

CASE STUDY: KCB BANK KENYA

1. PROJECT DESCRIPTION AND OBJECTIVES (2-3 pages)

ConsumerCentriX collaborated with Women's World Banking to deliver a technical assistance program to KCB Bank in Kenya (KCB), aiming to optimize the bank's business model for serving SMEs, with a particular focus on women-owned SMEs. As a result of the project, a newly designed women's market value proposition for SMEs was implemented and included a complete range of financial and non-financial services.

The SME segment in Kenya is regarded as the "missing middle," a global trend in which SMEs play an important role in the economy but are underserved by financial services. The feasibility study including a customer research conducted with KCB customers and non-customers revealed several gaps and areas of dissatisfaction from SME owner's perspective that prevented or limited them from utilizing bank services synthesized as follows:

1. *Gaps in customer service quality:* SMEs seek one single point of contact at a bank that can thoroughly understand their needs and efficiently process their loan applications, open accounts or complete banking transactions.
2. *Unfriendly terms and a lack of transparency:* SMEs perceive bank loans to be very high cost in terms of interest rates and fees, often negating the business value in taking them. In addition, collateral requirements which can be up to 100% to 150% of the loan amount, pose a challenge as most potential SME customers lack adequate or sufficient conventional collateral, which has limited their ability to access business loans. There is also significant mistrust especially amongst women SMEs around banks' transparency relating to pricing, loan processes and other terms. SMEs often say that when they are urgently looking for loans to fulfill business needs, banks inaccurately or incompletely explain terms.
3. *Incomplete offering which does not include non-financial services:* SMEs looking to maximize business opportunities require more than just access to financial services. They also require access to financial knowledge and business networks to equip them to utilize bank products in the most effective way. Most Kenyan banks however do not offer them or have small or discontinued programs. In the study, customers expressed a desire for more information on taxation, regulations, personal finance and tailored seminars and networking opportunities for women.

Women-owned SMEs face particular challenges related to collateral requirements. As noted above, banks most commonly ask for high-valued assets such as mortgages to cover the amount of the loan. Women may have strong SME-level businesses with sufficient cash flows, but very often lack collateral. Women in Kenya individually hold only about 1% of registered land titles and just 5-6% of registered land titles are held jointly with husbands. Although women are not legally denied property rights in Kenya, customary laws result in women being effectively disenfranchised. Women entrepreneurs are therefore generally unable to access finance or often need to involve their spouse when accessing loans, which is an additional barrier than men SMEs do not need to confront.

The technical assistance (TA) program was designed to address the gaps in SME products and services especially for women-owned SMEs, identified during the initial assessment, and with the ultimate goal of expanding the outreach level and quality of financial products and non-financial services available to SMEs in Kenya with a particular focus on women led-SMEs. The duration of the TA was 24 months starting in December 2016 and finishing in December 2018.

The project had three components:

- *Component 1:* Optimizing the business model for SME product delivery, with a focus on women
- *Component 2:* Improving and expanding KCB Bank's non-financial services via their Biashara Club
- *Component 3:* Strengthening the performance management of the SME portfolio.

Main objectives of the TA were to strengthen KCB SME portfolio and enhance its current business training and financial education model, delivered through the "Biashara Club", to reach more women customers. The quantitative targets for the end beneficiaries for the 2-year project were to reach out to 600 SMEs from which 50% women led SMEs, having at least 30% of loan SME customers accessing non-financial services.

