The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center

Day 1 ~ July 16, 2014

A Practitioner's View on Client-Centricity

Roger Morier

We move on now to our first session, entitled "A Practitioner's View on Client-Centricity." We all want to see organizations deliver a seamless client experience, but how do you do that? Well, we know you have to have a continuous dialogue with your customers, we know that the organization has to foster an internal culture that places the customers at the center of their decision making, and we know that you have to have an operational model around customers and how to serve them effectively. This next session we'll discuss the practical challenges around doing all of that. And we're going to look at two organizations and what happened when they tried, and when they implemented a customer-centric approach.

The session is being moderated by Gerhard Coetzee. He is a Senior Financial Specialist at CGAP. Gerhard leads the Customers at the Center initiative at CGAP, and that is a program that works to embed customer-centricity in the work of financial service providers in different parts of the world. The aim of Customers at the Center within CGAP is to ensure more customer focus, and the aim is to ensure the delivery of more relevant products and services that will advance client-centricity, and of course, advance financial inclusion. So that makes him the perfect moderator I think for this panel. So Gerhard and the panel, would you please welcome them? (Applause).

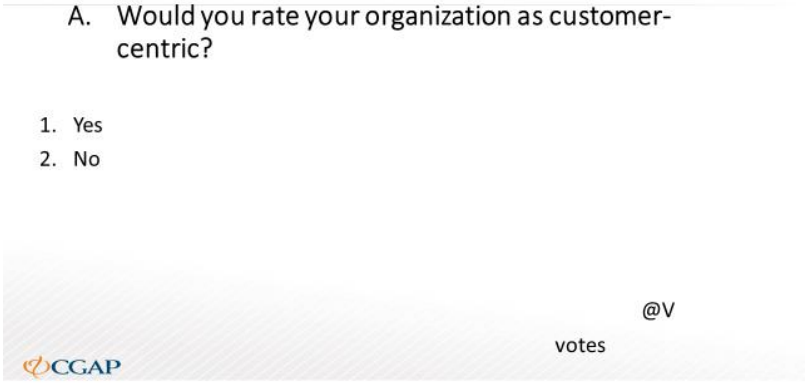
Gerhard Coetzee ~ CGAP

Good morning, everybody. I'm extremely pleased to host or moderate this panel this morning and to be here. And this is my first public appearance as a CGAPer. So my CEO is keeping a beady eye on me at the moment, so you'll have to help us here. And the way you're going to help us is by being the first speakers of this panel. But before I do that, I have to introduce my two panelists. And it gives me great, great pleasure to introduce Leon Lourens first. Leon is a veteran of the retail trade in South Africa, 25 years or so of experience. But what I like most about Leon, and it can be encapsulated

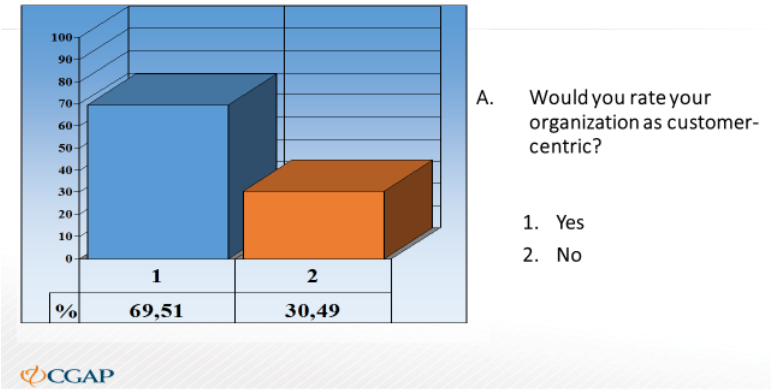
in these two sentences from his short bio, he's passionate about simplifying strategy, to focus on efficient execution, the strong corporate culture, and the growth of people in the company. The first two sentences I'm sold, I'm there, right?

And then turning to Mark Flaming, and the way to describe Mark best, because a lot of you know him, I call him a war horse of our industry. And he's had experience right from the floor doing it, to up there writing the policy—the whole stretch up and down—for 30 years. Mark is the Chief Operating Officer of MicroCred, an initiative of PlaNet Finance. And what I neglected to say is that Leon is the CEO of PEP in southern Africa.

I'm going to turn to you guys now because I want to test something, and what I want to test is the temperature in the room. And the first question I have will be a short yes/no question, a 1-2 question, so you have to take up your clickers. As soon as I push the button and activate this question, you will have to choose a 1 or a 2. Let's start with that. Let's get you active here.



Is this open? Okay, there we are. We are already at 82 votes. You guys going to vote? (Laughter). Right.



So we have 69% customer-centricity and 30% no. So let's quickly go to the floor. Who said no and wants to tell me why you say no? Okay, I've got Stephen's hand there in the back. Please identify yourself and then you tell us.

Stephen Peachey (Audience Participation)

I work for World Savings Bank Institute. I think we're becoming more client-centric, but we don't really know how. This morning's thing was very useful. But it's really hard taking it to the next stage to the members. So we have to vote no in terms of the current radar.

