversions. VOC studies are generally conducted at the start of any new product, process or service design, or they may be used in an ongoing way to understand service satisfiers and what dissatisfies customers in order to close the gap between what customers expect and what a Post offers. In the framework of the African Postal Financial Services Initiative (APFSI), the process started with VOC through market and public opinion research across 11 African countries and nearly 5,000 customers interviewed.

^{1/} www.konvergence.co.uk/portfolio/bank-morocco/

Voice of the
customer (VOC)
describes the
in-depth process of
getting to know the
Post’s customers.

REFERENCES

Databases and web portals

Money transfer operators

MoneyGram: secure.moneygram.com/locations

MoneyXpress: www.xpressmoney.com/gl/eu/euen/find-an-agent.html

Signet: international.signet.com/send-money-to-international-3

Small World FS: www.smallworldfs.com/small-world/nld/en-gb/loc/find-us

Western Union: locations.westernunion.com

WorldRemit: www.worldremit.com/en/cash-pickup

International organizations and institutions – databases and tools

African Institute for Remittances (AIR) database: www.sendmoneyafrica-auair.org

IFAD: RemitSCOPE: www.remitscope.org

International Monetary Fund, *Financial Access Survey, 2016*, www.imf.org/en/data

Remittances Gateway: www.remittancesgateway.org

World Bank, *Migration and Remittances Data, October 2016*, www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data

World Bank Remittance Prices Worldwide: remittanceprices.worldbank.org/en

World Bank, *Universal Financial Access 2020*, ufa.worldbank.org

World Bank, *Ease of Doing Business Index*, www.doingbusiness.org/rankings

UN, *E-Government Development Reports 2016*, publicadministration.un.org/egovkb/en-us/reports/un-e-government-survey-2016

UNDP, *Human Development Reports*, hdr.undp.org

UPU, *Postal Statistics Database*, www.upu.int/en/resources/postal-statistics/query-the-database.html

Reports and publications

Ernst & Young. 2013. *The Journey Toward Greater Customer Centricity*.

Harrin, E. and Phil Peplow. 2012. *Customer-Centric Project Management*. Gower.

Khan F. February 2017. *How do I Set Up A Remittance Money Transfer Business?*

Kilara, T. and Elisabeth Rhyne. June 2014. *Customer centricity for Financial Inclusion*. CGAP.

Kroner, E. 2016. *The 7 Pillars of Customer Centricity*. American Marketing Association.

PricewaterhouseCoopers LLP. 2011. *Building a Customer-Centric Business Model for Retail Banks*.

International Fund for Agricultural Development (IFAD)






IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, IFAD has provided nearly US\$16.6 billion in grants and low-interest loans to programmes and projects that have reached about 445 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the United Nations' food and agriculture hub.

Financing Facility for Remittances (FFR)

The IFAD-administered US\$60 million, multi-donor Financing Facility for Remittances (FFR) is funded by the European Commission, the Government of Luxembourg, the Ministry of Foreign Affairs and Cooperation of Spain, IFAD, the United Nations Capital Development Fund, and with the Consultative Group to Assist the Poor and the World Bank as institutional partners. The FFR works to increase economic opportunities for poor rural people by supporting and developing innovative, scalable cost-effective and easily accessible remittance services that promote financial inclusion and productive investment in rural areas. Currently, the Facility's portfolio includes almost 60 projects in more than 40 countries across the developing world.



International Fund for Agricultural Development
Financing Facility for Remittances
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54592012
Email: remittances@ifad.org
www.ifad.org/ffr
www.remittancesgateway.org

 facebook.com/ifad
 instagram.com/ifadnews
 linkedin.com/company/ifad
 twitter.com/ifad
 youtube.com/user/ifadTV



Financing Facility
for Remittances

www.ifad.org/remittances
www.RemittancesGateway.org



Co-funded by the European Union

