The MasterCard Foundation Symposium on
FINANCIAL INCLUSION 2015
with the Boulder Institute of Microfinance

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9:45 a.m. The Business Case for Client Centricity

JASON REINDORP (EMCEE): I think most people in the room are supporters and believers in financial inclusion. I think that's probably a safe statement. But we all know that the business case can sometimes be a challenging one. So our next group of speakers are here to help. Bob Christen is going to guide us through this next session on making the business case for client centricity. So, as Bob and our speakers come up on the stage, we are also going to show another video.

VIDEO: *My name is Mamadou Ousmane Diallo, I am a trader.*

I have been a trader for more than 7 years now.

When I first started, it was a struggle. I did not have financial capabilities to buy goods and resell.

It was difficult to access money, and it used to really slow my business down.

But with the biometric system, it's very easy to access my bank account. I can do my banking more efficiently, making it easier to get back to work.

Before I knew about this bank I did not have enough financial capability. But when I opened an account at the bank I received a loan and I started a larger scale business.

I have employees and I also bought two plots of land. There has been nothing but improvement. And I can earn enough money to provide my wife and children with their daily needs.

ROBERT CHRISTEN: Claire, I thought you did a masterful job at laying out the business case. Certainly, the MetLife example is fabulous. You were so clear in sort of building the reasons why you all as an organization took on this more client-centric approach. I don't know if you would like to take a question or two from the floor. Do we have anyone with a microphone? Could you make sure that Claire has, come on over here and ... oh you're right there. Would anyone like to ask Claire a follow up question before we continue on with our panel? Is there a quick question or anything? We'll come back.

FEMALE: Thank you very much for your presentation, it was very simple and clear. What I wanted to ask is to what extent cultural differences are important in human-centered design? Because you work in so many countries, I can imagine that some messages work in the US and other messages in Japan. So how much did that complicate your work?

CLAIRE BURNS: That's a very good question and we're essentially designing uniquely in each market because of that. I'll give an example that's less about design and more about, well it is about the differences and needs across countries. For most of us, you don't want a life insurance agent to visit you more than once a year, right? Maybe once a year? Not even once a year.

BOB CHRISTEN: We don't want to be reminded, right?

CLAIRE BURNS: Yeah, exactly. But we were designing an experience in Korea, and we were looking at the Net Promoter Score on the consumer decision journey, and the insights, and discovered that they consider it an insult if they aren't visited four times a year. So we had to change the incentives and rewards for the agents to encourage them to visit four times a year instead of one or fewer times. So all these insights are so very different and you never would predict that anyone would want to see an agent that often. So that's just one example, but hundreds, because it is…every culture's unique.

ROBERT CHRISTEN: Yeah, when I talk in Latin America about life insurance, it's like I'm bringing bad luck. You know, please don't even mention the thing. Like, don't visit me ever.

MALE: Just a quick one. Great presentation. I'm just curious, what led the company to hire you and start down this path, and what was the role of your CEO in this journey?

CLAIRE BURNS: Yeah, so we got a new CEO, and he wanted to—I forgot to mention that—he wanted this to be his legacy that he would help the company to become more customer-centric. And I had just joined the company from AIG, and they asked me to do this. I'd been a change leader in the past, but not a marketer, so this was brand new for me. But because I had good relationships with people outside the US, and everyone else had relationships that were good inside the US, they thought I could help evangelize this message. So that's what led me into the role. But it's the CEO, and what's great about that is, I think it's the key ingredient for success in all this is if you have that vocal top-down support, and he's been hugely instrumental throughout our journey.

TAMMY MEDARD: Hi, I'm Tammy Medard from UNCDF. Congratulations. It struck me that you figured out how to eat an elephant bit by bit. What I was particularly interested in, and I love the way you built the metrics and you've been able to build a dynamic set of metrics that's linked to the business, but looks at different things, and makes sense to the customer. I'm very interested to hear about, and I have no doubt it took a different set of teams to be able to identify and build the metrics. So if you have some time to unpack what are the sorts of teams you brought in, the skill sets, and how did you identify those metrics so that they eventually make sense to the business?

CLAIRE BURNS: Good question. We actually led this effort with a very small team from the centre and we did it through change agents that we empowered throughout the organization. One of the key people we got in the centre was a finance guy who we then had work with the CFOs around the world to help figure out the metrics and then own the metrics. Because if we were trying to own it from the middle, from the top of the company down, instead of letting the people in the business own it, it never would have gotten traction. Having all those CFOs able to sign off was really helpful.

So we started at the beginning with hypotheses, the hypothesis about cost reduction, the hypothesis about retention. We asked our CFO to calculate the value of a 1% improvement in retention, the dollar value in each market, so that we could then translate that back. One example in Japan, a 1% improvement in retention was $90 million for earnings which is really powerful. So being able to tell that story, and then ultimately we added Net Promoter Score. Those are the three that we tracked for a long time. We've now started tracking more, but those three worked together very well in concert.

ROBERT CHRISTEN: Thank you, so we're going to come back to Claire a little bit later in this session, but right now I'd like to move on to our panel. Thank you, Claire, for being willing to take a couple of questions. Thanks.

So we're going to be talking this morning more about the business case. We have struggled, right, to figure out the business case. So often, the reaction I hear from folks as we talk about being more client centric is, "Oh my God, this just feels like I've got to go do hand-holding; it feels like I have to go relate individually to each person and figure out their individual needs. All people can imagine are costs on top of costs, and oh my goodness, we've built a whole sector on the basis of hyper-standardization." And the immediate response seems to be, "Oh my goodness, this just sounds like it's got to be both hard and costly."

And so what we're trying to do this morning is take a look from the perspective of four different organizations who have taken on a more client-centric approach, who have reformed, restructured, rethought about the core business they're in from a more client-centric perspective, and who are also willing to talk about it as a business proposition. That's not always easy. Some folks are kind of secretive about their business model, and the people that are accompanying us here on the panel have agreed to be somewhat more open about this. So that's a great thing and I hope we'll get some nice insights.

This, to me, has got to be part of the core of the conversation about client-centricity because if it doesn't make business sense, then why would most organizations even consider it? So let's get into this discussion. We're going to build a little bit on some things that happened yesterday. I want to pick on something Ignacio said, and I probably misunderstood. You know, the chances are pretty great that I didn't quite get it. But I'm going to pick on it anyway. And that is: Ignacio was talking about the value proposition of a mobile money account, and sort of saying we haven't really quite figured out the value proposition. I'm not going to get into a debate with Ignacio about that, but it gives me a nice segue into the conversation we're going to have now.

So, the value proposition of a mobile wallet, at least it seemed to me that there was some value in nano-sizing payments, that as with the rest of the life of being a poor person, you have to nano-size your purchase of commodities. You know, one little bag of rice, one little baggie of oil for cooking. Well, isn't being able to nano-size buying a liter of water or buying a day's worth of solar power a value added of some sort? And when talking to Mathilda Strom, who is the head of business development at BIMA Insurance Company, we kind of got into this business model she's got and it's built in part at least around sort of nano-sizing payments. So Mathilda, can you sort of help us understand a little bit this client value proposition that you've come up with which is unique in an industry that hasn't been generally characterized by being the most innovative in the world? So how can you talk a little bit about maybe this nano-sizing and the business model? Help us understand.

MATHILDA STROM: Yeah, thanks. So to start with, when we talk about simplifying products, all we do is sell one product. For 60 cents, you get around $750 in life cover, and that's the product for everyone in the market. That doesn't mean we're not customer-centric. I think that means we've realized that that's the simplest way to communicate this. People can understand it. So that's the one thing.

But as you're talking about payments, we've actually got three different payment channels to date. We started with the first one which is payment through prepaid airtime. So top up, mobile top up. And that's the one where we can take nano-payments, the two cents a day I was talking about yesterday. Then we also do payment through mobile money, but because people don't hold a balance on the mobile money account typically, we can't do the nano-payments, and also because mobile operators don't want at the moment there to be a direct debit sort of policy for mobile money. So there we have to sell three, six, or 12-month life insurance policies. We also have a business model where we go to the street and ask people to give us cash in three, six, and 12-month increments. And, by far, the most successful business case is the nano-payment model, two cents a day from your prepaid top up. That's how customers, as you said, their liquidity doesn't go further than that. They can't give you the $10 in the wallet because that's for the food for the day. So it's been much harder to sell those other products because it's a big lump of money that they've got to think about. If you say it's just two cents a day, they say, "Yeah, that's fine, that I can definitely give up."

