Symposium on Financial Inclusion

Reflections on Client Centricity and the Way Forward

(Emcee) Roger Morier:
The first plenary session after the opening speeches is always important because it sets the stage for what we're going to be doing for the next day, two days, actually.

So, this theme of client centricity, we know is very important in terms of driving financial inclusion and moving towards universal financial access in 2020. We've made progress, as Ann mentioned in her speech, a lot of progress since 2013. Certainly, over the last few years. The question is, can we make more progress?

And, this opening plenary session is designed to take stock of where we are in the movement towards greater financial inclusion and using client centricity to achieve that, but also to look ahead a bit, where we're going in the next few years.

So, we have a very distinguished panel that has been put together by my colleague on the financial inclusion team. Sumaiya Sajjad is a Program Manager, who manages several of the partnerships with you in this room. And, I'm going to invite her up to the stage now with her panel.

So, please welcome Sumaiya Sajjad and the panel. [*Applause*]

Sumaiya Sajjad, Program Manager, Mastercard Foundation:
Good morning, everyone.

Roger announced this as the first plenary session, but we're not even a quarter of our way into the agenda, but I feel the energy in the room. I felt the energy in the coffee break, a sense of being inspired. And why not? I mean, this morning we heard from Juliet Anammah about Jumia Nigeria, a company that if we had not gathered together some 5-10 years back, we might not have envisioned to be running in Africa in 23 countries the way that it is. It's really exciting stuff. It's fundamentally shifting how customers are making purchases.

And, why is that important?

Because when you can make one aspect of life go better, then the energy or the effort that you plugged into that aspect can be redirected towards the many other daily challenges that you face.

And, that really is that essence of client centricity, and that's what we're talking about in this room and that's why we have the Jumias of the world with us at SoFI.

Ann Miles in her opening remarks also reminded us of that same point, that there are remarkable shifts in the environment in which we work. The kinds of organizations that we work in is vastly different today than it was 5 years back or 10 years back. And, the customers that we cater our products and services to, their expectations are also much higher. But, we should all take this in a positive way. What this means is that each one of us, whether we are an MFI, a commercial bank, a mobile network operator or a Jumia or an agri-business, each one of us need to embark on our very personal journeys towards customer centricity because, again, as Ann said, 'transformation is critical. We all need to transform'.

This year, over the course of the next two days, we're going to talk about transformation at many levels. This particular panel is going to focus on transformation at the institutional level. But, by the time we end today, we'll be talking about what happens if the ecosystem at the market level looks different, that kind of transformation. And then tomorrow, we start to talk about what's the impact of these institutions working in a transformed ecosystem?

So, before I explain my panel any further, I want to do a quick exercise. Can I ask all of you to please stand up for a moment?

So obviously, you're all SoFI 2017 participants. Just look around for two or three seconds. I hope that you see some familiar faces because it's always nice to run into friends. But more importantly, I hope you see faces that you don't know. This is a point that Roger made earlier. 'Our family is growing'. So, find those faces that you don't know, the organizations you know nothing about. These are the people you need to be friends with by the end of the week.

And now, remain standing if you were in Kigali last year, at SoFI 2016. So, fewer people standing. Thank you for coming back. SoFI 2015 was held in Cape Town, South Africa. If you were with us there, can you stand up. Some of you might have sat down. So, I hope you're taking note of what's happening. SoFI 2014 in Italy, gelato and espresso. [Laughter] There are fewer people standing. 2013 also in Italy. You know, I have all the names so I can call them out. I have the full list. But, I see a corner over there and I know there are more people. But, a round of applause for the friends and colleagues over there. [Applause]

Beyond applause, the point that I wanted to create is that we talk about this evolving ecosystem. We talk about new stakeholders, but rarely do we try to visualize it. And, I hope this exercise gave you that sense of actual people in this room. We try really hard at the Foundation to ensure that those new faces are represented here.

And, what new faces really mean is that when we talk about client centricity and how we define it, why we think it's important to be client-centric, how do we become client-centric, these things people might be thinking about them differently. They might have different approaches in mind, different models. And so, we're going to be talking about this topic for the next two days. And, we are a space or an industry known for our jargon. I won't be able to solve our jargon crisis. But, at the very least, I will get us on the same page in terms of what we mean by this central term that we're using.

So, I have 75 minutes. I'm going to spend a chunk of my time bringing us all on the same space. We're going to do like a crash course on client centricity. Then, I bring two providers who have been part of the SoFI journey in the past to tell us where they are today. Let's do a status update with them. You promised us 'x', are you at a place that's better than 'x' today? And, what have you learned along the way? And then, let's start pushing the envelope looking into the future. We talked about some really big goals and big dreams for this room here. How do we start moving towards those goals and dreams? So, that's the lay of the land and I have 75 minutes to do that.

But, for that first chunk, that crash course on compliance centricity, I'm really excited to welcome to the stage Gerhard Coetzee from CGAP. Many of you have seen Gerhard at SoFI over the last few years. He is one of a handful of people who have attended all five events. And, it's just so nice to have him as part of this conversation.

Gerhard heads up the Customers and Providers Solutions team at CGAP with a bigger team. He works with a set of financial service providers to really implement the many concepts and approaches that we've talked about over the last few years. And so, in this very evidence-driven way, he's come up with definitions and frameworks and tools that will help this room. And, more than half this room are providers, to really take the concepts back home.

So, Gerhard, you have 10 minutes. Give us the what, why, and the how. Thank you.

Gerhard Coetzee, Head, Customer and Provider Solutions, CGAP:
Thank you and good morning everybody. It's great to be here again. I said to Ann, "it feels like a reunion". I don't want to say high school reunion because you all look too old, [Laughter] but it feels like a reunion. Now, that I insulted the audience and I have your attention, let me go on.

I did want to say it was interesting to observe the standing up and sitting down. Some people were standing up and sitting down and standing up and sitting down. There was no count.

I was thinking about 2013. In 2013, we did not even define customer centricity that year. It is as if we arrived in Turin and we decided that we're going to put the customer at the centre and that's what we're going to do, and we did it quite well. So, that symposium sort of said, 'here's the topic. That's where we are going'.

