

MicroSave

Market-led solutions for financial services

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and Latin America

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Strategic Marketing for MicroFinance Institutions

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“As more players enter the market and competition increases, microfinance will inevitably move away from the supply-led approach that applied a narrow range of lending methodologies to a wide range of contexts, towards a demand-driven, client-oriented approach.”

- CGAP Phase III Strategy 2003-2008

Introduction:

Microfinance has demonstrated its potential to assist the poor to make significant strides towards reducing their vulnerability, improving their livelihoods, paying for basic health care and financing their children’s education (Littlefield et al., 2003). Many microfinance Institutions (MFIs) have demonstrated an ability to provide financial services to poor people on a sustainable, profitable basis. Together, these facts have attracted a great deal of donor of money and a wide variety of organisations into the Microfinance sector. As a result, a growing number of markets are becoming extremely competitive and clients have an ever-widening choice of financial service providers to choose from. With the vast majority of MFIs functionally confined to offering short-term credit products, the clients are effectively given the choice of staying with or leaving their current service provider at the end of every loan cycle. In competitive markets they are exercising this choice with unflinching regularity ... and many are “deserting” their service provider to try another or simply to take a “rest” from the rigours of MFIs’ terms and conditions.

The extensive literature documenting the reasons for and cost to MFIs of high levels of “drop-out”, “exit” or “desertion” (see for example Hulme et al., 1999, Wright 2000, Brand and Gershick, 2000) has spurred them to re-examine their products and delivery systems to respond better to clients’ needs. Furthermore, the growth in competition between MFIs in many markets has meant that growing numbers of MFIs are responding by seeking to better understand their clients’ demands and preferences and thus taking a market-led approach to their business (Anyango, Sebtsad and Cohen, 2002).

The development of a more client-responsive, market-led approach to Microfinance is an important watershed in an industry hitherto largely dominated by the misconception that simple replication of successful models could achieve massive and sustainable scale worldwide. As Hulme notes, “Ironically it is the success of the “first wave” finance for the poor schemes...that is the greatest obstacle to future experimentation” (Hulme, 1995 quoted in Rogaly, 1996).

For most MFIs responding to the market has been largely in terms of developing new products that meet the needs of their clients. But some others are beginning to move towards a strategic marketing approach that looks at corporate branding and identity as well as product delivery system and customer service strategies in addition to the product strategy.

There are many benefits in doing this for both the MFIs and their clients. For the MFI a market-led approach enhances customer loyalty and reduces drop-outs and thus increases profitability (Churchill and Halpern, 2001). For the MFIs’ customers more appropriate, client-responsive products allow them to better manage their household finances with a variety of financial services and products, in which they have confidence, delivered through systems and people that are secure, efficient and satisfying.

Why a Market Orientation?

Extracted from Gary Woller, 2002

“Market orientation holds that *“success will come to those organizations that best determine the perceptions, needs, and wants of target markets and satisfies them through the design, communication, pricing, and delivery of appropriate and competitively viable offerings.”*¹ In contrast to a market orientation, most MFIs possess a “product orientation,” which holds that *“success will come to those organizations that bring to market goods and services they are convinced will be good for the public.”*²

The transition from product orientation to market orientation is a process that has occurred in virtually all mature industries. The microfinance industry is unique only in that it is relatively young and immature, and it has yet to pass through this phase. But pass through this phase it must, if it is to survive and prosper. The question for MFIs is how to take an abstract concept like market orientation and give it real managerial/operational relevance.

Of 48 studies testing the relationship between market orientation and institutional performance, 44 found a positive relationship between market orientation and at least one measure of institutional performance as measured by profitability, sales, market share, or innovation success. The same studies also found positive relationships between market orientation and other organizational variables, such as customer retention, customer service, esprit de corps, trust in senior management, job satisfaction, and the intent to remain at an institution. The weight of these empirical findings offers conclusive evidence that higher levels of market orientation lead generally to higher levels of institutional performance.