2. PROJECT STRUCTURE, METHODOLOGY AND APPROACH APPLIED

Four main phases were planned for this assignment:

- 1) Competitors research and institutional assessment with the objective of gaining insights on competitors' landscape, understanding current fit of the SME strategy with the overall strategy of the bank and current processes and procedures to deliver finance to SMEs, including review of current front-line staff training, job descriptions and the operating model.
- 2) Customer research conducted with SME customers and non-customers of the bank to understand gaps and opportunities in accessing financial and non-financial services.
- 3) Strategy development: the result of phase 1 and 2 was the women's market strategy for the bank to be adopted during the implementation of the project.
- 4) Strategy implementation composed of a pilot phase followed by a roll out phase

The baseline assessment conducted with KCB showed that the bank had a tremendous potential to further deepen relationship with its existing customers and serve them better. KCB had almost a million MSME account holders at the end of 2016, out of which only a very small percentage (7%) had a loan with the bank and only 1% of customers were member of the Biashara Club. The women's proposition strategy aimed for KCB to become the bank of choice for women entrepreneurs which implied overhauling of internal credit process to reduce turnaround time, increase transparency and analyse alternative collateral and behavioural data. KCB understood that they needed to have a greater understanding of SME and women's segments and to accomplish that, a shift from a pure transactional model to a relationship management model across retail & business banking and scale up of non-financial services via Biashara Club were required.

Once the women's strategy was accepted by the bank, we structured the intervention as follows:

- **Component 1:** Optimizing the business model for SME product delivery with a focus on women. Activities under this component were:
 - Adjust operating model which included changes in the credit process to improve internal efficiency, credit turnaround time, adjust collateral requirements and improve service quality by developing and implementing a relationship management model.
 - Based on our gender assessment report, a gender training module was developed to train bankers on women in business in Kenya and in how to serve them well. This module was delivered to SME bankers in addition to training modules on the relationship management model and risk assessment module that were developed during the TA time.
 - Branch staff and head office staff were also trained in the new way of serving the SME market. We supported the bank in identifying internal trainers and coaches and we provided a training of trainers to a total of 19 staff members.
 - We develop a financial model for the bank in order to better identify which segment among the MSME customers will be giving access to finance and NFS under the women's proposition.
 - A pilot phase in 5 branches was set up to test the new approach. The 6 months pilot had the objective of testing the new credit methodology, credit processes and to build internal capacity of bankers and credit analysts in the collections of financial data and decision-making process.
 - We supported the bank in the development of an internal communication campaign and change management approach to communicate the strategic shifts throughout the bank. The campaign included, e-shots and a documental video from the results of the pilot phase.
 - During the 6 months pilot we provided support in monitoring progress, making additional changes to the scorecard of bankers and providing scripts to cross sell different products of the bank.
 - Further support was given in making changes in the core banking system in order to gather gender of stakeholders of enterprises as well as tracking customers having loans facilities and accessing NFS via KCB e-CRM
 - We performed a pilot evaluation to identify areas of improvement before the roll out phase that started in October 2017 with 5 additional branches and continued in 2018 with another 13 branches.

- **Component 2:** Improving and expanding KCB Bank’s non-financial services via their Biashara Club. Activities under this component were:
 - We conducted focus groups with men and women SME owners that were part of the Biashara Club and had receive training and/or participate in the events organized by the club.
 - Based on the insights of the research, we supported KCB bank in having a strategic partnership with the African Management Initiative to provide a 6-month pilot blended training course (Grow your Business, GYB) for selected SME customers with a focus on their women owned SME customers.
 - At the end of the GYB program, we interviewed participants to better understand their satisfaction with the program but more important the impact that they have seen on their own enterprises and to explain to us the changes in habits that they were able to accomplish.
 - Recommendations for the bank future non financial offering were provided as well as a comprehensive report outlining the learnings from participants about their experience with GYB as well as their interaction with KCB bank via an analysis of their balances in their accounts as well as they usage of other financial services from the bank.
- **Component 3:** Strengthening the performance management of the SME portfolio
 - An assessment of current performance management approach was conducted to identify key areas for improvement, including a review of the new CRM implemented by the bank.
 - In agreement with the Head of SME, we set up key performance metrics for all aspects of the SME portfolio and drafted the reports that the IT and MIS Business Intelligence should provide to the SME department
 - We designed key reports and dashboard for bankers, branch managers, regional managers and head of departments, including content, frequency of reporting to monitor financial and non-financial services

3. PROJECT OUTCOME – FINDINGS, ACHIEVEMENTS

The anticipated result of this project was to build internal capacity at different levels of KCB to enable the delivery of financial and non-financial products and services to SMEs, and in particular to women’s own SMEs.