End of 2014, people asked, "so what *is* this definition of 'customer centricity'?" And, we looked at each other and said, "we better start using a definition because are going to ask us about it again the year after". And, we looked around and we thought well customer centricity is not about just smiling and customer care and being friendly and working with poor people. It is

MUCH more than that. So, we started using this definition that is by Doug Leather in a book called, 'Customer-Centric Blueprint'.

And, it basically says that customer centricity is a business model that operates in the firm's ecosystem. Suddenly, you're looking at a whole systemic approach, systems approach. That ecosystem consists of customers, employees, suppliers, shareholders, and the community it serves. Part of that is also the partners that you work with. And suddenly, when you start arguing that, you're thinking far more thorough, far more comprehensive, and far more about the many places, things that can go wrong, if you don't have your eye on the customer.

And, how do we measure our achievement around customer centricity? Well, we'll come back to that several times during today's discussion. But, one way of looking at it is whether you create value for the customer, value for the firm, and let's hope value for society as well.

So, what drives the adoption of customer-centric models? Well, mostly shocks. Mostly, challenges that we have to look at and we have to face as financial institutions. And, the reality of these challenges is that these challenges are derived from how customers perceive your services, whether you are eroding customer trust, whether they have a good or a bad experience. This leads to non-take-up, low usage, dormancy, drop-outs. And, we know that as a sector or industry or whatever we want to call ourselves, we are not doing so well in terms of that 'use' part, which is something that we have to attend to.

It is not only shocks. It's also customers are more informed. Social media helps a lot. We're spreading the word. And, we know that customers make financial decisions mostly on the basis of word of mouth. So, we have to be attuned to that as well. More customers demand value because they're better informed so more competitive playing fields so we have to differentiate ourselves.

Lastly, businesses are also looking for more sustainable models, of which the customer-centric model is definitely one.

How do you move to become, how do you adopt the customer-centric model? Well, it is probably an exceedingly difficult thing to do depending on where you are in your maturity as a firm. If you're a start-up firm and you can install that kind of behaviour right up front, it's probably easier. If you are a firm that's quite mature and you've worked on a different model, it's quite a challenge.

They say there are three shifts that are of importance when you want to be more customer-centric as a firm.

Firstly, it is about 'strategy'. Strategy is based on you, as a leader, focusing on that culture.

Secondly, the 'culture'. As leaders, and you are the leaders in the room, you are responsible for that culture. Where the culture is changing from product-driven culture to a culture of solving customer problems.

Lastly, 'structure' follows.

So, now that we've looked at what is the definition of customer centricity, what is the drivers of customer centricity, and the fact that it's difficult to adopt this model, let's look at our journey at the Symposium over the last four years plus this year.

So, at the bottom of the slide, you have the Pillars of Customer Centricity, which we've synthesized from research across the globe in terms of firms that are doing well in this regard.

And, the first one, 'Customer-Centric Leadership and Culture', we've literally covered at every Symposium from 2013 to 2016.

The second one, 'Customer-Focused Operations', we are a little bit light on work in that area, although Nick Hughes, and today you will hear from Jon Ridley of M-KOPA, has a lot to say about that. And, Nick shared this with us in 2016, if I remember correctly.

On 'Empowering People with Tools and Insights', we've done a lot of work around tools and insights at the Symposium, but we have not addressed empowering people that much except Leon Lourens did it 2014 when he spoke about empowering people and adding value for customers.

Then, 'Customer Experience Design and Delivery'. At every Symposium, we had something about that.

Lastly, 'Customer Value'. We had a lot of mention of the business case, of creating customer value, but it is a nut that we must all crack, so to speak.

If we just can do a little bit of a commercial moment for about nine seconds. This is the Guide to Customer Centricity, which we put together to guide financial institutions in this adoption and application of the model.

Tomorrow morning, I will take you quickly, with a surprise guest helping me, through the Guide.

You will find a little brochure like this on your table, tomorrow morning, not now. Creating some demand here in anticipation. We will cover that.

And, I will then look at this more in terms of how we structured the Guide.

What is extremely important about the Guide is the Guide guides financial service providers to face and solve and identify four business challenges.

- 'Customer retention'. Nobody's got a problem with customer retention.
- 'Acquisition'. Big challenge.
- 'Development of the customer' in terms of more products for customer.
- 'Use”.

Sumaiya Sajjad:
I have two takeaways from what you just shared. When you had your second slide on, I just quickly counted the number of topics that we've covered over the last four years, coming into the fifth. Twenty-three topics. That doesn't make it seem like this journey towards client centricity is an easy job, by any means. But, my take-away from you introducing the five pillars and the Guide is that there's actually a way to be quite organized in a systematic journey towards client centricity. And so, I hope that's good news for all the providers who are sitting in the room.

The second piece, which probably comes before the first piece, is that you need to articulate what business challenge or challenges it is that you want to address. Do you want to acquire? Do you want to retain? Do you want to increase usage? Do you want to grow your customers? It's probably a combination or a sequencing, but keep that in mind. That's actually a message that's come up several times at past events.

I have a question for you. This is a question that's I'm relaying back from the audience to you. You've heard it, I've heard it. All of us ask each other this question. So, you apply these methodologies as design, research, etcetera, methodologies. Are there results, where is the business case for this? So, I want you to share two to three of your most favourite or most compelling examples where these organizations have applied their principles and experienced benefits.

Gerhard Coetzee:
Let me turn to that. I can say I anticipated this question and prepared for it. The first thing is that the '2% rule' applies. A two percent increase in retention saves you 10% in cost. That is international research. But, what is even more fascinating is that if you turn to our industry and you look at results here, we looked at three firms, as examples.

The first firm is MetLife. The message in MetLife, and I'm not talking about MetLife in America, I'm talking about MetLife in emerging countries, is product simplification based on needs. And, MetLife had very good results on the basis of that compared to competitors.

