

Webinar: EdTech can close the digital divide in Latin America Accion | EdTech puede cerrar la brecha digital en Latino América (September 30, 2020)

Participants

- Liza Guzman (VP & Product Manager - Ovante, Accion Global Advisory Solutions)
- Eduardo Suescun (Head, Sustainability and Financial Inclusion, Mibanco)
- Jeremi Brewer (Founder & President, Elevate Global)
- Yves Moury (President y CEO, Fundación Capital)

Preguntas para todos
<p>1. <i>The COVID19 crisis has forcefully accelerated the slow adoption of digital technologies applied to learning. I wonder if we know and check that the contents being provided are adequate, or are we in a race that is making us lose sight of the quality of our content?</i></p>
<p>Liza Guzman:</p> <p>Our clients are exposed to multiple sources of information where the content is not curated. At Accion we follow a rigorous customer-centric content creation process which begins with research conducted with potential future users of the content regarding their needs, habits associated with their consumption of information and / or educational content. We define the learning objectives and build content prototypes that we test with clients to be sure of their relevance and quality, as well as of the format of delivery of this content.</p>
<p>Eduardo Suescun:</p> <p>First of all, I consider that this current situation that we are experiencing has led us and forced us all to have an accelerated learning to a new digital environment, including microentrepreneurs, who have already experienced a process of adaptation and learning of different digital tools.</p> <p>I consider the key to success in this crisis environment being in putting the client at the center, and asking ourselves from the very first day what their real needs are; we conducted surveys, where we asked what the microentrepreneur felt, what were their greatest challenges, and how Mibanco could accompany them in the best way.</p> <p>In this way we managed to create content, tailored to microentrepreneurs, according to their level of digitization, through the basic model of digital training, which consists of 4 specific modules:</p> <ol style="list-style-type: none">1. Benefits of digitization.2. ABC of digitizing my business3. Sales with home delivery / biosecurity4. Financial education - working capital. <p>This results in a digitized micro-entrepreneur, familiar with social networks to offer their products, in addition to financial tools, which allowed them to pay and collect payments without the need for cash, and delivering their products in compliance with all established biosafety regulations, as well as a client more aware of the importance of acquiring productive loans that generate quick returns to be able to pay on time.</p>
<p>Jeremi Brewer:</p> <p>Content matters. At Elevate, there are three principal considerations in ensuring quality:</p> <p>a) Do the trained businesses improve? Are the businesses more profitable? Do the businesses sell more? Do businesses hire more? Does the business owner learn and adopt new practices?)?</p>

- b) Do we see portfolio quality improvements for the partner financial institutions (e.g., delinquency/default, client retention, cross selling)?
- c) Do the business operators express satisfaction with the content and impact in the business?

2. A concern of financial institutions is that they invest in training their clients, and these very same clients may go to other institutions who benefit from such investment. How do you mitigate this "risk"?

Liza Guzman:

Providing training opportunities should be part of a broader strategy of interaction with the client that seeks to raise the levels of loyalty and satisfaction in such a way that the drop-out rate is as low as possible. In our experience working with different financial service providers, we have shown how investments made by institutions in aggregate services with their clients has a clear return on customer loyalty and therefore improving the probability of cross-selling. More than a loan, clients value an ally who is interested in their progress.

Eduardo Suescun:

I believe that the best way to mitigate this risk is to complement financial education with digital inclusion conscientiously and in a complementary way, emphasizing personal, business, and family finances, accompanied by clear and simple products, which the business advisor can explain and the client understands and sees its added value. In this way, the relationship between advisor and client will be strengthened, and credibility between advisor and client will generate loyalty to the financial institution, thus preventing the client from looking for other alternatives.

Jeremi Brewer:

If a financial institution only wants to be seen as a provider of capital and nothing more, then client retention will always be difficult. Clients will flee at the first sign of an interest rate reduction, fees, etc. As soon as institutions invest in the business model of integrated services, that value equation changes and client retention becomes easier. At Elevate, we have tested this specific concern (attrition) via rigorous, randomized controlled trials with tens of thousands of clients. The outcome is always the same: MIPYME operators who receive a legitimate and relevant "capacitación" (not just talleres grupales or an app) remain loyal to that specific institution 4x greater than those who receive nothing or talleres grupales/apps. Conclusion: financial entities that include non-financial services (such as relevant training) within their credits retain their clients 2.5X.

3. Changes in behavior are not always attributable to access to financial services or education. How do you analyze the various variables that affect their situation?