By the end of the project, key milestones were achieved as follows:

- SME processes and procedures reviewed, gaps identified, and adjustments suggested including women preferences were completed. The bank was able to implement a regular credit panel review with participation of credit analyst in the revision of loan application at the branch level, reducing turnaround time and increasing the number of approved loans.
By the end of the project, 656 loans were disbursed to SME customers from which **52% went to women owned SMEs**. Portfolio at risk > 30 days closed at 0,9% compare to 15% NPL reported by the bank for the rest of the SME portfolio. A total of U\$ 28 Million were disbursed with an average loan amount of U\$ 43,000.
- SME Bankers training curriculum defined to include relationship management model & gender module. Training modules were adopted by the bank. Trainers and coaches were identified and trained. Roll out conducted with internal capacity started as of September 2018. The Learning & Development Department at KCB took ownership of the materials and is responsible for further updates. A total of 143 bank staff from regions and branches were trained on the 3 modules. In addition, 33 senior staff from different areas at the Head Office participated in a training on change management to better support the women’s proposition.
- SMEs have better access to financial and non-financial products. 656 customers received a loan under the new proposition in all 23 branches. 400 customers signed up for the Biashara Club, receiving through the Club non-financial services. KCB Bank conducts every 2 years a net promoter score. The NPS for SME customers went from 2% to 36% from 2016 to 2018 with a tremendous improvement in three key areas: relationship management, products and services and transparency.
- Business Case: Financial modelling completed which supported the identification of a sub segment of the MSME customers from the bank to be targeted under the women’s proposition. Financial model also clearly identified that under current circumstances (interest cap imposed by Central Bank), loans under KES 1 Million would not be profitable for the bank using the RM model. Senior management took the information seriously and developed digital products and platforms as well as is in the process of

implementing a Universal Banker position to give more time and space to SME bankers to better serve the SME customers.

- **Transfer of knowledge:** Close collaboration with the Head of SME, Head of Credit Risk, Head of Marketing and Communication and Head of Biashara Club as well as other areas of the bank enabled us to smoothly transfer knowledge, ensuring that the bank will continue rolling out the proposition across its network. Completion target date for this is end of 2020. At the same time, KCB Group, which is present in 7 countries in Africa, has adopted some of the changes performed at KCB Kenya in all other banks, as the capturing of the gender of stakeholders as well as the implementation of a credit panel review.

By successfully implementing the relationship management model, KCB Bank has increased the level of customers' satisfaction as they are accessing a range of financial and non-financial products and services. KCB Bank is reaching out to additional SME customers and in particular to women owned SMEs.

Key learnings from the project on what it means to serve the women SME segment well are presented below:

- **Gender-inclusive focus:** understanding what it means to be gender-inclusive, not just design, or setting targets and rewards, but integrating into delivery and emphasis on training to more holistically removing barriers to effectively serving women.
- **Change management:** understanding what it means for the institution's culture
 - Building the right team structure with internal champion to manage change and dedicating sufficient resources
 - Aligning top decision-makers
 - Building the right sales-oriented and customer-oriented culture to prioritize relationship management and drive targets (value of each client)
 - Institutionalizing operations and learnings so it become "business as usual"
- **Prioritization among competing initiatives:** ability to maintain focus on SME proposition among many attractive retail opportunities, ensure adequate resources and management attention.

