



MAKING LAST MILE CREDIT WORK FOR RETAILERS

Program Summary

Program Overview

As the COVID-19 pandemic disrupted economies and wreaked financial havoc on small-scale retailers around the world, it also significantly accelerated the rise of the digital economy.

In this moment of hardship, we saw an opportunity to increase access, adoption and use of digital finance solutions by small-scale retailers affected by COVID-19 as a means to enable more resilient, profitable businesses for the future.

Standard Chartered's COVID-19 economic recovery fund enabled this collaboration between IDEO's Last Mile Money initiative, IDEO.org's financial inclusion portfolio, and Unilever with a donation of \$1.2M to explore how credit products could improve the financial lives of low-income, small-scale retailers and communities in Kenya and Pakistan.

In January 2021, IDEO.org design teams set out to understand what barriers, enablers, and existing practices impact a retailer's likelihood to use digital financial products to strengthen their business. The exploration then homed in on digital credit as a mechanism for improved retailer livelihoods and resilience, and as an on-ramp toward further use of digital financial services.

From January 2021 to March 2022, we collaborated with local partners to better understand the retailer ecosystem in Pakistan and Kenya to design an improved experience and supportive environment for digital credit usage by retailers.

The results are detailed in the following pages of this report, but in short:

- We conducted exploratory research in Kenya and Pakistan and prototyped solutions ranging from audio cues to enable digital credit use in low-literacy populations to personalised repayment reminders delivered across a range of existing channels.
- We built partnerships with Finja in Pakistan and Jaza Duka in Kenya, who had existing products in market and customers keen to see their businesses grow.
- We built a set of solutions that complement our partners' core offerings, enabling more retailers to better access credit and incorporate credit usage into their businesses and workflows for the long term.
- We engaged with women retailers in both countries to understand how to best support them on their credit adoption journey.

Through these explorations, we learned what it takes to introduce, steward and strengthen retailer interactions with digital credit products in these two countries. Our successes and failures, and provocations for the future, are described in this report.

Results + Recommendations

RESULTS

25k

retailers accessing credit products through this initiative

100k

retailers projected to be reached by digital credit products under this initiative by 2023

58%

higher average sales among Pakistani retailers utilizing Finja credit

2.3x

increase in the number of outlets utilizing Jaza Duka in Kenya from 2020 to 2022

3-5x

average increase in order values among rural women Finja retailers in Pakistan, as a result of digital credit

RECOMMENDATIONS

Based on our learnings, our recommendations to stakeholders in the ecosystem include:

- Technology:**
 The tech landscape serving retailers is fast evolving. Capital innovations and new technology are constantly arising. Staying competitive requires building systems that respond to changing ecosystems and prioritize customer satisfaction in an ongoing way.
- Financial Service Providers:**
 Retailers may not see themselves as prime candidates for digital credit products. One-size-fits-all products don't recognize where they live, what language they speak, the size of their store, their gender or literacy levels. Designing systems with flexible two-way communications that acknowledge their unique contexts builds joy and a sense of belonging – a feeling that this product is made for them.
- Philanthropic Funders:**
 Reaching the financially invisible retailers is more important than those who are already active within formal financial systems, but underwriting credit scores is tricky and expensive. Philanthropic capital can play a critical role in opening up the opportunity for them, by taking on early risk.
- FMCGs + Financial Service Providers:**
 For stock credit to be viable among the most underserved retailers, it's important to create products that are brand and channel agnostic, allowing retailers to procure a wide variety of stock at one time.

The Organizations Driving This Initiative



Standard Chartered

"Partnerships like this enable Standard Chartered to scale the impact of our Futuremakers initiative. I'm thrilled that this collaboration with Unilever has encouraged low-income, retail micro-entrepreneurs to leverage digital solutions to improve their livelihoods"

- Claire Dixon,
Group Head Corporate Affairs, Brand and Marketing,
Standard Chartered

- + Provided the funding through Standard Chartered's COVID-19 economic recovery fund
- + Stewarded the vision and mission of this collaboration
- + Enabled in-country research, prototyping and piloting, with a focus on underserved communities, young people and women



Unilever

"Unilever is always seeking new ways to amplify and support retailers to achieve their business goals. This engagement has put us on a path to help 5M SMEs in our retail value chain to grow their business by increasing their revenue through access to skills, finance, and technology."

