FINCA FORWARD CASE STUDY
SALUTAT AND FINCA GUATEMALA
November 2019 – February 2020

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EXECUTIVE SUMMARY

THE CHALLENGE

FINCA Guatemala, like many other microfinance institutions (MFIs), is exploring emerging technologies that promise to reduce operational costs and modernize the customer experience. Specifically, FINCA Guatemala wants to streamline customer communication workflows and introduce digital customer engagement and communications to drive higher rates of retention and acquisition.

THE SOLUTION

FINCA Forward, in collaboration with FINCA Guatemala and FINCA Impact Finance (FIF), evaluated several solutions and ultimately selected Salutat, a company that created a solution designed primarily around three key stakeholders in the customer communication workflow: branch managers, loan officers, and the customers themselves. Salutat’s browser-based dashboard, Invisio, provides branch managers with tools to efficiently manage day-to-day loan officer operations. A smartphone application gives loan officers on-the-go access to a 360-degree view of their customers, a set of task management features, and omnichannel communication functionality. For customers, Salutat is designed to ensure that they are contacted through the over-the-top (OTT) communication channel of their choice with personalized transactional and non-transactional content.

THE OUTCOME

FINCA Forward implemented and financed a proof-of-concept (POC) of the Salutat solution in Guatemala for four months from November 2019 to February 2020. We believed that Salutat’s features could improve measurable business outcomes in customer retention and acquisition and demonstrate the potential for an up to 20% return on investment (ROI). Notably, this modest target was only a fraction of the ROI that similar solutions have delivered in other sectors. While qualitative insights collected through focus group discussions with participating FINCA Guatemala staff pointed to an improvement in our target business outcomes, we were unable to quantitatively demonstrate the magnitude of impact that would have delivered the expected ROI.

We did however show that communications technology will be vital for advancing FIF’s tech-touch strategy and that rapid loan officer and branch manager adoption of this type of technology is possible. Furthermore, we derived a set of design principles and communications technology features to inform future POCs and planned technology investments in the region, including:

1. Automated and templated messaging through OTT channels increased the frequency of communication between FINCA and its customers by 80%, allowing the MFI to build more robust relationships with its customers.

2. Creating the ability for branch managers to digitally track and manage the performance of loan officers and set customer communication standards and protocols streamlined and strengthened the communications workflow.

3. Providing loan officers with features such as an on-the-go 360-degree view of customers, an ability to store qualitative insights from customer interactions, and reminders for when and how to perform specific tasks in the communications workflow increased efficiency in the field.
NEXT STEPS

The POC with Salutat demonstrated the importance of testing products that can either be stand-alone solutions or integrated into core technology investments as features and design principles. For FINCA Guatemala, the POC isolated a set of impactful features and design principles to inform future core technology investments, but, did not yield the magnitude of effect on our target business outcomes that could justify investing in a stand-alone solution.

Salutat’s founders came to a similar conclusion. The FINCA Forward POC accelerated product refinement and Salutat’s journey to product-market fit. However, the team realized that the product they had created was a set of fundamental features and design principles, rather than a stand-alone solution, that need to be integrated with core systems and not sit parallel with application programming interfaces (APIs). Based on this finding, Salutat’s founders decided to exit the business through a trade sale to a global microfinance bank rather than pursue a software-as-a-service model as initially planned.

At FINCA Forward, we will continue to explore this emerging insight during our future POCs. If you are an MFI exploring whether your operational challenge can be best solved by a set of features and design principles to be integrated into existing or planned core technology investments or a stand-alone technology solution that can interact with your core systems through APIs, please get in touch at fincaforward@finca.org.

Founded in 2018, FINCA Forward is a United States Agency for International Development-supported innovation and investment advisory platform that facilitates commercial partnerships between financial technology startups and MFIs. We deploy our hypothesis-driven matching service to:

1. Support MFIs to run structured proof-of-concepts to experiment with, and learn from, emerging technologies designed to address strategic and critical operational challenges in a low-risk environment.