Gerhard Coetzee

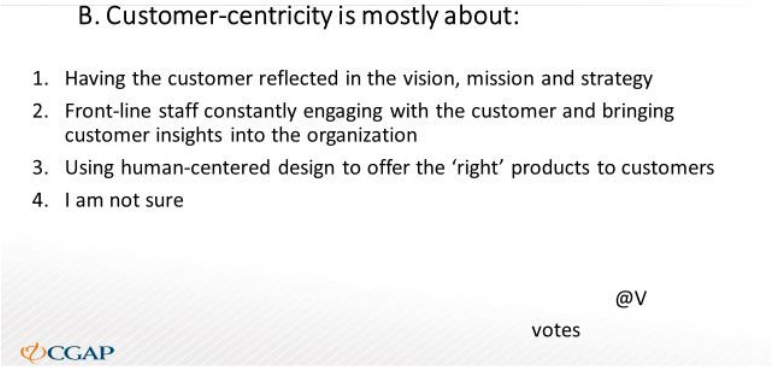
Thanks Stephen. Let's go to a yes. Anybody that said yes, this side of the room, that want to share the reason for the yes? No takers? Okay. Okay, so you are client-centric but you're not really sure you can tell us why. Okay. I've got a hand, very good.

William Derban (Audience Participation)

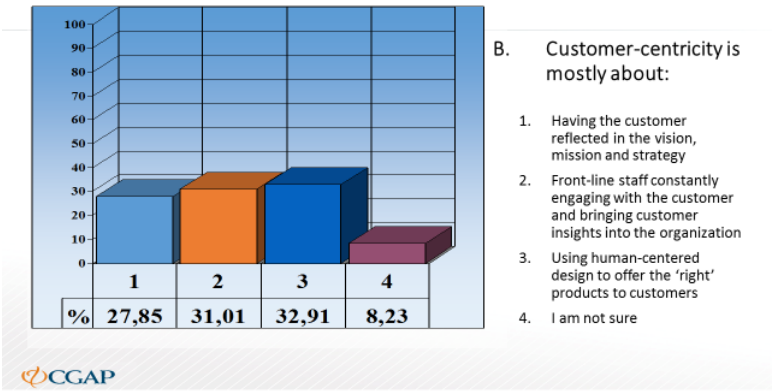
My name is William Derban from Fidelity Bank in Ghana. I said yes because we are probably the only bank with a financial inclusion business unit, and focusing on the unbanked. And by doing that, it shows that we are client-centric. But listening to the former presentation, I think there is some structure to it and it's more than we can do. And I think you know generally we are client-centric. Thank you.

Gerhard Coetzee

Thanks. Okay, I'm going to close this one and we go to the next question, and maybe there's an answer there then. Okay, so we're opening for voting. Customer-centricity is mostly about having 1) the customer reflected in the vision, mission, and strategy. 2) front line staff constantly engaging with the customer. 3) using human-centered design—you just heard the presentation—to offer the right products to customer. And 4) I'm not sure. Let's vote.



Good, yes an interesting one.



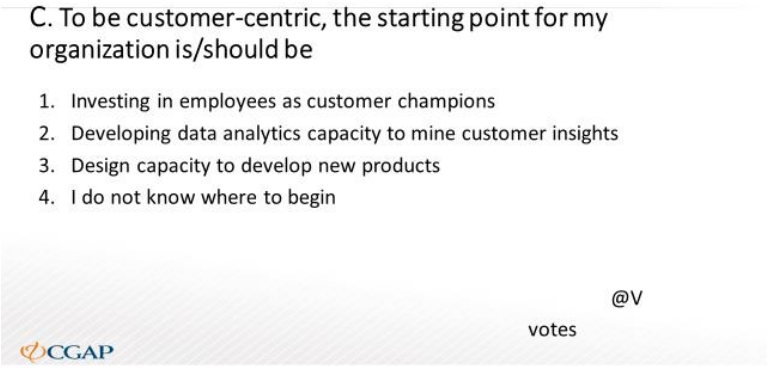
So my view of this is this is room for much discussion. So, let us quickly go to just two of these options, and you know me by now, I go to the last option first. So let's go to, "I am not sure." Thank you, we've got a hand right in the middle there.

Ken Davies (Audience Participation)

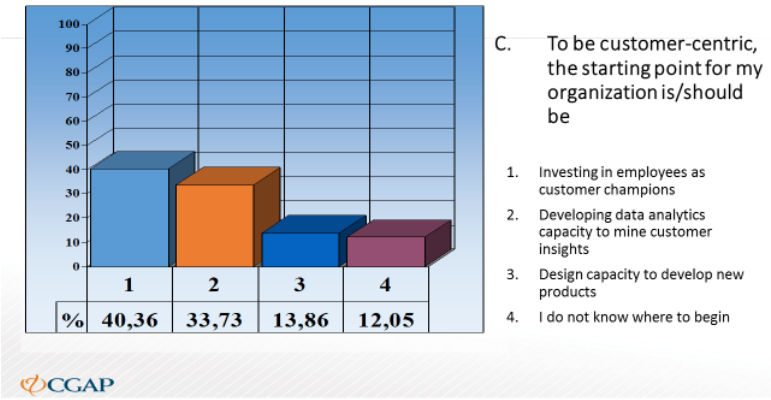
Thank you, I'm Ken Davies from the United Nations World Food Programme, and I voted I'm not sure because I think that it's all three. I don't think I could say that it's more about one or two or three.

