

Tribanco

COMPANY BACKGROUND

Tribanco is a financial institution established by Grupo Martins in Brazil in 1990. Headquartered in the city of Uberlândia in the state of Minas Gerais, Tribanco maintains a full banking license and as such is monitored by the Central Bank of Brazil. It provides financial and management assistance to Grupo Martins' retail clients and does not service the general public. Grupo Martins is the largest wholesaler and distributor in Latin America with more than 50 years of experience in

the region. It distributes food, electronics, home improvement supplies and pet food to more than 400,000 micro, small and medium enterprises (MSMEs) in Brazil. Grupo Martins created Tribanco as part of a broader strategy to maintain market positioning against large foreign retailers entering the Brazilian market and to better service its own retail customers.

TRIBANCO'S INCLUSIVE BUSINESS MODEL

Tribanco serves as a financial intermediary in the Grupo Martins distribution chain, offering financial and management solutions for retail clients that are predominantly family-owned micro, small, and medium-sized enterprises (MSMEs). Martins' philosophy is that its own growth will be driven by its customers' growth. Thus, it sees itself as a logistics company in the business of helping its customers become more competitive, rather than a traditional distribution company. Tribanco proactively visits more than 90% of Brazilian towns, identifies the most entrepreneurial of the small stores it services, and then partners with them to provide renovation loans, training, and other services to enable them to grow.

Tribanco offers several credit and non-credit services to retailers, including:

- Extending check-cashing services and loans to retailers for purchases or store renovations
- Issuing Tricard customer credit cards for retail outlet shoppers
- Offering capacity-building and business training to retailers

Tribanco has about 37,083 MSME clients with an average loan size of \$12,056. Lending is offered as a way for stores to purchase inventory on credit and make store improvements such as lighting, displays, and technology. A small team of loan officers, who are full-time Tribanco employees trained in credit risk assessment and analysis, works directly with stores to help them access credit through Tribanco and to educate retailers and customers on financial services outside the Grupo Martins system.

Additionally, 9,000 MSMEs participate in Tricard, Tribanco's branded credit card program. After receiving training from credit officers on customer creditworthiness, retailers decide which of their customers are eligible

to receive shopper cards. Although Tribanco assumes non-payment risk, those stores with higher repayment rates receive lower transaction fees. Thus, retailers are incentivized to choose wisely and help ensure shoppers repay.

Tricard has more than 2.5 million active credit cards, providing low-income customers with short-term access to credit to buy needed food and products. The repayment rate is 96.5%, likely due to the fact that Tricard holders tend to be regular customers who live in the area. They recognize that if they do not pay, they will have their cards taken away and may also have to find new, less convenient stores to purchase groceries.

Retail owners and managers also benefit from capacity-building and training on store management and marketing practices such as creating displays and offering customer promotions. Training is predominantly offered through distance learning, although some retailers also have access to more formal, classroom training. In some instances this is tied to performance incentives; for example, retailers earn points based on their purchases which they can redeem for free classroom training through Martins Retail University. Further, Grupo Martins employs mixed training models to address the needs and geographic constraints of their customers.

In 2009 Tribanco started to work with insurance through Tribanco Seguros, issuing over 62,000 insurance policies to low-income customers. Tribanco also partners with financial and non-financial institutions to offer other services for its clients, for example collecting customer checks by the National Postal Service or issuing private label credit cards.

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DRIVERS FOR TRIBANCO'S INCLUSIVE BUSINESS MODEL

- Business opportunity to provide micro, small and medium retail clients with access to financing to maintain operations and improve profitability
- Competitive need for Martins to differentiate itself and maintain strong market presence against large, foreign retailers entering Brazilian market

Tribanco has enabled Grupo Martins to differentiate itself from large foreign retailers and maintain its market position as one of the largest distributors in Latin America. By offering credit services and training to retailers, it is helping them remain profitable and in many

cases, expand. This in turn helps Grupo Martins maintain its own growth and market presence as the distributor to these retailers. Further, Grupo Martins is offering customized, value-added services to its customers which serve to strengthen brand loyalty.

RESULTS OF TRIBANCO'S INCLUSIVE BUSINESS MODEL

- Serves over 37,083 MSMEs nationwide with credit and financial services
- Has more than 2.5 million active credit cards being used by consumers across 9,000 retail shops
- Greater financial inclusion among the two thirds of the Brazilian population without access to banking services today

Tribanco now serves about 37,083 MSMEs nationwide, offering credit and financial services. It has more than 2.5 million active credit cards being used by consumers shopping at 9,000 outlets. This model has enabled small shops to enhance their profitability, long-term survival, and growth. In turn, it has enabled Grupo Martins to develop a competitive advantage versus large foreign retailers entering the Brazilian market, build customer loyalty, maintain a strong market presence.

Brazil is one of the least “banked” middle-income countries, with only 60 out of 170 million Brazilians or one third of the population able to access banking services. Lack of access to finance negatively impacts the country's economic productivity and social inclusion¹⁴. Operating in the most remote and neglected urban and rural areas of Brazil where little to no access to financial services exists, Tribanco is therefore enabling people to save, manage

risk, increase earnings, and pursue profitable business opportunities.

Tribanco's credit assessment approach addresses the market failures deriving from the current financial system, which perpetuates lack of access among the working poor. Specifically, regular banking credit assessment models give low scores to lower income people even if they have a steady source of income. With an alternative credit assessment model that relies upon the storeowner's input, Tribanco is able to address this asymmetry of information and provide credit to its customer base. In doing so, it provides the working poor with a way to smooth irregular cashflows over the short term and promotes greater financial inclusion in the long term. Finally, since Tricard is often an individual's first credit card ever, it enables consumers to build credit histories and access greater financial services in the future.



IFC'S ROLE AND VALUE-ADD

Since 2004 IFC has provided Tribanco \$40 million in long-term debt financing to enable it to diversify debt sources and gain longer-term flexibility in financing. IFC has also invested \$21.3 million in equity. Additionally, Tribanco collaborated with IFC to strengthen its role as a financial intermediary to retailers.

IFC complemented its investment with a \$200,000 advisory services program to develop Tribanco's internal training capabilities. Investments have helped Tribanco introduce a “credit-centric” culture and hire and train more full-time credit agents; develop marketing, finance and credit assessment training modules for credit officers; incorporate sustainability training (social responsibility and environmental awareness) in the curriculum; and partner with a third party to carry out monitoring and evaluation programs.



IFC's Investment:

\$40 million in long-term debt financing
\$21.3 million in equity

¹⁴ Kumar, Anjali (2004). “Access to Financial Services in Brazil.” Washington, DC: The World Bank.