2. Provide early stage B2B financial technology startups access to financial institutions to test, iterate, and refine products, receive feedback from early adopters, develop scalable solutions, and build investable ventures.
FINANCIAL INSTITUTION PARTNER: FINCA GUATEMALA

OVERVIEW

Founded in 1997 in the town of Villanueva, FINCA Guatemala is a credit-only financial institution that provides group, individual, and small- and medium-sized enterprise (SME) credit products to over 30,000 customers. With a staff of 491, FINCA Guatemala manages a $34 million loan portfolio from its headquarters in Guatemala City, 28 branches nationwide, and one virtual branch. In addition to FINCA branches, customers can perform transactions through several other channels, including over 3,000 third party agents (managed by Interbanco, Pronet, and Tigo Money) and the ATMs and branches of two partner banks (BAM and G&T).

FINCA Guatemala primarily targets its group and individual credit products at microentrepreneurs in urban and rural areas, and its small and medium-sized enterprise (SME) products at larger businesses, predominately in urban areas. Overall, 34% of FINCA Guatemala’s customers live below the national poverty line, 80% are women, and 70% live in rural areas.

As of early 2020, group borrowers make up the largest cohort of FINCA Guatemala’s customers. However, due to the $325 average loan size, group loans represent only 20% of the gross loan portfolio. Individual borrowers, with an average loan size of $1,939, represent 69% of the gross loan portfolio. SME borrowers, with an average loan size of $19,917, are the smallest cohort of customers and represent 11% of the gross loan portfolio.

Figure 1: FINCA Guatemala Product Mix

<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>% (#) OF BORROWERS</th>
<th>% OF GROSS LOAN PORTFOLIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>63% (21,302)</td>
<td>20%</td>
</tr>
<tr>
<td>Individual</td>
<td>36% (12,111)</td>
<td>69%</td>
</tr>
<tr>
<td>SME</td>
<td>1% (194)</td>
<td>11%</td>
</tr>
</tbody>
</table>

Group loans have high administrative costs and are much less profitable for FINCA Guatemala than individual loans. Moreover, today’s banking customer prefers individual loans, a demand that reflects local economic shifts. Group loans are being phased out, and, by 2024, FINCA expects individual borrowers to make up the largest cohort of customers in terms of portfolio size and customer base. Management expects the number of SME clients to remain the same.

FINCA Guatemala’s cost-to-revenue ratio is 0.670 compared to an average of 0.583 among Guatemalan financial service providers. The MFI’s management aims to reduce costs and recognizes that digitizing certain administrative processes can improve operational efficiency and bring the cost-to-revenue ratio in line with the sector average.

1Information on FINCA Guatemala represents the business before the COVID-19 crisis.
The Guatemalan financial services market has become increasingly competitive in recent years, and higher operational costs, as well as outdated customer interaction technologies, inhibit FINCA Guatemala’s competitive positioning. Banks and savings and lending cooperatives have been entering the market segment targeted by FINCA Guatemala, offering savings accounts and competitively priced credit products. In this context, FINCA Guatemala’s management is focused on improving internal processes, reducing costs, and modernizing the customer experience.

CUSTOMER ENGAGEMENT: ACTIVITIES AND LIMITATIONS

BRANCH MANAGERS

Each of FINCA Guatemala’s 28 branches are managed by a branch manager who oversees, on average, eight loan officers. The primary strategic priorities of branch managers are growing the number of clients, reducing the cost of servicing existing customers, and building the capacity of loan officers. However, as it stands, branch managers dedicate a disproportionate amount of their time managing the day-to-day tasks of loan officers.

A typical day for a branch manager begins and ends with an in-person meeting with loan officers. Daily tasks for loan officers are set at the beginning of each day and reviewed at the end of the day, as well as any operational challenges that were faced in the field, all of which is recorded in a manual system. During the day, when loan officers are in the field, branch managers are in semi-regular contact by phone but ultimately have little oversight of the approaches loan officers use to sell products, monitor and follow up on loans, and collect loans in arrears.

This situation presents two key challenges that hinder a branch manager’s ability to effectively execute the strategic priorities of FINCA Guatemala’s management. First, the time-consuming management of day-to-day loan officer field operations limits the time available to focus on strategic priorities, including developing product approaches for their local markets or acquiring larger SME clients. Second, branch managers lack insight into loan officer performance in the field, which limits their ability to manage risk, understand best practices, and identify training requirements.

LOAN OFFICERS

As is typical in the microfinance market, FINCA Guatemala’s loan officers are the primary intermediary between the financial institution and its customers. Relationships with active borrowers are managed by 213 loan officers, 78 dedicated to group loans and 135 dedicated to individual loans, with an average of 8 loan officers per branch. Loan officers dedicated to group loans manage on average 34 groups representing 273 individuals, and those dedicated to individual loans manage on average 100 active borrowers each. Alongside managing their active clients, both group and individual loan officers have customer acquisition targets.

