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Using Behavioral Science to Design a Customer-Centric Financial Management Training for Microentrepreneurs

Final Report of the Qualitative Research on Client Financial Management Practices

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CGAP

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Introduction

There has been growing momentum to design financial and nonfinancial services for lower-income populations around the world that would meet the specific needs of these clients. CGAP's "Clients at the Center Financial Inclusion Research Fund" (Fund) has been playing a catalytic role by supporting research focusing on understanding clients' needs and delivering services that respond to these needs. CGAP engaged ideas42, a behavioral design firm, to apply its research methodology, which is founded in behavioral science, to conduct a qualitative research on how microentrepreneurs approach, decide, and act on key business and financial management issues. ideas42 will use the insights from the research, summarized in this report, to develop and refine the content and features for the next iteration of its Financial Heuristics financial management training product for microentrepreneurs. This improved product will help microentrepreneurs successfully manage their businesses and, in turn, enhance the financial well-being of their families.

This report provides a comprehensive summary of the objectives of the research, the behavioral methodology used for the qualitative research conducted in India and the Philippines, and key findings on how microentrepreneurs manage their finances. Section 1 provides the conceptual framework for the Financial Heuristics work and outlines the historical development of ideas42's Financial Heuristics portfolio. Section 2 describes the specific objectives of the client-centric research. Section 3 presents ideas42's proprietary behavioral mapping methodology that was used to conduct interviews with clients of microfinance institutions (MFIs) in India and the Philippines. Section 4 summarizes the key findings from the client research on microentrepreneurs' business and financial management practices (in the Philippines) and the client experience with the Financial Heuristics business management training product (in India). Section 5 concludes the report and outlines the key next steps for finalizing the Financial Heuristics scale-up project in August 2017, funded by USAID's Development Innovation Ventures (DIV) program.

Section 1: Financial Heuristics: Conceptual Framework

1.1. Background

There are approximately 400 million micro, small, and medium enterprises around the world, and many more informal entrepreneurs who derive a portion of their income through some form of entrepreneurial activity, yet these individuals have no training or support to help them manage the complex finances of a small enterprise. The microfinance industry has made progress providing greater access to formal financial products, but microentrepreneurs have no tools for cash flow management, inventory management, and credit management. Classroom-based financial education courses have traditionally been used as a way to fill the skills gap but have been recently shown to have little impact on key business outcomes such as sales and profits (McKenzie and Woodruff 2012).

In fact, meta-analysis of 15 randomized controlled trials (RCTs) shows that financial education interventions can be attributed to less than a 1 percent change in the financial behaviors of participants compared to a control group, with even weaker effects in lower-income samples (Fernandes et al. 2014). From a behavioral perspective, increased knowledge alone does not always translate into improved decisions or behaviors. This insight points to alternative ways to deliver financial literacy training. Reducing content complexity and replacing classroom-based delivery with a lighter-touch method offer fresh promise for improving business decisions and outcomes. ideas42 works to achieve this by developing simplified content and a more cost-effective and direct delivery channel for financial literacy trainings.

1.2. Financial Heuristics: Conceptual Framework

The causal chain of traditional financial education makes a number of assumptions about human behavior that have been contradicted by decades of research in psychology and behavioral economics. The determinants of human behavior can be much more complex than knowledge or awareness. One unifying framework for this research emphasizes that people often face cognitive limits. For example, we display limited attention to new information—making classroom education an unlikely panacea to knowledge gaps. We have limited memory for this information, so the effect of financial sessions may fade over time. We have limited cognitive processing capacity, meaning that synthesizing classroom knowledge into real-world behavior can be difficult or done incorrectly. Finally, our limited self-control is one of only many factors that can make it difficult to translate our best intentions into concrete actions.

Furthermore, a new branch of research suggests that the condition of scarcity itself can exacerbate these limitations. When we feel strapped for money or time, our attention narrows and we systematically neglect certain decisions and consequences. For example, in laboratory experiments, subjects with scarce time resources perform better on cognitive tasks second-by-second, but tend to borrow too much time from future periods of the game and then struggle with time constraints in later rounds. Rules of thumb, which lighten the cognitive burden of financial management, may therefore be more effective for many microentrepreneurs in low-income countries who face frequent scarcity.

Knowledge alone is often complex and difficult to translate into actions. In contrast, distilling information into actionable, simple rules of thumb can lower the barrier of adoption and improve behaviors in financial management even in the absence of complete understanding of accounting or business planning. For example, hand washing is a critical behavior for controlling transmission of diseases. Teaching the information that is the basis for this behavior would require lessons in microbiology and the germ theory of disease. A more effective approach would entail simply promoting heuristics such as "always wash your hands before preparing food."

These insights led the ideas42 team to design a heuristics classroom-based training for the Dominican Republic study, with a theory of change backed by behavioral science. The team's intervention emphasizes behavior change as the critical lever of business success. Microentrepreneurs in low-income countries struggle to adopt and perform successful financial management behaviors. This is exacerbated because they experience significant difficulties from the psychology of scarcity. The Financial Heuristics-based training ideas42 is developing aims to solve this particular issue for microentrepreneurs. The training content provides simple rules-of-thumb or decision-making aids that enable business owners to make "reasonably good" decisions without needing to understand all the complex nuances of accounting or business planning. Armed with Financial Heuristics training, ideas42 hopes that microentrepreneurs around the world will be much better equipped to run their businesses effectively and take care of their family needs.

1.3. Financial Heuristics Project Portfolio

As part of the Financial Heuristics portfolio, ideas42 aims to develop both a behaviorally informed content and a methodology for delivering financial heuristics-based business management advice to microfinance customers across the world. To that end, ideas42 has completed, or is in the process of executing, the following research and financial management training product development plan:

Phase 1: Conduct initial research on the financial management practices of microentrepreneurs, and use the findings to design and test the effectiveness of a classroom-based Financial Heuristics training with microentrepreneurs in the Dominican Republic (Completed: 2006–2009).

Phase 2: Adapt the Financial Heuristics content developed in the Dominican Republic to the needs of Indian entrepreneurs, and develop and test the effectiveness of a mobile phone-based technology to provide Financial Heuristics-based training to microentrepreneurs in India (Ongoing: 2014–2016).

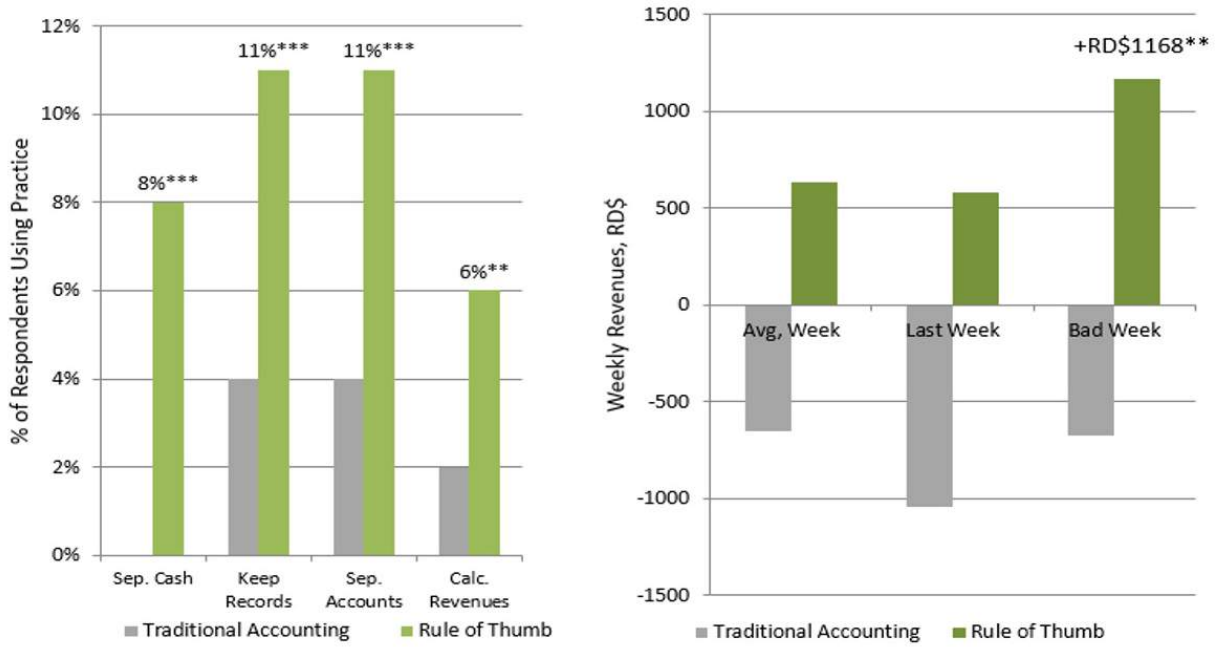
Phase 3: Based on customer research, adapt the mobile phone-based Financial Heuristics content developed for India to microentrepreneurs in the Philippines. Moreover, based on the learnings from the Phase 2 project in India, design a scale-up version of the training tool that is easy for MFIs to adopt and use, and test the effectiveness of the improved mobile phone-based Financial Heuristics training tool with microentrepreneurs in India and the Philippines. (Ongoing: 2015–2017).

1.3.1. Brief History of Financial Heuristics Projects: Phase 1 and Phase 2

Phase 1 (Dominican Republic): The behaviorally informed, classroom-based Financial Heuristics training that ideas42 developed in the Dominican Republic, in collaboration with Antoinette Schoar, Alejandro Drexler, and Greg Fischer, teaches microentrepreneurs easy-to-remember and easy-to-adopt rules-of-thumb (heuristics). Based on months of observations and interviews with microfinance lending clients, the team distilled complex business concepts and decisions into easy-to-implement action steps (i.e., financial heuristics). For example, one heuristic informed entrepreneurs to physically separate the money for their business and household by placing it in two separate drawers. At the end of each month they could then count the money in the business drawer and effectively "calculate" profit without having to use (and thus remember) any accounting techniques.

The team in the Dominican Republic conducted an RCT to assess the effectiveness of the classroom-based heuristics training. We found that microentrepreneurs who had under gone heuristics-based training were as much as 10 percentage points more likely to keep accounting records and separate their home and business incomes than the control group. Moreover, rules-of-thumb-based training led to statistically significant improvement in weekly revenues and an almost 7 percent increase in levels of sales during bad weeks (see Figure 1). Even though the financial heuristics classroom-based training led to better outcomes for the microentrepreneurs in the Dominican Republic, the classroom-based delivery channel we used was observed to be expensive and not easily scalable. This led the team to look for an alternative delivery channel that was scalable—namely, mobile phones.

Figure 1. Results from the Financial Heuristics Training in the Dominican Republic



Source: Drexler et al. (2014).