Digicel Haiti, the message there is product simplification focused on the product the customer really needs, and use community structures in training customers to reinforce product functionality training. There, they moved from 40,000 to over 800,000 active mobile customers between 2015 and 2017.

I want to finish with PEP. The reality of PEP was product simplification and customer value. Then, train and inculcate the culture of customer service with your employees. Empower them to do it.

In the final analysis, value for customers is the leverage point. When customers trust financial service providers to solve real-life challenges and dissolve pain points for them, this equates to realized customer value. Thank you.

Sumaiya Sajjad:
I want to bring back two organizations who have shared their stories with us over the last four years. They're committed to certain things or they shared their goals with us, they shared what they're going to do over the next few years. And, it's been a few years now. And, I'm going to ask them where things are with them. So, I'm really excited to have with us Denis Moniotte from Microcred and Jon Ridley from M-KOPA Labs.

I'm going to give a little bit of background. And, I'm going to remind all of you what their colleagues had shared with us in past years. So, Denis and Jon, welcome.

So, Denis is the Chief Innovation Officer at Microcred and the Chief Technology Officer. He works with Microcred's banks in Africa and China to apply technology and apply digital to transform how they do financial services. He's had a career where he's focused on this, how can technology advance financial services and make it better for customers? And, he back here because some of you will remember, those you who stood up when I asked you if you were us in 2015. Mark Flaming, who was then the Chief Operations Officer, had said, "look, we want to grow our business in Senegal and Madagascar and the only way we could do it is if we adopt a mass market strategy. And, a mass market strategy has to be driven by client centricity which, for us, has a number and a face." Then he said, "what we have done now is laid the train tracks and we’ve invested a lot of money to do it and over the next few years, we're going to build the cars to run on these tracks".

So, I'm going to ask you Denis, in a little bit, what are those cars and what's been the process behind that?

Jon is the director of M-KOPA Labs. M-KOPA Labs is that cool unit within M-KOPA where new solutions for customers are envisioned. What is that next problem for clients that M-KOPA can address? He's thinking about things around agriculture, education. And, we'll get a little bit of sneak peak in what might come next for M-KOPA. Prior to M-KOPA, Jon spent a lot of time in this world of innovation and start-ups.

So, we're going to have two different kind of provider conversations. But, I'll try my best to bring up some of the common themes.

Jon, a little bit of background on what his colleagues have shared with us in the past. Jesse Moore was part of this event a few years back. And, he said, "we're only interested in solving a billiondollar problem". Energy, for them, was the one that they identified. Last year, we invited Nick Hughes to talk about data. So, he spent a good 20 minutes talking about data. Right after the end of his talk, he said, "yeah. We're known about data. We know how to use our data. We know how to mobilize our data, analyze it, and all of that. But, 80% of our success is real boots on the ground, hard operations work". So, Jon, I'm going to ask you questions on that. So, keep that in mind. Keep that background in mind. And, as they give you the updates, think about questions, ideas, or thoughts on that timeline.

Let's start by understanding your business models. We know what they were a few years back and they've evolved over time because you, as organizations, have transformed in different capacities. Give us a sense of where you started and where you are today.

Denis, I'm going to start with you. That mass market strategy, can you remind us what it is, the crux of it, and that defining business model.

Denis Moniotte, Chief Innovation Officer, Microcred:
So, I think we've been there doing this business for 10 years in a very analog fashion. Our story is really one of transformation. For us, digital and customer centricity is two sides of the same thing and that thing is to go mass market, to be relevant to much more clients. So, we basically tried to find out how we can become relevant to everybody everyday in a digital and, therefore, scalable way. So, this is what we're trying to achieve. We're trying to plug a new business line into our current business model, a business line that would be a high-volume, low margin, fully scalable, fully digital business line.

Through that transformation journey, we're going through four waves.

The first one is basically to set up the technology, to put everything in place so that all of the digital things are made possible. So, that's a lot of work, a lot of years also spent. This is definitely not the tip of the iceberg. Things like putting a centralized IT infrastructure in place. A single call base called, 'Banking System for 10 Countries in Africa'. This is a centralized data warehouse. There's a number of things like that that puts us in a situation where digital transformation is then only possible.

The second wave is basically creating an end-to-end digital experience for the clients. So, we go through the entire customer journey and we say, 'this step, how can we move it from analog to digital'? We do that for every single step of our customer journey, for onboarding, loans, savings, everything.

The third one is basically to say we also have a core business that is there that is actually taking care of already many clients. It's what the company has been since inception. And, this has to benefit also this digital transformation. So, the third wave is basically to say, once we have digitalized one in view of going to a mass market business line, once we have digitalized and improved one step of the customer journey, we also make it our core business benefit of it. So, if we invent an app that will be used by our mass market customer, we make sure that we can also make it useful for our core business.

The fourth one is basically to say that when all of these things are being done, you still need to get the clients. The fourth one is acceleration of adoption of new clients, of usage and leveraging more things like digital marketing, social media, so that we make sure that we are scalable on the growth of the customers.

And so now, where are we, we're basically finishing with 2 and 3, so building the full digital customer journey, and starting number 4, acquiring the customers.

Sumaiya Sajjad:
I'll ask you more about the waves and how you've been riding them. I know you have some interesting updates on that front.

Jon, I have a similar question for you. Can you describe M-KOPA's business to us? We know M-KOPA. We've heard from M-KOPA, but you've scaled tremendously. Every time we talk to you, there are more numbers to share. So, where are you today?

Jon Ridley, Director, M-KOPA Labs:
Jesse Moore is an entrepreneur and setting a big target is his job. In the last two years since he was here we've experienced 100% growth, which is we’re nudging on 600,000 customers. Very exciting. But, maybe qualify what he said by saying, 'energy is a starting point' in terms of the financial services that we're looking to provide to customers.

