

MicroSave Briefing Note # 28

Customer Service – Why It Is Important For MFIs

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Why Customer Service?

There are five compelling reasons why excellent customer service must be a “prime directive” for any market-led MFI:

1. Good service keeps customers.
2. Good service builds word-of-mouth business.
3. Good service can help you overcome competitive disadvantages.
4. Good service is easier than many parts of your business.
5. Good service helps you work more efficiently.



Customer service depends on a wide range of variables, including:

- **Culture of customer service** - created and delivered by staff throughout the organisation as a living value.
- **Product/service range** - not only the core products and services offered, but also the additional services (such as customer rewards and incentives).
- **Customer knowledge** to anticipate and meet customers' needs and expectations to retain and grow the customer base through customer relationship management.
- **Delivery systems** need to be efficient, effective, responsive and reliable: mass services are typified by limited contact time and a product rather than service focus.
- **Service delivery environment** in terms of the location of branches and their opening hours, their physical layout and design, as well as the atmosphere – space, colour, lighting, temperature, maintenance, etc. – in the branches.
- **Technology** is often integral to a product – for example ATMs or card-based savings accounts.
- **Employees'** role in customer care cannot be overstated – employee relationship management and staff incentive schemes¹ can play a key role to optimise this key component of customer service.

Diagnosing the Issues

There are always hundreds of steps that an MFI could take to improve customer service, the challenge is to identify which steps the MFI should take. As part of the on-going service improvement process, MFIs can analyse the high impact, low cost steps available in order to identify the “quick wins”. *MicroSave*'s approach to customer service involves using a variety of market research tools to examine the perceptions and priorities of the clients and staff, as well as a comprehensive diagnostic and analysis tool built around the “8Ps” of marketing: Product, Price, Place, Promotion, People, Process, Physical evidence and Position. The diagnostic tool is administered to senior management and frontline staff over a period of two days during which they assess the frequency and impact of occurrence of a series of customer service related issues within the “8Ps” framework ... and analyse the optimal response to these.

Customer Knowledge and Relationship Management

Central to the truly effective customer service is knowledge of the customer and his/her needs and expectations. *MicroSave*'s “Market Research for MicroFinance” toolkit provides a good basis for assessing these needs and several of the core tools in the toolkit have been modified to support customer service. Many MFIs are implementing data warehouses to optimise the way they use the information they collect on their clients – this will allow them to predict customer needs, define service expectations, focus direct marketing efforts and begin to cross sell a range of their products to their clients.

Delivery Process Development

There is a growing recognition that some MFIs have not paid adequate attention to optimising the processes used to deliver their products and services to their clients. The basic procedure used to analyse and improve delivery processes is broadly:

1. **Set and monitor performance targets** for activities and processes.
2. **Be alert for signs of stress** such as lengthening queues, decreasing numbers of new customers, falling activity rates, longer working hours for staff, increasing customer complaints, increased drop-outs, etc.
3. **Look for lost-cost, quick wins** such as minor adjustments to procedures to save processing time, re-refining job descriptions or adjustments to physical infrastructure.
4. **Improve your sources of information** through using client satisfaction surveys, customer exit surveys and serviced suggestion boxes or through internal/external evaluations.
5. **Study existing processes**, through process mapping or activity based costing.

New focus on Activity Based Costing and Risk Analysis², as well as this important component of the Product Delivery & Customer Service Strategy³, are all using process mapping as a tool to improve the efficiency of delivery processes. Process

¹ See *MicroSave*'s “Developing Staff Incentive Schemes” toolkit

² See *MicroSave*'s “Institutional and Product Risk Analysis” toolkit

mapping⁴ involves the detailed analysis and recording of systems and procedures in the form of a flow chart to identify inefficient or redundant procedures.

Some of the “quick wins” identified and implemented by *MicroSave*’s Action Research Partners include:

- Equity Building Society has implemented large “**salary boards**” to allow clients to see at a glance if their salaries have been credited to their accounts - without queuing to ask the tellers
- Teba Bank, Equity Building Society and Uganda MicroFinance Union have all **simplified procedures** to significantly speed up processing time as a result of process-mapping exercises
- Teba Bank and Equity Building Society have introduced **dedicated customer service/enquiry staff** to reduce the number of people queuing at the tellers’ counters to make enquiries.
- Tanzania Postal Bank, Kenya Post Office Savings Bank, Centenary Bank and Equity Building Society have all developed and introduced **Frequently Asked Question guides** to help customers and staff understand new products.

Technology Strategy

With the growth of technology-based opportunities to enhance service standards and delivery processes, technology has to be an important part of any forward-thinking MFI’s strategy. MFIs should therefore not only constantly examine options for technology-based solutions, but also subject them all to rigorous cost/benefit and risk analysis. Furthermore, in many countries – particularly in rural areas, infrastructure issues need careful assessment since unreliable electrical supplies, high levels of dust or problems with availability of spare parts or rapid-response maintenance capability can turn a technology-based dream into a nightmare.

That said, effective computerisation can significantly increase the speed and efficiency of processing transactions and of generating financial reports and management information. By introducing *Bidii*, a basic computer/card-based system to replace the old passbook, Kenya Post Office Savings Bank was able to reduce the cost of processing salary deposits by 58% and withdrawals by 36%. The saving in teller-client interface time also meant that KPOSB could potentially more than double the number of clients it currently serves without increasing the congestion in the banking halls.

Employee Relationship Management

To help employees meet and exceed the service expectations of customers, the MFI should set customer service standards. Service standards are measures against which actual performance can be judged. Staff must understand what management wants them to do and how often they want them to do it, it is therefore essential to:

- Spell out your MFI’s service policy.
- Establish measurable criteria and set standards.
- Specify and prioritise actions you want employees to take in response to customers.
- Recognise employees who exceed customer service standards.
- Involve customers in providing feedback.



Customer service standards in financial service organisations typically involve a mixture of quantifiable factors and less quantifiable factors. Quantifiable factors might include speed/efficiency of service (although it is important to note issues of centralised vs. de-centralised decision making and how these affect speed/efficiency) and knowledge of products, systems and procedures, etc. Less quantifiable factors include staff members’ professional appearance, friendliness and attitude.

Ultimately, however, performance must be assessed through customer satisfaction analysis involving both existing clients and exiting or past clients. This analysis is aimed at testing performance and identifying opportunities for innovation, and requires both qualitative and quantitative primary research using focus group discussions, mystery shopping and quantitative surveys such as ServQual questionnaires.

Optimising Customer Service

MicroSave is developing a “Customer Service” toolkit, which offers a systematic approach to optimising customer service through a detailed step-by-step approach that uses a variety of the “Market Research for MicroFinance” tools, process mapping, staff incentives and other key components of the market-led approach to microfinance.

³ See *MicroSave*’s “Strategic Marketing for MFIs” toolkit

⁴ See *MicroSave*’s “Process Mapping” toolkit