TESTING THE WATERS

YouthSave Pilot Results from Three Markets

A Save the Children YouthSave Note

The MasterCard Foundation

Save the Children®

Acknowledgements

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Photo Credit: Alejandra Montes/Save the Children

Photo Caption: During an in-school banking visit in Bhaktapur, Nepal, Bank of Kathmandu branch staff count a young Chetansil Yuwa Bachat Yojana accountholder's deposit.

YouthSave

This paper documents the work of the YouthSave project. Created in partnership with The MasterCard Foundation, YouthSave has co-designed tailored, sustainable savings products with local financial institutions and is now assessing their performance and development outcomes with local researchers. The project is an initiative of the YouthSave Consortium, led by Save the Children in partnership with the Center for Social Development at Washington University in St. Louis, the New America Foundation, and the Consultative Group to Assist the Poor (CGAP).

EXECUTIVE SUMMARY

YouthSave, a consortium initiative created in partnership with The MasterCard Foundation, was established in 2010 to investigate the potential of youth savings accounts as a tool for youth development and financial inclusion in developing countries. Guided by this vision, the YouthSave Consortium and its bank partners in Colombia, Ghana, Kenya, and Nepal, embarked on a rigorous product development process beginning with market research with over 2,100 youth aged 12-18 and almost 400 adults. Overall, the research suggested that accounts enabling both safe, affordable accumulation of longer term savings as well as emergency access to funds could be an attractive value proposition for low-income youth.[1] In response, YouthSave's bank partners designed four different youth savings products that incorporated this and other country-specific findings.

Here, the product development processes diverged. Three out of YouthSave's four partners — HFC Bank in Ghana, Bank of Kathmandu in Nepal, and Kenya Postbank — elected to pilot test their new youth-focused products prior to full-scale rollout. The fourth, Colombia's Banco Caja Social, chose to proceed to market rollout without external pilot testing. This paper describes the decisions around pilot testing made by YouthSave's partner banks, as well as product- and process-level lessons learned by those that piloted. In particular, it summarizes findings on a common set of questions these banks sought to answer via the pilot tests, which were conducted between July and December 2011.

Product uptake. The main motivation for the banks that elected to pilot test was the chance to test the market response, i.e. to test whether the product appealed to targeted youth and whether they could access and use it. Worldwide, youth-focused financial services remain a new and experimental business, and the three piloting banks had no directly comparable products in their portfolios. Two of them set pilot targets based on factors including past performance of other types of accounts, while the third chose not to set targets, but instead to pursue the pilot as a purely exploratory exercise.

The most important pilot-related lessons were not about the numbers achieved, but rather about the drivers behind them.

Overall, the banks mobilized 1,317 youth savings accounts during the pilots. However, the most important uptake-related lessons were not about the numbers, but about the drivers behind them.

One of the most critical lessons was about the importance of young people's access to their accounts. When it became clear that many youth lived prohibitively far from branches, the banks responded by reaching out to youth where they were. For school-going youth, school-based marketing and delivery systems implemented by two partners enabled them to reach large numbers of potential clients at once. However, strategies piloted to reach out-of-school youth were not nearly as successful. For this sub-segment, access is not only about distance but about legal and social deficits such as lack of identification documents or a relationship with a trusted adult — obstacles that may require a differentiated delivery model to overcome.

Staff buy-in at the branch level also proved to be a key driver of uptake. For all three participating institutions, the performance of individual branches during the pilot varied dramatically. While some of this variation was due to branch location, the banks also attributed it to the enthusiasm and commitment inspired by some branch managers. To secure buy-in from the outset, pilot branch staff received extensive, face-to-face trainings before the pilots were launched. However, the banks found that additional means of communicating the importance of this new product were required as well. One bank responded with intensified internal communications and training, which resulted in a 42 percent increase in account uptake in less than one month.

Account usage. Along with total uptake numbers, the banks hoped to understand usage patterns of a typical account, especially whether youth were more interested in transactional

[1] Deshpande, Rani (2012). "What Do Youth Savers Want? Results from Market Research in Four Countries." Washington, DC: Save the Children.

behavior or were really interested in saving for the medium to long term. Transaction frequency and average deposit balances obviously also had implications for the product's viability at scale.

All three partners found that deposits significantly outpaced withdrawals — in Nepal, by a factor of 218 in terms of transactions. Interestingly, this pattern did not appear causally linked to restrictions on withdrawals. The Ghanaian partner, whose product prohibited withdrawals for the first three months and limited them to monthly thereafter, achieved the desired customer behavior – many fewer withdrawals than deposits, even after the three-month period lapsed – but so too did the Kenyan and Nepalese partners, neither of whose products included such a restriction.[2]

Customer satisfaction. Although a pilot by design tests short-term questions, customer satisfaction issues have uniquely longer-term implications where youth savings are concerned, given the importance of client retention and future cross-sales to the business case for youth savings. At this early stage, at least, the pilots indicated that partner banks were laying a solid foundation for creating satisfied customers. Youth in all three markets reported that they liked being clients of a bank, as this was considered a privilege and a sign of social prestige, and agreed that bank staff were friendly, respectful, and helpful. They also appreciated knowing that funds could not be withdrawn from their accounts without their knowledge. On the other hand, the pilots indicated the need to fine tune various other product features (e.g. promotional items) and, in Nepal, revealed an opportunity to radically simplify the product design without losing its appeal to young customers.

Youth savings is a relatively new trend in financial services, particularly in low-income countries, and one that remains in experimental stages. Given the still scant information available on youth savings performance, piloting their new accounts was particularly important for the three YouthSave partners whose experience is described here. It is our hope that this paper will similarly inform others who wish to provide or support the provision of youth savings services, in order to contribute to the financial services industry's expertise and commitment to serving low-income young people.

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Young Chetansil Yuwa Bachat Yojana accountholders make deposits into their savings accounts during an in-school banking visit in Bhaktapur, Nepal. Photo credit: Save the Children.

[2] More quantitative information on pilot test results can be found in Johnson, L., Lee, Y., Osei-Akoto, I., Njenga, M., & Sharma, S. (2012). "Product pilot report: Youth savings performance in Ghana, Kenya, and Nepal" (YouthSave Research Brief 12-38). St. Louis, MO: Washington University, Center for Social Development.