Phase 2 (India): ideas42's next innovation on the Financial Heuristics training product focused on leveraging mobile technology to deliver heuristics-based training in a cost-effective way that allows for an increased likelihood for scale. Reducing content complexity and replacing classroom-based delivery with a lighter-touch method offers a fresh promise for improving financial and business decisions for millions of microentrepreneurs. As part of this innovation, our team worked on adapting the classroom-based training content to make it suitable to deliver via interactive voice response (IVR) through mobile phones. Furthermore, we introduced additional heuristics to address common financial management challenges experienced by microentrepreneurs in customer, supplier, and inventory management. We have rolled out the improved mobile phone-based heuristics training to a sample of 1,200 MFI clients in India in partnership with Institute for Financial Management and Research (IFMR) and the MFI Janalakshmi, and are currently conducting the endline survey for the project evaluation. The results from the study will be available in summer 2016.

For Phase 2, most aspects of managing and implementing the Financial Heurstics tool were done by IFMR, a third-party to the financial institution and its clients. ideas42 identified that the logical next step to achieve scale for the Financial Heuristics training is to develop a mobile phone-based training product that is easy and intuitive for MFIs to implement themselves, so they can effectively embed it in their nonfinancial service delivery systems.

1.3.2. Financial Heuristics Scale-Up Projects: Phase 3

The next step for the ideas42 team to the full development of a viable Financial Heuristics training product has been to develop a scale-up version of the mobile phone-based Financial Heuristics tool that is both customer-centric in terms of content, as well as easy to adapt and implement for MFIs across the globe. The key insights from our qualitative research conducted as part of Phase 3 of the Financial Heuristics project are summarized in Section 4. As part of the project, we also selected a new technology platform to deliver training, and improved on the training tool features (for more information, see Section 4.2.3). Currently, we are finalizing the content of the training by incorporating user feedback via a series of user testing sessions. We will launch the improved financial management training to loan clients of MFIs Janalakshmi in India and NWTF in the Philippines in June 2016, and in the following year conduct RCTs to evaluate the effectiveness of the improved scale-up training tool.

The Phase 3 work conducted as part of the Financial Heuristics portfolio is jointly supported by CGAP's Fund and by USAID's Development Innovations Ventures (DIV) Program. CGAP funding has supported ideas42's work in conducting qualitative customer-centric research. The research findings are contributing to an expanding body of knowledge about how microentrepreneurs manage their business finances around the world, but have also allowed the ideas42 team to refine the content for the Financial Heuristics training and customize the features of the training platform, based on clients' needs. DIV funding is supporting the team to develop and refine the technology platform used for the Financial Heuristics training, launch the training with a set of microfinance clients in India and the Philippines, and evaluate the effectiveness of the latest iteration of the Financial Heuristics scale-up training product with RCTs.

Section 2: Objectives for the CGAP Research Work Conducted as Part of Phase 3—Financial Heuristics Scale-Up

With the support of CGAP's Fund, ideas42 executed a deep-dive formative customer-centric research in India and the Philippines. The objectives of the research in India and the Philippines for Phase 3 were different, as we had already conducted a lot of the primary research about how microentrepreneurs manage their finances in India in Phase 2 of the project. On the other hand, the Philippines was a new country to the Financial Heuristics portfolio, so we started with the formative research stage in the Philippines. The research objectives for Phase 3 for each country are laid out in the following.

2.1. Research Objectives: Philippines

In the Philippines, where the Financial Heuristics training has not been tested yet, our objective was to learn about how microentrepreneurs approach, decide, and act on key business and financial management activities and to assess the relevance of already developed Financial Heuristics content for India and the Dominican Republic to the needs of Filipino microentrepreneurs. We approached our research through the following research questions:

1. *How do microentrepreneurs manage their finances—both personal and business?* Financial management behaviors are very important to sound business management. Thus, an assessment of current financial management practices is critical for effectively designing the financial management training product that adequately addresses the needs of the target population.
2. *What heuristics, if any, do microentrepreneurs use in managing their finances?* Our prior research has shown that microfinance customers use simple rules of thumb to guide their decisions and actions around general financial and business management. Our research also aimed at identifying and cataloging any additional financial heuristics microentrepreneurs use in the Philippines, and assessing their usefulness in guiding beneficial financial behaviors for the target population.

2.2. Research Objectives: India

In India, where we have already implemented the mobile-phone-based financial management training, our objective wasn't to understand how microentrepreneurs manage their finances—work we had completed in Phase 2 of the project—but to assess how users of the Financial Heuristics mobile-phone-based training use the tool and interact with the rules of thumb being taught. For that purpose, we conducted research with engaged and unengaged clients of the mobile-phone-based Financial Heuristics training. Our specific research questions were as follows:

1. *How do clients experience the content and structure of the Phase 2 training product?* Our in-depth interviews with microentrepreneurs participating in Phase 2 allowed us to collect user feedback on the ease of understanding and usefulness of the Financial Heuristics content for their business. We also gathered insights around the general training structure, namely, message length, message frequency, and language.
2. *What components of the training drive client engagement and persistence through the training?* We also conducted research to understand what drives pick-up and listenership rates for clients. Based on the insights from engaged and unengaged training participants, we were able to identify key features of the training that drive client engagement, and derive invaluable design implications for improving the design of the training product for Phase 3, to make it better fit the needs and context of the target audience.

The key findings from ideas42's qualitative research, summarized in Section 4, have played an important two-fold role: (1) expanding the understanding of financial inclusion practitioners about how microentrepreneurs manage their finances, and (2) deriving key insights about how nonfinancial service products should be designed to fit the needs of their target customers. The research has also helped ideas42 develop a more effective way to design and deliver the Financial Heuristics mobile-phone-based training across different target populations and in different geographical and cultural settings. We believe that this qualitative research provides valuable customer behavior insights that should be at the center of our efforts to design effective financial and nonfinancial services for microentrepreneurs.

Section 3: The Behavioral Methodology Used to Derive Customer-Centric Insights

This section describes the key elements of ideas42's proprietary behavioral diagnostic methodology, which was used for the qualitative research conducted as part of the CGAP research grant. We also go over how our methodology was used to inform the structure of the qualitative client interviews we conducted in India and the Philippines.

3.1. Approach to Problem Solving

ideas42 is distinctive in its approach to problem solving. We believe that incorporating a fuller picture of human behavior allows us to develop innovative solutions to help tackle difficult social challenges. Our unique process allows us to generate new insights and develop interventions that have greater impact.

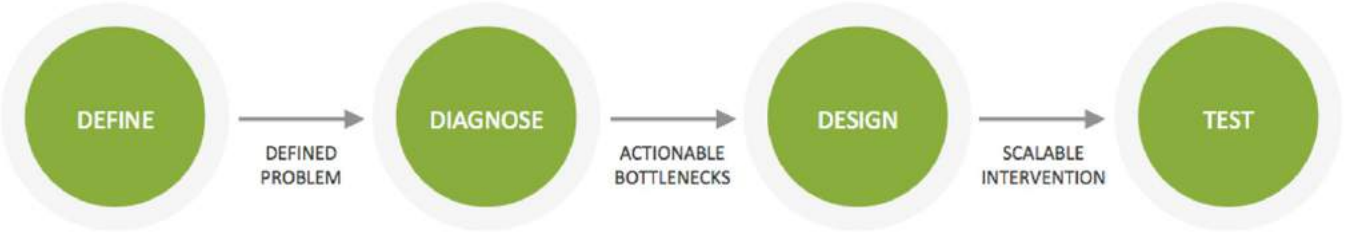
We use a proprietary tool for behavioral mapping to create nudges and innovations. This tool allows us to pinpoint bottlenecks in decision-making and behavior. Through behavioral mapping we generate hypotheses regarding the psychologies and contextual features that may be standing in the way of a desired behavior. This allows us to evaluate the behavioral bottlenecks our interventions should address to have the greatest possible impact.

3.2. Behavioral Mapping Methodology

For behavioral design projects, such as the Financial Heuristics scale-up project, ideas42 applied its proprietary behavioral mapping methodology, which follows a four-stage process. See Figure 2 for a graphic overview of our behavioral mapping process:

- **Define.** The first step is to accurately define the problem, focusing entirely on a specific behavior. We eliminate all assumptions about what may be contributing to the problem, and therefore what the solution might be.
- **Diagnose.** The diagnosis process generates insights about the psychologies and situational features contributing to the problem. We create an initial behavioral map, and tenaciously reiterate on it to refine our hypotheses as additional data are collected and analyzed. Our data comes from site visits, interviews, literature reviews, and the collection and analysis of existing qualitative and quantitative information. The insights we generate look specifically at how the particular context and features of the environment can create behavioral bottlenecks.
- **Design.** Drawing on the diagnosis, we design scalable interventions that address the key bottlenecks. Designs range from small-scale changes to existing programs and products to more complex interventions. We then work closely with partners to finalize and implement the design.
- **Test.** To determine the validity of our hypotheses and the efficacy of the design, we rigorously test interventions—ideally through an RCT, the gold standard in evaluations.

Figure 2. Four-Stage Methodology



3.3. Methodology Used for the Qualitative Interviews

For the research conducted as part of the CGAP research grant for Phase 3 of the Financial Heuristics scale-up project, ideas42 used the diagnose stage of our behavioral mapping process. The research agenda was to gain a deeper understanding of how microentrepreneurs approach, decide, and act on key business and financial management activities in their business.

To gain a deeper understanding of how microentrepreneurs manage their businesses, we conducted a series of one-on-one interviews with clients. As part of the interviews, we asked clients specific questions about how they approached a particular financial management decision, such a giving credit to their customers, and what specific practices they followed. In the interview process, the ideas42 team emphasizes questions that help us understand "what clients are doing" and "how they are doing it," rather than "why they are doing it." This interview style is an integral part of our behavioral mapping process, and helps the team uncover how the particular context and features of the environment shape clients' behaviors. Behavioral science teaches us that often clients don't know why they are doing what they are doing. That is why we are not asking clients many "why" questions, but rather are using keen observation of the environment in which they are making decisions and acting on them, and pointed "what" and "how" questions to identify the key reasons for clients' decisions and actions. We call the combined method of one-on-one client interviews and observations context reconnaissance, as it helps us decode the role of circumstances, social pressures, and context is shaping clients' behaviors.

We used the same qualitative interview methodology for our India interviews, although the research objective there was different. In Phase 2 of the project, we had already conducted the necessary research to understand how the India target population manages their finances, and how their context shapes their behaviors. That is why in Phase 3, we focused our qualitative interview efforts toward researching how clients who are already customers of the Financial Heuristics mobile-phone-based training are engaging with the content and the platform. The insights from the India qualitative research were instrumental in guiding the ideas42 team toward adapting and improving the content of the training and the features of the technology platform through which we deliver the training.

This methodology helped us gain a stronger understanding of the context and behaviors of our target populations. Our findings from the context reconnaissance process were instrumental in helping us iterate and improve on the design of the Financial Heuristics mobile-phone-based training to improve its effectiveness for our target populations.