ROBERT CHRISTEN: But you were saying they actually don't pay two cents a day often, that it mechanically doesn't quite work out that way either, right?

MATHILDA STROM: Exactly. So actually, the way people top up their mobile phone, normally they have three or four SIM cards and they change their behavior based on time of day. So when we charge 60 cents, we try to charge two per day. I think two per day would be the ideal. We very rarely actually get two per day. So what we have to do is dynamically try and charge this based on when they're going to top up because they top up 20 cents at a time, make a call, and then the balance is down to zero. They don't want to hold a balance even on their prepaid. So if we can't charge two cents one day, we'll charge four cents the next, and that has been extremely important to optimize that payment ability as well. But if we're not able to charge 60 cents, we charge 30 cents, we'll give them half the cover. So they get something for what they've paid for.

ROBERT CHRISTEN: This totally flies in the face of everything I thought I knew about insurance some time ago which was, you buy it, prepay it, then you get this standard kind of coverage, and then you've got to work out this way you get guaranteed to get paid. And you've just turned it all on your head following behavior, right? So now based on actual payment, you can give actual coverage, but your business model was based, I guess, on this full coverage, right?

MATHILDA STROM: I'm sorry?

ROBERT CHRISTEN: Your business model was based on some sort of combination of full coverage or ...

MATHILDA STROM: Yeah, exactly. I mean, now we know much better than before what kind of coverage, on average, people are going to get. It may not be that everyone gets 60 cents. And actually it isn't that everyone get 60 cents coverage. So, that's what we've had to work out. It's about working with these partners to try and figure that out. They have to give you access to a lot of information so that you can effectively collect all of the money that you need.

ROBERT CHRISTEN: So tell us a little bit more about this, how this whole model works, the partners, and the relationships you build, and these agents that you talked so much about yesterday.

MATHILDA STROM: So we work with … normally our typical business model is working with insurance companies and mobile operators. So we are three parties trying to take two cents a day. So there's not a huge amount of money per day that we're all trying to fight for. Each of the parties has their role to play. So everyone is negotiating for a bigger portion. Mobile operators, as many of you will know, will have a powerful position because without them we're nothing. So they take a portion of the revenue share, as does the insurance company of course for the premiums, and then BIMA needs to make it work in the rest of the space, and we make it work by using agents effectively.

Many of the insurance companies believe that, or not only insurance companies, even mobile operators, believe that all you need to do is make this available on mobiles. As long as, then, you send an SMS to do an ad campaign, people are going to flock to buy insurance. And maybe they will in the first month, but they'll turn off after that and we've seen that. So our agents go out and build this volume step by step, day by day, 10-15 sales a day is what's needed to really make this pay back. Those customers need to stay at least 10 months normally for them to pay back, for all the money to be recovered. And yeah, I mean, the business case has to work for everyone. That's the bottom line. We've found where it doesn't work for everyone, they're going to shut it down if they're not happy.

ROBERT CHRISTEN: Again, I'm really intrigued about the agent thing because, again, sort of what I had understood about insurance was these distribution costs will kill you, and that either you just wrote it in on the top of credit and didn't really sell it, you just kind of you pushed it on to people, or you attach it to airtime or bags of something that you sell, and that kind of solves the distribution problem. So I'm really intrigued at how you built a business model that still has this human touch and yet it worked for you. What is the agent actually doing that is so critical to your success?

MATHILDA STROM: The education piece. We do measure them on quality as well as quantity, but they have to reach the minimum quantity. Otherwise, their economics don't make sense, and we're tracking that on a daily basis. I mean, we get reports daily. If the average productivity is not there, we have to start looking at our agent force and understanding that. But then we have to marry it with, if they're too successful, we always go back to the quality and say this isn't good either. They need to have a sort of balanced productivity where they're making a business case for us. And you can only do that through technology these days with the agent force because it's literally hour by hour tracking.

I mean, as I said, there's no secret sauce. You've just got to be there all the time managing, overseeing. That can be done through technology. So our team leaders get text messages every hour with how their team is doing. So if someone hasn't done the number of sales at 10:00 AM, those agents will be getting a call, wondering what's going on, have you come to work, what's been happening today? Sometimes there's a network outage and there's nothing we can do about it. But yeah, it needs to be a balance between productivity and quality because if there's no quality, what you'll see is churn, and that's no good for anyone either. If we need the customer to stay for 10-12 more months, then it doesn't help us if the customer registers and then deregisters later.

ROBERT CHRISTEN: Are there any kind of metrics that you would attach to client-centricity a little bit, like some of the things that Claire was talking about? Is there any way in which you capture not simply the productivity metric but these dimensions of how effective we're being at understanding clients?

MATHILDA STROM: Our quality control does that. So we actually call, as I said, 15% of our customers back and ask them three or four control questions, what we call them. You know, "Do you know how much this costs, do you know how to make a claim?" And the score for that has, our minimum score is extremely high, what it needs to be before those agents get reprimanded in some way. And that's the main kind of metric that we use for that. Yeah, and that's so far, I think what we need to start getting better at down the line, looking at further engagement, which is the reason that we were pitching for this award. How do we engage with people between the point at which they sign up and make a claim or not make a claim?

ROBERT CHRISTEN: Excellent, okay. So moving along to Sumit. You know, we talked a little bit getting into the conversation with Mathilda and BIMA about transactions. I met one of your staff people, Nitin Puri, at a conference I was doing in Brussels about food security and finance, something I think of that sort. And he was talking about all the work you do. The YES Bank does such a wide variety of different kinds of products. It was a very impressive group.

And Sumit Gupta is the Group President and Country Head of YES Bank's Retail Banking Assets Group. I guess we're going to say that's India, right? So, YES Bank was established in 2004 and it's now the fifth largest bank. But what I was very impressed with was, he was talking a lot about this dairy product you have where you're engaging with dairy farmers daily. I thought that was an exceptionally interesting thing because these dairy farmers are quite poor. So here's, there's this private bank in India that's able to effectively deal with thousands and thousands of dairy farmers. Could you talk with, just get started about, kind of your experience in working with the dairy farmers and kind of that path, that trajectory because it's had some evolution, didn't it? And that was a fascinating thing we talked about yesterday at breakfast.

SUMIT GUPTA: Thanks, Bob. So each of the stuff that we do in different parts, whether it's agriculture or it's a line like dairy or financial inclusion, or the way we look at it in microfinance, each of that is actually driven by the way business demands a product or a service. So the dairy thing actually happened when a dairy company in India, you know, they were looking at trying to increase the liquid milk flow to themselves. So one of the things that they came up with was that if they were to improve and increase the payment facility to the farmers on a daily basis, it's intuitive that more and more farmers should flock to them. Because, as against the standard practice, to try and give them once in ten days, if we are doing a daily business, everyone should fall for it. So they were struggling to get a solution to that.

So we actually worked with them on the tech front, and we went around and opened accounts with farmers in the [inaudible], area, a couple of thousand. Then we started this whole process wherein a farmer would come and pour its milk into the milking booth, and the eco-analyzer would analyze the milk contents, and transport the data on a real time basis to the company server. The company server would compute the amount to be paid to the farmer and they would issue automatic instructions to the bank. We will debit the company's account and credit the farmer's account. So before the family leaves that milk booth centre, he will get an SMS alert on his mobile, saying this amount of funds is put into a savings account with YES Bank. Now, if he really wishes, he wants to withdraw the cash, he can use that at the milk centre itself.

ROBERT CHRISTEN: So the huge advantage was that the farmers were going from being paid every 10-15 days to being able to be paid daily. That was the original conception of this.

SUMIT GUPTA: Absolutely, real time, right. So, life actually evolved after that. So there are varying degrees of successes. In some pockets, the farmers whose kids were studying in towns, they would actually not withdraw the entire amount. The kids would actually, they would leave the money for their kids and the kids would withdraw the funds that they need in their urban centres, and they would save their transmission charges from rural side to the town. Others would withdraw everything on the day it hit the account and consume it.

