

MicroSave Briefing Note # 26

Adapting Market Research Tools to Diverse Environments - Lessons from Europe

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Introduction

MicroSave's "Market Research for MicroFinance" toolkit has proved effective in improving the quality of "market-driven" financial services all over the world. Widely accepted for its simplicity and versatility, the toolkit requires some adaptation. The Microfinance Centre for Central and Eastern Europe and the New Independent States' (MFC) experience to date, with 15 institutions, indicates that **MicroSave** research tools should be adapted to institutional needs in the specific country context, and that other techniques may also be used. If tools are taken "off the shelf", they can "increase unnecessary burden to the institution and result in low quality findings leading to bad decisions."¹ This note documents the lessons of several member organizations of MFC and selected microfinance institutions (MFIs) in Turkey, the Balkans, and the Caucasus that have applied the **MicroSave** toolkit, along with other tools, successfully.²

Lessons from Europe

Prioritize the list of problems and opportunities

Market research can put pressure on already limited human resources and increase the opportunity costs for the organization. MFC found that "the more limited a MFI's capacities, the more necessary it is to prioritize and narrow the research objective to one core question."³ While MFIs may have several problem issues to address, limited staff time and institutional capacity forces them to be realistic in their scope and to address the most urgent issues first. Start-up or small MFIs with few staff, or MFIs addressing problems such as high delinquency or staff turnover, will find it challenging to meet the demands of conducting quality research while keeping up with daily responsibilities. MFIs in this situation may choose to extend the research over a longer period of time, break it down into phases, and designate a research team that can schedule meetings less frequently but regularly. In this case, the suggested **MicroSave** timeframe of roughly 30 days for market research may need to be extended to two or more months.

Think creatively to adapt tools to cultural sensitivities

MFIs in Europe adapted certain Participatory Rapid Appraisal (PRA) tools from the **MicroSave** toolkit to fit both the organizational culture and clients' perceptions of "professionalism". Although the content and aim of the tools remained largely the same, MFIs modified the presentation of the tools.

For example, an MFI in Russia considered projecting PRA matrices from a laptop to an overhead screen (although later decided that this might make clients uncomfortable); others carefully selected the type of counters used in PRA meetings - such as paper clips, candies, or small paper cards with printed numbers. Particularly in former Soviet countries, where popular discontent frequently results in aggressive political complaints, moderators introduced "ground rules" for the focus group discussions (FGDs) to avoid political discussions or the misperception that they were working as government agents. In almost all cases, initial skepticism by staff about the tools disappears once they see the actual implementation and moderation in their own context.⁴

During a MicroSave market research training workshop, one participant threw up his hands and exclaimed, "This will not work with my clients! Sitting over colored paper, markers, and bottle tops will offend them!" There are many ways of adapting the PRA tools in the MicroSave toolkit to a professional environment. Look no further than the Powerpoint presentations, diagrams, maps, or wall charts plotted with colored tacks in your own office.

Appropriate selection of tools is also important. Instead of the **MicroSave** toolkit's standard wealth-ranking tool, found to be inappropriate in the countries where it worked, MFC developed a similar tool that provides a general picture of wealth. For example, MDF Kamurj (Armenia) created categories of the typical household in a community without referring to "rich" or "poor" to examine the obstacles of moving from one wealth category to another.

The most common problem among MFIs in Europe is poor attendance. In response, some MFIs sent an official letter from the MFI director and called clients the day before to remind them; others invited two or three times the number of people required to ensure adequate attendance; an MFI in Poland actually paid people to attend (although this had the adverse effect of "over attendance" in one case); others reimbursed transportation costs. True to any country context, the key is to find the incentive that works to ensure the attendance you need.

Use a mix of techniques

Depending on the particular research objective, the

¹See Pawlak, Kasia and Michal Matul, "Improving Cost-Effectiveness of Exploratory Practitioner-Led Research: Key Factors to Consider When Selecting Tools", *Microfinance Centre for Central and Eastern Europe and the New Independent States*, 2003, p.1.

²In addition to the paper mentioned above, which outlines 15 cases of member organizations, the author conducted individual interviews with representatives from Maya (Turkey), Prizma (BiH), DEMOS (Croatia), and MDF Kamurj (Armenia).

³Pawlak and Matul, p. 8.

⁴Interview with Kasia Pawlak, Research Manager, Microfinance Centre for Central and Eastern Europe and the New Independent States, September 10, 2003.

ability to organize a sufficient number of FGDs to ensure reliable results, and for additional crosscheck and verification of research findings, MFIs may add a mix of research techniques to accompany the tools. These could include individual surveys, interviews, questionnaires, and consultative groups with clients, community leaders, and MFI staff.