3.3.1. Qualitative Interviews in the Philippines: Client Selection and Interview Methodology

Our first step in structuring our client interviews in the Philippines was to select who we would like to interview. The criteria we used for selecting target interview clients were the same as those we are using for selecting clients for the business training intervention. Even though it was not an explicit selection criterion, we interviewed exclusively female microentrepreneurs given that NWTF's client base is all women. NWTF's staff was instrumental in helping us identify 32 clients to interview that fit our selection criteria:

- Group loan clients of Project Dungannon[1] who are currently repaying a loan.
- Business owners with retail businesses such as sari-sari stores (small convenience store) and other retail businesses.
- Clients whose business has been in operation for a year or more.

We interviewed group lending clients of Project Dungannon, from the communities around Silay City, Patag, Bago City, Valladolid, and La Carlotta. All clients were female owners of sari-sari stores, typically operating the stores by themselves and with an average age of their business of eight years (Box 1).

Box 1: What does a Typical Sari-Sari Store Look Like?

A sari-sari store is a small convenience store found throughout the Filipino islands. The word "sari-sari" in Tagalog means variety. It is indeed a store that offers a variety of products such as coffee, chips, sugar, oil, salt, lentils, bread, soft drinks, eggs, soap, laundry detergent, cigarettes, etc. A lot of the goods sold are either repackaged single-serve items, such as sugar, salt, oil, and lentils, or are bought as single-serve items, such as a shampoo sachet or a mini soap bar. Such stores are typically operated from inside the house and are protected with a metal-barred window with a small opening to conduct business transactions. Most items are tied to the window as a display—to make them visible to potential customers who typically are family and neighbors from the community.

Photo Credit: Marina Dimova

1. NWTF's Project Dungganon aims to help marginalized women, from rural and urban communities, by providing them with training and group-based credit to maintain or start their own small business ventures.

The qualitative interviews focused on understanding the business and financial management practices of sari-sari and retail business owners and the context in which they manage their business finances. In particular, we focused on a few core business practices, identified as key to business success in Phase 1 and Phase 2 of the Financial Heuristics project: managing the business and household finances, customer and supplier management, and inventory management. Furthermore, we focused on understanding what heuristics, if any, these microentrepreneurs use in the way they manage their business financials. We used the interview findings to synthesize the behavioral issues retail businesses experience in business management and identify the financial and business practice areas that Project Dungannon clients need and can benefit from as part of Financial Heuristics training.

Each interview was about 60 minutes long and was conducted one-on-one with the client, an ideas42 member, and a translator. The questionnaires were carefully crafted to ask "what" and "how" questions about clients' business practices. All clients signed a consent form before the interview. The interviews covered the following topics:

- Site Visit 1: Initial research on how our target customers in the Philippines manage their finances:
  - Client business operations: business details, primary source of income for the household, key customers, etc.
  - In-depth description of the client's business practices: customer credit management practices, inventory management, account separation, pricing, etc.
  - Comfort with and use of mobile phone: Ownership, key functionalities used, and purpose for use
  - Interest in business-related training
- Site Visit 2: In addition to the questions asked during Site Visit 1, we did a qualitative dive-deep to understand clients' processes of making decisions and following through on actions on the following topics, which we identified as the key areas in which clients exhibit suboptimal behaviors, based on our findings from Site Visit 1:
  - Paying oneself a salary
  - Inventory management
  - Cash separation

The combined interview findings from the two site visits in the Philippines provided us with a comprehensive understanding of how Project Dungannon clients manage their business finances. Our findings verified that MFI clients in the Philippines are experiencing many of the same financial management issues as their counterparts in India and the Dominican Republic. It has also helped us to shape specific details of the content for the Financial Heuristics scale-up training to better reflect the context in which microentrepreneurs in the Philippines are operating. Our key behavioral findings from the Philippines are summarized in Section 4.

3.3.2. Qualitative Interviews in India: Client Selection and Interview Methodology

In India, to collect user feedback on the Financial Heuristics training product, we restricted our sample to Janalakshmi clients already receiving the training as part of the Phase 2 pilot. More specifically, for our qualitative interviews, we talked with clients satisfying the following criteria:

- Janalakshmi's Nano business loan customers from the Bangalore metropolitan area who were receiving the mobile-phone-based training as part of Phase 2 pilot
- The additional criterion we used focused on client's engagement level with the training product
  - Engaged Customers:
    - Clients picking up the phones for the training messages and tending to listen to the majority of the messages
  - Unengaged Customers:
    - Clients not picking up the call despite repeated follow-up calls
    - Clients picking up the call, but hanging up within the first 20 seconds, or showing a high inconsistency in their listenership duration (standard deviation in weekly percentage heard being over 40 percent)

We conducted two site visits to India in 2015; the scope, sample selection, and objectives of the interviews was slightly different between the two site visits. For Site Visit 1, we interviewed Janalakshmi Nano business loan clients who at that time had been receiving mobile-phone-based training for five months to learn about their overall experiences with the training. For Site Visit 2, we focused only on Nano business loan clients who haven't been as engaged with the training program to get a better sense of the root causes of their disengagement, namely measured by their pick-up and message listenership rates. With the support of Janalakshmi's staff and IFMR, the ideas42 team interviewed 31 Janalakshmi customers, eight engaged customers, and 23 unengaged customers, in 2015.

Each interview was about 60 minutes long and was conducted one-on-one with the client, an ideas42 member, and a translator. Before the interview, each interviewee signed a consent form. The feedback interviews covered the following topics:

- Site Visit 1: General feedback on the training product in terms of:
  - Training structure: Call timing, message length, and frequency of training messages
  - Training content: Ease of understanding the content taught to date and its usefulness for the business
  - Practice adoption: Which practices have been adopted in the business and which have not and the reasons for adoption vs. nonadoption of these practices
- Site Visit 2: Specific feedback on:
  - Clients' motivation for picking up the call
  - Clients' interaction with the mobile interface and the broadcast messages, with the objective to identify bottlenecks around engagement, be it behavioral or otherwise
  - Orientation session conducted at the start of the training to introduce clients to the mobile-phone-based training service

From the qualitative interviews with engaged clients, we obtained insights about which features of the Phase 2 training design are working and could be leveraged in its next iteration. Talking to unengaged clients gave us an opportunity to probe and understand in detail that specific parts of the training program that did not work for them; this gave the team useful insights and design ideas for tweaks to the training content and delivery structure for the next iteration of the training product. We also were able to deepen our understanding of financial management practices among Indian retail businesses and gain insight about their level of understanding and adoption of heuristics-based financial management practices we taught them via the mobile training. The key findings from the site visits are presented in the following section.

Section 4: Research Findings from Client Interviews

This section describes in detail the key research findings from ideas42's qualitative research in India and the Philippines. The findings are summarized by country, to reflect the different research questions we pursued in each country.

4.1. Key Research Findings from the Philippines

In this section, we have summarized our key research findings based on the two research questions we aimed to answer for the Philippines research: (1) How do microentrepreneurs manage their finances—both personal and business? (2) What heuristics, if any, do microentrepreneurs use to manage their finances? The section is organized by the key business practices we identified for retail loan clients in the Philippines. The following are key business practices we identified:

- Many clients operate multiple businesses and tend to mix the income from these businesses.
- Clients do not calculate profit for their businesses.
- Clients take money from their business for their household as they need it.
- Many clients compartmentalize income streams and direct them toward different expenditures.
- Clients give credit to customers based on customers' needs, and do not enforce timely repayment.
- Clients use the variety principle to buy stock for their business.
- Clients price items not taking into account related costs of purchasing the item.

For some businesses practices, we were able to identify specific business and financial management heuristics that microentrepreneurs.

4.1.1. Most Clients Operate Multiple Businesses and Tend to Mix the Income from These Businesses

Over two-thirds of the business owners we interviewed own and operate at least one more business in addition to their retail business, such as fish vending, food preparation and catering, or pig breeding. We believe that the decision to own and manage more than one business stems from the desire to expand and diversify one's income, which is especially important for sari-sari store owners, as these retail shops are ubiquitous in every neighborhood in the Philippines. Women owning more than one business reported that they can expand their client base by cross-selling products from their businesses.

The fact that most of NWTF's clients operate more than one business does affect their financial management practices. With multiple income streams, cash management becomes very complicated. Clients with multiple businesses tend to mix the earnings from their various businesses and are unable to accurately evaluate whether each of the businesses is operating at a profit on its own. Thus, an effective mechanism to practice cash separation between the various businesses and the household becomes even more critical for clients with multiple businesses. The cash separation heuristic that we developed for microentrepreneurs in India and the Dominican Republic could be very useful for clients in the Philippines and could help them implement improved financial management for their businesses.

4.1.2. Clients Do Not Calculate Profit for Their Businesses

Qualitative interviews conducted with NWTF clients identified clients' inability to calculate profits accurately. Not surprisingly, this finding resonates with what we had observed for microentrepreneurs in India and the Dominican Republic. We uncovered different types of misunderstandings and confusion around what NWTF

clients thought profit to be. Moreover, we observed that a majority of clients were not calculating profits and that the very few who did were doing it incorrectly. We heard from several clients that they did not calculate profits as they did not know how to. One client reported that she just guessed her profit. A few other clients stated that they did know how to calculate profits, but the process was tedious and time consuming. For example, a client explained that she did not calculate profits because it was too time consuming to keep track of all the items she sold in the store. Some clients did not feel the need to calculate profits either because they felt that it was their own business, and thus there was no need to track their own money that closely, or they felt that the business was too small. One client shared that she did not feel it was necessary to calculate profits as the money she made from her business concerned only her: "It's my money, nobody will scold me if my business doesn't do well." Another client stated, "My business is very small so there is no need for me to calculate the profits. I just do my business to pass my time."

A few clients who did estimate profits mistook profits for business sales or cash flow they had at hand from the business. One of the clients we interviewed believed that she knew her business was profitable if she had good sales. Overall, microentrepreneurs found it difficult to know whether their business indeed made any money and, if it did, how much. Without accurate feedback on how well their business is doing, it is virtually impossible for microentrepreneurs to make strategic decisions on how to develop their business, or what to do when their business is not doing well.

We agree with the microentrepreneurs we interviewed that the traditional way of calculating profits, using double ledger accounting, is both complex and time consuming. In fact, our findings from the Philippines confirm what we had learned about calculating profit from our Dominican Republic and India work from Phase 1 and Phase 2 of the Financial Heuristics project. To help clients track the profitability of their business—a practice clients universally do not know how to do—we developed a simple heuristics-based process around the concept of cash separation. The three main steps for effective cash separation are as follows:

- Keep two separate locations for business and household cash.
- Pay yourself a fixed weekly salary from the business to cover your household expenses.
- Do not mix cash from the business and household cash locations.