I'm sure a lot of people know M-KOPA but some won't. The 'M' in the name stands for 'mobile' and KOPA essentially is Swahili for 'borrow'. So, mobile borrowing is in our catch phrase or motto which is *maendeleo ni leo* which essentially means 'helping customers to upgrade to improve their lives'. So, we're all about providing flexible access to credit to help customers. To develop the credit relationship, we have to sell a product. That's our starting point. We don't lead with credit. Energy is the starting point. Everyone knows there's hundreds of millions of people in sub-Saharan and Africa who live off-grid and who are dependent on a dirty and expensive fuel kerosene that is expensive to access and has all sorts of hazards.

So, M-KOPA's core product is a solar home system, which has an imbedded SIM card. We allow customers to put a small deposit down and take the system home and then they pay us back using mobile money in small increments every day until they've paid off the device. So, that's flexible mobile lending.

The thing I would say about customer centricity is when you're offering credit on that basis, the customer is everything. Customers can just walk away and not repay and we're left with bad debt. So, all of our products, positioning, and service offering has to really meet customers' needs and help them with their lives otherwise, in a sense, we don't have a business. Maybe over time, the business model has evolved beyond that as you get customers on to the account. But, I thought

I would just talk through the stages of the process that we have in terms of achieving lifetime value with customers.

The first one, which really refers to the early discussion, is about attracting. So, we have to find a problem and that's not an easy sell in many ways.

So, we talk about problem-base selling in the first face-to-face sale. We have about 1,500 sales representatives out in the field who, on a daily basis, are engaging with customers, walking them through the challenges they face in terms of their current options for energy, looking at the costs of an alternative, cleaner solution. And then, helping them make the decision to adopt our product. And, that's where technology really does have to support that transaction because I've been with sales agents out in customer houses. They spend a long time working with a customer to do the sums, help them recognize the savings, the long-term benefits and so on. Then, if the network is down and you can't transact the activation process, it's frustrating to the customer and for the agent. So, it's an intensive process, the up-front attraction.

Then, we're really into the process of retaining the customer. We've extended credit that sits on our balance sheet. We want the money back so the customers have to love the product, they have to get the customer support they need. We have a very large customer support team. They have to like the repayments. There has to be flexibility. We don't just cut people off if they run into difficulty with payments.

So, we start to offer them options for add-on products once they start to reach the end of their payment process. What's very popular, for example, is a fuel-efficient charcoal stove. It's another product that can help people save money in small increments and that can be done remotely.

Really where we're trying to get to in terms of customer lifetime value is upgrades. So, that's the next product beyond basic power. Televisions, for example, are extremely popular. We sold about 80,000 TVs so far and that's a good use for customers with the savings that they're making on kerosene on the product.

So, it's really having the systems, processes, and the right staff to help customers through that whole process whether it's face-to-face or remotely.

Sumaiya Sajjad:
What I'm trying to connect back to what you laid out for us. The common theme I'm seeing here is that both Microcred and M-KOPA obviously, like most of you in this room, are trying to grow your customer base. So, you have this continuous acquisition cycle that's going on. But, while you're doing this, simultaneously you're trying to do more with your existing customers. And, you have all of this back office and technology and operations work that's evolving in order to facilitate that acquisition, growth, and retention; those challenges that Gerhard mentioned.

So, I'm going to dig a little bit further Denis, with you about Microcred. So, you lay out these core technology blocks that you refer to, the first wave of the four waves. Can you give us a more real example of designing and launching a product that will run on those rails, a product with a new digital face for customers.

Denis Moniotte:
So, I'll take one example I think has been very interesting. We have designed a new product we call, 'Taka'. So, basically where it starts is by researching one specific need of the client, the one pinpoint. So, for this one we picked the need for urgent and discrete access to liquidity. From there, we keep in mind what's important to us. Like I said before, it has to be digital, it has to be scalable, it has to benefit both our mass market strategy as well as being reusable in our core business. So, we basically keep that in mind and we start designing the product. We meet the clients and show them concepts. We design the product, we prototype it before we build it. And then, we build it, we pilot it, and off we go with scaling it.

Taka loan is basically quite simple. Of course, decision-making is scoring, there is no human decision involved. You take a loan directly from the agent network so you don't have to come to the branch. One thing that is important is the flexibility in the repayment that we give it. So, if you take 100 today as a loan, you will have to repay 106. It doesn't matter whether you repay in two days or three months, it's exactly the same amount to repay. That is the full flexibility that the customers have liked so much because they are relieved from the uncertainty of how much am I going to repay. Is it worth still keeping the money or not, etcetera. So, of course, we give them incentives to repay early because otherwise nobody would repay before the three months. And, it works very well. People are basically very happy with the product.

So, the key takeaways I want to highlight here, the first one is this concept of under-design. I think this is something that is really, really important in the way we design our products.

We view every single product feature as a potential friction. So, basically, what we try to say is, is this idea, this feature really important or can we do without it? We try to under-design the product. The goal of that is to let the clients actually show us the way they want to use the products. So, we make it very simple. And, we've observed behaviour of people using the product in various different ways. An emergency arose and they would take the loan and that's it. Some others, would rather manage the peaks in their working capital needs in many different ways. So, everybody sort of self-served what he wants from the product. This is giving us, for the future, a lot of ideas on what to do. We could now make it better, split the product in two, make it better for some usage and some to others. So, under-design for us is very important.

Another aspect for us in building the product is this thing of digital versus human relationships. For a long time, our relationship with our customers has been extremely human. So, it's actually more than a relationship between Microcred and its clients. It's been a relationship between portfolio managers and their clients.

So, when we launch this digital product, we make people eligible. We send them an SMS for the offer. And, when it's returned. 'Congratulation! You are eligible for this amount, for his loan. Any information you need, call centre number". What happens is all clients call their portfolio managers, never the call centre. They say, "I received this SMS. What is it? Should I take it? Is it real? Is it good for me?" So, this has been an issue for us because obviously this is reducing the scalability of the product. We now have to train all the commercial officers who are going to be called. So, it's a challenge that we have to look at.

The last thing I want to highlight is internal buy-in. You remember my different waves. So, Wave #3 is 'make our digital product also useful for our core business'. For that, they need to buy-in to the product. And, it's hard for an institution where portfolio managers and credit committee have made all the decisions on lending for the last 10 years to tell them right now there's an algorithm that runs somewhere in the cloud that's going to make the decision for you.

