



Case Study

Latin America & Caribbean Brazil

Banco Triângulo

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G20 Inclusive Business Typology

Financial Services

Midsized Enterprise

Financial Resources and Financial Incentives

Inclusive Business Model

Brazil

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Tribanco is a financial institution offering services to micro, small, and medium retailers, providing credit and capacity building to such businesses. The bank also provides private label credit cards to low-income families in the businesses' surrounding community.

The Tribanco business model includes low-income individuals as entrepreneurs and consumers. The credit lines provided to develop their business, perform inventory purchases and make store improvements enable the clients to become more competitive in the market.

More than 60% of its retail clients have a turnover of less than BRL 200,000.00 per month. More than 39% of these establishments' consumers have a monthly income of less than BRL 130.00, and 58% have a monthly income between BRL 150.00 and BRL 650.00.

Executive Summary

Banco Triângulo S/A, or Tribanco, is a financial institution established by Sistema Integrado Martins (SIM), a group that assists more than 465,000 micro, small, and medium retailers throughout Brazil.

Tribanco was created in order to meet the financial services needs of these small entrepreneurs, which, due to low income, face difficulties in obtaining credit lines for the development of their businesses. Regular credit rating models give low grades to individuals in classes C, D, and E, even if they have a source of fixed income.

As a result, retailers that fit into these classes do not have sufficient resources to make regular inventory purchases and store improvements and thus do not succeed amidst the market conditions imposed by major retailers. To overcome this difficulty, Tribanco developed an alternative credit rating model that depends on the storeowner's input to provide credit to its customer base - over 60% of Tribanco retail clients have a monthly turnover of less than BRL 200,000.00. In addition, the owners of these establishments had a low levels of knowledge on management topics. To address this deficiency, Tribanco also offers its clients training courses in store, marketing, and financial management.

Another important component of Tribanco's inclusive business model is the retailers' consumers. More than 39% have a monthly income of less than BRL 130,00 and 58% have a monthly income between BRL150,00 and BRL 650,00. Tribanco offers private label credit cards to those consumers, bringing financial inclusion to the communities that surround the retailers.

The main strategic component of the Tribanco business model is the relationship with the clients. Tribanco employees are trained in the retail sector so that they can understand the client's business and provide appropriate solutions to the demands. In addition, the structure of the bank is not organized in branch banking format. Managers operate remotely, going to the customer's location.

Currently, Tribanco is present in all Brazilian states, has about 300 managers based in 80 cities, with offices in approximately 40 of them. These 80 cities are called focal points; each manager operates within a radius of 300 km around the focal point.

Tribanco directly serves more than 33,000 clients, with business in 60% of Brazilian municipalities. Clients are based largely in the countryside and the outskirts of large cities, and work predominantly in food retail as

supermarkets and grocery stores. Consumers shop at around 9,000 sales points across the country, collectively using more than 675,000 active credit cards. In 2013, Tribanco made profits of BRL 1,285,853,733.00.



INTRODUCTION

"Together, each is worth more! "
Motto from Sistema Integrado Martins – SIM

Tribanco is a financial institution established by the largest wholesaler and distributor in Latin America, the Sistema Integrado Martins (SIM). SIM is composed of i) Martins – a wholesaler-distributor dedicated to offering supply solutions; ii) Tribanco Tricard – a company focused on developing cards and services with exclusive advantages for retail shops and consumers in general; iii) Tribanco Seguros – an insurance broker for all the participants of the SIM production chain; iv) Universidade Martins do Varejo (UMV) -an university offering projects such as modernization of shops and training in retail management; v) Rede Smart -a supermarket chain - eFácil – an online sales site; and vi) Instituto Alair Martins (IAMAR) – a non-profit organization responsible for socio-environmental initiatives. Tribanco Tricard and Tribanco Seguros form the Conglomerado Tribanco. With these companies acting together, currently, SIM serves more than 465,000 micro, small, and medium retail shops throughout Brazil.

Grupo Martins' business began in December 1953 as a small project initially focused on the retail and wholesale sector. In 1964, wholesale became its only activity and it built up a turnover of US\$900,000. The idea of Tribanco as an institution with the aim to provide financial solution for retail shops and suppliers emerged during Grupo Martins' strategic planning in 1988. Back then, the economy was characterized by complete disorganization and inflation was a primary concern, reaching 90% per month. With this inflation, consumers purchased sufficient goods for the entire month, with a trend of large purchases and stocking in the retail sector, which attracted the arrival of major retailers with structure to meet this demand.