By following these three simple steps on a weekly basis, business owners would be able to tangibly see how much money is left in their business drawer by the end of the week, after paying their bills and loan amounts, buying stock, and paying their own salary from the business. The money that is left in the business drawer at the end of the week is effectively their business profit (for Financial Heuristics lessons on Cash Separation, see Appendix A).

4.1.3. Clients Take Money from Their Business for Their Household as They Need It

The microentrepreneurs we interviewed did not have a way to determine how much cash to take out from their business for household expenses. Our interviews confirmed that clients thought about cash transfers between the business and the household on an "as needed" basis—mainly driven by the needs and expenses of their households. This practice not only extended to the allocation of cash from the business, but also to the allocation of cash from the Project Dungannon loans that they were receiving from NWTF. One client, for example, reported that she spent the majority of her Project Dungannon loan to pay for her home renovations and to buy new cupboards for her household. It's simple—the loan money was at hand, and she had a pressing need to on which to spend it.

Clients not only did not have a specific rule for when and how much cash to take from the business for the household, they were also not familiar with the concept of a "salary." When we specifically asked clients if they took any fixed salary for themselves from their business income, the "salary" concept seemed almost foreign to them. Most clients actually smiled at this "bizarre" question. What we uncovered was that some clients did not take any money from their businesses to meet household expenses, not realizing that in effect this meant they were volunteering their labor to their businesses. These clients relied on the other household

income sources to pay for their household expenses. On the other hand, a few clients did take out a fixed "salary" amount daily from their business income to pay for their household needs, but they did not have a good way to assess if it indeed was the right amount of money to take out. One client believed that her daily salary from her business should be 300 pesos, because she got paid 500 pesos per day as a cook for other people on very special occasions. Another client reported that if she was to pay herself a salary, it would be 400 pesos per day because running a store is "really very hard work." Another client shared that she was doing the sari-sari business because the daily salary that she believed she could make in her business was more than what she would earn as a farm laborer. To an extent, these salary estimations were both intuitive and most likely highly arbitrary, as they did not take into account either the business profits or the family household expenditures.

Based on our findings, NWTF clients could certainly benefit from training that teaches them when and how much money to take out of their business for household expenditures in a more systematic way. The salary calculation heuristic developed for microentrepreneurs in India and the Dominican Republic precisely teaches clients how much cash to take out of their business for household expenses on a weekly basis. The qualitative interviews confirmed the relevance of this heuristic even for the microentrepreneurs in the Philippines.

4.1.4. Many Clients Compartmentalize Income Streams and Direct Them toward Different Expenditures

For the most part, clients we interviewed did not keep their business and household cash separate. What many clients followed was some sort of cash compartmentalization, where cash earmarked for different purposes was kept in different locations. For example, one way of compartmentalizing that clients used was to maintain two separate piggy banks: one to pay for the electricity bill and the other one to pay for home repairs. One client shared that every day, she contributed 10 pesos to the electricity piggy bank and 5 pesos to the home repair piggy bank from her business revenue. Clients reported keeping such earmarked cash in different locations—in a separate purse, under the tablecloth in the kitchen, or in a box. Clients also shared their own heuristics for contributing cash for such expenditures (Box 2). Overall, most clients were using some form of income and expenditure compartmentalization, but instead of focusing on creating a strict division for business and household cash, they used it as a way to collect money for bill and loan payments. This points to a need to teach these clients how to separate their business and household cash for effective cash flow management. As discussed, the cash separation heuristic we have already developed as part of the Financial Heuristics training could be useful for the Filipino microentrepreneurs studied, who are also struggling with cash management issues within their business and household.

Box 2: The "Compartmentalization Heuristic" for Cash Management

Based on our interviews with clients and probing around their cash management practices, we observed that many of these clients routinely practiced "compartmentalization heuristic." To implement this heuristic, clients earmarked cash for different expenses by keeping it in different locations. An example, of a day-based heuristic shared by one of the clients is a case in point. This client who maintained a box to collect her weekly loan payment reported that she used the business sales from Tuesday to fill her loan repayment box, and collect the necessary payment amount by Thursday.

We also encountered compartmentalization heuristic based on income stream—one client reported saving for her monthly electricity bill from two income streams, her sari-sari store income and her gasoline retailing business, by allocating 10 pesos every day from the earnings of each of these two businesses toward her electricity bill. Although practicing such heuristics helps clients be prepared to make timely payments of their expenses, such as a loans or an electricity bill, the lack of strict division between business and household cash makes it harder for clients to know how well their business is performing, and respond accordingly.

4.1.5. Clients Give Credit to Customers Based on Clients' Needs, and Do Not Enforce Timely Repayment

Giving customer credit is widespread among NWTF clients, just as it is among their counterparts in India and the Dominican Republic. We found that, on the one hand, the practice of giving customer credit helps establish a loyal customer base and attract additional customers; however, it could also have several negative effects on the business. With business cash being held up in the form of customer credit for long periods of time, clients have less cash to spend on buying their business stocks and may have to rely on other income sources to pay for their business expenses and needs.

This is exactly what we found out from our interviewees in the Philippines. About 30 percent of the clients we interviewed shared with us that customer credit is the most common challenge they face in running their businesses. More specifically, we found out that the duration of the credit was what hurt businesses the most. We found out that credit duration was typically governed by the income stream of the customers, i.e., salary or remittances. A client reported that she allowed credit of up to 500 pesos for customers who got weekly salaries, and credit of up to 2,000 pesos for customers who got monthly pensions. Another client shared that she allowed credit of up to 1,000 pesos a month to a customer who received monthly remittances. In general, the longer the repayment period, the bigger the amount of the credit business owners allowed. And long-term credit is precisely what hurts businesses the most. Credit periods longer than a week resulted in decreasing cash flows needed to purchase stock for their business. For example, most businesses still buy stock on a weekly or biweekly basis, even if they offer long-term credit for large sums of money to their customers. Most of these business owners reported their customers making delayed credit repayments, at times extending the credit period beyond one month.

Interestingly, almost all the clients we interviewed reported maintaining records of the customer credit that they were extending. However, none of them had any credible strategy to ensure that their customers indeed paid their balances within their agreed on period, nor could they enforce repayment in case of a default as it would have been possible in a formal credit arrangement. Given that clients mostly engaged in credit transactions with those with whom they had strong social connections, any sort of credit collection in case of delinquency or default seemed even more difficult to practice. For example, a client reported that many of her customers have not repaid their credit dues, and she did not see a way to get it back. Another client shared an example of her customer who bought items worth 2,000 pesos on credit but repaid only 500 pesos. She could not do anything about it. She did not want to go to her customer's house and quarrel with him.

As business owners often lacked the necessary funds to purchase their stock, many reported increasingly turning to nonbusiness income to fill in the gap, either by tapping into household cash and savings, income from other businesses, or family savings. The shortage of business funds resulting from the extended customer credit often resulted in further mixing between household and business cash. Other strategies that business owners resorted to were more damaging—one client shared that she often coped with insufficient funds for buying stock for her business by taking out yet another loan from one of the various MFIs in the area. Many clients also reported that they tend to underinvest in stock when they do not have sufficient cash for buying stock, which in effect is depriving their business of necessary inventory investments. To work around the issue of insufficient funds for business stocking, some clients shared that on their way to buy stock they sometimes visited the houses of the customers that owed them credit, in the hopes of collecting credit due before heading to the market.

Our extensive field research on customer credit in the Dominican Republic and India indicates that extending customer credit beyond seven days for a business that is servicing a loan eats away the profit for standard retail items. We observed this to be the case for Filipino microentrepreneurs. This confirms our initial hypothesis that the seven-day credit rule will be very valuable for business owners who are struggling with

customer credit issues in the Philippines context (for the Financial Heuristics lessons on Customer Credit, see Appendix A).

4.1.6. Clients Use the Variety Principle to Buy Stock for Their Business

Similar to what we observed for the microentrepreneurs in the Dominical Republic and India, the NWTF's retail business clients we interviewed did not stock their stores based on what items sell the most and what do not. Instead, these clients used "the variety principle" to manage their inventory. Stocking items by keeping track of what sells most and what does not allows business owners to make more informed decisions about which items to buy and in what quantity to optimize business profits. Without proper inventory management, low turnover items may sit on the shelf for long periods of time while the store might be running out of its most popular selling items because they sell so fast.

Indeed, we found out that it is quite difficult for business owners in the Philippines to prioritize what to buy for their store based on the demand and customer needs. We uncovered that clients tend to stock their businesses using the "maintain variety" principle (Box 3). Variety-based purchasing resulted in two negative consequences for the inventory of the business: (1) many businesses ran out of their most popular items too soon, incurring extra costs in trips to their suppliers or buying these items at more expensive local shops, to satisfy the demand for these items, or going without stock of their fastest moving items and (2) many businesses overstocked their stores with slow-moving items that remain on their shelves longer than they would have liked. For example, one client who bought inventory for her store on a weekly basis reported running out of coffee, her bestselling item, in two to three days after the weekly stocking purchase, and going without coffee in her store for the remaining four to five days of the week. This meant that for the majority of each week her store was out of stock for her most popular item. Not only did this make her lose her coffee customers but she also lost sales from other items these customers might have bought in addition to coffee. Another client reported that she bought her stock from Silay City once a week. If certain items ran out before her next visit to the city, she made emergency inventory replenishment from the community store that was more expensive. Unfortunately, our interviews suggest that, even though business owners knew which of their fast moving items they ran out of most often and sometimes were also aware of the adverse costs associated with understocking these items, they found it difficult to adapt their stock purchasing behavior accordingly.

Our interviews in the Philippines helped confirm the need for effective inventory management training. The inventory management heuristics we developed in India could be very useful for the Filipino entrepreneur population as well. Our simple heuristics could help clients select the right product mix for their store while efficiently catering to the needs of their customers (for the Financial Heuristics lessons on Inventory Management, see Appendix A).

Box 3: The "Maintain Variety" Heuristic for Inventory Management

To implement the "maintain variety" heuristic, business owners used a simple rule-of-thumb to figure out how much to buy of each good—namely, "get 12 of everything." Many clients reported buying in packs of 12, regardless of the demand for each item. For example, one of the women reported buying in packs of 12 "because they look pretty on display." With such suboptimal inventory management practices, clients reported often running out of their most popular items in the store, while slow-moving items that were not particularly popular remained on the shelf for a long time—locking business owners' capital for further inventory purchases.

