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PRITESH RAGOOBEER

**MOVING TOWARDS A NEW SERVICE DEVELOPMENT (NSD) FRAMEWORK FOR
SUSTAINABLE FINANCIAL SERVICE OFFERINGS FOR THE SECOND ECONOMY**

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Abstract

In South Africa the second economy continues to be marginalised in certain areas. This marginalisation exacerbates disparities in wealth. These ills have to be reduced for South Africa to prosper. A key driver for poverty reduction is ensuring all folds of society contribute to economic activity and are included within financial systems. A fundamental step in the process is for organisations to provision financial service offerings for the second economy. Whilst this has occurred, the majority of offerings have failed or have been met with limited success. There is a requirement to understand the customer and their needs hence providing a framework with which an organisation can create sustainable offerings for the second economy.

Semi-structured interviews were conducted with twelve experts in financial service organisations. These persons had various roles from product managers to managing directors. The respondents hailed from research and non-governmental organisations. Using content and thematic analysis the researcher analysed data from the interviews. This data was used to transform a *de jure* new service development (NSD) framework created from the literature to a *de facto* NSD framework. This framework encompasses critical success factors and criteria required for sustainable offer development in South Africa.

The research highlighted financial services organisations are not performing the basic processes and those performed, are performed ineptly. There is a dire need for a mind shift change, currently hindered by industry arrogance, to effect new process, to effect radical innovation, to effect new business models, to create sustainable service offerings for the second economy. Finally it's evident a tool such as the *de facto* NSD framework, or similar, is essential in organisations to start perpetuating this change and supporting leaders in this drive.



Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Prithesh Ragoobeer

13 November 2008



Dedication

To my wife, Cheryl, and beautiful children Sashmika and Sashveer. Your patience and love continually provided me with the strength required. I would not want anyone else but all of you, by my side, through a journey of this nature

To my parents, for always urging me on and showing me that that anything is possible, all you have to do is believe in yourself.

To my sister, brothers and family. Thanks for the words of encouragement you have given to me whilst on this journey.

Bless you all!



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1. Introduction to the Research Problem

1.1 Research Title

Moving towards a new service development (NSD) framework for sustainable financial service offerings for the second economy.

1.2 Research Problem

1.2.1 Introduction

This research will investigate why service offerings designed for the poor in the financial service sector have been met with limited success. After attempting to understand the reasons for these limited successes the researcher will suggest success factors within a framework for a service offering and what the service design process should entail when a company is creating a service offering for the poor in South Africa.

1.2.2 Poverty in South Africa

Noble, Ratcliffe and Wright (2000) argue that South Africa requires a consensual definition for poverty and not a definition based on one proxy variable. They further indicate the intricacies involved in defining poverty and that no one definition exists. Noble, Ratcliffe and Wright (2000, p. 12) cite that (Hirschowitz, 2000) use, for his research, the definition as asserted by the United Nations Development Programme. This will be the definition used within this article. (Hirschowitz, 2000) as cited in Noble, Ratcliffe and Wright (2000) defines poverty as "It [poverty] is seen here as "the denial of opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect from others."

Statistics South Africa (2008) state that South Africa has a Gini coefficient of 0.76. The Gini coefficient is a measure of inequality within a country where one (1) represents complete inequality and zero (0) represents perfect equality in income. This high level of inequality adds to the woes of the current high poverty levels within South Africa. Statistics South Africa (2008) estimates poverty to be at 40% in South Africa. This high inequality and high levels of poverty has given rise to what Seekings (2007) notes as the second economy.

Seekings (2007) quotes the President of South Africa as saying “South Africa is characteristic of having a ‘two-nation’ society Seekings (2007, p. 11). Van der Berg and Servaas (2001) are cited in Seekings (2007) to what President Mbeki refers to the as the challenges of the second economy which is characterised by the ‘un- and under- employment’. For the sake of this research the term second economy is used in reference to the communities that are characteristic of poverty and live alongside communities which are in stark contrast i.e. characterised by wealth.

In the context of this research 'wealth' is not defined as the opposite of poverty. Rather wealth must be viewed as the opposite side of a continuum composed of variables used to define wealth and poverty. The South African government recognises that the above situation is untenable. In the ANC's policy (2007) it is emphasised how government aims to reduce poverty and reduce inequality.

In support of this aim the South African government have introduced a multitude of mechanisms including legislation to assist with this national imperative. The South African government has introduced a number of different charters and acts for a number of the business sectors within South Africa.

1.2.3 Financial Services and Poverty

Jalilian and Kirkpatrick (2005) assert that financial development improves economic growth. Furthermore the impact of financial development is most pronounced at lower income levels i.e. people that are in poverty benefit more from economic growth. In Jalilian and Kirkpatrick (2005) they use the Figure 1: Poverty Variables and Links, shown below, to explain probable variables and their relationships to be investigated.

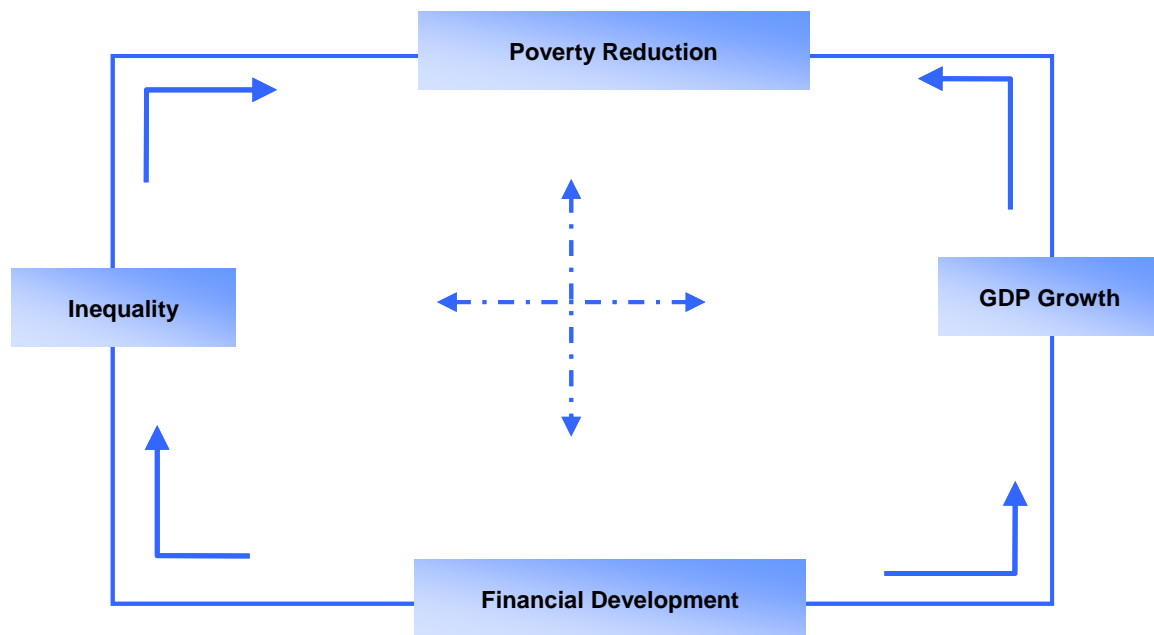


Figure 1: Poverty Variables and Links - Jalilian and Kirkpatrick (2005)

Jalilian and Kirkpatrick (2005) indicate the following about their research on the variables in Figure 1 above, "In addressing the link between financial development and poverty reduction, we have tried to incorporate three distinct research strands; one linking financial development with growth; the second linking poverty to growth; and the third establishing a possible relationship between financial development and inequality. Our contribution here is to attempt to unify these strands in order to get a fuller picture of the possible impact that financial development may have on poverty."



Jalilian and Kirkpatrick (2005, p. 653) conclude that, "At the same time, the results reported in this article are consistent in showing that financial development does contribute to poverty reduction, and they therefore provide firm empirical evidence on which to proceed with more detailed investigation of how specific financial sector policies and interventions can be deployed as effective instruments for achieving poverty reduction in low income countries.". The key hypotheses supported by this research is that economic growth benefits the poor, whilst the reduction of inequality catalyses growth and assists in reducing poverty.

These assertions are, as indicated above, subscribed to by the South African government hence they have introduced the financial services charter which provides a number of goals and targets for the financial services sector in South Africa.

The Financial Services Charter (FSC) (Financial Sector Charter 2008) was introduced for being a catalyst to promoting equality within the financial services sector. The FSC is also pivotal to providing a legal frame work in which previously disadvantaged individuals are provided access to jobs and equity within private companies. There were a number of initiatives and targets agreed to, between government and the financial services sector. With these regulatory changes a number of opportunities were also created, although without some negative effect and sentiment.

The FSC as a legislation catalysed a number of new service offerings as banks and financial services were mandated to provide products and services to the previously unbanked in South Africa. Living Standards Measure (LSM) is a measure of living standards with LSM 1 being the lowest i.e. lowest living standards associated with minimal or no income. .According to Finscope (2007) 39.7% of the population over 16 is unbanked. Within this estimate 73% of LSM 1- 2 are unbanked and 60% of LSM 3-4 are unbanked.



Within the LSM segmentation model, the second economy as is primarily within the low LSM segments i.e. 1-4 within South Africa. It must be noted there are persons who live in the lower LSM measures e.g. township but could have an income of R5000. This reality immediately indicates that the LSM segmentation model is not a definitive view of what constitutes the second economy however it affords us a lens to understand where a majority of the second economy lies within society.

Some of the offerings borne from the FSC were the Mzansi banking product (Donian 2005) and the Zimele (Zimele 2008) approved insurance products. Mzansi was a collaborative effort amongst South African banks to create a standardised account for all South Africans as mandated within the FSC charter. It was initially known as the National Banking Account. Zimele prescribed standards to be adhered to by insurance/assurance products which are designed for the second economy in South Africa. Hence an insurance/assurance offering will be deemed more appropriate if it is Zimele approved.

However this legislation also spurred the drive for many other companies to investigate how they could benefit from this market segment. In particular a number of new businesses were created in order to deliver services to the second economy.

1.2.4 Failures of New Products and Services for the Second Economy

Mzansi was a collaborative effort within the banking industry to create a standard account for persons in the unbanked segment Finscope (2007, p. 32). This also led to the development of the Mzansi Money Transfer Product. The insurance industry introduced the Zimele approved assurance products Finscope (2007, p. 44). This endorsement was to indicate that a product was designed specifically for the second economy

Wizzit is a Small to Medium Enterprise (SME) company that has designed a way in which people can transact with vendors through the use of cell phones. Founded in the agricultural industry the services have expanded to include all South Africans interested in subscribing to the service. In Timberg (2008) CEO Wizzit Brian Richardson is quoted as saying 'To me, the ultimate is to give people a compelling reason to move away from cash'.

Timberg (2008) goes on to say the following of Wizzit's services: 'After an initial account fee of about \$5.50, half of which goes to the Wizzkids as commission, customers pay only for the services they use. Buying groceries with Wizzit adds about 25 cents to the bill; withdrawing cash at another bank's ATM runs a dollar or two, depending on the amount. In both cases, the transactions are made using debit cards given to all new customers. Paying rent, sending money to relatives or making other electronic transfer payments are done through the cell phone itself'. It is evident that these services are designed for the second economy.

AllPay Consolidated Investment Holdings distributes social grants in South Africa. In ABSA (2005) they describe their offering as the distribution of social grants via cash distribution and via an Absa bank account, the Absa Sekulula debit card, which makes use of remote opening technology. The company has been in existence for 10 years servicing the social grant sector which is primarily in the second economy.

Whilst this legislation and government imperatives have created a number of opportunities, however, most, if not all, of the service offerings created for the second economy have been met with limited success and many have failed. This lack of penetration even with industry collaboration i.e. Mzansi, forced by government legislation signals that companies are failing to design and develop service offerings to access this market segment.



1.2.4.1 Limited Success

A majority of the above mentioned products have had at best limited success. According to Finscope (2007) there were 1.1 million new Mzansi accounts opened and the number of unbanked has decreased. However this success is limited. Finscope (2007) indicated that these accounts have primarily two transactions within a month. There is a deposit made by a company or government department and thereafter one withdrawal. A majority of people still perceive banking with the Mzansi account as expensive and banking services not easily accessible. The perception in the lower LSM segment is that banking, overall, is still prohibitively expensive.

Zimele was less successful. The brand was not heard of by many of the customers and there were limited Zimele approved product launches Finscope (2007, p. 44). The Mzansi Money Transfer was met with even dismal success. Finscope (2007) do not report on the product as the product was not marketed and is not being extensively used. This is interpreted as a failure by Finscope and many of the financial institutions in South Africa and in particular the banking fraternity.

Timberg (2008), in an interview with Wizzit CEO Brian Richardson, indicates that Wizzit anticipates a profit from business operations at the end of year 2009 inferring they currently are not making any profit. Further he goes on to state that although they have a growing customer base they maintain minimal balances and minimal transactions, even though their fees are lower than those offered by other cell phone banking offerings.



In Webb (2008), she indicates that the Sekulula account is beneficial for social recipients but has shortcomings. AllPay's Sekulula offering has displayed the same pattern of transactions as displayed by the Mzansi accounts. There is the deposit of the income grant and one lump sum withdrawal. Further the queues at the ATM are excessive, extending hundreds of metres on the day of deposit of social grant monies into the account. These shortcomings have signalled design flaws in the service offering.

This lack of penetration even with industry collaboration i.e. Mzansi, forced by government legislation signals that companies are failing to design and develop service offerings to access this market segment. This is the main thrust of this research, to try and understand why these initiatives are failing and to provide some initial research on how to design service offerings that work within the second economy.

1.3 Research Purpose

The purpose of this research is to develop a framework to illustrate critical success factors for successful development of financial services for the second economy in South Africa. The intent is to understand what the critical success factors are in order to produce a service offering that will be sustainable within the second economy in South Africa.

It is evident minimising of functionality to reduce costs of service, which has been the approach taken by many companies, is not sustainable. Even for companies that have reworked the service offerings e.g. Wizzit, there are still challenges to overcome. In the South African context the majority of impoverished communities are defined to be in the second economy in South Africa.

Although there have been a number of service offerings bespoke to the second economy this research will focus on the NSD process for the financial service industry. For example pre-paid airtime was a product specifically aimed for the second economy as it mitigated contracts and risk assessments. This will not be included within the scope of this research. The research will focus on any service offering designed to assist in the financial aspects of the second economy for example banking, financial services, cash distribution etc. The research will focus on the financial services industry.



2. Literature Review

2.1 Introduction

It is evident from Chapter One that the needs of customers within the second economy are not being met based on the resultant lack of success. One can infer if the needs of the customer are not taken into account or met then the service offering is faltered. The service offering will be faltered if the new service development (NSD) process is faltered. If the NSD process is faltered then the input or the process for the NSD process is faltered.

In this chapter the literature review is presented and the *de jure* framework is extracted from reviewed literature. The literature review is organised in the following manner. First an overview on New Service Development (NSD) is presented. The context for new service innovation literature is presented and thereafter the New Service Innovation literature is reviewed including its influence on Service Innovation. Subsequently the intersection of Business Strategy and NSD is presented. This review allows for the *de jure* model to be performed. This is the *de jure* model to be used within this research in subsequent chapters, tested and finally refined.

2.2 New Service Development

2.2.1 Introduction

The topic of New Service Development (NSD) has been a focus of academic discussion for decades. Some of the initial defining research was centred on the concept of New Product Development (NPD). Johnes and Storey (1997) cite Booz, Allen and Hamilton (1982) whom refer to NPD as the radical alterations to product or service attributes. Johnes and Storey (1997, p. 185) go on to indicate that NSD is the development of service products which are new to the



supplier whilst NPD is the development of tangible products which are new to the supplier, wherein sometimes NPD is expanded to include new service development. More recently many researchers have come to agree that NSD is a more comprehensive and complicated process than NPD.

Johne and Storey (1997) indicate that there has not been common consensus on what constitutes NSD and New Product Development (NPD). Historically NSD has been interchanged with NPD but this is now not warranted. There is consensus that NSD inherently includes NPD and that NSD, is more encompassing and has differential criteria. Johne and Storey (1997, p. 187) identify some of these differential criteria as intangibility, heterogeneity, and simultaneity.

The definition for new service development to be used is as per Menor and Roth (2006, p. 826) “We define a new service as an offering not previously available to the firm’s customers that results from either an addition to the current mix of services or from changes made to the service delivery process”. The definition of 'service offering' to be used within this research is along the continuum as described by Kotler and Keller (2007, p201). The definition as indicated by 'Hybrid' will be used in the context of this research. This definition is considered relevant as all financial service offerings are underpinned by a financial service product.

Johne and Storey (1997) assert that the NSD processes can be framed against the themes as depicted in Figure 2: New Service Development Themes.

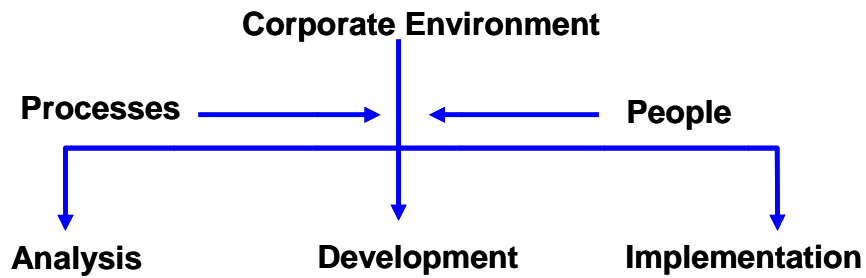


Figure 2: New Service Development Themes - Johne and Storey (1997)

According to Johne and Storey (1997, p. 200) "... studies have stressed the need for a clear corporate vision concerning the role NSD is to play in organic business development".

Menor and Roth (2006) propose a conceptual model indicated in Figure 3: Conceptual model of NSD competence dimensions below, for new service development. Their proposition asserts by concentrating effort on specific drivers of the NSD competence NSD performance is achieved, where NSD performance can be established by specific business criteria.

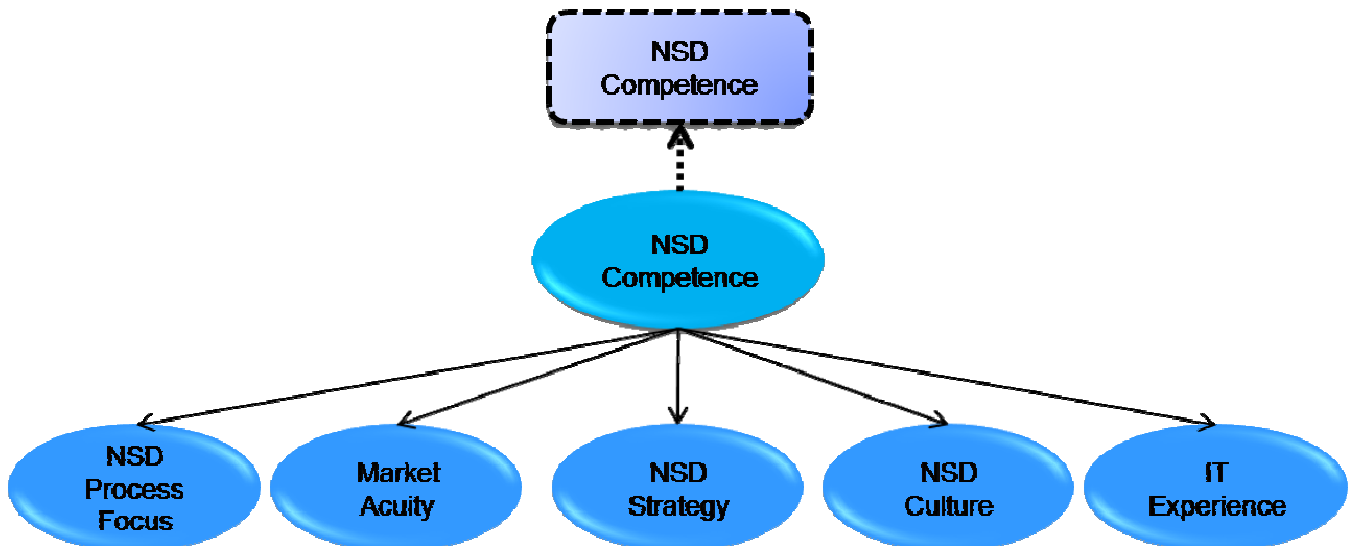


Figure 3: Conceptual model of NSD competence dimensions - Menor and Roth (2006)



These are the two main frameworks used by the researcher as a foundation. The intent will be to identify from relevant literature the common factors and themes that have been found for NSD. This will allow the researcher to thereafter proceed to categorise the themes into common categories. Evident from above is the requirement to create the overarching framework to assist in the identifying the key success factors. This is done below in section 2.3.3 The de jure NSD Framework.

2.2.2 NSD Themes and Factors

Johne and Storey (1997) indicate that one of the key aspects of NSD that differentiates itself from traditional product / service development and other disciplines is based on the fact that the NSD model developed must assist in being responsive to the market hence has to have characteristics that allow it to be responsive to the market. This, they argue, is necessary in order for the NSD process to contribute to business development i.e. an inherent requirement for a new service. They propose that the NSD process must take into account three key components in order to contribute to new business development.

These three key components are Market Development, Offer Development and Process Development as depicted in Figure 4: Business Development. Market Development as indicated in Johne and Storey (1997, pp 192) “is concerned with improving the mix of target markets into which newly developed offers can be sold”. This implies that a company has to ensure it understands its target market and ensure they have a varied mix of target markets as this will improve revenue sustainability i.e. less dependence on one market.

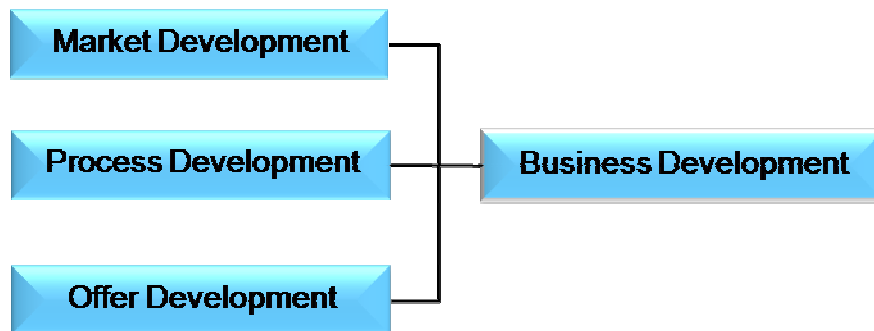


Figure 4: Business Development - Johne and Storey(1997)

Process Development is the necessary process required within the company to develop a new service. Johne and Storey (1997, pp 190) assert that often the key intent in the 'Process' component is to derive cost reductions which allows for the Product/Service to be cheaper. Offer Development addresses the process and input for the actual product and service to be designed. There is some overlap with Process Development but here the focus is on the actual development process and how the product is designed i.e. focus on product design whilst the above was on the general environment for development.