For example, to understand exclusion of poorer clients, enhance social performance, and monitor impact over time, Prizma (BiH) used a combination of research techniques such as the *UNDP Early Warning System*, a *Living Standards Measurement Survey (LSMS)*, the *CGAP Poverty Assessment and Omnibus Survey*, *MicroSave* focus groups, and input from staff.⁵

To identify the reasons for low demand, Maya (Turkey) developed a series of targeted individual surveys adapted from the *AIMS Toolkit*, such as an interview guide for loan officers to use with potential clients and a satisfaction survey to be completed by current clients.

The important thing to remember is not so much a particular "brand" of toolkit or research methodology, but the general approach and principles of market research that MicroSave advocates: set clear objectives, identify a representative sample, apply a number of tools – relying heavily on qualitative methods and not only quantitative methods – and be sure to crosscheck and verify the results.

Use market research tools internally to train staff and avoid bias

No matter what research methodology is selected, good results depend on good moderation. When moderators do not feel comfortable using market research tools, or staff is too familiar with a topic, they cannot put clients at ease and risk biasing the results. Ana Klincic, who has experience of applying the *MicroSave* toolkit at both DEMOS (Croatia) and Pulse Holdings Ltd. (Zambia), found that certain PRA tools in the toolkit were useful with staff: "Using the tools with your staff makes them aware that poor people are not as different as they may think. I use these tools as a wonderful method of learning and understanding our prejudices. There are many things one can do with the tools in operations that do not necessarily involve clients."⁶

Likewise, Prizma (BiH) found that using focus group techniques with staff helped it understand the exclusion of poorer clients and develop strategies to mitigate staff bias. Prizma recognized that staff's policy of zero-tolerance for arrears was forcing poorer clients out and that it must shift its approach to encourage greater service flexibility.⁷ At MDF Kamurj (Armenia), the research team paid particular attention to feedback on moderation skills when it realized that moderators were too familiar with a topic and could influence the results. At Maya

(Turkey) managers discovered that loan officers themselves did not fully believe in the product and thus could not market it. The enthusiasm and conviction of loan officers made an enormous difference.

Incorporate market research tools in internal systems for ongoing research

After initial implementation, MFIs in Europe are now seeking ways to incorporate *MicroSave* and other research tools and techniques into daily operations in an effort to be more client-responsive. For example, MDF Kamurj found that the concept evaluation phase in *MicroSave's* toolkit was useful not only for product refinement, but also marketing the new product and the institution itself. It plans to use these tools in the future as part of its overall marketing strategy: "The big plus is that the research was done by staff, so the skills are built, and we have a potential of using these techniques again whenever we need them."⁸ However, MFIs have yet to fully institutionalize the tools and agree that more should be done to progress in this area.

Finally, it is important for MFIs to remember that *tools and approaches may evolve during the fieldwork, and that this is desirable* because "it indicates that the team analyzes data on an ongoing basis to maximize the benefits of research."⁹ Market research will always have its limitations, since what clients *say* they want and what they will actually *pay* becomes apparent only after a pilot test. Start-up or small MFIs with only one or two products, like Maya in Turkey, may find that initial basic research followed by immediate small-scale piloting, during which the research process continues, may save time and be most effective.

Recommendations

When applying *MicroSave's* "Market Research for MicroFinance" toolkit, remember to: Focus on *MicroSave's* approach to market research and consider carefully which tools may be most appropriate for the local context and the particular research objective. Use *MicroSave* and AIMS VCDs (video compact discs) as a training method to discuss local cultural differences and improve moderation techniques, which are difficult to "teach" without concrete illustrations and practice. Run any market research tool with staff first to ensure buy-in and promote better understanding. Be flexible and open to modifying techniques and/or selecting other tools as the research process in practice evolves. Find out the incentives that people appreciate most in order to get the attendance and participation you need.

The experience in Europe proves that *MicroSave* market research tools can work in any context. It simply takes a little creative thinking and dedication to find the right approach.

⁵See Kline, Sean. "Sustaining Social Performance: Institutionalizing Organizational Learning and Poverty Outreach at Prizma," to be published in the forthcoming issue of the Institute for Development Studies Bulletin, Volume 3, July 2003, p.6.

⁶Interview with Ana Klincic, Technical Advisor, Pulse Holdings Limited, Zambia, (and former Business Trainer/Market Research and Impact Assessment Coordinator at DEMOS, Croatia), September 25, 2003.

⁷Kline, p. 4.

⁸Interview with Margarita Lalayan, Program Coordinator, MDF Kamurj, October 6, 2003.

⁹Pawlak and Matul, p. 9.