4.1.7. Clients Price Items Not Taking into Account Related Costs for Purchasing the Item

When asked about product pricing practices, most business owners reported that they use the purchase receipt from their trip to the supplier (usually a retail store) to price their items. Many reported that their strategy is to add a few pesos on top of the purchasing price as margin. Clients demonstrated to the ideas42 team how they determine their selling prices off their stock purchasing receipts—they divide the total price paid for the purchase of a specific item by the number of items they purchased to arrive at the price they paid for each individual item. For example, a client reported buying a pack of 12 shampoo sachets for 60 pesos and calculating her buying price per sachet as 5 pesos per sachet by dividing 60 pesos by 12. Interestingly, this pricing method doesn't take into account the extra costs microentrepreneurs incur on transportation, value-added tax (VAT), and most importantly, the cost of their own labor. For example, VAT in the Philippines is 12 percent, but as VAT is displayed at the bottom of the receipt, none of the clients we interviewed was actually taking into account VAT when calculating the profit margin they would put on an item. In fact, their heuristic was to add 1–3 pesos on top of the purchasing price of the item, to arrive at their selling price (See Box 4). One caveat is that our team made a conscious decision not to incorporate any pricing heuristics in the training curriculum given the diversity of business types and contexts of our potential clients, which makes it difficult to coin a heuristic that is useful and beneficial across all potential customers.

Box 4: The "Add 1 to 3 Pesos" Pricing Heuristic

In our interviews, many business owners shared that they use a simple heuristic to price the items in their store. Put simply in the words of an NWTF client, the heuristic was to "add 1 to 3 pesos on top of the buying price of the item as margin." Unfortunately, this pricing heuristic does not actively take into account additional expenses the business owners incur in the process of purchasing stock, such as paying VAT, transportation, electricity, and of course, their own labor.

The following example helps illustrate the issue: If a client buys an item for 10 pesos, the heuristics would tell them to sell it with a 2 peso margin, at 12 pesos. The issue is that the client has unknowingly paid 12 percent VAT on this item, which means that effectively, the cost of the item including VAT is in fact 11.2 pesos. In this case, not even accounting for their labor, the margin of 0.8 pesos for this item might be too low.

4.1.8. Conclusion: There Is a Need for Financial Heuristics Training for Microentrepreneurs in the Philippines

Overall, we observed that the business management problems faced by small businesses in the Philippines were very similar to what we had observed among small businesses in India and the Dominican Republic. In particular, like most other business owners around the world, NWTF clients had aspirational goals for their businesses (e.g., expanding their stock of products, serving their clients well, and expanding and growing their business). On the flip side, we found out that many of these businesses did not have clear plans for what they needed to do to achieve their business goals nor did they have any way to measure how they might be faring against those goals. Without specific feedback on how their business is doing, and no easily available channel to get targeted business advice, many of these customers were finding it hard to plan for and manage successful businesses.

In summary, Filipino business owners are using a variety of suboptimal business practices and behaviors to manage their finances, customer and supplier management, as well as inventory management. However, most business owners we interviewed were unaware of the existence of these business management issues in their own business practices and the related adverse impact on their businesses. Our research confirmed the relevance and need for the Financial Heuristics content for small businesses we developed as part of Phase 1 and Phase 2 of the Financial Heuristics project for the clients of NWTF's Project Dungannon.

Finally, our research confirmed that current NWTF clients do not have access to trustworthy sources for targeted business advice or training that could potentially address the business management issues described earlier. Moreover, we also uncovered that NWTF was not adequately equipped to deliver financial management training to its continually expanding client base. For the most part, we found business owners to be suspicious of business advice offered by anyone other than their own family. However, clients were open to receiving business advice if it came from their trusted MFI—NWTF. ideas42 can fill the current training gap with its heuristics-based training and help NWTF deliver easy-to-implement, action-based business management training to its clients. To ensure a strong buy-in from NWTF clients for this training, we plan to embed the training into NWTF's nonfinancial service delivery system and introduce it to clients through the NWTF's nonfinancial service delivery staff.

4.2. Key Research Findings from India

The research objectives for our qualitative research work in India, as addressed in Section 2, were different than what we aimed to achieve in the Philippines—a country in which we hadn't introduced the Financial Heuristics curriculum before. Our underlying objective for the qualitative research conducted during both site visits to India was to better understand what motivated clients to engage with training, pick-up training calls, and listen to training messages. More particularly, our research in India was two-fold: (1) assess what clients using the mobile-phone-training service in Phase 2 think about the content and structure of the training and (2) research what factors of the training contribute to increased listenership and persistence with the training program. The findings related to both these questions are summarized in the sections below, which is then followed by a section on how we've used our learnings on customer engagement with the training from Phase 2 to improve the structure and features of the technology platform we are using to deliver the training (Section 4.2.3).

4.2.1. Research Findings on Clients' Experience and Engagement with the Mobile-Phone-Based Training

To get a better understanding of the motivations clients had for engaging with the training, we interviewed eight highly engaged clients to understand their perspectives and experiences with the training. These clients had picked up at least 50 percent of the training calls they received and listened to the majority of the message length. Our interviews with these clients helped us identify the common experiences and attitudes that helped customers engage with the training and maintain an active interest in participating and learning. Based on our qualitative research, we identified three key behavioral patterns that define engaged clients. We elaborate on these findings in Section 4.2.1:

- They find the content relevant, useful, and appropriate in length.
- They are likely to adopt the business practices from the training.
- They consider the training as a privilege and a sign that their MFI cares about them.

4.2.1.a. Engaged clients find the content relevant, useful, and appropriate in length

Qualitative interviews conducted with highly engaged clients suggest that these clients found the content to be engaging, useful, and of the right length. We also heard from most of these clients that the content of the training was relevant for their business management. A few clients, in fact, found the content to be so useful that they listened to it over and over again. One client shared that he set aside time each day to listen to the messages or to replay them using a missed call service. In fact, he made it a daily ritual, and set aside time each day at 2:30 pm after the news on TV at lunch. Some clients found the content to be useful not only for themselves but also for sharing with others. For example, a client reported that he received and listened to the training call on his mobile phone and then he discussed the content of the messages with his wife and his whole family.

One caveat is that it is difficult to disentangle whether the clients thought the content to be engaging, useful, and of the right length because they listened to the messages, or whether they listened to the messages because they thought the content to be engaging, useful, and the right length. Nevertheless, here are a few things that we heard from the clients. When asked about the appropriateness of the message length, most of the highly engaged clients said the current message length of about three minutes was perfect. A client shared that the message length was not too long, not too short—just about right. Some clients were also happy to receive more than one message per week. One client, for example, shared that he is willing to listen to four messages per week if they are good enough to listen to and come at a time when he is free. We also found the messages to resonate more with retail businesses. This is not surprising given that the topics around inventory and supplier management are more relevant to retail businesses, while those around cash separation and customer credit have more universal appeal among all businesses.

4.2.1.b. Highly engaged clients are likely to adopt the business practices from the training

For our training, the first important step is for clients to listen to the messages. But that's not enough—we want them to change their behavior based on what we teach them. Our qualitative interviews suggest that this was happening for clients who were engaged with the training. The behaviors clients reported to have adopted most often were around cash separation, customer credit, and inventory management practices.

One client reported that initially it was difficult for her to practice account separation, and she used to mix up money from business and household all the time until she learned to do it better over several weeks of practicing what the message advised. Eventually, she found cash separation to be very useful for tracking her income flows and expenses. Another client said that before practicing cash separation it was difficult for him to track the performance of his business, but after adopting the practice, he found it much easier to know how his business was doing (Box 5).

Box 5: Testimonials from Microentrepreneurs on the Adoption of the Cash Separation Practices

Kamala (fruit seller): "Following the advice given by the trainer who visited my shop and the messages sent to my mobile phone, I have started separating cash from business and cash from home, for the past one month. Now that I keep my cash in two separate locations, I am able to track my business and household income and expenses. Before getting this advice from Business Guru, I used to put all the cash together and ended up confused, not knowing where all the earnings had disappeared. Now I have kept two different tiffin boxes for separating the cash. In the beginning it was difficult to manage the two boxes as I was not sure if it will work out, but after trying it for two months I can see a lot of difference in my business; the most important result is now I always have enough business money to purchase materials for the stock."

Selvi (mobile food stall business): "I got training on cash separation from the IFMR trainer. After few weeks of keeping business and home cash separately, I am able to track my business profits. I have been able to implement this advice by keeping two different purses—one for the household cash and the other for business cash. After separating the cash for the last two months, I have reduced taking petty loans from a moneylender for daily or weekly purchases. By taking fewer loans, I benefit from not paying any interest on those loans. Also separating the cash has made me (and my husband) more conscious about our spending, and we have cut down on unnecessary household expenses. Next month we are also planning to save money for the business so that I can be prepared for any urgent money needs."

Note: These testimonials were collected by the IFMR team.

Highly engaged clients seemed to have also adopted customer credit rules delivered as part of the training into their daily business practice. One client shared that earlier he used to offer credit to his customers for up to 15–20 days but after listening to the training messages he offered credit for only up to seven days by explaining to his customers that if he offered credit for longer than a week, his own business would suffer. After customers started to pay in a timely manner, he observed improved cash flows in his business. Another client reported that after listening to the training message on customer credit she stopped giving multiple credits to those customers whose previous balance was still outstanding. Many clients also reported adopting the Financial Heuristics tips on inventory management. One client running a provision store reported stocking more of the fast-moving items after listening to the training messages. She also introduced new items in her store to attract more customers. In particular, she decided to attract the kids in her neighborhood by introducing new varieties of chocolate, and her strategy was successful.

4.2.1.c. Engaged customers consider the training a privilege and a sign their MFI cares about them

Engaged clients not only listen to the messages, and adopt the Financial Heuristics tips they learn through the training, but they also consider the training to be a privilege. Interviewees reported experiencing a sense of pride in being part of the training service. One client proudly shared with us that "this is the first time I am receiving training of any kind." Interestingly, some clients we talked to shared that they thought that the business advisory training service they were a part of was a sign that their MFI cared about them. One client shared that she liked that Janalakshmi was providing help/support to clients like her through such training calls. Another client stated that she felt being cared for because of the training she was receiving. She further expressed that Janalakshmi was being very thoughtful toward its clients by telling them more about how to run their businesses better.

4.2.1.d. Conclusion

Overall, we found that engaged customers found the training service very useful, and they were appreciative of their MFI for providing them the opportunity to learn how to run their businesses better. But even more importantly, the engaged training participants from the Phase 2 project confirmed our hypothesis that it is possible to teach Financial Heuristics over the mobile phone. We discovered that once customers pick up the phone and listen to the messages, they are likely to not only remember the lessons they have been taught, but also adopt the new practices and apply them in the way they manage their business—which is the central premise for designing the Financial Heuristics training.