Offer Development is made up of two other components, Product Development and Product Augmentation Development. The former focuses on amending the core capabilities of the product whilst the latter is focused on amending the interaction with the customer. Based on this one can infer that product development can be placed on the categories proposed by Kotler and Keller (2007, p201) as a hybrid. These are the main themes per Johne and Storey (1997) from prior literature that are relevant for NSD in order for NSD to contribute to business development.

Johne and Storey (1997) go on to assert that for the NSD to be effective they indicate the NSD processes should be framed against the themes of:

1. Corporate Environment



The authors point out the importance of a corporate vision which is aligned with the NSD strategy and the importance of commitment from executive management. There are aspects of culture which are important such as not fearing failure, minimising bureaucracy to drive innovation and having appropriate reward systems and job descriptions. These aspects speak to the rationale of creating an environment in which innovation can flourish. Lastly a strategic focus on NSD and ensuring that product development is a strategic priority are critical for success.

2. Processes

The authors indicate that an effective development process, citing Shostack (1984b), which has the four process of objectivity, precision, fact-driven and methodologically based. They indicate that there is no distinct focus on service development process but rather existing processes are adopted for the service industry.

3. People

The authors indicate there are three main categories of people which must be appropriately trained. A focus on these categories will bode well in ensuring that the service offering development and implementation to be successful. These categories are the development staff, the customer contact staff and the customers. The development staff must have the appropriate skills the customer contact staff must understand and buy-in into the new offering and the customers must know how to make effective use of the offering.

4. Analysis

The ongoing analysis of market opportunities is critical. A company must not be driven by legislation compliance and/ or cost reductions. The company focus on designing offerings that are for creating new revenue streams in new markets and adding value to



their existing strategies. To this end a company must be pro-active with ongoing research. The research must be pragmatic and not only focus on idea generation, which whilst important, must be appropriately managed.

5. Development

The development process must take into account an appropriate project management methodology. This will allow for relevant issues, business concerns and benefits to be met by the initiative. The authors indicate that service development has to integrate effectively with existing services. This must be done to minimise operational issues and rollout problems. They iterate that careful co-ordination is required with all stakeholders within the company i.e. finance, technology, marketing, communication etc in order to meet this goal. They emphasise that development only creates the service pre-requisites and the offer is only produced when the customer interacts with the service.

6. Implementation

The authors advocate that three main stages be considered in implementation i.e. operations plan communication strategy and market introduction. A key activity is testing. Testing prior to market introduction and through the development stages is crucial. This will allow for the minimisation of risk and loss. Finally the ongoing measurement is important to gauge issues and suggest improvements. This will also help assess the success / failure of the offering.

Menor and Roth (2006) propose a conceptual model indicated in Figure 3: Conceptual model of NSD competence dimensions, for new service development within the retail banking sector. Whilst specific to retail banking it is evident the themes of 'NSD process', 'market acuity', 'NSD Strategy', 'NSD Culture' are common to that proposed by Johnes and Storey (1997). In particular



'Market Acuity' can be clustered into 'Analysis', 'NSD Culture' can be clustered into 'People' and 'NSD Strategy' into the 'Corporate environment'.

Menor and Roth (2006) have indicated that IT experience is necessary as offerings within this sector are inadvertently reliant on IT processes and systems. The rate of failure increases as expertise in IT decreases. Of importance is the role and influence of the company strategy onto the NSD framework. John and Storey (1997) indicate within the corporate environment clear goals must be set for the NSD programme. These goals will be derived from the strategy; hence a non-existent or ill-defined strategy will result in a non-satisfactory NSD process. Menor and Roth (2006) indicate that NSD strategy is crucial to allow for alignment of resources and practices of NSD strategy in the company. This implies that NSD strategy is fundamental to NSD performance.

2.2.3 Service Innovation

In the introduction it was indicated that the requirement to create products for the second economy was catalysed by legislation. Many companies have realised that this market segment offers value but also requires that business, in particular financial services, review the manner in which they interact and design services for this segment. This implies that the service development for this segment is primarily related to creating services for new markets i.e. service innovation.

Berry, Shankar, Parish, Cadwallader, Dotzel (2006) assert that in order to create new markets, understanding the type of service innovation required is important. They assert that innovation in service industries is different in primarily three ways. The first is that service delivery staff are part of the customer experience hence part of the innovation. The second is that service innovation requires the physical presence of the customer hence there must be decentralised



production capacity for the service. Lastly service innovations do not have a product on which to carry a brand name.

Berry *et al* (2006) propose the matrix in Figure 5: New Service Innovation Quadrants, as a mechanism to understand the type of service innovation being created. The vertical axis represents a service that is separable or need not be at the point of consumption. For example a hair cut is inseparable whilst ordering from eBay can happen from anywhere in the world were there is an internet connection present. The horizontal axis represents services that are core or an existing service delivered in a different manner. Google did not create engine search engine technology but created a new way to search and generate exceptional marketing revenue however coffee consumption is core to Starbuck's business.

Figure 5: New Service Innovation Quadrants allows us to contextualise financial services and at the same time understand the complexity in the delivery of financial services. The researcher asserts that financial services straddles cell one and cell two. The rationale for this is that the services offered are core to the company. The service as defined by Kotler and Keller (2007, p201) is a combination of product and customer interaction. Some activities are definitive for service success from cell three. For example how a customer is received and managed at a branch is a key determinant and resides in cell three. However the advent of technology e.g. cell phone and internet banking, implies that the service success is also determined by how well the technology works and within this context, the service resides in cell one.

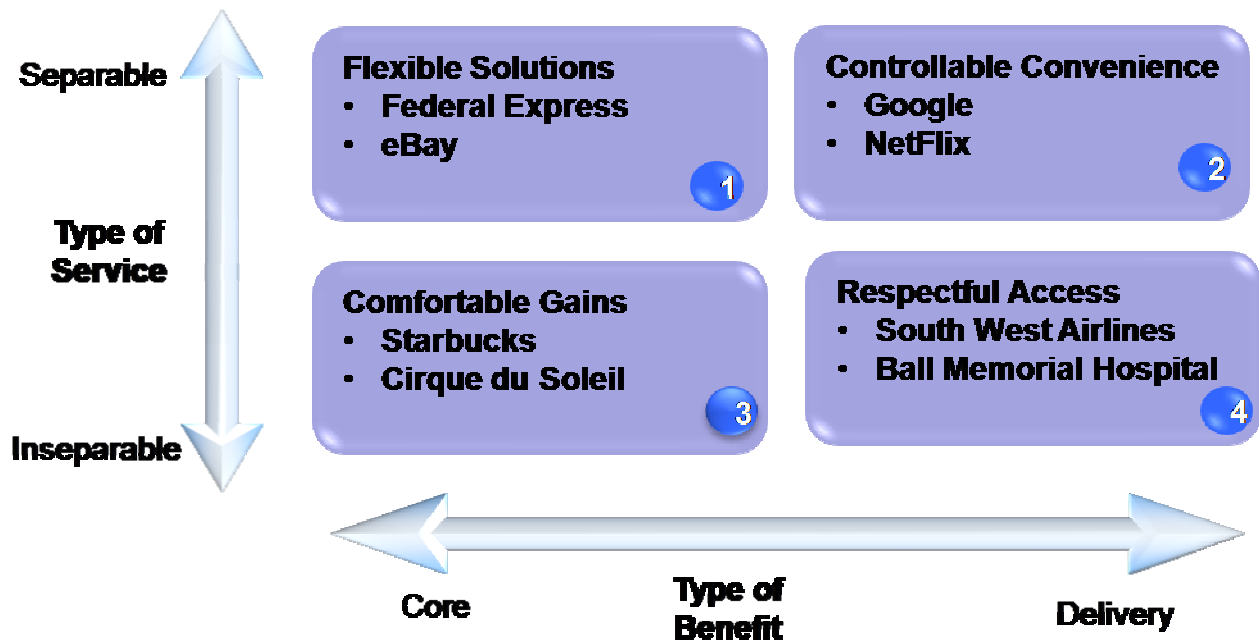


Figure 5: New Service Innovation Quadrants - Berry *et al* (2006)

The implication for the NSD is the nature of the offering being developed has to be understood. This further links to the notion put forward by Johnes and Storey (1997) that the offer is only fully complete on consumption from the consumer. Specifically within financial services the implications for the customer must be fully understood. If the service is separable how then will the customer interact with the offering and how is this experience consistent with the experience as when it is in a non-separable state e.g. opening a banking account. These aspects must be taken into consideration for customer involvement, which is covered extensively, also for the 'analysis component' and 'development components'.

De Brentani (2000) proposes incremental service development is different from innovative business services. He asserts in a rapidly competitive and global environment service innovation is fundamental to business growth. He proposes the degree of innovativeness impacts on the focus and approach of the service offering development. Understanding of the



customer is second to this. Competent staff and a satisfactory NSD process are also indicated for success and provide support for the assertion as made by John and Storey (1997).

De Brentani (2000, p. 178) proposes an 'innovative culture' and an 'excellent strategic and resource fit' are critical for developing and marketing new services. These factors can be clustered into both of the frameworks provided for by John and Storey (1997) and Menor and Roth (2006). However De Brentani (2000) concludes innovativeness in process and culture is critical, a strategic and resource fit is critical, understanding the customer comes first and frontline staff involvement is crucial. These factors support the notion that more than just well planned NSD processes are required for either innovative and/or new services.

Jong and Vermeulen (2003) propose two evolutionary stages for organising NSD. In both stages two clusters are created i.e. 'people' and 'structure'. However both these clusters have different focal points. These are clustered into the relevant headings of the *de jure* model. They assert the two stage approach is pivotal to achieving innovation with services. Jong and Vermeulen (2003) propose this approach as their assertion is that innovation in services is inherently difficult because of the nature of services. They propose a climate of innovation must be persistent and not ad-hoc within the company to support continuous successful new service development.

Gounaris, Papastathopoulou, Avionitis (2003) propose that business analysis, market strategy formation and launching, are significant contributors to all types of service innovation. He iterates that the critical activity during launching is marketing to the customer along with customer training further accompanied by training to frontline staff. In innovative new services (high innovativeness), idea generation and marketing strategy are the main success criteria.



With low innovative services technical development and testing are more important for success. They iterate the findings suggest an external focus for new service whilst an internal focus for service improvements / changes. Gounaris, Papastathopoulou, Avionitis (2003) assert that the research is limited by its sample size however the researcher chose to include the literature as the findings corroborate with assertions from Jong and Vermeulen (2003), Menor and Roth (2006) and Johne and Storey (1997)

Akamavi (2005) proposes that within the financial service sector there are a number of research gaps. There is also a disjoint between theory and practice within the industry specifically within the domain of NSD innovation. Based on his literature review he asserts there are two key aspects that must be taken into consideration for innovation within financial services. The first is to increase the role of the customer to beyond just participant. The customer must but be entrenched within the development processes. The intent is to create a service of value by involving the customer. Lastly he asserts that the process must be iterative and must incorporate the supporting roles of an organisation more appropriately e.g. finance, communication.

From the above it is evident that innovation is viewed along a spectrum of 'Low', 'Medium' and 'High'. Low correlates, as asserted by De Brentani (2000, p 276), from "Service Repositioning" to "Service Line Extension" .Using the same table Medium correlates from "Service Modification to "New Service Delivery Process". High correlates from "New to Company" to "New to Market".



2.2.4 The second economy

There is strong indication from Johnes and Storey(1997) that a key element for the NSD framework are the customer and environment. This implies that awareness of customer needs and environment context are pivotal to service development and ongoing successful management thereof. This further implies that the strategy of the company for a target market will therefore play a role in shaping the service offering and the NSD framework. The next section is a literature review of relevant literature related to strategies for poverty stricken communities' i.e. second economy in South Africa.

Weiser (2007) state to succeed within underserved markets five success factors are to be noted. The company must mine and translate local information, adapt the business model to the local realities, change internal incentives and cultural assumptions, create strategies and alliances within the local communities and improve the enabling environment to aid service delivery. These aspects are foundation and interrelated in the development of a strategy for the underserved market segment.

Prahalad and Hart (2002, p. 8) state that a key component in a strategy for the tier four market is 'Tailoring Local Solutions'. This asserts that products have to take into account localised criteria for the successful development of products for the fourth tier. The components of 'Creating buying power', 'improving access' and 'shaping aspirations' are also important to the success of the NSD processes per Prahalad and Hart (2002, p. 8). These requirements infer that an entity creating offerings for this market have to revise the NSD processes as the output for the customer has to be customised hence the process and success criteria must be revisited.



Saunders and Abratt (2007) highlight that there are four factors of importance when designing services in banking for the poor. This study is relevant as it defines banking not only in products but of the complete service offering. The banks promotional strategy must focus on tangible aspects hence influencing the NSD launch process. The benefits of the using a bank's products must be highlighted, again influencing the launch process of the NSD processes. They have to address credit needs and accessibility and security. These have implications in the service offering implementation. In the offer they conclude that that a tertiary plan that addresses social needs of the poor is required by banks.

Kirchgeorg and Winn (2006) propose the notion of sustainability marketing is a marketing strategy incorporating elements of sustainable business as is asserted by the World Business Council for Sustainable Development. They assert that company strategies drive transaction capability building which informs the marketing strategy. The marketing strategy will also be informed by the marketing objectives. The marketing objectives are informed by a situation analysis. The researcher asserts any situation analysis and marketing objective must also be informed by the company strategy. Hence the marketing mix as described by Kirchgeorg and Winn (2006) must be informed by the marketing strategy and company strategy.

Kirchgeorg and Winn (2006) propose some changes to the Product Branding and Development, Pricing, Distribution and Communication disciplines. The product being offered must be low cost, environmentally friendly and simple to use. This will be applicable to a service offering. Pricing must be based on low margins. This implies a requirement for collaboration to distribute cost and risk. Whilst maintaining low cost it cannot be low quality and must adhere to the tenet of transaction capability building (TCB). Distribution should take advantage of local suppliers and conditions. Communication infrastructure must be improved through innovative technology whilst making use of embedded local systems like word-of-mouth and/or local structures.



2.2.5 Service Development in Emerging Markets

Alam (2007) asserts there are many differential points for the development of a service offering in an emerging versus a developed market. He found that firms in India focused significantly less on the idea generation stage than firms in USA. He asserts that firms in the USA are more customer focused hence involve the customer more than firms in India. Firms in the USA conduct significantly more test marketing and service testing than firms in the USA. He attributes this to the fact firms in the USA develop more innovative services than those in India.

South Africa is an emerging economy (CIA Fact book 2008). Based on Alam (2007), whilst recognition is given for the various differences between South Africa and India e.g. economy social structures, governance, culture etc, the researcher infers that the approach for service development in South Africa will be not be different versus most of the developing world . Further the researcher asserts that understanding aspects of financial service offerings development for South Africa in general i.e. not second economy specific, will assist in understanding financial service offerings development for the second economy in South Africa as there will be elements of overlap.

Oldenboom and Abratt (2000) concluded in South Africa 'consumer insight' is a determinant of successful or failed services within the financial service industry, whilst adequate skills and resources, product advantage, service newness are critical success factors. These are mapped to 'market acuity' in Menor and Roth (2006) and 'analysis of opportunities' in Johne and Storey (1997). 'Adequate skills and resources' can be mapped to 'NSD culture' within Menor and Roth (2006) and 'people' in Johne and Storey (1997). The prominence of the criteria 'product advantage' and 'service newness' indicate that innovation is pivotal to success within the South African financial services development context.



Oldenboom and Abratt (2000) assert that customer insight is the primary and only aspect that will cause a service offering to fail within South Africa. Oldenboom and Abratt (2000) assert that only four factors were found to be critical to the success of a new product. These were adequate skills and resources for development, a product advantage, the degree of service newness and efficiently gaining consumer insight” Oldenboom and Abratt (2000, p. 243).

Schoombee (2004) indicates what banks have done to date within the South Africa environment relating to banking the unbanked. This segment is primarily within the second economy in South Africa. He provides two view points that outline key outcomes of the transactional banking sector and the micro lending sector. The former relates to any transactional banking product e.g. Savings, cheques, whilst the latter relates to the lending of cash for economic development e.g. small business, asset buying etc.

Schoombee (2004) indicates that a good strategy for banks to adopt is to creating dedicated entities through public/private partnerships. These entities will be dedicated to micro lending with a focus on entrepreneurs. This approach the research infers creates an environment which is empowering hence provides a platform to create transactions. This will inherently lead to a demand for further transactional products. This approach corroborates the view taken by Kirchgeorg and Winn (2006) and Prahalad and Hart (2002). It also corroborates with Weiser (2007) that advocates adapting business models to local realities.



Schoombee (2004) further asserts that the above approach will also allow for ongoing technical assistance to be provided to the customer. This aspect was one of the main reasons for failure of lending penetration within this segment. He concludes that possible partners are often hesitant and must be provided incentives to enter into this segment within partnerships. One key incentive is to remove the onerous burden of regulation on these entities hence the regulatory framework must be overhauled. Secondly he asserts that government should actively provide incentives e.g. financial etc, to willing business partners.

2.3 The de jure NSD Framework

2.3.1 Introduction

The main outcomes from the literature review was to review the current themes, factors and thinking pertaining to NSD and distil these into a framework. The framework will illustrate what relationships exist and what is the nature of these relationships between factors.

2.3.2 Defining the Framework

The clustering of the identified themes and factors is done using a meta-framework adapted from Hedman and Kalling (2002). In Figure 6: Business Model, block one represents the aspects outside of the company determining the business context. Block two represents the internal context of a company wherein resources in '2b' are used with the processes which are indicated in '2a'. Block three represents the external factors that are inputs into the internal business e.g. capital etc.

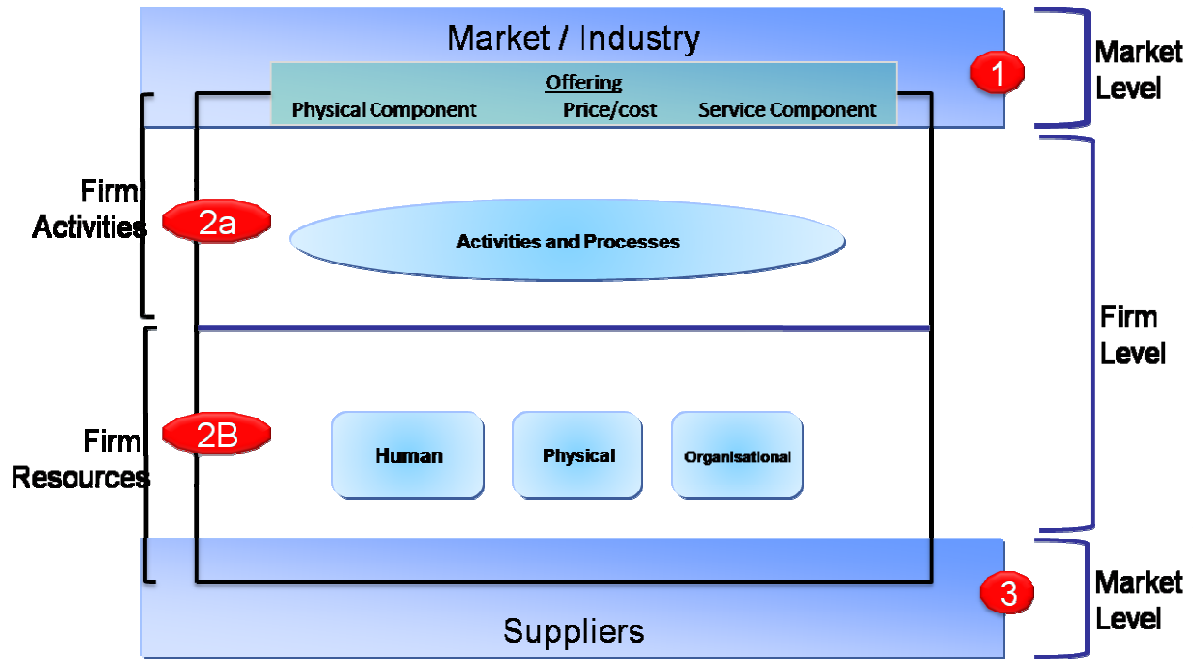


Figure 6: Business Model - Hedman and Kalling (2002)

The creation of themes and identification of factors are as recommended by Marshal and Rossman (2005). The themes and factors were identified by reviewing the articles with the intent to generate categories and/ or patterns from the literature. The common themes and factors were clustered into categories and transformed into the NSD framework using the process outlined below.

