

# MicroSave Briefing Note # 22

## Strategic Marketing for MicroFinance Institutions

Graham A.N. Wright, David Cracknell, Leonard Mutesasira and Rob Hudson

### Introduction

For a long time, microfinance has been moving beyond “credit for enterprise” to encompass “financial services to reduce vulnerability and to improve livelihoods”. With the international community’s focus on the Millennium Development Goals, this shift in the scope of microfinance is both timely and essential. In addition to a clear need for product diversification (but not proliferation – see Wright et al., 2002)<sup>1</sup> to offer microfinance clients a wider range of services, it is essential for MFIs to look carefully at how to optimise their delivery and communication systems. Microfinance also continues to struggle to maximise the cost-effectiveness and client-responsiveness of delivery systems and this will be one of the industry’s key challenges for the next decade. Microfinance institutions (MFIs) continually struggle to communicate effectively with their clients and markets (Cracknell et al., 2002)<sup>2</sup> thus losing opportunities to retain and serve existing clients as well as attract new ones. Selling products and, in increasingly competitive environments, branding, are also essential for the sustainability of MFIs.

The challenges raised above cover a broad range of operational issues, from product development to product delivery systems all set in the context of understanding the competitive environment or “financial landscape”. They also encompass human resource management, staff incentive systems, IT systems and physical infrastructure development. This diverse range of core functions affected by a market-led approach present a significant problem for MFIs – and indeed corporations operating in almost every industry worldwide. A market-led approach, by definition, affects almost every aspect of the business, and thus the Marketing Director needs to be a master of networking, alliance-building and collaborative working within the organisation.

**Strategic Marketing** – as defined by Philip Kotler  
“Marketing attempts to understand the needs of the client and to adapt operations in order to meet those needs and achieve greater sustainability. ... Marketing is a comprehensive field aimed at strengthening the institution by maintaining focus on the client. In doing so, it creates exchanges that satisfy individual and organisational goals.”

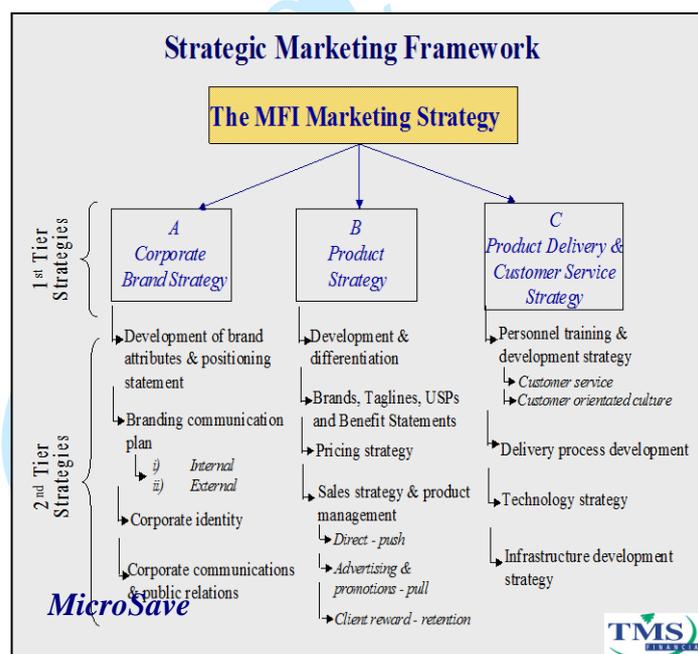
### The Strategic Marketing Framework<sup>3</sup>

MicroSave and TMS Financial (a South African marketing company with extensive experience in marketing financial

services) have developed a framework that it is hoped will be useful for the microfinance industry.

The three 1<sup>st</sup> tier strategies focus on:

1. **Corporate Brand and Identity**, which is the design and presentation, intended to differentiate the MFI from its competition.
2. **Product Strategy**, which encompasses product development and differentiation, as well as costing/pricing and sales/promotion strategies used by MFIs.
3. **Product Delivery and Customer Service Strategy**, which focuses on how and where the MFI’s products are delivered and the customer experience.



### Sources of Information to Support the Marketing Strategies

It is essential that all these strategies and the supporting activities are based on careful research and analysis. The process of gathering information to underpin these is not as difficult as it first appears. Essentially, there are four standard information packages that will inform all of the marketing strategies, although these will require periodic supplementing with additional *ad hoc* analysis – particularly when testing communication materials. In addition, it should be stressed that prior to conducting primary research (for which the MFI has to collect new data), it should carefully examine existing sources and conduct secondary data analysis. Secondary data is often

<sup>1</sup>Wright, Graham A.N., Monica Brand, Zan Northrip, Monique Cohen, Michael McCord and Brigit Helms, “Looking Before You Leap: Key Questions that Should Precede Starting New Product Development”, *MicroSave* 2001

<sup>2</sup>Cracknell, David, Henry Sempangi, Graham A.N. Wright, Leonard Mutesasira, Peter Mukwana and Michael J. McCord, “Lessons from *MicroSave*’s Action Research Programme (2001)”, *MicroSave* 2002

<sup>3</sup>MicroSave, “Strategic Marketing for MFIs” Toolkit, *MicroSave* 2003

available from government and donor agencies, networks and trade associations etc. as well as (crucially) within the MFI's own management information system.

