Symposium on Financial Inclusion

Opening Keynote

(Emcee) Roger Morier:
When we were thinking about who should open the Symposium as our keynote speaker on the first day, we wanted someone who was experienced, someone who was dynamic, someone who was innovative, and someone who was working in a field that would be of interest and relevance to the people in this room. So, we've invited Juliet Anammah to come here.

Juliet Anammah is the CEO of Jumia Nigeria, for those of you who are in Africa or may know Jumia. And, for those that don't know, Jumia has often been called the 'Amazon.com' of Africa. And, Jumia, is focusing resolutely on client centricity and on technology because they say their ambition is to revolutionize the shopping experience in Africa. So, we thought Juliet's experience at Jumia Nigeria would be relevant and interesting and stimulating for you, which is why we are going to welcome her now. Please welcome to the stage Juliet Anammah, CEO of Jumia Nigeria. (*Applause*)

Juliet Anammah, CEO, Jumia Nigeria:
Good morning, everyone. We're talking about financial inclusion. I won't bore you with statistics. I mean, you know better than I do what the statistics are, how important and how relevant it is, particularly to a continent like Africa. The reason why we're all here is because of the importance that we place on it and how it would be so critical that we are able to bring more consumers into the economy through financial inclusion.

So, I'm going to focus on sharing my experience in Jumia and our journey as a company. Basically, how we see what we are doing currently and what we plan to do in the future and how that really begins to make some impact on the topic of 'financial inclusion', and also share a bit of my perspective and outlook on how I think things will shape out in the future.

So, just a little bit about Jumia. We started in 2012, so we’re really very much a start-up, a newbie in the e-commerce platform. When we started in 2012 we started as online retail. Then in 2015-2016 we pivoted to a marketplace. Now, the difference between those two is: in the first one, we are basically selling online our own inventory. And, in the second one, 90% of the inventory that is sold on our platform belongs to all the sellers and not our own inventory.

The reason for that is if you wanted to aggregate more products in the market, there's just no amount of capital you can amass that can, on your own and from your shareholders equity, that can really, really address the needs in the market. Therefore, it was important to make that pivot.

When we started also, the market was very much, I would say, nascent in Africa. People didn't understand what e-commerce platforms were. We had people who would go into Jumia to place an order and they would literally check out 10 times. And, you're wondering why is this guy checking out 10 times? Because, they didn't understand that the basket, which is the symbol, meant you can put more things in your basket and then check out. So, you didn't need to check out, put one thing in your basket, check out, and come back in again and put another thing in your basket.

At the time also, there wasn't a lot of trust in terms of payment. So, people didn't want to trust pre-payment. You know, use your card and pay for a transaction? And, they don't know if it's going to come. So, we had so many people who would place an order on Jumia and then select payment or delivery. And, here you are. You carry a whole fridge or freezer or an air conditioning. And, you get to the place and the guys says, "it really works. I didn't know that".

So, we had to come in with a model where we offered both pre-payment for people who were already used to Amazon and who shop at Alibaba and such platforms elsewhere. And, they also cater to the base of the market who had never had that sort of experience. So today, we offer payment on delivery. And, when you look at the split between the two, 30% is pre-paid, 70% is still payment on delivery be it cash or some other USID-based payment, mechanism like mCash, mVisa or they're paying with a POS or whatever.

So, that is the market in which we came in. And, over time, we are now in about 23 countries in Africa. We have more than an e-commerce platform. We also have a travel booking site, which is called, 'Jumia Travel'. And, we have a food delivery service also called, 'Jumia Food'. Then, we have some classifieds in some other markets. But the core of our business is really Jumia, which is the e-commerce. Then, you have travel booking and the food delivery, as well.

So, over time, we've grown. Today, we have, at least in Nigeria...I mean, I can share the numbers for Nigeria because that's the market that I'm in. We have over about 10,000 sellers on our platform and most of those guys are local. And, out of these 10,000, possibly only 0.5% or 1% is your typical corporate. So, a manufacturer like a Nestlé or Proctor & Gamble or any of those big brands. Or, if not the big brands, directly by themselves or through one of their major distributors, which are still fairly well-structured and have been in business for years and have been able to access financial services through banks and so on.