Some believed, however, in the possibility of economic stabilization and that this, combined with technological development, would enable a neighbourhood-store model, even with the presence of large retailers. Grupo Martins bet on this line of thought to develop its strategic plan in 1988. In the same year, Universidade Martins do Varejo (UMV) was created with the aim of disseminating knowledge to strengthen, develop, and modernize retailers. The Tribanco project was materialized and created in 1990.

In 1994, the year when the currency was stabilised, Grupo Martins grossed its first billion, being the first Brazilian wholesaler to reach that mark. In 2000, Rede Smart was established in order to provide equal conditions for small and medium supermarkets. eFácil, an online sales channel, was set up in the same year. In 2002, Tricard was created, focusing on the development of cards and services to retailers and consumers followed by IAMAR's inauguration three years later. In 2008, the latest member of SIM was founded, Tribanco Seguros, an insurance broker for the participants of the SIM production chain.



BUSINESS MODEL

The Opportunity

The establishment of Tribanco in 1990 was motivated by the difficulties of micro, small, and medium retail shops in getting credit lines from existing financial institutions. Banks' formal credit rating models give low grades to people in classes C, D, and E, even if they have a source of fixed income. As a result, only 50% of Brazilians can access banking services. This lack of access to funding negatively impacts the country's productivity and social inclusion.

In this scenario, Tribanco came up with an alternative credit rating model, which depends on the shop owner's input to address the information asymmetry and provide credit to its customer base. As reported by a customer, Mr. Edmar, his relationship with Tribanco started as it was the only bank that provided credit to him- all others denied him the service because of his low income. Without the credit lines to develop the business, make stock purchases, and improve the store, small businesses with tight cash flows have a competitive disadvantage even during period of growths for large national and international retail groups in the Brazilian market. More than 60% of Tribanco's retail customers have a turnover of less than BRL 200,000.00 per month and a little over 70% are food retail customers.

In addition to these difficulties, these small entrepreneurs have showed low levels of access to retail management knowledge and to studies and information on the sector. Tribanco, in partnership with UMV, offers its customers qualification courses and training in shop, marketing, and financial management practices, among others.

Currently, the bank has 670 employees, 61 call centers, 43 branches and more than 30,000 clients

Currently, Tribanco is present in all states and does business in 60% of Brazilian municipalities, primarily in rural areas and in the outskirts of large urban centres. Tribanco has about 300 managers in 80 cities, and there is an office in approximately 40 of them. These 80 cities are called focal points in the vicinity of which there are other places where Tribanco also has customers. In other cities they operate remotely, i.e. the manager does not have a physical base and works through site visits at the establishment. Each manager operates within a radius of 300 km around the focal point.

The Strategy

Tribanco offers financial and management solutions for customers in the small and medium retail value chain in Brazil. It provides credit and financial services exclusively to low-income retailers, which allows small stores to improve their profitability and chance of long-term survival. Currently, Tribanco does not have a treasury, but rather works with resources generated through customer training and shareholder capital. Currently, Tribanco serves more than 40,000 customers with products, credit, and/or financial services.

Tribanco does not intend to be the primary bank of large companies such as Nestle and Unilever, as they demand more products and solutions than Tribanco offers. Rather, it aims to be the primary bank of micro, small and medium retailers.

Tribanco's business model is not traditional - it is a branchless banking model and the few existing branches are not focused on customer service. Because Tribanco is very spread out with customers in Brazil's countryside, this model helps to reduce costs as it does not have to keep agencies spread across the country in remote places. It is a model based on business managers visiting clients and their businesses. The entire operation is focused on the online and visitation model -- necessary documents are taken during these visits, signatures are collected, and then the managers return these documents to the agencies and offices. Costs thus consist mainly of the logistics of the visits and training employees in customer relations and the retail sector.

Through visits, Tribanco builds close and reliable relations with its customers. This relationship and its results are the main points of value creation for the business. The proximity to the customer and knowledge of their businesses are what differentiates Tribanco. It creates an intangible value, i.e. a relationship of trust, which is transformed into tangible value for the customer, such as agility in meeting demand, availability of credit, holding more stock, and hiring more staff in addition to training this client to be a better retailer,

owner and entrepreneur. Thus, the access of low-income retailers to the means that will enable their competitiveness and growth, with the financial return and increase in capacity that result, characterize the main value created by Tribanco.



Mr Edmar, Tribanco's retail client and owner of Agro-Manda, with his grandson.