INTRODUCTION

Over the last several years, youth savings accounts have come to be seen as a tool with the potential to promote both financial inclusion and youth development. For people of all ages, a safe place to save can be helpful in building up a cushion against economic shocks. For young people specifically, a growing body of research suggests that youth savings correlates with better outcomes across a range of indicators. Specifically, savings have been associated with better mental health, educational attainment, and less-risky sexual attitudes and behaviors.[3]

For financial institutions (FIs), a well-designed youth savings account may encourage the creation of a new generation of loyal customers at a time when there is less competition for their business. In addition, anecdotal evidence suggests that serving youth can create opportunities for acquiring new clients among young people's family and friends. It may also help enhance a FI's brand and contribute to corporate social responsibility goals.

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Staff at Bank of Kathmandu's Gongabu branch participate in a training on the new Chetansil Yuwa Bachat Yojana account. Photo credit: Jaya Burathoki/Save the Children.

In response to the growing interest in youth savings, in 2010 The MasterCard Foundation launched YouthSave, a consortium project led by Save the Children in partnership with the Center for Social Development at Washington University, the New America Foundation, and CGAP. Over the past three years, YouthSave has co-developed youth savings accounts with local banks in four countries — Colombia, Ghana, Kenya, and Nepal — and is currently examining the social and commercial outcomes of those accounts. As of February 2013 (approximately nine months into rollout), almost 23,000 young people had saved a total of approximately USD 225,000 in project-sponsored accounts. In selected communities, Save the Children is also delivering complementary financial education programming to help young people better manage their money, including through tools like partner banks' youth savings accounts.[4]

YouthSave chose its partner banks primarily on the basis of their commitment to and experience with youth and/or small-balance savings, and their potential for scale. Save the Children and partner banks then undertook extensive market demand studies in each of the four project countries, involving over 2,100 youth aged 12-18 from mainly low-income households, and almost 400 key adults like parents, teachers, and community leaders.[5] The first-hand data obtained via this market research was then used to develop product concepts, which were tested through focus groups with youth. Finally, the tested concepts were vetted by a cross-functional team within each of the partner banks, in order to arrive at the final product prototype.

By mid-2011, this process had been substantially completed. The decision then was whether to proceed to full-scale rollout – or whether instead to test the waters with a time-bound pilot test among a limited sample of branches.

[3] A summary of this research can be found in "Youth Savings in Developing Countries: Trends in Practice, Gaps in Knowledge" (2010) by the YouthSave Consortium. Available at: http://www.youthsave.org/content/youth-savings-developing-countries.
[4] These communities were chosen based on geographic overlap between bank partners' catchment areas and places where Save the Children had a strong ability to reach low-income youth.
[5] Deshpande, op.cit.

TABLE 1: PARTNERS AND PROPOSED PRODUCTS, PRE-PILOT TEST

	COLOMBIA	GHANA	KENYA	NEPAL
BANK	Banco Caja Social	HFC Bank	Postbank	Bank of Kathmandu
TYPE OF BANK	Private commercial bank	Private commercial bank	Government savings bank	Private commercial bank
TOTAL DEPOSITS	$3.9B	$165M	$173M	$245M
NUMBER OF BRANCHES	264	26	99	43
NUMBER OF EMPLOYEES	5,680	584	786	484
YOUTH PRODUCT	Cuenta Amiga	Enidaso	SMATA	Chetansil Yuwa Bachat Yojana (CYBY)
PROPOSED FEATURES	• Programmed savings over 12 – 60 months • Opening balance: COP 20,000 • Minimum monthly deposit: COP 20,000 (no penalty for missing a deposit) • Withdrawals: limited to 1 per year at cost of COP 5,000, after balance reaches COP 65,000 • Account closure: COP 5,000 • Various account opening incentives offered on a promotional basis (e.g. rubber bracelets)	• Savings account • Opening balance: GHS 2 • Operating balance: GHS 5 • No withdrawals for first three months; monthly thereafter • Interest on balances over GHS 20 • No transaction fees • ATM card: GHS 4 • Free piggy bank	• Savings account • Opening balance: KES 50 • Operating balance: KES 200 • Withdrawal fee: KES 30 • Free money bag, debit card, savings diary • KES 300 to replace lost debit card, KES 100 for other items	• Bundled savings and fixed account product, with 50% of each deposit credited to each account • Opening balance: NPR 100 • Preferential interest rates • Unrestricted withdrawals from savings account but withdrawal from fixed deposit only at term end • Free piggy bank and customer ID card
DELIVERY CHANNELS	• Branches for all transactions • Agents: deposits only	• Branches for all transactions • ATMs: check balances only	• Branches for all transactions • ATMs: check balances only	• Branches for all transactions • On-site banking at select schools

Notes:
1. "Total deposits" refers to all funds on deposit (i.e., does not capture youth market specifically).
2. Asset and employee figures for BCS and HFC current as of end 2011; figure for Postbank as of end 2010; figure for BoK as of mid-2011.
3. Branch figures are current as of end 2011.

THE DECISION: TO PILOT OR NOT TO PILOT

The general advantages of pilot testing are intuitively obvious. It is much easier and less expensive (and less potentially injurious to the reputation) to fix errors in design or execution in a controlled environment. Piloting also allows an FI to evaluate product performance without the extensive financial investment required for a full product launch. As one group of microfinance experts puts it, "At each subsequent stage of (savings) product development, it costs a factor of several times more to correct any error."[6]

Because the products developed under YouthSave differed in key ways from other youth products the partner banks had in their portfolio, the case for pilot testing was especially strong. Although all of the partner banks already offered some form of youth-oriented savings account, in three of the four, these were trustee accounts targeted at parents saving *for* their children.[7] YouthSave accounts, on the other hand, are intended to actively engage youth themselves in the process of saving.[8] The accounts therefore required not only a different product design, but different marketing and delivery channels than the banks had used in the past. Piloting would provide an opportunity to see whether, in reality, all these elements met youths' needs and whether young customers could effectively access and use the accounts — information that market research alone cannot confirm.

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That said, the decision to pursue pilot testing was still far from automatic. Among the arguments against it:

Loss of competitive advantage. There is no way to conduct a pilot test in perfect secrecy. The longer the pilot tests last, the greater the risk the banks' competition will find out about the new product and rush an imitation product to market. A pilot test can take months whereas, as the Nepalese partner put it, "it only takes two days to copy any product."