Implications for Microfinance

The implications of the market orientation research for MFIs are many:

- Market orientation is by extension an important determinant of MFI performance (e.g., financial self-sufficiency, revenue growth, customer desertion, repayment rates, etc.)
- The best way to achieve long-term financial self-sufficiency and achieve deep outreach is to identify the needs and wants of the very poor and to provide products of value to them.
- To the extent MFIs explicitly target the very poor and create learning institutions in tune with their needs and wants, competition and the drive for sustainable competitive advantage will drive MFIs to find ways to serve the very poor in an increasingly cost-effective manner.
- The creation of a market-oriented institutional culture and market-oriented institutional practices is the distinct responsibility of senior management. Without the explicit and active participation of management (in both word and deed), the transition to market orientation will fail.
- The creation of an appropriate customer-centered reward system is an integral component of the transition to market orientation. It is an unambiguous statement of managerial values that connect rhetoric to practice.
- Other market-oriented practices include monitoring customer satisfaction and otherwise routinely soliciting customer feedback, hiring staff with customer-centered attitudes and firing those without, increase interaction and decrease conflict between functional departments, or pushing the decision-making locus closer to the customer.”

The microfinance industry is beginning to mature, and with maturity comes change. There are four alternative concepts on which organisations conduct their activities – these represent the development of marketing philosophy. The concepts have characterised the maturation of most industries over time, and are also clearly discernable in the microfinance industry. The process of maturation has typically (but not always) been linear with the industry passing through each phase before moving to the next. These concepts for organisational activities are:

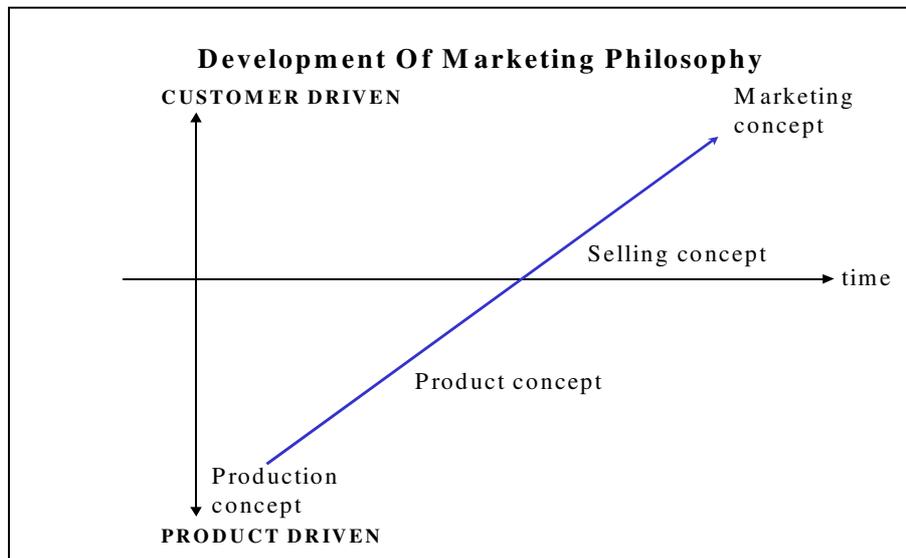
- **Production:** which focuses on producing goods/services as cheaply as possible;
- **Product:** which focuses on making the goods/services as high quality as possible;

¹ Kotler, P. and Andreasen, A.R. (1996)

² Kotler P. and Andreasen A.R., (1996)

- **Selling:** which focuses on persuading potential customers to buy the goods/services being produced; and
- **Marketing:** which focuses on understanding the target market(s) needs and responding to these in all aspects of the organisation's operations.

Table 1. Development of Marketing Philosophy



The marketing concept takes an *outside-in* perspective. The organisation tries to see itself from the client's perspective, and base its decisions (subject to financial and organisational constraints) on this perspective.

Organisations using the marketing concept recognise that there is more value in retaining customers than in attracting new customers who cost more. This concept works more at identifying and meeting customers' needs profitably in addition to maximising customer satisfaction with existing products.

Background to the Study:

MicroSave reviewed the marketing strategies of eight diverse Action Research Partners (ARPs) in collaboration with TMS Financial a marketing company based in South Africa. These ARPs include a wide variety of organisations:

- NGO-MFIs (FINCA-Uganda and Uganda Microfinance Union)
- Commercial banks (Centenary Rural Development Bank and Teba Bank)
- Government owned financial institutions (Kenya Post Office Savings Bank and Tanzania Postal Bank)
- Non-bank financial institutions (Equity Building Society and Credit Indemnity).

This diversity allowed the reviewers to gain significant insights into generic issues facing the industry.