Moreover, Tribanco promotes the inclusion of families in the base of the Brazilian social pyramid through the granting of private label credit cards, allowing them access to credit and financial services. Usually, the families that benefit from this service live in communities close to the retailers who are Tribanco's customers and visit these stores for day-to-day grocery shopping. The whole approach to the retailer and the consumer is linked to the practice of responsible management of money and credit consumption; a matter in which all loan officers are trained in Tribanco.

Tribanco has some restrictions in relation to their potential customers. It evaluates the retailer's behaviour in the market, its history in relation to predecessor companies that are now closed, and disputes with tax and debt leverage. Other features are also taken into account, such as if the store is managed by the owner, if the retailer has closed one venture and opened a second on behalf of another person, their retailer behaviour with Martins - if they are already a customer of any other parts of the group - and qualities of

the business manager - profile, experience, willingness to improve. These assessments aim to reduce the risk of the bank to offer credit.

Tribanco's business model is in a growth phase, and the main objectives that it aims to achieve are:

- Increase revenues from the sale of new products;
- Increase the number of consumers of the company's products;
- Improve the relationship with the public served;
- Improve the projections for the future of their businesses;
- Train people from vulnerable groups for inclusion in Tribanco's value chain as consumers, employees, producers and small business owners;
- Grant loans or other credit lines to stimulate the development of people and their access to consumer goods;
- Strengthen small retailers who reach the base of the social pyramid, for goods and services distribution.

Tribanco still does not have clear and well-defined objectives in relation to the environment.



CHALLENGES AND SOLUTIONS

To achieve the proposed objectives, Tribanco encountered some challenges. Among the obstacles relating to restrictions in the market environment presented in Creating Value for All Report (UNDP, 2008), Tribanco listed two as the most important considerations in the implementation of their business:

- Lack of knowledge and skills both in using the product as a consumer and to participate in the value chain, as an employee, producer or owner of the business;
- Restricted access to financial products or services, preventing the financing of purchases or insurance of their limited assets.

These difficulties were graded 4, on a scale of 1 to 5, where 1 represented "little importance or difficulty" and 5 represented "much importance or difficulty."

In interviews, two external factors have emerged as major difficulties to the Tribanco business model. The first consists of large competitors, the universal banks, especially state banks. Universal banks are those that offer a variety of services. They also operate in places where Tribanco is present. Among them the state is the biggest competitor due to its subsidized and privileged funding rates, which Tribanco cannot use/rely on (?). The other obstacle cited is the economic environment as a whole. This challenge affects all businesses, but is particularly impactful for Tribanco due to the profile of its customers. Because they are low-income customers and therefore have a tighter cash flow, they are extremely impacted by rising costs, sales decreases and by a scenario of higher inflation and greater economic complexity. In addition, the educational level of these customers, as well as the stores' management capacity, is reduced, which further extends the difficulties at a time of economic crisis. Similarly, the bank itself would restrict the volume of credit granted in an unfavourable economic environment, as the domestic situation would also be more difficult. This restriction would affect mainly small retailers that, even in a favourable economic scenario,

already have few credit options and difficulty in proving their capability to a larger bank.



Agro-Manda, Tribanco's business client.

To overcome these market constraints, Tribanco invests in the quality of the relationship with the customer. In visits to establishments, it seeks to be attuned to the customer's business trends, to have in-depth knowledge of the retail sector, and to provide security to customers and flexibility in services, building a relationship of trust. The flexibility is seen as an advantage of having a smaller structure. A small client may have great difficulty in getting credit approval from a bank with a larger structure, due to the difficulty for the bank to know the strength of this customer and the difficulty in being agile in decision-making; in most cases, the demand/request (?) goes through several internal bodies located in different city branches. Being small and relying on a branchless banking model, the entire structure of Tribanco is concentrated at its headquarters in Uberlândia, so that the manager can easily go to the desk of the director and make a credit decision quickly. Moreover, with a small structure, it is easier for Tribanco to know its customer, know their relationship with other companies of Grupo Martins, and therefore know their strengths.

However, an internal factor that is directly related to Tribanco's ability to strengthen this relationship - and acts as an impediment to the business model - is the difficulty of finding professionals that have both financial market

skills and knowledge of the retail sector. As the relationship between employees and Tribanco customers is very close, it is essential to understand the client's business, both at the micro and the macro levels. Most professionals in the banking sector have traditional business model skills based on branch banking and their knowledge of the retail sector is very undeveloped.