The entire pyramid, if you exclude that 1%, are typically a seller who has never sold more than 50,000 euros in a year or 100,000 euros in a year. In terms of the number of SKU's, which is a number of unique products he has available on the platform, may not be more than 100. If you go to China, the average seller could have like 1 million SKUs available at the time because it's coming from a manufacturing background. Chinese e-commerce started on the back of we are producing for foreign markets and then we have additional capacity which you can then throw into the Chinese market. We don't have that kind of strong base of manufacturing in Africa. And so, you find that the sellers you have don't have that depth of assortment as other people have.

But, it's interesting because at the end of the day, you still have 10,000 micro, small, and medium enterprises, and they have very unique needs. And here's where I bring in the part about the financial inclusion. These guys probably don't have any collateral or any collateral that a bank wants to look at. A guy has a house somewhere out in the woods. A bank is not going to take that as collateral. Most of them, to a large extent, may not even be banked at the moment. Some are banked but underbanked. In other words, they're not active and some are not even banked at all. Why? Because the bank is going to ask you, "can I have your utility bills so I can verify?" "I don't have a utility bill. I don't even have electricity to start with. So, how am I going to get a utility bill to start with?" So, we have found other proxies.

Now, how did we get into it? It's because we needed to grow. When we started, we probably had 3,000 vendors on our platform. Today, like I said, we have about 10,000. If you need to grow that number, you need to begin to think of how do these guys access working capital? I mean, it is what it is. The vendors I have are the vendors I have. That's what you have in the market. So, how are you, given the profile of the seller you have in the market, how do you make sure these guys have access to financial services, access to working capital, to be able to grow their business? Because when they grow, then we grow.

So, we started looking all the proxies for credit worthiness. So, instead of a credit score, the guy is not anywhere on Equifax or Experian or any of those rating agencies, but on the platform on Jumia, it has certain behaviours that are indicated. If a guy never goes out of stock, and believe you me on e-commerce it's very easy to go out of stock, because they're not used to it. If a customer walks into your off-line store and the customer says, "Well, I want blue". I say, "Well, I'm sorry. I don't have blue, I have pink". That's a conversation that happens off-line. Online it doesn't work that way. If a customer wants blue, they just want blue. Don't ship pink. So, you never run out of pink. You must never run out of blue. And, this guy, it has taken five years to train them on those basic things.

So, you have vendors out of that base who have learned never to run out of stock, who have learned never to be late on shipment. So, I give you a specific timeline. Let's say, I promise a customer I will deliver within three days. It is dependent on the fact that you're going to ship to me within 24 hours. Then, I have another two days to ship to the customer. So, if consistently a seller is able to ship within 24 hours, that's indicative of some level of discipline that is transferable to when the guy is provided a loan.

And so, we started of testing some of that and started working with some microfinance banks, microfinance institutions. We say, "Hey guys, we've got a huge base of these guys. We can do sorting and we can tell you these 2,000 or these 3,000, we think that this is their turnover per annum on Jumia. And, we think that if you provide some working capital for them, they will expand their business. And, it's worked quite well.

And, the interesting thing is the average SME, the seller on our platform, is not interested in the annualized rate of the interest on the loan. That means nothing to him because he's working with shorter working capital cycles; sometimes it's three months, sometimes it's six months. I mean, for the really big guys we're talking about one year at a time. So, from the perspective of a guy looking at 'how do I access working capital and, therefore, be able to turnover within three months?' He doesn't care about annualized rates. He's looking at 'what is the transaction cost month-to-month? What is the fixed charge? What's my margin? Am I positive if I net off my cost? As long as I'm positive, I'm fine'. If they stop to do the annualized rate, maybe the interest rate is in the 30s. So, 35%, sometimes upwards of 40%. But, those considerations don't matter because it's at the fundamental base. I'm trying to get himself up. Maybe by the time he becomes a big company he starts to look at he should be 10%, he should be 15% or 11%. Because, he's thinking for a longer use of his working capital, use of his business cycle and so on. But, at this stage, they are not.