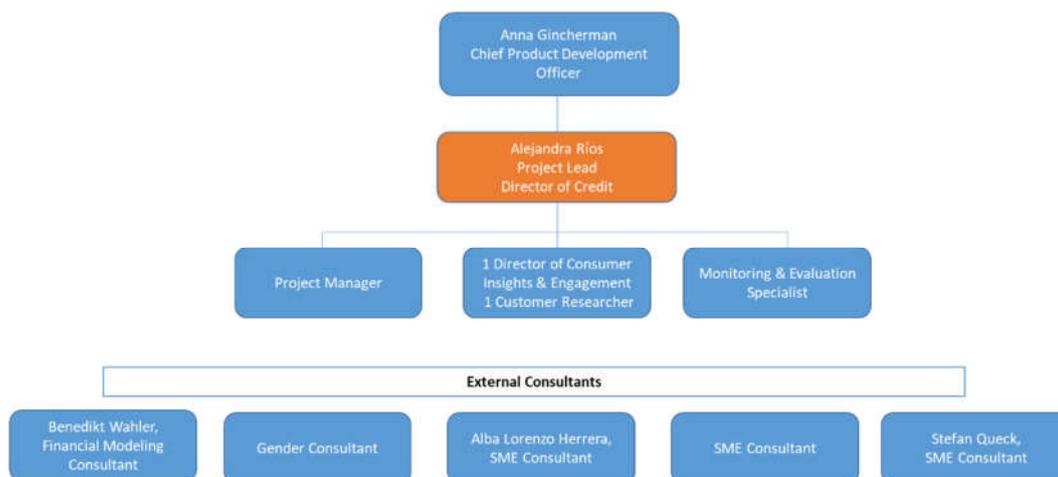
Barriers encountered during the project were around managing change to introduce a different model. Workshops with key bank staff were organized to explain the particularities of serving the women's market. Support to the IT department was given to incorporate gender and track KPI's and finally, we supported with the internal communication campaign, emphasizing the bank strategy of serving women in business and how the approach will be applied by all departments of the bank.

4. TEAM COMPOSITION

The team was led by Alejandra Rios at that time Credit Director at Women's World Banking with oversight of the project by Anna Gincherman, Chief Product Development Officer at Women's World Banking. Both have subsequently joined ConsumerCentriX. The ConsumerCentriX team was led by Benedikt Wahler who provided strategic and operational advice on- and offsite.

The project lead was primarily responsible for coordinating the work of the different team members as well as provided direct technical advisory to the partner bank. The team was further composed by a total of nine diverse persons with different skills set bringing diverse perspectives, contributing to a better quality of deliver of the project, as follows:

- 1 gender consultant responsible for secondary research on women in business in Kenya and responsible for the end report.
- 3 SME consultants: one for training, one for coaching and one for overall support in particular CRM, IT and products review.
- 1 Financial Modelling consultant in charge of building the financial model and supporting in the segmentation of the MSME customers to select the segment to be reached by the bank. Benedikt Wahler from ConsumerCentriX (CCX) is also included in this proposal. In close collaboration with Benedikt, trends and patterns of women SMEs' ways of interacting with the bank were analysed, which subsequently informed the service changes and adjustments.
- 2 persons responsible for customer research (financial and non-financial research) and marketing and communications, 1 person for M&E, and 1 project manager for back stopping



In order to make the team structure work, clear objectives for each team member were set up at the beginning and project lead made sure that all had a clear understanding of these. The team had a good balance of skills, abilities and exposure to developing countries beside their own experience with banks and in particular with the SME segment. Each team member understood everyone's role in achieving the overall team objectives and supported as needed the rest of the team. The workplan and logical framework defined the goals, activities, outputs, outcomes, and milestones which represented the building blocks of the technical assistance. Means of verification for each output and/or milestone were defined and team members had access to all this information.

Before every field visit, objectives of the trip were discussed among team members, a term of references were written and shared with the bank for feedback. At the end of each trip, a summary report in power point or in document format was delivered and shared among team members.

Communication was key along the project. Periodical meetings were organized among the team as well as with the counterpart at the Bank. During the pilot implementation, weekly calls to review progress were held and minutes provided to all participants. After pilot evaluation, biweekly calls were held with support from the project manager which was also responsible for reporting to the funder every six months.