This actually became the problem: till the time that the daily stuff was not a disruption in the local space, the whole ecosystem around the farmer's life was built around that he would receive a payment every ten days. Hence, all the payments which had to be made for provisions, for seeds, for fertilizers, and so on and so forth, typically would be revolving around this 10-day cycle. But when it comes daily, the 10-day buildup has gone and decidedly consuming the funds on a daily basis. So actually a lot of the families of the farmers actually went back to the companies and said, no we don't want this. Please, we want this, move back to the 10-day cycle because it doesn't work. We're actually becoming, we have lots of problems than solutions. So obviously they had to work back, but eventually they did that to get larger milk flows rather than being an institution where the milk flow is actually drying up, they said okay we'll deliver it back to the situation. So that actually gave insights into the mindsets of people to figure out how does it actually work. So they're now trying to identify something different by doing a direct deposit scheme or something like that, or try and give the benefit back to the people.

ROBERT CHRISTEN: That's so interesting. We're back to Stuart Rutherford, right, and building up useful sums of money, and all the mechanics of how poor people manage money and either break it into nano-sizes or build it up into lump sums for different kinds of purposes in life, and really understanding that on real time. It gets to the heart of these adjustments you've had to make.

SUMIT GUPTA: Absolutely. So our engagement, each of the things that we have done actually needs to have business relevance for us and every stakeholder in the process because if it doesn't, like in this case, it blows up. If it's not adding value to the farmer in the larger scheme of things it won't work. So where we kind of worked, we ensured that there is a value proposition for each of the stakeholders, whether it's the daily business that we did or something else in saving, or something else in direct lending. Everywhere we need to ensure that our ecosystem, which could be agents in some cases, or could be principals, corporate customers, something else, needs to have a reason to continue to be doing the same thing that we've been doing.

MATHILDA STROM: Was there a different business case for you paying daily or paying in bulk? Was it the same, it didn't matter?

SUMIT GUPTA: For us, we did not have any immediate benefit whatsoever, to begin with. For us, to answer your question, what was our motivation, why do we want to do that? That's two parts. One, we had to compete for the customer. So rather than competition, we thought we ourselves would invest our fortune trying to build something for them, it will bring us more to the corporate, and hence a larger chunk of business from them. On the second front, we will get access to the cash flows of the farmers. Once we achieve, we have a track accord and the sustainability of the repeated cash flows, we should be able to build a great product on the back of this, and look at more cross-sell products for these farmers.

ROBERT CHRISTEN: So have you been able to get to a credit product on the back of these, of knowing these transactions?

SUMIT GUPTA: No, we were not able to do this because it fell through in between itself. So we really were not able to build it up from a scalability perspective.

ROBERT CHRISTEN: Okay, just because it hasn't worked out yet, or is it something you just haven't quite gotten to?

SUMIT GUPTA: No, no. It's not that the concept has failed, the theory has failed. It's that the whole staff is undergoing a change and a re-evaluation of the whole model. Once that get's all right, we would definitely want to do that. In a whole business approach, we track the cash flows because cash is king. So any debt repayment has to be paid out of cash flows, not out of security as a lender. So I need to track and identify cash flows which are more stable and more sustainable. It's like a salaried employee. So we get a salary which are in effect cash flows and most of our individual loans we get back on the back of our, in effect, our cash flows. So for them, maybe it's a business enterprise, but it's almost like an identified source of living that they're talking about.

MATHILDA STROM: So it's actually, if you're talking about the business case to you, it's actually slightly worse to have the bulk payments and much better to have the daily?

SUMIT GUPTA: Actually, as a lender, as a bank, I'm fine even if it's bulky. It's a question of identifying the stability. There has to be repetitive revenue.

ROBERT CHRISTEN: So I'd like to bring Samuel Makome in who is the Chief Business Officer and Managing Director of Kenya Commercial Bank, who is operating a new product that kind of speaks to this issue of transactional data and making loans available.

I think from the advent of this whole conversation about the digitalization of information, those of us who come out of the microcredit community have just dreamed of this moment when, on the basis of large volumes of transactions and actually knowing what people do with their money, we're going to be able to score credit and just avoid this whole microcredit technology we built over the last 30 years. So Samuel, I'd be really interested, and we'd all like to understand a little bit more about the model you've built up because you're coming from a bank that would be, I think, characterized as sort of a traditional, large scale, commercial bank in Africa. So how has this sort of evolution happened? Let's start with what are you doing now? What is this new product that you've come out with that's been incredibly successful?

SAMUEL MAKOME: Thank you. I think for us we knew that we needed to go mobile. Having tried various models, I think we have a big brick and mortar outlet across the country, we'd gone agency, and we knew about seven years ago. I mean, if you look at the revolution of mobile, that this would be where you would go to the final frontier, that mobile is the only way to get to every single person. I think initially, our impression of mobile banking was taking a truck to the village. It was mobile, but it didn't get far enough. It was too costly. So ultimately, about three years ago in the second evolution of our mobile bank, we have something called M-banking. And M-banking was about people being able to open accounts, and instantly, and of course with all the various checks that you go through, the data, the KYC process.

However, we also discovered one or two things, and this is my interaction from that product, and the feedback that we got from focus groups. There was a challenge of people saying, not even remembering the simple code of how to open it. Secondly, there was a challenge of savings. If you told people to save for three months so they can get credit, it was again too difficult for them. They said, "No I want to get money now, is it possible for us to do that?" So what we did in the first phase was to call people who already had accounts, but that did not answer the question of those who did not have accounts already. So that was the challenge. So I think when we finally decided to scale up we realized the only way was to partner. So we could talk to someone who already had some data that we could use, and that's how we partnered with Safaricom because ultimately our proposition is able to just cull a lot more data, get access to a lot more variables from both companies, in the middle somewhere, and enable us to score people from day one.

So that resolved the problem of people saying, "I'm not able to save for three to six months," and the data of three to six months may not be good enough. So by using credit scoring, we're able to give a lot more credit to many people and scale it up very fast. Without a partner, for us, scale up was going to be very, very difficult. So I think what we discovered was that by partnering with somebody we were able to create a lot more scale. At the same time, we're able to have data, and we have data from two sources. Then the critical part was technology, being able to first of all eliminate ... of course, we have a lot of CRD, Credit Reference Data. You're able to check credit reference data, and we check population data, and you're able to make a score and you can give the credit immediately. So we'd anticipated this year we'd get to about three million, and we exceeded that target before the end of the year. So clearly, we're able to scale because of what we were able to do.

MATHILDA STROM: What kind of credit data do you get from Safaricom?

SAMUEL MAKOME: Now, I don't want to say too much about the data, but what I can say is that we are ... (*laughter*). But I will say that we, in times of what kind of data exists in between, you can look at up to 70 different variables. Now, with time, this is a journey, it's not something where on day one you know everything. So initially, when you're constructing the algorithm, you may imagine that this is the most important. But after three months, you review it and see. And ultimately out of 70, and having started, say, with 12, you discover that with seven critical variables you're able to make the correct determination in particular algorithms. So it's an iteration. So, I think, with less than ten critical variables, you're able to make a very good credit score, and we've actually proved it. Recently, we also opened one for checking it and we said "yes it makes sense and it's giving the results that we expect."

JOHN MAGNAY: So what's the division between urban and rural clients?

SAMUEL MAKOME: Now for mobile, it's sometimes difficult to answer that question. But the reality is having been, I mean, we are a largely, I mean, when you're a universal sort of bank, and you're everywhere, the reality is you have a split. When we look at the numbers, and we try to analyze it, but it's difficult in mobile. When you look at the data, sometimes it's not very clear. But what we see, however, is there's a bigger concentration obviously, where there are bigger populations, people are more responsive, they are more aware. It has to do a lot more with awareness. But once we send more aware, because we're using SMS as well, and we're using ... the reality is when you're using a partner like Safaricom, because of abilities, SMS, and to send to a wide number of people, you can have a sense of getting a lot more response from the rural. So I would say that maybe 50, it's 50/50 at the moment, but we would like to see a better response in particular places. We mostly see that in one pocket in the country, you will see a lot more response and in other pockets you will see less response.