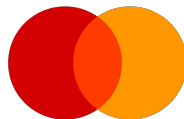
- Pheodor Mundia,
Senior Global Sustainability Manager, Unilever

- + Invested in digitally transforming retailers by evaluating and updating existing supply chain offerings
- + Operationalised the initiative through strategic internal and external advocacy



KCB Bank Kenya Ltd.

A core member of the Jaza Duka initiative, KCB provided interest-free capital to retailers



Mastercard

A core member of the Jaza Duka initiative, Mastercard invested in platformising the product and integrating features like financial inclusion



Finja

Finja is a strategic partner to Unilever Pakistan, providing capital directly to retailers via a digital interface



IDEO.org

IDEO.org provided program management and design support to this initiative, partnering closely with the other partners to drive impact.



Kenya Insights + Opportunities



KENYA INSIGHTS

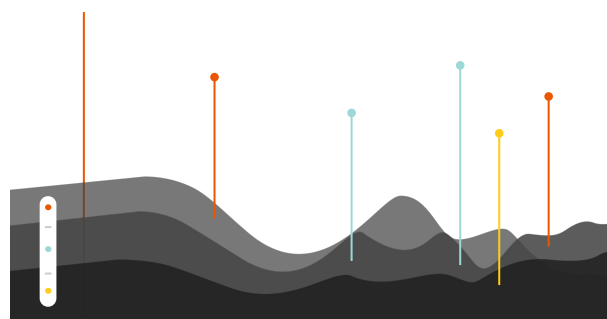
2 Trust in the product and system drives adoption. Building trust needs to start with onboarding and the first moments of interaction.



We created a 2-way WhatsApp bot that allows retailers to receive just-in-time information and educational content.

1 Transparency and access to information are key to increasing engagement with digital products and services.

3 Retailers require tailored credit and business support solutions at various stages of their businesses.



We created a reimagined user journey to thoughtfully engage with each retailer archetype throughout their experiences.

4 Retailers who have accessed financial literacy courses tend to be better users of credit.

5 Retailers crave flexibility in the credit products offered to suit their needs; they seek higher agency and voice.



The Kenyan context provides unique opportunities for women retailers.

Kenya tends to have gender parity in the retailer landscape

Nearly 60% of retailers who use Jaza Duka are women. Not only do they run the business, but conversations with them indicate that they are also the decision makers – unlike in other countries, like Pakistan, where husbands or elders are often the final decision makers.

Women are the best investors for their family's resilience

Studies have shown that women are more risk-averse users of credit than men and are more likely to repay diligently. We've seen financial institutions and companies at large make commitments to be more gender-inclusive in their offerings. (*Microsave*)

Digital creates a level playing field for women, but only if we design for it

With growing access to mobile phones, digital opens up new opportunities to design finance products that specifically enable women retailers to thrive. The FMCG and financial sector can play defining roles in designing solutions that counter gender norms and give women agency and power over business decisions and how they manage their income.

How might we design for **increased digital literacy and access to accurate information** for women?

How might we offer women **radically transparent and easily accessible** financial services?

How might we create digital solutions **tailored to build women's digital confidence**?

CONTEXT FOR IMPACT

In this project, we aimed to better understand the universe of Jaza Duka retailers, and make recommendations to the Jaza Duka ownership group to help serve them better and drive more engagement on the platform. Jaza Duka is now poised for growth with improved internal and external operations.



PROMISING INDICATORS

From 2020 to May 2022, Jaza Duka outlets increased from 6,000 to 14,000.

Through a series of internal operations changes and revamped product offerings over the course of this program, we saw a significant turnaround in Jaza Duka:

42%

of Jaza Duka outlets are actively utilizing credit as of May 2022, up from 35% in August 2021.

8%

of Unilever retail in Kenya comes from Jaza Duka outlets, up from 3% in August 2021.

20%

Growth in revenue for stores that use Jaza Duka regularly

INTERNAL SHIFTS

In addition to introducing a chatbot to improve responsiveness, real-time information and communication, the Jaza Duka team (made up of Unilever, Mastercard, and KCB) acted on recommendations from this work to streamline and coordinate internal operations to achieve better outcomes.