To overcome this obstacle, currently Tribanco has sought to recruit people who already know the retail sector relatively well. Being an expert in the retail business and not only in the banking product is a competitive advantage and a survival factor for the bank, being a differentiator from major Brazilian banks. Tribanco then uses the whole structure of Grupo Martins and positions itself as the bank that understands the client's business. However, the professionalization of the retail sector in Brazil is still low, making it difficult to find professionals with this profile. Thus, Tribanco also invests heavily in training and development of its employees through the UMV. Besides the need to fill this gap in skills, the business model based on branchless banking also requires constant training, so that employees understand the business dynamics. The training starts from the moment of professional integration in the company, including both the delivery of courses and the gradual introduction of the employee to the dynamics of visits.

However, a challenge that arises in terms of training is how spread out the business is. Tribanco is present in more than 80 locations, and the cost of transporting all staff to Uberlândia is extremely high. Thus, the bank created the FORM@R platform, an e-learning tool to provide training and capacity building in retail intelligence remotely through video classes. From 2001 to 2014, more than 120,000 hours of training have been carried out on the platform, distributed among 397 available online courses, reaching more than 70,000 people across the country. In addition to the creation of this platform, managers were trained as multipliers/multiplying agents, going to the villages to offer the courses. With the adoption of these new strategies, the courses are offered over a longer time and with a lower daily load.

Figure 4 summarizes the market constraints to the deployment of Tribanco's business model and the strategies used to address them. As can be seen, the main patterns and strategies used to overcome the difficulties encountered using the criteria identified by UNDP as common to successful cases were:

- Adaptation of products and processes, creating opportunities for access to people;
- Strengthening people's potential, incorporating them in the value chain, encouraging their participation as partners and the emergence of new markets;

- Complimenting resources and capabilities with other institutions, through partnerships that strengthen the companies involved and boost the proposals in development.

Tribanco graded the first two items as a 5, based on the scale of 1 to 5 as mentioned above. The third item was graded a 4, also being classified as highly relevant.

	Adapt products and process	Invest to remove restrictions	Leverage low income families potential	Combine resources and skills	Engage in the dialogue on Public policies
Market information		Tribanco has a training and development plan with focus on the retail sector, overcoming the lack of knowledge of professionals in the banking sector		Partnership with UMV to train its employees	
Regulatory environment					
Physical infrastructure	FORM@R online platform is established to provide training and capacity building remotely, a solution given Tribanco's operations in remote areas				
Knowledge and skills				Through the partnership with UMV, Tribanco provides training courses on management and on the retail sector for its clients	
Access to financial services	Tribanco came up with an alternative credit rating model for retailers in classes C, D, and E; which depends on the retailers input, being able to provide credit for its client base			Through the partnership with Tricard, Tribanco provides private label credit cards to the communities that surround the business, thus strengthening its client's business.	

Picture 4 Strategic challenges table



BUSINESS AND RELATIONSHIPS

Alliances and partnerships are strategic component of Tribanco's business. If there is a product or service perceived as important to their customer, Tribanco searches the market for someone who can provide it and establishes a partnership with the company. Thus strengthening Tribanco's relationship with its customer.

Tribanco has different levels of partnerships and relationships with stakeholders. The first and most fundamental, is among the Grupo Martins companies. Another level occurs with enterprises outside the group, which allow Tribanco to expand and strengthen its business model. The strategy used by the bank to attract these partners is to meet the proposed business model and be consistent and aligned with the company's mission. It also considers customers as great partners, but at a different level of partnership than mentioned above. At the environmental level, they have a partnership with Instituto de Pesquisas Ecológicas (IPÊ). These and other partnerships will be explored in greater detail below.

To be part of SIM, the main partnerships forming Tribanco's business model are the very companies that make up SIM, especially Martins, Tricard, UMV and Rede Smart de Supermercados. These companies have common goals to Tribanco and promote actions and partnerships that provide better performance in the supply chain, moved by the vision already strongly rooted within Grupo Martins that "together, each is worth more."