Gerhard Coetzee

Thank you very much, Ken. Let us just sort of say to you how we actually put these questions together because I totally feel for your answer. So what we've done here is we've selectively excluded a few options, because otherwise we're going to 12 or 15 and we can't do that. But just to get the feel for where we have a high emphasis or a low emphasis. And you can see here, most people answered like you. Most people actually with that kind of distribution. So let's not go any further. Let's go to the next question. "To be customer-centric the starting point for my organization is or should be 1) investing in employees, 2) developing tighter analytics, 3) design capacity to develop new products, 4) I do not know where to begin." And I'm warning you that we're going to come back to variants of these questions, slightly and slyly changed, so that we are going to test this as we go along. So let's vote on this.



Good, good. Okay, investing in employees, the front line staff, the people who interact with our customers, 40%. I do not know where to begin, 12%.



So let us go to number three. Somebody that answered number three, design of products? Raise your hand, maybe share with us the reason for your answer, why that is the starting point? Oh, Mayada, right up there.

Mayada Baydas (Audience Participation)

Good morning, Mayada Baydas. I go back in microfinance to Ohio State University and to the I Manage Financial Institution. It has been my experience that understanding markets and the client demand for financial services is a very good place to start in order to design the financial products. Understanding the financial structure of how people manage their money, what they're currently using in informal services, and maybe sometimes some formal services already gives us a good idea of how to design a product that suits their needs and their repayment capacities. So that's a good place to start. Thank you.

Gerhard Coetzee

And I think many of us agree with you, at least 13.6%. So let us roll on, and I want to get to my panelists. But before we do that, I want to quickly share a few thoughts with you because we started out with Leslie's great, great story. I especially liked the last part about the compliance. But being a past banker, you know where my problem was. So the first thing I want to say is that we are struggling with many challenges at the customer level, challenges from James in Ghana. These are not made up quotes, these are real quotes, where he tells a story of immense effort to send money. We see the story of Grace inKumasi in Ghana, where Grace has to be protected against people stealing her money and against herself. And that's an important one. Many people say,

"I like to bank with this bank even though they are so bad because it's so difficult to get to my savings. It protects me against myself."

It's a really strange way of looking at it, but people use things to their benefit for their needs. Some people have heard of mobile money and we will see just now that even though we have a big deployment of mobile money across the world, we do not have that much use. And then the scams which we've picked up all over, and we are depicting with this specific slide. So there's a lack of customer-centricity, it's a lack of understanding, and even if we design something, we do it so confusing that people have no idea what we want them to do. In fact, sometimes when you interview the front line staff, they do not understand the products they have to sell to the clients. Then you go to the head office, and you say, "Can you explain to the front line staff your product," and they can't. So it's absolutely, an absolute entrenched problem that we have. We think to take products from certain segments and panel B them for the poor, and then we think the poor will be satisfied with that. So access and use are not the same. We have major deployments, low use across the universe. High dormancies in accounts, high dropouts in microfinance organizations.

So the question and what we're going to give to our panelists is we're going to start with the client and see how they have done it. But before that, customer-centricity is not just there because we are feeling good about the customer, or we want to feel good about the customer. Customer-centricity is there because we think that that—we're focusing on that because we think that is the essential business model, the one that will make sustainable value for us over the long term. And there are two ways to look at this, and we depict them there. One where you are product-centric and you go in the circle of forever pushing product and getting less and less revenue because people don't use it. Or, you go in the circle where you actually design something and embed it in such a way that people use it.

And my last slide just to put ourselves in the shoes of these two gentlemen is that customer-centricity is much more than designing a prototype and putting it on a table. And Leslie told you, and she showed you how they went the whole hog to testing this in the market, to rolling it out, to fine-tuning it. But what we want to emphasize in this session that focus on the service provider is that once you've done that, you are only a little while on your road on your journey. There are several other areas of extreme importance. So if we start with the pillar of creating the best customer experience, which means you start with those insights, the synthesis, the ideation, building the

prototype, testing it with the customer. But this is not the product we are referring to. This is experience. Before the product engagement, the buy, during the buy, and after the buy, what is the experience of the customer?

Secondly, what is the operational model you build in your organization to deliver this? If you have the most beautiful product and your front line staff don't even know what to tell the customers, it is meaningless. If your compliance officer gets up every time you've got the best design and kills it to standardization of product, it is meaningless. Thirdly, empowering your employees. And it means not only the employees of your institution, but also the employees of your partners, because we are in the realm in the time of partnerships. So if it's an agent, a mobile money agent that is your partner, the interaction with the customer should be the way you would have interacted. Fourthly, value creation for who? For all the stakeholders, for the customer, for the service provider, the investor, the staff. Unless you embed customer-centricity in all these areas, which we call the pillars, you may miss the whole point of delivering that to the customer. And to really help us to understand this, I'm going to turn to real life stories.

Now, Leon is living this for the last 25 years that he worked, but for the last 10 to 15 years when they've implemented changes in their massive organization, 1,600 branches across South Africa. Leon will focus on leadership, culture, and empowering your employees with the customer in mind. Thank you.