Opportunity costs and hard costs. Of all YouthSave partner banks, only one had prior experience with a systematic, large-scale external product pilot — and then too, for only one product (Postbank's Bidii Savings account). Undertaking a major new process within an established organization always carries costs in terms of reallocating staff time from other tasks, and the need for extra management attention. In addition, there are the hard costs of technical assistance that is often needed to support an unfamiliar process (in this case, the costs of TA were supported by YouthSave in partnership with The MasterCard Foundation).

Marketing can also be more laborious and costly (on a per-unit basis) during a small pilot than a large-scale rollout. Because mass media advertising is not deployed during the pilot stage, branch staff must put extra time and effort into selling the product directly to the targeted population. Similarly, marketing collateral and give-aways that must be produced in small quantities for the pilot can cost more per item than if manufactured in larger lots. However, the total expenditure is a great deal less than it would be for a full rollout, and testing these materials minimizes the chances of wasting a bigger investment later on. Pilots can therefore be seen as a way of containing expenses, since they build in the chance to refine or even discontinue products (as well as associated marketing and delivery channels) that do not meet expectations.

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6 McCord, Michael J., Graham A.N. Wright and David Cracknell (2003). "A Toolkit for Planning, Conducting, and Monitoring Pilot Tests — Savings Products". Nairobi: MicroSave.

7 YouthSave's Colombian bank partner, BCS, already had a deposit account aimed at youth themselves.

8 While in Colombia, youth may independently own and operate an account from approximately age 12 (depending on legal status and other factors), in the other three countries, this ability only begins with legal majority (age 16 in Nepal and 18 in Ghana and Kenya). In these three countries, the banks have fostered a sense of youth ownership by requiring youth involvement in all facets of account operation. While any account would allow youth to make deposits independently, YouthSave accounts are unique in their markets in that youth must also participate in opening the account and in making withdrawals (alongside their "trusted adult" — the legal owner, co-owner, or trustee of the account). Unlike other child/youth savings accounts, the adults cannot withdraw funds from YouthSave accounts in the absence of the youth account holder.

TABLE 2: PILOT TEST BRANCHES

PARTNER BANK	BRANCH NETWORK	NUMBER (% OF TOTAL) OF TEST BRANCHES	REGIONS
HFC BANK, GHANA	26	4 (15%)	Greater Accra, Central, Ashanti and North regions
POSTBANK, KENYA	99	12 (12%)	Western, Coast, Nairobi, Central, and Eastern regions
BANK OF KATHMANDU, NEPAL	43	4 (9%)	Kathmandu Valley and Western Provinces

After carefully weighing these costs and benefits, the four partners made their decisions. Colombia's Banco Caja Social decided to proceed directly to rollout, based on its confidence in the market research, the strength of the product development process, and its desire to adhere to established and rigorous bank processes, which included an internal pilot simulating product transactions on the bank's systems. The other three partners decided to run external pilot tests, which kicked off with workshops that brought together the heads of key departments within the banks, as well as project research and implementation partners.

These workshops proved critical in establishing a sound foundation for the pilots. They brought together cross-functional teams from each institution, ensuring bank-wide understanding of and commitment to the pilot exercise. In addition, the workshops provided a forum for making decisions efficiently and advancing progress on several key aspects:

Pilot test team. While normally the banks' business development/marketing divisions led product development, these pilot test teams also involved several other key departments including operations, IT, legal, risk, and finance. This cross-functionality was critical to ensure that the final products were vetted by all relevant departments and met both internal and regulatory requirements. In addition, the involvement of a "champion" — a senior executive with institutional authority — proved integral to the successful functioning of the pilot test teams.[9]

Selection of test branches. Financial product development experts recommend that the number of branches in a pilot exercise be large and diverse enough to be representative, but small enough to be manageable and to minimize costs. Test branches should also be easy to monitor from the head office. For YouthSave, additional branch selection criteria included locations where branches could reach a sufficient population of low-income youth.

Length of pilot. All three partner banks wanted a pilot phase long enough to yield useful data — but not a day longer, so as to minimize delay-to-market. The initial proposal was for a six-month trial, a duration some practitioners cite as ideal for new products such as youth savings.[10] Others advocated for half that time, believing that three months minimized the threat of competition. In the end, the Ghanaian and Kenyan teams struck a compromise that allowed for an initial three-month pilot with the possibility of an extension pending mid-point review. In Nepal, the pilot also ended up proceeding in two phases. However, this was driven not by the preferences of the bank but by regulatory concerns, raised shortly before the pilot was to begin, about the proposed school-based delivery mechanism. Initial piloting in Nepal therefore took place through branches, followed by schools once regulatory approval was obtained.

Pilot targets. This objective was necessarily the most difficult to determine since, as noted, this type of youth savings account represented a significant departure from business as usual. For this reason, Bank of Kathmandu declined to set targets,

[9] Those champions were: for Ghana, the executive director for business development; for Nepal, the head of marketing and corporate communications; and for Kenya, the head of marketing and business development.
[10] McCord et al, op.cit.

TABLE 3: PILOT TEST TARGETS AND DURATION

	LENGTH OF PILOT TEST	ACCOUNT TARGETS PER BRANCH	TOTAL ACCOUNT TARGETS FOR PILOT ENDPOINT	ACTUAL ACCOUNTS OPENED AS OF PILOT ENDPOINT
GHANA	July – December 2011 (5.5 Months)	100	400	306
KENYA	July – December 2011 (5 Months)	80	960	673
NEPAL	September – December 2011 (4 Months)	N/A	N/A	338

choosing instead to conduct the pilot as a purely exploratory exercise. The two African partners ultimately based targets on rates of uptake for past products, obtaining sufficient numbers to be able to observe product trends, and local market conditions. Table 3 presents the duration, targets, and actual uptake achieved during the pilots.