The Jaza Duka leadership team now holds three weekly workstream meetings with all parties present, and have added a steering committee to provide better oversight and governance.



**MARTHA, BASED IN NAIROBI**

Martha began her business in 2018. Transitioning from formal employment to entrepreneurship was not easy for Martha especially when it came to accessing credit and her inability to order for the goods she needed due to limited cash flow.

Using Jaza Duka, Martha has grown her order size from Ksh 300 to Ksh 5,000 and is consistently able to meet the needs of her customers by providing them with choice and variety in the product selection she now offers. By using Jaza Duka to continue to sustain and grow her business, Martha hopes to grow her store and become a wholesaler in the future.



Pakistan Insights + Opportunities

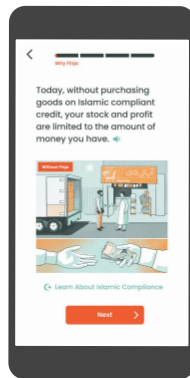


PAKISTAN INSIGHTS

1

Islamic compliance is a door opener and marker of credibility.

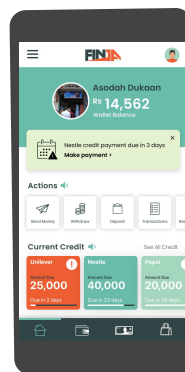
An onboarding experience that helps retailers understand what Finja is, how it is Islamic compliant and how they can sign up for a loan.



2

Self-discovery and self-use are critical to scale but hampered by digital confidence and literacy.

A home screen experience that provides retailers an overview of their credit details as well as providing design nudges to explore other parts of the app to reduce reliance on BDOs.



3

Retailers need to see that the product is validated, and that they are protected from misuse.



4

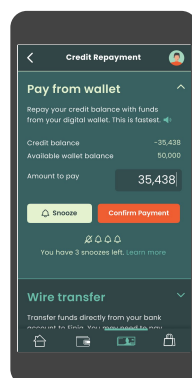
Retailers are strapped for time, and need the app to be flexible to meet their daily schedules.

A revised set of key experiences throughout the app are designed to optimise time and improve accuracy.

5

Making digital payments in a new ecosystem is hard and adversely impacts order cycles.

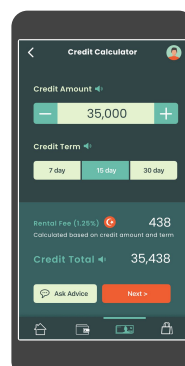
A new credit application and repayment experience allows retailers to clearly see how much loan they have taken out and when it needs to be returned.



6

Family members are joint decision makers.

A share option allows retailers to distribute the information among family members and get their acceptance before signing up.





The Pakistan context provides unique opportunities for women retailers.

Access to credit is access to more than money

Rural women retailers in Pakistan exponentially increased their earning potential through Finja. Under the Guddi Baji program, women in rural areas were brought onboard to use Finja credit to purchase Unilever stock. For these women, Finja is not only a source of income, but also a means for them to feel safe. Women's sense of security stems from being able to purchase stock they believe they can sell on credit (when previously they did not have the money to pay for it upfront). Their sense of agency comes from not having to borrow money from someone in their family or community and instead relying on a trusted financial provider.

Women's phones are considered family property, while men's phones are considered their own

Women often share their phone with other family members, and as a result sometimes they are not fluent in using complex apps beyond WhatsApp and YouTube. But with training and support from other women, they feel empowered to use their phone more often.

Rural women leverage collective buying power by pooling credit

Rural women tend to make either small-value, frequent orders or high-value, rare orders. Borrowing together, for their collective stock, with other women in their village allows them to maximise credit limits and support each other in meeting repayment milestones on time.

Women seek mechanisms to save, in safe spaces, protected from unplanned expenses

Women who borrow money want mechanisms to pay back as they earn their income, so they can avoid unplanned spends, especially for family (where it is hard for them to say no). It's also one of the biggest reasons women tend to save in committees, as cash at home often gets spent without their control.

How might we **protect women and create a sense of privacy** when they use shared mobile phones/infrastructure?

How might we create a **group lending product for stock** for women retailers?