Surprising data we found is, for instance, there are fewer women for some reason. In some areas, only 25% of the women are taking up the product. So that's the kind of data you start gathering now and start asking, what does this mean and what does it mean for my next initiative.

The other part, of course I talked too much about credit, but the issues about ... one of the things that people wanted is flexibility. Previously when we had the first product, it only had the single month. You said one month, take it or leave it, it's 7%. Now, you've got a one month, you've got a three month, you've got a six month, and even for the savings, and this talks to the person Ignacio was talking about because it's been a puzzle for why people open the account and leave it. But we're trying to give them meaning and say "why am I saving?" And we've actually been toying with the idea of "what am I saving for?" So for six months, this is a targeted savings for because you must target your savings to be ready. I want to save a thousand shillings for Christmas. Then it prompts you after a month, hey you're not doing ... you can even have a standing order, which I have, as an example. So when it falls due, if I don't have money, it will tell me, hey you need money to be able to top up. So clearly all those kind of flexibilities talk to the need of the customer.

SUMIT GUPTA: If I'm a migrant worker, I live in a rural area, but I move to the city to earn some money for my family back home in the rural area, and I need to transfer money back to my family on a monthly basis. Does my family necessarily need to have a bank account, or I can transfer the money without them having a bank account?

SAMUEL MAKOME: Well, in Kenya, with mobile money being so prevalent, what happens is many people are already using the rural area for just getting money on their mobile account. But what we would want ideally is for people to have bank accounts that they can save, and they can grow, and they can create history from, and that we can build insurance on and things like that. Ideally, we don't want a situation where people simply receive some money on mobile, and that's it. We want you to be able to transfer money even from your one on M-Pesa to the other one. So it's not advisable in our view for people to simply receive little bits of money, only as mobile money, and consume all of it. We want them to have a savings account.

That's why the savings questions, and for me a lot of the discussions about dormancy and about zero balance accounts, are very important. They speak to that question, and what Ignacio said, how do you make people save? How do you get them to make savings a reality for them as opposed to simply sending them some money which they spend and it's finished.

ROBERT CHRISTEN: This is really the difference. I remember some years ago you always talked with Ignacio about bank-led models and telco-led models. And they are very different agendas. You know, a bank would have, with building and attaching to mobile money services, it has the same sorts of interest you're talking about, building balances, leading to scoring models, building transactional data that allow you to score. Whereas a telco is really in a quite different business. Its core business is the sending of money. So this partnership that you're talking about between KCB and M-Pesa combines these two. Could you actually for the audience just briefly say this KCB/M-Pesa product, what is it, and how many you have, and how many you've grown? Just to kind of set the context because it's been quite impressive.

SAMUEL MAKOME: Oh yes. It's grown significantly. So we've got both the credit side, I think the credit given out about five point something billion, half a billion's already paid back. We have about 3.7 million customers who have borrowed on that product, over 4.4 million accounts. So I think it's scaled up very significantly. And we saw that, for instance, when you were just funding and banking alone, we need a million clients in a year, but this one we're able to do, like, a million a month. So we realized that scalability was also created by the partnership.

ROBERT CHRISTEN: Yeah, this is such a different conversation. Scale. I mean, these days when we talk about financial access, we're talking about scale that ten years ago we couldn't even imagine. The fact that you can sit here and say, "Oh we did a million last month," to many of us who have gray hair and have been here far too long, those are staggering numbers. What's the sort of average size of those loans?

SAMUEL MAKOME: The average size, one thing we did with this product is … the old products were very limited. It's up to say 10,000 shillings. Now we said you can do from 50 shillings, and we broke the barrier down.

ROBERT CHRISTEN: How much is that in dollars?

SAMUEL MAKOME: Fifty shillings is just fifty cents.

ROBERT CHRISTEN: How much?

JOHN MAGNAY: Fifty cents.

ROBERT CHRISTEN: Fifty cents on a dollar?

SAMUEL MAKOME: So you could get that, or up to a million shillings which is $10,000. So we expanded it very significantly. Of course it means very few people are borrowing at the top, but they're there. There are facilities of $5,000. So they exist. So they are there, they are fewer.

But the average is much lower. The average comes to something like three thousand shillings, between three thousand and two thousand shillings. So three thousand shillings are around the average a month.

ROBERT CHRISTEN: $20 or so?

SAMUEL MAKOME: So it's much smaller. But the range is very large. But of course, there's more towards the bottom.

ROBERT CHRISTEN: This is kind of an interesting example of coming to understand a very different value proposition, right? We built like microcredit around the proposition of investment capital or working capital, longer term, larger amounts. I don't think we ever understood quick and easy money, right, and in our rural finance program this summer we had somebody from the Central Bank of Kenya, fairly high level person, who said he's using M-Shwari in this case, but it could be the same for you. You know, if he pulls into a gas station and needs to fill his car and doesn't have cash on him, he can just quick borrow through these mechanisms $20 and attend to some need. So this whole concept, this value proposition of quick money, something you get right away if you're sitting there with a commercial opportunity, somebody who's selling a goat on discount, boom, done. That's something we as a community have just not ever really served because we don't have algorithms typically like the ones you're building, and haven't thought about it in those terms. So actually, even from a business perspective, having access to quick, small amounts may be commercially quite viable for people. So that's very exciting.

And I want to kind of get John included in this conversation here. You know, it seems to me, John, you're from Opportunity International. You're Head of Agriculture Finance, and you are in charge of the agricultural related business of OI, I guess, across Africa, right?

JOHN MAGNAY: Yeah, we currently are operating in seven countries.

ROBERT CHRISTEN: That's right, and you know when I think of agriculture finance, I think of something that almost by definition has to be, or is more close to clients, than a lot of what microfinance has been, because microfinance we built it on the principle of sort of general finance. It was used for everything, and intentionally so, even though the narrative sometimes talked about bootstrapping people up out of poverty by investing in their businesses. I think most of us recognized that in fact it was general finance. Now agriculture finance has always had the narrative of financing crops and financing livestock and also by definition kind of you need to understand the farmer to do that well. Can you talk a little bit about your approach in OI and how kind of client-centricity works into the way you think about what your activities are?

JOHN MAGNAY: So Bob, you and Larry from the Boulder Institute, you're the ones who actually got us into this. I came to you in 2008, and I listened to all the reasons why Opportunity should not do agriculture finance.

ROBERT CHRISTEN: We failed mightily then. (*Laughter*).

JOHN MAGNAY: I think a lot of the reason, a lot of the learnings I got out of that, and by the way, I spent three days without saying anything because I didn't know anything about what you were talking about. But the one thing I did learn very quickly is that it was a lack of understanding of clients that was the main reason why banks had failed in this area.

But what that actually meant was that we had to be more heavily engaged with our clients and have a better understanding with our clients. Particularly, I think the thing that was very, very insightful very early on, is the understanding that, yes, we were dealing with clients that were performing at very low levels, and they had been receiving lots of training to improve their productivity and increase their yields. But one of the biggest challenges is that we see that one of the major issues to a rural household is cash flow, and if you don't address the cash flow issues, then very often the benefits of increased productivity are lost because the crop is being forward sold, they borrowed money within the village to handle their cash flow.

So it was very important for us to actually design a product that not only addressed the issues around productivity, but also addressed the issues around rural cash flow. So for a rural client, you know, I'm listening about the two cents a day for an insurance product, if you look at the cash flow in a rural area, it is very cyclical around the seasons and the crops that they're growing. So our products were designed around that.

I think the other aspect of agriculture finance is that you have to be lending at the right level, so you have to be able to size the product. To be able to size the product, you actually have to know a lot about your clients, and that's the reason why we have worked with the other value chain actors to be able to design the products and work with the other actors to actually reduce our costs because that's the other element.

ROBERT CHRISTEN: So when you think about value chain, what's the sort of business case that you make for client centricity? We talked a little bit about how does this ever make sense for you, because one of the biggest struggles for reaching with financial services the poorest farmers is to get that to a place where it makes economic sense for the lender. How do you think about sort of this combination of being more client centric which you almost have to be to successfully work with farmers, but get a business case out of it? How does this make sense for you?

JOHN MAGNAY: I think we can honestly say that we didn't have a business case because we didn't know what the business was going to look like at the beginning. There's no doubt about it, the three drivers for the business case is: 1) the risk management, 2) the value proposition, and 3) the cost of delivery to our clients.