The researcher created the first level categorisation of the NSD Framework per the model above as per Figure 7: NSD Framework

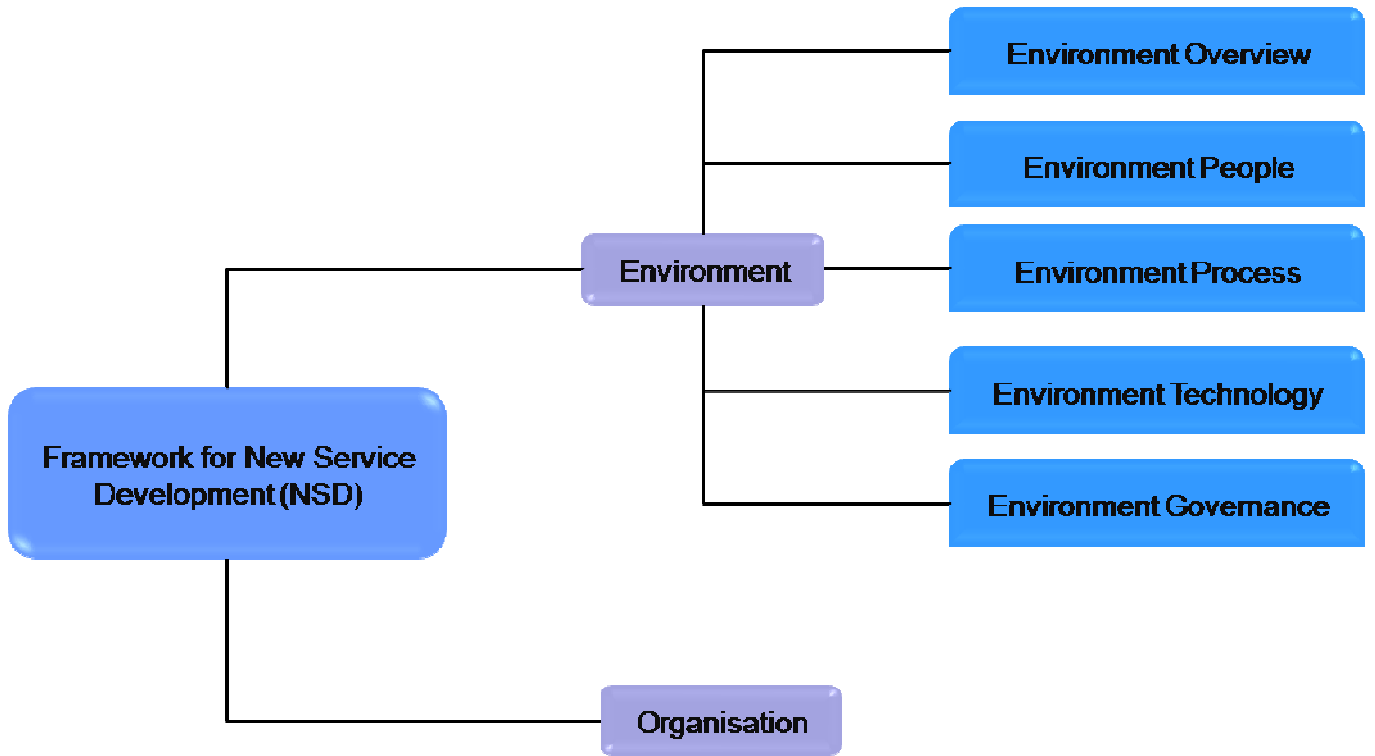


Figure 7: NSD Framework

The ‘Environment’ is a derivative of blocks ‘1’ and ‘3’ from Figure 6 above. “Organisation” is a derivative from blocks 2a and 2b. The ‘overview’ element contains a description of the overall category. The ‘People’ and ‘Technology’ elements are resources as proposed by Hedman and Kalling (2002) in Figure 6: Business Model. The ‘Process’ and ‘Governance’ category is a derivative of ‘Activities and Organisation’ in block ‘2b’. ‘Overview’ provides an overarching view of the particular category

Within the framework the literature could provide any on one of the following as an input into the framework: ‘Objective’, ‘Activities’, “Issue” or “Procedure”. These are what an element can take the role of within the framework. These are not explicitly stated within the NSD framework for simplicity and the role is readily evident from the actual text. Figure 8: Environment Category indicates the main processes that are required for ongoing sustainable services development taking cognisance of environment. The key aspect is to ensure the relevant external information from customers and the business context is included into the service development process. This

assists in ensuring that the NSD strategy is relevant which implies that the NSD development process is relevant.

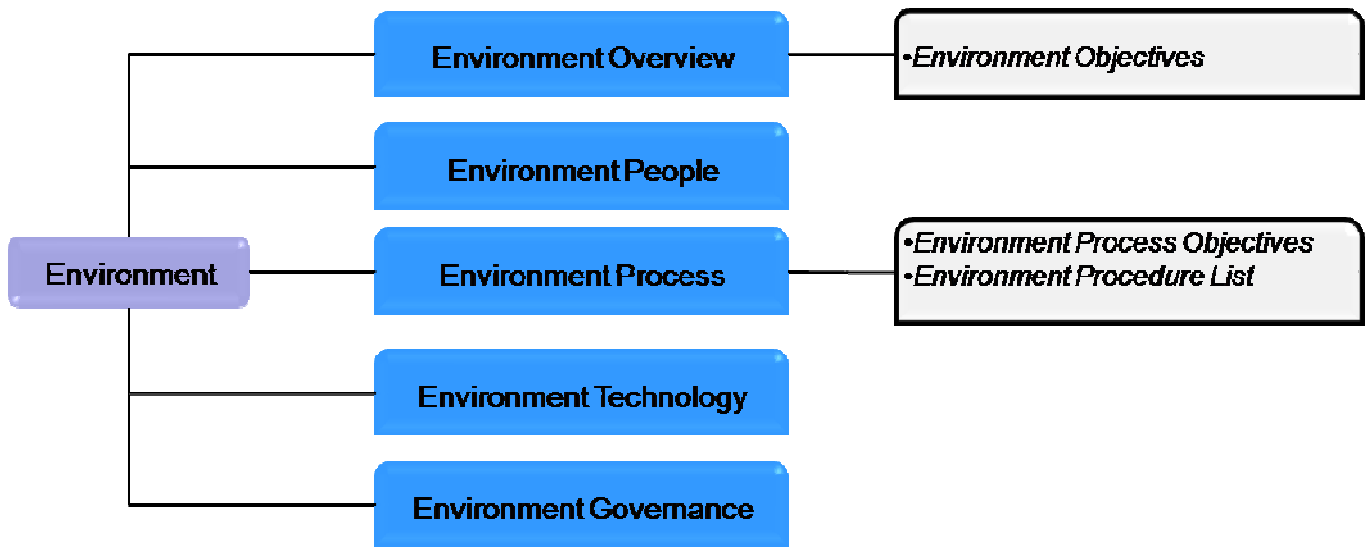


Figure 8: Environment Category

The next category is the organisation category. This is shown in Figure 9: Organisation Category. This category contains most of the focus from the literature reviewed. This bulk is also reflected in the framework construction. This inspection of literature allows for the *de jure* NSD framework to be formed.

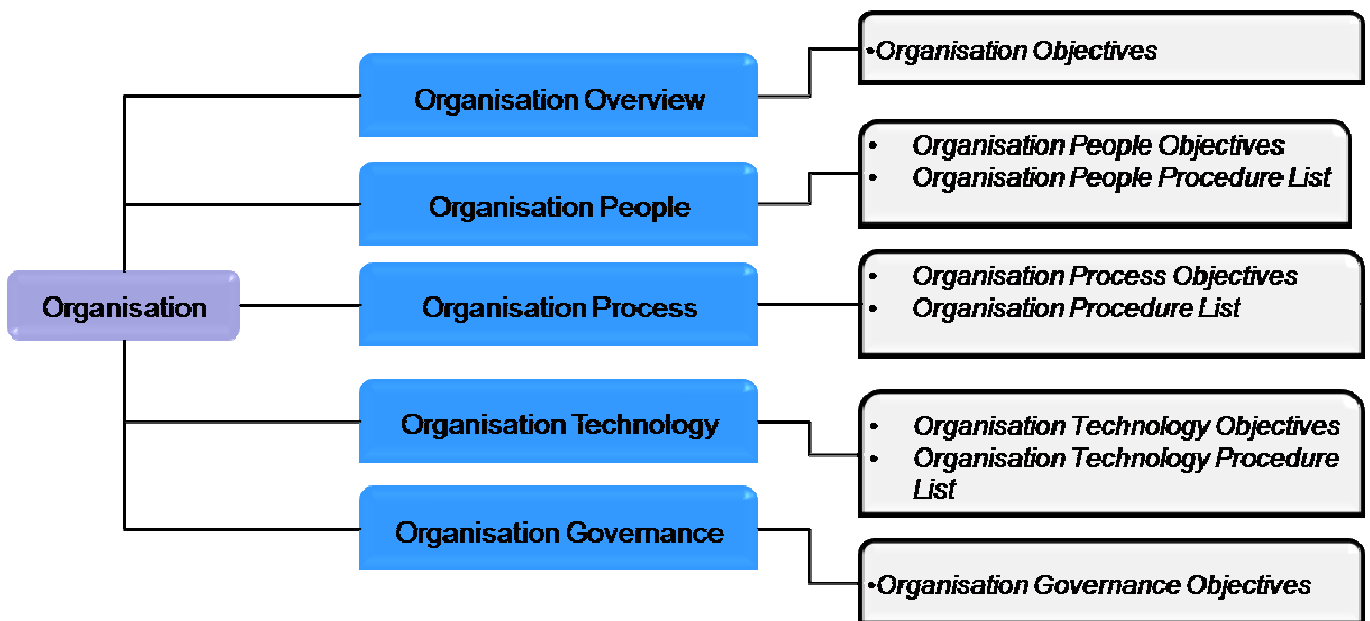


Figure 9: Organisation Category



The intent is to have two working versions of the framework. The first is a succinct illustration highlighting the main themes and interplay within the framework. The second is a comprehensive and supplementary version, with the critical factors illustrated and referenced. Before actual illustration of the framework it will be worthwhile to highlight the main findings identified for the framework.

2.3.3 The de jure NSD Framework Factors Summarised

This section outlines the researchers view on the key factors and themes hence presenting a textual but parsimonious model to the reader.

2.3.3.1 Underlying Principle/s

2.3.3.1.1 *Innovation*

There is requirement for innovation to be driven within the organisation processes, culture and eventually become evident through the service offering.

2.3.3.2 Environment

2.3.3.2.1 *Environment Objectives*

Market acuity is defined as “the ability of the service organization to see the competitive environment clearly, and thus to anticipate and respond to customers’ evolving needs and wants”. Market acuity is valuable to NSD success because it requires that the organization continuously collect information on customer needs and competitor capabilities, and uses this information to create new services that deliver superior customer value. This ensures it contributes to, and facilitates, the service innovation efforts.

2.3.3.2.2 *Environment Process Objectives*



The key intent is to provide input to the NSD programme and NSD Strategy hence ensuring the business context is brought to bear on the overall NSD framework which is crucial to success.

2.3.3.2.3 Environment Procedure List

The crucial ability is to provide ongoing, effective analysis of the environment and disseminate the synthesized information in a timely manner.

2.3.3.2.4 Environment Governance

The environment should provide a governance framework that favours public/private partnerships for creating lending entities.

2.3.3.3 Organisation

2.3.3.3.1 Organisation Objectives

The main intent is to ensure the entrenchment of appropriate practices, supported by the appropriate resources crucial to NSD within a company.

2.3.3.3.2 Organisation Governance Objectives

The governance structures must support the NSD framework and allow for innovation to thrive.

2.3.3.3.3 Organisation Process Objectives

The programme must have clear goals and alignment to the organisation vision to support innovation. A key dependency in financial services is on information technology. IT experience makes greater NSD competence as IT experience is an expert skill pivotal to the development of services in the financial sector.

An effective NSD Programme must be implemented to facilitate technical development of the service in alignment with business objectives and within a timely manner. Extensive idea generation is a prerequisite to new services as they are core to understand possibilities and



promote innovation. There must be in existence a clearly defined marketing strategy in order to create awareness and education about the new service.

The programme must ensure that new service operations are able to integrate with existing operational processes to promote ease of ongoing support. There must be a formal “stage-gate” activity for new services in order to evaluate overall impact, relevance and organisational fit. The programme must ensure an effective project implementation practise is in place for the NSD programme.

There are crucial objectives relating to NSD projects over and above the required project management best practises. The project must consider effective training for all stakeholders including staff and customers. Practises must ensure effective testing at all the relevant phases. With new services, depending on the target market, testing can be minimised to attain advantage in market entrance as “early adopters” are tolerant of small service bugs.

There must be processes in place to ensure effective ongoing service support. The easier it is to integrate the new service operations into existing operations, the easier it will be to attain effective ongoing support. There must be an effective measurement system to ensure feedback and measurement of return on investment into the service and NSD activities.

The marketing and communication of the service must take into account the promotion of the intangible aspects and the benefits of the offering. Communication must straddle both internal and external stakeholders i.e. customer and staff, with the main intent to promote and achieve buy-in for the offering. The service must use the local distribution channels. There must be consistency in the implementation as service can be offered either through a separable or inseparable method or both.



2.3.3.3.4 Organisation People Objectives

A service culture plays a crucial role for service delivery. To support this end there must be aligned HR processes. Where required specific culture interventions should be performed to catalyse the process. The process must ensure that the relevant stakeholders are involved at the appropriate time i.e. management, staff, customer. All persons involved must possess the relevant skills hence training of all stakeholders is critical

2.3.3.4 Service Criteria

The offering must ensure it takes into account local nuances and involves the whole community in some manner and not only the targeted customer. The service must empower the target customer by creating a transaction building community and ensuring that the overall aspirations of the community and customer are met within the process. The pricing whilst low margin should ensure high quality which implies making use of collaboration. One firm carrying all of the risk does not allow for cost effective solutions thus multiple firms and the use of non traditional approaches e.g. such as the inclusion of NGO's on the primary model, must be considered.

The requirement to mitigate / minimise information dissymmetry and to minimise capital outlay i.e. risk and cost, implies the distribution must take advantage of local suppliers and embedded structures. The involvement of the local community as an important stakeholder is therefore an imperative when designing and deploying the service offering. This also has implications for the nature of separability of the financial service offering. All of the above implies that the offering is more likely to be successful if designed to be separable.

The framework, as can be anticipated evolved as the literature was reviewed. The main succinct version is illustrated in Figure 10: *de jure* NSD Framework and Theme. The comprehensive supplementary version is found in Appendix Three – Comprehensive De Jure Framework.

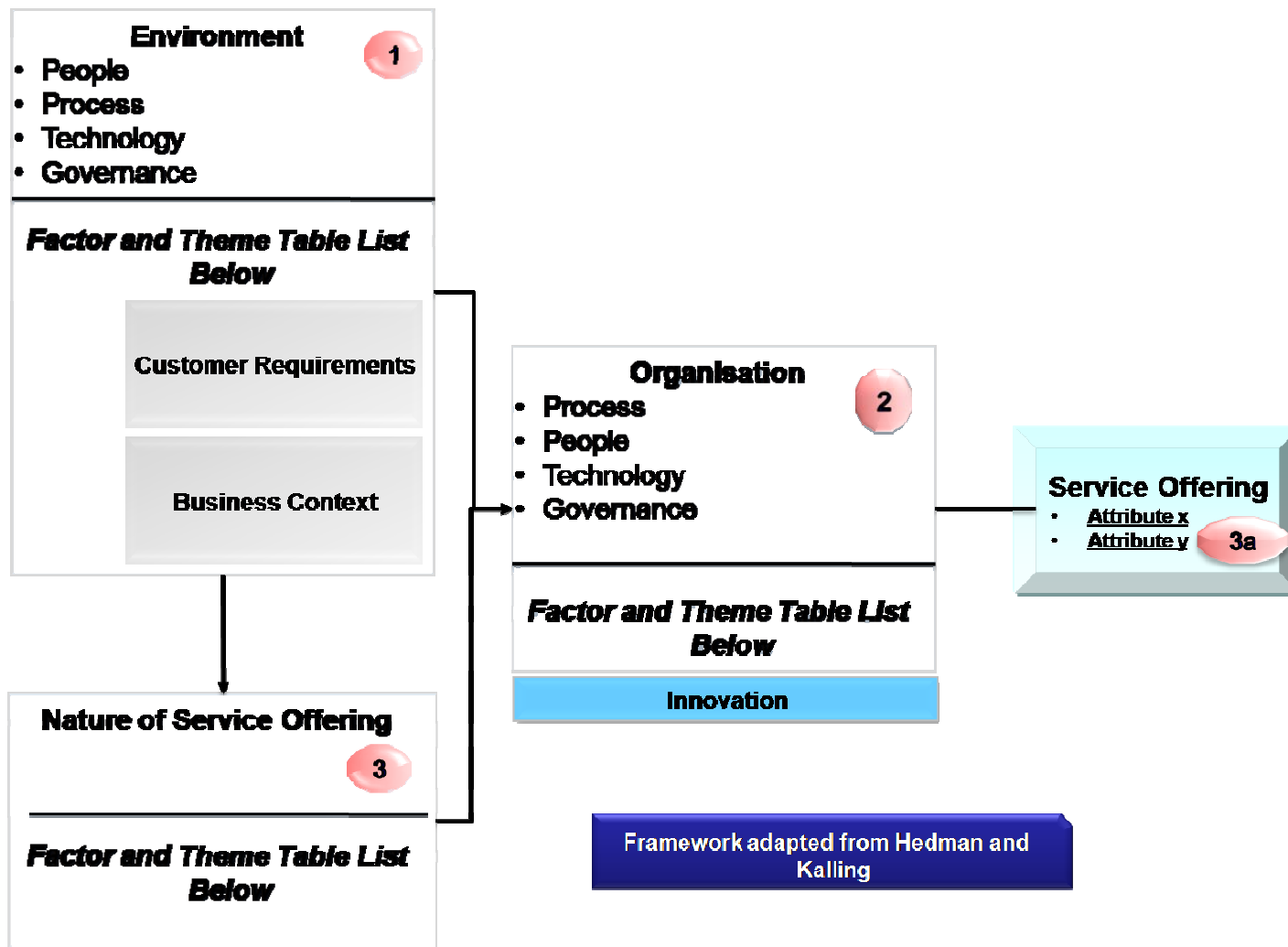


Figure 10: *de jure* NSD Framework and Themes



Framework	Factor and/or Theme	Reference
Environment	1. Role of government 2. Understand market and customer	1. Schoombee (2004) 2. Menor and Roth (2006) , Johnne and Storey (1997)
Organisation	1. Customer involvement is crucial 2. Clear goals and alignment to corporate vision 3. IT experience 4. Targeted marketing and communication strategy 5. Effective project implementation practises 6. Effective training approach 7. Involve key stakeholders 8. Promote intangible aspects of offers	1. Johnne and Story (1997) , de Brentani (2000), 2. Jong and Vermeulen (2003) , Menor and Roth (2006), Johnne and Storey (1997) 3. Menor and Roth (2006) 4. Jong and Vermeulen (2003) , De Brentani (2000) , Gounaris, Papastathopoulou and Avionitia (2003) 5. Johnne and Storey (1997) 6. Johnne and Story (1997) , Jong and Vermeulen (2003) 7. Akavami (2005) , Johnne and Story (1997) 8. Saunders and Abratt (2007)



Framework Reference	Factor and/or Theme	Reference
Nature of Service Offering	1. <i>Localisation</i>	1. Weiser (2006) , Prahalad and Hart (2002), Saunders and Abratt (2007)
	2. <i>Empower community and build transactions i.e. self sustaining</i>	2. Kirchgeorg and Winn (2006)
	3. <i>Take into account community</i>	3. Kirchgeorg and Winn (2006)
	4. <i>Price point but high quality</i>	4. Prahalad and Hart (2002)
	5. <i>Use existing infrastructure</i>	5. Weiser (2006),
	6. <i>Minimise information dissymmetry</i>	6. Weiser (2007)
	7. <i>Service must exhibit separability</i>	7. Berry, Shankar, Parish, Cadwallader, Dotzel (2006)

Figure 11: *de jure* Table Factor and Theme List

The key mentions on the framework are the interplay that is evident between the three main aspects of '1', '2', '3' as depicted in the framework, the involvement of the customer, the role of government in creating an enabling environment, the involvement of stakeholders and best practise internal processes. The aspects for the service offer criteria are empowerment of community and consumer, simplicity, information dissymmetry minimisation, and localisation of the service offer. Underpinning both the service offer and the development is the requirement for innovation. This framework will form the basis of interrogation within interviews and further in this research.



2.4 Conclusion

The development of financial service offerings is not a simple task and multiple enterprise considerations and external environment considerations must be brought to bear onto the overall process. Moreover the nature of the service and the target market influences the nature of the relationship between all these aspects. The interaction of the main *de jure* components should be evident to the reader however is clarified herein.

There are three key elements of 'Environment', 'Organisation' and 'Service Criteria Offer'. There are numerous factors listed under these various elements. There was one key underpinning requirement for innovation. The main aspects to note were the involvement of the customer and understanding the environment. These factors were discussed above and listed in the table hence will not be dwelled on further.

The NSD literature provided an overview of the themes and factors for the development of new services. The next requirement was to integrate elements into the NSD so that it became relevant for the second economy. This was done using literature highlighting strategies aimed at impoverished communities, as this is key characteristic of the second economy in South Africa.

Important to note however is the observation that there is tight interaction of the various components hence dependencies on each other. Whilst the research will understand the interaction and intensity, prioritisation is not explicit in some cases and the researcher inferred these from authors' comments.



It was evident that research pertaining to NSD in impoverished communities is limited with only one piece of literature being found. This does not necessarily imply it is the only piece of work however this does indicate to the researcher the lack of focus by organisations and academics on this particular area. The research primarily for improvised communities pertains to strategies. Thus all of this indicates the relative newness of this specific area

Finally the literature reviewed allowed the researcher to distil a comprehensive framework. Whilst this is valuable the requirement of the research will is contextualising the framework within the South African context for the second economy. This will see the *de jure* framework change to the *de facto* framework.



3. Research Questions

3.1 Introduction

The NSD framework within the context of the company, its operating environment and how the NSD processes are executed is core to the success in the development of any financial service offering. In chapter one it was shown that there are symptoms to indicate that the current NSD processes used by financial service companies to create service offerings are not successful.

Companies need to ultimately contribute to South Africa's prosperity by providing financial services to the second economy in South Africa and this will allow for them to inherently attain specific mandated objectives within the FSC. The provisioning of financial services cannot only occur for imposed legislation. The intent of these firms must focus on creating offerings that are sustainable and profit generating. This will require firms to rethink how they develop and deploy financial service offerings for the second economy.

It is within this context the following overarching question will be addressed within this research: Based on experience and literature what are some of the key service offering attributes and NSD framework characteristics required for the NSD framework for the development of financial service offerings for the second economy? Furthermore it is important to identify not only additional factors and themes but also factors and themes that are of no relevance hence can be removed from the framework thus improving efficacy.

In order to gain the above mentioned insight and amendments the answers to the below listed research questions will be sought:



3.2 Research Question One

What are the main environment variables affecting companies operating within the second economy?

3.3 Research Question Two

How do these variables influence the NSD framework and nature of the service offering criteria?

3.4 Research Question Three

What NSD processes and considerations, including implications for innovation aspects, must be taken into account when creating a service offering for the second economy?

3.5 Research Question Four

What are the governance considerations, and implications for innovation aspects, the firm must take into account when developing services for the second economy?

3.6 Research Question Five

What are the people and cultural considerations, and implications for innovation related aspects, the firm must take into account when developing services for the second economy?

3.7 Research Question Six

What are the technology considerations, and implications for innovation aspects, the firm must take into account when developing services for the second economy?

4. Proposed methodology

4.1 Research Design

The aim of this research was to investigate relevant themes and factors for a NSD framework to support the creation of sustainable financial services for the second economy. This characterised the research as exploratory based on the context and nature of the research. Zikmund (2003, p. 114) indicated that for research which is exploratory in nature the preferred approach would be to use a qualitative methodology. Zikmund (2003, p. 114) indicated that qualitative research is preferred for research where the intent is to discover new ideas. The approach adopted for the research comprised three steps.

