

KiWi, the financial engine behind micro merchants

1. FINANCIAL EDUCATION (FE) CONTEXT

Mexico's public financial education policy addresses a number of areas and has clear goals. The 2013 – 2018 National Development Plan (NDP) sets out three lines of action related to financial education:

- 1) Strengthen the inclusion of financial education in basic and intermediate education programmes;
- 2) Promote access to, and the responsible use of, financial products and services;
- 3) Strengthen financial education for women to ensure their proper financial inclusion.

Two financial education indicators have recently improved: the percentage of adults who keep track of their expenditures increased from 20% in 2012 to 37% in 2015; and in 2015, 66% indicated that, as a child, they were educated about saving. According to the National Report on Financial Inclusion¹, the level of financial inclusion in Mexico remains low. For example, there are 1.5 points of sale (POS) per 10,000 habitants, which is three times lower than in Brazil. The number of cardholders is growing strongly, from five million cards in 2000, to 170 million in 2017, and social security benefits (G2P) have been migrated from cash to e-payments. That said, cards still have a long way to go before they replace cash in day-to-day transactions, and their usage and cost are not well understood by either merchants or low-income cardholders. Where domestic lending is concerned, the World Bank also reports a gap between Mexico and Brazil: 68% of the Brazilian population has access to credit, but in Mexico the figure is only 33%. In 2014, 14% of the Mexican population aged 15 and over saved money at a formal financial institution, and 10% borrowed money. Of the same population, 39% had a bank account.

2. INTERVENTION APPROACH

Financial literacy needs assessment

KiWi has been operating in Mexico since 2015. With the KiWi mobile app, micro merchants can manage their sales, products and customers better. With a KiWi card reader, which transforms their phone into a point of sale, they can accept card payments from their customers. KiWi then uses the data to offer them a pre-approved micro loan. Financial literacy is directly improved by using KiWi. It increases merchants' understanding of electronic payments (where does my money go?) and shows that it is easy to accept card payments. The 'cash register' function also give a better sense of daily sales, and facilitates better cash flow and working capital management.

This financial education campaign proposal is based on lessons learned during the first year of operation. When micro merchants get to know KiWi, they generally believe very strongly that it is a solution that will help them remain competitive. However, feedback from the field shows that a degree of natural resistance remains. This can be summarised as follows:

- A desire to remain invisible, mainly for tax reasons. This reduces the will to open a bank account and to accept electronic money. The challenge here is to show that there are more positives than negatives;
- The belief that nobody will pay by card. This proved wrong, with more cards than inhabitants in Mexico, but so far we have not managed to convince anyone beyond saying "try it for three months and you will see";
- There is a fear of technology, especially when related to people's own money. The fear of making mistakes can easily prove to be an unsurmountable obstacle;
- Traditional points of sale are well known, but mobile solutions like KiWi remain marginal. Some merchants are suspicious, or they know that their customers prefer not to use cards within such a new system.

KiWi's main assumption is that electronic payments are a key driver of both financial education and financial inclusion. They push the adoption and use of bank accounts, which are required to accept electronic payments (merchants) and to pay by card (cardholders). Merchants often mention that they now realise why having a bank account is useful for their business. Electronic payments are also visible transactions, and merchants see the advantages of getting reliable data on their sales. They have a better understanding of their performance and cash flow, and they see that good cash flow data gives them access to other financial services, such as loans. The next step for merchants is to enter all their sales using the cash register function. Electronic payments are a good first step here.

¹ Reporte Nacional de Inclusión Financiera, 2016
Swiss Capacity Building Facility

Main activity areas (goal, targets, resources and time frame) and outputs

The principal aim of this financial education campaign was to reduce friction, make it easier to change habits, and to promote KiWi as a smooth and natural platform for micro merchants. This was intended to maximise the adoption, usage and – by extension – impact of the KiWi mobile platform.