Tricard acts more directly with Tribanco's business. Established in 2000, it is the company responsible for providing credit cards to retailers and their consumers. Tricard cards were created in order to help Tribanco's retail customers to overcome their biggest challenges: to attract and retain clients. This is done by providing a store card to replace "*comprar fiado*" (buy on credit). By selling on credit and providing a repayment deadline, the retailer expands their customer numbers and their sales. Initially, this was made possible through Tribanco's partnerships with other banks. The partner bank

was responsible for all matters related to consumer credit and credit risk, while Tribanco had the acquirer function, taking care of shops and the administration of the card in the establishments. Currently, Tribanco is responsible for the entire operation. There are 1.56 million eligible cards - more than 5 million have been issued between 2000 and 2014 - and about 9,000 stores are affiliated across the country. A recent survey by Tribanco showed that 24% of its individual customers have Tribanco Tricard card as their only credit card. Tricard cards contribute significantly to increasing customer confidence and creating a closer customer relationship with the bank, thus making customers more loyal and playing a crucial role in success of the business.

Martins is one of the main actors involved in Tribanco's business. As a part of Grupo Martins, Tribanco benefits from the good reputation already built and linked to the brand. Martins directly contributes to Tribanco's business, acting as a supplier to Tribanco's customers. In contrast, Tribanco offers Martins' customers financial solutions that enable their businesses to grow. With this partnership, there is a greater customer loyalty to SIM companies, and due to the large scope of Martins in terms of coverage in Brazil, Tribanco has access to a large number of potential customers. Moreover, if a retailer in need of credit is a Martins' client, Tribanco is able to better know that customer, analyse their background and identify their strengths. This contributes to Tribanco's risk management.

UMV is another actor with a significant stake in the success of Tribanco's business. Through UMV, Tribanco offers its customers services like store renovation, layout update, lighting renewal, departmentalization and construction. With these projects, Tribanco is able to provide not only financial support for the business growth of its customers, but also the manpower and resources needed for physical growth. To date, UMV has executed more than 14,000 store modernization and revitalization projects. In addition, the UMV offers courses and training for small business owners who are Tribanco's retail customers. With training, these professionals have developed skills to manage their own business, contributing to the growth and success in the long run. Trained retailers are better prepared to compete with other retailers. Thus, there is greater customer loyalty to Tribanco and the incomes of these customers' increases. Currently, the training has been offered in more than 92,000 retail stores and there are over 304,000 retail professionals qualified by UMV. For UMV, there have been increases in the number of customers and of revenue.

Rede Smart, an associative network created by Martins, is also an important partner of Tribanco. Under the concept of the associative network, the stores that are affiliated to Rede Smart remain autonomous, managed and controlled by the owner. However, they adhere to the proposed network

strategy, which includes everything from the layout of the property to a merchandise purchase partnership agreement with Martins. The possibility of joining this network provides Tribanco customers greater market competitiveness, renovations in the establishment, often are accompanied by its expansion, bringing improvements, development and growth. Tribanco and the Martins group help affiliated retailers in management and in applying modern techniques and provide training in purchasing centres and integrated media. These make a big difference for small retailers, that alone would not have access to the media on a large scale. Due to the bond between Tribanco and Martins, the Rede Smart affiliated retailers are bank customers.



Picture 6: Training course provided to employees of a Tribanco's business client.

Source: Book about Tribanco's 60 years.

As mentioned, in addition to partnerships with companies of Grupo Martins, Tribanco also has significant external partners that strengthen the inclusiveness of the bank. An important Tribanco partner is the International Finance Corporation (IFC), a member of the World Bank Group and the largest global development institution focused exclusively on leveraging the power of the private sector. The partnership has existed for 10 years and over the years has developed technical cooperation initiatives implemented throughout the Tribanco value chain. Since 2010, IFC has held a 10% share of Tribanco and is therefore characterized as its shareholder. IFC's investment allowed Tribanco to increase in size, reach small entrepreneurs, and become more visible internationally. In the last four years, Tribanco was recognized by IFC as an institution with an inclusive business model, receiving the award "Leader in Inclusive Business", which expands the bank's access to goods and services. With this partnership and investment, IFC

promotes inclusive growth and increases opportunities in Brazil. More specifically, IFC has played a crucial role in Tribanco's business model, through the following contributions: (i) since 2004, it has provided approximately USD\$56 million in long-term debt financing, which includes an investment of USD\$16 million in 2014, allowing Tribanco to diversify its sources of debt and gain long-term flexibility in funding; (ii) it has invested approximately USD\$36 million in participation as a shareholder, which includes an investment of USD\$15 million in 2014; and (iii) provide consulting services to develop Tribanco internal competencies.