Key Questions. All three partner banks had specific product design and delivery issues that they anticipated the pilot test process could help them understand. Withdrawal limits, interest rates, service fees, promotional items, documentation requirements, and many more technical considerations were all on the table and, to varying degrees, the pilot test yielded valuable information about all of them. But the overarching areas of inquiry of paramount importance to all three banks were:

- *Product uptake*. The core objective of the pilot test was to gauge market response to the products. The rate at which the accounts were being taken up was a critical indicator of the product's appeal, as well as young people's ability to effectively access the account.
- *Account usage*. Directly related to the sustainability and profitability issue is the question of account usage. Banks wanted to understand the potential of the youth accounts to mobilize significant deposit volumes in comparison to their other savings products, and also what young people's transaction patterns looked like. Would usage patterns be characterized by low account balances and frequent withdrawals? Or alternatively, might the average user, possibly in response to incentives (positive or negative) keep transactions to a minimum and grow their balances?
- *Customer satisfaction*. For most banks testing this line of business, youth savings is a long term strategy, and one that depends crucially on developing lifelong, loyal customers. To win that early loyalty, the bank must ensure that the youth customers are in fact satisfied. As the saying goes, you do not get a second chance to make a good first impression.

TESTING AND RESULTS

Each bank undertook its pilot testing process with ongoing technical assistance from the Consortium, led by Save the Children. In each market, the process was driven, as noted, by a pilot test team, championed by an empowered senior executive, and staffed by employees from a representative cross-section of departments. The composition and commitment level of these teams proved decisive, as the cross-functional approach helped promote bank-wide buy-in, enhancing an identity for youth savings as a bank-wide initiative rather than an external project.

The pilot test teams in each market closely monitored every aspect of the youth savings pilot in order to draw conclusions around the three core areas of inquiry. Below are highlights of their findings and experiences.

Product Uptake. The two banks that set targets reached 70-75% of their pilot goals in terms of number of accounts opened.

However, perhaps the most important uptake-related learnings were not about the numbers, but about the drivers behind them. The pilots highlighted the importance of three drivers in particular: *accessibility*, *institutional alignment*, and *marketing*.

Accessibility. In trying to mobilize new youth savings accounts, YouthSave's partner banks soon realized how many prospective youth customers lived or went to school in areas far from pilot branches, which significantly slowed anticipated account uptake. The banks therefore found it necessary to diversify their delivery channels, in ways both similar to and different from the tactics many FIs have used to reach low-income adults. In Kenya, for example, Postbank enabled mobile/agent banking to capture deposits (although withdrawals must still be made from a branch, in order to ensure the presence of both the youth and his/her trusted adult).

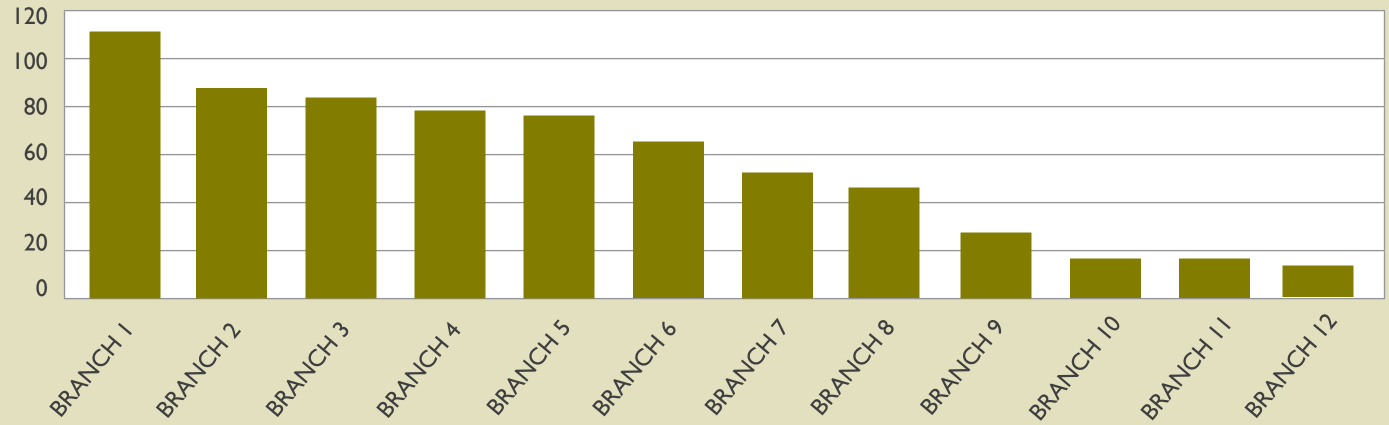
Other delivery mechanisms were tailored for youth. The banks created ways to reach youth where they gathered, namely schools and, for out-of-school youth, market centers. In Nepal, Bank of Kathmandu participated in financial education sessions conducted by Save the Children's local partner NGOs. Bank staff also returned to select schools on a biweekly basis so that students could conduct transactions on-site. In Ghana and Kenya, the banks deployed marketing/sales staff into schools where they were allowed to make product presentations and open accounts. Based on results, HFC Bank in Ghana has begun instituting school-based banking to facilitate access.

That virtually 100% of the pilot accounts were opened by school-going youth simultaneously demonstrates the success of these strategies and the relative difficulties the banks encountered in reaching out-of-school youth. In Ghana, for example, HFC Bank arranged meetings to introduce Enidaso to trade "masters" who typically have many young apprentices. However, these meetings surfaced several obstacles: 1) youths' mistrust of banks; 2) masters' mistrust of youth (many thought that their apprentices would start stealing in order to save); 3) youths' mistrust of adults (many did not want to open an account with a trustee or co-owner); and 4) these youths' lack of necessary ID documents. HFC agents also tried to approach youth working in market centers and lorry parks. But the bank staff discovered that many such youth were migrants suspicious that these uniformed adults were part of a government repatriation scheme. (HFC staff subsequently started travelling with business cards they could hand out as proof of their identity.)

While the specifics of HFC's example are perhaps unique, the larger issues of out-of-school youth lacking proof of identification or a trusted adult (or both) were all too common across the pilot sites. In response to documentation problems, the piloting banks modified their Know-Your-Customer (KYC) requirements to accept baptismal cards, birth announcements, or letters from local authorities instead of the typically required birth certificates or other government-issued identification. But many out-of-school youth did not possess (or could not obtain) even these. Also, especially in countries where at least some education is mandated by law, youth were frequently reluctant to identify themselves as "out-of-school." Finally, such youth were generally more dispersed than their school-going counterparts and so took

Promotional poster for HFC Bank Ghana's Enidaso account.