Goal	Results as at June 2017	% achieved
Design of financial education campaign	Gap analysis, action plan and specifications completed, ready for execution	100%
Development of FE materials and tools	Merchants now have the following materials online: videos (YouTube); user manuals; easier web onboarding; FAQ. The contact centre has new scripts explaining how e-payments and KiWi work. The 'love by process' project has been implemented. This detects merchants' problems with KiWi automatically, generating notifications, mails and support phone calls. New communication channels are in place, such as the app and website-based chats. Financial education content has also been published on Facebook.	100%
Financial education framework reaches 1,000 micro merchants	More than 5,500 registered users, of whom more than 2,500 are using the KiWi card payment solution. More than 800 have made at least one card transaction in the past 30 days. As at January 2017, there had been more than 85,000 visits to the website, and the Facebook page has 36,000 followers. The most popular feature on the website has been the video, which has attracted more than 10,000 views.	100%

Examples:

The video produced with True boutique:

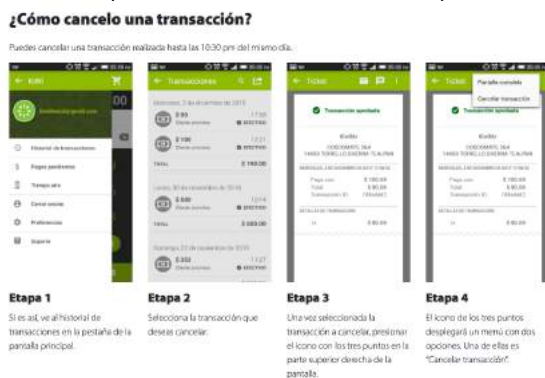


KiWi. La terminal donde todo empieza.
1,714 views

A calculator showing the fees charged by KiWi:



A visual tutorial setting out specific steps (how to cancel a transaction):



A Facebook post inviting our merchants to a financial education workshop:



The target group consists of urban and peri-urban micro merchants in all sectors. That said, the principal focus is on women in beauty shops and hairdressers, and those involved in direct sales (door to door). Some already have a bank account which they use simply to cash a state benefit or salary. FE is an integral part of the KiWi business model. As a cash flow management solution, the app itself contributes to greater financial literacy. With KiWi, merchants have a greater understanding of bank accounts and thus begin to use them. They check their daily sales and keep track of customers who are in arrears, for example. The campaign was implemented via various channels, starting with the KiWi app itself. Mobile phones are probably the best low-cost / high scale solution for pushing information to customers.

Additional funding

KiWi invested in a number of other areas which impacted directly on the project. Particularly worthy of mention are the www.1to4.ch impact fund (equity), as well as *la Fondation pour l'innovation technologique* technological innovation foundation www.fondation-fit.ch (debt).

Partner financial institutions

eBOP SA ('KiWi') is a Swiss start-up created in December 2013, with the mission of providing a mobile financial platform to micro merchants in emerging markets. This then gives them better access to savings, payment systems, loans, insurance, and money management solutions in general. The objective is to reach one million micro merchants by 2021, with operations in eight countries. There are 2.5 FTE (full-time equivalent) staff working at eBOP SA, focusing on IT and product development.

KiWi Mexico is a subsidiary of eBOP SA, running the KiWi programme in Mexico. The aim is to reach 200,000 micro merchants by 2021. Twelve FTEs work at KiWi Mexico, focusing on the organisation's market launch strategy and customer service. KiWi Mexico focuses on peri-urban and urban micro merchants, including women, in a very broad range of industries. It targets areas in which the penetration of prepaid, debit and credit cards is already relatively high.



The micro merchants network map (KiWi Mexico is a branchless company)