So, these are the things that we said, 'okay'. We started bringing in the microfinance institutions to support us. Some banks have actually started to say, "hi. guys. Fine, we have a pull up capital that we think we can put to this. You guys deal with the front-end. You do the cleaning up and figuring out who to lend to. We can, on the back-end, maybe do some of the secondary checks and so on and so forth. But, really, most of the data, which we use to determine is you guys, is Jumia. And then, we can decide who we lend to in that pool of vendors'. And, it's beginning to work.

And we're also beginning to ask ourselves maybe if the banks cherry-pick, because ultimately the bank will cherry-pick, and then leave out a big base of our sellers, maybe we need to start thinking about Jumia lending and what kind of regulatory requirements, licenses do we require, to make that possible? Because there are just some people who have banks and maybe not be able to lend to, but we do know that they have potential on Jumia.

So, that's on the vendor's side.

When you look at the customer side also, you see people who, like I said before, either they're completely unbanked or they're underbanked but, to a large extent, unbanked. And, I see customers who come to us today and say, "you know what? I want to pay some money into your account. Okay. I don't need it now. In two month's time. Can you hold that value for me in terms of a voucher?" So, we said, "Okay, fine". We'll hold the value for you. In two month's time, maybe the customer wants to use it to buy something on the platform or to buy something for someone else or buy something for his business. So, we hold that value. And, we were beginning to say to ourselves, 'hang on a second. We're providing some financial service here'. If you're holding value for someone, even if it's in a voucher, it's not in actual cash, which you can transfer it. It's in a voucher form for which the person can activate and use and buy something, it has some value. Maybe we should also look closely at that.

The other benefits of thinking this way is that, in reality, I mean, customers tell us they don't care about words like 'financial inclusion'. They don't know what it means and quite frankly couldn't give a hoot. What they care about is, "I want to know what are the bestsellers on your platform?" So, let's say ideally electronics. You tell me, or I deal in fashion. You tell me what are the size, the common sizes? What are the price points? What are the colours that customers want? Maybe customers don't want pink. I have too much of pink. Maybe customers really want blue. So, that when I do access that working capital, I can utilize it much more effectively, therefore, my rate of return is much better than if I use my own intuitive knowledge. Because most times, they don't have data. They're not capturing a lot of data online and, therefore, there's no way for them to do some predictive analysis. What's going to happen? What's the trend? Well, we have all of that data. We have the digital footprint of the customer, we have the digital footprint of all the sellers on the platform who are selling all the things. And, we can say in the last one month, here are the bestsellers as far as far as shirts are concerned. Here are the bestsellers as far as jeans are concerned. And, if you really want to grow in this category, these are the ones to invest in.

So, those are really the things they care about. So, first level, I get access to working capital. The second level, I take it, how do I then optimize working capital more efficiently? So, it's that kind of thinking. We need to start thinking way beyond just the two examples I've given to say, "What else can these guys do? What else can we provide to them that can really improve their financial inclusion?"

On the customer side, we can also check and say to a customer, "I know your browsing history. I know that in the past two months, you've browsed, you've checked for a certain large item. And, you've checked out like three times". Is the problem affordability? "Well, we've looked at your customer profile score and we think that consistently you don’t fail on delivery". Like, I said, I'll give you the example of you carry the freezer and you get there and the customer says, "Well, I'm sorry. I don't have the cash. I was really just testing the platform. I didn't know that it works".

So, of course, such customers don't get a good profile score. For customers who consistently, even when they select payments on delivery, they go through the effort to make sure that money is available. If they're not home, someone is home to receive the item. That's a very strong indicator of what the customer's credit pattern would be even if the customer has never borrowed money from any entity before. And so, we start to think what can we use for customer profile score? How do we leverage that for better financial inclusion? Today, we're also thinking how do we leverage all the piles or sources of data? So, we have a customer behaviour on a platform. Telcos also have customer phone records. Banks have a BVN. Can we cross-reference these things and begin to proactively offer things to customers, be it their health insurance, be it their loan products and so on and so forth?

So, I'm just going to wrap up with how we see the future.