To begin with, the cost of delivery was a very expensive option. I listened to the MetLife presentation on filling out forms. We were asking our rural clients 50 miles from a branch to come in and fill 11 forms to be able to take out a loan product, and this was never going to work. So what we've targeted is reducing the costs, and also sharing the responsibility of data gathering and management of our clients, with the other value chain actors. So what our product looks like today is that it is possible for our clients to sign up for a bank account and apply for a loan in their villages. Nearly all of our clients now have the capacity to be able to receive their loans over their phones and repay over their phones, and we are able to monitor our clients on the basis that we're not receiving weekly repayments like under a traditional loan product. We're able to monitor them through working with our strategic partners who are involved in the technical support to those farmers.

ROBERT CHRISTEN: I've heard partnerships all across this. It sounds like every one of us here on the panel have a fundamental partnership that maybe is critical to the business model. This is very different than ten years ago. Ten years ago, we were talking about supermarkets where we would do everything for everybody, and now it's a financial ecosystem and the financial ecosystem necessarily means we're in partnership. But then to the point you were making, Mathilda, you're also dividing fairly low fees two and three ways. Can you just kind of talk a little bit about business models built around partnerships and how you're thinking about that, because I assume we don't get into partnerships easily. I assume we do this because we have to. You know, wouldn't it be much better to work alone and just make all the money for yourself and not divide it two or three ways? So tell me a little bit about why you ended up having to have these partnerships and how that kind of works in the revenue division? Because that's where stuff falls apart too I suppose.

SUMIT GUPTA: So most of this, as you rightly say, partnerships are a product of convenience and compulsion if you don't have a partner today, and you know that you don't have the ability to go the whole nine yards yourselves. So it's critical that you have somebody else along with you who has some skill sets, necessary strengths, where you can leverage, give him his part of the dues, and you still make net money out of the process. Now, you may not make net money today, but as a new business plan, you will start making money over a finite period of time—six months, one year, two years. That's typically what any business model does. So for our case, we are pretty clear, any of our business models, whether we call it YES money, we charge one percent as the commission fees for making a payout, of which 80% goes back to the agents in the field.

ROBERT CHRISTEN: And the agents are the partners?

SUMIT GUPTA: Agents are the partners. Eighty percent of that goes back to them, and ten percent ... 90 percent actually goes back to them. What is left is only 0.1 percent of the transaction charges of the amount of loan is all that we make. But at a scale that we have reached now, I think that's absolutely okay for us. So we would want to rather build up and build volume in this. Equally important, but not just as example, the other example that we do micro-lending where we have business correspondents and dues and MFIs as business partners. We ensure that they are equally rewarded and make income because they are critical for us to survive and do that business.

ROBERT CHRISTEN: So they're the front end?

SUMIT GUPTA: Yes.

ROBERT CHRISTEN: So in this case, they're the front end. Whereas, Mathilda, your partner's not on the front end?

MATHILDA STROM: The insurance company isn't, I mean, the mobile operator's brand often is what the customer sees. It's our agents, but they look and feel like a Tigo insurance agent for example. So it can seem like they're on the front end. So, leveraging the brand of the mobile operator is extremely powerful because as most of you know, in Africa and in Asia and Latin America, the mobile operators are the biggest brands and companies in these countries. So inherently people won't be worried that they'll just disappear tomorrow, which they're worried about for financial institutions, including banks. They're worried that they'll disappear. Many countries, they have disappeared over the last ten years, some of the banks they've put money in to. So having that brand gets the foot in the door, and gets the immediate trust—well, not immediate, but some sort of trust from the get-go which is really important to bring people on board. But the payment channel for us, the payment channel and the brand that's really important from the mobile partner's perspective, that it's helpful to leverage for financial products.

ROBERT CHRISTEN: I guess in the sale of this intangible, this insurance product, you want more control over that, so it's your agents that are actually doing the sales and the claims, correct?

MATHILDA STROM: Yeah, it's not only that we want more control, but it doesn't work unless you educate and spend the time and do it right. So there have been plenty of people not working with intermediaries, and that's the first question we get. It's like, well we can work with an insurance company ourselves. Insurance companies, mobile operators can work together, cut out the middle man. The point is it hasn't worked.

Because the first meeting I had five years ago when we set this up with a mobile operator was, we're working now with an insurance company and they're over here. Mobile operators are way over here. There's nobody helping us out in the middle because this is a completely new industry. So coming in and basically saying we'll handle all this, this is a new industry for insurance companies too even if it is insurance. This is mobile insurance and it's completely different from their existing business models.

But three parties, they each need to be happy, and the key thing is that financially you need to be aligned from an incentive perspective. So you can't create revenue models where, if there's an incentive for us not to reach a certain volume because then we've got to give away more, then we would never want to reach that volume. And there can't be incentives just for us to register customers because if all we do is register customers and unregister them tomorrow, the mobile operator and insurance company don't get their value. So you need to make sure all of these incentives are aligned to make it work.

ROBERT CHRISTEN: Then I guess, Samuel, in your case, the partnership has a slightly different configuration.

SAMUEL MAKOME: Yes, of course it does. The largest telco is a difficult partnership, a lot of hard, tough discussions, and one month later cancel this number, is it 70/30, is it 60/40, what's the sharing, what are you bringing to the table? But at the same point, you realize that everybody brings some strengths. You are the expert in the banking world, in credit scoring, in following up, in risk management, in following up unpaid credit. You've got the strengths. But at the same time you recognize your partner also has strengths you do not have.

For instance, as I said earlier, they have the scale, they ability. And so sharing, even agreeing how do you share profits, how do you share risks, for instance, is very, very important. So a level of trust in partnership is some hard talking and of course some level of trust is required. So it's not an easy journey at all, and it's something you have to review, I think, even in all agreements. You have to say after six months, we have to look how is it working; for six more months, how is it working. So in reality, it's a relationship that you have to sustain and you have to look after.

I think it's sort of just that partner, for instance, with a credit reference bureau, it's a type of partnership and we have to see. Talking about business models, because you can see the size of credit if you pay too much for an inquiry then it can take your proposition under water. So you have to say it's only going to be nine shillings or seven shillings, three shillings I'm giving you volume but give me a cut on price. So there's also that kind of partnership as well. So there are other linkages on other partnerships. But I think overall you're able to create a win/win/win situation for everyone.

ROBERT CHRISTEN: All right, John you were talking about partnership for the non-financial services for which however there is a cost. So how is that configured?

JOHN MAGNAY: So, I think we recognize that ... I'm going to take this down to a single smallholder farmer. When we actually go and have a look at a new client and we look at their demographics, their land area, and the value chains that they're operating in, theoretically we could design a way that they could be an economically, commercially active family unit where they would be getting a level of income that would support the family in a sustainable way. So we could deliver the financial piece of that, but we cannot deliver all the other pieces. So we need to put together the partnerships.

Let me take an example of the cocoa value chain. As you know, globally, cocoa is under a supply threat. If you look at the productivity of a cocoa farmer in Asia and a cocoa farmer in Africa where, by the way, 70% of all cocoa comes from two countries, the productivity is about one fifth. Now, the cocoa companies have gone in there and they have tried to demonstrate how they can achieve the yields of Asia or in South America. It has not worked and the reason why it's not worked is they focused on one thing. They focused on the productivity.

Our proposition to them is what you actually have to do is you have to look at all of the activities that they're doing, you look at all the financial services they require, and therefore, we need to develop the partnerships with the cocoa industry for offtake. Now what it does for us is it actually brings down the cost of our delivery service because it means that we are able to share data. They want the data for traceability and quality control, etc., to be able to deliver a product to the market. We want that data for financial management. We also want to link in to the input supply chain and the offtake to reduce the cost of our distribution and collection of financial services.

The other thing is, the most important thing is, to make it a business case for the bank we have to be delivering the right amount of finance because our largest revenue source in rural areas is our loan product. Therefore, we normally have seasonality, but if we're providing a multitude of products, including education finance and household cash flow management, it means that we can actually get a revenue stream for 9-12 months of the year. So partnerships is a key part of what we do.