CHART 1: POSTBANK ACCOUNTS OPENED DURING PILOT, BY BRANCH



more time to locate, making them a less attractive sales proposition for time-constrained branch staff.[11]

The difficulties all partner banks have encountered in reaching out-of-school youth underline the fact that access is about more than location. Especially for marginalized populations, it is about overcoming legal and social deficits that may render even a nearby bank branch and its products out-of-reach.

Entertainers at a community activation event in Kitui, for Kenya Postbank's SMATA account. Photo credit: Corrinne Ngurukie/Save the Children.

Marketing. As described above, marketing efforts during the pilots were closely linked to efforts to enable effective youth access to the accounts.

Youth respondents from the initial 2010 market research had expressed a clear preference for radio and television as their media of choice. But they had also said that they liked receiving information in more direct and personalized ways, e.g. through school assemblies, community meetings, or other interactive fora. Because mass media outlets could not be confined to the select environments to which the pilot testing was deliberately limited — remember the banks' concerns about secrecy and potential loss of their competitive edge — the partners chose to de-emphasize media advertising and focus instead on direct marketing.

Such marketing took place through "activation" events (community events with games and entertainment), school presentations, street theater, and in conjunction with financial education conducted by Save the Children. These activities often included opportunities to open accounts on the spot, and sometimes to conduct transactions. However, the success of these activities in terms of achieving uptake was often determined by the presence of the trusted adult needed to co-sign on the account. In Kenya, for example, the most successful single event in terms of account opening was a community fair, at which one branch opened more accounts than at any of the activation events organized specifi-

[11] On the other hand, there is some reason to believe that working youth may generate higher deposit balances than school-going youth, though the pilot did not generate sufficient numbers of out-of-school accounts to draw conclusions on this.

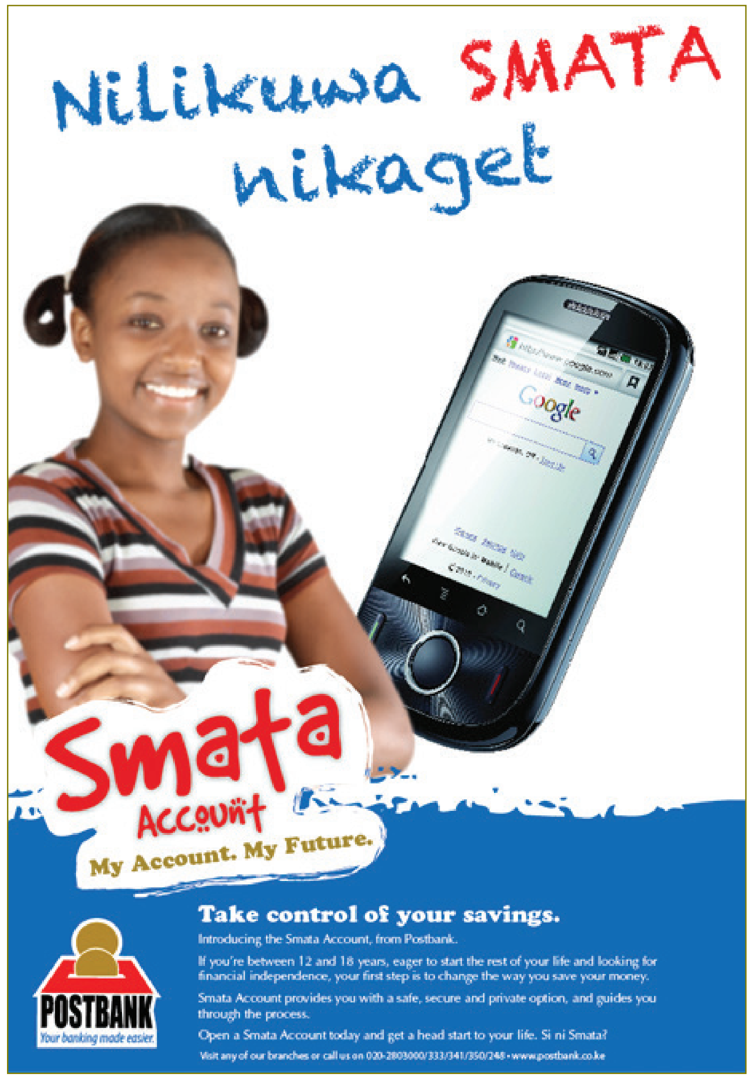
cally for SMATA. This was because families tended to attend the fair together, meaning that the parents were already present, whereas other activation events were not explicitly designed to attract adults in addition to youth.

Institutional Alignment. Bank-wide buy-in — particularly the personal commitment of branch managers and their teams — proved a final critical driver of uptake. Across the pilots, the performance of individual branches in a given country varied dramatically. In Nepal, a single branch contributed half of all the pilot accounts opened. In Kenya, one branch brought in over 110 accounts, while others opened fewer than 20 (see Chart 1). While this variation was to some extent due to local market conditions, the pilot test teams also attributed it to the drive and enthusiasm of branch staff, which in turn was largely a product of the commitment of the branch manager.

Branch buy-in at the beginning of a pilot cannot be assumed. Indeed, before these pilots, not all partner bank staff fully understood or supported the objectives of YouthSave. But experience has shown that typical methods of training bank staff on new products — commonly through an email or a posting on the intranet — are often inadequate to ensure that staff understand and cascade this information as necessary. Instead, Consortium partners and piloting banks organized face-to-face trainings for key branch staff in all three countries. These trainings took staff through the rationale for the products and the new processes and procedures they entailed, including those associated with YouthSave's research activities.[12]

The training sessions also provided an opportunity to address ethical and reputational worries raised by some staff: the perceived potential of savings to distract young people from their education and tempt them to focus instead on money-generating pursuits, the question of where youth obtained their money, as well as issues of child labor. These concerns were allayed by sharing key findings from the market research, which showed that the majority of youth were in fact saving already, and that most of their income originated from their own families. The trainings also encouraged staff to embrace their particular role in protecting the young customers they would be serving, for example by orienting them to the youth risk monitoring system[13] established with assistance from the Consortium's technical team. Finally, the trainings guided staff on how to interact with the local communities in ways that were new to them (e.g. conducting banking in schools).