Another important partnership is with Rede, one of the leading companies in the domestic market of online payments that is responsible for accreditation, capture, transmission, processing and financial settlement of debit and credit cards transactions. In partnership, Tribanco offers financial products and Rede offers the machines to ensure cash flow is guaranteed in the receivables process. This partnership allows Tribanco to offer its customers more time to shop at Martins, through a credit limit at the bank, differential rates in advance of receivables, special conditions in the rental of equipment and centralization of receivables in a single account, among other benefits. In addition to having bank accounts with Tribanco, it is necessary for the retailer to receive credit and debit cards via Rede to access these advantages. Red has therefore increased its number of customers through this partnership. In the small retail sector, 70% of establishments have a Scielo branded card machine and 30% have the Rede brand, while in Tribanco's customers' stores the ratio is the opposite: 70% have Rede branded card machines and 30% have Scielo branded machines. In addition, over the four years of partnership, there was an increase in Tribanco billing participation in Rede which reached remote areas where Tribanco penetrated the market. In turn, Rede adds value to Tribanco's business model through the provision of technological infrastructure and products and services that are tailored for each audience addressed by Tribanco. In addition to the specific advantages of each member of the partnership, both companies benefit from customer loyalty, which can bring together all products and all sales receipts into one process.

MasterCard is also a Tribanco partner through Tricard. In 2011, Tricard launched a private label credit card with the MasterCard flag, the Cartão Híbrido Tricard MasterCard. Thus, the advantages of the MasterCard brand were added to the private card label, which is the expansion of the acceptance of the network, more convenience and greater purchasing power for Tribanco consumer customers, and more sales and relationships for its retail customers. In addition, MasterCard expanded its area of operation, benefiting from the partnership.



Picture 7. Grupo Martins serving its clients in the most remote places in Brazil.

Source: Book about Tribanco's 60 years.

Tribanco has been trying to include environmental considerations into its business, highlighting its 12-year partnership with IPÊ. Currently, the partnership takes place through Tribanco cards and via financing of the Institute's cutting-edge projects. The partnership focuses on marketing the Institute's environmental cause; each time a Tribanco customer sends an invoice statement; a percentage of the bill is allocated to IPÊ. Between 80,000 and 100,000 Brazilian Reais are allocated annually to the Institute. Tribanco benefits by supporting a cause, the public benefits by being able to contribute to the cause, and IPÊ increases the publicity, visibility, and resources for its conservation objectives. IPÊ has allocated a part of its team to carry out the management of the partnership. IPÊ benefits from the fact Tribanco is a strong partner which is well-distributed throughout the country and which has contact with a public that IPÊ would find difficult to reach directly.

The main indicator of IPÊ that highlights the benefits that have been brought to the Institute since the beginning of its relationship with Tribanco is the number of partners attracted as a result of the partnership. On the other hand, Tribanco benefits from the possibility of contributing to the implementation of environmental projects with a credible and recognized institution.

Finally, another important partner is the Banco Nacional de Desenvolvimento Econômico e Social (BNDES). Tribanco passes on the credit lines provided by BNDES, bringing benefits and subsidized conditions to its customers as long-term financing for investment projects. BNDES benefits from the



expansion of its area of operation, and Tribanco benefits from greater customer loyalty as a result of the additional services that can be provided.

For Tribanco, the main effort in the coordination of these partnerships is in the management needed to ensure conclusion of the proposed initiatives. Currently, management is process-oriented. One challenge is its partners' awareness and education about the comprehensive model proposed by the bank, because the model is so complex. The main lesson learned by Tribanco with partnerships is to strengthen the organizational motto "together, each is worth more."

RESULTS

Results for the company

In 2013, Tribanco's profit was BRL 1,285,853,733.00. According to the financial statements disclosed in the Management Report for the first half of 2014, some of Tribanco's business results were:

- Net income: BRL 20,754 million
- Shareholders' equity: BRL 355,909 million.
- Total assets: BRL 1.97 billion.
- Loan portfolio: BRL 1.303 billion.

To measure financial performance, key indicators used by Tribanco are the ratings given by credit risk rating agencies and the quality rating given by the Central Bank in relation to the "health" of the processes, governance and financial management of the bank. Currently, only Tribanco and another bank of the same size have a rating (?) that, in the opinion of the Brazilian Central Bank, is one of the best in the country.

Results for society

Tribanco's contribution to society is derived from the various training initiatives that help the development of the retail segment, the retail entrepreneurs and their employees, the credit consumers of these establishments, and also the Tribanco companies' employees, such as loan and basic administrative functions agents. Among the impacts to their retailer are:

- Increased revenue from the sale of new products;
- Improved relationship with the public that they serve;
- Improvement of future projections of its business;
- Increased competitiveness.