4.2 Step One – Data Collection

The first step was to test and refine the identified themes and NSD Framework factors of the *de jure* model by using interviews. Zikmund (2003) referred to this as in-depth interviews. Lee (1999, p. 62) indicated that semi-structured interviews can be used in research but still be able to provide the depth of information normally associated with an unstructured in-depth interview.

The adopted research approach made use of an interview guide and a semi-structured interview process as indicated by Gillham (2005, p. 71). Gillham (2005) indicated the semi-structured interview as flexible because of its structure but it also allowed the interviewer to collect high quality data. Gillham (2005, p. 71) further noted the following key aspects of a semi structured interview:

1. The same questions are used for all involved.
2. It is possible for the questions to go through a process of development.



3. The uses of supplementary questions are used if responses are not adequate for areas of interest.
4. All the interviewees receive the same amount of time.

Gillham (2005) indicated that the interview process follow a specific high level approach. The interviewer asked the same questions which were open ended and thereafter made use of probes i.e. questions that allowed the researcher to delve further into areas of interest or areas not made clear.

The questionnaire design and guidelines were created in a manner so as to facilitate the above approach. The questionnaire design used took into consideration elements of construction asserted by Kvale (1996) cited in Lee (1999, p. 84). The interviewer made use of direct questions and specifying questions followed by probing questions in the main interview. The overall interview process progressed as specified by Gillham (2005, p. 76) i.e. Initial Contact, Orientation, Substantive and Closure phases

4.3 Step Two – Data Analysis

The second step was to use data analysis techniques as discussed by Lee (1999, p. 89) and Gillham (2005, p.134). Content analysis as indicated by Gillham (2005, p. 135) was used. Specifically the techniques used was a combination of meaning condensation, meaning categorisation and ad-hoc as indicated in Lee (1999, p. 93).

Lee (1999, p. 89) indicated that meaning condensation is used when the researcher extracts, abridges or abstracts the most important themes from data. It is primarily about data reductions. This method was used with the notes of the interviews written by the scribe. Meaning



categorisation is about allotting statements from an interview into categories. This method was applied with the methods above so the factors and themes became categorised into specific aspects so a framework could be extracted. Lastly ad-hoc methods i.e. counting and clustering were applied. Counting was used to establish some hierarchy amongst the themes and factors. Clustering aided with the meaning condensation method.

The use of relevant aspects from different methods in qualitative research is appropriate as indicated in Lee (1999, p. 93). This afforded the researcher more flexibility and the ability to generate insight. The nature of the research warranted the use of different methods in order to afford the researcher a reasonable level of comfort in distilling meaningful information on the studied factors. This also allowed for the verification and validation to occur across the individual participants which aided in strengthening any possible observed relationships across the studied factors.

4.4 Step Three – de facto NSD Framework Creation

The final step was to take the input from the data analysis and create the revised *de facto* model for the NSD framework. A list of success factors for a financial service offering, as discovered through the interviews, was included with the framework. This would help the reader understand the existence of some themes and factors within the *de facto* NSD framework. Moreover it allows for future researchers and practitioners the ability to adjust the framework where necessary if either the service offering success factors or operating business environment evolves.



4.5 Respondent Selection

The respondents were selected from three distinct population groups. Olednboom and Abratt (2000) found that there were two distinct respondents within their research. The first was the 'product developer/owners group' and the second was the 'business executive/business owner' group. The researcher made use of these two groups. The third type of respondent included for this research was a person who is a specialist / knowledge expert on the second economy. Finally any one of the possible respondents could be working either within a private or NGO context but it had to be within the financial services domain.

The criteria for the different target population used were as follows:

1. Product Owner / Developer

- a. Currently working or worked within the financial services domain within the product/service development function.
- b. Worked in the function for more than a year
- c. Currently managing or managed a service that is/was developed with the second economy as a target market
- d. Previously developed a service that was targeted for the second economy and preferably managed the implementation of the service.

2. Business Executive

- a. An executive within a financial services entity overseeing the service development / management division
- b. The division must have one current offering within the second economy or developed a service that failed for the second economy.

- c. The executive must have overseen the development of the service or be actively involved with the current implementation of the second economy service.
- d. A business owner managing a business that has a service offering targeted at the second economy.
- e. The business must have a current service within the second economy or had a failed service within the second economy.
- f. The service must have been developed within the existing company or access to the development process must be available if it was done by an external entity.

3. Second Economy Specialist

- a. An individual currently working within a private or NGO entity that concentrates on the development of the second economy specifically focusing on the financial services domain
- b. The individual should have 3 years or more of experience in strategy and/or factors of success for financial services within the second economy.
- c. The individual must have an academic background of at least a graduate degree in strategy and/or business related qualification.
- d. The individual must be actively involved in or worked within the second economy for a period of 2 years or more within the financial services domain.
- e. The individual must be familiar with the NSD process and worked with failed/successful services within the second economy hence possessing not only theory learning but also experiential knowledge.

The respondents were extracted from a population within financial service organisations, financial service related trusts, financial related NGO's or an entrepreneurial firm. The respondents were biased to the Gauteng region for convenience in interviewing.



The qualitative nature of the research necessitated the use of a non-probability respondent selection process to obtain an acceptable number of respondents. The researcher sought to achieve a maximum of 5 respondents from each of the groups indicated above i.e. a total of 15. The researcher used a combination of quota and purposive sampling as indicated in Zikmund (2003, p. 382). The rationale was specific experience was being sought in an individual hence they would provide value into the research process. To meet this objective the researcher used a combination of quota and purposive sampling to aid in obtaining an acceptable, representative and acceptable amount of respondents. Further this approach allowed for relevant and purposive data to be collected.

4.6 Unit of analysis

The unit of analysis was the NSD processes within any organisation performing financial related services and/or advisory services which has/had a competence in developing financial service offerings for the second economy in South Africa

4.7 Unit of Response

The unit of response was any individual that had experience in the development of financial services for the second economy or a person that owned a firm or heads up a division and/or non governmental organisation (NGO) that was involved in the development of financial service offerings for the second economy.



4.8 Assumptions

The person's experience assessment was based on the respondent's feedback with limited / no verification therefore the researcher was reliant on the integrity of the respondent. The possibility of a person falsifying data was highly unlikely although it could have affected the final results if found to be true.

4.9 Limitations

The respondent selection was naturally biased by the selection process. The respondents reside and work in the Gauteng region, so again whilst a comprehensive list; they did not necessarily reflect a national view. This was however balanced by the fact that the interviewees have worked or work in multinational companies so a national view was inherent.

The application of the framework was specific to the conditions as indicated above about the second economy. An economy is dynamic, more so in an emerging country, hence the framework must be revisited on an ongoing basis for adaptation. The representation of large banking organisations was from one organisation as a result of access. The respondents did have experience from other organisations hence the request was to provide a non-institutional view for non-institutional factors as a counter for this limitation. This view was explicitly mentioned by different respondents.



4.10 Data analysis

4.10.1 Data Collection

Data was collected from interviews conducted as outlined above. Selection of respondents was explained earlier in the chapter. The interviews were recorded and a scribe created detailed notes simultaneously in the interview. These notes were not a transcription but best described as detailed quotes and a capture of the main points of the interview. The researcher then perused the notes in conjunction with recordings were relevant to ensure factual correctness. The length of these notes varied from 20 to 25 pages. The notes were captured in a format aligned with the questions as used for conducting the interview. An example of a blank notes capture form is in Appendix Four – Notes Example

4.10.2 Analysis

4.10.2.1 The first step was to go through the notes and identify the main themes using content analysis techniques as described above. This was a lengthy process as there were elements of verification done in parallel to ensure authenticity of the data. The main factor, themes and thoughts were captured using comments in the document.

4.10.2.2 The second step was to take the all of the comments and cluster them under their relevant question. This was done in excel. An example of this excel document is in Appendix Five – Condensation Matrix - Extract. This allowed the researcher to have the main factors and themes clustered under the relevant question.

4.10.2.3 As the interview allowed for general comments to be made this was captured under a separate heading. If comments were related to a question these were noted in the relevant section else they were recorded in the general area and reported as such. This was an intensive task spanning multiple work days.

4.10.2.4 The third and final step comprised the researcher taking the main clustered factors and themes from excel and analysing them using content analysis methods as described in Lee (1999) and Gillham (2005). The main observations using the analyses methods were recorded in chapter five below.



5. Results

5.1 Introduction

The results are presented in alignment with the research questions as indicated in the above chapter. First the key observations made are discussed under the relevant research questions. Thereafter the researcher concludes with a summary of the findings discussing the salient points which will be discussed further in chapter six.

5.2 Data Analysis

Of the fifteen scheduled interviews, twelve interviews were conducted. Within the context of qualitative and exploratory research the researcher asserts that twelve interviews are an appropriate response rate. Three interviewees cancelled because of work commitments and the researcher was unable to reschedule within a mutually acceptable timeframe. During the interviews recordings and notes were taken. This was done with the consent of the interviewees prior to the interview. The recordings were used to verify factual correctness of the notes produced by the scribe.

The notes from the interview were then analysed using content analysis, in particular meaning condensation and meaning categorisation per Lee (1999) and thematic analysis. The researcher's observations were recorded as comments. These factors and themes were thereafter clustered in excel under the relevant research questions. The use of meaning categorisation, as described above under content analysis methods, in conjunction with the ad-hoc methods described were used to conduct this analysis. Finally the excel document was used to write-up the results that follow using similar analysis techniques.

The response selection process, the researcher asserts, was adequately applied which resulted in a satisfactory respondent list. The list represented both private and non-governmental organisations. There were both large and small enterprises represented. There was satisfactory representation from different finance areas i.e. banking, insurance, asset financing, research and regulatory. The absence of government is not particularly worrying as the focus was on the development of financial service offerings, an area which resides predominantly in the private sector and two respondents are intimately involved with government and regulation. There is one possible issue and this was discussed in research limitations.

5.3 Results

5.3.1 Research Question One -

What are the main environment variables affecting companies operating within the second economy?

5.3.1.1 Customer reality

The respondents had varied views on the different variables in existence within the second economy. There were common elements that were repeated during the interview process. However to place the responses in context the following definition has to be clarified. During the interviews respondent six indicated that an organisation has to distil the requirements from the customer reality as the customer needs often are not easily articulated by the customer.

- *“Also sometimes it happens that the customer cannot articulate his or her needs and we should sense and anticipate that.”*

This also prompted respondent six to say the following.

- *“We must put our feet into their shoes. It is most important to get an understanding of the reality the customer deals with.”*

The respondent introduced the definition of customer reality. This concept is deemed important by the researcher and this was also acknowledged by respondent eleven

- *“We take a look at the realities of the broad customer base i.e. transport, access to services, the broad economic activities they engage in, employment and business opportunities and only then so we look at more specifics including demography profile, current financial usages etc.”*

Other respondents, although not calling it customer realities, acknowledge that the organisation has to understand the customer reality. In particular respondent nine said the following.

- *“We really did not understand what the customer realities were and we had to stop ..”*

The researcher asserts there is a distinction between customer needs and ‘customer reality’. A customer reality pertains to the life aspects in existence within the second economy which fundamentally shape the needs of the customer.

5.3.1.2 Key aspects of customer reality

There were different cost related factors indicated in the research resulting in no dominant theme being identified. These differences also make it difficult to gauge what actual customer realities were of relevance. The researcher acknowledges these realities are shaped by multiple aspects, are not necessarily exclusive to the second economy and they can be individualistic. However there were some realities mentioned several times which are worth noting. Respondents eleven, one, six, and ten respectively indicated the following.

- *“We take a look at the realities of the broad customer base i.e. transport...”*
- *“For an end-user to get to a certain point might cost a lot in terms of transport money so the product has to be delivered as close as possible*
- *“This concerns costs related to engaging with [organisation name omitted] e.g. transport and banking costs”*
- *“Access can be prohibitive in the sense that transport costs are high”*

The issue of transport related costs appear to be a reality that this sector has to contend with and the significant portion of their income it consumes. However this is not the only cost.

- *“We need to create an understanding that any time spent away from the business is costing them money”*

Most of the respondents acknowledge a majority of persons in the second economy have irregular income, are self employed or run a Small, Micro, Medium Business. This implies that no work equates to no and/or lost income for the person. Lastly there is an opportunity cost associated with any activity outside of livelihood income activities.

5.3.1.3 Trust relationships

Persons in the second economy require a relationship of trust with the transacting parties. Respondents seven, twelve, six, three and one, respectively, strongly indicated this as below.

- *“Their relations are based on trust and we upset their processes.”*
- *“Trust is a huge issue particularly in insurance”*
- *“There is a big need to build trust: Our brochures must have the [name omitted] logo and our staff must wear [name omitted] branded clothes.”*
- *“Uptake is based on trust and that trust in the context of an insurance policy is that there will be a pay-out.”*
- *“When a potential client knows and trust the owner/dealer, he would feel comfortable to ask for assistance.”*

It is evident that success of a financial service offering in the second economy is fundamentally based on trust. The ability to sell, service and achieve scale is dependant on the trust relationship the person enjoys with the organisation through its servicing network. This, although true for most business relationships, appears more relevant for the second economy.

5.3.1.4 Financial literacy and Cash Prevalence

One of the issues reported by most respondents is that of literacy issues within the second economy. This is expanded below. However what was valuable was the following which respondents twelve and ten indicated.

- *“It is important to understand that this market knows how to work with money and survive. Although there is little banking literacy, there is money-wisdom.”*
- *“Consumer education is huge issue but very financially literate because they need to plan more carefully. Very sophisticated in managing money”*

Whilst there is requirement for education, which we discuss below, there is acknowledgment from the respondents that this sector does have the competency of managing their finances albeit primarily cash. Respondents twelve, ten, six, and four indicated the following.

- *‘..there is movement toward bank accounts but we move in the opposite environment. We use retailers as a ‘bank’ and payout methods to make products user friendly in a cash based economy”*
- *“..hindrance and cash in more prevalent”*
- *“This market is mainly cash based. The market has no alternative but to deal in cash. It is easiest and cheapest to do cash-based business.”*
- *“..the need to have cash, the need to receive cash etc. Cash does circulate and there are informal systems and this market has to know how to work with money.”*

Evident from above is the prevalence of cash because it is cheap to manage. This supports why the second economy is financial savvy although they lack literacy on formal financial systems.

5.3.1.5 Volatility

The final aspect of discussion, volatility, was an issue primarily identified by respondent two.

- *“Security for this consumer is important in an insecure environment “*

On probing, the respondent revealed that a person within this segment often seeks a stable investment.

- *“No surprises, no variables and no hassle – selling funeral policies is different as the market is more accepting of this product”*

Effectively the respondent indicated that a person in this segment is looking for stability as a result of the instability in their life. This has implications for offer design. The researcher asserts that this aspect is linked to requirement of simplicity, predominantly mentioned in the offer design.

5.3.2 Research Question Two –

How do these variables influence the NSD framework and nature of the service offering criteria?

Similar to the question one there were some aspects of commonality and multiple differences observed.

5.3.2.1 Simple

Simplicity was dominant in discussions of service offer criteria. It was predominantly in the design of the offer but was also mentioned in technology and governance. Respondents one, two, three, four, five, six, seven, eight, nine, ten and twelve respectively indicated this as below.

- *“..should also pay meticulous attention to their pricing strategy by taking; take away layers..keep it easy to understand”*
- *“Products must be simple to sell, to understand and the language must be right” ; “Pay outs must be easy and no complicated and calculations must be simple for the lowest segments”*
- *“There must be simplicity in the contracts ; for example the contracts must not be filed with ‘leagalese”*
- *“Products must be simple in terms of language, ease of activation and simplicity of use”*
- *“We go for basic, simple, plain understandable service and product”*

- *“This is highly inefficient and time consuming in a market that requires a quick, simple, cost-effective service.”*
- *“..understand that the environment is fairly simple and the market has its own understanding of how they do their “unsophisticated” banking*
- *“.. the product was made very simple: Customers can put money in and then take that money out”*
- *“Technology must be simple, easy to use and provide the user with comfort when using”*
- *“It must be basic and simple because it should speak to a market that is not financially literate”*
- *“.buying insurance is as simple as buying bread.”*

5.3.2.2 Affordable but not cheap

The aspect of affordability was a key criteria mentioned. The researcher asserts that this is a key driver of offer criteria. Respondents two, three, four, five, six, seven, eight, nine, ten, eleven and twelve indicated this as below.

- *“The premium must be affordable yet benefit must be sufficient “*
- *“..as mentioned that it must be affordable but not necessarily cheap..”*
- *“Affordability is ...relative...What seems low cost to some might be inhibiting in terms of cost to the low-end market This again plays to the value proposition factor: If they can do is cheaper and more conveniently themselves, why would they want to interact with a financials service provider that is far and expensive and intimidating? “*
- *“The product must be affordable with a simple costing”*
- *“The cost element is most important to the customer – this concerns costs related to..”*
- *“Affordability is an important aspect but with this we mean the product does not have to be cheap.”*
- *“To make [product name omitted] more affordable and besides the low cost and familiarity of language .. jargon, there are also no monthly or administrative fees and.. no transaction fees.”*

- *“Customer affordability from a market side was important to take into account”*
- *“..debit card played on safety and affordability and there are two very important factors”*
- *“The client’s ability to afford your product is key in terms of criteria. “*
- *“Make sure we provide product suitable for needs and must be affordable, accessible,”*

The service has to be affordable but this does not imply that it has to be cheap. This is evident from several respondents above. Further respondent seven indicated that

- *“[product name omitted] is however seen as a cheap product for the poor and therefore will be used as a phase..”*

The researcher asserts that based on the above the requirement is to have an offer that is affordable comparatively to other offers but the offer need not just be cheap, it must add value to the customer. Respondent two indicated this above. This was also indicated by respondent five as follows.

- *“We need product to meet their ‘style’ yet remain affordable”*

It is not surprising that affordability is an issue because this relates to the level of disposable income. Respondent two indicated this as a customer reality.

- *“Customers have no money to throw around on impulse buys; so there is no such luxury”*

The researcher also asserts this demonstrates the link between the customer reality, discussed above and its link to the offer criteria, which was discussed above.

5.3.2.3 Accessible and pervasive offer

There were several indications that the offer has to be accessible and is a key aspect of the offer. Respondents one, three, four, seven, nine, twelve indicated this as below.

- *“.. not just transaction costs but is also about accessibility of the product” ; “ For an end-user to get to a certain point might cost a lot in terms of transport money so the product has to be delivered as close as possible to the end-user”*
- *“For the insurer to deliver he needs to be present in the communities”*

- *...and go to the market rather than expect the market to come to you ..for example banks must have accessibility over weekends ..this is important..”*
- *“In order to enable wider access especially in rural areas, it has to be GPRS enabled. GPRS*
- *If you need to collect (on a loan or a premium e.g.) you need to have a presence in the community and “keep an eye on the money.”*
- *“Make sure we provide product suitable for needs and must be affordable, accessible” ; “We are also now using airtime distributors as new partners for distributing the new product..”*

It is asserted from the above, for the offer to be accessible, inherently implies pervasiveness is an added criterion for an offer. Linked closely to possessing pervasiveness many respondents indicated the offer must to be delivered within the community by the community. This aids trust relationships, which based on discussions above, is critical. The person is likely to trust a person they know from the community as opposed to any organisation. This leads to the next important characteristic for an offer to possess, which is linked to access.

5.3.2.4 Localisation with local presence

Respondents indicated that an offer should be delivered through existing community structures and be localised to the specific community nuances. Respondents one, four, five, six, seven and nine indicated this as below.

- *“Dealers might fair better as they have a traditional; presence. The consumer feels more comfortable.”*
- *“use a simplified menu based system and the conversion to different languages is also made easy”*
- *The service offering must be part of the community and community life in terms of reach and geographical location..this means..the design aspects must be informed by the community”*

- *“We must use local people in the branches also from a language perspective. The market must identify with the personnel” ; “The service needs to be local...-based in a community and not through a branch network...for example our staff goes out into the community to sell and collect and we also use mobile units.” ; “This market is not comfortable going into branches and require face to face contact”*
- *“We need to employ people that are familiar with a community where we have a contact point ..branches and so on..and we need to involve community leaders in the process.”*
- *“Frontline staff must come from the community and..”*

This indicates that the offer must have a localised aspect and should be delivered through existing or mechanisms that are familiar, preferably within, the target community. This observation alongside those of trust makes sense. An individual will be more trusting of a mechanism with which they are familiar. This also links to the issue observed of distrust within financial service institutions

5.3.2.5 Mistrust of financial service institutions

Many of the respondents indicate an issue of mistrust which exists between persons in the second economy and financial institutions. More so there is an indication this mistrust is linked to a sense of intimidation felt by these persons. This was indicated by respondents three, four, seven, nine and eleven as below.

- *“Our focus groups revealed a general mistrust of the formal sector and the insurance sector” ; “They fear officials and “big fancy people.” Banks suffer from a door-step barrier. The product provider has lost the plot in this market and must go back to basics.” ;*
- *“..why would they want to interact with a financials service provider that is far and expensive and intimidating”*
- *“We know they find banks are intimidating. We box them [the market] .. we are prescriptive.”*
- *“ Perhaps it was hesitancy for the unknown and also they feel intimidated”*

This intimidation will lend itself to mistrust and supports the requirement of having a local presence.

5.3.2.6 Keep money warm

Another requirement supporting having a local presence is the ability to place and enforce accountability on the customer in a positive manner. This was referred to as “keeping the money warm”. This is best described by respondents eleven and six.

- *“Our people are recruited from the community and they are taught that as a Community Financial Officer, they are always on duty even when seeing customers at the shop they must go over and greet the customer. This is also a means to keep the money warm.”*
- *Our agents have to do much more than just sell a loan – they have to collect on the loan and remain visible and apply positive pressure on borrowers to pay back the loan. We rely on our agents to know the customer well because there is no other collateral. This information is required upfront and is very important. We say we need to keep the money warm. The pressure can be likened to a carrot and stick approach.”*

The researcher asserts this practise is uniquely required for the second economy. This mechanism within the context of the customer reality “community” does appear logical. Respondent three described the community aspect as below.

- *“There is a sense of inter dependence and this extends to neighbours and the community”*

This requirement does have an implication for the service offer. The delivery of the offer has to happen within the community and be separated from the organisation i.e. separable

5.3.2.7 Separable

The service offer has to be separate from the organisation i.e. have the characteristic of being separable. Respondents eight and eleven described this as follows.

- “[product name omitted] is a high volume, low margin product but it is sustainable provided that access is given to the market to use your product. For this to happen products must be a lot more separable.
- “One criterion is to provide a highly separable service.”