ROBERT CHRISTEN: It strikes us as we've had these conversations these last couple of days, it seems really clear that the future is built around partnerships. It's the business model, the business case has got to be one. But then what would you say the realization that you have to have partnerships to make it work does for the way you think about how to carry forth the business? Because if you're dividing revenue three ways, it isn't so easy just to keep adding more actors to the picture. What has to give if you're going to still make money doing this? What do you have to focus on in order to be successful in partnerships then, given how many ways you end up dividing revenue from four people? Does it change the way you think about design, about client-centricity, about the business? Any insights there?

JOHN MAGNAY: Can I give you an example of where I see partnerships that work well? I'm going to give a case of Tenaee Alcio (sp) from Rwanda in the audience. Last week, I was with him there. We started working with 11 co-ops, and our total loan portfolio for 11 co-ops was around $10,000. This is not going to be a big business.

ROBERT CHRISTEN: Not scalable anyway.

JOHN MAGNAY: It's not scalable. Today, those 11 co-ops are probably drawing around $200,000 and we've been able to develop other products like storage and transportation. We're now looking at financing the miller who is the offtaker foreman. So we've built up through this cooperative partnership, we've built up a value proposition for us and a service proposition for our clients. So their yields have gone up about fourfold since we started working with them. And suddenly we need to put in place all of the other pieces and all of those are a revenue stream for operation.

ROBERT CHRISTEN: So in a sense, the partnership is the key to scale.

JOHN MAGNAY: No doubt about it. And the speed is key to scale as well.

ROBERT CHRISTEN: Any other insights about this, because I actually wanted to go back to Claire. This place we started with client-centricity, addressing ... you know, I had said yesterday when I opened the whole thing, perhaps the negative presentation of the purpose-driven client-centricity that Doug was talking about yesterday, he was putting it so positively and affirmatively, and I started off by saying, well what we're really doing is solving business problems we have, accounts that don't accumulate balances, high dropout rates of loan clients, insurance policies that aren't bought, they're rammed down people's throats instead of buying them, all these kind of problems we have in this business we've been at can be addressed by client-centricity. So you can either take it as a solving a problem thing, or being a purpose-driven organization.

But in either case, it strikes me that this is not an easy transition, that in fact as you started off saying, there's a huge cultural change. It strikes me that a lot of us think that we're being client-centric when we wander around the field, we talk to happy clients, who kind of reaffirm that we're doing a great job, and we're double checking to make sure the processes and the products we put out there are working. I'm not thinking that's what you mean by client-centricity. How does this change happen? You've worked very hard on this in some institutions. It can't be easy. How does one go about getting this done? Is it a business case you have to make?

CLAIRE BURNS: No, that's a good question. So, from a culture change perspective, we first sought out to think about what was the kind of culture we're trying to create, and we had three pillars to that. The first was empathy, based on the story I told before, if we're sighing on the phone and asking people what their policy number is when they've just lost a loved one, we need to become much more caring. The second was transparency, which was about letting people make mistakes and letting failures happen, but just being very transparent about how we shared our learning with one another. And the third was ownership, and it was that our CEO, sure, he owned this, but he wanted every one of his leaders to also own their own agenda around how they were going to get better for the customer. So those three were the pillars.

For empathy, we started with bereavement training where we brought people in to talk to our call centers about how to talk with people who had lost loved ones, but that was just the very beginning. We had our leaders, our CEO had been an investments guy. He never actually talked to one of our customers. So we had him and his leadership team, we asked them to take calls from customers and actually help resolve problems, and they started to do this on a regular cadence, which was fabulous. We also brought calls into their leadership team meeting, and usually very selfishly focused on problems I wanted to solve.

So one example, we brought a call in, a dental customer who had faxed something in seven times, an eligibility form for her daughter for orthodontia, and we hadn't been able to locate this. So she's so frustrated on the phone, and the whole leadership team hears this, and she said, "I faxed it in seven times!" And the call center rep said, "But that's not what we need. We need you to write this on the form." She said, "I did write that on the form." So we listened to the call. Our CEO said, "What the hell is happening at our fax machine, and then asked three of his colleagues in the room to fix it, and then had them report back. But that was part of the empathy, but it was also part of the transparency.

And another transparency area, we had each of our senior leaders write blogs about their experiences with customers that we shared on our internet. So we're really sharing these stories of making mistakes, but also how we fixed them.

And then in terms of ownership, we tried to create a line of sight for every employee in the organization to the business case and to their score card. Our CEO, again, he said, "I want everyone to have a goal, right when we start, I want everyone to have a customer-centric goal." We said, "We can't have everyone have a goal until they know what we're doing because it will just be fluff." So, we did some global training where we had every leader in the organization, every supervisor train their own employees with some videos that we shared, and facilitated approaches to come up with what they were going to do as a team to advance this effort on those five boxes that we showed you, and then translate that into goals. So that was really attaching it to the business case.

So, in all three of these pillars, we saw great progress. Another one around ownership, we had a contest, and we always have employee contests, but we wanted it not to be about heroes, people who were solving a particular problem for customers, for any particular customer. We wanted it to be about, we called it "trailblazers", so groups that were fixing something and making it better for lots of customers. And so they had to demonstrate what the problem was that they were trying to solve, what they did to solve it, and actually show tangible results, financial or other metrics that showed that they had moved the needle. And we published the winners very widely and one got a trip to the Super Bowl last year. So whenever we had the Super Bowl, maybe it was two years ago. So this was really visible transparency and ownership about our culture.

ROBERT CHRISTEN: Thank you very much. Could we get a microphone to Doug. I want to ask Doug. At dinner the other night, we talked about something that kind of blew my mind. You talked about how you did induction for new executives into Unilever and just sort of ... could you talk about that? That was really impressive to me.

DOUG BAILLIE: Yeah, sure. So if you go back in the history of our graduate management and training programs, today we run a program we call Unilever Future Leaders Program. We take about 800 graduates from around the world and we put them through a structured three year program. The origins of the program in fact started about 35-36 years ago in our Indian business, Hindustan Unilever. They went out and they recruited the very best of the best at the top MBA schools, so we had guys coming from MBA schools. The first six months of their induction was living with a rural family in deepest India. So we've got people who went on to the very top of our organization who spent their first six months living with a buffalo in a one-room place with a family that would give them projects in which they had to try and—for example, improve the water supply in the village or try and improve the health of the village or whatever—but that's where they got their roots from about being client-centric. And it started with those sorts of journeys.

Now it's much more difficult, let me tell you, to get people to go and live in a rural village for six months. But we still in the first six months of the program now, everybody starts with the customer, everybody starts selling, and everybody spends time with the consumer. So we're trying to drive that from the very first moment you come into the company.

Case point about the top is incredibly important. So our CEO, I think as I mentioned yesterday, travels enormously, but he always starts every single visit with a consumer. And that role modeling from the top of the organization, invariably when any of our senior executives travel, I'm in HR, I try and see a consumer if I can. I always visit a store first to understand what's really happening in terms of dynamics of the business. So that role modeling really starts and drives it incredibly throughout the organization.

ROBERT CHRISTEN: Thank you very much. I think this is a huge challenge, because to build the business case for this, you have to somehow build empathy into senior management, because if senior management doesn't have the empathy and doesn't understand why helping a client sort something out is fundamental to the business, then it becomes very mechanical, very transactional. But do you all of any experiences like this to reflect on, because you've all, I think, come from an older school place and you've moved into more client-centric kind of roles. How have you had to sell that idea?

SUMIT GUPTA: Very interesting question. I must say that we are at a deliberate advantage, that since we didn't have a legacy, we started greenfield as a bank in 2004. So we didn't have a legacy of customers, we didn't have legacy of thought process, technology, anything, or people for that matter. So we building from scratch. So one was compulsion to create confidence in the system. So we started focusing on three things: 1) The food and agri sector, from farm to fork. So right from supply chain, to the farmer, to the processor, and retailer, and the service companies, all of it. And we started off trying to focus on the have-nots. This was 2004, so we have had yet to caught on to financial inclusion in the microfinance space. So that was our thought process then, led by our founder.