FINCA issues each loan officer an android smartphone with a data package. Loan officers use this device to communicate with their customers through a combination of SMS, phone calls, and WhatsApp messages from personal accounts. In addition, FINCA Guatemala built two additional solutions to support loan officers: a smartphone-based application (FGMovil) and a desktop-based intranet site.
FINCA Guatemala developed FGMovil and the desktop-based intranet site to support loan officers in the customer acquisition process. FGMovil is a smartphone-based application through which loan officers can register prospective customers, capture key information, and begin creating loan applications while they are in the field. After returning to the office, loan officers synchronize FGMovil with the desktop-based intranet site, manually complete the customer’s credit history, then send a completed file to the centralized underwriting unit for a credit decision.

While this combination of solutions digitizes an important aspect of a loan officers’ daily workflow, there are two key limitations:

1. The solutions digitize an analogue process rather than deploying a new purely digital process. This results in relatively clunky operation that still requires loan officers to perform manual tasks on multiple platforms.

2. Functionality is tailored to the customer acquisition process. While this is of course an important part of a loan officer’s duties, a large portion of a loan officer’s time is dedicated to managing existing clients.

On average, loan officers have four in-person meetings with active customers per day, make 10 phone calls, and send 15 messages. Communication is predominately transactional in nature, with the top reasons for calling, messaging, or meeting with customers being payment reminders, collections, and selling new products. Frequency and method of customer communication does not follow a standardized process and is left up to the discretion of individual loan officers. For example, some loan officers send semi-regular payment reminders to all clients while others focus exclusively on problem clients.

Loan officers have little to no knowledge of communications being sent to their customers from different FINCA Guatemala business units. It is typical for customers to be contacted by up to five separate business units, including: customer experience, collections call center, and marketing and sales call center, in addition to their loan officer. With no centralized record of these communications, customers are often contacted with duplicate, redundant, or conflicting messaging, and loan officers are unable to use information on these communications to inform their customer engagement approach.

Loan officers face three key challenges when trying to efficiently manage their portfolio of existing clients in addition to meeting their customer acquisition targets.

• First, existing tools provide some, but not all, of the functionalities that loan officers need to operate effectively.

• Second, loan officers do not uniformly apply transactional communication, meaning that different customers receive a different customer experience.

• Third, it is rare for loan officers to go beyond transactional communication, resulting in missed opportunities to build robust customer relationships and a deeper understanding of customer preferences.
CUSTOMER PREFERENCES

Mobile penetration is high in Guatemala relative to other markets in the region, with more than one mobile subscription per person, and FINCA customers typically have access to either a feature phone or a smartphone and are regular users of SMS, WhatsApp, and other applications. FINCA Guatemala’s customers want more regular personalized communication from their loan officers, specifically on repayment reminders, balance updates, and notifications of FINCA promotions. Microentrepreneur customers also see FINCA as a source of credible information in the community and have requested business advice from their loan officers. Customers also want to receive other non-transactional communication such as birthday messages and holiday wishes.

This widespread access to mobile phones, combined with customers’ genuine desire for more frequent personalized communication from FINCA, demonstrates the opportunity for FINCA Guatemala to build a deeper understanding of its customers through robust customer engagement. By unlocking customer insights through enhanced communication, FINCA Guatemala can better understand and meet client service demands, strengthen customer relationships, and increase customer retention and new sales through positive word-of-mouth recommendations.

PROBLEM STATEMENT AND CHALLENGE

While the solutions that FINCA Guatemala deployed resulted in some operational improvements, evidence revealed that customer communication workflows used in branches remained uncoordinated, risky, and inefficient, contributing to high operational costs as evidenced by FINCA Guatemala’s above-average cost-to-revenue ratio. From the customer perspective, the engagement approach missed an opportunity to deliver a rich and personalized customer experience in which individual needs are known and satisfied. To strengthen communication with customers, while at the same time addressing the operational pain points felt by branch managers and loan officers, FINCA Guatemala needed a solution with the following functionalities:

FOR BRANCH MANAGERS:

• Streamlined process for assigning and tracking daily loan officer tasks and identifying loan officer performance issues.
• Ability to monitor communication with customers to identify potential risks and best practices for customer retention and acquisition.
• A centralized location that keeps a record of all loan officer-customer communications to ensure that knowledge of the customer relationship is not lost if a loan officer resigns or is reassigned.