So, what we introduced was a functionality that we call, 'opt out'. Basically, it allows the portfolio manager to say, "this client and this client, I take them off the scoring and they will never be eligible". And, we did that not because we think it's going to be good for the risk we take. We did that just because we thought that if we do that, our staff will have the feeling that they still have something to do about the product. They might avoid one or two fraudsters to take the loan that the scoring might not have seen. That doesn't matter so much, but they will really think we are controlling this. So, this idea is of giving them the possibility to act on these products, as well.

Sumaiya Sajjad:
Thank you, Denis. I really liked how you described the product development process because it's really like you developed it with the client and not so much sitting in your office and prototyping by yourselves. It was engaging the customers, not perhaps exclusively, but letting them use it and find out what the patterns of usage are and then determining where this product fits in within their broader portfolios.

And then, on your point on aligning with core business, at the Foundation, we have a portfolio of what we call, 'Alternative Delivery Channels'. And, one of the things that we've learned is that as you launch these channels...you've been doing business a certain way for 10-20 years. And now, you're introducing a digital piece, that whole analog to digital journey, that you mentioned. How do you ensure that from the outside, you still maintain a reputation that's seamless? Microcred is known to be an organization that you go to for 'x' or 'y' because what's happening in the back office is happening in the back office. Customer experience needs to be seamless or you try to keep it seamless.

Jon, I'm going to come back to you now. So, this is where we're going to go into Nick's comment on this 'boots on the ground' piece. And, a lot of what you said earlier it seems to me that face-to-face, that human transaction at that sales point or the point when you're acquiring new customers, remains critical. So, as you grow and there's tremendous growth that you've had, how do you continue to have that feature but also develop an operating model that is efficient and more process-led, perhaps?

Jon Ridley:
That's a great question. And, I think it's about continual improvement. I would say 'experimentation', but I hope it's more deliberate than that. I mean, what we do hasn't necessarily changed. It's the 'how we do it'. We seemed to have leveled out in terms of full-time staff and sales staff in the market. And, I like Ann's reminder that we have to be nimble, but also increasingly, as you get to a certain scale, you have to look for a certain efficiency. Saying, what's the right ratio of sale staff to sale managers? M-KOPA's always had a rich data feed, but increasingly it becomes data informed, if you like. So, if you go a stand-up meeting at any level whether it's in one of shops or at HQ, you'll see these data feeds coming in. If something's happening on repayments, there will be immediate contact with customers to understand is something impeding them? Is it a system problem? Is it part of the pricing policy? And, that will help us. For example, those data feeds, we know that just absolute numbers of sale staff in the market doesn't lead to happy customers or numbers of sales. It's touch points with customer, numbers of touch points and, if you like, successful touch points with customers. And, we can now, on a daily basis, measure the extent to which our sales team are out there.

There's technology. We do have sales apps that we're equipping our staff with. For example, on a Monday morning a video will go out from head of sales telling everybody about the new offers, reminders about customer preferences, and so on. Actually, some of our customers have tried to download news about themselves. It's not its intention, but that's an interesting opportunity, isn't it?

I guess the other thing about, let's call it, 'maturing the organization' becomes increasingly specialized as a young entrepreneurial start-up where everyone was involved in everything. Now, it seems to pretty much super zoomed in on, the credit team is focused on credit. If we want to know is the election having an impact or if a harvest is failed somewhere, the credit team will be able to give those data. That gives you the increasing specialization whilst understanding the context of customers, is really important.

I think the other thing that maybe changed over time, and I think some colleagues have been speaking to Jumia and thereabouts, partnership becomes important because we can't do everything. We can't develop all products, we can't distribute all the products, and we can't satisfy all of the customer needs. So, we've kind of been fully integrated in many ways because we had to. Serving customer needs as they expand beyond energy alone, more use of credit, depends on partnership to a large extent, I think.

Sumaiya Sajjad:
So, I want to go into that point, going beyond energy. I want to go deeper into what you're representing, M-KOPA Labs.

So, in an earlier conversation, you mentioned that you feel M-KOPA is only scratching the surface in terms of what it can do to meet customer pain points. So, what is the philosophy behind the product suite expansion? I promised the audience a sneak peek into what we might see from M-KOPA. So, how do you decide where to go next? Because you have this operating model that's been established over the last few years. How do you decide what to provide and tell us what we might see?

Jon Ridley:
Sure. I guess I'm trying to be really sensible, but part of my job is to be a little bit irresponsible and try to think a bit further out. The challenge in an organization like M-KOPA is innovation is built into the DNA, it's setup by three entrepreneurs. The core business as it grows it has to have this focus and stay and keep a granular attention to customers' needs, sales, and so on. So, the challenge or the danger of a growing organization that's really focused on the 'now' is you don't have enough time and resource frankly to worry about the future.

So, Nick, who is the Chief Product Officer, one of the founders, is particularly concerned that we do both. So, Labs is a smallish, ring-fenced resource to create a buffer between the day-to-day pressures of sales and looking after customers. There's a lot of good people who get focused on getting help to solve this problem, just a bit of a buffer between that and thinking about 'well, what will our customers want in two years?' If they have paid off their lights and they have a TV, what else might they want related to power? Or, if they have this credit relationship with us and they're involved in farming, can we satisfy that need and how do we do that? How can we play a role with credit and knowledge of our customer and facilitate distribution of agricultural inputs that they need, or just credit that they can then choose themselves?

And so, our role is really to experiment sensibly within strategic areas that are defined by our Board, recognizing there's a whole range of opportunities out there. We have to see that point at which we join up again and it can't be five years out because Jesse doesn't have patience for that. So, next year would be good.

So, we do have some products coming out to market next year related to power in the home and small enterprise. We're trying to achieve that same theme of material benefit to customers in terms of economic savings. It's hard to find a similar opportunity for kerosene. You can displace kerosene overnight as a saving. When it comes to other household or small enterprise opportunities, it's more about efficiency of expenditure, labour time, or time that could be invested into labour and so and so. I guess some of the products that we're working on will be a little more risky, but we think there's huge opportunities, particularly for women frankly who bear the labour or, if you like, the opportunity cost of being really tied to some of the chores.