The reviews looked at all aspects of the ARPs' marketing strategies using marketing defined in its broadest terms – see “Strategic Marketing Defined” Box below

Strategic Marketing – Defined

“Marketing attempts to understand the needs of the client and to adapt operations in order to meet those needs and achieve greater sustainability. It addresses the issues of new product development, pricing, the location of operations and the promotion of the institution and its products. 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.”

Kotler, 1999

The Results of the Study:

Need for Marketing Function

The top management within all eight ARPs reviewed appreciated the need for and value of the marketing function within their organisations and noted that “future profitable survival would be dependent on the marketing effectiveness of the organisation ...” ... “The ever increasing competitive nature of the micro finance / banking environment widely attributed as the primary driver of this need” (Hudson and Mutesasira, 2002).

Importance and Role of Marketing Strategy and Plan

The South Africa-based ARPs were noticeably more sophisticated from a strategic marketing perspective, but only one of the eight ARPs had a formalised marketing strategy and plan – this is now being addressed by most of the organisations. The report noted “the importance of formal planning in association with strategy development and particularly implementation. Plans serve as the road map to delivering against strategic objectives and optimise process consistency, timing, co-ordination, momentum and overall control” (Hudson and Mutesasira, 2002).

Evolution of the Marketing Function

The marketing function of the ARPs reviewed had evolved from market research activities initiated either to examine client satisfaction and/or to develop new products. As the MFIs grew to understand more of the determinants of client satisfaction and successful products, so the role of the marketing function began to expand to take on customer service, promotion and selling and delivery systems, as well as (in the more sophisticated MFIs) corporate branding and identity.

Customer Service in Marketing

Customer service is a key determinant of client satisfaction and loyalty. It is one of the aspects of MFI operations that is relatively easy and low-cost to improve upon. And yet few MFIs have focused on understanding and improving customer service in a systematic manner. “Research undertaken by South African MFIs highlights the extensive influence of the word of mouth effect on generating sales. In East Africa the top management of MFIs reviewed all appreciate the reliance of word of mouth promotion on sales and as such most endeavour to achieve differentiation through customer service performance. Yet few of these players had any formal customer service strategy or staff training policy at time of review” (Hudson and Mutesasira, 2002).

Management Information Systems (MIS)

Prior to undertaking field-based primary research, MFIs need to use the secondary data sources available to them. A good MIS can provide large amounts of valuable strategic marketing information – at far lower cost than conducting primary market research. “More and more strategic marketers are appreciating and exploiting the value of internally generated market intelligence. Intelligence of this nature has diverse strategic value supporting strategic decision making in areas such as the identification of:

- Product cross selling, growth and innovation opportunities within the client base;
- Market segmentations requirements;
- Product profitability trends;
- Profitability trends by market segments, regions, profiles etc.; and
- Risk related trends by market segments, regions, profiles etc.

The extent and value of internal intelligence that is accessible to marketing management, as well as other strategic functional management of an organisation, is dependent on the internal systems within the bank, as well as the detail and quality of the input data captured into these systems. Unfortunately these are areas where most the ARPs have had historic limitations. It is for these reasons that the *MicroSave* ARPs are working to improve their MIS and the ability of these to produce strategically actionable, customer base intelligence” (Hudson and Mutesasira, 2002).

Conclusions

The *MicroSave* ARPs have started developing marketing functions, but the scope of their activities and their roles and responsibilities vary significantly. Furthermore there is some degree of confusion amongst the top management of the ARPs (as throughout the microfinance industry) as to what strategic

marketing entails and how it interfaces with operations, human resource development, IT etc. “Although what is distinct is the growing number of leading organisations that are building their business strategy around their marketing strategy and not the other way around (to an increasing extent marketing strategy is becoming business strategy). In association with the development of the strategic marketing in business today, the scope of the function is also rapidly diversifying” (Hudson and Mutesasira, 2002).

In developing a market-led business strategy clearly the basic questions are:

1. Who are the MFI’s customers now and which new customers does the MFI want to attract?
2. What are these customers and potential customers needs and wants in relation to the market? and (for those MFIs focusing on sustainability)
3. What are the profitable markets and products to serve³?

The Strategic Marketing Framework Developed by TMS and *MicroSave*

As a result of the review, TMS developed a Strategic Marketing Framework and this was adopted and adapted by *MicroSave* for use in the microfinance industry. *MicroSave* developed and tested a workshop to introduce Strategic Marketing for MFIs on the basis of this Framework and this was well received by the ARP CEOs and Marketing/Operations Directors.