FOR LOAN OFFICERS:

• A single interface to access all customer information, including biodata, loan information, and communications history.
• Automated messages for repetitive customer communication tasks, such as repayment reminders and balance updates.
• Ability to capture notes on customer interactions to inform future communications approaches.

• Reminders to perform tasks such as selling existing clients new loan products and targeting specific locations or sectors to acquire new customers.

FOR CUSTOMERS:

• Personalized transactional and non-transactional content delivered through their preferred communication channels (WhatsApp and to a lesser extent SMS and calls) regularly.

SOURCING INNOVATION

In response to the operational pain points faced by branch managers and loan officers, and the experience demanded by customers, FINCA Forward focused on solutions that could streamline customer communication workflows. Specifically, FINCA Forward aimed to match FINCA Guatemala with solutions that would allow the MFI to decrease its cost-to-revenue ratio by better managing communication activity, improve relationships with customers by modernizing the engagement efforts of loan officers, and capture data related to customers to better segment a rapidly evolving customer base.

SALUTAT — INTELLIGENT MICROFINANCE INSTITUTION COMMUNICATION

FINCA Forward and the FINCA Impact Finance (FIF) marketing team initially met Salutat during January 2019 at the Dubai International Financial Center where the startup was attending the fintech accelerator Startupbootcamp, which coincided with the FIF Middle East and South Asia regional meeting. The Salutat team was fresh from launching their initial pilot engagements with microfinance clients in Burma and Zimbabwe and had received seed capital and technical assistance from investors and partners, including 500 Startups, Expara Ventures, Impact Investment Exchange, and Catalyst Fund. To build on this traction, Salutat was eager to partner with a global financial institution to mature its product, processes, and the skillset of its team to raise seed capital.

While managing a portfolio of microfinance institution investments at the International Finance Corporation, the co-founder of Salutat, Mike Driver, observed that traditional lenders, such as microfinance institutions, were under increasing pressure from fintech disrupters who were deploying a modern customer experience as part of a successful client acquisition strategy. To remain competitive in this market and retain the modern customer, Mike argued that microfinance institutions needed to digitize and personalize communication approaches and reduce customer servicing time and costs.

Salutat, a conversational marketing and customer servicing solution, was founded by Mike Driver and Sam Upra, in 2018 with goals of improving loan officer efficiency, streamlining communication workflows, driving customer engagement through a personalized experience, and providing microfinance institutions with the tools to learn about customers and identify risks and best practices in customer engagement. Mike and Sam were joined by Yurika Morita, Ta Tonthogkam, and a Thailand-based development team. Alongside this core team, Salutat created an advisory board, consisting of artificial intelligence, psychology, and neuroscience professors from leading academic institutions in the Asia-Pacific region to support the development of its conversational marketing and customer servicing approach.
SOLUTION OVERVIEW

The Salutat solution is built around the three key stakeholders in the customer relationship: branch managers, loan officers, and, most importantly, the customers themselves. Developed as a modular solution, Salutat offers a browser-based dashboard and an android smartphone application tailored to the needs of branch managers and loan officers respectively. Importantly, by virtue of being designed specifically for the microfinance and SME financing market, the solution integrates with both modern and legacy core banking systems through application programming interfaces (APIs) or can be manually integrated using comma-separated values (CSV) files.

For branch managers, the solution is designed to enhance loan officer management, track performance, and set communication standards. For loan officers, Salutat provides a single interface to access a 360-degree view of their customers directly from the core banking system and communicate with them through any over-the-top channel (OTT), including WhatsApp, Facebook Messenger, and LINE, using message templates and automation. With these functionalities, Salutat aims to reduce loan servicing costs, operational risks, and boost customer retention, sales, and loan repayment.

Figure 2: Overview of the Salutat Solution
WEB DASHBOARD FOR BRANCH MANAGERS

The branch manager-facing module of the Salutat solution, named Invisio, is accessible through any website browser. Through the dashboard, branch managers can manage staff tasks, track performance, set communication standards, and generate analytical reports.

Branch managers can use the solution to assign daily tasks and targets (for example sales and customer engagement targets) to individual or groups of loan officers. Completion of tasks and achievement of targets can be tracked on live dashboards or by generating custom analytical reports. These functionalities allow branch managers to quickly identify underperforming loan officers who require more focused mentoring and guidance.