And then, we're looking at a whole range of credit products and credit we're pushing quite hard on, but we haven't found a perfect solution. And, I think more partnerships and actually more use of technology to overcome this payment cycle between customers, us, and these providers...my Chief Financial Officer doesn't want to see a large cost for inventory on my tab. So, we have to have partners who will have that specialism.

And then, we sell a lot of smartphones. We have screens in people's houses so content connectivity, affordable connectivity. And then, value or valuable services whether that's content, information, or actually entertainment that we can layer over that, are some of the key areas that we're looking into.

Is that enough of a sneak peak?

Sumaiya Sajjad:
That's enough of a sneak peak, but I'm sure you're going to get questions so be prepared for that. I wish we had time to delve into that.

I just want to repeat one thing you said. 'Careful experimentation'. I hear it as this appetite for measured failure. We talked about how do you build a culture that allows some small mistakes to happen from which you can learn. So, I heard that a little bit from you.

I have a final question for both of you, which is how do you define success? So, within your four waves of mass market strategy, what does success look like for you, Denis?

Denis Moniotte:
The obvious number of Taka loans disbursed, the revenue, the usage. Also, sometimes you can start measuring success when you go out into the field and you have qualitative feedback. I remember a client who was introduced to as the person who led the team who invented the taka loan. It was in Senegal where we introduced it. And, the guy said, "You're not Senegalese". He was shocked. I said, "No, I'm not Senegalese". Are you reading in people's mind then because this is exactly the kind of product we wanted to use? This is the quality of the feedback.

Overall, the big picture, what really matters for us, is to be able to see that the customer is moving from a transactional-based relationship with us, meaning you take a loan for 12 instalments and every month you will pay an instalment. And, that's how you perceive us, as the thing you visit once a month for paying an instalment. Moving away from that, to a solution-driven relationship where basically the customer would come back to us anytime he has something that is around the solutions that we propose, and that he thinks about us as a solution more than just 'what is the next transaction I have to do with them?' If we make that a success, then it will be good.

Sumaiya Sajjad:
That's a really good picture of what success looks like. Jon, the same question for you. What does success look like at M-KOPA?

Jon Ridley:
I'll split it into those three areas; train, upgrade, and track.

Of course, we're selling 500 systems a day. We want to be higher than that. Retain repayments is an indicator of the extent to which customers like the product, pricing, and the flexibility and support. So, we're in excess of 95%. We want higher than that. 'Net promoter scores', as we call it, would someone recommend, in excess of 97%? And then, upgrade, which is really the new parts of the whole thing. I think we're heading for 60% of paid-off customers upgrading to another product. And then, beyond that, as far as we can go. If I was Jesse, I'd say a million customers by the next time we see you.

Sumaiya Sajjad:
Hopefully. Fingers crossed. We can spend a lot more time here, but we're running a little bit out of time.

I want to draw maybe one takeaway from listening to Denis and Jon is that both Microcred and M-KOPA spend a considerable amount of time and resources figuring out the foundations. In the case of Microcred, it was those technology rails, that fist wave. If that is not strongly laid out then what you do afterwards is just not going to work as well as it is now, the Taka loan product. In the case of M-KOPA, that operating model that took a little bit of iteration to get to. And now that you have that in place, you can start thinking about those added products.

So, let's keep that in mind as we have further conversations here over the course of the next couple of days.

I'm going to move on to that final chunk of my panel, which I mentioned earlier, which is looking into the future. How can this conversation, how do we work together to advance our goals on financial inclusion? Ann talked to us about really big goals. She said, "Client centricity in our sector can mean a gateway to a better life". I want to understand what 'better life means'. And so, there's a reason there's a fifth chair on the podium.

Daryl Collins. Ann already mentioned her. She was a big inspiration behind this whole client centricity theme. Daryl is Managing Director at BFA. And, we really know her for her financial diaries work, but also just her extensive amount of time she has spent to get to know customers and their financial behaviours and a little bit of history, because I gave a bit of history of Microcred and M-KOPA.

Daryl was part of our first Symposium in a panel where the question was, 'What do clients want from financial service providers? 'What do they want from their FSPs?' And, we're still asking ourselves that question. Then, she came back and talked to us also about research methodologies. But, one message that she's always been giving us is focus. You can segment down right to that last customer, but there are market level livelihood patterns. Keep an eye on that and that will help you design what it is that you want to design.

And, the other things she said, 'you can research until the cows come home'. But, if you don't know what business challenge it is that you want to address, this is not a very productive way of doing business.

So, Daryl, my first question to you today is the first question we asked you in 2013. But, I'm going to drop a letter. What do customers want not from FSPs, but what do customers want from FS, from financial services?

Daryl Collins, Managing Director, BFA:
I think that we all know in this room that customers don't really want an account and they don't necessarily want a wallet. They want the things that that will bring them, right. They want a better roof on their home. They want their kids to stay in school for longer. They want to eat meat or vegetables a little longer during the month. They want those tangible rewards. That's really what they're looking for.

I think part of what we don't realize is that finance is this very nebulous poverty alleviation tool. It's not that easy to really track the impact on people's lives. And, I think that that's been frustrating in our journey.

As we look back on some of the learnings that we've had, there's been a number of different attempts to try to connect finance to these broader goals. In fact, there was a UNSGSA Paper written by Leora Klapper and others at the World Bank in 2017, which tracked finance to the SDG buckets. And, she found that actually finance underpins about 10 of the different SDGs. And so, in that way, we might be giving ourselves a little bit of a disservice by only thinking about how does finance actually lead to poverty alleviation? That's one SDG, and it's incredibly important. But, it's incredibly hard to move and you only see the effects of poverty alleviation or even increased resilience over time.

So, we should be thinking about the impacts of all the things that these gentlemen here on the stage are actually doing with their clients. They are impacting safety and security for their clients. They are impacting light and cleaner energy. They are impacting a number of different factors in people's lives. It's just that we, as a community, might not be counting them quite as well as we should.

