



# Creating Sustainable Corporate and Social Value Through Top and Bottom of the Pyramid Customer Engagement: Learning Points from First Bank's Story

Presentation By:

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7<sup>th</sup> November, 2018

**Context: Creating Sustainable Corporate & Social Value in Banking Industry**

**Insights from Selected Global Banks**

**Creating Sustainable Corporate & Social Value: The First Bank Story**

# Banks are essential to solving today's most pressing challenges and addressing those challenges is critical to the growth and success of banks...

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... and demand for bank products and services that meet social and environmental needs is rapidly increasing...



## Bottom of the Pyramid - Individuals

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Over 2.5 billion people around the world still need access to quality banking services – innovative model required to bank the financially excluded



## Bottom and Middle of the Pyramid - Enterprises

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The estimated financing gap for micro, small, and medium scale enterprises (MSMEs) in emerging markets totals over \$2.1 trillion



## Top of the Pyramid – Large Businesses

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Banks' biggest customers<sup>1</sup> are increasingly looking for financial products and investment opportunities for the base of the pyramid segments within their value chains

<sup>1</sup> for instance, Large Agro-Industry Corporates looking to ensure adequate raw material sourcing by enabling small farm holders

Sources: Harvard Business Review; Strategy Team Analysis/Research

# However, some 'myths' are holding too many banks back from creating shared ( corporate and social) values

## The myths are: 1) a profit vs. purpose trade-off mentality, 2) low ROI expectations and 3) Insufficient scale

... As such, most banks consistently fail to recognize and act on shared value opportunities..., and they thereby fail to fully capture new markets and business opportunities while remaining on the defensive about their value to society.

To create shared value, banks need to explore three key areas:

### Reconceiving Products and Markets



- Banks can create shared value by extending their reach to new markets, finding new ways to improve the financial health of their customers, and developing new products and services that support social and environmental progress.

### Redefining Productivity in the Value Chain



- Reconfiguring a bank's internal operations and processes is essential to innovating around new financial products, business models, and/or delivery mechanisms that meet bank hurdle rates while effectively meeting social needs.

### Creating an Enabling Environment



- Proactively growing markets and strengthening key players and institutions in the market ecosystem are essential for banks to move beyond small-scale projects to pursue shared value markets profitably and at scale

# Recognizing, understanding and harnessing shared value opportunity space for banks is the main ingredient required by banks to address social and environmental issues, profitably

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## Extending Banking Services to Excluded Individuals and Small Businesses



## Supporting the Financial Health of Existing Customers



## Banking Industry Clusters and Supply Chains and Financing Community Growth



## Banking Customer Segments that Deliver Social or Environmental Benefits



## Serving Impact Investing Markets



- Banks have a significant business opportunity to extend banking services to unbanked and under-banked populations. Nigeria currently have over 40 million financially excluded adult population
- Beyond banking for individuals, micro, small and medium scale business banking holds significant opportunity for banks. Small businesses are a growing market segment and form the backbone of many economies
- Banks have tremendous opportunity to strengthen their own businesses by supporting the long-term financial health of existing customers
- By strengthening the financial health of existing customers as part of banks' core business activities, banks not only save by avoiding loan defaults and high NPLs, but they also actively grow their businesses
- The importance of industry cluster and supply chain financing to large-scale economic development cannot be overemphasized.
- In industry-based economies, cash flow challenges and limited access to capital for any one actor can create a bottleneck for the whole cluster. As a result, addressing that one need can unlock exponential growth.
- Banks can proactively grow business with customers that deliver social or environmental benefits and have shown potential for long-term growth.
- In this case, banks can dedicate staff with substantial domain expertise and go beyond individual transactions to focus on growing the whole sector
- Banks can experiment with impact investing. Expected to constitute five to ten percent of individual and institutional portfolios in the next decade, impact investing represents a demonstrated, viable business model.
- The green bond was the first of its kind aimed at funding renewable energy and energy efficiency projects for corporate customers

# Several global banks are already harnessing the tremendous benefits of shared ( corporate and social) value through innovative and socially impactful initiatives and programs