Liza Guzman:

It's true that changes in behavior are also due to reasons of context, culture, individual patterns, among others. That is why it is important to start the process of creating learning experiences from the deep understanding of the client in order to be realistic about the behaviors that can truly be influenced. In our experience with Ovante, we have seen how clients are flexible and quickly adopt behaviors that generate a clear and tangible benefit. For example, the way they serve their customers, the adoption of online promotion platforms or the setting of goals.

Eduardo Suescun:

We understand that the key to financial inclusion is based on the three principles. Access, Use, and Quality. Financial Education, digital inclusion, clear and transparent information, simple and tailored products, added to clear customer data to show their cycle of progress with the bank's support are key to a real accompaniment that will be reflected in behavioral changes, understanding that it is a medium-term investment, generating loyalty and maintaining the quality of the portfolio.

Jeremi Brewer:

Behavior changes for a myriad of reasons. And, understanding MIPYME operators is our primary goal at Elevate. By assigning a control group matters to impact measurement, we work with institutions to identify and measure outcomes for the treated group and a control group.

4. How do you perceive the business model with the governments given that due to the pandemic more social assistance has needed solutions from private companies? What is your opinion here? (E.g. In the Colombian context of Movii)

Liza Guzman:

The pandemic has highlighted the need to work more closely with the private sector in order to have effective solutions to close the digital skills gaps, adoption of digital financial products, access to short-term financing, etc. For example, the Bogotá Ministry of Finance established an agreement with Civico to give microentrepreneurs in the city access to a digital presence, payments and training. Civico invited Ovante to integrate the two platforms to solve the problem of access and construction of digital capabilities together with the goal of reaching 12,000 microentrepreneurs. The city and the governments need more alliances of this type that allow a greater reach with respect to programs promoted solely with government resources.

Eduardo Suescun:

Something that we evidenced from this crisis is the lack of banking, and the precarious state of digitization of customers.

Governments faced many challenges to be able to deliver the subsidies and benefit the millions of micro-entrepreneurs so as not to interrupt the payment chain, however, we have seen the importance today more than ever, of having a credit life, knowing digital tools and being familiar with the different banking products.

This responsibility not only falls on the Government, it is also on the banks and fintechs. Examples such as that of Móvii, allow the client to become more familiar with this type of digital products that complement those offered by financial institutions.

Microentrepreneurs will always require credit to grow their businesses, the key is to be able to offer a portfolio that is attractive and made to measure, that the client also considers working hand in hand with a bank.

It is everyone's responsibility to revitalize the economy again, give microentrepreneurs tools, strengthen their skills, and generate progress for all microentrepreneurs and our countries.

Jeremi Brewer:

Governments have the opportunity to survey the landscape, identify institutions with best practices, and then grant or otherwise promote the use of institutions that have the most impact for their target segments. Elevate works with governments and financial institutions with the Diagnóstico Crisis, allowing economists and risk managers to more fully understand the actual segmentation (challenges) of the MIPYME market.

5. *How do your programs reach populations that don't yet have access to the kind of digital devices required to access these programs? This is the case in indigenous communities in Guatemala, for example.*

Liza Guzman:

The first problem to solve is that of access to technology and connectivity and perhaps this challenge is beyond our reach. However, at Ovante we try to respond to this challenge by creating an offline version of the platform that can be accessed by customers who do not have the right device or appropriate internet connectivity / data.

Jeremi Brewer:

Certainly, it is more challenging to develop a fully scalable solution without any technology component. With a hybrid model, some of these concerns can be solved. Local pockets of geographic density make it feasible to take something to these populations (even if it isn't technology-enabled).

6. *In the ecosystem of financial technologies, Mastercard considers that one of the most important strategies in the recovery of SMEs and mitigating the crisis is the promotion of digital consumption that allows breaking the limitations to face-to-face interaction. How have you seen the need to only give microcredit as such but to have strategic partners with insurers, real estate, raw material suppliers with discounts?*

Liza Guzman:

Definitely taking advantage of the opportunities to promote online, and sell and receive payments online is going to be key in the recovery of SMEs. Credit may be the clearest financial need at this time, but the approach to the situation must be based on the needs of the clients and therefore it is preferable to give them access to a portfolio of financial products that respond to current and future needs. Receiving financing is key, but also saving reduces the vulnerability of families against potential crises, and in protecting businesses.