We think that in Africa, at least, I can only speak for the market that I understand. We don't have a choice but to go digital. We've missed every revolution. We've missed every revolution, we’ve missed the industrial revolution. We've missed everything else. This is the only one that our population, particularly our young population, is able to access. So, we need to leverage it. And, I'm saying these things also to the government in my own country. I say, "Guys, you don't understand digital. You're still in the old way of doing things. You need to begin to understand it and begin to enable it because these are the things that will enable growth in our economies".

Why is that? Most people don't have an iPad, they don't have a laptop. They may never have one. But, consistently over the past three years, and I must say with the effort that we have also made, we brought down the cost of the smartphones. I think in 2014, a smartphone in Nigeria was possibly about $300. Today, you can get a relatively good smartphone, a Chinese brand, for less than $100. So, you're providing more access to more people. And then, we see that these guys are constantly on the app, and even that conversion rate is much higher on the app. People spend more time on the app than if they were on the web browser, on their laptop or their iPad or something. They're going to get busy with work and you have an abandoned cart or something. Most time, when they're on the app, they complete the transaction.

So, they are digital. We need to leverage their behaviour to be able to provide services where they are. And, we're going to continue to do that because that's our vision in Jumia that we would use the power of the Internet to change the lives of people on the continent. Thank you very much. [*Applause*]

Roger Morier:
Thank you very much, Juliet. That's a good, encouraging telling us about your views of where you want to take Jumia and how the customers are the focus of what you're doing and the use of technology. Thank you very much.

Juliet has kindly agreed to answer a few questions from the audience.

Amy Davis, Catholic Relief Services:
The first question I have is what's the most popular seller amongst your female market from, let's say 20 to 35, if you have an idea?

And then, I was really interested to hear you say that you found that focus is maintained when people use the app as opposed to operating on a browser at your site. So, if you have any other information or data about that.

Juliet Anammah:
So, the first question I think is about in terms of the seller who sells the most through customers within that age range or the products that is more popular with that age?

Amy Davis:
Both.

Juliet Anammah:
Okay. So, within that age range, I don't think it's one product. You would have to look at multiple categories. Because we, I think today, we have about 1.7 million SKUs on our platforms. So, you're talking different things; data, fashion and all sorts. But fashion does tend to be more in

demand for that age range. I mean, T-shirts, normal work shirts, dresses, in general. Fashion is major for them.

And then, in terms of the most popular sellers. They are not actually the international brands. I mean, it's almost stands to reason because you're talking about ensuring that you have price points that are within a second band. So, if I have a fashion product that is within a band of...what's it called now? 3,500 - I think that would be equivalent of 10 to 15 euros. That's the sweet spot for that demographic. And so, they would go for that. The higher price points don't really attract that demographic.

I also spent some time with telcos to understand what's their own sweet spot, as well, in terms of how much air time people actually buy in a month. I mean, it tends to be within that range. So, they have a higher population of customers within that range. So, there's good correlation in terms of when we go too high, the conversion rate drops. And then, when we stay within that range, the conversion rates on the platforms is much higher.

Richard Leftley, MicroEnsure:
You were talking that 70% of your purchases currently still pay cash on delivery. And, obviously, there's a huge cost to that. There's also a huge kind of potential for people actually not being in or not making the payment. And so, there's a huge cost to your business. And, I'm sure that's one of the reasons why you introduced the app, is to try to convert people from cash on delivery to payment upfront.

Have you looked at or are you considering ways to use financial services to try and increase or reward people for swapping over to the app and then also for using the app? Because obviously, the economics for you are significantly changed if people can start to use the app. And, have you looked at the way in which telcos, for examples, have used insurance and other financial services to try and increase loyalty in how people spend more of their time with telco or the other?

The second question is, in China, for example, shipping return insurance became a big thing. So, people who were buying from e-commerce platforms wanted the ability to be able to return the goods at no cost. Is that something that you've looked at and is it something that you can see working in Nigeria.

Juliet Anammah:
Today, we haven't started it. We're certainly looking at it. We're looking at some players that are already providing that service to Alibaba, but in partnership with some other players in our market because they're not yet in our market. So, we're looking at that insurance. Interestingly, return wait despite the payment on delivery, is actually 2% on our platform.