Ongoing involvement by the cross-functional pilot test team was another mechanism critical to producing institutional alignment around the new youth products. Many pilot test team members had been involved right from the product design



Promotional poster for Kenya Postbank's SMATA account.

12 These activities include the collection of additional demographic data at account opening.

13 In line with its internal child safeguarding policies, Save the Children has created a youth risk monitoring strategy based on the elements of awareness, prevention, reporting, and responding, and assisted our partner banks to integrate it into their product delivery. For more information, please see http://www.youthsave.org/content/keeping-youth-financial-services-becoming-risky-business-highlights-youthsaves-risk-monitori.

TABLE 4: SAVINGS OUTCOMES: PILOT PERIOD

VARIABLE	GHANA	KENYA	NEPAL
PILOT PERIOD	5.5 months	5 months	4 months
TOTAL NUMBER OF ACCOUNTS*	306	673	338
NUMBER OF ACCOUNTS IN RESEARCH**	278	384	310
TOTAL NUMBER OF DEPOSIT TRANSACTIONS	655	611	437
TOTAL NUMBER OF WITHDRAWAL TRANSACTIONS	10	30	2
TOTAL VALUE OF DEPOSITS***	12,984 (16,435)	405,206 (9,869)	71,701 (1,998)
TOTAL VALUE OF WITHDRAWALS***	3,893 (4,927)	99,420 (2,421)	3500 (98)
MONTHLY NET SAVINGS PER ACCOUNT	$11	$11	$3

Source: Johnson, L., Lee, Y., Osei-Akoto, I., Njenga, M., & Sharma, S. (2012). "Product pilot report: Youth savings performance in Ghana, Kenya, and Nepal" (YouthSave Research Brief 12-38). St. Louis, MO: Washington University, Center for Social Development.

** Total number of accounts opened during the pilot test.*

*** Accounts with consent to participate in SDA research. Account performance figures are given for these accounts only. Ghana sample does not include 28 accounts without transactions.*

**** Figures in national currencies; PPP-converted US dollars in the parentheses. For all amounts, the purchasing power parity (PPP) conversion rates for 2011 are drawn from the IMF World Economic Outlook (WEO) dataset (http://www.imf.org/external/pubs/ft/weo/2012/01/index.htm).*

stage, so themselves felt a sense of ownership and commitment to the product, which they then communicated to others. Not only did team members participate in abovementioned trainings, they also cascaded information to both headquarters and branch staff, and provided continuous reinforcement and support to personnel in the field.

For example, following initially slow product uptake, Kenya Postbank convened a follow-up training and fact-finding meeting with its branch managers. They were encouraged to discuss candidly the successes, challenges, and potential solutions they were experiencing with the new product at their branches. Within two weeks of this meeting, Postbank's uptake increased by 42 percent. In Ghana, the senior-level product champion at HFC Bank convened periodic conference calls with pilot test branch managers, which palpably increased the level of branch-level support the product received. In all three countries, bank management appointed head office marketing staff to support branch sales staff in their efforts, which not only bolstered uptake but built relationships between headquarters and the field.[14]

Finally, in Nepal, BoK linked CYBY to the performance management system for branch staff as a way of ensuring that the training its staff received on CYBY yielded results, and to assure proper monitoring. But the bank also made product performance the responsibility of its marketing department, who were expected to support product mobilization and monitoring within the test period, and were evaluated against pilot results.

Account Usage. The heart of the business case for youth savings revolves around long-term customer retention — i.e. the ability to migrate youth to more lucrative adult products over time — and cross-sell. But the level of investment required in maintaining youth accounts over time will be powerfully influenced by whether transaction costs can be minimized and net deposits maximized. One staffer in Kenya expressed general anxiety around the sustainability question: "the cost of offering the account is higher than the income realized . . . the opening balance for example is only KES 50. In addition we are giving away free items which we are not sure we can sustain after funding dries up."[15]

14 Staff incentives were not used during the pilots.
15 In YouthSave, some banks used project support to fund initial marketing campaigns, including promotional items provided upon account opening.

Although it does not settle the sustainability question in itself, evidence from the pilot indicates that young people do indeed have the capacity and willingness to save in these accounts, and suggests that balances will grow over time. As shown in Table 4, not only were monthly net savings positive, but the number of deposits swamped the number of withdrawals in all three countries — in Nepal, by a factor of 218! Interestingly, this pattern appeared to be independent of product features related to withdrawals. In Ghana, HFC Bank's product prohibited all withdrawals within three months of account opening, and limited them to one per month thereafter. The fact that only 7 withdrawals were made — compared to 471 deposits — when that period expired might suggest that the restriction succeeded in incentivizing the desired behavior. But the partners in Nepal and Kenya experienced similar patterns, even without such restrictions. Postbank charges KES 30 for withdrawals to disincentivize them, but the savings account component of BoK's product had neither fees nor limits on withdrawals.

As encouraging as these findings are with respect to savings patterns, they come with several caveats. First, they are very preliminary, with many accounts having been operational for three months or less. In fact, by the end of the pilots, the average number of days that accounts had been open was only 98 in Ghana, 49 in Kenya, and 45 in Nepal.[16] So long- or even medium-term patterns in account usage, along with evolution of balances, remain to be seen.

Nonetheless, the pilots did provide the banks with enough information to confirm that these youth savings accounts would not reach profitability within the time span of other products in their portfolio. Rather, they would be loss leaders, an investment in cultivating the next generation of clients.

Promotional poster for Bank of Kathmandu's Chetansil Yuwa Bachat Yojana account.

Customer Satisfaction. Although pilots by design test short-term questions, customer satisfaction issues have uniquely longer-term implications where youth savings are concerned. The general hope with customer satisfaction is that it results in loyalty and retention, resulting in future use of a range of the bank's products and services. So a key goal for customer satisfaction in this segment is that, even if the youth savings business proves to be the bank's loss leader for years, it will pay off over a sufficiently long time horizon as a tactic for the bank to "grow its own" next generation of customers. This is particularly important given the potentially high operating costs and uncertainty associated with youth savings.

