BTPN (B):
Banking for the Bottom of the Pyramid in Indonesia

After careful analysis and months of deliberation, Jerry Ng and his management team at BTPN, a mid-size bank in Indonesia, decided to pursue all three strategic options in the following sequence:

1. **New market.** Beginning in early 2012, BTPN began rolling out hundreds of branches focused on meeting the banking needs of the "productive poor."[i] By March 2014, the bank was serving over 1 million productive poor customers.
2. **New technology.** In 2013, BTPN successfully tested its mobile banking platform, BTPN WOW! with its employees. In the following year, the bank introduced this ultra-low-cost form of branchless banking to customers in Bogor and Bali.
3. **New products.** BTPN planned to enter the life insurance business by partnering with a global insurance provider in the second half of 2014.

Although Ng and his team decided to pursue all three game plans, they carefully prioritized the initiatives to best match their business strategy's competitive position, key resources, capabilities, and requisite system changes.

Modeling the success of Western banks and credit card companies that use sophisticated risk management models, BTPN formed a partnership with the Entrepreneurial Finance Lab (a psychometric scoring organization that worked with 36 financial institutions across 27 countries) to collect data and create a credit scoring application for determining loan risk. Following the hypothesis that what differentiates a good credit risk from a bad one is more the business person than the business, BTPN began capturing psychometric attributes on its borrowers, including the ability to listen, follow directions, and act honorably. It would use these metrics to develop analytical models to expedite the loan approval process while minimizing the number of defaults.[1] The application was being piloted at 10 branches in Jakarta and was slated to be rolled out nationwide in early 2015.

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i   "Productive poor" is a term used by BTPN to describe the poorest members of Indonesia's economic population, who, with the right support, can become productive members of the Indonesian economy. BTPN used the term "productive" to describe this target market because it focused on customers living below the poverty line who were involved in business activities that generated income.