How might we create **flexible, pay-as-you-earn repayment structures** for women?

How might we **use credit as an on-ramp to savings** in the moment of repayment?



58%

higher average sales among
retailers utilizing credit

32%

increase in number of products
in basket, post-Finja credit

CONTEXT

We aimed to reach 25,000 retailers in Pakistan, including rural women. Throughout 2021, we worked together to design, develop, pilot and scale Finja to Unilever Pakistan retailers.

8

unique customers served
everyday by each retailer as
of March 2022

20.9K

retailers onboarded as
of March 2022

11.2K

loans disbursed as of
March 2022



GUDDI BAJIS

Guddi Baji, are women, mostly in rural villages serving as ambassadors and route-to-market agents for Unilever. This female community influencer program, incorporates recruitment, training and capability building to empower these female merchants run profitable businesses and open the door to economic empowerment and bridge the gender gap.

Female retailers comprise of less than 1% of Unilever's universe in Pakistan. As we rolled out Islamic compliant credit to 25k male retailers in Pakistan, we launched a special pilot with a gender focus to reach these women. Under this pilot our aim was to reach 50 female retailers, women who had been part the UL Guddi Baji program. We were able to enroll these Guddi Bajis onto the Finja credit system under which they can obtain UL stock on credit digitally.

As of March 2022, Finja has reached Guddi Bajis across five districts. During that time:

47

Guddi bajis onboarded

3-5x

average increase in order
values per Guddi Baji





SEHRISH, BASED IN TOBA TEK SINGH

For the past two years, Sehrish has served as a Senior Guddi Baji, working with Unilever to offer retail credit to small-scale female retailers in rural Pakistan. She assists the Junior Guddi Bajis in ordering stock for their stores, operating the mobile phone ordering system, and maintaining their records.

Sehrish and the Guddi Bajis she supports were introduced to Finja through this initiative, and have been using it for several months. After a simple onboarding process, the Guddi Bajis were able to access stock credit, which has enabled them to grow their offerings. Many of these Guddi Bajis do not have their own shops, but operate out of their homes. By using Finja for credit, Sehrish hopes to grow her business enough to open her own shop in the future.

Recommendations for Future Work

As the small-retailer tech industry grows across emerging markets, there is immense potential to future-proof retailers from external threats like digitisation or economic crisis. To maximise this opportunity, products must be designed for retailers' unique and contextual needs. We offer the following guiding principles for organisations as they continue to invest in this opportunity.

OPERATIONAL

Field staff are eyes and ears on ground: empower them

Field staff build personal relationships with retailers and have the most knowledge of what works. Leveraging their brain power can go a long way in achieving success.

Trust holders exist within the supply chain: leverage those moments

Retailers transact with multiple stakeholders in the supply chain – from distributors to wholesalers and field staff. Distributors and field staff are custodians of trust and credibility. Building off such relationships can help increase loyalty and engagement.

The digital landscape is evolving: create agile systems to keep up

The tech landscape serving retailers is fast evolving. Capital innovations and new technology are constantly arising. Staying competitive requires building systems that respond to such changing ecosystems.

PRODUCT

Deliver value in the short term to build trust

Retailers operate on short-term horizons. Solutions that take time to show results or value are harder for them to adopt, as they compete with ongoing priorities. Designing for immediate and short-term demonstration of value builds confidence and encourages them to continue use.

Design for accessibility, communication and transparency

Retailers' needs differ depending on where they live, what language they speak, the size of their store, their gender and their literacy level. Designing flexible systems with 2-way communications that work for them, in their unique contexts, builds joy and a sense of belonging – a feeling that this product is made for them.

Simplify, then simplify more

High-stakes transactions in the digital world, with multiple navigation systems, can overwhelm users. Designing simple interactions with clear communication enhances the experience and makes users feel supported.



CONCLUDING NOTE

IDEO.org would like to thank our partners Standard Chartered, Unilever, Mastercard, Kenya Commercial Bank, Align Analytics, Infobip, Finja and IDEATE for giving us this opportunity to learn, build and create impact.

We're excited by the potential that digital credit has to offer in unlocking value for small retailers and looking forward to seeing more capital and innovation flowing into this space.