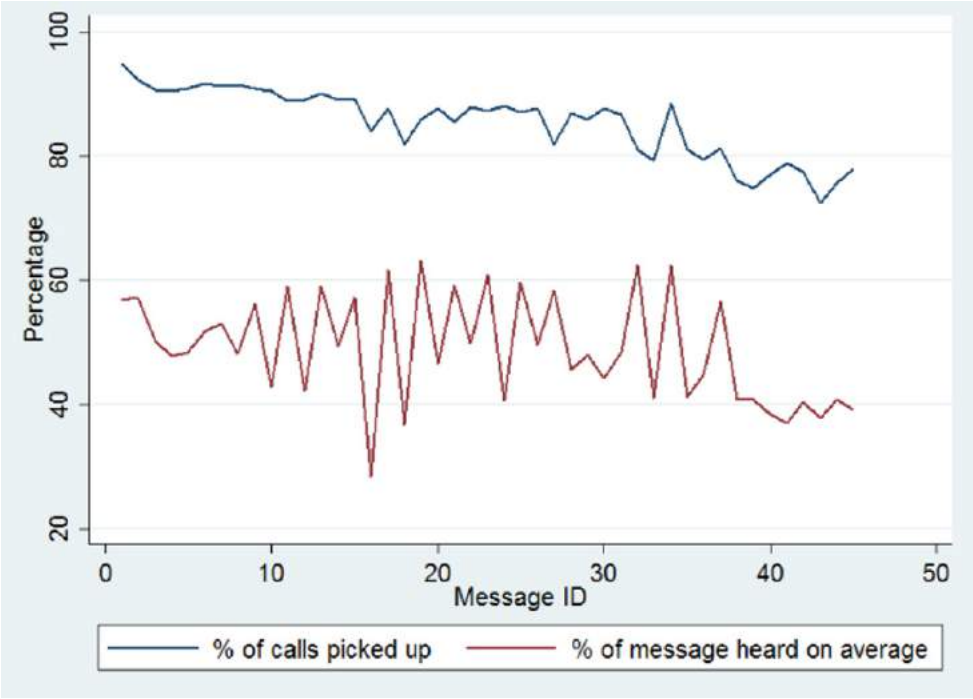
4.2.2. Research Findings on the Behavioral Drivers of Client Disengagement

For this qualitative research analysis, we focused on two main indicators of disengagement: call pick-up rates and call listenership rates. In October 2015, the team was able to run quantitative analysis of the pick-up and listenership patterns of training participants over the past 10 months of the training and identify clear disengagement patterns in the data. Before delving into the qualitative research results, we summarize the quantitative patterns of the pick-up and listenership variables.

Overview of Client Call Engagement: The training faired quite well in terms of pick-up rates, which averaged 86 percent across the duration of the training. However, the average listenership rate, at 49 percent, indicates that we have a fair amount of clients who pick up the call and hang up early in the message (Figure 3).

Listenership Patterns: A more in-depth analysis of the listenership rates provides deeper insights into how to interpret the average 49 percent listenership rate. Figure 4 shows that, among the participants that picked up the call, clients either tended to listen to the full call or hang up right away.

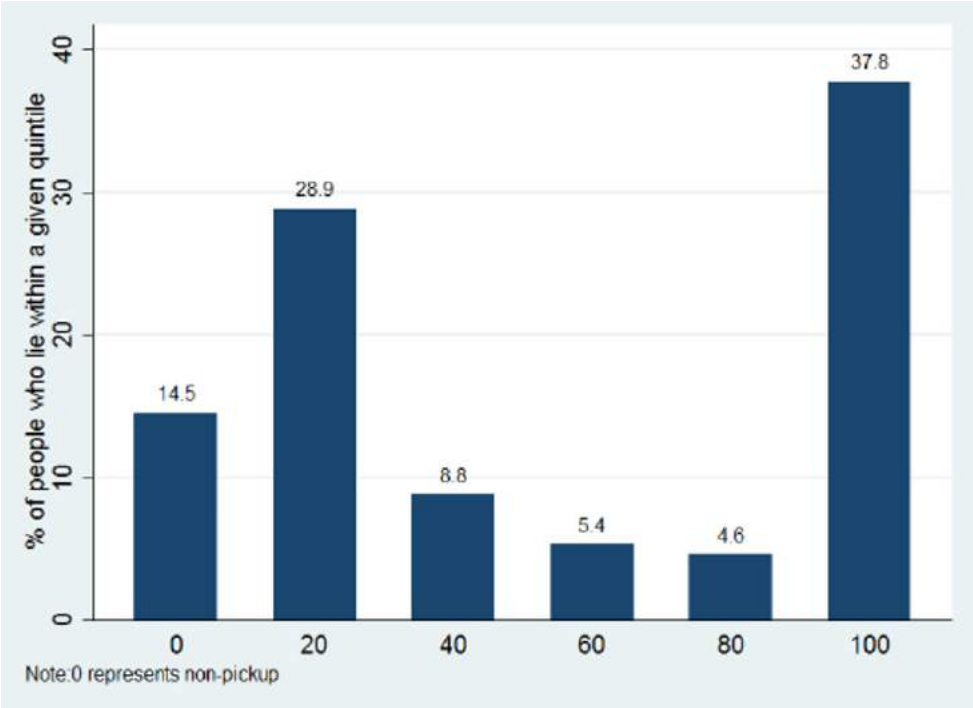
Figure 3. Pick Up and Listenership Rates by Listen Duration



Source:

IFMR (Based on broadcast data analysis, 5 January–14 October 2015)

Figure 4. Distribution of Message Length across Quintiles of Listenership Duration



Source:

IFMR (Based on broadcast data analysis, 5 January–14 October 2015)

In addition to learning more about clients' business practices, we focused our interviews on understanding what caused these specific behavioral patterns around call pick-up (Section 4.2.2.a), call listenership (4.2.2.b), and how we can improve the design of the training to enhance client engagement (Section 4.2.3). We focused our qualitative work on understanding pick-up and listenership behaviors, as the training cannot work if clients are not listening to the training messages—very similar to classroom-based training where clients cannot learn if they do not show up for the class.

4.2.2.a. Research findings on the drivers of client call nonpick-up

Interviews with 23 disengaged customers identified three main behavioral drivers for call nonpick up among clients. We elaborated on these in the following sections:

- Many clients were not aware that they would be receiving training calls, or when to expect them.
- For some clients, the timing of the call was not convenient.
- Some clients changed their mind about participating in the training.

4.2.2.a.i. Many clients were not aware that they would be receiving training calls, or when to expect them

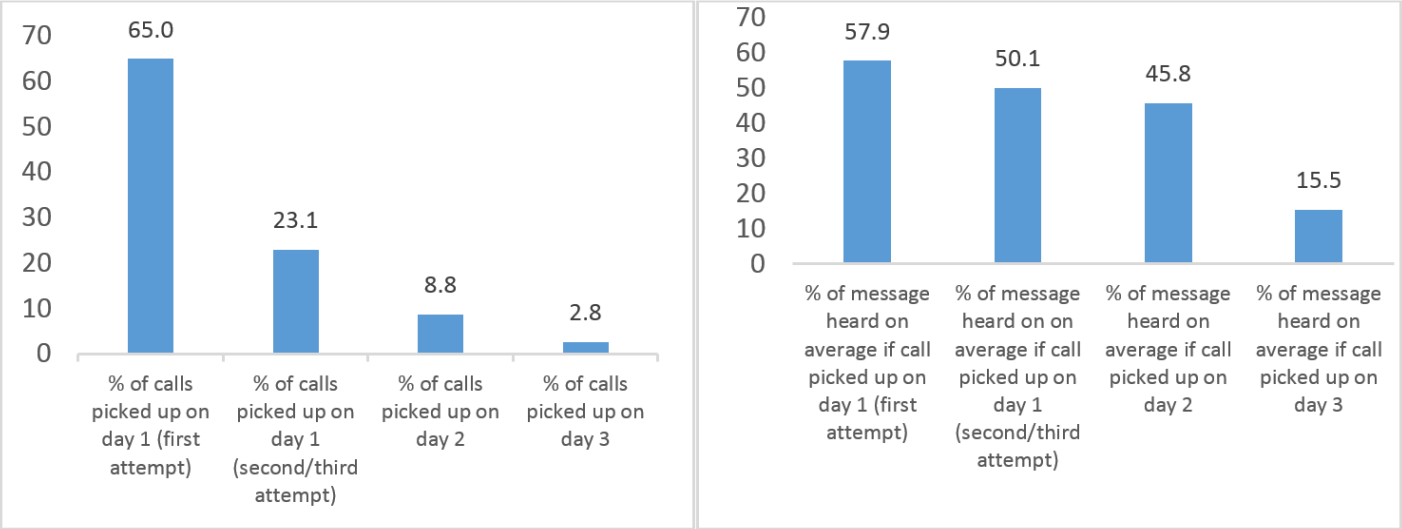
For people to pick up the call, they first need to know what the call is about. As part of orientation for the training, we found out that some clients were not told they would be getting training calls, and these were the clients least likely to pick up the training calls. This sometimes happened with clients who own a family business, and where one spouse got the orientation session for the training while the other received the training calls. In a few cases, even when the wife had a phone number, she gave her husband's phone number to receive the training calls. However, she did not tell the husband that he would be receiving these calls. Thus, when the husband received a training call, he was not aware that this was the Janalakshmi training call for his wife or that these calls were scheduled weekly at a time his wife specified. One of the business owners we interviewed shared that even 10 months into the training program, he wasn't aware that the calls he was receiving were scheduled training calls targeting his wife. Each time the call came as a surprise, and he considered them to be spam. He did not know it was Janalakshmi calling and that there was a specific pattern to the calls. He further mentioned that if he had known that it was Janalakshmi calling for his wife, he would have informed her, and listened to the calls.

Even if clients know the call is coming, for them to plan for and be prepared to pick it up, they need to treat each call as a scheduled date, that is, they need to know the day and time and be able to recognize the phone number. We observed that the clients who treated the calls as a scheduled event had higher pick-up rates. Moreover, those picking up the call on the first attempt[2] on the first day on a weekly calling campaign were also more likely to listen to the call for a longer duration as compared to those who picked up the call on the follow-up attempts (Figure 5).

Most unengaged clients did not treat the call as a weekly commitment and had not planned for the calls in their daily schedules. One client reported that she knew that her training call came in the afternoon, but she did not recall the exact time. When the call came, she always picked up not realizing that it was the training call, "When a call comes, I must pick up to check whose call it is." Another client stated that he did not remember the time at which he gets his training call.

2. Clients who didn't pick up the call on the first attempt were scheduled to receive eight follow-up calls to get them to pick up the call.

Figure 3. Pick Up and Listenership Rates by Listen Duration



Source: IFMR (Based on broadcast data analysis from 5 January to 14 October 2015)

4.2.2.a.ii. For some clients, the timing of the call was not convenient

Our qualitative interviews uncovered that many clients who were not picking up their calls found the time at which they received the call to be inconvenient. We probed further, as during the baseline survey for the project, each client was asked about their preferred time for receiving the call. We discovered that many clients in fact gave the interviewers wrong answers to the question, "If we will be sending recorded voice messages, do you prefer any of the following time slots?" We identified one behavioral issue with the way this question was asked. The framing of this question did not make it clear to clients that we were asking them to consider and tell us when they would be "least busy" and would have the most time to pay attention to an incoming call. As a result many "chose" times that actually did not work for them.