The early indications from pilots on this front were positive. In all three markets, youth savings customers reported that having a bank account made them feel important and grown up. Especially for low-income youth, accustomed to thinking of the

16 Ibid. Note that these accounts were not subsequently closed; the numbers refer to the number of days over which activity was tracked during the pilots.

bank as the preserve not only of adults but of the wealthy, the chance to become a bank customer was considered a privilege and a sign of social prestige.

Staff attitudes appeared to contribute to youths' comfort levels with the banks. Through simple customer service survey tools and focus groups, the youth in all three markets indicated that bank staff were friendly, helpful, and approachable. In Ghana, for example, youth appreciated that bank staff visited them in their schools. As one 17-year-old Ghanaian youth reported, "the manager even calls me to remind me to deposit my savings. I feel good about this and it motivates me to save."

The youth respondents also said that they appreciated knowing that their accounts were truly theirs. They especially appreciated the provisions that all three banks created for these accounts, stipulating that trusted adults cannot access funds without the consent of the youth account holder. As a Ghanaian girl put it, "I know that my account is mine and that no one can take money out of it without me."

However, older youth (those above 15 years of age) also expressed the desire for even more control over their account, e.g. sole ownership, without a trusted adult. (This was less of an issue in Nepal where, as noted, regulations permit anyone over the age of 16 to open a bank account in his or her own name.) Furthermore, some of the youth clients specifically did not want to hold an account jointly with their parents. In response, the bank partners designed their accounts so that the trusted adult could be any legal major of the youth's choice. Teachers and older siblings were often the preferred alternative, and, in Ghana, quite a few accounts were opened under one or two teachers per school, as was evident from discussions with teachers and review of account opening forms during the pilot review process.

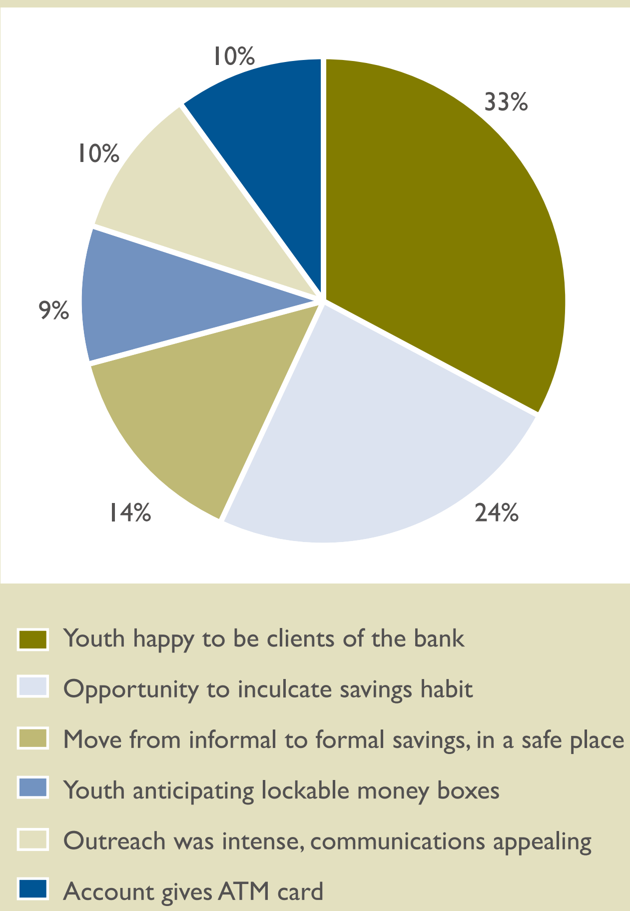
Chart 2 shows the drivers behind youth client satisfaction in Ghana. Note that, among the findings most important in terms of the project's goals, the young people reported that having their own savings account was indeed instilling in them a sense of savings discipline. This reported sentiment is supported by the findings of actual behaviors as noted earlier in Table 4.

At the same time, partner banks uncovered customer attitudes and preferences that led to product design modifications. For example, queries on account-opening incentives revealed that the money bag originally provided in Kenya was not attractive to youth, so during rollout it was replaced with a more substantial-looking wallet. Similarly, focus groups with older youth in Nepal revealed that they valued an ATM card more than a piggy bank, and — since they were over 16 — were legally entitled to use it. Bank of Kathmandu now gives majors a choice of either an ATM card or a piggy bank.

But perhaps the most important change suggested by the pilot in Nepal was to radically simplify the pilot account design, from a bundled savings/fixed deposit to a simple savings account.

CHART 2: DRIVERS OF CLIENT SATISFACTION IN GHANA

Question: "What Do You Like About the Account?"



Source: Survey of 80 Enidaso youth account holders in Ghana, November 2011.

TABLE 5: PRODUCT REFINEMENTS POST PILOT EVALUATION

YOUTH SAVINGS PRODUCT (BANK, COUNTRY)	REFINEMENTS MADE FOLLOWING RESULTS FROM PILOT EVALUATIONS
ENIDASO (HFC BANK, GHANA)	• Increased flexibility in KYC documentation • Reduced ATM card charges
SMATA (KENYA POSTBANK)	• Introduced an alternate/supplementary adult to accompany the youth for withdrawals • Introduced group accounts to cater for organizations that want to open accounts for their youth groups • Opened up other delivery channels (agents, mobile banking) for account holders to make deposits • Replaced money bag with a wallet
CYBY (BANK OF KATHMANDU, NEPAL)	• Eliminated bundled structure (savings and fixed deposit account) and replaced it with a simple savings account • Introduced option for youth aged 16 and above to receive a debit card instead of a piggy bank • Expanded age range to serve young people between 10 and 22 years to (1) strengthen business case and (2) respond to requests to open accounts for young children and their parents

During market research, youth had indicated that they wanted help accumulating larger sums over longer terms, and were even willing to have a portion of their savings blocked to accomplish this. Having both a fixed account component, for longer-term accumulation, and a regular savings account component, for liquidity, was meant to respond to this. But interviews and focus groups with youth account holders during the pilot did not reflect a real understanding or appreciation of the bundled account design — even though youth expressed the same desire for longer-term savings as they had in market research. This, combined with the operational risks and burdens associated with needing to split each deposit between two accounts, prompted the pilot test team to eliminate the fixed deposit feature.

Table 5 illustrates the modifications made to each of the products as a result of the pilot findings, which center around making products simpler and more accessible for youth.