Leon Lourens ~ PEP Stores

Well, good morning. And Roger didn't mention (speaking in various languages), and that's just four of the 11 official languages that we have in South Africa. As Gerhard said, I've been in retail for 25 years. But I stopped school at a very young age. So I'm not that old. (Laughter). Let's talk about PEP. In PEP, we truly believe that your employees will treat your customers only as well as you treat them. We also know that customers are not statistics or numbers or demographics. And to prove that, we've actually changed the way we describe our customers. And there you can see the definition. We describe our customers as "remarkable people who on a very small budget make it possible for their families to live with dignity and pride." And we believe that if we as a team know that, then we will act in the right way to serve those customers.

We also have a very simple vision, and that's our whole vision. "Delighted customers, our focus and pleasure." Ladies and gentlemen, over the next few minutes, I'm going to try and describe to you very shortly a little bit of our journey to becoming a more customer-centric organization. PEP started in 1965 selling clothing to the low income mass market in South Africa. Obviously, clothing at the lowest prices that we can possibly offer it, and we were extremely successful until the 90s. And slowly things started turning to the wrong side. And if you look at this graph, you will see that by 1999, we made a profit. We were almost bankrupt. We made a profit of two million euros and that I can tell you was overstated. After that, the last 14-15 years, and what happens when that happens? New management team of course. So this is what happened in the last 15 years. From two million euro operating profit to 200 million euro operating profit, an average growth in operating profit of 34% per year over the 15 years. But how did this happen? How did we almost go bankrupt after such a successful start? It was simple. South Africa changed, but we didn't change accordingly. Our customers changed, but we didn't change. So we lost track of the needs, the desires, and the aspirations of our customers.

So this new team came in and they said, okay, the first thing we need to do is we need to focus on the customer. So what was our vision, as I mentioned? We say, "Delighted customers, our focus and pleasure." Then, we had to decide or talk about, but what are we there for as a company? What do we want to be? What is our purpose? What is the meaning that we want to create? And it wasn't only to make profit. As they say, a company that exists only to make profit is a very poor company. So we said we want a specific cause, and that cause is very simple. We want to make it possible for everyone to look and feel good. That's as simple as it is. That's our cause. So with the vision and the cause, we put the customer at the center of everything that we do in our organization.

It all started, the success of the turnaround started with this statement that I said right at the beginning. Your employees will only treat your customers as well as you treat them. And the first thing that we had to establish or that we established was a culture, and it wasn't imposed on our employees. We actually involved them in the process. The bottom line is three words: Dignity, respect, and growth. That encapsulates our total culture that is very strong, and that we are extremely proud of. We treat each other with dignity and respect, and we treat our customers with dignity and respect. But the secret word is growth because we want everybody to grow. In fact, our … let me just see. Okay. In fact, our culture is *Sikhula KunYe*. And *Sikhula KunYe* means "we are

growing together," and we want to make it possible for everyone in the company to grow together.

Now, our culture is extremely strong as I said, and it doesn't matter where I go in our company because we greet each other with a high five. So if I enter any one of our 1,600 stores, that is the way that we greet each other. That is the way that I greet my colleagues every single morning, with a high five. And a high five is a way of celebrating our culture, but also confirming what our culture stands for, and that we are all there to grow. But it's very difficult to grow people if you have people that are very senior, and people that are very junior. So we must sort of equalize in some ways, and you can see I wear a nametag. I wear this nametag every single day of my life. We all wear nametags every single day. Why should certain people wear nametag, and others not? We call each other "dynamos." We're not employees. I know "associates" is a popular word nowadays. We are dynamos because we provide energy. But we don't have senior dynamos and junior dynamos. We are dynamos. We don't have a head office, we have a central office. We don't have bosses, we have leaders, et cetera. We have so many rituals, we say in Pep, and sometimes we really make fun of ourselves, but we say in PEP that we don't take each other too seriously. Oh! We're very serious about our work, but we're not too serious about ourselves. And that we try and live by every single day.

PEP has been received from a very independent organization the award of being the best customer service company in South Africa across all sectors, all industries, twice. And do you know what? We do not have one training course in customer service. Can you believe that? Not one. But we trade, we trade in dignity and respect.

But you can't have all this nice stuff and not put the customer at the center of what you are. And that's what we are all about. We are obsessed with our customer, and we are obsessed with understanding and knowing our customer better, and we have ongoing initiatives for our teams to know and understand their customers better. When you have customers that on a monthly basis for a family of six on average, sorry, this is not average—70% of people in South Africa has a household of six people and less than 300 euros a month. Then you have to understand that customer, and you have to understand that one euro can make a big difference in their lives. So we have these initiatives that run on a continuous basis, and you will see it all around our offices.

In Pep, we try and create meaning, and that meaning is what we can contribute to a much broader society than just inside our own organization. It is important for us that every single person that works in that company understands why and how they can contribute to making the lives of our customers better and easier. So the person that makes tea, the person that cleans, they must know that they are there to create an environment where all of us can make the lives of our customers better and easier. The buyer that goes to China to negotiate a price on a product must know that they are not negotiating for themselves, but they are negotiating for the customer. When we cut costs in the company, and by the way we are 10% lower in costs of doing business than any other retailer in South Africa, but when we do that, we know that we are saving costs so that we can save on the price for our customers. So everything that we do is aimed at serving the customer better, and making their lives easier and better.

