

Oliver Hahl '08

Trip: South Africa/Tanzania

Idea: Introduction of "bank in a box" to Brazilian favelas.

Business leaders in South Africa, like those in other emerging markets, confront the dilemma of how their business can better serve the "Bottom of the Pyramid," or those that live in poverty. To accommodate this population, many have had to innovate within a new set of constraints. The main constraints that the Townships face are lack of financial resources and infrastructure, knowledge or skill development, and power or energy. The most effective products for the poor not only serve the customers' present needs, they help the customers ascend into the higher levels of the economy and seize the growing opportunities around them. I was impressed with how well this part of the business (BOP marketing) was integrated into almost all of the companies we visited. I was most impressed with the banks, which seem to feel the most urgency in developing their customer base. They seemed especially ready to offer products that moved their customers up the product chain from debit cards, to credit cards, to loans, etc. There were two products in particular that caught my attention: "taxi cab loans" in Dar es Salaam and the "bank in a box" in the South African Townships.

Dar es Salaam is a fast growing city in Tanzania and ranked as one of the highest receivers of Foreign Direct Investment in the world. Many multi-national companies are coming to take advantage of the self-proclaimed safest country in East Africa (if not all of Africa). As Dar es Salaam has grown, so has the use of cars. Historically, the wealthy have owned these cars, turned them into taxis, and taken most of the proceeds from the drivers they hired. While talking to a Standard Chartered Bank executive, I learned that the bank was particularly interested in creating customers out Tanzania's many poor. He felt their most effective product in this realm was "taxi cab loans." The bank grouped five of the taxi drivers together and set up a loan program that took some of the proceeds from their work as a taxi driver to pay back the loan. This gave these drivers the experience of owning a car, the accountability of running their own little business, and the integral step of developing a credit history. The bank now had a secure loan which was enforced by the bank and the community of five drivers (where someone else had to pick up the slack if one did not pay). But most of all, the bank created loyal customers who were on their way up the product chain.

Another innovative product from a bank with the same goal in mind is the "bank in a box" introduced to us by Standard Bank's Africa CEO Craig Bond. In the Townships, squirreling money away in a mattress was the norm. Homes with money became prey to robbers. This meant that using the money as soon as possible was better than holding it. This mindset further damaged someone's prospects of saving enough money to get out of the townships. The first product a bank could provide someone is a checking or small savings account with a debit card to access this money. The problem is the customer in the township would have to walk at least 20 kilometers to get to an ATM and access their money. Even if the bank set up an ATM in the township, lack of consistent power meant it would be poorly secured and not always run properly. So Standard Bank put a battery powered ATM with a satellite in the township. To speed up the learning curve and trust, they located someone by the ATM to teach others how to use the card. This person, along with the rest of the community who felt ownership for this new product, also policed the ATM to assure it was properly secured. This basic product has served to teach people how to save, and has empowered them to take the first steps to moving from out of "BOP" status.

I would like to look at the possible application of these products in Brazil, a market I am slightly more familiar with than my home country. The growth of the big cities in Brazil, particularly Sao Paulo and Rio de Janeiro, has created micro-cities or ghettos known as *favelas*. These little shanty towns develop on their own starting from a few squatters with cardboard boxes into a large civilization housing thousands of people in brick or wood frame houses one built off another. These towns have an economy all to their own mostly made up of stores who "get" products from the bigger city and sell to the local residents who either spend their days in the *favelas* or work menial labor jobs in the big city. Few if any of these residents are ever registered and the government and other NGO's have worked to crack the shell of these towns for years. Electricity is usually stolen by extension cord or even more

dangerously via electric wires that pass by the town. There is a large amount of money that runs through these towns even as the people face similar negative utility for inventory as the township residents in South Africa. The “bank in a box” product would go a long way to helping both the citizens and the country. The citizens would again start moving up the product chain. Many of them have the capacity to earn a decent salary annually and could move into savings or loan type products as soon as a safe opportunity presented itself. Microcredit enterprises have already begun to give loans to the entrepreneurs who run the stores inside these *favellas*. Banks could take this over and hand out safe loans to families who run these stores linking them with the larger society around them. By cracking the *favellas* in this way, Brazil will tap into unknown wealth not only in terms of the black market economy, but also in terms of the people. They could finally be registered and welcomed into society. Anyone who has seen the complexity of these towns will agree that they are filled with some of the most innovative people in the world who could do a lot for the country if they were given the opportunity to start up the product chain with these types of products.

Standard Bank, with their recent purchase of all of Bank One in South America, is probably well on their way to exploring how to transfer some of their innovative products into similar developing towns all across South America. It was impressive to see the vision that these banks and many of the companies shared in South Africa. They understood that their business strategy could be linked profitably with society’s development. One thing Brazil has missed even as they have been wallowing in “next emerging market” status for the last 30 years has been the concept of wealth distribution by creating opportunities for lower economic classes to move into a low to middle class mostly non-existent even until now. These products could go a long way to opening the doors of the *favellas* and integrating the “Bottom of the Pyramid” citizens with the growing economic opportunities many of the rest of the country has access to.