Even if clients chose times that worked for them at the start of the training, for some, their schedules changed. One client shared that the message time she requested (1–2 pm) was no longer convenient for her as she had enrolled in a class, which was taking place at that time. We also discovered that clients found it hard to predict parts of their weekly schedule, such as when a customer would be coming into their business. A client reported that sometimes when the call came she was busy with her customers and since tending to her customers was her priority, she would not pick up the call.

4.2.2.a.iii. Some clients changed their mind about participating in the training

Qualitative interviews from Site Visit 2 revealed that some clients were inconsistent in their willingness to participate in the training. Some clients were active participants in picking up the calls in the early stages of the training; however, their participation declined as the training progressed. Given the 11-month long training period, we observed that some clients experienced "training fatigue." One client shared with us that she was extremely annoyed by the multiple training calls that she was receiving toward the end of the

training. She had no time for these calls anymore as she was very busy in running her business and looking after her children. Even if clients were engaged at the start of the training, we observed that some clients had changed their mind and decided they no longer have time for the training at later stages of the training process.

4.2.2.b. Research findings on the drivers of client listenership

We identified two main behavioral drivers for low listenership (which are described in more detail below):

- Clients have inaccurate perception about the length of the calls.
- Competing priorities often result in clients deprioritizing the training call and hanging up fast.

4.2.2.b.i. Clients have inaccurate perception about the length of the calls

We discovered that many clients made the decision of whether to listen to the call and for how long after they picked up the call. And the context in which they received that call dramatically affected their listening decision. If clients were outside of their home or business or busy with a task, they often decided not to pick up the call altogether or would hang up shortly after picking up the call. One woman shared that she picked up the last call she received, but immediately hung up as she was visiting a relative. Another client mentioned that when the last call came he did not pick up the phone because he was busy with his tailoring work.

One component of that on-the-spot decision was clients' perception of "the duration of the call." We found that most clients perceived the calls to be much longer than they actually were. The common perception was that the calls were 5 to 10 minutes long, when in fact most calls are three minutes long. The wrong perception about the call length influenced both the decision to pick up the (supposedly very long) training call, and also the decision on how to listen to the call. One client thought the messages to be 15 minute long and she found them "annoying." As a result, she routinely decided to hang up after the first 20 to 30 seconds. The research concluded that clients would be much more likely to listen to the training calls for longer if their perception was that each call is no longer than three minutes—which is the case. It is much easier to find time for a three-minute call than for a 15-minute call.

4.2.2.b.ii. Competing priorities often result in clients deprioritizing the training call and hanging up fast

Our interviews revealed that most of our clients are very busy, with days packed with business, household, and family responsibilities. This array of competing responsibilities resulted in urging clients to make hard choices about priorities—often resulting in prioritizing household and business chores ahead of the training, and ending the training call prematurely. One client shared that she does not have the time to listen to the entire message as she is busy every single day with her mobile canteen business and household work from 5 am to 11 pm. Thus we believe that the timing of the call is crucial. Wrong timing may make clients pick up the call but hang up immediately if they are in the middle of doing something else. We heard this from many clients during our interviews. One client who picked up most of the training calls but did not listen to the entire message for most of these, shared that she always had the intention to listen to the entire message, but she ended up always being busy with her business when the call came, and she could never listen to the entire message. Another client mentioned that she always picked up the call, including the times when she was busy, but typically she hung up soon after as she would be busy with her clients. Thus, finding those small windows of opportunity to call clients when they take a breather from their busy days—at afternoon tea or right after lunch—is crucial for the success of Financial Heuristics mobile phone-based training.

4.2.3. Research Outcomes: Training Design Modifications for Phase 3 of the Project

Our qualitative research work in India can be categorized as applied research, as its main objective was to investigate what aspects of the training are currently working for customers, and what aspects could be improved for Phase 3 of the project and how. In the following sections, we summarize the key features of the training content and the training platform we have decided to upgrade as a direct consequence of our qualitative research interviews in India. Phase 3 project teams are currently working to implement all design modifications described below, under the auspice of the DIV grant. The objective is to improve the design of the training to enhance client engagement.

4.2.3.a. Design modifications on the content for the financial heuristics training

Based on the client behavioral insights derived from the qualitative interviews in India, we were able to identify a few main areas for improvement for the training content. The key content-based design modifications are described as follows:

- Target the Financial Heuristics training to retail business clients.
- Help clients choose the best time to receive the training call.
- Improve the orientation session for the training.
- Pay specific attention on how the content is delivered.

4.2.3.a.i. Target the Financial Heuristics training to retail business clients

One major finding is that clients are much more likely to be and stay engaged if the content is targeted to their interests and needs. Thus, targeting the right audience with appropriate training content is crucial for making the Financial Heuristics training product a success. For Phase 2 of the project, we used a very wide spectrum of business owners for the training—tailoring, catering, services, manufacturing, and retail. We discovered that the content of the Financial Heuristics training was not universally applicable to all businesses. For example, one client with a tailoring business reported that she hung up the training calls when the topic was inventory management, which she did not find relevant for her business.

We decided to focus on retail businesses for the scale-up Phase 3 projects. In terms of content, this decision translates into putting specific emphasis in the curriculum on topics that are highly relevant for retail business owners, namely supplier and inventory management.

The Financial Heuristics training curriculum for Phase 3 of the project will focus on four main modules—all highly relevant to retail clients: cash separation, customer credit, inventory management, and supplier management. The revised content includes 18 actionable Financial Heuristics covered under these four modules. (See Appendix A for details on the corresponding Financial Heuristics under each topic.) The selection of the topics and Financial Heuristics to be featured in the scale-up pilots is a direct consequence of what we learned from clients regarding their key business and financial management challenges, and our behavioral assessment for how to best address these challenges (for more details, see Sections 4.1 and 4.2.2).

4.2.3.a.ii. Help clients choose the best time to receive the training call

Given that our clients are pressed for time, and training calls could potentially compete with their business and household responsibilities, we found that it is important to send the training calls at the most convenient time for clients. The way we solicited that information in Phase 2 of the project gave us a lot of wrongly selected times, so we designed a different process to elicit from clients the best time to call them—by asking them specifically when they are least busy during the day to receive the training call.

4.2.3.a.iii. Improve the orientation session for the training

For clients to pick up the training call, they first need to know when to expect the call. Moreover, they also need to be clear about when and how often they will receive the training calls, for what purpose, and for how long. None of this information was conveyed clearly to clients at the start of the training in Phase 2. To improve on this, we changed the design of the orientation session for the Financial Heuristics mobile-phone-based training. We plan to conduct the orientation session for Phase 3 in a group setting and to have MFI staff lead the session rather than a third party (such as IFMR). Clients respect, listen to, and like their MFI staff. Therefore, clients will be more engaged in the training if the MFI staff conducts the training. Additionally, we will brand the training service as a special service offered by the MFI to its clients. Such distinct positioning may not only help in building trust between the MFI and its clients but it may further enhance the value of the training to the clients (e.g., people like being granted premium status—as is typical with airlines and credit cards), and effectively contribute to boosting client engagement.

We have also worked to change the content of the training session itself. First, we will ascertain that the training service phone number is appropriately saved and labeled in clients' mobile phones. This will help clients to recognize the training call when it comes. Furthermore, during the session, we plan to clearly set expectations about the timing and duration of each individual training call, and the duration of the overall training. Clients are more likely to engage in the training program if they believe that it will be short, and that it will add value to their business. Finally, we plan to go over teaching customers how to use their phones for receiving training calls in a practical and applied way, so customers are prepared to manage the mobile phone-based service on their own.

4.2.3.a.iv. Pay specific attention on how the content is delivered

Many clients found the content to be delivered in a monotonous and disengaging way. Our interview findings suggest that excellent translation, even transliteration, to the local language would make a big difference in helping engage the customer. We realized that not only raw content, but also presentation matters. In fact, presentation matters a lot.

We will hire local marketing firms to improve the quality of translation of the content into the local languages used for the training—Hiligaynon, Kannada, and Hindi. We will also hire professional local voice actors, and a professional recording studio to record and mix the audio for the IVR training messages. Both of these modifications will likely bring the training content to life for the target audiences we are working with.

4.2.3.b. Design modifications for the technology platform

The technology platform used for Phase 2 of the project had several key functionality limitations: (1) the platform was highly manual and it was hard to manage at the backend and (2) it lacked key functionalities to enhance client engagement and listenership. For example, the old platform did not allow us to automate client engagements, such as scheduling training calls and setting up follow-up calls.

Based on this feedback we launched a request for proposals (RFP) process to select the most competent technology partner to work with us for Phase 3 of the scale-up project. We developed a technology specification document that lists the technology requirements to customize and build the next iteration of the training platform and received proposals from three technology companies. Using a rigorous evaluation process, we assessed the technical capabilities, ease of use, cost considerations, and opportunities for scale offered by the technology companies that submitted their proposals. Ultimately, we selected engageSPARK[3] as our technology partner for Phase 3 projects. engageSPARK's platform is easy to operate and relatively

3. Based out of Cebu City in the Philippines, engageSPARK is a not-for-profit social enterprise that offers a self-service technology platform designed for nontechnical people to leverage the power of mobile phones to engage effectively with the beneficiaries.

easy to scale. More specifically, it already offers key functionalities such as good IVR functionality at a cost-effective rate, ability to quickly build the features we need, and ease of use (important for the MFIs who will be managing the platform). We are working with engageSPARK to build the following add-on features specifically for the Phase 3 scale-up project:

- Automation: Automatic scheduling of messages to participants along with automatic follow-ups if the participants do not pick up the call on the first try.
- Content library: Storage of prerecorded messages on the platform itself that could be routinely updated.
- A broadcasting summary dashboard: Real-time access to key data such as number of clients picking up calls, average length of the message listened to, etc. This will help MFI partners monitor the training on their own, and enhance their sense of ownership of the training.
- Smart groups: Creation of client subgroups based on requested call times for easy call scheduling and sending of training messages.

Introducing these features would further enhance the functionalities of the training technology platform and improve the ease of adoption of the Financial Heuristics mobile-phone-based training by MFIs around the world.

Section 5: Conclusion

The insights derived from the qualitative client-centric research have been formative in finalizing the Financial Heuristics training content and the technology platform structure for ideas42's Phase 3 Financial Heuristics training product, which we will launch for microentrepreneurs in India and the Philippines in June 2016. In this section, we briefly outline the key next steps on completing the Financial Heuristics scale-up project with the support of a grant from USAID's DIV program.

5.1. Key Insights from the "Clients at the Center" Research

Our three major takeaways from the research are as follows:

- Financial Heuristics is universally applicable.
- Choosing the right audience matters.
- How you deliver the message matters.