We must also know what their needs are, and that is why we now have financial services and the banking products, because we know that the customer much prefers coming to a PEP where they are treated with dignity and respect than going to some other institutions.

To summarize, we believe in a strong culture that is aimed at yourself or ourselves and our customers. We believe that you must put the customer at the center of everything that you do. We believe that you must have a much broader purpose than only making money. And we believe that your employees must understand clearly that they can make a difference in other people's lives. Thank you. (Applause).

Gerhard Coetzee

Thank you very much, Leon, and Leon can actually keep you busy for another hour because I've seen some of the branches, I've seen the reality that if you walk into the front door, even the person sweeping there, get up and say, "How are you? What are you doing here today? Where can I help you to?" The people that work behind the counter, and the people that stock the shelves, they can do the same work. They're interchangeable. So it's a very different environment, both up from the customer facing area. Thank you very much, Leon, and please prepare questions for Leon because you've got decades of experience in the room on how you focus on the customer. And as Leon said, now going over to providing financial services. Just another interesting thing. One out of every two cellular phones in South Africa is sold by PEP. One out of

every two. And then you really understand the customers because you've touched several parts of their lives.

Now on to Mark, and Mark is going to bring this story right into the microfinance world, and he will illustrate to us that where Leon started with a certain objective in changing the way the company works, Mark has another challenge, a big challenge, a challenge that they are in the beginning of their journey. And I'll leave it to Mark to tell us about that, why you're doing that, and just discuss the feelings and the passions around it as well. Thank you, Mark.

Mark Flaming ~ MicroCred Group

Yeah, I think my story is going to be more about humble beginnings. But in a few minutes I think I can share some lessons from our initial launch into this that I suspect will be relevant to other microfinance institutions that are interested in going down this path. And in the end, I'm going to tell you how much it costs, and it's a good thing you're sitting down.

So our engagement with this started with a very clear, strategic choice to transform our microfinance institutions into mass market banks. So customer-centricity for us was a sort of a first step challenge, recognizing that if we want to be relevant to our customers in new ways, if we want to be relevant to new customers, we need to develop an entire different orientation. We need to be like a fast moving goods company; we need to be like a mass market organization. And the very first obvious realization was that, yeah, we need to figure out how to be customer-centric. And that's not insignificant, you know, because I think all of us believe that we are customer-centric, and we all are passionate about serving our customers. But for us, this customer-centricity, it had a number, and it had a face. Most of our employees are very passionate about the customers, but it was a different thing to say, yeah, but we want a million customers, not 100,000 customers. And who are those people, and what do they need, and what do they want?

So for us, this started out very much with a recognition that we don't know. And think that that's really important, because if you go to your staff and you just say, "Okay, we're just going to keep doing what we always do, but we're going to be nicer to the customers," frankly, it's not very tangible. It doesn't put a number on it.

Our first challenge really came with engaging with the design firms, and reconciling what we needed as a financial group with what was on offer. And recognition actually to Leslie Witt because she spent a lot of time with us, and went through a fairly broad offering that IDEO had. But in the end, being a group of microfinance institutions in seven countries, you know, I as the operations officer needed to build this capacity into my organization. Hiring a design firm to come in and deliver me one product was just an expensive way to have fun. So in the end, engaged a couple of ex-IDEO people—with Leslie's blessing, we did not steal them—and we started experimenting with these two. And so here's a couple of lessons.

One thing that has worked very well is that we're very sure that the very first component of our enhancement of the customer experience has to do with proximity. We've reached the limits of bricks and mortar in our African subsidiaries and we needed to move the services closer to the customers. And so one of our first challenges was creating a cash merchant network at service points where our customers can do cash in and cash out. So right away we had a very big design challenge, and that design challenge lent itself very well to human-centered design processes, but more importantly, we hired a whole new group of people, created whole new departments, and set them to work. They were not distracted by other day jobs. They were not bogged down by our core business. And so we focused first of all on some very high profile initiatives where people had dedication done and resources to deliver. That's worked very well.

The second thing we did was we started training across the organization because we realized, well, the customer experience is affected by all parts of the organization and therefore we needed to train everybody. And so we did. We did these design sprints and trainings, and I did them with my ops people, I did them with my commercial development people, even did them with our CEOs. What did we find out? It turns out people have day jobs. You know, people are already working ten hours a day and this design process requires a focus and an attention that you simply cannot ask someone to do who's doing something else. That's the practical part.

The qualitative part is that you have to ask yourself whether in an organization you want the same people designing new stuff that you want people running the core business every day. You know, banking is pretty boring. It really hasn't changed since Catherine de Medici and you want people doing the same thing every day and doing it really seriously, and frankly, that's not necessarily the personality type or skillset that you

need designing. The second thing is that most of our people get monthly bonuses based on how well they perform in the current system. And nobody is going to mess around with the bottom of the boat when they're rowing it.

So for all of those reasons—I think incentives, time—you know, we discovered that in the training that we did of our staff, this unicenter design concept resonates immediately with everybody. You know, what's not to love? But when you ask people to start changing the core business that they're paid to do, that's not so easy. If you're going to really go out and innovate with new things, you have to be willing to fail, and failure is not in our vocabulary for our operations people. You know, we pay them to perform.