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

Support to clients	Attitude changes	Behaviour changes	Impact
<p>Support to understand how financial tools offered by KiWi and third parties work and how they contribute to better financial control, credit-worthiness and sales:</p> <ul style="list-style-type: none"> - videos - tutorials - FAQs 	<ul style="list-style-type: none"> • Understanding that e-payments are simple and contribute to better control and higher sales • Understanding that the cash register function is an opportunity to track sales efficiently and increase control, while offering a better service to customers (such as receipts, for example) • Understanding that using KiWi means generating data, which facilitates easy access to micro loans • Understanding that a bank account is useful and reliable 	<ul style="list-style-type: none"> • Customer cards are now accepted • Daily sales are tracked more proactively than before • Micro loans have become part of cash flow management • The target group now opens more bank accounts, and uses them more, with peace of mind 	<ul style="list-style-type: none"> • Increased trust and confidence in financial products: KiWi worked hard to make onboarding and then usage as simple as possible, showing merchants that electronic payments and loans are not as complex as they believe. In KiWi's survey, 90% of merchants say that using KiWi is easy, and 92% say that KiWi is reliable². • Increased use of financial services: KiWi clearly offers merchants better access to loans than the alternatives. 50 merchants have accessed micro loans in a very fast and efficient way (application in three clicks and money on their account within 24 hours). In addition to using KiWi's services, merchants drastically increased use of their bank account. The project started with an average of four money inflows per active merchant and ended with eight. KiWi also reduced drop-outs thanks to automated notifications. Active users rose from 25% to 30% during the project. The survey indicates that 16% of merchants (at least 400) were unbanked prior to the programme. • Perception of doing better in business: 86% think that their business improved thanks to KiWi, and 86% say that it saves them time. It is difficult to gather statistical data on sales growth at this stage, but both external studies and merchants' testimonials confirm that sales increase when merchants start using e-payments. This increase comes from a higher ticket per sale, as well as new customers.

² KiWi conducted an evaluation at client level in April 2017, with 203 participants.
 Swiss Capacity Building Facility www.scbf.ch

<p>Help in understanding that the financial products they are buying come with support, if they need help or don't understand something. This takes the form of in-app messaging, web chats, notifications, call centre improvements, scripts, and the frequent posting of relevant content on Facebook.</p>	<p>Understand that financial services are tailored for them and that they are important customers, that they matter, and that we want them to feel secure while using financial services</p>	<ul style="list-style-type: none"> • Don't hesitate to get in touch when something is not clear enough • Less inclined to give up when a problem arises • More confidence, meaning more usage in general • Work with peace of mind 	<ul style="list-style-type: none"> • Increased trust and loyalty in financial institutions: 93% of people who got in touch with KiWi's contact centre are satisfied with their experience. On Facebook, people rate KiWi 4.3 out of 5 as a financial service, and we are classified 'very responsive'. • More trust and confidence to address problems and to engage with new technologies.
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What is still not good enough:

- **41% say that it is not easy to find all relevant information on the website**
- **7% use KiWi without any human interaction with the contact centre.**

We keep proactively contacting merchants, because this enhances engagement and boosts usage.

Only 16% of merchants were unbanked before using KiWi

This means that a few hundred people gained a bank account thanks to KiWi, but we should do much better. Even though the unbanked may be slightly more reluctant to answer a digital survey than 'high-end' customers, we can do more in offering support with opening bank accounts.

The following two examples, drawn from KiWi's 'high-end' customers, highlight results at the client level (picture: Patricia Saucedo, *La Nueva Tepetongo*):



1) *La Nueva Tepetongo*, convenience store in Michoacán.

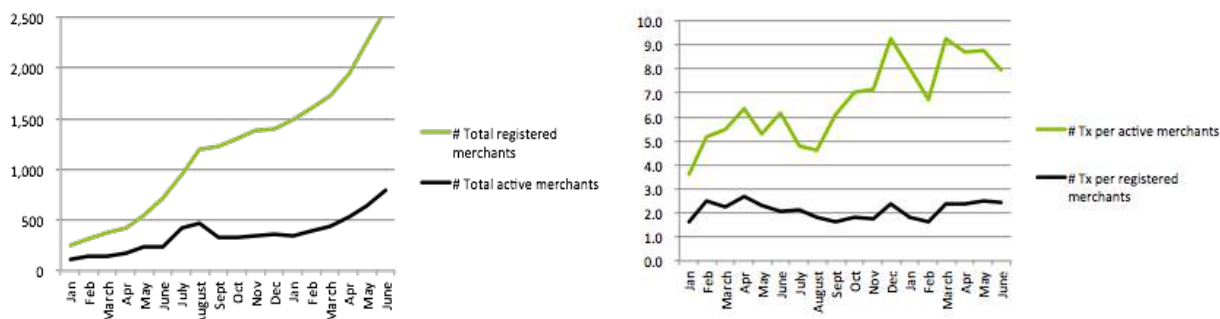
Patricia Saucedo set up a convenience store in the town of Tepetongo (883 inhabitants). The closest bank is 45 kilometres away. In a very rural area, Patricia has been the first traditional merchant to accept electronic payments. In three months, she has processed 32 transactions worth more than USD 650. KiWi wanted to test improvements as a result of financial education, and the fact that several merchants in rural areas have passed through the whole process by themselves is a good sign. Patricia offers now a better service to her customers, accepting e-payments, and thereby increasing their loyalty and satisfaction. This helps to make her business secure and stable.