Eduardo Suescun:

Undoubtedly one of the most important strategies for the recovery of micro-enterprises and SMEs is the promotion of the consumption of goods through digital means that have proven to be safer and more hygienic, they have broken the myth of the importance of cash handling. More and more people prefer to trade with contactless tools both to pay and collect. That is why at Mibanco we have joined the YAPE initiative so that our clients pay and charge with only the other person's cell phone number at zero costs. We will soon see in 2021 that these payment methodologies will show significant growth, giving rise to new technological solutions and more alternatives for customers.

Jeremi Brewer:

Financial institutions have a tremendous opportunity to help connect their clients to other providers of technology solutions and create a thriving financial ecosystem. Often,

clients consider their needs in a relatively narrow way (i.e., all I need is credit so my business can grow). Banks can help clients to take a broader view.

7. *We see that in Latin American countries there is a very large deficit in growth opportunities for people, this is due to little information and education regarding saving. From your experience does the use of technology lead people to generate new sustainable savings habits?*

Liza Guzman:

Saving is more a matter of channels than of product. Easy access, convenience of channels and of course awareness of the importance of savings as a means of building assets and increasing financial security are key. Today's technology allows access, adoption and use to imply less friction in the savings transaction from decision making to deposit or accumulation in an account. Lower barriers should definitely be reflected in better saving behavior.

Eduardo Suescun:

Without a doubt, access to digital tools and easy-to-understand financial products, accompanied by rigorous advice from business advisors, is key to the learning and changes in habits of microentrepreneurs. Yes, this includes understanding the importance of good resource management, the importance of saving for emergencies, and saving in order to invest in the medium and long term. The use of technology and digital tools will allow better access, use and better quality.

Jeremi Brewer:

Savings is one of the key metrics we measure in our rigorous studies. MIPYME operators who receive Elevate's interventions have consistently saved 50% - 60% more than MIPYME operators who do not receive Elevate's interventions. Using the theory and practice of gamification, Elevate has designed many RCTs and savings programs for banks, financial institutions, and non-financial institutions. We believe that savings is a cultural habit that can be acquired through relevant training and content.

8. *What has been your best strategy to generate confidence in the use of digital educational tools within vulnerable groups? Should incentives necessarily be generated?*

Liza Guzman:

The best strategy has been to create a product that is very easy to use, has relevant and easy-to-understand content and has close accompaniment (physical if possible, or at least with voice or texts) especially during on-boarding. Incentives help generate the motivation to "take risks" to use digital tools for the first time, and definitely also help the user to get hooked on the platform, but for our clients the concrete value generated by the platform is more important to grow their businesses.

Eduardo Suescun:

The customer accompaniment process is very important when creating digital tools, since it requires starting from a level of familiarity and trust to transmit this knowledge. Based on the relational model where the advisor plays a fundamental role, we believe that it is imperative that they be the one who transmits this knowledge of financial education and digital inclusion, reinforced with digital tools to which the client can have easy and immediate access to.

Jeremi Brewer:

It certainly helps to have a partnership with a financial institution that offsets the cost for the borrower and doesn't require them to pay for it directly. Having personal relationships is key to the success of technology adoption. Early adopters will always adopt, but the masses adopt with relationships and value.

9. How do you achieve changes in behaviors and attitudes? Based on your experience, how long will it take to see the results of the training strategies?

Liza Guzman:

In the case of Ovante, we begin to see results immediately upon completion of each module on the platform. Each topic or module has one or two concrete changes in behavior that can be observed and measured right after.

Eduardo Suescun:

The success of this strategy is that it generates rapid behavioral changes since the client has the need to increase their sales as soon as possible, the other behaviors related to savings and good credit management will be reflected in the medium term. Hence the importance of permanent contact with the client, either in person or digitally. This support is necessary to see behavioral changes in the medium term.

Jeremi Brewer:

We typically begin to see results (business improvements) in 90 days. By 180 days, the returns to training and education are even more evident and the habits have more staying power.

10. How do you involve the government to guarantee good quality internet access?

Liza Guzman:

By demonstrating the potential that EdTech platforms have to support microentrepreneurs to grow their business and thereby increase employment rates and national production. Budgets to measure impact are small when investing in technology, so the concrete support that the government could give is to finance projects with measurable impact.

Jeremi Brewer:

One of the many roles of government is to invest in the infrastructure needed so its citizenry can thrive. Historically, that infrastructure was brick and mortar stuff. With the evolution of our world, technology infrastructure should certainly be part of a holistic approach to government investment in infrastructure.