So, setting initiatives aside, giving people permission to fail, creating metrics that are more design driven and more customer-centric driven, that's worked. The sensitization and the training that we've done across the organization I think has been very, very useful. It's created huge appetite. Obviously, those people will be absorbing the new products, the new experiences, but I think that's really lesson number one. Pick high profile, easy win initiatives, put dedicated staff on it, and then do it to validate the process, and then little by little think about integrating those things into your operations.

Let me talk a little bit about how much this costs. Again, we're doing this because we want to serve more people. We want to be more relevant to more people. So, if you're going to innovate and design and change the way you do things, and you're going to change the customer experience, you have to ask yourself, "Well, what are you going to do with it? Can you scale it? How relevant can you be?" And for us, and I think for almost every microfinance institution in Africa, bricks and mortar is a very, very real limitation on how many people you can be relevant for if they have to walk 30 kilometers to get to your branch. So the whole question about being relevant to customers has a scale component to it which has a very demanding component to it. So here's what we did.

First of all, this started with a vision from our CEO, and the holding group created my position, the COO position, and I was hired and mandated to roll this out. We brought in a lot of talent and are restructuring at the holding company level. We put IT under operations for better integration. Our ex-IT director is now our Director of Innovation and Technology. He drives all of our technology driven solutions in the Operations Department, as well as the rest of the company. We've just created a Data Analytics unit, and we are completely restructuring our approach to commercial development. So

commercial development now incorporates customer service, product design and promotion. It's the HCD toolkit embedded in an operational structure. That's just to start. Then, at the subsidiary level, in Madagascar, we hired the man who launched Airtel Money, basically stole him, so he's joined us.

So we created an entire staff, we migrated our entire core banking system into the cloud, acquired a world class switching system, have engaged me, consultant service providers in call centers, things like this. We have spent $6 million just to build a set of train tracks in Madagascar and Senegal. Half of that was our shareholders, and half of that was the good will of MasterCard and IFC. But that gives you an idea of how much it takes to reorganize a microfinance institution and position you really just to play. That gets us on the pitch, and now we're building these tracks, and now it's a question of how do you build the cars. I mean, we're really now positioned to start building the customer value proposition and to take it to scale. And it's a bit sobering, but I think if you really take the time and think about the things you're hearing about how you take design, how this customer-centric design works, and you think about what kind of positions you would have to create in your organization, and what kind of technology you're going to need, if you're going to take it to scale, it's a significant investment. (Applause).

Gerhard Coetzee

I'm going to open it to the floor for questions now, comments, your experience maybe. Very short and to the point, identify yourself. I just want to say something. It's very interesting to me. Mark is standing at the beginning already a little bit on this journey, and the reality of the task, the monstrous reality of a big task—you can hear it in every word he is saying. Leon is sort of past the initial work on that. But I think if we ask him, and we should ask him the question is, what is the continuous work you have to put into the system to actually keep that customer-centricity, versus the build up to get the rails? I think we should, if you guys answer questions, maybe react to that as well. So let's open the floor. Comments, your own experience, something you're struggling with. We've got David Cracknell on that side. Okay, let's build up to the questions first please.

David Cracknell (Audience Participation)

An observation, and then a question to Leon. Mark, you raise some really important points which I want to reiterate. The ability of people to have space to do this is incredibly important. When we were working with Equity Bank back in 2002-2003, we created a dedicated team within Equity, and they were literally just tasked with being customer-centric and developing products and services and working throughout the institution, and we did a huge amount of work really both with understanding customers, but not only that, it's also about how do we deliver to those customer expectations. So it was really turning the back office inside out to get to the right result, and that was only really possible by having a team of people who were flexible enough and free enough to do that work. Over time, as the organization has grown and grown and grown, these people are becoming incredibly valuable, and they've been promoted to other positions within the bank. And that's been really good for the bank, but also the bank has lost some of the flexibility in my view that it perhaps once had.

So, this then comes on to the second question I really wanted to ask, and perhaps Gerhard stole my thunder, which was keeping on message. It's really difficult in my experience, as organizations grow and develop, they get the customer-centricity bit, and then what happens is they grow and they grow and they grow, and then it becomes incredibly more difficult to become customer-centric because you have to keep evolving and changing to stay on message. So, really how do you stay on message because I think it's incredibly important to do so if we're going to get scale, and I see this as being one of the most difficult challenges.

Gerhard Coetzee

Thank you very much, David. I think that is the center of the question. Before we go for answers, I just want to do about two or three questions because I know we can't remember much more than that. So Mark Napier in front, and then the gentleman over there.

Mark Napier (Audience Participation)

Good morning. Thanks for both your talks. Mark Napier from FSD Africa. Leon, I love the idea that you don't do customer service training in-house. That's excellent. But nevertheless, it still needs leadership to inculcate a culture. And so I just want to ask you, what was maybe the one or two most effective ways that you communicate that culture change as leaders through the organization?

Gerhard Coetzee

Thank you, Mark. Then we go to the last question for this round right over here.