So I think, in many ways, we need to rethink how we create impact in the lives of low-income people. I think that if we think of it more as spreading through their entire lives then we may actually see that we've done a bit more than we think we have.

Sumaiya Sajjad:
Thank-you. I want to understand this better. You're right. We talk about financial inclusion as a pathway to economic inclusion, but there's this big black box in the middle.

So, you said we've made certain advances. I have a two-part question. What are your thoughts on how far we've come? Can you point out some of the good things that we've done over the last few years? But, what are those pieces that we need to sharpen so that we can track impact in a better way, in perhaps a more collaborative way, it seems to me. Because there’s this product and that product, but together there's something happening, something shifting in client lives. So, can you share a little bit on that front.

Daryl Collins:
To be honest, I think that we, as an industry, have done an incredible amount. There's many more but, for me, the two most important impacts that I can see are the range of partners that we have in the landscape. We're not just talking about working *only* with banks and MNOs. We're still working with them, but we're talking about a whole range of other partners. And, that is tremendous success and it's really changed, I think, how we can use finance to improve people's lives.

The other thing is using digital technology to bring the price-point down and to improve the business case and bring revenues up through cross-sell and more targeted cross-sell. And, we're just getting started on that.

So, suddenly there's a lot of possibilities in front of us. But, what I think where we've really missed the mark is understanding where we're going next. I mean, once we've said, 'okay', we've really gone a long way in terms of access. I think there's a lot of stumbling around to think how do we show progress next? A lot of people are talking about usage, but there's a few other ideas I think that are floating around. Dave Kim, who's in the audience, led some work from the Gates Foundation and CFI, CFSI, and Dalberg talking about financial health and thinking about that as a target. I know that Caribou Digital just came out with a set of work about impact gaps.

I think we can actually go a little bit further. And, I think a lot of the philanthropic capital underpinning our efforts is actually demanding that we go a bit further. In fact, a year ago at this conference, Mark Flaming, who Sumaiya mentioned, approached me. He, at the time, was the Head of the Pacific Financial Inclusion Program. He is now at a bank in Myanmar that partners with Wave money. Mark said to me, "I don't think my program has a problem yet. But I keep getting asked by my donors, 'what impact are you having on people's lives? I know that you're tracking usage and your tracking your accounts and this is all great. But, can you put this impact in a framework that I can understand?"

And so, with the help of UNCDF funding, we went and worked with Mark and Liz Larson. And, we realized that a fundamental conceptual challenge that we were hitting, when we really started thinking about tracking, not impact per se, but tracking impact, is that we were conceptualizing the impact of a financial tool in terms of you introduce the financial tool and what is the impact on people's lives, mostly in the realm of poverty alleviation? We had a one-to-one conceptualization of our impact.

Now, that's all wrong. That's not what we see in the field. We know that finance is insidious in people's lives. It's like a whole bunch of tentacles that underpin clean water, better energy, better health, better wellbeing. It isn't just a one-to-one relationship. We know that M-Pesa, for example, the best studies that we have on impact in this community is the Suri-Jack work, I would say. So, Tavneet Suri and Billy Jack did a set of experiments on M-Pesa and they found, in a paper they published in 2005, that M-Pesa <u>prevented</u> a 7% decrease in consumption. Then, they just last year published a paper that said, 'well, M-Pesa <u>lifted</u> about 2% of households out of extreme poverty'.

Now, think about this. This is the BIGGEST innovation that we've had in our industry. It's got 100% of access, almost 100% of usage. This super success on both of those measures and yet here we go and it's … 2%. We're preventing a 7% drop. Now, I'm not knocking that, but it just goes to show you how hard it is to move income. And, I think we do ourselves a disservice. Because if we just imagine those one-to-one relationships it's going to look like a pretty anemic impact, our entire effort.

But, when we think about it, M-Pesa just doesn't just have one use case. It has a bunch of use cases. And, then off of those use cases come a bunch of benefits. And then, we know that people have 10 to 20 different financial instruments in their portfolios. So, suddenly when we think about all those different webs of impact pathways, and we gather them all up...I nearly tripped over one of the wires coming up here. And, that's the analogy that I'd like to make. It's like one of those thick wires. If you cut it open, you might see 10 different small wires going to a single impact. Now <u>that</u> looks like what we know is happening with our financial interventions.

Now, this doesn't necessarily have to be expensive. I think part of the reasons why we've kind of gotten into each other's way is because we think that impact has to equal an RCT. Now, RCTs are awesome when you really need a good answer. But it doesn't mean that we can't track anything else. Finance is this wonderfully rich data set. So, we can track pathways to impact. We're doing this with the PFIP portfolio, we'll be tracking their portfolio over the course of a year. It's not expensive. It's a little bit of data science. We've written some code and their partners are going to run it and their partners are going to add a couple of questions on their customer satisfaction surveys. Not only is this going to help PFIP see where they get the best bang for their buck, and better explain the story of financial inclusion to their donors, it also helps the financial service providers who can then see where they might be missing the mark on serving their clients, and that is just good business.

Sumaiya Sajjad:
So, you're pushing us again and rightfully so, to think about measurement differently and in a bigger way. Not measurement for measurement sake, but really measurement to hold ourselves accountable to these bigger goals that we're signing up towards. This message that impact might not have to be an expensive RCT. It could be these additional three or four questions in customer satisfaction surveys that financial institutions are already doing with their customers.

I wish we could keep on talking, but there is 10 minutes left on the clock. And I want to take some questions from the floor. I'm going to ask that the first questions that we get are for Microcred and for M-KOPA because most of you are providers and might want to know more from Denis and from Jon.

Simona Haiduc, Opportunity International:

Very interesting presenting those various different business models. They both have the technology underpinning.

My question to Denis is on this artificial intelligence and credit decisions being made or taken out of the human decision. Do you have the data that shows which one has the better accuracy between the algorithmic credit decision versus the model where your officers would make the credit decision? Is that already showing?