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<p><b>Extending Banking Services to Excluded Individuals and Small Businesses</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Banco de Crédito e Inversiones (BCI)</b>, one of Chile’s largest banks, has been a leading innovator in the small business space. The bank launched <b>Nace</b>, a \$35 million fund to provide financing to entrepreneurs. To effectively serve these new customers, who often lacked a credit history and a proven business model, BCI created new credit assessment criteria that focused on an entrepreneur’s level of commitment and perseverance, as well as business plan quality.</li> </ul>
<p><b>Supporting the Financial Health of Existing Customers</b></p>	<ul style="list-style-type: none"> <li>▪ Brazilian bank, <b>Itaú Unibanco</b>, one of the ten largest banks in the world, is generating business growth by investing in the financial health of its customers. The bank has pursued financial health on a large scale by providing a comprehensive financial education program to 80,000 of its own employees and to thousands more by offering the program to employees of its corporate customers</li> </ul>
<p><b>Banking Industry Clusters and Supply Chains and Financing Community Growth</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Vancity</b>, a credit union based in Vancouver with branches across southwestern British Columbia, intentionally builds its business around market clusters that exhibit substantial community engagement and growth potential. One such market is the local and organic food industry, which generates local employment opportunities while improving personal and environmental health in the region</li> </ul>
<p><b>Banking Customer Segments that Deliver Social or Environmental Benefits</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Royal Bank of Canada (RBC)</b>, has dedicated specialists for the not-for-profit sector, which contributes almost 9 percent of Canada’s GDP</li> <li>▪ <b>ING</b>, recognizing a need to meet European energy regulations, created a sustainable lending team to provide expertise and capacity around resource scarcity issues and introduced sustainability KPIs to motivate teams to embed sustainability in their core activities</li> </ul>
<p><b>Serving Impact Investing Markets</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Bank of America Merrill Lynch</b> issued a \$500 million green bond and a \$13.5 million pay-for-success investment (or “social impact bond”) for an adolescent recidivism program in New York.</li> <li>▪ <b>UBS</b> is investing in and placing third-party funds, in response to demand from wealth management clients</li> </ul>

# At FirstBank, we are driving sustainable shared ( corporate and social ) value creation through innovative engagement approaches across different customer segments... (1/4)

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## Bottom of the Pyramid Segment: FirstBank's Agent Banking Offering

Our agent banking offering with focus on serving financially excluded individuals and small businesses in rural areas is experiencing exponential growth with significant revenue and social impact...



**11,794**

**Agent** Locations: >2x of the total number of industry branches



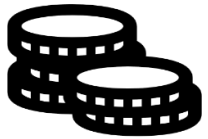
**754**

**LGAs** covered out of 774 LGAs in Nigeria



All **36**

States + **FCT** covered with basic banking offering



**NGN84.3b** monthly transaction value processed on the Agent Network



**5.1m**

, Monthly transaction volume/count processed on Agent Network



**Account Opening** Included in services offering portfolio

... Expanding Agent Banking service offering portfolio to include micro loans to hitherto individuals and small businesses within the rural communities where the agents are located

# At FirstBank, we are driving sustainable shared ( corporate and social ) value creation through innovative engagement approaches across different customer segments... (2/4)

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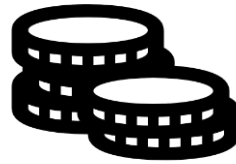
## Bottom of the Pyramid Segment: FirstBank's USSD Banking Offering

Our star bottom of the pyramid banking product, USSD, is also witnessing exponential growth in both subscriber base and value... FirstBank is the clear industry leader in USSD banking offering



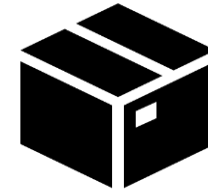
**6.3 million**

Total subscribers on our USSD platform as at October, 2018, ... and still counting



**NGN300b**

Monthly transaction value processed on USSD platform



**60 million**

Monthly transaction volume/count processed on USSD platform

...Over 75% of transactions carried out on our USSD platform is done by the bottom of the pyramid customer segment with feature phones



# At FirstBank, we are driving sustainable shared ( corporate and social ) value creation through innovative engagement approaches across different customer segments... (3/4)

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## Middle of the Pyramid Segment: FirstBank's SME Banking Offering

FirstBank is committed to developing innovative solutions that enables SMEs to play critical role in improving the overall Nigerian economy and society through:

1

### Specialized and bespoke financing offerings for SMEs

- Extending tailored SME lending solutions for selected sectors ( agric, distribution, health, etc) to fuel Nigeria's economic growth
- Empowering SMEs with the required finance to play critical role in investment, growth, innovation and employment in the economy

2

### Partnering with relevant entities to develop an SME capacity building and collaboration platform

- Enable SMEs access leading practice training contents
- Collaborate with several communities of SME businesses in different countries to share business ideas and experiences.

3

### Annual Fintech Summit program for SMEs

- To proffer innovative solutions to myriad business challenges facing the SMEs' sector
- Veritable platform for purposeful deliberations on how to improve the Fintech ecosystem - explored tenable business models to sustain existing start-ups

# At FirstBank, we are driving sustainable shared ( corporate and social ) value creation through innovative engagement approaches across different customer segments... (4/4)

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## Top of the Pyramid Segment: FirstBank's Value Chain Banking Model

Through our unique Value Chain Banking Model, we support the business growth of large corporate customers through:

1

### Enabling Input/Raw Material Value Chain Members:

- FirstBank designs and extends bespoke financing solutions to small and medium scale businesses that are members of our large corporate customers' input value chain in various sectors – Agric, manufacturing, telecommunication, etc
- The banking solutions are offered attractive terms to support the business growth of both the large corporate and small business customers

2

### Promoting Output/Finished Goods Distribution Value Chain Members:

- FirstBank designs and extends bespoke banking solutions to small and medium scale businesses that are members of our large corporate customers' output value chain in various sectors – Agric, manufacturing, telecommunication, etc
- The financial solutions are offered attractive terms to support the business growth of both the large corporate and small business customers

**Thank You**