A separable service allows for the service to be deployed and run in the absence of and / or with minimal intervention from the organisation. This, in the context of the above discussions, is logical.

5.3.2.8 Trust, dignity, respect, aspiration require face to face contact

The customer reality highlighted the desire of persons to be treated with trust. There is also a requirement to ensure service offers are delivered in a dignified and respectable manner. Whilst the respondents did not indicate the ‘how’, respondents six, seven, nine and eleven did indicate this as below.

- “Preserving the dignity of the customer is important.”
- “This market should be treated with respect and banks should not look down on the people” ; “the market wants an affordable products to answer its aspirational needs”
- “They need points of presence that evoke feelings of dignity and speak to their aspirational needs and make them feel important.”
- “Trust, dignity, community building and information flows are most important values that we have to take into account” ; “we have what we call values and drivers that ..are underpinning our service. Our values are dignity, trust, affordability and access”

Meeting aspirations are tightly coupled with being treated with dignity and respect. A product will not be viewed as aspirational, no matter how close it is to the customer’s goals, if it is viewed as being offered in a disrespectful manner or from an organisation that is perceived as distrustful. This highlights the second economy’s requirement for face to face contact. This is indicated by respondent three, five, seven and nine as below.

- “This market still prefers “faces” to take money and not machines like an ATM”

- *“This market is not comfortable going into branches and require face to face contact”*
- *“The low-end market wants face-to-face (F2F) contact and interaction and we tend to neglect that.”*
- *There is first a need to have face-to-face selling and detailed marketing.*

Supporting the need for trust etc the offer has to have familiar aspects to garner trust.

5.3.2.9 Familiar vocabulary

Besides being offered in the localised cultural preferences there is another consideration made evident by the respondents with regards to gaining sustainability. This relates to making the product easy to understand. An appropriate way to achieve this is to make use of familiar vocabulary to sell a new concept. This implies the offer be designed with a offer language which resonates with the customer. A method used by many is to make use of cell phone pre-paid language and design to create new financial offer features. Respondents eight and seven indicated this as below.

- *“To get away from the scared factor we surmised that as a large segment of this market is familiar with cellphones and cellphone speak like prepaid, we could use the prepaid concept and bring in a banking concept and use the prepaid phrase and this is familiar.”*
- *“We also need to talk in a familiar financial language. Financial world speak is too complicated. This market just wants to know this is the cash you have and this is how much you can use and this is how much you can draw”*

For an offer to be sustainable there were interesting observations on creating and maintaining offers that are profitable.

5.3.2.10 Basket offer and cross subsidisation of offers

The issue of sustainability was mentioned by all respondents. One notable factor that came across as a relative new approach for creating sustainable products was that of basket offers.

The view is that the basket offer allows for the market to be serviced holistically and creates an

opportunity for cross subsidisation by using the basket offer. Simply stated the basket is profitable although some products are not profitable. Removing the non profitable offers disables the entire offer hence pricing for a profitable suite versus one service offer is propagated. Respondents three, six and one indicated this as below.

- *“Their need is more than just a funeral policy and it would perhaps be better to have a broader basket of goods provided it is cheaper to sell. “*
- *“ This market wants more than just a product – it needs”*
- *To keep it profitable and sustainable, revenue is derived from airtime sales, transactions, commissions and interest on part of the money in the central account*

The final notable aspects are now concluded on for this research question

5.3.2.11 Information dissymmetry, Customer education, Move cash and savings component,

The following aspects were noted by the researcher as it supports claims from the literature and supports a relatively unique requirement for the second economy. Information dissymmetry is important as there still a fair amount to be learnt about persons in the second economy.

Respondents eleven, six and two indicated this as below.

- *“Trust, dignity, community building and information flows are most important values that we have to take into account.”*
- *“Building customer information / behaviour information history is important in order to lend larger amounts to the market as credit histories are built”*
- *“Data and information is captured and formalised in Excel and sensitive information is kept separate in master files in secure place whereto only certain level of access exist. There is lots of record keeping taking place”*

There is a dire need to have information on the second economy as this will inform offer development. This has been lacking hence a offer and organisation must provide innovative mechanisms to minimise dissymmetry.

Above it was noted that customers are cash savvy but financial illiterate. Several respondents indicated there is a requirement for an offer to educate the customer simultaneously or prior to deployment.

- *“Education levels in this market dictate that things must be made easy and uncomplicated”*
- *“Consumer education is huge issue but very financially literate because they need to plan more carefully. Very sophisticated in managing money, peer lending is prevalent. But we need to create understanding for the product using financial education.”*
- *“Customer education is absolutely critical. There needs to be a budget for education in order to ensure sustainability”*
- *“Customer education: This is even more important than simplicity”*

The next aspect indicated relates to the customer possessing a savings scheme. This is important as savings is perceived as way of generating wealth, an undisputable requirement for the second economy. Lastly moving cash in the second economy is important. This is logical as discussed above persons are geographically spread and this segment is cash dominant. Respondents three, seven and nine indicated this as below.

- *“This prepaid mechanism allows people to build up a secondary type of savings / cover mechanism.” ; “Whatever you are after, you need to know how that fits in terms of the needs e.g. savings and remittance etc”*
- *“Play on the same savings aspect and the gains that can be had”*
- *” In this market, government should focus on promoting savings and provide the right environment to enhance the savings aspect. We should put a savings aspect to every product and our service offering should encourage savings.”*
- *“The ease to move money around must also be made straightforward and undemanding”*

5.3.3 Research Question Three –

What NSD processes and considerations, including implications for innovation aspects that must be taken into account when creating a service offering for the second economy?

There were various elements indicated relating to internal NSD processes.

5.3.3.1 Customer needs are paramount

The one dominant indication is related to the customer. Respondents one through to twelve indicated this as below.

- *“..meet the customers there and observe how they do things and manage money”*
- *“We need to understand the customer and there is a strong focus on that and this is an important part of the process.”*
- *“Consumer behaviour knowledge is important. How they buy, why some things work better than others, the role of culture if any etc. Take-up of any new product is difficult and knowledge will help in facilitating take-up.”*
- *“..so these banks offer what the market needs and wants.”*
- *“..before any new products is developed, that we go out and gather information on customer needs and preferences and on how the market would like to buy the product”*
- *“Innovation must take place with the customer needs in focus”*
- *“We need more realism in this space in the context of current realities and understanding of the customer”*
- *“Don’t make the mistake of making assumptions about the customer’s needs. We cannot guess what the unbanked market wants”*
- *We need to understand the market’s realities. There is a need to inform but this can only be done if the realities are known. This needs to be taken into account as an important point.”*

- *“A new product starts with a customer need that arises of at a point where..”*
- *“It is most important to take reality and translate that into key attributes and then repaint the core product aspects to fit the customer”*
- *“Make sure we provide product suitable for needs and..”*

It is evident that the offer has to be designed with the needs of the customer or reality of the customer at the centre. The organisation must ensure it understands the customer reality and is able to fulfil the relevant need linked to this reality. This fundamentally informs the design process and how the service offer is designed.

5.3.3.2 Customer involvement

It is logical to assert that for the needs to be met the customer must be involved into the design process. This was indicated by respondents six, seven and eight as below.

- *“..research where they made use of instruments such as focus groups and others to gather market information..”*
- *“..meet the customers there and observe how they do things”*
- *“For the [product name omitted] focus groups were held to test the name of the product”*

It is logical and evident to understand the customer, market research is crucial.

5.3.3.3 Market research to understand customer, competition and demand

Several respondents indicated the requirement of market research to understand the customer and competition. Respondents two, four, five, six, seven, eight and ten indicated this as below.

- *“we identify opportunities arising from research, feedback or from a strategic point of view” ;
“Research and briefings take place and actuaries do the calculations, they collaborate and they spec it” ; “..and ongoing research takes place to test satisfaction uptake and feedback on claims”*
- *“It is critical to do and use market research. Often this does not happen and companies make data fit their situation rather than looking afresh at a situation”*

- *“Before product development takes place, there might be focus group research and marketing research in order to align the offering to the market and to assess whether the market takes to the product”*
- *“There is a need for both qualitative and quantitative research to test a concept before development takes place. Then there is a pilot phase in which monitoring customer feedback is very important”*
- *“Sound development requires sound research before launch and not after the even..”*
- *“Local market information was then brought in and we looked at aspect such as why the Mzansi uptake was so slow. This is a low profitability market and the research was done to determine why Mzansi uptake has been so slow..”*
- *“We look at what competitors are doing as well as at global trends and developments”*

This supports the use of initial research and ongoing research in order to better understanding the customer and competition with the business context of the organisation. Besides respondent ten above, respondent eight also indicated the requirement for global research.

- *“Education must be across the board and general and global research confirms this.”*

Another notable way of learning about the second economy segment is by immersing into the market segment so as to observe the customer in their surroundings.

5.3.3.4 Immerse in market

This notion of immersion will allow for the team to become familiar with the realities hence having the ability to better develop a service offer. This was indicated by respondent six and seven.

- *“In the development process we need to take our staff to the market in order to make them understand the business and the market. This is a pervasive need in the bank and we need to communicate this vision and make it work.”*
- *“is important to immerse the design team in the community as that will give the team real understanding of the community”*

To maintain this differentiation through understanding it is important for customer understanding to extend beyond the offer development and through to the service offer deployment. This has implications for the frontline staff.

5.3.3.5 Different recruitment approach

Several respondents indicated that the recruitment of frontline staff should happen from the communities or be based within the local communities. This approach fosters understanding, trust and supports familiarly.

- *“All staff are recruited from a specific area / community and are familiar with the prevailing culture, language and customs and they know the community leaders and are known in turn to the community”*
- *“The team had to be profiled to come from this market and relate to this market. This is an important people aspect”*

There was evidence to suggest that respondents have in existence various processes to ensure apt delivery of projects.

5.3.3.6 Project Management processes and stage gate's

Several respondents indicated that proper stage gating of offers are required before developing. Whilst this was not indicated directly it was evident that the organisations had established best practise project management process. Respondents eight and twelve described this as indicated below.

- *“[Company name omitted] has a Project Management methodology and this has to be followed once an idea is conceptualised. This is required in order to get a budget”*
- *“We use the standards management process ranging from idea, to design, develop, deploy etc. This process is managed at a group level”*

Respondents two, five and eight indicated the importance of stage gate as below.

- *“We have a robust approval process before going to market”*

- *“At the product development forum this[the offer] is examined and given the go-ahead or stopped”*
- *“A forum gives approval and then it enters the ‘design’ stage (effectively mobilising the idea), a business detail analysis is done and then a business case is compiled. This is then submitted to another forum”*

Several respondents indicated that to succeed with development and deployment of service offers, collaboration is critical at multiple levels.

5.3.3.7 Collaboration internally and externally

Collaboration is critical for success in the development of services for the second economy. The notion of collaboration relates from internal business units to partners for delivery and development. Respondents six, two, three, nine and twelve indicate this as below.

- *“The development process is a collaborative one because the design of a value proposition has many touch points and therefore needs to involve a lot of people.”*
- *“..they collaborate and they spec it.”*
- *“ These divisions need to be brought closer together”*
- *“In turn, the product was interrogated and the audience was encouraged to challenge the product and in so doing, ideas can forward. We also presented to interprovincial fora where the product was workshopped from a process and customer impact point of view”*
- *Collaboration with other banks have given rise to some valuable lessons to be learnt and there were benefits of shared knowledge and experience”*
- *“As a small company it needs to integrate with other companies too pool required skills”*

Collaboration is crucial as it assist's in gaining requisite skills, positively affecting cost management along with other mutual benefits indicated in earlier chapters. A key mechanism to aid internal collaboration is that of communication. Respondents five and three indicated this as indicated below.

- *“There is a good internal communication process” ; “The internal magazine is used to inform personnel of a product and is used to ‘sell’ the product..”*
- *“Most market information resides with the marketing division yet the business and product development division seldom accesses or has access to such information and does not use it. These divisions need to be brought closer together.”*

Innovation was indicated as critical to affect the changes required in the design and development of a service offering.

5.3.3.8 Innovation including interactive marketing and visual training content

Innovation is core to new services specifically services for a new market. Respondents two, four, five, six, eleven and twelve indicated this as below.

- *“Often restrictions lead to innovation. For example... in our environment with its pressure on cost and an inflexible structure we came up with a new way of delivering by using a brainstorming session”*
- *“Innovation is a huge driver in this space. We really need to do things differently and not just tweak what we have”*
- *“Innovation drives our processes and the product dictates how things are done”*
- *“Managing and institutionalising innovation is very important”*
- *“We must generate interest among staff to come up with new ideas and sell products..”*

Innovation must not only be entrenched from a process and culture perspective. Innovation must be evident in all aspects of the offer design and development. This is indicated by respondents six, four, eight and nine in relation to their marketing and training disciplines.

- *“We changed the material and made it more visual to put our staff closer to the real situation our market lives and works in. We regard this as highly innovative”*
- *Many case studies have emphasised the need to have different management processes e.g. different credit controls. Different marketing, different risk scoring models etc*
- *“We did things differently at this launch. We invited the media to Park Station in the JHB CBD and the reason was that our target market congregates there. Whereas at usual*

media launched some five journalists pitch, this time there were about 20 and we received very good coverage not only in the mainstream media but also in smaller circulation community newspapers. The marketing ideas were generated by the project team and the advertising agency was used to organise the function and do the invitations” ; “We are going to use industrial theatre”

- *“We approached an external company to assist with the launch which also included training and the use of industrial theatre”*

The use of interactive and visual aspects is evident to be an important aspect for the approaches adopted. Understanding the benefit of the offer is crucial hence measurement of benefits etc is important.

5.3.3.9 Measure benefits preferably using new performance measures

Respondents agree that measurement is important with some indicating that non-traditional and new mechanisms for measuring success are required. Respondents five, twelve, eight and eleven indicated this as below.

- *“We need to measure the performance of a product and if results are not satisfactory to re-examine the process”*
- *“Must have financial incentives to be awarded for innovation” ; “ We must generate interest among staff to come up with new ideas and sell products ..in this space incentives are important ”*
- *We could not keep the [product name omitted] targets high and also give staff a high [product name omitted] target. We brought down the [product name omitted] targets in order to push [product name omitted] sales and this worked. We issued 17 000 [product name omitted] per month which exceeded the set target of 10 000 per month”*
- *“We have a strong double bottom-line measure”*

Not only are new measures required but staff personal incentives must be aligned to the goals as indicated by respondent twelve. The final notable mention of the respondents is that of testing.

5.3.3.10 Testing

It was indicated that testing, including customer involved testing, was important. Respondents one, four, six, seven and nine indicated this as below.

- *“..the technical stuff becomes too complicated to use so we had to first test the technology in practice”*
- *“Design aspects must be informed by the community..”*
- *“..to test a concept before development takes place. Then there is a pilot phase in which monitoring customer feedback is very important..”*
- *“We closely monitored what went on there and a person was posted there to constantly observe the pilot. The lessons learnt from an organisation point..”*

Testing is an important part of the NSD process and customer involvement is pivotal to ensuring comprehensive involvement.

5.3.4 Research Question Four –

What are the governance considerations, and implications for innovation aspects, the firm must take into account when developing services for the second economy?

The governance discussions take a number of perspectives. The discussion pertains to internal versus external governance and role of government within the NSD framework for the second economy.

5.3.4.1 Trend of over compliance

There is evidence to suggest that a majority of firms in the financial services sector are risk averse and often there is an element of over compliance at play. Respondents five, six, seven, eight, nine and eleven indicated this as below:

- *“[company name omitted] is risk averse in a compliance sense. “ ; “Red tape and too many forums bog down the process”*
- *“We as [name omitted] over comply because over compliance is a safer, less risky route”*
- *“[company name omitted] overkills and is over compliant in comparison to other banks”*
- *“We are too compliant. Regulation regularly impacts on the delivery of our service offering.”*
- *“The mindset in banks is one of risk averseness and this meant that a system was created to exclude rather than include customers.”*
- *“..but we are over governed and over compliant due to the typical risk-averse nature of banks. This is a global characteristic of banks.”*

5.3.4.2 Internal Governance Stifles innovation and offer development

This over compliance and risk averse issue has a serious affect on an aspect that is fundamental to NSD and in particular NSD for the second economy. Respondents two, five, six, seven, eight, nine and ten indicated this as below. Effectively the required level of innovation is not occurring and organisations are not displaying the requisite culture for innovation to occur.

- *“Legislation is onerous and it is hard to innovate” ; “The interpretation of statues is perhaps not accurate and this hinders the process”*
- *“Compliance creates lots of hurdles and lead to delays in product delivery”*
- *“There are so many requirements and many applications have become irrelevant and unfeasible yet we do them... Regulation regularly impacts on the delivery of our service offering.” ; “Regulation affects innovation negatively and “kills creativity.””*
- *“We ask our customers too many questions that are really irrelevant and unimportant for this market. This adds to banking being perceived as being inaccessible”*

- *“Governance is very important..but, due to the lengthy process to launch, people come and go and this necessitated the team to having to repeatedly sell the product and this protracted the process”*
- *“Governance internally is stifling and this makes service to this market difficult sometime”*
- *“Internal governance is stifling innovation to a certain degree..Innovation is very much encouraged yet governance processes make this painful and slow”*

Some respondents indicate that, currently bypassing it is not suggested and rather they work with the system than against it for achieving success in a project. Respondent two and eight indicated this as below.

- *“There is a tick-list in terms of adherence to regulation and this is helpful as it covers all areas and steps. It is counterproductive to skip steps”*
- *“It is important, like in our experience, to have the compliance officer as part of the team from the earliest possible opportunity. That really helped. He was part of and worked with the team since the earliest opportunity and this made the process better and we did not have to go back and fix things from a compliance point of view. It worked in our favour.”*

5.3.4.3 Role of government

The role of government was indicated by many respondents. There was not one conclusive role to be observed. The main element that was clear is that government’s role is to be supportive and to provide an enabling environment.

- *“Government is disastrous in terms of the delivery of financial services themselves. Khula and the housing financing bodies and the Land Bank are such examples and now they also want to go into lending through the IDC. It will not work. Government must not be directly involved in the delivery of financial services but it must ensure that there are not rules that impede the provision of financial services” ; “Government should be more interventionist but should not be directly involved. They should prescribe and push”*

- *“ Government should just be a regulator and create an enabling environment. It must provide a policy environment that says it will support rather than police the suppliers and players in the market”*
- *”Government’s role is to provide an enabling environment and sustain the environment and protect the end customer. “*

The notable observations on role of government are its involvement in supporting savings, education and protection. Respondent’s nine ten and twelve indicated these as below.

- *“In this market, government should focus on promoting savings and provide the right environment to enhance the savings aspect” ; “ I strongly feel that government set up a fund that could service as guarantor to savings and investor institutions. This would help in encouraging savings.”*
- *“Government has a responsibility to subsidise aspects of the market that are just not commercially viable from an FSC point of view” ; ”Government has a big role to play in financial literacy. They must make financial literacy a compulsory subject / component in the school syllabus. I am a strong proponent to bring financial literacy into the schooling system.”*
- *“There is a need for government to re-look access levels and assess the risks involved of certain exemptions”*

5.3.4.4 New or Revised regulatory framework for second economy

Lastly respondents were of the view that legislation had to be changed and or overhauled for the second economy. Respondent one indicated this as follows:

- *“Governance needs to be changed totally. The current regulations revolve around banking and the banking system and in order to look at the low-end market, there is a need for a new set of regulations to service that market. Some areas are missing”*
- *“The legislative framework is good and takes in to account the variation in this market. This was anticipated in the beginning but how this is then implemented becomes problematic.*

The variations are being excluded in the implementation and we need to measure and manage risk differently”

5.3.5 Research Question Five –

What are the people and cultural considerations, and implications for innovation related aspects, the firm must take into account when developing services for the second economy?

5.3.5.1 Executive – buy in

The observations made on ‘people’ had some basic patterns. The one key factor frequent to ‘people’ pertains to having executive buy-in. Respondents two, four, five, six and ten indicated this as below.

- *“The lack of political will or lack of presence of executive support can make or break a project or development”*
- *“One does need top level support and sanction and..”*
- *“Executive support is very important and helped the process. If an executive takes a personal interest in a product or product launches, the process is sped up significantly and launched much faster than other”*
- *“It is necessary to have good support from the executive”*
- *“ It is very important to get key role-players on your side as this makes the process easier and faster and more efficient”*

Important to note not only must you have buy-in but the mind-set and attitude of the executive involved is key. The executive must have passion and commitment to this market. Respondents four, eight and twelve indicated this as below.

- *“If might be helpful if such a person does not see this as a career promotion but it must be someone that is driven by seeing change. He / she must be driven and committed”*

- *“The leader must keep building on the vision of where you’re going. Keep being different and play on the notion that what you do is valuable to the country and change”*

5.3.5.2 Staff passion and commitment

Success is not only determined by the leaders passion but by the staff and managers as well.

Respondents four, three, six, eight and eleven indicated this as below.

- *The person driving innovation and service delivery must be passionate and knowledgeable about more than just banks*
- *“There must be an element of passion and people working in and for this market must not be too career minded”*
- *“We need special people that have a sense of calling and that are willing to stick around for a long time and not leave for better pay”*
- *“honestly my own personal passion for the product played a big role in motivating the team”*
“The team had a ‘great marketing person’ who also remained committed and passionate and this got everybody excited despite the change in key people on the team and this ensured continuity”
- *“It is important for us to now revise the profile of our frontline staff and get in older people and people that are highly service-orientated. They must have passion and a sense of calling and this makes recruitment very difficult”*

5.3.5.3 People familiar with community

The respondents indicated persons should be recruited from the community or persons knowledgeable on the local community culture and norms.. This supports trust, familiarity and cost management. Respondent seven indicated this as below.

- *“We need to employ people that are familiar with a community where we have a contact point (branch etc) and we need to involve community leaders in the process”*
- *“There is a need to connect with consumer; at both frontline staff level and higher levels”*

5.3.6 Research Question Six –

What are the technology considerations, and implications for innovation aspects, the firm must take into account when developing services for the second economy?

Technology's role was acknowledged as crucial however there was one IT characteristic seemingly elusive of the market. Respondents one, two and nine indicated this about IT involvement.

- *“Technology needs to be flexible..” ; “Our core development allows for add-ons”*
- *“Development is tied to a system and a system has constraints” ; “Technology is also restrictive – a particular system can only do certain things and there are certain limitations in any system. Systems are not there for innovation and flexibility”*
- *We need flexible systems that incorporate fundamental principles of traditional systems yet provide the capability o deliver risk management, flexible pricing etc”*

There is requirement for systems to be flexible but there was indication that current IT systems were restrictive. Respondent two strongly indicated this restrictive nature hence implying a need for flexible systems. This frustration was also shared in a different manner by respondents ten and eleven.