The financial services market is one of the hardest to research since people's responses to questions concerning money and their financial affairs are often pre-programmed by society. Furthermore, there are often discrepancies between what people say about financial services and how they actually use them - hence the importance of careful, and often non-traditional research. (See *MicroSave's* "Market Research for MicroFinance" toolkit.)<sup>4</sup>

Four information packages will inform almost all aspects of an MFI's marketing activities. These are:

1. **Market Analysis** – which profiles and understands the MFI's target/potential market;
2. **Competitor Analysis** – which profiles and understands the MFI's competitors (both formal, semi-formal and informal);
3. **Customer Analysis** – which tracks the MFI's performance through customer research, particularly through customer satisfaction analysis; and
4. **PEST Analysis** – which examines the Political, Economic, Social and Technological environment within which the MFI operates.

The MFI will need to conduct some additional *ad hoc* research in response to specific needs. These are likely to include:

- Pre and post testing of taglines, product names and concepts, promotion materials, Frequently Asked Question (FAQ) guides, among others;
- Stakeholder needs assessment to look at donors, investors, policy makers;
- Costing by products and branches to determine the most profitable of these and adjust marketing activities accordingly (See *MicroSave's* "Costing and Pricing of Financial Services" Toolkit)<sup>5</sup>;
- Process mapping in order to optimise service delivery processes;
- IT cost-benefit and risk analysis to examine options for using new technology for service delivery
- Outlet feasibility analysis to guide expansion plans.

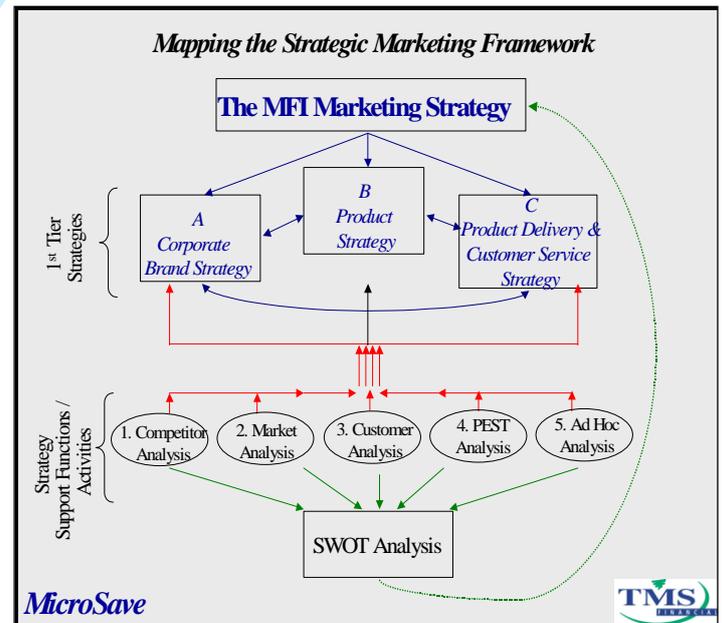
### Conclusion

Delivering and communicating a variety of market-led products through appropriate and cost effective systems is necessary:

- For **long-term sustainability** of MFIs (currently often undermined by drop-outs/desertions);
- As part of the maturing of the microfinance market and its **march towards commercialisation**;
- To **broaden the range of microfinance clients** – both up and down market – beyond the market traders;
- To **realise real change and development** in the livelihoods of clients and to reduce their vulnerability; and
- For MFIs in **competitive environments** (and desirable everywhere).

The transition to a market-led approach to microfinance often starts with relatively modest product development. But those MFIs seriously committed to this, soon find that a market orientation requires long-term and fundamental changes in approach, mind-set and systems of almost every part of their business.

The rewards of making the transition to a market-led approach are very significant and manifested in a startling variety of ways: staff satisfaction, customer loyalty, developmental impact and higher profitability. Several of *MicroSave's* Action Research Partners, including Equity Building Society in Kenya, Tanzania Postal Bank, Uganda Microfinance Union and Teba Bank in South Africa, are already reaping the benefits of moving to an increasingly market-led approach and using strategic marketing as a core value and driving force of their institutions. These institutions are already implementing most of the components of the framework presented in this paper and under-going rapid transformation and growth as a direct consequence.



<sup>4</sup>*MicroSave*, "Market Research for MicroFinance" Toolkit, *MicroSave* 2000

<sup>5</sup>*MicroSave*, "Costing and Pricing of Financial Services" Toolkit, *MicroSave* 2002

All these references are available on the *MicroSave* website: [www.MicroSave.net](http://www.MicroSave.net)