Denis Moniotte:
The answer is, of course, they're scoring much better, but I need to explain a little bit further. In the way we build it the scoring has the luxury of cherry-picking the one he wants and the other ones are left for a second chain through the human credit decision. We can play with this as much as want. We can say, 'OK, now let the scoring go a little bit further and take more people, it will take less risk'.

At this point also for the reason of buy-in from our core business, as I explained, we want the scoring to be excellent. So, what we do is we make sure it's excellent and that's a parameter for us. We can say it's going to accept 3% of the applications. In that case, I bet you that the risk is going to be extremely low. We can say it has to accept 90% and that, in this case, it's going to be large. So, we can play with this parameter. So, it's actually much, much higher.

The reality is that what's really important to us is not only which one was the best, it's also the end result. The scoring hasn't taken any time from any one. So, even if it authorizes some loans that a human being would definitely have said, 'absolutely not', even if we approve that one, it's not a big deal because we have spent much time so all the other ones will pay off with that one.

In our case, also, just to add this. In our case right now, it's important also to recognize that the scoring is actually based, made possible from the fact that human beings have taken decisions for the last nine years and that is what is helping us to make that. So, it's also taking into account scoring all our past that is a result of negotiation between the portfolio manager and the clients. The client wants that amount, the portfolio manager would like this amount too, but he knows it might be too risky so he lowers it and the end result is a bargain between the two. This is what we observed for nine years. Now, we're been able to say, 'if this has been like this for nine years and people have repaid like that, then we know what decision to take right now'. They are complementary.

Ezikiel Phiri, CUMO Microfinance Limited:
My question goes to Microcred. If I heard you correctly, you said the program that you're doing, the person borrows and it doesn't matter whether they pay early or later, but the pay the same amount. Wouldn't that be unfair for those who actually pay you on time and faster? And, I wonder how that matches, then, with customer protection measures?

Denis Moniotte:

First of all, I think paying on time is three months. You rephrased what I said a little bit differently. You said, "it doesn't matter if you repay late". No, no. If you repay late it matters but you can also pay early. And in this case, you are rewarded. If you pay on time, you're not punished. It's only if you pay late that you're punished, and punished in the sense that now your amount to pay is increasing. So, we're basically talking about from 0 days to 3 months. So, after three months, you are late. So, it's another story. From 0 days to 3 months, just everybody is on time.

Now, to your point: is it unfair? The client chooses what he wants to do. We are not threatening. Again, this is important. We are not threatening him with anything that would look like a punishment if he doesn't repay early. We are giving him additional benefits if he repays early. And, some of them, are paying after three months and that's fine. We say, "okay". It's absolutely okay. To those who repay within two weeks, obviously, we say, "that's great". So, the qualitative feedback is this is exactly what we want and it's cheap.

My view of the usual loans we do, and we do a lot of them, and I'm not saying those are bad loans. It's costly for the client to take the loan. It's costly for the transaction. It takes time. It's cumbersome. They don't like it the way we do the loan, they don't always like it. We visit their home, their business. We ask for collateral and all of that. So, because it's a bit heavy, they won't take a small amount. They say, "for a small amount it's not interesting". So, they want a big amount. If they want a big amount, we say, "okay, fine. We want a big term because we don't think you can pay that much every month". So now, in this discussion, back to it's going to be for one year, now, we're pushing the client into a situation where we ask him to know that in 12 months from now, he's going to be able to repay us 50,000 whatever the currency. And, that's very difficult. How do I know that in 12 months from now I'll be able to pay 50,000 in my informal ecosystem? It's very difficult to project that.

Now, if we make the transaction cost of loan disbursements so low that the client says, 'oh, but if it just takes me to go to the agent, take it and that's it, I'm fine taking much smaller amounts. If I'm fine taking much smaller amounts, it means I can cover everything into a short time. And, in a short time, I know much more what is going to be my situation in six weeks or two months then I know for 12 months'. So, I think also this is one of the reasons for which our clients like this product most is that they're now able to borrow for working capital, and they reduce the risk for themselves and uncertainty of what their business is going to be like. So, I think client protection unfair would not apply to the products, if you hear our clients.

Sumaiya Sajjad:
Instead of doing the closing myself, I thought I would just give it back to the panelists again. I have one lightning round style. I have one question for all of you and you have 30 seconds to answer this. We'll start from hearing from Denis, Jon, Gerhard, and then Daryl.

So, the question is: When you think about your business model, when you reflect on your business model, and in the case of Gerhard and Daryl, about the business models that you know of, what do you think are those one or two key leverage points that will enable us and you to continue to advance and push the frontier on financial inclusion?

Denis Moniotte:
Moving the client from a transactional-based relationship into a solution-based relationship. Any time he has a need around liquidity basically.

Jon Ridley:
So, we have a detailed understanding of our customers in respect to certain needs. I think it's all about getting a more granular understanding of the other needs they have of their household. Some of that is face-to-face and collaboration with organizations doing household surveys. Some of it can be technology, but really understanding, across the massive base of customers we have, the discrete detailed needs is the key, I think.

Gerhard Coetzee:
I'll do a quote.

> "In a world where low-income customers make little use of financial services, I'm speaking about formal financial services, providing value is the missing piece of the puzzle to growing the business".

For me, it's that "providing value" part. This is the magic of what Daryl also was saying, that that's the tip of the iceberg. Trying to work out how you provide value. What is value? That's the challenge.

Daryl Collins:
I'm just going to answer in a very business modelly way. I really think, right now, it's all about enhancing what you know about the customer, every little snippet of data to try to cross-sell. It costs so much to acquire customers that if you can suit as many of their needs in as effective a way as you can, then I think that's the bigger point, especially with the technology innovations that we have today and the machine learning, *etcetera*, that we've been able to develop.

Sumaiya Sajjad:
So, this side of the panel emphasizing insights and really just continuing to understand customers. This side of my panel, solutions and value. But it's really all just one conversation.

So, please join me in thanking my panelists; Gerhard, Denis, Jon, and Daryl for this first plenary session. [*Applause*]