To enable the small and the medium Brazilian retailer and to provide tools that can strengthen its role in the communities in which it is present is to also ensure:

- Local employment;
- Income generation;
- Poverty reduction;
- Banking services, especially in small and peripheral communities;
- Increased collection of local taxes.

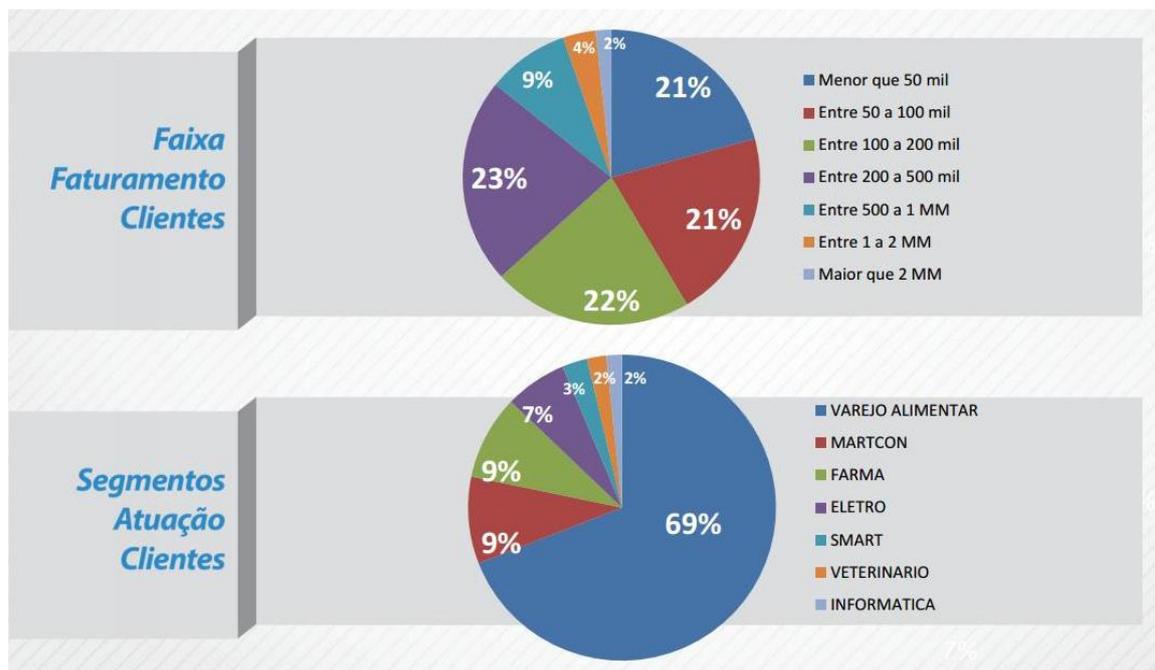
All direct investments made by Tribanco in social projects are directed via IAMAR, the environmental, cultural and educational institution, with the goal of developing the potential of young people through the Educação para Empreendedorismo program. The institution's programs have already mobilized 1,123 volunteers and 50,471 students in its main projects and activities in the Southeast, Northeast, and Northern Brazil. Despite its inherent social impact on the business, Tribanco does not have the indicators to measure it, this being a challenge for the future.

There is still little investment with a focus on environmental impacts, and these are not yet measured. Currently, Tribanco's approach to the environment is by means of:

- Reducing the consumption of natural resources such as paper, plastics and fossil fuels in their operations and in their office;
- Direct and transparent communication with its stakeholders, through, for example, Capitão Varejo, a project that publishes comic books relating retail with sustainability issues. More than 30,000 comic books have been distributed across the country and accessed online;
- Environmental impact of the customer, offering environmental education and encouraging the use of environmentally friendly products in their establishments;
- Partnership with the Instituto de Pesquisas Ecológicas (IPÊ);
- Voluntary signatory to the Copenhagen Communiqué since 2009;
- Publication of an annual sustainability report, based on the international methodology by the Global Reporting Initiative (GRI).

Another important component of social and environmental responsibility as a financial institution is the control of the final allocation of loans to customers. Tribanco has targeted and untargeted credits. Regarding the targeted credits, control is done automatically because the client can only use the credit for a particular purpose established by the bank. Credits not directed, in turn, are difficult to control. Tribanco monitors whether or not the activity for which the client requested the loan is completed. If the activity is not carried out, indicating that the money was used for other purposes, the bank records this fact in the customer history and takes this into account in future credit applications.