What is higher is field delivery. Field delivery is: I gave the customer advance notice that I was going to be there, the deliver guy was going to be there at a certain time. He's got an SMS and an e-mail to confirm and he wouldn't confirm. And then, he gets there and he says, "well, you know, I'm sorry. I'm in another town". So, field delivery is much higher. But, overall, our delivery success rate overall is still roughly in the 80s. We're trying to push that up to the 90s. I mean, in countries like Thailand, Singapore, one of our sister platforms, Lazada. Lazada has about a 95% delivery success rate and they offer payment on delivery, as well. So, that's really where we want to go.

So, we also launched what we call, 'JumiaPay'. It's sort of like an e-wallet. We reward customers by saying, 'if you use JumiaPay to pay then we give you 5% discount on the products". So, trying to also incentivize people using the app and paying online and so on.

The reason why we estimate that payment on delivery will still be in our market for a while to come, is still because of the payment infrastructure, the stability of the payment infrastructure at the back-end. So, switching networks and so on.

We have a lot of invalid transactions. Once a customer exits our platform, for example, and he's chosen to pay with a debit card or credit card and it's on another platform, that redirect often causes some drop-offs. Also, a lot of customers have some invalids because customers don't check. They don't know if they actually have enough money in their accounts to place the order and pay for it online.

So, these are some of the reasons why, even though I want to go to exclusively pre-pay, it is suddenly better for me for planning purposes and so on, because the way we look at the delivery success rate and the return rate for pre-pay is almost 100% delivery success rate. Because once I pay for it, I know I really want it. I know that, worse case if I don't like it, I can activate the return. I still have a certain timeline to return the item for free. We don't charge you anything. So, the delivery success rate is higher with prepaid. So, we'd love to go there. But, just dealing with some of the infrastructure issues sometimes it's not the payment platforms, sometimes it's just Internet connectivity and so on, those are the issues. But, certainly, we are incentivizing customers to go on the app.

Female Audience Participant:
Thank you for sharing your experience of Jumia Nigeria. My name is Laissa Mouen, I'm Managing Partner of Linaya Lab. Could you tell us more about what you're currently developing in Nigeria microfinance institutions and banks in order to boost your customer's sales?

Juliet Anammah:
Today, we're on-boarding as many microfinance institutions and banks that are interested to make sure that we can offer different loan products to our customers. What I'm saying is we didn't set out to go into that. It became a need because, like I said, if we want these guys to grow, you need to make sure that within the ecosystem that you can bring banks, other financial institutions with the ecosystem to be able to provide those services to customers. So, that's what we're doing.

Also, talking to telcos. We see that some of the telcos, one of their biggest products is airtime credit. So, a customer wants to buy airtime and maybe he only has half the money available and telco advances credits to the customer to buy the airtime. Of course, the airtime is on their network. So, it's nice and safe. And the customer pays a fee. So, if I paid for airtime worth 10 euros, I get 10 euros less the fee, as the actual airtime that I get.

So, we're also looking at how do we together? Because it seems to be a major product where especially customers who they use profile is airtime within that range I talked about, 10 euros, 20 euros a month. So, how do we ensure that we can work with the telcos and maybe be able to provide certain interest in services for them.

The other thing we launched recently is what we call, 'Jumia Want'. Before, we had the app, the Jumia app. And, more or less within the app, you could go to the e-commerce side, you could go to the food side, but you had to click on all of them separately. So, with the Jumia One app, we are providing a wider array of services. So, now you can buy airtime on that platform. You can also shop online on Jumia. You can order your food. We're trying to bring in more and more services so really create this as a lifestyle product for the average Joe who doesn't have so much access.

So, these are things that we're doing currently.

***Kafui Mills-Odoi, Manager, ADA*:**
I'm looking at a risk component and I wanted to clarify that a bit. So, if you're looking at payment on delivery and in parts we tend to do cash transactions. I'm trying to find out what kinds of systems you've put in place for those who do the direct delivery and collect the cash. What system is there to minimize the risk of losing money? And, what experiences have you had with that part of the value chain?