To support branch managers to execute customer retention, customer satisfaction, upselling and sales, and revenue growth strategies, the dashboard allows users to set standard operating procedures based on operational priorities. This allows branch managers to instruct their loan officers to perform specific tasks in response to key event triggers, such as automatically instructing loan officers to upsell at a certain point in a client's loan cycle.

ANDROID SMARTPHONE APPLICATION FOR LOAN OFFICERS

Salutat's android smartphone application is designed to provide loan officers with an on-the-go 360-degree view of their customers, the tools they need to efficiently manage their communication workflow, and the ability to communicate through the OTT channels their customers prefer.

The Salutat smartphone application allows loan officers to quickly access customer information through a dynamic search function. Users can search based on name, phone number, or any other identifier to access customer data, including biodata, contact details, loan information, and repayment history directly from the core banking system. Users can also create reports to capture qualitative insights of their interactions with customers.

Instant access to live customer information, and the ability to store interaction insights, is designed to improve loan officer efficiency and help profiling and prioritizing efforts to increase customer experience and satisfaction.

Loan officers spend most of their time in the field, interacting with large numbers of potential clients. The Salutat solution incorporates customer relationship management functionalities that allow loan officers to capture key information from their prospects, including name, address, telephone number, and loan requirements, directly in the application. Additionally, loan officers can add qualitative data on their interactions as notes to prospect profiles.

To support loan officers in planning their communication workflow with prospective and active clients, Salutat allows users to manually schedule tasks, for example meetings, phone calls, and messages, and capture notes on outcomes.
These functionalities allow loan officers to efficiently create, access, and update prospect profiles and plan their communication workflow. In addition to driving operational efficiency, this ensures loan officers have the information they need to more effectively engage with their customers.

Using the Salutat solution, loan officers can communicate with their customers using any OTT channel or SMS. To ensure that loan officers have access to the information they need to effectively communicate with their customers, they can access key information from the core banking system, including loan balances and repayment history, directly from their chosen chat application. To reduce the time spent drafting and sending repetitive transactional messages, such as repayment reminders or balance updates, loan officers can select from a library of automatically personalized message templates. These message templates can be created by branch managers based on the customer communication best practices they have observed.

A common challenge in microfinance institutions is the loss of institutional knowledge with loan officer attrition. As the primary intermediary between a microfinance institution and its client, loan officers hold the relationship with clients. If a loan officer resigns, they take client information and often the client relationship with them. To mitigate this challenge, the Salutat solution enables an MFI to store all customer communication history and loan officer notes on a cloud server that is accessible by the branch manager. If a loan officer resigns, his or her caseload can be assigned to another loan officer along with this critical information.

**WHY WE SELECTED SALUTAT**

1. **TEAM** – CEO, Mike Driver, launched Salutat on the back of several years of experience investing in frontier market financial institutions at development finance institutions, with a focus on emerging market banks and MFIs. This experience allowed him to identify a key operational challenge facing microfinance institutions and build a solution for it. Mike was joined by a team with substantial product management, development, and execution capability.

2. **FOCUS** – Several enterprise communications workflow management and customer relationship management solutions exist on the market. However, none of these solutions are specifically tailored for the microfinance market. As such, these solutions do not have functionality built for field-based loan officers, require integrations at a higher level of technological sophistication, and are offered at a price point that exceeds a typical microfinance institution’s purchasing power.