Since then, we didn't have that much of a challenge of trying to do an experiment. I must say we did an experiment in 2006, we did it in the field actually, on doing some micro-fund lending in the urban space. Then they tell us to do it second time around in 2011. Since then, I think we've really succeeded well, and first time around, you know, we did not have partners. We wanted to do everything by ourselves, exactly as he said, and it didn't work. It didn't work, and we went back into a shell. So in 2011, we recreated this whole space, but this time we moved from urban to rural and we created partners and it's a saying that imitation is the best form of flattery. So if you have competition imitating your business models, you know that you've got it right. So, that's a great complement to have, and we have quite a few them now which have actually almost adopted our model to their requirements as well.

ROBERT CHRISTEN: So you didn't have a legacy problem. You were founded with more of a client-focused vision.

SUMIT GUPTA: Absolutely. So we were extremely centered on clients. We cooperate with individuals. We need to focus on the client because, I think, we need the client base for our selfish. If the client is not there, I can kiss it goodbye. It's a matter of time before I lock the door as well. So it's the client all the way. You can call it a selfish approach, but if the client is not there, if I don't listen to the client the client will move on to the competition. The client could give me a 10,000 rupees float or it could give me a $10 million float, it doesn't care, right? But he remains the customer which builds my book.

ROBERT CHRISTEN: So Sam, you come from a very traditional institution. How does this institution all of a sudden decide it's going to get more client-focused? Why? It's so easy just to sit there and not do it?

SAMUEL MAKOME: I think we have a traditional, but with time an organization must renew itself and change. If you don't change, the world will overtake you and leave you there. So I think we've been forced a lot to think candidly about the organization, to reform it, to change it. Just this year, we actually launched even our own brand. We used to have a number of values. If you asked a staff member, they couldn't remember what they were. We had to simplify them and one of them is just simple. You know, you have to simplify and make it whatever.

We have to move towards being a more inspirational organization as opposed to just a traditional business with noise. It can't be just about traditional business. You're a leader. And actually the organization is considered traditional when I joined it in the '90s. A key part of it, one of the core parts of the mission was to take banking to everyone in Kenya. That was a core part of the mission. But with time, people may not be able to understand that or to relate to it. So I think it's been very necessary for us to rebaptize the organization, so to speak, to speak to the organization, to do a lot of training, right from the HR, from refocusing people, getting them back to their roots.

So I do know that earlier yesterday somebody said that when you're hiring, you need to hire the right people for culture. But sometimes when you've already hired 7,000 people, then you have to train these ones and renew the ones who are inside. So I think for us it's a big thing about renewing the purpose of the organization, strengthening it, re-establishing our values, seeing as a brand, as a leading organization in the region, it is our responsibility to also make an impact and to lift the lives of people. And once enough people, enough leaders say consistently, I tell all my directors, then they do know that this is what we're all about.

Ultimately, the culture starts taking on, and I think with time and when I get feedback, the organization is now considered ... it's now considered to be an organization that's reaching out a lot more. So I think you have to make conscious effort to create that culture, to revive the culture, to renew the culture. And I think things, and if you're that way with time as an organization, you have to keep on re-examining yourself, and that's the way you create [inaudible].

ROBERT CHRISTEN: It's a really interesting contrast. We have two organizations here who are new, newly birthed, with a future-looking perspective, and we also have a room full of a lot of traditional organizations who have purpose—Doug, to your point—were born with a purpose 50, 60, 150 years ago, a social purpose, a very clear social development purpose, that along the way perhaps have not so much lost the purpose, but lost innovation, lost a certain edginess, and, in a competitive environment, are going to lose out. They'll be shuttered if they don't rediscover purpose, and part of rediscovering purpose is discovering the how. And a lot of this session I hope is focused on the how. That was something that you all, the community, gave us on the evaluations the last couple of symposia was, we want to understand how does this happen? It's great that we want to be client-centric, but how do organizations actually do this day in and day out? And this is why we spend an awful lot of time on some mechanics here of how it is that you're solving those client-facing problems because that's actually where the rubber hits the road. Otherwise, it's just great intent. But it's actually this level of detail. I don't know if Mathilda … open it up to the floor so if people with microphones can get positioned here towards the heads of the rows it would be great. So we'll take questions after Mathilda.

MATHILDA STROM: Yeah, two things. From our perspective, we, I guess being a Swedish company, very un-hierarchical. We sort of flipped the pyramid of CEO down to customer on its head, that the customer is number one. And one of our values is respect, which is a common value, I guess, across many businesses. But we encourage people to live by it, down to the agent level. If the agent really feels this, then they'll show that to the customer and then face to the customer right away.

And one of the examples that one of our country managers gave on how they do this is, they were speaking to one of our agents one day as he was talking to him about something, and our CEO from Sweden called him. He sees the phone and he sees that the CEO is calling him. But he says, the agent is the most important thing to me. I'm not going to answer the CEO's call. And actually, in many of the environments we work in, you would immediately say to the agent, like, "Hold on a second, the boss is calling." But actually, no, the boss is calling, that doesn't matter, because you're the most important thing to me. And if you show that to the agent, it's extremely powerful for them to realize that, wow, I'm more important than the CEO. Yes, you are.

So that's one thing. And the other thing is claims for us. That was one of the things that maybe I didn't mention in terms of our KPIs. But insurance companies are well known not to want to pay claims. So that's why we're there also, to encourage, and we have a target of what should be the claims ratio. But something that again to the agent side that they need to understand the value of this. So, we encourage, or we do, sort of, have minutes of silence when we pay out a claim. In the whole agent force, the call centre stops, and we'll have a minute of silence in kind of honor of the person who's passed and we've paid the claim for. And unfortunately, I've had the experience of paying out a claim to a woman who had lost her son in Bangladesh. And we did it, under her agreement, in front of about as many of you here, which was our agents, so that they could see claims are paid out, what's the value to her. And it was, it felt like an awful experience for me. There was a lot of, more tears than yesterday I can guarantee that. But the agents were all in tears around the room, and then came up and said, "Now we understand this." And that's sort of the way to do it.

JOHN MAGNAY: Bob, I actually want to turn it over to the audience, but before I do that, there's actually been a very big change in 23 hours ago. Opportunity in Africa has had a new partner buy into our business which is a fintech company. Their mission is for us to be able to deliver to more of the 460 million unbanked people across Africa. So, we were a traditional institution, we were changing. But I think with their involvement with us, I believe that we will be able to deliver a better product, particularly in my field into the agricultural field, because of the skills that they're bringing to the table. And I think the audience, we're not being client-centric by not letting them ask us questions.

ROBERT CHRISTEN: So please, can we get the microphones up in the front? So I invite audience people to either ask a question of panelists or also, you know, I'd be interested if people have had experiences trying to sell client-centricity. Now that you're so powerfully motivated these past two or three symposia, have you tried to work on this in your organizations, and what has been some of the experience? And how does business case figure into that conversation? Have you had to try and make a business case, and how has it gone? So I'm inviting folks, so again, please ...

MALE: This discussion is actually getting to me something that we should do. It's to add to the picture of the product, the logic behind the product, because by the time we lose the logic seeking for numbers and achievements. Another thing that yesterday you said something about what surprised you as a client, it was not me or the client, but actually we have insurance with insurance company, and one of our clients who was taken from literally service and was bombed in one of the terrorism, and actually we send the claim and the insurance company replied with a letter, "This is not covered through this policy, however we are paying the policy because of this event." This was a good surprise, and actually we sent a thank you note for the company.

ROBERT CHRISTEN: Great, thank you. Back here, we have ... I can't see who, can you just say who you are?

GERALD RASUGU: Good morning. Gerald Rasugu, from GSMA. Thanks for the discussions of the insights. The question I started asking myself is actually drawn out of what Mr. Makome said. He gave us some data. 4.4 million customers already on service. I started thinking about looking at client-centricity with a gender lens because he talked about 28% of the customers being women. My question to you is in three parts. One, do you have a sense, Mr. Makome, of why we have a low composition of women, at 28%, on the service? Secondly, after the 3.7 million customers that have already borrowed, do we see the same ratio being women? And I ask this because of my third question. Is there an opportunity to build a business case around women if this data shows that more women are actually borrowing?

ROBERT CHRISTEN: Can we hold off for just a second. Let's take two more quick questions and then we'll have a final round here.