- *“IT and infrastructure meant launching a traditional service was just too expensive”*
- *“It is a nightmare to find appropriate systems for this purpose. We have a need for a simple scalable model that has the same core features. They give one either a rowboat or a large ship.” ; “Technology and transactional platforms are our biggest challenges – this can make or break our business.”*

5.3.6.1 Support for principles

Midst this displeasure a final theme emerged. IT must support key principles of the offer criteria as mentioned above. In particular accessibility, simplicity and cost were indicated by respondents one, three, six, seven and nine.

- *“Ease of use is important for IT systems”*
- *“Technology must be used to reduce costs and facilitate accessibility”*
- *IT should make things simpler, easier, leaner and faster.”*
- *“It must be simple and support access”*
- *“Technology should enable the cheaper cost of delivery of the offering”; Technology must be simple, easy to use and provide the user with comfort when using”*

It is evident that IT is seen as a supportive role and it must support the offer and not the other way around. This was indicated clearly by respondents nine and four.

- *“the offering must not be highly technology driven” ; “Wizzit did not work not because it was too far ahead of its time but because it was purely technology driven and this was then imposed on the market”*
- *“This market needs a committed person, a particular person. It is not about technology only so innovation does not require an IT whiz kid but someone with knowledge, that has experience, is older and unbiased..”*

5.3.7 Issues and Challenges

In this section the researcher will report on the issues that are currently in existence and of relevance within this space.

5.3.7.1 Do not understand needs and cannot understand customer reality

The first is the most perturbing issue observed by the researcher. A majority of respondents indicated that there is no real understanding of the customer needs and reality. Respondents three, five, seven, nine and six indicated this as below.

- *“ In terms of risk insurance, banks are low on trust and this is a factor of a lack of information and lower financial literacy”*
- *“This shows a lack of understanding of the customer and is a problem”*
- *“Of critical importance is the aspect that we do not really and always understand our customers although we say we need to understand the market. We tend to negate the softer things that actually matter most and often we impose a type of mechanism, process, culture etc on the customer that is inappropriate. We need to understand that the environment is fairly simple and the market has its own understanding of how they do their “unsophisticated” banking”*
- *“It boils down to a lack of understanding of the market”*
- *“We need to do more market research. When the division first started out, there was too little time [spent on this] and the going to market part was rushed. Time is needed to do proper concept testing and learn lessons in the process.”*

Adding to this woe is the perception of financial services and how financial services interact with persons within this space.

5.3.7.2 Arrogance supporting mistrust of banks

If the financial services industry had a personality it would be best described as arrogant. This does not assist the fact that the financial service industry, in particular banks appear arrogant to persons in the second economy. This was indicated above but iterated here for completeness.

Respondents one, three, four, seven and nine indicated this as below.

- *“Banks are too sophisticated..Prohibitive and intimidate the customer... “*
- *“They fear officials and “big fancy people.” Banks suffer from a door-step barrier”*
- *“Banks are highly ignorant regarding this market’s financial attitudes and behaviour and they do not use the data and research that is available”*
- *“..go to the market rather than expect the market to come to you”*
- *“There is a need to understand more intimately what is going on. We should not see the market as a block and we need to stand in their shoes.” ; “Our arrogance is a problem. We*

go for a one size fits all and have a condescending mindset. We say we know what they need and we must give them what they need. We took a Western model, tweaked it and forced it into existing ones.”

This arrogance will foster mistrust and discourage the prospective customer that is not banking to want to bank. This leads to the final point.

5.3.7.3 Mind shift and business model change required

It is evident for success in getting persons into the financial sector and promoting inclusion there has to be a change on part of the financial services industry both from a mindset and business perspective. Respondents one, three, four, six, seven, nine and eleven indicated this as below.

- *“this requires new thinking from the bank’s point of view”*
- *“Current models do not allow for much contact with the market and that makes it difficult to really tailor towards the market’s needs”*
- *“They make it fit to what they have and neglect the real market needs”*
- *“A mind shift needs to happen inside the bank, industry and among staff”*
- *“A mindset change is required”*
- *“There is a definite need for a mind shift to develop for this market. This is very important”*

5.3.8 Conclusions

The thematic analysis was not a simple process and was more arduous than the researcher expected. The use of the rigour in the method was fruitful to maintain focus. It is evident there were multiple factors unearthed and identified in the process. The researcher would like to take note of some of the prominent factors and/or themes found.

From an environment perspective it is blatant whilst there are valid organisational processes in place; lack of involvement of the customer is deeply flawed. In light of the diminutive amount of knowledge on the customer realities and needs this must be rectified. Innovation as a value

must be entrenched. There were many customer realities mentioned but it is apparent more research is required in this area. The researcher asserts that organisations rather have a discussion about what is a need, based on the customer reality. This will allow for better solutions to be created.

Simplicity, trust and accessibility, as truly simple as they are, appear, as a dominant requirement for this industry. From an offer criteria perspective the dominance of these factors warrants a view on how to appropriately capture this prominence within the *de facto* framework. It is evident the role of IT and how IT interacts with business is an important consideration going forward. The lack of IT support for the offers is disturbing and warrants attention. There was support in the results for many of the factors in the *de – jure* framework. These will be discussed below.

The role of government in a South African context is required, though it is clear they must only be an enabler, facilitator or overseer. There was support for the people factors in the *de jure* framework. The mention of executive passion is interesting and is discussed below. Lastly the factors indicated as issues, indicates some fundamental cracks within the industry and current NSD approach. These will be the aspects of discussion amongst others below.

6. Discussion of Results

6.1 Introduction

This research looked at factors and themes that are encompassed within a NSD framework that aims to guide the development of sustainable financial services for the second economy. The research indicated multiple factors, themes and service criteria. The discussion of results will follow a similar approach as taken by chapter five. The researcher will discuss aspects comparatively against each of the research questions and issues indicated whilst contrasting relevant aspects with the *de jure* NSD framework. At the end of this section the *de facto* framework will be created based on literature, research findings and relevant assumptions.

6.2 Discussion

6.2.1 Discussion - Research Question One

What are the main environment variables affecting companies operating within the second economy?

6.2.1.1 Customer reality

The *de jure* model did not have elements of customer realities or needs within it. However one can safely assert that the service criteria presented in the *de jure* framework was based on realities of persons on which the respective research was conducted. The distinction of customer reality to customer need and the necessity of the link, provide prospective offer designers a concept within which to understand and articulate the needs of a customer aptly.

The absence of customer realities and needs factors from the *de jure* model is indicative of the rationale the *de jure* service offer criteria might not be applicable in the South African environment. The argument of a similarity between South Africa and other developing countries is relevant, but not necessarily binding. It is likely use of the *de jure* design criteria might not yield the expected result as indicated by the literature. Thus a discussion on the indicated realities, though limited, is a valuable start.

6.2.1.2 Trust and the customer

Trust required as an underpinning value in an offer was strongly indicated. If the requirement for trust is discussed in conjunction with other factors, the requirement thereof will be more apparent. The second economy consists largely of persons marginalised in South Africa, have not been exposed to banking services or excluded from these services hence created their own informally based mechanisms. The principles of these mechanisms were run in stark contrast to that of persons living outside of the second economy. The required trust for these mechanisms is not the same as the legally binding process for accountability enforced by financial institutions. Herein becomes apparent the dissonance between a person living within the second economy person and a traditional business organisation; the accountability processes are different.

One can assume coming into a new system with unfamiliar rules will cause discomfort thus requiring trust to be at the forefront. Understanding this is crucial as the financial services industry has to plan with the following overarching questions: How can the mindset of accountability be changed, if at all? The researcher asserts that this mindset is a transient requirement, only in existence as a result of legacy. When it will change and in which direction it would continue is unknown. It could continue on the same path or swing towards current approaches or move towards a completely new approach. The key aspect is that the industry

must still cater for this requirement in the interim whilst trying to gauge the future direction. The main challenge will be that of timing and ensuring the industry is ready, irrespective of the market direction.

6.2.1.3 Cash prevalence, financial literacy, cost and volatility

The realities of cash prevalence, financial literacy, costs and volatility are relevant input for current design. The influence of these factors however is bespoke to the business context the offer is being developed for. The researcher asserts that an organisation has two options to consider within this context. The first is to design for a relevant need based on a perceived reality (e.g. pervasive presence to move cash around) or fundamentally alter the reality (e.g. make cell banking pervasive so no need for cash hence moving cash). The second has significant implications but the directions will shape how the NSD processes are run, the strategy and the offer design.

6.2.2 Discussion - Research Question Two

How do identified variables influence the NSD framework and nature of the service offering criteria?

6.2.2.1 Support for all seven *de jure* service offer criteria

The service offer criteria mentioned by respondents support all of the criteria indicated by the literature. There were indications for support of localisation, separability, empowering and transaction building (the savings criteria add-on for offers), using community structures and existing infrastructure, information dissymmetry minimisation, affordability with quality and linking to aspirations. These factors were indicated as requirements by the various respondents.

6.2.2.2 New indicated factors - Keep the money warm, familiar vocabulary, basket offers, face to face, dignity and respect

There were new factors indicated. These were keeping the money warm, familiar vocabulary, basket offers, face to face, dignity and respect. There last two although not explicit was implicit in the literature criteria. Weiser (2007) indicated that one of the reasons partnering with local organisations and persons is to create a trust relationship as often there is distrust for organisations within this type of market segment.

Keeping the money warm is logical if linked to the mechanisms of accountability, which is required to be different from existing traditional mechanisms and the requirement for face to face contact. Persons in the second economy are familiar with the concept of 'payments when possible' based on personal circumstances and 'payments being made for honour' hence the accountability process will have to match this paradigm. The 'keeping the money warm' approach matches this paradigm.

Familiar vocabulary and face to face contact are linked to trust and dignity. Persons in the second economy will not be able to trust a faceless organisation based on current mental models, but they will be able to trust the man across the street as he is known. The linking of an offer to a known concept creates a cognitive link for the individual hence allowing persons to relate a familiar concept with a concept within the new offer. This link provides the required comfort through familiarity for the individual.

Dignity and respect is a natural human desire but this requirement is heightened through the nature of interaction wherein financial service organisations have been arrogant. Thus the

individual has a greater desire to be treated with respect and dignity and not wanting to be treated inferiorly as a consequent of social standing.

The factor, basket service offer, is as explained in chapter five, a requirement for sustainable holistic services. This does however impact on basics from an accounting perspective. A 'per unit cost' is not applicable as some services are expected to be loss making and/or break even. The removal of the loss making is offer is not possible hence the challenge will be a mind shift that is required to move into a new business model paradigm.

6.2.2.3 Support for *de jure* offer factors not necessarily a positive indication

The support for service criteria in the *de jure* framework occurred, the researcher asserts, primarily because of one reason. As South African financial services are using international trends, design principles and customer guided realities the inherent outcome will be similar offer criteria. The research indications of different criteria implies financial services are realising there are different customer realities at play in South Africa. This factor lends support to the observation above, a disconnect between service criteria offer required in South Africa and other emerging counties as a resultant of differing occurring realities.

The aspects discussed above have an impact on the *de jure* NSD framework. The researcher now creates the distinction of NSD framework offer drivers and NSD Framework values. These will be placed in context below within the *de facto* NSD framework. For completeness they are mentioned here: trust, dignity and respect are values whilst accessibility, simplicity, affordability (value) and separable will be drivers. The definitions of these should be apparent to the reader from previous discussions.

6.2.3 Discussion - Research Question Three

What NSD processes and considerations, including implications for innovation aspects that must be taken into account when creating a service offering for the second economy?

There were indications made that supported factors from the *de jure* framework. Customer needs, customer involvement, market research, appropriate project management processes, offer stage gate reviews, collaboration internally, internal communication, innovation, measuring of benefits with non traditional measures and testing were supported in the findings. The factors indicated which the literature did not highlight include processes for linking customer needs to reality, immersion in the market, recruitment practises, external collaboration, interactive marketing and industrial theatre and visual training content.

6.2.3.1 Support for *de jure* NSD factor – customer, research, project management, stage gate, collaboration, communication, innovation measuring and testing

An appropriate starting point is to interrogate the factors indicated by the respondents that support the *de jure* framework. The respondents indicated that customer involvement is logical as you have to integrate customer feedback into the design. When, and when not, the customer is involved requires astuteness by the project manager and/or organisation. Johnne and Storey (1997) indicated this as key factor in their research as a requirement to align the offer and offer development to customer needs.

The remaining factors i.e. research, appropriate project management processes, offer stage gate reviews, collaboration internally, internal communication, innovation, measuring of benefits with non traditional measures and testing, the researcher asserts are logical. The rationale for

them being indicated in the literature is the same rationale for having them within the South African context. Whilst there are differences there are also commonalities in organisations and markets globally.

De Brentani (2000) indicated that stage gating was required for assessing fit, relevance and impact. This is necessary for any organisation irrespective of the target market. The requirement in a South African context is necessary and included. Johnne and Storey (1997) indicated that effective project management practises must be in place in order to effectively deliver on new projects. This rationale is applicable to any South African organisation hence the indication of effective project management practises is necessary and included.

Johnne and Storey (1997) indicated that internal communication was required to foster buy-in. There were indications in the research that significant internal lobbying had to be conducted to ensure that a product went through a stage gate review. This substantiates the existence and necessity for these factors. Menor and Roth (2006) indicated the requirement for research is to understand the environment. This is relevant to any South African organisation hence is included and necessary.

Akavami (2005) and Johnne and Storey (1997) indicate that measurement is required to ensure that the offer remains successful. The measurement of the offer must take cognisance of all benefits and not only financial. This rationale for benefits measurement within a South African context is necessary and included. The requirement for non-financial measurement is more apt for NSD in the second economy as a result of the social and regulatory requirements hence included. Both Gounaris, Papastathopoulou and Avionitia (2003) and Johnne and Storey (1997) indicate the requirement for testing in an organisation is to ensure ease of use and alignment with needs. The

requirement for testing for these reasons within South Africa and the second economy is necessary and relevant.

6.2.3.2 Core versus specific

The researcher asserts that in any framework, including the NSD framework, there will be elements that are customisable and some elements that are core. The customisable aspects are determined by the context of application. The *de facto* NSD framework created, possibly, has a core and customisable elements to it. The actual processes which are core and customisable requires further research. However one can deduce that service offer criteria will be customisable and the drivers and values, discussed above, will be customisable.

The assertion being made is that the framework has a core which will be applicable to any context with other elements applicable only when applied to the second economy however differentiation of these at this stage is not plausible. However this will explain the overlap of some of the factors as the NSD literature was not focused on NSD for second economy or the equivalent target market but on NSD in general. Within this context the researcher asserts that customer involvement and customer needs analysis will be core. This leads to one of the primary concerns.

6.2.3.3 Lack of customer understanding and research

The respondents strongly indicated that the understanding of the customer is lacking, the understanding of the customer reality is lacking, the use of research is negligible with an international bias and the customer is not involved appropriately in the NSD processes. With these basic processes not being followed, there is almost certainty to fail without being extremely fortuitous. Johnne and Storey (1997) indicated the need for customer involvement strongly. Menor and Roth (2006) strongly indicated the requirement for understanding the customer and environment in South Africa.

The researcher therefore asserts that that the current observed failures within the South African environments are a lack of basic process failures as opposed to the lacking of South African specific NSD factors. The research supports the assertions made by Oldenboom and Abratt (2000). They indicated that lack of customer insight is the one aspect that will cause an offer to fail in South Africa. Whilst South African specific NSD factors are not required currently, South Africa does possess specific customer realities therefore these factors still need to be identified and included in order to prevent future failures. The researcher asserts by involving the customer these realities will become apparent hence shaping the offer and solving the absic problem above.

Menor and Roth (2006) indicated that market acuity is fundamental to understand the environment. Therefore it is perturbing that financial services are performing research at a global level whilst not using local research effectively and not involving the customer extensively in the development process. However the lack of local research is more perturbing given that several respondents indicated a lack of understanding of the customer needs and customer realities. This understanding is a far more critical when the offer being developed is targeted at a new market.

6.2.3.4 Immerse staff into the market

If 'immerse in market' is analysed in conjunction with 'community knowledge' and 'using existing structure' it is seemingly logical. An effective way to understand new cultures etc is to immerse one self into the culture reality. This will allow for the organisation to gain community knowledge and understanding on how to use existing infrastructure. The recruitment approach is linked directly to the above. If an organisation recruits from the community it inherently receives the requisite knowledge without the need to immerse into the target segment.

The requirement for external collaboration is interesting. The inference one can make is a new market segment requires skills and operational models not available in one organisation hence to minimise operational costs and gain expertise more external collaboration is required. Weiser (2007) also indicated these benefits when an organisation made use of local structures.

The requirement of interactive marketing and industrial theatre is consistent if linked to a segment that has low formal financial literacy levels with accompanying different mental models and different spoken languages. The most appropriate way to demonstrate a new concept will be with a person who understands the community and with a medium familiar in any segment i.e. role playing. Interactive marketing affords the person to interact with the organisation hence affording them the opportunity to challenge and interpret perceptions thereby allowing them to understand the offer more easily. The notion of targeted marketing, as a general NSD factor, was indicated by Jong and Vermeulen (2003). The indications above are the same as this factor from the *de jure* framework.

6.2.3.5 Factors not directly supported in *de jure* Framework

There were factors indicated by the respondents not supported or directly indicated by the research data. These were strategic fit between resources and offer, the integration of new offer operations into existing, effective ongoing support, launching event, marketing strategy in alignment with NSD, communication to external stakeholders and experience of technical staff influence on NSD competence.

The researcher asserts that all of them are implied within the research data indications. The use of stage gating will inherently interrogate the first three factors i.e. strategic fit between resources and offer, the integration of new offer operations into existing, effective ongoing support, as criteria for assessing a new offer. The requirement to stage gate was also indicated

in the literature by De Brentani (2000). Communication to stakeholders is inherent in external collaboration which was indicated in the research as there cannot be collaboration without communication. The indication in the research was IT is critical to offers. This implies there must be investment in skills to ensure that IT provides the required level of support for offer development. If skills are not adequate it will inherently affect the offer development.

6.2.4 Discussion - Research Question Four

What are the governance considerations, and implications for innovation aspects, the firm must take into account when developing services for the second economy?

6.2.4.1 Factors supported and not supported within the research

There were several indications made by the respondents that were not in the *de jure* framework. Of those factors indicated, that relating to innovation was the only factor common to the *de jure* framework. The role of government within the *de jure* framework was supported somewhat by the respondent's indications. The role of government for creating an enabling environment loosely encapsulated the *de jure* framework's indication for government creating an enabling environment for Public Private Partnerships.

6.2.4.2 Governance stifling Innovation

The mention of internal governance and regulation stifling innovation is a serious concern. This issue coupled with the strong indication of a risk averse culture in financial services provides a recipe for failure of financial service offers for the second economy. Stifling innovation along with factors mentioned above perpetuates an environment wherein creating sustainable offers will not be possible. The rationale for this averseness was not indicated in the interview. There

is also no known commonly accepted rationale for this issue. Not only does governance stifle innovation, it also dampens offer uptake as a result of strict legislation compliance issues.

Oldenboom and Abratt (2000) indicated that critical factors for success for a South African financial service organisation are a product advantage and the degree of service newness amongst others. This implies innovation is a critical process for creating innovative offers. The research indicates that the innovation is being stifled. If innovation is stifled it is implied that the offer will be only incrementally different if at all innovative. This finding lends support to why current offers are failing.

6.2.4.3 Role of government is enabler

There were several indications made pertaining to what the role of government should be. It was evident that government must create, and on an ongoing basis, improve the enabling environment but not be involved in actual financial service delivery. The reader need only interrogate government initiatives such as Khula to understand the indications provided by the respondents. The requirement for public private partnerships is also supported by Schoombee (2004). This supports government's role as enabler. The role of government is seen as fulfilling a protector and enabler role. Government should do this through appropriate legislation and providing security to organisations investing within the second economy.

6.2.4.4 New Legislation required for second economy

The main assertion made by the researcher is that indicated by some of the respondents; Legislation must be revised to support realities of the second economy. This finding also supports the claim made by Schoombee (2004) for an overhaul of legislation for this market segment. However the culture of risk averseness, being an industry specific behaviour, driven by the requirement to protect public capital, is an arduous organisational challenge to

overcome. However there must be a new paradigm shift adopted in order to develop sustainable financial service offerings for the second economy. This is discussed further below.

6.2.5 Discussion - Research Question Five

What are the people and cultural considerations, and implications for innovation related aspects, the firm must take into account when developing services for the second economy?

6.2.5.1 Factors supported in the *de jure* Framework

The factors from the *de jure* framework which were supported by the research data were involving stakeholders, senior managers involvement, support by product champion and project manager, skills development of staff and customer, culture of innovation and the involvement of the customer. The existence of these factors, the researcher asserts, are linked to the discussion above of core and customizable elements of a framework. These factors the researcher asserts to be core elements of a framework hence a requirement for the South African context and included. They are discussed below for completeness.

Johne and Story (1997) and Jong and Vermeulen (2003) assert that all relevant stakeholders be involved to ensure needs are met and expectations are managed thus enabling buy-in for the new offer. These reasons are relevant for a South African context hence the factor is necessary. De Brentani (2000) indicated that senior managers become involved to ensure buy-in and effective project support. These reasons were also indicated by the respondents hence the factor is necessary.

Culture of innovation and the involvement of the customer are relevant to a South African context as indicated by the research findings and Oldenboom and Abratt (2000) hence are

included. Jong and Vermeulen (2003) indicate a dedicated project manager is required so to ensure the product manager is not pre-occupied with administrative issues. This rationale is applicable in South Africa and supported by research findings. It is inherent that these roles support the project in order for there to be success. This factor is necessary and included. Finally both Jong and Vermeulen (2003) and Johne and Story (1997) indicate that all stakeholders have the relevant skills. This is true for a South African context hence the factor is necessary and included.

6.2.5.2 Factors eliminated and/or implied

The factors not directly indicated were that of service culture and multi functional spread teams to protect intellectual property. The researcher cannot see any rationale implied in the indications for the latter factor. The inclusion of this as a possible core factor is not deducible hence it will be eliminated. Service culture is implicit in the research indications of commitment and passion. An individual will strive to excel in service if passionate about an offer and/or market segment.