3. **FUNCTIONALITIES** – The out-of-the-box functionalities that the Salutat team offered tracked closely with the needs FINCA Forward identified at FINCA Guatemala. Where there were unmet needs, the strength of the team and the explicit focus on the microfinance market, convinced FINCA Forward that additional functionality could be quickly developed and deployed where needed.
<table>
<thead>
<tr>
<th>FINCA GUATEMALA REQUIREMENTS</th>
<th>SALUTAT FUNCTIONALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch managers need to assign and track loan officer tasks and monitor performance.</td>
<td>Branch manager dashboard allows users to assign tasks and monitor performance based on a set of custom key performance indicators (KPIs).</td>
</tr>
<tr>
<td>Branch managers need to monitor communication with customers to identify potential risks and best practices for customer retention and acquisition.</td>
<td>Customer communication monitoring functionality was in development when FINCA Forward screened Salutat. Best practice communication approaches can be enforced through setting standard operating procedures and the use of message templates.</td>
</tr>
<tr>
<td>Branch managers need a complete record of loan officer communication with customers to ensure that knowledge of the customer relationship is not lost if a loan officer resigns or is reassigned.</td>
<td>Salutat stores a complete record of all loan officer communication with customers on a cloud server.</td>
</tr>
<tr>
<td>Loan officers need regular access to customer information, including biodata, loan information, and communications history.</td>
<td>Salutat’s android smartphone-based gives loan officers access to an on-the-go 360-degree view of their customers.</td>
</tr>
<tr>
<td>Loan officers need automated messages for repetitive customer communication tasks such as repayment reminds and balance updates.</td>
<td>Message templates can be written by branch managers, with input from their loan officers, to reduce the time spent sending repetitive transactional communication. These messages can be personalized automatically with datapoints straight from the core banking system.</td>
</tr>
<tr>
<td>Loan officers need an ability to capture notes on customer interactions to inform future communications approaches.</td>
<td>Qualitative insights on customer communications can be stored in note form on a customer’s profile.</td>
</tr>
<tr>
<td>Loan officers need reminders to perform tasks such as selling existing clients new loan products and targeting specific locations or sectors to acquire new customers.</td>
<td>Task reminders can be actioned in two ways; 1) loan officers can create manual reminders to perform tasks, and 2) branch managers can manually set tasks for individual or groups of loan officers or can set recurring tasks by setting standard operating procedures for specific products.</td>
</tr>
</tbody>
</table>
PROOF-OF-CONCEPT IMPLEMENTATION

POC GOAL AND OBJECTIVES

GOAL

The goal of the POC was to demonstrate that the Salutat team and the functionality of their solution had the potential to deliver efficiency gains for branch managers and loan officers that would drive higher rates of customer acquisition and retention, given business realities and constraints. Based on the experience of similar solutions in other sectors, we believed that the magnitude of impact on these target business outcomes could signal the potential for an up to 20% ROI for FINCA Guatemala.

OBJECTIVES

To explore the effectiveness of the Salutat solution in achieving the stated goal, the POC was designed around the following three objectives:

1. Increasing the frequency of transactional and non-transactional communication between FINCA and its customers through OTT messaging channels.
2. Enhancing the ability of branch managers to track and manage the performance of loan officers and set customer communication standards and protocols.
3. Improving loan officer efficiency to increase customer retention and acquisition rates.

POC SCOPE

FINCA Guatemala’s management team selected the San Juan branch of the business, located in Guatemala City, as the POC location. The branch has a total of 12 staff, including a branch manager and seven loan officers. Compared to the average FINCA Guatemala branch, San Juan has a higher than average number of group and individual loan customers and a lower than average number of SME clients. San Juan is the larger of the two FINCA Guatemala branches that serve Guatemala City.

Figure 4: San Juan Branch Product Mix

<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>GROUP</th>
<th>INDIVIDUAL</th>
<th>SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Clients</td>
<td>1,419</td>
<td>419</td>
<td>5</td>
</tr>
<tr>
<td>Loan Portfolio</td>
<td>$550,553</td>
<td>$755,904</td>
<td>$98,536</td>
</tr>
<tr>
<td>Average Loan Size</td>
<td>$387</td>
<td>$1,804</td>
<td>$19,707</td>
</tr>
</tbody>
</table>

The POC was launched in November 2019 and continued through February 2020. The first month was dedicated to staff training and technical integration and the remaining three to product testing and iteration.
STAFF TRAINING, TECHNICAL INTEGRATION, AND SOLUTION ONBOARDING

The Salutat team traveled to Guatemala in November 2019 to work with the local POC team to prepare FINCA Guatemala for POC implementation. This weeklong visit was comprised of two key components: staff training and technical integration.

STAFF TRAINING

Training was delivered to staff by Salutat’s CEO, Mike Driver, over three days using a training of trainers’ approach. By taking this approach, the Salutat team ensured that the local POC management team was able to effectively support participating loan officers and branch managers with day-to-day troubleshooting during POC implementation. After completing training in a specific topic, loan officers and the local POC management team completed a set of live exercises using dummy customer data to practice and reinforce the training delivered by Salutat.

Branch managers participated in a training with a similar format that covered topics including analyzing loan officer performance, setting and following up on tasks, and reviewing prospective client data.