2) *Clinica de Especialidades Veterinarias*

Patricia and her husband Edgar have run a veterinary clinic in Carmen, Mexico, since 2015. In order to accept card payments, they went to a bank. Very quickly the bank started charging them fees, because they did not meet the required minimum number of transactions. Since they had not expected those fees, which were probably mentioned only in the small print of their bank contract, they lost confidence in financial services. Then a friend recommended moving to KiWi. They joined in August 2016, and have so far made 115 transactions, amounting to a total of USD 4,350 with total peace of mind. They also understood that by accepting payments with KiWi, we gain excellent information about their cash flows, and are thus in a position to grant them a micro loan.

Partner financial institution level

We currently have more than 5,500 registered users, of whom more than 2,500 use our card payment solution. More than 800 have processed at least one card transaction within the past 30 days (see Chart 1 below). Chart 2 confirms that usage is improving, in terms of transactions per active merchant. However, it also shows that KiWi's churn is high. It is better than the industry benchmark of 20% in the mPOS sector, but is not good enough.



The financial education campaign helped to reduce the gap between subscribers and active members from approx. 25% active to 30% active, thanks to two things in particular: 1) the automatic notifications from the 'love by process' project, which were recommended in the gap analysis and subsequently implemented; and 2) better signage at merchants' premises, with more prominent stickers, for example. Merchants realise that, otherwise, their customers believe that they do not accept electronic payments, and that it is the merchants' job to show them clearly that they do. Results are encouraging but still too low. Between January and June 2017 there were more than 85,000 visits to the website, with the video still attracting the most attention ('True boutique', with more than 10,000 clicks, or 17.5% of traffic). This really confirms the importance of this video, in addition to other financial education tools. By comparison, there were only 4,500 clicks on 'buy' during the same period. Positive signs of take-up and use are also visible on Facebook, where KiWi now has 36,000 likes, with posts reaching 270,050 people in a single week. This is a positive reflection of the content posted on Facebook, some of which is part of the financial education campaign. To give a very concrete example related to financial education, when KiWi explained that a key element to consider when choosing an electronic payment solution was 'when do you receive the money in your account?' (because many suppliers keep the money for days, while KiWi credits merchants daily), the post got more than 500 likes and reached in excess of 12,000 people.

4. LESSONS LEARNED

We are very satisfied with the FE campaign, with concrete and visible improvements at both client and institutional levels. We feel that financial education on the mobile / digital world is promising. An app like KiWi is meant to improve the way that micro merchants manage their cash flows. The app itself is a financial education tool in addition to providing financial services. Taking this into account, a good FE campaign is basically about making the product as user friendly, simple, and clear as possible. We understood from this campaign that there will probably be no need to train merchants. No materials for on-site training have been designed. Rather, we have continued to develop online tutorials, scripts and videos. It is all about providing the best possible solution, and then anticipating potential problems through interactions and FAQs. This financial education campaign proved very useful in taking KiWi from average to good in our impact on financial education. The potential effect of KiWi on financial literacy is huge. Once merchants use KiWi for all their transactions (cash + cards), with new computer-aided learning techniques we will be in a position to push tailored tips, training courses and recommendations in real time. This is just the beginning of our financial education efforts.