6.2.5.3 New factors indicated

Factors that were indicated but not in the *de jure* framework were 'people familiar with the community', 'staff with passion and commitment to the market' and 'executives with passion and commitment to the market'. The factor 'person familiar with community and/or recruited from the community' is logical once linked to the *de jure* requirement for use of existing structures which was also indicated in the research data.

'Staff passion and commitment' is implied from the *de jure* factor staff service culture. 'Executive passion' the researcher asserts is specific to the South African financial services organisation. The novelty of a new market in a risk averse organisation requires a passionate executive in

order to keep staff motivated and provide the necessary organisation support and drive for the novel offer. Thus this factor is important for a South African organisation.

6.2.6 Discussion - Research Question Six

What are the technology considerations, and implications for innovation aspects, the firm must take into account when developing services for the second economy?

6.2.6.1 IT factors supported

The research indications support the *de jure* framework factors. The respondents acknowledged and indicated that IT system involvement is critical. The role of IT in innovation was explicitly indicated. This is implied in the research indication that the innovation processes are required in order to support organisational innovation initiatives as a critical measure to counter the current low innovative environment. The indication that IT must support the offer principles is implied in the *de jure* framework , however the explicit reference in the research data implies that financial service offers for the second economy are dependant on the offer principles being extended by and embodied in the technology.

6.2.6.2 The role of IT

The requirement for the technology to support the offer as opposed to the technology being primarily the offer resonates with the requirement for trust, dignity and face to face contact. The issue of IT systems being restrictive is surprising. The IT industry is often lauded for being ahead of business usefulness, similar to the respondents concerns against Wizzit technologies, thus restrictive IT systems should not be an issue. This restriction could be linked to the financial services lack of innovation in the second economy and linked to the lack of innovation

around usable technology for the second economy. However IT's role in scalability is undeniable and this is discussed further in Chapter Seven below.

6.2.7 Discussion - Indicated Issues

6.2.7.1 Customer related issues

The issue of customer involvement and its strong negative affect on sustainable service development was discussed above. The requirement for processes in the *de facto* NSD framework to link customer realities to needs is fundamental. This coupled with research of South Africa customer realities will allow for better needs analysis hence offer development. The lack of innovation has to be addressed by the industry as neglecting this will lend friction to creating adaptive business models and ultimately possibly halting the development of novel service offers per market need.

6.2.7.2 Mind shift change required

This is an apt place to discuss the last issue that of the mind shift change required with an associated industry paradigm shift. This is the fundamental first step that has to occur prior to innovation leading to new processes leading to better understanding of customer realities leading to new models, hence leading to sustainable services. This chain of logic illustrates the complex dependency of issues in existence within the industry. One can argue further that to attain this paradigm shift skills and leadership in the financial service industry should change to affect faster results. Whilst not necessary, albeit quicker, fundamental change to existing mindsets and mental models is required to create the requisite snowball effect.

6.2.8 *de facto* NSD Framework

The *de facto* framework, based on the research findings and analysis discussed above, is presented in Figure 12: *de facto* model NSD Framework and discussed further below.

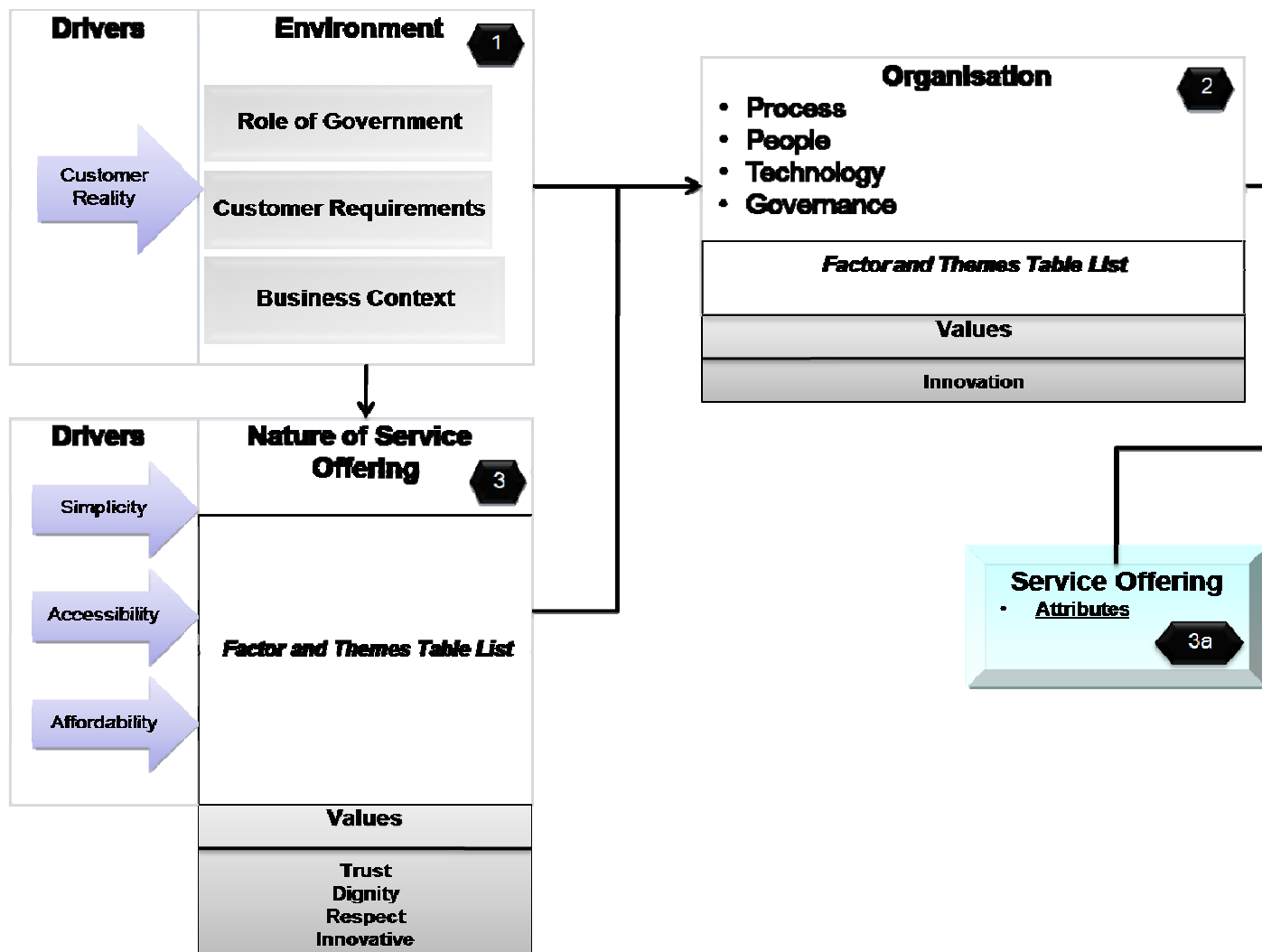


Figure 12: *de facto* model NSD Framework



Framework	Factor and/or Theme	Reference
Reference		
Organisation	<ol style="list-style-type: none"> 1. <u>Link reality to needs and understand both</u> 2. Customer involvement is crucial 3. Clear goals and alignment to corporate vision 4. <u>Market research</u> 5. <u>Immerse staff in market</u> 6. <u>Recruit from community and novel process for recruitment</u> 7. <u>Collaboration internally and externally</u> 8. <u>Interactive marketing and visual training content</u> 9. Targeted marketing and communication strategy 10. Effective project implementation practises and stage gates 11. Involve key stakeholders 12. <u>Measure benefits and require adapted performance measures</u> 13. <u>Testing</u> 14. <u>Executive buy-in</u> 15. <u>Staff and executive passion and commitment</u> 16. <u>Flexible IT</u> 17. IT experience 	<ol style="list-style-type: none"> 2. Johnne and Story (1997) , de Brentani (2000), 3. Jong and Vermeulen (2003) , Menor and Roth (2006) Johnne and Storey (1997) 9. Jong and Vermeulen (2003) , De Brentani (2000) , Gounaris, Papastathopoulou and Avionitia (2003) 10. Johnne and Storey (1997) 11. Akavami (2005) , Johnne and Story (1997) 17. Menor and Roth (2006)

Framework Reference	Factor and/or Theme	Reference
Nature of Service Offering	1. Localisation	1. Weiser (2006) , Prahald and Hart (2002) , Saunders and Abratt (2007)
	2. Empower community and build transactions i.e. self sustaining	2. Kirchgeorg and Winn (2006)
	3. Take into account community	3. Kirchgeorg and Winn (2006)
	4. Affordable but high quality	4. Prahald and Hart (2002)
	5. Use existing infrastructure	5. Weiser (2006)
	6. Minimise information dissymetry	6. Weiser (2007)
	7. Service must exhibit separability	7. Berry, Shankar, Parish, Cadwallader, Dotzel (2006)
	8. <u>Familiar vocabulary</u>	
	9. <u>Keep money warm</u>	
	10. <u>Pervasive</u>	
	11. <u>Basket offer</u>	
	12. <u>Customer education</u>	
	13. <u>Move Cash</u>	

Figure 13: *de facto* Table and Theme List

The framework has numerous changes. Those points underlined above were not in the *de jure* framework or not within the current category i.e. organisation etc. The rationale for changes and rework now follow.

6.2.8.1 Framework Changes

The elements of 'Technology', 'Governance', 'People' and 'Processes' were dropped from environment. This appeared logical based on the research data and *de jure* model. Whilst rigorous it was sensible as the elements added no value. The aspects of "understanding the environment" can be captured within the Organisation process NSD element. The environment is primarily focused on the external element, based on the data; this was national governance

and the role of government, the business context and the customer need. The objectives element was dropped as it did not add pragmatic value to the framework. The new element added was the customer reality input driver for the customer need. It was evidenced from the data that the customer reality fundamentally informs the customer needs and is crucial for understanding and interpreting customer needs.

The values element is new and captures an essence similar to principles from the *de jure* framework. 'Nature of Service' will be underpinned by the indicated values and other possible organisation values whereas the 'Organisation' processes must be underpinned by innovation. It is likely that other organisation values might feature within the values. However fundamental is for the offer to be delivered in such a manner that it resonates with trust, dignity and respect within an innovative context.

The next new element added was the 'Nature of Service Offering' input drivers. The research findings indicate these aspects to be fundamental to the success of the service offer criteria. The researcher asserts that there must be offer design characteristics that enable these drivers. The lack of these will result in a likely unsuccessful service offer design. The offer has to be developed and delivered encompassing a value set that identifies with the underlying indicated value system in order to be sustainable.

6.2.8.2 Factor Changes

The factor changes are listed within the Table List above i.e. Figure 13: *de facto* Table and Theme List. There was not a dominant theme in element '1' i.e. governance, from the finding hence factors indicated were not included for simplicity within the framework. However, typically, within the context of role of government there will be elements as discussed in chapter five.

The new list of factors for the Organisation is listed in the table list in the figure above. These have been explained in chapter 5 and above.

6.2.8.3 Relationships between Main Elements

The relationships between factors were explored above. Of importance to note here is that customer realities drive the customer requirements, the 'environment' influences both the 'organisation' and 'nature of offer' and the 'nature of the offer' influences the 'organisation'. Lastly all of these aspects inherently influence the service offer.

6.2.9 Conclusion

The *de facto* framework has many similarities to the *de jure* framework however there are core issues to be corrected within the financial services industry at an industry and organisation level. The main issue of concern, to reiterate, is that organisations must understand customer realities, make the appropriate link to needs and ensure that relevant research is conducted with the customer. This seems to be a fundamental mistake being made by the industry and many of the respondents argued it was linked to the arrogance within the industry.

The offers must be designed and delivered with the underpinning values. These are pivotal to success and are as important as the drivers. IT systems must be viewed as a supporter whilst extending the principles which implies that flexibility is required. The passion required by staff must be created by senior persons else the commitment will be lacking. Innovative ways must be explored for immersing the staff into the segment whilst providing the relevant incentives to the staff.

Further, organisations are not involving the customer nor are they attempting to perform appropriate research to understand the realities. This coupled with the lack of innovation is a potent concoction for failure. Organisations within financial services must ensure their current leaders start to invoke a mind shift change in order to be successful in creating sustainable financial service offerings for the second economy else new leadership is required. However any organisation can make use of the NSD framework as a starting point which the researcher asserts affords them a compelling and valuable starting point.

It is evident the nature of the offer criteria is markedly different from existing offers outside the second economy and to most offers currently within the second economy. Localisation, the offer creating autonomous transaction building capability, use of local partners, information dissymmetry removal etc are not easily captured into a service offer. With this change comes the requirement to have different processes within the organisation.

Finally the researcher mentioned above that there are factors that are considered core and ones that are specific and/or customisable. Whilst research is required to fully justify the weighing etc of the factors, the researcher presents a view below on what can be considered core and what customisable. This will enable a practitioner to better integrate the framework aspects into current practise.

The Figure 14: Core versus Specific Factors provides a perspective on these aspects. The researcher asserts that the factors in the specific category are not likely to be used within the NSD for offers outside of the second economy within South Africa.



Figure 14: Core versus Specific Factors



7. Conclusion

7.1 Introduction

In chapter one the researcher highlighted the requirement for South Africa having financial service offers designed for the second economy. The importance of including all persons into a more encompassing financial system is crucial for future growth and stability. However it was also indicated that the majority of current offers, both those created by large financial institutions and Small Medium and Micro Enterprise organisations, have been met with limited success or failed.

The failures and reasons for failure have incited varying opinions on the rationale for failure. This formed the basis and intent of this research. The intent was to gain understanding on why financial service offerings designed for the second economy have been met with limited success and by doing so create a NSD framework to assist an organisation in creating sustainable financial service offerings for the second economy.

To achieve this end the researcher set out to create a *de jure* framework for new service development (NSD) using literature and to test this through a number of semi structured interviews with experts in the field. The resulting *de facto* framework would encapsulate the factors and themes required in a framework for NSD to result in sustainable financial services. The researcher reported on the *de facto* model in the chapter above and this framework along with relevant issues are now reflected on below



7.2 Discussion of *de facto* NSD framework and Issues

There were a multitude of factors common with the *de jure* framework but also substantial new factors introduced into the framework whilst some factors were eliminated. There were elements in the NSD framework that were changed. These changes are in the summarised table in Figure 15: Summarised Changes. There is a complete table with the all the *de jure factors* changes and additions in Appendix Six - Changes in the de jure framework –factors and elements. The main points to note are the introduction of the concepts ‘drivers’, ‘values’ and ‘customer reality’ which is a driver.

The *de facto* framework presents a succinct manner in which organisations can ensure they are developing offerings with appropriate processes and with relevant criteria. The creation of the NSD framework specifically for the second economy is substantive as it encapsulates research information and literature and contextualises these within the second economy of South Africa.

There are, however, a multitude of issues and challenges within the segment and the organisations servicing this market segment. The lack of customer involvement and general attitude of the industry to persons in the second economy i.e. condescending, is extremely prohibitive, destructive and creates substantial hurdles for progress. The researcher was astounded at the notion that the basics were not executed at the start i.e. designing for customer with the customer. This highlights the arrogant attitude of the financial services industry.



Framework Reference	Factor and/or Theme	New	Removed
Organisation	1. Customer involvement is crucial 2. Clear goals and alignment to corporate vision 3. Targeted marketing and communication strategy 4. Effective project implementation practises and stage gates 5. Involve key stakeholders 6. IT experience	1. Link reality to needs and understand both 2. Market research 3. Immerse staff in market 4. Recruit from community and novel process for recruitment 5. Collaboration internally and externally 6. Interactive marketing and visual training content 7. Measure benefits and require adapted performance measures 8. Testing 9. Executive buy-in 10. Staff and executive passion and commitment 11. Flexible IT	1. The objectives elements



Framework Reference	Factor and/or Theme	New	Removed
Nature of Service Offering	14. Localisation 15. Empower community and build transactions i.e. self sustaining 16. Take into account community 17. Affordable but high quality 18. Use existing infrastructure 19. Minimise information dissymetry 20. Service must exhibit separability	1. Familiar vocabulary 2. Keep money warm 3. Pervasive 4. Basket offer 5. Customer education 6. Move Cash	None
Environment	None	None	1. The objectives elements 2. The elements Process Technology, People and Governance from Environment section

Figure 15: Summarised Changes



The lack of radical innovation and the lack of an innovative culture in organisations is a major concern. Any new development will always have an innovative element within it. However when the target market has radical requirements, there must be radical changes made and this cannot happen if the as-is processes are conducted. There must be a concomitant process overhaul. The reality is a majority of existing offers were fine tuned, using either a delivery and/or cost perspective and made available to this segment. Several respondents made reference for the industry to stop force fitting models. This supports this inappropriate approach.

The indication of lack of research, non-use of South African research, lack of customer involvement, lack of understanding of realities and needs and use of international research is concerning. There is no authentic South African offers currently in the second economy hence the failures or organisations are of the firm belief South Africa is very similar to other emerging countries hence those solutions will work. The researcher asserts that the latter is the case but there is realisation there is not one rubber stamp solution and a South African based solutions is required. This is not possible without the involvement of the customer.

The solution which would be successful will have global elements but have a number of South Africa realities captured in the offer. There are solutions that are starting to get these basics right by involving the customer and using appropriate design principles but the lack of understanding of the customer realities substantiates the failures that are being witnessed. Whilst this is an irking situation the researcher is confident that there are now organisations and people committed to improving the situation hence it is starting to become a lot more positive.

It is important for existing organisations to get the basics right, quickly and move away from the notion that innovative implies an offer must be technologically advanced or centred. The research indicates whilst technology is critical, it is primarily an enabler and supporter. The role

of technology within the second economy is however crucial. The affordability implies that a solution has to be scalable without exponential cost increases. This segment also requires affordable solutions at a minimal cost of quality. Technology is apt for scaling with relatively less capital versus the traditional offer interface mechanisms e.g. branch, mobile branches etc. Herein lies a challenge.

In the current market context of mistrust and unfamiliar paradigms, face to face is important. How then does an organisation provide scalable face to face mechanisms, which are not technology centred, but still has the scale of a technology centred offer? This question cannot be answered within the current research context; it requires a separate paper on its own.

What the researcher will assert is that needs are transient, as the customer reality is transient. As the market dynamics change and interaction improves, not only will financial organisations understand the market, the second economy will also be a lot more au fait with the formal banking mechanisms. This will likely make the trust challenge a non-issue hence affording the ability to scale through more technology centred offers. Whilst the above is plausible the reality could evolve into another direction. Hence the key here is for financial organisations to understand the market not now but on an ongoing basis in order for sustainable solutions to perpetuate. This substantiates ongoing research and customer involvement.

7.3 Recommendations

The researcher is intent on providing not only a sound academic framework but one that also has pragmatic organisation benefit. Based on the research literature and findings organisations should look at the following aspects with regards to their NSD framework and/or practises.

1. Involve the customer in all relevant processes possibly including them in the innovation processes
2. If innovation is not part of the values, make it, and focus on entrenching the indicated other values in units that are working within the second economy.
3. Focus on getting the basics right first before attempting over-the-top or quick to market offers. It is apparent, if SA organisations did it right the first time with services for the second economy there would have been relatively better progress already made.
4. One of the essential and now most basic requirements is to focus on the customer realities, specifically for the second economy, as the articulation of needs is difficult for most persons within this segment. Having process to extract needs from these realities will provide any organisation with an ongoing competitive edge.
5. At a minimum focus on the drivers and values and the other factors could probably start self alignment through organisational systemic processes versus applying explicit focus though company wide initiatives.

7.4 Further Research Areas

There are a few areas that can be researched in the context of these findings to add validity and scalability to the NSD framework.

1. The first area is to conduct a large scale analysis to confirm the findings with a larger respondent and/or sample size
2. A focus on breaking the framework into more granular aspects such as the core versus specific factors will be useful.
3. An interesting focus would be to capture customer realities and use these to distil possible needs which would inform an organisation on key design criteria. This would help refine the offer design criteria and make it more South African specific.



4. The investigation into the role of government and what type of legislation would be supporting and enabling would also lend credence to the framework
5. The extension and/or the development of the factors required so the framework can be used in other emerging countries.

7.5 Conclusion

The requirement to include persons from the second economy into the overall financial system is critical. The literature indicates financial inclusion assists in making prosperity more easily attainable when this inclusion expands into all folds of society. In South Africa the second economy has been marginalised. This has exacerbated disparities in wealth and inclusion. The key message is: for South Africa to prosper there has to be substantially more financial inclusion affected. This should provide a strong impetus to private organisations to develop second economy services whilst working with government, the targeted communities and other relevant non traditional partners

The researcher asserts for these changes to start occurring the industry and leaders in the industry are required to start perpetuating a mind shift change. This must be driven through leadership and instilling the NSD framework or similar. This requires organisations to perform a non trivial amount of effort. I iterate this is the fundamental first step that has to occur prior to innovation leading to new processes leading to better understanding of the customer realities leading to new models, hence leading to sustainable services. Indeed in the absence of sustainable viable offers for the second economy, the current informal offers and mechanisms will perpetuate and marginalisation will continue. Ultimately the ongoing requirement is to ensure we have financial service offers that conform to the NSD framework hence creating sustainable offers hence creating a more sustainable macro environment for South Africa.



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9. Appendices

9.1 Appendix One – Questionnaire Design and Interview Guide

Initial and Orientation Stage (These two stages have been combined for time efficiency)

Purpose

This stage will aid as an introduction to the participant for the interview structure, purpose, etc. The interviewee will be made familiar with the *de jure* NSD process. The processes will be sent prior to the interview to the interviewee for familiarisation.

Method:

These stages will make use of introductory discourse / questions and follow up questions.

Key Questions

1. Describe your role in the organisation and within the NSD framework?
2. Briefly explain the nature of the organisation and the current NSD framework comparatively to the *de jure* NSD framework?
3. What are your main observations?

Substantive Stage

Purpose

This stage will aid the researcher to probe the participant for specific themes and factors for the redesign of the *de jure* model.

Part One



Aim: To assess and understand the current NSD environment and second economy strategies / variables adopted and/or subscribed to by the company and/or participant?

Method:

This will include a mix of direct and probing questions and agreement on key definitions.

The key direct questions will be:

1. List and explain the main factors for consideration from an environment perspective in creating / aligning the NSD framework?
2. How do these factors, at a high level, affect the business context hence the NSD framework?
3. How do these factors, at a high level, affect the business context hence the NSD service offer criteria?
4. How do these two aspects affect the NSD framework?

Part Two

Aim: To assess the interviewee's perspective on the NSD processes that are used by the firm for the creation of service offerings for the second economy.

Method:

This will include a mix of direct and probing questions agreement on key definitions..