With its responsible behaviour, Tribanco has had better results than planned. The engagement of the employees and the advisors with Tribanco's inclusive business, the customers' and their shops' growth are examples of results whose magnitude was better than expected. This return is positive for the bank, strengthening its role as an inclusive business. Figure 9 shows the profile of the public impacted by Tribanco's business.



Picture 9. Profile of the market transformed/impacted by Tribanco's business

Source: Institucional Presentaion (Tribanco, Tricard e Tribanco Seguros, 2014).



GROWTH STRATEGIES AND FUTURE PERSPECTIVE

Tribanco has its niche and mission¹ well-defined, and its efforts for the future are completely focused on these two points. Consequently, its strategy is also very well-defined, and recently a strategic alignment was made in which the company's strategy was ratified, consisting of being a niche bank in the Brazilian retail sector and being an expert in retail banking. The aim is to build the bank's capacity to be able to develop this strategic business goal in terms of partnership, people and technology so as to meet the present needs and to be aware of future ones.

To keep in line with these objectives, Tribanco plans to maintain and strengthen the partnerships established with the other actors involved in its business. Through this, possible innovations in its inclusive business structure are sought, for example, in the face-to face channel. In this channel, it is increasingly rare, expensive and difficult to have access to all customers; the total size of the retail sector in Brazil is estimated at over one million stores, of which over 97% are small and independent. Therefore, Tribanco has worked heavily on the development of new channels, in line with maintaining the face-to-face channel in the future and at the same time having

¹ Tribanco's mission is to provide creative financial solutions and knowledge to businesses and consumers comprising SIM, enabling them to cooperate and compete, acting according to the principles of sustainability, generating consistent results for shareholders and all stakeholders.

a complimentary channel platform. It aims for excellence within the relationship; based on questions about possible ways to be closer and more present with the client in order to develop more tailored and aligned products for their needs.

Another issue to move forward in the future is to look deeper at the environmental aspects, strengthening the internal structures so that they can be leveraged. Furthermore, Tribanco can increase its positive social and environmental impacts through a structure for measuring the impacts that are generated. Some initiatives are still in the awareness phase and others in the training phase. Some mechanisms are in different development phases.



Picture 10. From left to right, Aparecida Teixeira de Moraes, Tribanco's Sustainability Director, Alair Martins, Chairman of the Board of Directors and founder of Grupo Martins, Thais Naves Tannús, Tribanco's Sustainability assistant.

The bank seeks to structure and measure the impact in a very systematic way. This point is an important goal for Tribanco because the measurement and disclosure of business results attract attitudes and engagements that are more in line with social-environmental responsibility. Then the next step would be to measure in order to improve.

Tribanco has great challenges ahead in order to maintain what has already been done and the results it has already achieved. The main focus for the future is to maintain the company's mission.

CONCLUSION

Sustainability for Tribanco represents the broad concept of the entire inclusive business model. Tribanco was established specifically to serve a low-income public, with limited access to financial services and a low level of education, so that the design of its business model was inclusive from the beginning. Even its own employees did not define its business as inclusive until they began to receive awards and recognition for this, showing the natural and genuine character of its inclusiveness. This subject has never been seen by Tribanco as a form of marketing and has been linked to its core business since its inception.

Despite the restriction on the variety of services offered and its small size compared to other banks that are classified as universal, Tribanco built its competitive advantage based on the quality of the relationship with the customer, using the advantages that a small physical structure provides - such as the service agility. Its employees deeply understand the retail sector and their clients' business so that they are able to provide the most appropriate banking solutions for business retailers.

Moreover, Tribanco not only enables its employees, but also the retailers themselves, meeting the deficit of knowledge about retail and management identified among low-income traders. Despite being a financial institution, Tribanco goes beyond financial services, empowering and enabling its customers to take care of and grow their own business, contributing to the survival of the enterprise and, therefore, to the inclusion of small retailers in the market.

Although Tribanco's inclusive business is already successful, there are still points to be improved to increase its positive social impact. The bank has not systematically measured these impacts. The measurement and disclosure of business results can attract more businesses to the attitudes and engagement in line with environmental responsibility, and enable monitoring of business performance. Another point to be refined for future advancements is the environmental impact. Although the social impacts are well developed, the environmental ones are still at an early stage, not being in the business strategy. To increase the positive environmental

impacts is another way to increase the positive impacts and the inclusion of Tribanco, given that natural limits also impose limits on inclusion.

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