Tezera Kebede Bekele (Audience Participation)

Thank you very much. I am Tezera from Ethiopia. I have to share with the panelists. It catches my mind on this customer-centric while the panelists did speak. I remember one of the research done in South Africa, Bangladesh and India that was *Portfolios of the Poor*. In that research, and the poor get poorer and poorer, and I wonder why. And in fact, in that research, the equity base of the poorer client was negative, and if this was in formal business, with negative equity base, a business cannot exist. That might call for liquidation. And my question is, even if providers say that we're customer-centric, sometimes the poor get poorer and poorer. And what is your experience to make more sense of it in customer-centric approach, and also customer journey as to how we can make a difference in the life of the poor? For me, it might not be only about scale. You know, we need to know what happens in the life of the poor. And they need to have life change and improvement.

Gerhard Coetzee

Okay, we have three questions, one on continuous focus during growth, after growth; one on leadership; and one on how do you keep serving the poor even if they get poorer. So I'm leaving it open to both of you. Quick ones. Go first, Leon.

Leon Lourens

It's a continuous challenge to maintain customer-centricity and the leadership culture, that thing that you build. So the challenge every year to the team is what are we doing this year to reinvent ourselves to make sure that we don't let slide on it. And again, there's two parts to it. The one is, what are we doing in terms of our culture? And I'll tell you a little bit about what we do on an annual basis, or a continuous basis, and then also what do we do regarding the customer? In other words, do we still understand the customers? How have their needs changed, what do they really want? And that's a continuous process, and we have many initiatives in different departments, different initiatives that we launch continuously to make sure that we stay up to date with that because the customer changes. And that's when we first almost went bankrupt. We

didn't judge with our customers. Now we sort of have to preempt the changes that take place in the market and in the environment.

On the culture side, one of the things I do, and I often wonder whether it's all worthwhile, but I take a month every year and I just do conventions. So we have 1,600 stores, and in a month I have a convention where every single store manager will be present. So at least, I mean, it is impossible to have a conversation with every store manager, but at least I can high five them quite a few times during that time. I talk to some of them. I communicate directly with them, and I do that for four weeks every single night a different region. Now you might wonder, is that all worthwhile? Well, yes it is because that's the way that you can show that what you preach is what you also stand for that. So it takes a lot of time, it takes a lot of effort. But then your whole leadership needs to be like that. You can't be from one stage. And it's continuous leadership culture process. So there's not a single answer; there's not a single solution. It's a total approach, and it's a continuous approach, it never stops.

Maybe just on the last question, and I know that Mark is also going to refer to it. But just for us, it's about the culture is not a Loveboat system. It doesn't mean now we all are fine and happy and it's just like smiling and all that. For us, we are very, very tough on ourselves. So you can have a great culture, but we are extremely tough on how we serve the customer, in whichever way. So that toughness means that we have very high standards, and we work extremely hard. But we try and do it while also having fun.

And that comes to your question, sir, is that we have to, for the people that are getting poorer and poorer, we have to find ways, we have to reinvent our supply chain as an example every year to make the eventual product that we offer that poor customer, to make that product more affordable. Because that's essentially what they want. If you ask our customers what they want, they want the product that they can afford and everything that we do must work towards making that product affordable. Because we can be as nice as we want, but if we don't have a product that's affordable, we have nothing. The other thing that we do in our company is convenience. We take our stores to our customers, and that's why we have so many of them. So in the smallest of town, a location in South Africa that doesn't have a PEP store is not called a town. It can't be a town yet. So we take PEP to every single town, and we serve our customer where they can actually reach our stores. And even then it's still a battle, but it's convenience, good product, affordable product. That's how we can serve the poor.

Gerhard Coetzee

Thank you, Leon. And while Mark is getting to answer, I just remembered one thing about PEP, Leon, where they're actually in a specific area, and they even stock the stores with the specific blanket with specific stripes on it because the cultural group in that area associates with the symbolic nature of the design on the blanket. So they even look at that. So very good. Mark?

Mark Flaming

The same book that you referenced *Portfolios of the Poor* also illustrated that poor people basically struggle with three major challenges. One is saving money for the long term, the other is managing your regular cash flows, and the other is dealing with crisis events. And for us, that is becoming the focus of how we think about how we serve our customers, and that's very different from saying, "Oh no, we're microfinance. We only finance productive activities because that's not consumer credit, and we want to make sure that people benefit from our money." And frankly, I think we've created an entirely artificial idea about what creates value and what destroys value in the poor household. And so, we talk about how can we help people manage their daily financial lives? That simple. And it's around those three things. And so our product design, our customer experience is really now focusing on understanding how people manage those three challenges, what products they use, and how can we create better versions of those products that has a very tangible improvement on people's daily financial life.

Gerhard Coetzee

I hope you're satisfied with where we are. I quickly want to run through the audience again. I'm really looking also for maybe a problem you have, customer interface problem, something you've done to improve it?

Ishmael Otchere (Audience Participation)

Yeah, my name is Ishmael Otchere from Microfin Plus, Ghana. Just really quick question. I'm sorry. As much as you want to be customer-centric, the challenge that you face is the issue of how can you do that when you are working within a certain legal framework particularly with respect to the central banks position. I had a very bitter experience where I wanted to use village savings and loan concept and a burden to deliver financial service to individuals. And central banker inspection came, and they

never understood that so far as the client was concerned it was what they needed. So I wanted to ask Leon how did they manage that, to be able to grow their profit of average of 34% and still maintaining their clients? What was the challenge that you faced, particularly with respect to the legal framework and how did you manage it?