Juliet Anammah:
The risk is actually not just to products. Risk can also be to loss of life, of the delivery associate. If someone is desperate in love and is on drugs or something and a guy shows up, either he sees two things. One is cash. The other one is product, a high-value product, because he can sell off and get access to cash. So, those are the risks and they do exist. So, what we do today and this is, again, where a lot of financial institutions come into play, is we have agreements with them in terms of sweep. We have minimum amounts of cash that a delivery associate can hold at any point in time. And then, we have scheduled sweeps through the banks. They literally make sure that they go around as many time as possible, to sweep for whatever cash is available and move that into the banks.

We've also created another solution where the delivery associate. We have a network of banks, so not just one bank, as one bank may not have the full branch network that would cater to this need. So, we have a full network of banks within a consortium. And, we have an arrangement where delivery associates can walk into the closest bank. It doesn't matter. It could be Bank A, Bank B, Bank C; they're all in the consortium and drop his cash and then continues his run. So, build all that into the calculation of how many runs you can do in a day and how much you can complete in a day. We've had one or two incidents. People have hijacked the truck from the delivery associate and taken the goods and so on. But, really, net-net, when you look at the risk it's a continual risk. I think in terms of mitigation, we've been fairly able to mitigate it.

Amolo Ng'weno, BFA:
I have Jumia and Jumia food apps on my phone and I don't know how many others also have those apps. There are several people at my table who also have those apps.

The question is about addresses. Are addresses important for delivery?

Juliet Anammah:
I think very important for delivery. In Nigeria, I remember a nephew of mine did a two-week internship with us. And, he says people that he was at the end of confirming orders to customers. And, that's another thing is confirmation of orders. When you are an Amazon, you just place the order. You've paid. You just get a confirmation e-mail. Hang on a second. Not so fast. In Africa, at least not in Nigeria, you've got to call the customer and say, "did you actually want two or just one?" And then, the customer said, "Oh, I'm so sorry. I didn't know I actually added two". So, you save yourself the hassle of carrying two back to the customer then backward reverse delivery with one. Because reverse logistics also has challenges we need to manage. We typically do that confirmation and we only bypass where the customer has consistently ordered on our platform. So, we can almost assume the customer, he would receive the order. So, yes.

So, in terms of addresses, people will tell you, "it's just next door. That lady who sells fish is right next to her. Well, the lady who sells fish is not an address. So, worked closely with Google. Google created certain products for our market that we can use for a better address system for customers to be able to do that. So, those are the kinds of partnership that we have.

Really, if I look at everything we do, like I said, it's an ecosystem. There is a partner at the back-end, some whether supporting. It's almost important that all the capabilities that are required to make it work that we can provide it all by itself, it's just not possible. So, whether its Google or Facebook or logistic providers or banks or microfinance institutions, there's always a partner at the back-end.

Anne-Laure Asboth, Advans Group:
We are a partner of Jumia in Côte d'lvoire. We're piloting a loan mechanism for your traders.

One question on the innovation of deliveries to customers. Do you have any inspiring examples of new ways of delivering for your customers?

Juliet Anammah:
So, in terms of logistics we're testing new things in our market, and I'm sure it's the same thing in other African countries. It's almost impossible to get big logistics partners who are willing to do cash on delivery. DLH is not going to touch it. UPS is not going to touch it. So, you have to develop a combination of your own capability to do, the last mile, and also get third-party logistics players to hook into your network. But then, these third-party logistics companies they're not

necessarily big entities. I could be a guy with just a few trucks, a few tricycles, and he has them available. He doesn't know anything about process, he doesn't need structure. He has to spend some time bringing up to speed on all of them. So, those are the challenges we face.

Next week, we're going to start Junior Black Friday. So, a one-month marketing campaign that we start on the 13 of November. One of the things we're testing this time around is...I don't know if they have it in Ghana for these tricycles that move people, around because we just don't have enough capacity within the third-party logistics network. So, we've got to try new models. We're going to try. We've done a pilot. It worked. So, we want to really try it and see. Maybe next thing, we're going to have, may carrying things on their head. Any which way, but to get it to the customer and doing it within the context in the environment that we operate.

Roger Morier:
I always learn a lot from the keynotes speeches but I think we also learn a lot more by the questions and answers. So, thank you very much, Juliet, for taking the time. Let's have a big round of applause for Juliet. [*Applause*]