In addition to the lessons described above, partner banks reported deriving benefits from the experience of the pilot test itself — benefits that stretched beyond just the youth savings accounts. Postbank, for example, has lowered the minimum balance on its original youth product to make it competitive with SMATA, and is targeting it to parents of youth under 12. In Nepal, Bank of Kathmandu used a similar market research and piloting protocol for a new agricultural finance product, testing and refining it in select branches before full-scale rollout. These two banks also reported a public relations benefit from testing the youth savings account, with branch staff observing that their standing in their respective communities has been enhanced and that people are more supportive of their products and services.

> *"The pilot test gave us an opportunity to understand the product delivery process. If we had launched in 45 of our branches without piloting and then realized that something was wrong, it would have been very difficult to undo the process."*
>
> — Bank of Kathmandu management staff

CONCLUSIONS AND NEXT STEPS

Piloting was not without its challenges. Competing responsibilities often cut into the available time that staff, especially in tightly-staffed branches, had to devote to pilot activities. Other major bank initiatives and school holidays often threw a wrench into intended schedules. And because pilots were not synchronized with bank incentive calendars, branches that had planned staff deployment in order to hit a certain set of targets, had to reorganize. Last but not least, there were also the direct and indirect costs of piloting discussed above.

However, almost all of these downsides would have been felt during product rollout as well — and in a far more costly way. The main inconvenience of piloting, then, for banks not well versed in the practice may be just that — management of an unfamiliar process. Of course, in competitive markets, the other main disadvantage of piloting is the chance it gives rivals to duplicate the product (and indeed, in Nepal, a competitor launched a similar product while CYBY was being piloted).

The pilots provided an accurate preview of the trends and challenges on which the banks would have to focus during rollouts.

TABLE 6: RESULTS SINCE ROLLOUT

	ACCOUNTS OPEN AS OF FEBRUARY 2013
GHANA	1,786
KENYA	17,351
NEPAL	2,571
COLOMBIA	1,137
TOTAL	**22,845**

Presumably, however, the competition would at that point be copying an untested product, without any of the refinements that piloting enables. In the case of youth savings accounts — which, as discussed above, involve new clients who must be reached in innovative ways — these refinements are particularly critical to ultimate success.

During the approximately nine months since the products were launched in these three countries, several trends signaled by the pilots have been borne out. First, branch performance has continued to vary dramatically, and branch staff commitment to the product remains a key factor. Besides providing trainings (based on those during the pilot) to staff across the network, the partner banks have either instituted or are experimenting with staff incentives to ensure that the youth savings products receive due attention.

Second, reaching out-of-school youth continues to be a challenge. It was hoped that the mass media introduced at rollout would help attract some of these more dispersed youth, who had been difficult to reach with the below-the-line, direct marketing used during the pilots. Unfortunately, this has not been the case. Highly marginalized populations such as out-of-school youth may well require dedicated institutional arrangements (i.e. social intermediation) that — though potentially high-touch and low-scale — can help them surmount the particular obstacles in their path.

On a more positive note, the transaction patterns noted during the pilots have remained largely consistent. Deposits continue to dwarf withdrawals in terms of both number and value. In fact, in Ghana and Kenya, fewer than 5% of account holders made withdrawals at all. In Nepal, this number was approximately 25% — higher than in the pilot, but still a minority of all youth clients.[17] In retrospect, concerns that eliminating the term deposit portion of the original account design would produce a significant outflow of funds, appear to have been unfounded. In fact, average balances have so exceeded BoK's expectations that the bank is no longer concerned about the initial cost of the free piggy banks.

The pilots thus seem to have fulfilled their role as "early warning systems" for the rollouts. They provided an accurate preview of the trends and challenges on which the banks would have to focus

[17] These and other findings related to rollout performance will be summarized in the Saving Demand Assessment annual report, forthcoming from the Center for Social Development. For more information, please see www.youthsave.org or http://csd.wustl.edu/AssetBuilding/YouthSave/Pages/YouthSave.aspx.

to drive uptake and, to an extent, desired usage. But perhaps most importantly, the pilots enabled YouthSave partner banks to deepen their understanding of young clients. By "checking in" once again with target youth, the banks verified whether the findings from market research had been correctly translated into product features youth truly needed and used. That verification process in turn allowed the banks to simplify their products' features and make them more accessible to their target customers. Finally, the pilots helped reveal which subsegments of the youth market could successfully be reached with a strategy designed for scale — and which will likely require more intensive, targeted outreach.

In this way, the pilots helped identify critical success factors (summarized below) that guided the eventual product rollouts. While more is clearly being learned as rollout unfolds — especially about how to sustain interest in and usage of the accounts — the lessons learned during piloting gave the three YouthSave partner banks a head start on this process, putting them on the best possible footing for nationwide product launch. It is the Consortium's hope that the financial inclusion field will keep the findings from these three pilots in mind as the search continues for sustainable ways to make safe, accessible savings services available to low-income youth.

YouthSave Pilots: Key Success Factors and Lessons Learned

Product level

1. Youth are both able and willing to save in formal FIs and, in fact, the opportunity to do so appears to be a main driver of the appeal of youth savings accounts.
2. Access is a function of legal and social capabilities, not just physical proximity. Youth without trusted adults or documentation will require more intensive outreach and facilitation in order to access and use savings accounts.
3. Marketing activities targeted at account realization should focus on opportunities to reach youth and trusted adults at the same time.
4. Branch staff support and commitment to youth savings products are critical to their success. Marketing and delivery plans must take account of human resources available at branch level.

Process level

5. Institutional alignment is key to a successful pilot, and starts with an empowered, committed product champion at senior management level.
6. An enthusiastic, cross-functional team to oversee and coordinate pilot testing activities ensures that all relevant departments within an FI have a voice and a stake in the pilot.
7. The importance of branch staff buy-in cannot be overstated; youth savings products live or die by the efforts of staff who actually interact with youth.
8. Sufficient time must be allotted to run a meaningful pilot. A mid-pilot review can be very helpful to identify challenges to account uptake and usage as well as client satisfaction, before testing ways to resolve them during the rest of the pilot.
9. Although piloting is unfamiliar to many FIs, openness to experimenting with new processes — mirroring the creativity and dynamism of youth — can produce lessons that would not be gleaned from business-as-usual.

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