Gerhard Coetzee

Thank you very much. So Leon, the question is, and you'll have to translate it into your world, the question is, "yes I want to be customer-centric, but there are rules around me, the central bank rules, the sets of rules that contain me in a certain area, and how do I overcome that, and how do I work around that?" That's the way I understood it. Is that more or less correct? Thank you.

Stephen Peachey (Audience Participation)

Just a very quick one to add to both of you because you clearly both turned your organizations upside down. Do you reckon it could be done with any organization, with any history? Or, you know, what specific because you already had your vision?

Gerhard Coetzee

Thank you, Stephen. Then right in front here.

Male (Audience Participation)

Thank you. Leon, first question for you. First, let me say you've done a very good job the last 14 years to grow PEP the way you have grown it. Just to get a feel of really what you've done internally to give a bit of perspective, how has the environment around you moved? Did other institutions in your industry also grow or decline once South Africa changed, and how they changed as well? So to put what you've achieved in perspective for us to understand.

And for Mark, you talked about a $6 million investment so far to grow this capacity within your network. What are the tangible results you attach to that? Not necessarily monetary. It depends on what your strategies are and what you are trying to achieve. But the issue is, what are the tangible results you add in terms of that capital expenditure? Thank you.

Gerhard Coetzee

And I'm going to take one more question here, and then that's finished, and we'll give you girls the last say. Lady right over there.

Patricia Rodriguez (Audience Participation)

I'm Patricia Rodriguez from Self-Funded Communities. Our problem is kind of the opposite because we work at the community level, and community managed microfinancing in Europe. So our products are more than centered, are based on people. So they create or they design their own financial products. It's like a kind of do-it-yourself microfinance. So the problem is more scale up because maybe the financial product, we help them to develop this product, to make it real, and less risky, but the problem is that maybe one product that works for low income people with mental health disorder doesn't work for women who are victim of violence, for example. So the problem in design is the second part, how we can scale, and how we can make these personalized products be more open?

Gerhard Coetzee

Okay, so I'm going to try. So their approach is very specific to the people and they co-create with their clients. But co-creation for clients of a certain segment versus co-creation for clients of another segment means that you have different ways of interacting with the clients. And the problem is how do you scale that? Is that right?

Mark Flaming

Can you repeat the second question from Stephen?

Stephen Peachey (Audience Participation)

In WSBI, we deal with a range of organizations, some would say a deep postal history, some with a very specific local cooperative model. I was really interested in what Leon was saying. He took an organization that had gone into decline and turned it around. And you were dealing with people who had sort of come from an environment of decline as many of our members are as well. Could you take your model and apply it to a state postal service? And the same really for you Mark. In fact, you sort of turned around a traditional operational model. Do you think you could do that in any financial service environment or was it because you already had the driving vision?

Gerhard Coetzee

Thanks very much. And if we don't answer your question fully now, it's because of time limits because I'm giving Leon a minute, and Mark a minute, and then we're closing. Good stuff.

Leon Lourens

Now remember I can only remember two questions, but not three like you. The first one is the regulator environment. I think the fastest secret is not to think like them. We think like business people who want to produce or want to offer a product to our customers that will make their lives better. Because once you start thinking about all these regulations, those hurdles are so big you'll never get anywhere. So rather than trying to create the product almost and then say, okay, how do we make it work, and we've got a colleague of mine here and he's just doesn't take no for an answer. So, he then drives that product, and eventually we make it work. But it's important where you start. Start with the customer, don't start with the compliance.

The second question was, can you take it to any organization. There's stuff you can take to any organization. Caring for people, wanting to make them grow you can take to any organization. But I don't say that our culture applies to every organization, not in the least. On the contrary, we have sister companies that are extremely successful in South Africa, very, very, but whose culture is very different from ours, but they are very successful. But I think as long as the customer stays at the center of that culture, and you are consistent in your culture, then you should be successful.

Gerhard Coetzee

Thank you, Leon. And if we didn't answer a question, go and attack Leon during tea and say, "Where's my answer?" Good, Mark.

Mark Flaming

I did some work with a man named William Ryback who worked for the Federal Reserve of the United States, and he was responsible for regulating all foreign banks in the United States. And he would stand up in front of regulators and say, "I break the law

every single day of my life, because the laws of the United States do not allow me to do my job." And that is exactly the same thing I'm going to say to you, is that you have a moral obligation to do everything you can to get around the limitations that regulators are putting on financial inclusion. (Applause). And I have spent half of my career training, working, and building banking regulations. I'm not just a fussy commercial guy. I used to believe in it.

To your question, there's one thing banks can do to recoup the $6 million that no one else can do. If I had to recoup that $6 million by charging customers for transactions, this wouldn't work. It's too expensive. But if I can spend $6 million and create a network so I have 400-500,000 customers, and if each one of them saves 200 euros with me, I can pay for that. And that's how you recoup, that's why a microfinance institution can do something that no mobile operator ever can, and that we can create the network and pay for that network by providing a full range of services. We pay for it with our balance sheet. That's our theory. That's what we told our shareholders.

Gerhard Coetzee

Well, I know we haven't answered all the questions, but I say thank you to my panelists. It was really lovely listening to you, and please connect with them outside. We've got lots of time. (Applause).

# # #