These findings will be useful to a variety of stakeholders in the financial inclusion and financial capability fields. More specifically, the ideas42 team has used the insights derived from the client-centric research on microentrepreneurs' business and financial management practices (in the Philippines) and the client experience with the Financial Heuristics business management Phase 2 training product (in India) to improve two major components of the Financial Heuristics training: the training orientation session and the content for the mobile phone-based training itself. (For more details on these design modifications, refer to Section 4.2.3.) In essence, the research conducted with the support of CGAP's Research Fund helped ideas42 develop a viable and improved Financial Heuristics mobile-phone-based financial management training for microentrepreneurs.

5.1.1. Financial Heuristics Is Universally Applicable

Using ideas42's behavioral mapping methodology to conduct qualitative research on the financial and business management practices of microentrepreneurs, our team was able to ascertain that the

financial management challenges faced by microentrepreneurs in the Philippines are very similar to what we had observed earlier in the Dominican Republic and India. We also found that, like in India and the Dominican Republic, microentrepreneurs in the Philippines struggle to successfully adopt improved financial management behaviors as the psychology of scarcity acts to focus their attention to confront everyday needs.

Not only are the financial management problems faced by microentrepreneurs universal across countries, but the Financial Heuristics-based training solution is universally applicable. The Financial Heuristics-based training ideas42 is currently refining aims to address the behavioral bottlenecks microentrepreneurs experience in managing their business finances by providing them with simple rules-of-thumb to make "reasonably good" financial management decisions without needing to understand all the complex nuances of accounting or business planning. The adoption of simple Financial Heuristics into their business practices would help microentrepreneurs in low-income countries to successfully manage their businesses and achieve improved financial security for their families.

5.1.2. Choosing the Right Audience Matters

Our qualitative research revealed the need to target the Financial Heuristics training to a more homogenous audience to enhance its universal applicability. Therefore, why we decided to target retail businesses for the Financial Heuristics scale-up Phase 3 projects. To further adapt the training content to the needs of this target audience, we introduced additional training topics that are particularly relevant and useful for retail business owners, namely inventory and supplier management.

5.1.3. How You Deliver the Message Matters

Even when the content is universally applicable and useful, if it is not delivered in an effective and engaging way, its adoption by microentrepreneurs may be limited. Our qualitative research suggests that introducing locally and culturally appropriate anecdotes and examples that clients can relate to helps clients remember the messages and turn them into practice. That is why, even though we are keeping the main content universal across our target countries and audiences, we are introducing useful locally relevant anecdotes and examples to help illustrate that content. For example, one of the heuristics in the inventory management module teaches clients to stock more of the goods that customers tend to buy. We use different examples in India and in the Philippines of how to provide complementary goods. In India, the locally relevant example of complementary goods that we are using is "potatoes and onions" while in the Philippines, it is "eggs and oil"—to reflect the local context.

In the future when we take the Financial Heuristics training to scale beyond India and the Philippines, we will need to ensure that our universally applicable Financial Heuristics are also made locally relevant. Hiring local marketing firms to do the transliteration of the Financial Heuristics messages into the local languages and context has proven to be invaluable in bringing the content to life for the target audiences.

5.2. Key Next Steps for Phase 3 of the Financial Heuristic Scale-Up Project

This section summarizes the key next steps towards completing the Financial Heuristics scale-up project with the support from USAID's DIV program. After we finalize the training content and structure in the next two months, we will launch the training intervention in June 2016, and evaluate its effectiveness on key business and financial management outcomes for microentrepreneurs with two RCTs conducted in India and the Philippines. We plan to complete the Phase 3 projects at the end of August 2017.

5.2.1. Implementation of the Financial Heuristics Training Intervention

The Phase 3 training product will be launched with 1,000 loan clients of NWTF in the Philippines and 1,200 Nano business loan clients of Janalakshmi in India in June 2016. The training product will have two components: (1) A one-hour long in-person group orientation session informing clients about the training program and how to use their mobile phones to access the training service, and (2) the actual training messages sent over mobile phones on a weekly basis for six months. Partner MFI staff in both countries will be in charge of managing the technology platform to send the training messages to their clients at their requested times while our evaluation partners will be responsible for monitoring the overall training execution to ensure its smooth functioning.

5.2.2. Evaluation of the Effectiveness of the Financial Heuristics Training

We will evaluate the effectiveness of the mobile-phone-based Financial Heuristics training by running two RCTs of the interventions—one in India and one in the Philippines. As a first step in the evaluation exercise, we will conduct a baseline survey of the clients included in the intervention. After the completion of the baseline survey, we will randomly assign the clients into two groups: a Treatment group, which will receive the training intervention, and a Control group, which will not receive the intervention. The evaluation of the intervention will run for 12 months. The evaluation will assess the impact of the Financial Heuristics training on the business and financial management practices of microentrepreneurs (such as physical separation of business and household accounts, keeping business accounts, and paying oneself a salary) and their actual business outcomes (such as sales and profits) by comparing key outcome variables between the Control and Treatment groups at the midpoint (six months after the intervention launch) and endpoint (12 months after the intervention launch) points of the evaluation.

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Appendix A: Financial Heuristics Curriculum: Key Topics

Cash Separation

- Introductory Message to Cash Separation with Client Testimonial
  - Introduce the cash separation topic and share the usefulness of tips offered in this module with a testimonial from a small business owner practicing these tips.
- Financial Heuristic 1: Choose two different physical locations to keep your business and household cash, and do not mix the two.
  - Why: Separating the business and household cash allows you to know how well your business is doing.
- Financial Heuristic 2: Pay yourself a fixed weekly salary—take out a fixed amount of money at the beginning of each week from the business cash place and put it into your household cash place.
- Financial Heuristic 3: You can calculate the right level for your weekly salary by making a list of all your typical personal and household weekly expenses. The sum of your weekly expenses is your weekly salary.
  - Why: You will know how much money your business makes each week, and how much household expenses you can usually afford in a given week.
- Financial Heuristic 4: Remember to always count your profits after paying yourself a salary and paying for your weekly business expenses.
  - Why: This way, you will know how well your business is doing. A healthy business should have good profits. Now that you know how your business is doing, in the coming weeks, we'll provide you with more tips about how to further improve your business.
- Financial Heuristic 5: You can spend money for the household needs only from the money you put into the household cash location. In case of a business (or household) emergency, you can take a "loan" from the household (or business) cash location to the business (household) cash location, but make sure to return it to the business (or household) location within seven days.
  - Why: If you regularly run out of money in the business cash location, this means that your business is not making enough money for your household.
- Cash Separation Module Recap: The easiest way to know your business profits is to follow the three easy steps on cash separation. At the end of the week, the money left in your business cash location is your business profits.
  - Keep two separate locations for business and household cash.
  - Pay yourself a fixed salary.
  - Do not mix cash from the two places.

Customer Credit

- Introductory Message to Customer Credit with Client Testimonial:
  - Introduce the customer credit topic and share the usefulness of tips offered in this module with a testimonial from a small business owner practicing these tips.
- Financial Heuristic 6: Only sell goods on credit to customers who promise to repay the credit within the next seven days, and have paid on time before. To manage customers with the new rule, tell them that delayed credit payments hurt your business.
  - Why: This will enable you have enough cash to run your business day-to-day operations.
- Financial Heuristic 7: To implement your new seven-day customer credit rule, use a notebook—a page for each customer—and write down the date of the credit, the credit amount, and the expected date for the customer to pay back.
- Financial Heuristic 8: Each day, check your notebook, and contact the customers whose credit is due, and remind them to pay the credit amount they owe you.
  - Why: This way you can remind your customers and track down outstanding dues.
- Financial Heuristic 9: Do not give additional credit to customers who still have not paid their earlier credit dues.
- Financial Heuristic 10: Do not give credit on items, on which you make only a small profit compared to the amount of money you spent buying that item for the store.
  - Why: You are losing money if you give credit for such items. As a business, you cannot afford to lose money, as you still need to buy goods for your business, and make your monthly loan payment.
- Customer Credit Module Recap:
  - Give customer credit for seven days at the most.
  - Write down credit due, and each day contact customers whose credit is due.
  - Do not give additional credit to customers who have not paid their earlier credit dues.
  - Don't give credit on items with a small profit compared to the price you bought them for.

Inventory Management

- Introductory Message to Inventory with Client Testimonial:
  - Introduce the inventory management topic and share the usefulness of tips offered in this module with a testimonial from a small business owner practicing these tips.
- Financial Heuristic 11: To determine what items to buy for the business, make a list of the five products in your store that sell the fastest—within one to three days, and the five products that sell the slowest—within two weeks or longer. Also note all items customers tend to buy together.
  - Why: You don't want your customers to go empty handed, and think you don't have the items they need.
- Financial Heuristic 12: Buy more of the most popular products—the ones that sell the fastest, and buy a lot less of the products that sell the slowest. Make sure you are always stocked on your most popular items and the ones customers buy together.
  - Why: Since you have limited amount of money you can work with, you want to make sure to stock up on the goods that customers buy the most of.

- Financial Heuristic 13: Buy your stock on a weekly basis: Plan your trips to the wholesale supplier so you get all of the items you need at once.
  - Why: Short quick trips to stock on a few items are a waste of time and money.
- Financial Heuristic 14: Stock up on products your customers buy from your local competitors. To do that, each week ask 2–3 customers what goods they buy from other shops and why.
- Financial Heuristic 15: Once a week visit a shop in your neighborhood to check what products they sell. Pay attention to the products you currently don't sell and how other shopkeepers display their products to attract customers.
  - Why: You build your customer loyalty when you proactively look for ways to satisfy your customer needs.
- Inventory Management Module Recap:
  - Buy more of your most popular items and the items clients buy together.
  - Plan your business purchases weekly, and buy your items from wholesalers.
  - Stock up on items your customers tend to buy from competitor stores.
  - Once a week, visit a competitor store to check what items they sell that you don't.

Supplier Management

- Introductory Message to Supplier Management with Client Testimonial:
  - Introduce the supplier management topic and share the usefulness of tips offered in this module with a testimonial from a small business owner practicing these tips.
- Financial Heuristic 16: Get to know several suppliers in your area, and monthly compare prices, quality, and reliability across 4–5 suppliers. Choose the supplier/s with the best price, best quality products, best payment terms, and timely delivery.
- Financial Heuristic 17: Use the price information you have collected to ask your current supplier for a lower price.
  - Why: Getting the best price and quality for the products you sell increases your profit, and helps you keep your customers happy. Do not rely on one supplier for your goods because they might not give you the best price.
- Financial Heuristic 18: When purchasing your goods from the supplier/s, ask for a cash discount for paying in full, instead of purchasing on credit.
  - Why: Cash discounts help you keep your business costs down.
- Supplier Management Module Recap:
  - Each month, compare prices and quality of products across 4–5 suppliers.
  - Negotiate prices with your current supplier/s.
  - Take a cash discount instead of purchasing on credit.

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