The key direct questions will be:

1. List the main processes followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD processes?
3. How would you ensure these processes are included into the NSD processes?



4. Which processes would you add, manage more of, remove, include, etc in order to make the processes within the NSD processes more encompassing and/or effective?

Part Three

Aim: To assess the interviewee's perspective on the NSD governance aspects/practises that are used by the firm for the creation of service offerings for the second economy.

Method:

This will include a mix of specifying and probing questions and agreement on key definitions.

The key direct questions will be:

1. List the main governance practises followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD practises?
3. Does your current governance assist or hinder NSD the associated innovation practises in any manner?
4. What governance practises would you add, manage more of, remove, include, etc in order to make governance within the NSD processes more encompassing and/or effective?

Part Four

Aim: To assess the interviewee's perspective on the NSD people aspects / practises that are used by the firm for the creation of service offerings for the second economy.

Method:

This will include a mix of specifying and probing and possibly indirect questions and agreement on key definitions.



The key direct questions will be:

1. List the main people aspects / practises followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD processes?
3. Do your current people practises assist or hinder NSD and the associated innovation practises in any manner?
4. What people practises would you add, manage more of, remove, include, etc in order to make the people aspects within the NSD processes more encompassing and/or effective?

Part Five

Aim: To assess the interviewee's perspective on the NSD technology practises that are used by the firm for the creation of service offerings for the second economy.

Method:

This will include a mix of specifying and probing and possibly indirect questions and agreement on key definitions.

The key direct questions will be:

1. List the main technology practises / platforms used / followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD processes?
3. Do your current technology practises / platforms assist or hinder NSD and the associated innovation practises in any manner?
4. What technology aspects / practises would you add, manage more of, remove, include, etc in order to make the technology aspects / practises within the NSD processes more encompassing and/or effective?



Closure Phase

Purpose

This stage will allow the participant a chance to provide additional input and the interviewer to summarise the main points from the interview including finalising any outstanding issues from above. It will also allow for the interview to test the perception of the NSD framework from a practitioner point of view.

Method:

This will include a mix of specifying and probing and possibly indirect questions.

The key direct questions will be:

1. Are there any comments you have with respect to the NSD framework i.e. suggestions etc?
2. What is your anecdotal assessment of your practises versus those that suggested by the framework that will allow for the firm to be more effective, pragmatically, at developing services for the second economy?
3. Would you consider using the NSD framework within your firm? Substantiate?



9.2 Appendix Two – List of interviewees

Name		Title
Ayanda	Seboni	Product Manager
Noxolo	Nngculu	Product Manager
Ian	Whitley	Head – Entry Level banking
Jeremy	Leech	Principal: Mass Market
Johnny	Storom	CE – Revcoms Company
Doubelle	Chamberlin	CEO – Centre for Financial Inclusion and Regulation
Gerhard	Coetze	Head – Micro Enterprise
Frances	Bundred	Customer Proposition – Micro Enterprise
Victor	Gouviea	Head Strategic Pricing
Mari	Few	Product Manager
Sivan	Naidoo	Head Affordable Housing

9.3 Appendix Three – Comprehensive De Jure Framework

9.3.1 Environment



Environment		Reference
Key Objective	1. Market acuity is valuable to NSD success because it requires that the organization continuously collect information on customer needs and competitor capabilities, and uses this information to create new services that deliver superior customer value.	Menor and Roth (2006)
	2. This ensures it contributes to, and facilitates, the service innovation effort	
	3. The intent is to provide input to the NSD programme and NSD Strategy hence ensuring the business context is brought to bear on the overall NSD framework which is crucial to success	
Environment "People Objective" and "People"	4. None indicated in literature	
Environment "Process Objective" and "Process"	5. The crucial ability is to provide ongoing, effective analysis of the environment and disseminate the synthesized information in a timely manner. intent is to provide input to the NSD programme and NSD strategy hence ensuring the business context is brought to bear on the overall NSD framework which is crucial to success	Johne and Storey (1997) Jong and Vermulen (2003)
Environment "Technology"	6. None indicated in literature	



Objective" and "Technology"		
Environment "Governance Objective" and "Governance"	7. The government must enable for public/private partnerships, with incentives from government to create loan providing entitles.	Schoombee (2004)

9.3.2 Organisation



Organization		Reference
Corporate Objectives	1. The main intent is to ensure the entrenchment of appropriate practices, supported by the appropriate resources crucial to NSD within a company.	Johne and Storey (1997) , De Brentani (2000)
	2. This must allow for the development of an offering in alignment with customer needs, company resources and market information This must take into account that differentiation is customer focused and does not become complex for the sake of differentiation.	
Corporate "People Objective" and "People"	3. A service culture plays a crucial role for service delivery. Where required specific culture interventions should be performed to catalyse the process.	Menor and Roth (2006)
	4. The process must ensure that the relevant stakeholders are involved at the appropriate time i.e. management, frontline staff, customer, other departments.	Akavami (2005) , Johne and Storey (1997)
	5. The customer’s involvement is paramount and not only in testing.	Johne and Storey (1997) , de Brentani (2000),
	6. All persons involved must possess the relevant skills hence training of all stakeholders is critical i.e. development staff, frontline staff, customer.	Johne and Storey (1997) , Jong and Vermeulen (2003)
	7. The culture of innovation must be continuous and not ad-hoc. To maintain this innovation as a tenet it must be built into all processes and specifically NSD.	Johne and Storey (1997) Jong and Vermulen (2003)
	8. The involvement of senior managers in NSD is crucial for successes.	De Brentani (2000)
	9. The NSD must be supported by a product champion to drive the NSD with a focus on the new offering and not the project management per se i.e. the NSD manager and the offering champion can possibly be two different persons.	Jong and Vermeulen (2003)
	10. Teams must be multifunctional and spread out to grow and protect IP	Jong and Vermeulen (2003)



Corporate "Process Objective" and "Process"	11. The programme must have clear goals and alignment to corporate vision to support innovation.	Jong and Vermeulen (2003) , Menor and Roth (2006) Johne and Storey (1997)
	12. A key dependency in financial services is on information technology. IT experience makes greater NSD competence as IT experience is an expert skill pivotal to the development of services in the financial sector.	Menor and Roth (2006) Jong and Vermeulen (2003)
	13. To support innovation there must be aligned HR processes e.g. incentivise programmes.	Johne and Storey (1997)
	14. A key idea is to incentives staff to be involved in NSD , to achieve buy-in and minimise operational schedule conflict	Jong and Vermeulen (2003) , Weser (2006)
	15. The strategic fit between resources is key to leverage resources and ensure that the company's strengths are leveraged. Moreover the fit into the portfolio takes account of limitations / weaknesses as well.	Jong and Vermeulen (2003) , De Brentani (2000) Johne and Storey (1997)
	16. Maintain good communication to external stakeholders i.e. customers, suppliers and internal staff. Communication in the second economy must use innovative technologies and local systems but cannot be omitted or rely on one medium..	Akavami (2005) , Jong and Vermeulen (2003) , Kicrchgeorg and Winn (2006)
	17. The programme must ensure that new service operations are able to integrate with existing operational processes to promote ease of ongoing support.	Johne and Story (1997)
	18. There must a formal "stage-gate" activity for new services in order to evaluate overall impact, relevance and organisational fit.	De Brentani (2000)
	19. The programme must ensure an effective project implementation practise is in place for the NSD programme.	Johne and Storey (1997)
	21. The marketing strategy must be in alignment with NSD. This must also take into account how a new service offering is launched within the development component.	Jong and Vermeulen (2003) , De Brentani (2000) , Gounaris, Papastathopoulou and Avionitia (2003)



21. The launching is key to maintain sustainability as this makes the intangible aspects of the offer tangible. For the second economy the focus must be in emphasising the intangible aspects for clarification in the local context.	de Brentani (2000) , Saunders and Abratt (2007)
22. Communication must highlight the benefits of the product and again be localised.	de Brentani (2000) Johnne and Storey (1997)
23. Communication must foster buy-in to the new service for both the internal staff and customer. All processes must be iterative as this will assist in refining the offering and receiving appropriate feedback.	Johne and Storey (1997)
24. There must be processes in place to ensure effective ongoing service support. The easier it is to integrate the new service operations into existing operations, the easier it will be to attain effective ongoing support.	Jong and Vermeulen (2003) , Menor and Roth (2006) Johnne and Storey (1997) , de Bentani (2000)
25. There must be an effective measurement system to ensure feedback and measurement of return on investment into the service and NSD activities.	Johnne and Storey (1997) , akavami (2005)
26. Depending on the type of development i.e. low / incremental innovation versus high/radical, idea generation in the preliminary phase with clearly defined marketing strategy is important for high and technical development with comprehensive testing for low innovation is required.	Gounaris, Papastathopoulou and Avionitia (2003)
27. The business analysis must take information from the environment and ensure it understands the various states of separable and inseparable states the service may go through.	Johne and Storey (1997)
28. The above must take into account the separability nature requirement of services required within the second economy hence distribution of points of contact must take into account local distribution suppliers and embedded systems	Berry, Shankar, Parish, Cadwallader, Dotzel (2006) , Weiser (2007)
29. The feedback mechanism should look at measuring overall firm benefits, programme level benefits, product level benefits, financial benefits and customer acceptance benefits.	Johne and Storey (1997)
30. Testing must be built into processes and in the entire NSD including pre-launch testing.	Gounaris, Papastathopoulou and Avionitia (2003) , Johnne and Storey (1997)



	31. The measurement must not be biased to financial measures and should look at aspects such as error prevention, duplication removal, reduce customer complaints, loyalty, and reduction of cycle time. The NSD framework must take into account local business nuances.	Akavami (2005)
Corporate "Technology Objective" and "Technology"	32. IT platforms must support the NSD at all stages and the innovation processes.	Menor and Roth (2006)
Corporate "Governance Objective" and "Governance"	33. The governance structures must support the NSD framework and allow for innovation to thrive.	Johne and Storey (1997)

9.3.3 Service Criteria



Service Criteria		
1. Services must be localised, taking into account cultural nuances and structure.		Weser (2006) , Prahald and Hart (2002)
2. The service must involve the community as a whole and not only the targeted customer.		Kirchgeorg and Winn (2006)
3. The service offering has to empower local consumers. The service offering has to build the capability to build transaction within the community and for all the participating businesses		Kirchgeorg and Winn (2006) , Prahald and Hart (2002)
4. The offering has to ensure access is pervasive hence most services have to operate with the notion of separability.		Berry, Shankar, Parish, Cadwallader, Dotzel (2006) , Weiser (2007)
5. The offering in being localised has to ensure it is in aligned with the aspirations of the customer and the community.		Prahald and Hart (2002) , Weiser (2006)
6. The offering has to take into account the credit requirements and types of security required at a localised level.		Saunders and Abratt (2007) , Weiser (2006)
7. The offering must be simple to use with consideration for local conditions.		Kirchgeorg and Winn (2006) , Weiser (2006)



9.4 Appendix Four – Notes Example

NB: Spaces left for responses were omitted to save space

Introduction Notes

The interviewee is familiarised with the *de jure* New Service Development (NSD) process.

1. Describe your role in the organisation and within the NSD framework?
2. Briefly explain the nature of the organisation and your current NSD framework preferably comparatively to the *de jure* NSD framework?
3. What are your main observations of the documentation sent prior to the interview?

Part One Notes – Environment and strategies

To assess and understand the current NSD environment and second economy strategies / variables adopted and/or subscribed to by the company and/or participant:

1. List and explain the main factors for consideration from an environment perspective in creating / aligning the NSD framework?
2. How do these factors, at a high level, affect the business context hence the NSD framework?
3. How do these factors, at a high level, affect the business context hence the NSD service offer criteria?
4. How do these two aspects affect the NSD framework?

Part Two Notes – NSD Processes

To assess the interviewee's perspective on the NSD processes that are used by the firm for the creation of service offerings for the second economy.

1. List the main processes followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the *de jure* NSD processes?

Part Two Notes – NSD Processes (2)

3. How would you ensure these processes are included into the NSD processes?

Part Two Notes – NSD Processes (3)

4. Which processes would you add, manage more of, remove, include, etc in order to make the processes within the NSD processes more encompassing and/or effective?

Part Three Notes – NSD Governance

To assess the interviewee's perspective on the NSD governance aspects/practices that are used by the firm for the creation of service offerings for the second economy.

1. List the main governance practices followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD practices?
3. Does your current governance assist or hinder NSD the associated innovation practices in any manner?
4. What governance practices would you add, manage more of, remove, include, etc in order to make governance within the NSD processes more encompassing and/or effective?

Part Four Notes – People

To assess the interviewee's perspective on the NSD people aspects / practices that are used by the firm for the creation of service offerings for the second economy.

1. List the main people aspects / practices followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD processes?
3. Do your current people practices assist or hinder NSD and the associated innovation practices in any manner?
4. What people practices would you add, manage more of, remove, include, etc in order to make the people aspects within the NSD processes more encompassing and/or effective?

Part Five Notes - Technology

To assess the interviewee's perspective on the NSD technology practices that are used by the firm for the creation of service offerings for the second economy.

1. List the main technology practices / platforms used / followed by the firm when designing a service offering for the second economy.
2. How are these relevant in comparison to the de jure NSD processes?
3. Do your current technology practices / platforms assist or hinder NSD and the associated innovation practices in any manner?
4. What technology aspects / practices would you add, manage more of, remove, include, etc in order to make the technology aspects / practices within the NSD processes more encompassing and/or effective?

Closure Notes



This stage will allow the participant a chance to provide additional input and the interviewer to summarise the main points from the interview including finalising any outstanding issues from above. It will also allow for the interview to test the perception of the NSD framework from a practitioner point of view.

1. **Are there any comments you have with respect to the NSD framework i.e. suggestions etc?**
2. **What is your anecdotal assessment of your practices versus those that suggested by the framework that will allow for the firm to be more effective, pragmatically, at developing services for the second economy?**
3. **What are your time considerations for the deployment of services i.e. how long is appropriate and how does this affect the NSD?**

9.5 Appendix Five – Condensation Matrix - Extract



Research Questions			
3 - NSD process	4 - Governance	5 - People	6 - Technology
1.Simplicity of comms language 2. test with customer. 3. Collaboration with others companies is important. 4.Skills of developer important. 5. Training for developer Important. 6. collab within team appropriately. *6. understand customer needs.	1. National governance holding back growth 2. governance should be over hauled. 3. require customised set of regulations specific	1. Face to face contact. 2. Developers requires passion to work in market,. 3. Owner requires passion for working in market. 4. All require common vision. 5. Require strong leadership	1. Flexibility of IT 2. Simple to use technology 3.technology must support accessibility 4. adaptable to local aspects. 5. Simple to use interface
1. Innovation is important 2. should not be too much competition for internal resources. 3. internal pricing must not hinder offer. 4. have formal stage gate 5. have internal buy-in * understand customer and market *understand competition *Understand demand. * market research	1.governance hinders selling of products . 2. provide impetus to innovate - bypass regulatory issues 3. follow process as bypass can slow down . 4. no agreement on legal interpretation. 5. legislation hinders innovation.6. accountability of failure hinders innovation	1. Frontline staff must understand market 2. need aligned incentive schemes to support goals 3.Culture of collab not silos. 4. Measurement systems must support goals 5. Executive passion for market 6. exec support for offer / project 7. require dedicated PM 8. PM must be passionate for project	1.IT restrictive 2. Need flexible IT systems



<p>* understand competition even informal *internal comms for buy-in important *internal depts must collab* understand customer needs *align incentive scheme to goals *intense marketing required to familiarise product to customer and staff *market must provide detail *understand customer needs</p>	<p>1. national governance hinders product uptake * government must ensure market is served *customer need fin literacy *regulation provide opportunity * regulation simplified **assist in engaging market *hinders offer delivery *has helped to some extent in selling easier *be regulator *create an enabling environment *provide supporting policies *support skills development *government must push of selling to this market</p>	<p>*need selling skills for products *people require passion * require F@F</p>	<p>*reduce cost * facilitate accessibility *current systems not relevant *facilitate comms *tech integrate into CVP</p>
<p>*understand competition even informal *innovation for meeting need *market research *research must be with customer interactive 0 focus groups *require innovation in risk modelling *innovation in process *involve customer / community in design *involve in development thru test *understand customer aspiration *innovate continuously *understand customer needs *</p>	<p>*government must deliver fin service *government more intervention to incentivise *FSC to short timelines *promote participation</p>	<p>*need executive buy-in *need innovation culture *no fear of failure *mindset change required in industry players *require committed business leader *exec must have board support *PO and PM must be passionate *require different mindset from current</p>	<p>*must assist with relationships *FAIS restrict selling *government must look at access levels *</p>



*require idea generation	*require	*internal governance	*pm must be committed	*frontline staff buy-in important	*proper	IT crucial for delivery
stage gate review	*understand	hinders innovation	training of frontline staff	*proper compliance of frontline staff	*risk	
demand	*store info for reuse	*governance is	averse culture	*exec buy-in important	*PM and PO passion important	
*market research to understand	customer	unnecessarily long				
*localised marketing	*customer education is	*banks over comply				
content	*marketing must show					
benefits	*must meet aspirational					
needs	*intern BU alignment					
*internal comms important						
*understand customer needs						
*market research	*innovation on					
channel is important	*stage gate					
review	*do not bypass processes					
*new measure of success						
*innovation for delivery						
important	*flexible business					
processes required	*measure					
after launch	*relationships					
important						



9.6 Appendix Six - Changes in the de jure framework –factors and elements

NSD Section	Element Eliminated	Elements Common either directly in the research or implied through exiting factors	New Elements
Organisation	<ol style="list-style-type: none"> 1. Teams must be multifunctional and spread out to grow and protect IP 2. The objectives elements 3. The elements Process Technology, People and Governance from Environment section 	<ol style="list-style-type: none"> 1. A service culture plays a crucial role for service delivery. Where required specific culture interventions should be performed to catalyse the process. 2. The process must ensure that the relevant stakeholders are involved at the appropriate time i.e. management, frontline staff, customer, other departments. 3. The customer's involvement is paramount and not only in testing. 4. All persons involved must possess the relevant skills hence training of all stakeholders is critical i.e. development staff, frontline staff, customer. 5. The culture of innovation must be continuous and not ad-hoc. To maintain this innovation as a tenet it must be built into all processes and specifically 	<ol style="list-style-type: none"> 1. Link reality to needs and understand both 2. Market research 3. Immerse staff in market 4. Recruit from community and novel process for recruitment 5. Collaboration internally and externally 6. Interactive marketing and visual training content 7. Measure benefits and require adapted performance measures 8. Testing 9. Executive buy-in 10. Staff and executive passion and commitment 11. Flexible IT



		<p>NSD.</p> <ol style="list-style-type: none"> 6. The involvement of senior managers in NSD is crucial for successes. 7. The NSD must be supported by a product champion to drive the NSD with a focus on the new offering and not the project management per se i.e. the NSD manager and the offering champion can possibly be two different persons. 8. The programme must have clear goals and alignment to corporate vision to support innovation. 9. A key dependency in financial services is on information technology. IT experience makes greater NSD competence as IT experience is an expert skill pivotal to the development of services in the financial sector. 10. To support innovation there must be aligned HR processes e.g. incentivise programmes. 11. A key idea is to incentives staff to be involved in NSD , to achieve buy-in and minimise operational schedule conflict 12. The strategic fit between resources is key to leverage resources and ensure that the company's strengths are 	
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		<p>leveraged. Moreover the fit into the portfolio takes account of limitations / weaknesses as well.</p> <ol style="list-style-type: none"> 13. Maintain good communication to external stakeholders i.e. customers, suppliers and internal staff. Communication in the second economy must use innovative technologies and local systems but cannot be omitted or rely on one medium.. 14. The programme must ensure that new service operations are able to integrate with existing operational processes to promote ease of ongoing support. 15. There must a formal “stage-gate” activity for new services in order to evaluate overall impact, relevance and organisational fit. 16. The programme must ensure an effective project implementation practise is in place for the NSD programme. 17. The marketing strategy must be in alignment with NSD. This must also take into account how a new service offering is launched within the development component. 18. The launching is key to maintain sustainability as this 	
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		<p>makes the intangible aspects of the offer tangible. For the second economy the focus must be in emphasising the intangible aspects for clarification in the local context.</p> <ol style="list-style-type: none"> 19. Communication must highlight the benefits of the product and again be localised. 20. Communication must foster buy-in to the new service for both the internal staff and customer. All processes must be iterative as this will assist in refining the offering and receiving appropriate feedback. 21. There must be processes in place to ensure effective ongoing service support. The easier it is to integrate the new service operations into existing operations, the easier it will be to attain effective ongoing support. 22. There must be an effective measurement system to ensure feedback and measurement of return on investment into the service and NSD activities. 23. Depending on the type of development i.e. low / incremental innovation versus high/radical, idea generation in the preliminary phase with clearly defined marketing strategy is important for high 	
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		<p>and technical development with comprehensive testing for low innovation is required.</p> <p>24. The business analysis must take information from the environment and ensure it understands the various states of separable and inseparable states the service may go through.</p> <p>25. The above must take into account the separability nature requirement of services required within the second economy hence distribution of points of contact must take into account local distribution suppliers and embedded systems</p> <p>26. The feedback mechanism should look at measuring overall firm benefits, programme level benefits, product level benefits, financial benefits and customer acceptance benefits.</p> <p>27. Testing must be built into processes and in the entire NSD including pre-launch testing.</p> <p>28. The measurement must not be biased to financial measures and should look at aspects such as error prevention, duplication removal, reduce customer complaints, loyalty,</p>	
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		<p>and reduction of cycle time. The NSD framework must take into account local business nuances.</p> <p>29. IT platforms must support the NSD at all stages and the innovation processes.</p> <p>30. 33. The governance structures must support the NSD framework and allow for innovation to thrive.</p>	
Service Criteria	None	<ol style="list-style-type: none"> 1. Localisation 2. Empower community and build transactions i.e. self sustaining 3. Take into account community 4. Affordable but high quality 5. Use existing infrastructure 6. Minimise information dissymmetry 7. Service must exhibit separability 	<ol style="list-style-type: none"> 1. Familiar vocabulary 2. Keep money warm 3. Pervasive 4. Basket offer 5. Customer education 6. Move Cash
Environment	<ol style="list-style-type: none"> 2. The objectives elements 3. The elements Process Technology, People and Governance from Environment section 	<ol style="list-style-type: none"> 1. Understanding the environment (was moved to the Organisation NSD Process section) 2. Enabling role of government 	<ol style="list-style-type: none"> 1. A driver was added i.e. Customer reality