



WHO IS DESTACAME?

Founded in 2014 by three Sloan alums, Destacame is a fintech startup focused on helping the unbanked and underbanked access credit in Chile and Mexico. Destacame started by providing an alternative credit scoring model to help banks assess risk of its customers. By analyzing payment behavior of its users, Destacame is able to reward good payers with opportunities to manage their past debt and access financial instruments at competitive rates.

PROJECT OBJECTIVE:

Our team was tasked with the design of a full end-to-end customer life cycle focused on the segments of the population that are currently underbanked or unbanked in Chile. We were asked to help establish a process to obtain financial support for Destacame users that includes: clearly defined customer segments, proposed products and services, operational challenges that could arise, methods of monetization and key partnerships to aid in the success of Destacame's mission.

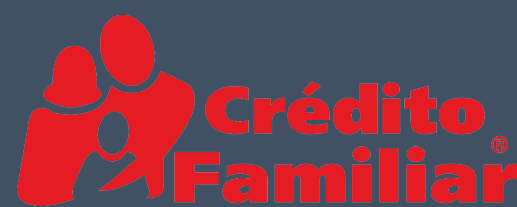
METHODOLOGY AND FINDINGS:

Leveraging both secondary research methods while off-site in Cambridge, and primary research methods on-site in Santiago, our team evaluated a variety of critical questions.

What challenges are unique to the Chilean and South American markets? What are some way to address these challenges?



What business models are being utilized by competitors or deployed among similar startups in emerging markets?



What regulatory challenges exist or pose a potential threat to Destacame's business model?



Key Insights Learned:

- New legislation on prepaid cards in Chile presents a potential opportunity for Destacame to utilize more granular transaction-level data to expand its scoring model
- The inability to access critical consumer data for ~7M Chileans prevents many banks from lending credit to this segment
- Current credit rating system only takes into account negative credit history, opening up the opportunity to enhance the system with more positive repayment behavior information
- A significant need exists in the market to increase financial literacy with more than 75% of the population lacking a general understanding of basic financial products and services
- Exceptionally high margins for banks (~30%) and existing control decreases banks' willingness to accept change or seek organic growth through new target segments
- Retailers, such as Falabella, see microloan providers as a threat to its current credit offering, but see potential partnership opportunities for the collection of past due debts

Next Steps for Destacame

OPPORTUNITY I: Platform Strategy

Leveraging Destacame's strong brand, low cost of customer acquisition and early-mover status, it can strengthen its competitive advantage and create increased barriers to entry by moving beyond its alternative credit score offering and focusing on developing capabilities for both consumers and producers to reinforce its platform strategy.

OPPORTUNITY II: eCapital Partnership Model

eCapital is an existing financial service platform offering services such as factoring and leasing to SMEs. A partnership with Destacame provides access to an extensive consumer user-base, while eCapital offers the potential access to:

- Additional capital to extend credit to consumers
- Extended loan distribution channels

OPPORTUNITY III: Banco Estado Partnership Model

Establish partnership to execute multi-step path towards re-bankerization together with Banco Estado. Steps of this process would include issuance of micro-loans issued by Destacame and issuance and tracking of spending on prepaid and/or credit cards. Repayment and spending data would then be used to re-evaluate user credit worthiness and offer loan through traditional financial institution (i.e. Banco Estado).