DISCOVERING CLIENT INSIGHTS IN YOUR EXISTING DATA

SPM Essentials Series: Practical strategies for today's management challenges

Webinar 1 in the SPM Essentials Series focused on how to use existing client data to reveal actionable insights. Specifically, in analyzing financial behavior by client segment, financial service providers (FSPs) can uncover trends in product uptake and use by clients and use that information to improve performance. In revising the Universal Standards for Social and Environmental Performance, SPTF learned new information about what's feasible and practical with client data; as a result, the updated Universal Standards focus more directly on the importance of analyzing data that institutions already have. Additionally, we've infused the concept of a "culture of data" into the latest version of the Universal Standards – reflecting that data management is an ongoing process, not a one-time activity.

The goal for FSPs

Understand which clients are benefitting from their use of financial services and which are not, to improve performance.

How data benefits FSPs

Many FSPs already have profile data about clients (gender, etc.), as well as financial transaction data. That's not the same as outcomes data – which is a change in clients' lives – but analyzing the client data and financial data can point you to interesting questions to better understand who is benefitting from your products and who is not. FSPs can use this information to adjust or develop products that better fit clients' needs.

Relevant excerpts from the Universal Standards

Essential Practice 1B.2 The provider analyzes outcomes data by client segment.

- The provider stores data on social performance in its management information system (MIS) in a way that allows for combined analysis of a client's financial and social data.
- The provider analyzes outcomes for different segments of clients according to their profile and financial behavior (minimum frequency: annually):
  - By client profile: gender; age; location (urban/rural); poverty/income level
  - By financial behavior: types of products or services used; tenure with the provider
  - Other segments that are relevant to the provider's social goals

Essential Practice 3A.2 The provider uses data to identify patterns of financial behavior by client segment.

- The provider analyzes transactional data (PAR, average loan size, loan repayments, savings deposits and withdrawals) by demographic and socioeconomic segments of its clients.
- The provider analyzes product use (types and frequency) by demographic and socioeconomic segments of its clients.

FOUR STEPS TO ANALYZING EXISTING DATA:

1. Decide what analysis to do. This is driven by what data you have available. Identify all demographic and socioeconomic data fields, and all financial data. Ask questions by segment.

- **Verify you have a representative sample.** Does your data reflect the reality on the ground?
- **Have enough cases per segment**. Stop segmenting once you have fewer than 30 cases in any given segments.
- **Integrate financial and demographic data.** Use a common ID to link and merge datasets.

2. Analyze the data and consider the results.

What trends do you see? What might be driving these trends?

- **Analyze one demographic variable at a time**. See if a financial indicator shows different trends when you segment by that demographic variable. Demographic indicators like age, gender, branch, and geographic areas are great for discovering and benchmarking between similar cross-segments of the portfolio. For example, are women better at repaying on time when compared to men? Do they have access to the same products and services? Do they use products and services at the same rate?

3. Dive deeper for interesting trends.

Segment further, if data allows. Is the trend the same for rural and urban?

4. Report and discuss findings.

Gather more than one staff member and discuss results.

- **Context matters**. Some variables are out of our control (the economy, the pandemic, etc.) This could affect how your institution's data looks, as well as the actions it can take to change the data.
- **Listen to what the data says about customers**. Using those services and products could affect their lives and outcomes. Link actions and incentives.

ESSENTIAL TIP: The first data analysis will take a long time, but don't let that deter you from getting started. As your institution starts doing it repeatedly, it will get easier.

WHO SHOULD BE INVOLVED?

Outsource or in-house? Hiring an external data scientist who can use statistical analysis software can lead to robust data analysis and insights. If possible, start with external data analysis and training for your first analysis, and then build this culture internally going forward. If that is not possible, Pivot Tables in Excel can provide helpful analysis, and there are free online tutorials to learn how to use them.

Keep the institution's mission and goals in mind. Whoever is analyzing the data should know the goals and operations of the institution.

Support of senior management is key. It's important to have management on board and that they feel they're part of a solution.

Data findings should be communicated to staff. Reporting back on data analysis and performance can motivate employees to collect reliable data. Additionally, field staff interact with clients most often and may have unique feedback on data trends. Institutionalizing these types of "data moments" – such as regular data features in a newsletter or holding data feedback lunch sessions – are important to instilling a culture of data.

FIELD EXAMPLE

SPTF worked with Jacobo Menjovsky, Independent Data Analyst, to analyze demographic and financial transaction data by client segment for four FSPs, including Fundación Dominicana de Desarrollo (FDD). Mariano Frontera, head of FDD, reports that this analysis prompted FDD to take action. Here are four examples of how FDD used data analysis:

Data: In rural areas, delinquency rates drop as time passes. The opposite happens in urban areas.
Hypothesis: Urban clients move more, making it more difficult to collect.
Action: Collect more data from clients to find them if they move without repaying.

Data: Different products showed different delinquency rates.
Hypothesis: None, this was a surprise to them.
Action:: Ask credit officers; they know the clients well and might have an opinion.

Data: Different branches also showed different delinquency rates
Hypothesis: Could vary depending on the economic development of the branch location, or it could be related to the management of employees.
Action: Analyze differences in employee management between the branches.

Data: Small percentage of clients use one type of loan
Hypothesis: Marketing errors led to a new loan product cannibalizing this loan product.
Action: Determine if the first loan product should exist.

Overall, Mariano said the data helped FDD think about how to use data in relation to the goals and social impact of its credit products. As a result, FDD is planning a change in marketing strategy by geography. It's also creating new products that focus on missed opportunities.