

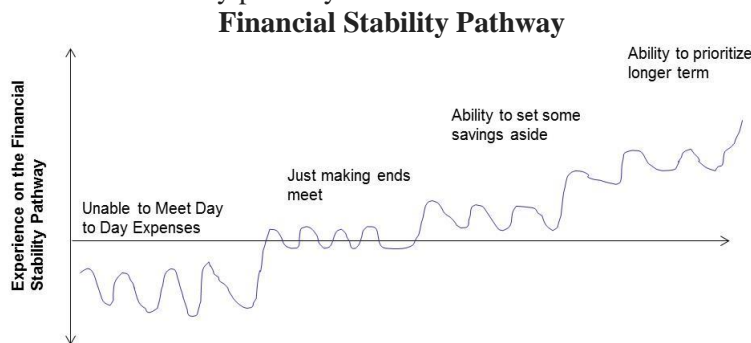


Emergency Savings Products and Alternatives *Summary of a Ford Foundation Grantee Convening, Hosted by D2D*

On December 13th, 2013 Doorways to Dreams (D2D) Fund hosted a Ford Foundation Grantee Convening focused on Emergency Savings Products and Alternatives. The day provided an opportunity to delve into the emergency savings discussion and address the need for product innovation and consumer-centric design to help low- and moderate-income (LMI) consumers manage financial emergencies and move towards financial security. Members of the financial service industry discussed the challenges and opportunities of product innovation in the marketplace for LMI consumers. The day closed with an interactive session hosted by a design consulting firm that provided participants with an opportunity to innovate a financial solution for an LMI consumer, with both the consumer and industry perspective in mind.

Presentation by D2D on “Framing the Financial Emergency Discussion: Consumer’s Perspective”

The day began with a presentation by Sarika Abbi, Director of Ideation at D2D, who shared consumer research that highlights the fragile financial state of and complex needs of many low- and moderate-income households. The research points to the need for innovation that takes into account where consumers fall on the financial stability pathway.



Given that many LMI consumers are faced with unpredictable income and expenses frequently in their financial lives, innovators should keep in mind that an individual’s experience on the financial pathway can be bumpy as financial shocks occur and that even those with a financial cushion can be vulnerable. While the position on the pathway influences consumer needs and their financial product options and choices, Abbi explained that how a consumer engages with a financial product is also influenced by their life experiences, familiarity and perception of products, and their trust of financial institutions and service providers. Given the needs of consumers, factors such as accessibility, familiarity, convenience, trust, flexibility and ease of use should be incorporated into product design and development. As innovators with a consumer-centric focus, we therefore need to design solutions that: can be bundled into existing products that consumers are already interacting with; are available in distribution channels that they are familiar with; emotionally resonate with their values; build off of existing behaviors; and take into account their position on the financial stability pathway.

Panel of Industry Leaders

Industry panelists then shared their organization’s innovation processes for the design, development, and marketing of products to reach the LMI consumer segment. A breadth of ideas were presented including

using distribution channels, such as employers and retailers, to innovate around the delivery of financial products; leveraging technology and payments mechanisms to promote savings; exploring new underwriting methods for life insurance; and innovating at the back-end platform level to produce scalable and efficient savings business models.

The Convening's panel of industry leaders consisted of:

- Paul Musser, Vice President, International Development, Public Private Partnerships at MasterCard,
- Ray Burton, Vice President of Global Brand and Marketing at MetLife,
- Carl Morris, Vice President of FlexWage Solutions LLC, and
- Scott McCormack, President and CEO of Social Money.

Ray Burton discussed how MetLife is using new ways to underwrite life insurance, scaling to reach efficiency and expanding to reach a broader segment of the U.S., particularly LMI consumers. Burton discussed recent initiatives including distribution of low monthly premium life insurance policies through Walmart retail locations and thoughts on exploring innovative ways to integrate insurance and payment solutions.

Carl Morris shared how FlexWage's innovation WageBank helps provide employees with access to accrued wages, potentially helping American households avoid the debt trap associated with using high-cost lending alternatives. FlexWage describes their innovation as the first step to moving consumers towards financial stability and away from a reliance on high-cost lending.

Scott McCormack from Social Money shared insights about their innovative savings products and platforms for both consumers and the financial services industry. McCormack discussed how its SmartyPig product had made it easy for anyone to save for specific goals, compartmentalize their goals and tap into their social networks. At the B2B level, McCormack emphasized Social Money's desire to create a new back-end system so other financial service providers can offer savings in a more efficient and sustainable way.

Paul Musser from MasterCard pointed to emerging solutions such as payments and prepaid that move beyond cash. He asserted the importance of electronic vehicles for consumers to safely store and access their money, which can then help them capture some of it into savings. Musser shared research that found that the likelihood of saving drops significantly once someone turns their funds into cash, citing that approximately 85% of transactions worldwide and in the U.S. are cash-based.

Panelists also discussed industry challenges and opportunities to innovate products to reach LMI consumers. There was lively discussion around the slow pace of innovation with financial institutions and how LMI consumers are an emerging market in the United States. One panelist noted the need for innovation to happen from the bottom up. They also expressed a desire for new research to help industry better understand the needs and preferences of LMI consumers, stressing the importance of bringing quantitative and qualitative research to industry leaders' attention. The industry panelists also identified scale as a necessary ingredient for successful product innovation.

Continuum Innovation Exercise

The day closed with an exercise led by Continuum, a design consulting firm. The exercise required attendees to develop an understanding of a hypothetical LMI consumer named 'Monica'. The group learned about Monica's life such as where she worked and lived, her values and worries, and her financial stresses and concerns. Convening attendees were split into groups and assigned to visualize Monica and

her financial needs at a specific stage of the financial stability pathway and were then asked to innovate a product solution for a specific delivery channel, such as a grocery store or a cell phone company. Attendees left with insights into an innovation process that allowed for creative financial solutions through new distribution channels as well as a design process that kept in mind both the needs of the consumer and the provider.

Key Takeaways

This interactive convening focused on the need and opportunity for financial innovation to help consumers manage financial emergencies. Key takeaways from the day included:

- Innovation in this space requires an understanding of the diversity of needs of consumers based on their position on the financial stability pathway and their personal and financial experiences, what “emergencies” mean to them and what is effectively scalable and sustainable in the marketplace.
- To ensure take-up and use of financial products, we need to keep the consumer central to our design process, understanding their values and needs to design effective products that reach our target consumers.
- Sustainability and scalability of innovations requires an understanding of the challenges faced by the industry, their priorities for reaching LMI consumers and their gaps in understanding that can be addressed by the social sector.
- Innovation needs to keep both the consumer and industry perspective in mind to ensure successful reach and scale of ideas. Often this means integrating both industry and consumers early in the innovation process.