During the training, the Salutat team collected feedback from participating loan officers. This feedback allowed Salutat to finalize the Spanish language translation, optimize the placement of datapoints on the loan officer view, and begin the process of workshopping the types of message templates required by loan officers. These preliminary templates, which were iterated during POC implementation, covered collections, late payments, renewals, and referrals.

TECHNICAL INTEGRATION

Salutat was designed to integrate with core banking systems using APIs. However, at the time of the POC, FINCA Guatemala was in the process of preparing for a core banking system update. In this context, Salutat and the POC team opted for a manual integration with FINCA Guatemala’s core banking system using CSV files.

SOLUTION ONBOARDING

Onboarding any new solution requires behavior change. The design of the Salutat solution made changes to the communications workflow and required some key behavior changes from both loan officers and branch management. For loan officers, this involved taking notes on customer interactions digitally rather than on paper, using standardized messaging templates to communicate with customers rather than their own personal approaches, following standard operating procedures set by branch management, and reporting on completed tasks digitally. For branch managers, this primarily involved assigning tasks and tracking performance digitally in the Salutat web-dashboard rather than during multiple daily in-person meetings. During the first weeks of the POC, there were some errors relating to the compatibility of the solution with legacy Android hardware. This, combined with some resistance to behavior change, resulted in daily active users starting off relatively low at 64% of loan officers in the first month of the POC. Once value was demonstrated by loan officers who were early adopters and who seamlessly adapted to the simple user experience, and branch management had committed to securing uptake from loan officers (which was made easy given the transparent accountable data footprint of each user), average daily active users increased substantially, reaching 100% by the final month of the POC.
POC RESULTS

The POC was successful in proving that the Salutat solution could streamline customer communication, improve management oversight, and strengthen engagement with customers. Qualitative insights collected from participating FINCA Guatemala staff in a series of focus group discussions suggested that Salutat’s features resulted in efficiency gains for both loan officers and branch managers, which, according to their statements, facilitated the retention of existing customers and acquisition of new customers. We were, however, unable to quantitatively demonstrate that customer acquisition and retention increased enough to signal the potential for a 20%+ ROI as we expected during POC design.

1. Increasing the frequency of transactional and non-transactional communication between FINCA and its customers through OTT messaging channels.

Prior to the POC, a loan officer sent, on average, 15 SMS messages per day, primarily with purely transactional content, to their active and prospective customers. This represented a missed opportunity given customer demand for more frequent personalized transactional and non-transactional communication from FINCA. By the last month of the POC, each loan officer using the Salutat smartphone application was sending on average 27 messages per day through OTT channels to their active and prospective customers, an 80% increase. Interviews with loan officers confirmed that this substantial increase in customer engagement was driven by two key Salutat functionalities. First, messaging templates allowed loan officers to quickly send personalized messages to customers to answer common queries, such as balance reminders and repayment dates. Second, the automated reminders to send personalized templated non-transactional messages, such as birthday and national holiday wishes, allowed loan officers to efficiently send out messages to their active clients that went beyond typical transactional messaging that had been the norm prior to the POC.

Feedback from customers confirmed a preference for personalized communication with FINCA through OTT channels as it allowed for conversational engagement with the MFI rather than simply one-way messaging. Non-transactional messages were appreciated by customers and allowed loan officers to build a stronger rapport with their active and prospective clients.

2. Enhancing the ability of branch managers to track and manage the performance of loan officers and set customer communication standards and protocols.

The participating branch manager used the Salutat solution daily during the POC to assign tasks, set communication standards, and monitor loan officer performance against specific KPIs. The branch manager identified three key features of the Salutat solution as particularly impactful. First, the task assignment and tracking functionality allowed the branch manager to efficiently monitor the work of loan officers when they were in the field. Second, the analytics dashboard allowed for real-time loan officer performance tracking, and the branch manager was able to quickly identify, and provide guidance to, loan officers who were underperforming. Third, access to comprehensive data on the communication history with customers, and the qualitative insights from customer interactions manually input by loan officers, allowed branch managers to build a more complete picture of customers and develop an understanding of communication best practices. Based on these communication best practices, branch managers were able to create standard operating procedures directly in the Salutat solution that provided automated reminders to loan officers to perform specific communications tasks. For example, to begin sending sales and marketing messages to customers who have repaid more than 60% of their loan.
Overall, the solution reduced the time the branch manager spent managing day-to-day loan officer activities, improved the ability to monitor and address loan officer performance issues, and provided more detailed insights into customer communication best practices.