ALEX COUNTS: Alex Counts from Grameen Foundation. It sounds like building customer-centricity on this panel and before has been mainly approached from the view of organizational change and incentives and so forth, partnerships; but what we've not heard a lot about is the role of public policy and regulation. I'd just be interested in speaking about how has regulation hindered customer-centricity and what are some of the ways around that?

SOLANA COZZO: Hello. Solana Cozzo from MasterCard. The question is more geared towards Mathilda, but I'll open it up. Getting back to that business model, and the question that we have is, have you in addition to your business model, I know you want to keep it simple, but have you considered yet another partner like the government? So for example, adding on your micro-insurance benefits to a social benefit that comes from the government, versus having the client do the two cents a day, you just debit it from the social benefit? That's one question. And then the second question is, around this concept of trying to get the customer to save more or use more the electronic account where the money stands, have you considered linking usage of the account to the benefits? So you make two transactions, you get a little bit more on the benefit. So those two concepts I think would be really interesting.

ISHMAEL OTCHERE: My name is Ishmael Otchere from Microfin Plus. I wanted to find out from John, the panel referred to population growth for the agri-businesses, I had a very interesting experience where one of my community agents was not reporting to office. I decided to visit him in the village only to find out that his second wife was delivering their 11th child and he had to be operated. For that matter he wasn't able to visit some of the clients. I sympathize with him, but I was also very disappointed because he is the person who is to educate our clients about agri, about agriculture, and he's having almost about 22 children. How do you factor this in your business strategy in terms of the business case? Because while you are providing financial services to a target group, where there's a population explosion and this is not actually factored in your business strategy, at the end of the day, it's likely you're going to have a problem. So how do you deal with this in terms of your business model? Providing financial services to the agri-target group? I don't know whether I'm clear with, you are clear with me. So how do you deal with this situation?

ROBERT CHRISTEN: The situation of somebody being absent? Is that ...

ISHMAEL OTCHERE: Yeah, what I'm saying is that you are providing financial services to the agri-sector, using [inaudible] pricing, how do you deal with the issue of education of family planning? Because where the clients are continually increasing in population, and you are providing this service without taking that into consideration, at the end of the day, it's likely you are going to have a problem. So how do you deal with this?

ROBERT CHRISTEN: So what we'll do is we'll just do one final round with the panelists. A minute and a half or so each. If you can take on the questions that were addressed to each of you. And then also a final thought on, sort of, the business case, how it works for you, how do you think about it. So John do you want to start?

JOHN MAGNAY: Let me just very quickly address that. One of the important pieces of data which we're now capturing around our clients is the demographics of the household because we see this as a main influencer in terms of our risk management. So that's the important thing. But really the fundamental underlying issue around high population growth in Africa is actually poverty. I don't know if you've seen the global statistics but when you get clients out of poverty, one of the first things that happens is that they actually focus on smaller families, and investing in smaller families. So, as a long term issue, it's getting our clients economically and commercially active. But it is something that we definitely measure.

The other measurement that we take across our client base is the progress out of poverty index, to identify at what level a household is when we start. I'll just give you a very quick statistic. We've just done a survey of our new coffee clients in Uganda and 65% of them were operating on less than $1.25 a day, and 90% of them were operating on less than $2.50 a day. So that's the baseline on which we're starting with those clients, and we're going to track that over time to see how the impact of technical services and financial services has on them.

ROBERT CHRISTEN: Mathilda, you want to make a final comment?

MATHILDA STROM: Yeah, the two questions to answer those, one was about the government subsidized insurance. We would be absolutely interested in working with governments to help this. But what we often say, we wouldn't accept it if it was just given and we didn't play a part in education. I mean, we've turned down opportunities where people have said, you get access to all these people, but you don't get to talk to them. Because then, we say then there's no point, it's going to fail, and then one year later you're going to shut us down. What's the point? So we would want to have an active role in education, which sounds like it's ... but it's the truth. This is exactly how we work.

And the second one, the loyalty model, that was the way we started. So we started by offering customers free insurance based on how much top up they had on their phones every month. We did that in five markets, but we have since moved on to paid models. In the last three years, we haven't launched a loyalty model again. The main reason is because we really believe that if somebody chooses to pay for it, then they really understand it better than if they're getting it for free, and we don't see that the business case is dramatically different at all. It's a much more sustainable model to have the customer pay for the product than get it for free.

SAMUEL MAKOME: Just commenting on the issue of men and women picking up the product, I mentioned with partners there is a point in time where we've seen maybe [inaudible]. But still, it's a puzzle for us. I think sometimes, yesterday Ignacio mentioned stories or myths. One of the myths we had is that the reason we did not take up some of his products was because maybe the husband was in the way or they didn't have collateral. So this one is possibly anonymous to some extent and it's only using [inaudible] so you'd expect it to be like 50/50. So this is obviously a puzzle and what we would say is that it's [inaudible] and we can't say that we know too much. The important thing is now to start understanding the data.

What we feel is that, with this kind of information, you're able to start understanding the why. You have to go back to the clients. You have to ask again. You have to dig deeper and understand, because even there are many variables. I said earlier we have more variables. Later, you discover some of the variables have no statistical influence on outcomes, on ability to pay. So as you iterate and you improve and you learn from data over a period of maybe a year or 18 months, and you can use that data. I think for us, we think that the point where you are at, you started with some information, you get to know more information, and then you build on that information to create a greater model. And we even require more partners to assist, even some psychology of why people don't maybe save, don't do this, to really unlock what is causing part of this. So we don't know everything, and some of it is a mystery. At the time, we had something like $40 as the average. It then fell to $30 as the average. So again, [inaudible] a lot more people sign up, just smaller amounts.

We're also looking at data like who are the repeat borrowers, why are they borrowing again, who borrow once and then disappear? And then after eight months, now you can start asking questions about use case, is there a dormancy, what is the issue? Do you call through call centers? So a lot of those questions will start at the margin, have started at the margin, and as we go along we keep planning. So we don't feel, bingo you've got it. I think we are like, this is an important journey and you have to keep on understanding, keep on calibrating your journey as you learn more, and keep on listening and seeing what the data tells you.

ROBERT CHRISTEN: Thank you, Sumit a final comment?

SUMIT GUPTA: There was a question about regulatory push. So, the regulations actually provide an enabler boost, an enabler push to your own efforts. So in the case of the Indian central bank, they do have a stipulation that X percentage of your total book has to be to these smallholding farmers, or the private sector as they define it. which actually pushes the banks to try and take an incremental amount of risk, as well as nudge to create business models in that space. So even if you don't want to do it there are other avenues as well that you can do that, but at least it's that much more a nudge and a push that is available to somebody who is any way inclined to do something in that space.

ROBERT CHRISTEN: In closing, I'll say one thing. I understand that BIMA won't even operate in a country where an electronic signature is not accepted.

MATHILDA STROM: That's right. So I was going to say that we think that regulation normally is more of a hindrance or can be more of a hindrance than a help. So if no electronic signature is allowed, and we have to collect paperwork, then we're never going to end up paying a claim in three days because you have to look through ... I mean, this is how we started in Ghana because they didn't allow it, and then we worked with the regulator to allow an electronic registration. And we have to get our driver in each time there was a claim and look through every single signature and find the one. That's not going to work when you have 20 million customers.

But other things the regulators sometimes overlook is they, I think there's a, rightly so, protectionist philosophy on agent force, and sometimes there are some markets where there's no business case for us to enter because of the strict requirements of the certification of agents. I mean, our agents are selling a 60-cent product, and it's one off, and they need to learn about annuities and complex financials they're never even going to have to talk about. So that can also be a hindrance for us. And equally, payment channels. So I said that airtime is the best payment channel for us. In some markets, we're not allowed to use that as a payment channel. So those three things sometimes can mean that we don't even enter a market.

ROBERT CHRISTEN: Maybe policy makers need to be in the conversation around client-centricity. That was something that was suggested even for this symposium and we didn't quite get to it. And that's probably okay, given the structure of the thing. But clearly, business case can be made or broken on the basis of regulations. When you are working on such tiny margins and dividing it two and three ways, regulations can be just absolutely critical to whether that's going to be a viable business model or not. So I will wrap this up very quickly now because time is up. We thank you very, very much for joining us, and thank you panelists, and Doug and Claire for offering your insights. Thanks so much. (*Applause*).