3. Improving loan officer efficiency to increase customer retention and acquisition rates.

The seven loan officers from the San Juan branch who participated in the POC reported that the solution provided them with the tools they needed to work more efficiently and build a strong rapport with their customers, aiding in their efforts to retain existing customers and acquire new customers. According to loan officers, the functionalities that were especially impactful on their work included:

• **REMINDERS FOR DAILY TASKS** – Automated (set by the branch manager) and manual (set by the loan officer) tasks increased loan officer productivity by providing reminders and guidance on which tasks to execute and when. Importantly, rather than spending time in the office for morning and evening meetings, loan officers could be deployed immediately to the field and access their work schedule and tasks for the day directly in the Salutat solution.

• **ACCESS TO A 360-DEGREE CUSTOMER VIEW** – Having access to loan information (including remaining balances and repayment schedules) and customer profiles (including contact details) allowed loan officers to more efficiently engage with the customers, without being required to check multiple systems to access a full picture of their customers.

• **RECORD OF CUSTOMER COMMUNICATIONS** – By keeping a record of all customer communication, including messages, call reports, and loan officer notes, the solution stored the historical communication relationship with FINCA rather than the individual loan officer. This allowed for customers to be transferred between loan officers as required by operations and reduced the risks associated with loan officer retention issues.

**KEY TAKEAWAYS**

**BRANCH MANAGERS**

The operational challenges faced by branch managers required a solution that could provide functionalities in two key areas, **loan officer performance tracking** and **communications workflow management**. The Salutat solution provided branch managers with a web browser-based dashboard through which they could set and track loan officer tasks, monitor performance against custom KPIs, and set communication protocols through standard operating procedures.

The POC clearly demonstrated the value of these functionalities. Digitizing loan officer performance tracking and communications workflow management reduced the time the branch manager spent managing day-to-day loan officer activities, improved the ability to monitor and address loan officer performance issues, and provided more detailed insights into customer communication best practices.
LOAN OFFICERS

Loan officers required a solution that could provide an on-the-go 360-degree view of customers, automated and templated messaging for common customer queries, an ability to store qualitative insights from customer interactions, and reminders of when and how to perform specific tasks in the communications workflow. The Salutat solution provided loan officers with an android smartphone application that incorporated all these key functionalities.

The POC proved that technology solutions with these functionalities have a substantial positive impact on the ability of loan officers to effectively manage relationships with active and prospective clients. Automated reminders of communications standard operating procedures and templated messages allowed loan officers to significantly increase communication with their customers, providing them with relevant up-to-date and on-demand information on their active products. Going beyond purely transactional messaging, and using the OTT channel preferred by customers, allowed loan officers to build stronger relationships with their customers. Organizational tools, such as the task management functionality, allowed loan officers to more efficiently manage their time. Finally, having access to an on-the-go 360-degree view of their customers provided loan officers with a full picture of their existing and prospective clients, which allowed them to more efficiently work on customer acquisition and retention. The potential of the 360-degree customer view goes beyond just supporting loan officers in the field. This functionality could be valuable to other customer-facing business units, including call centers and marketing teams.

NEXT STEPS

The four-month POC with Salutat in Guatemala highlighted the importance of testing products that can either be deployed as stand-alone solutions or integrated into core technology investments as features and design principles. During the POC, qualitative insights collected through focus group discussions with participating staff suggested that Salutat's features had a positive impact on loan officer and branch manager efficiency. This did not, however, translate into the magnitude of improvement in our target business outcomes (customer retention and acquisition) that could signal potential for the ROI we expected. With this outcome, the POC helped FINCA Guatemala identify a set of impactful features and design principles to inform future technology investments, but, did not generate the magnitude of effect on acquisition and retention that could justify an investment in a stand-alone solution.

Salutat had started the POC to refine its product, build out a software-as-a-service business model, and leverage traction with a global financial institution to raise capital from investors. The POC accelerated product refinement and Salutat’s journey to product-market fit, but the founders decided against pursuing a software-as-a-service model as initially planned. Like FINCA, Salutat concluded that they had developed a set of fundamental features and design principles that require full integration with core systems rather than a scalable stand-alone solution that can sit parallel with APIs. Based on this finding, Salutat turned down an equity investment from an Asia-based venture capital fund and decided to exit the business through a trade sale to a global microfinance bank.