The Marketing Strategy comprises three legs:

1. Corporate Brand Strategy;
2. Product Strategy; and
3. Product Delivery and Customer Service Strategy.

that are based on information generated from four sources:

1. Competitor Analysis;
2. Market Analysis;
3. Customer Analysis; and
4. Political, Economic, Social and Technological (PEST) Environment Analysis.

complemented with some ad hoc analysis on an as needed basis.

The rest of this paper introduces these three legs of the marketing strategy and four (plus ad hoc) information sources.

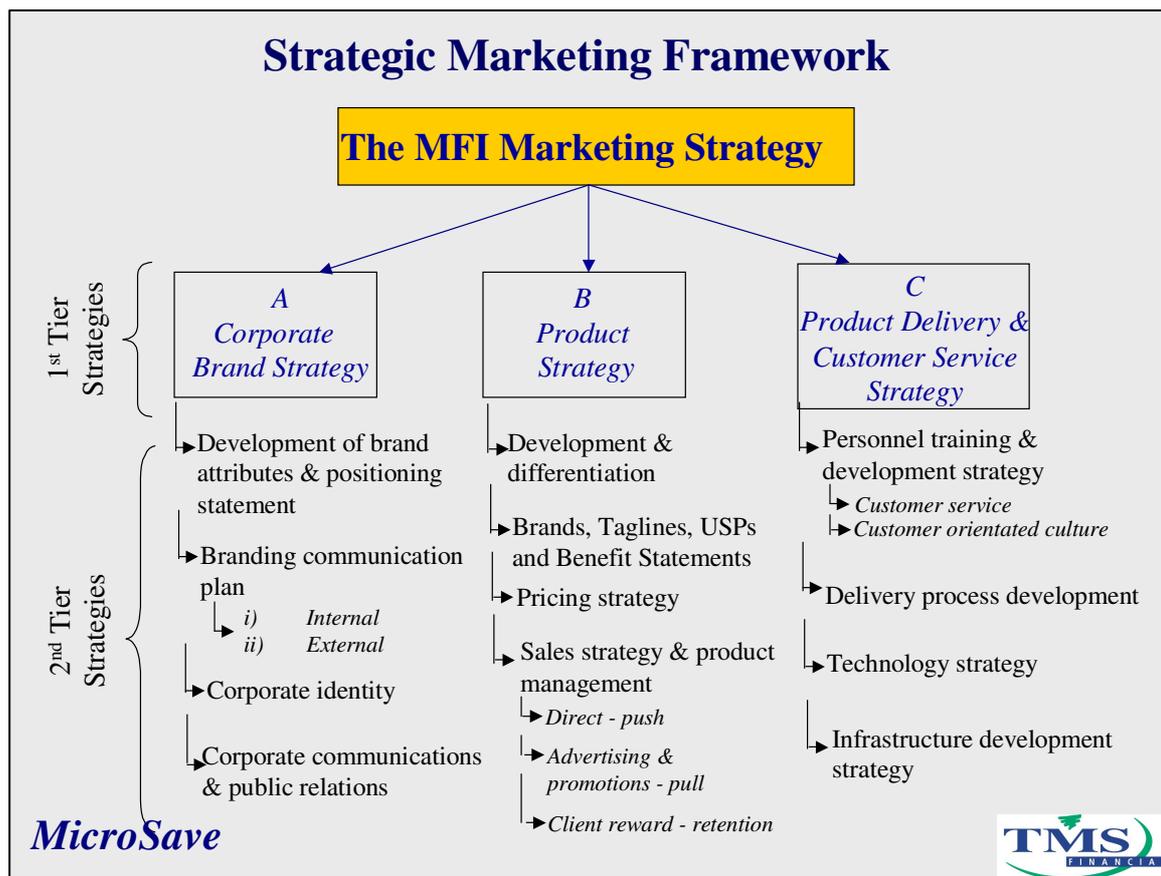
The Framework

As a result of the study, TMS Financial and *MicroSave* developed the following framework to assist MFIs thinking about strategic marketing and how it relates to their core business of providing financial services to poor people.

The framework is based on three 1st tier strategies and their 2nd tier sub-components and provides a comprehensive, all-embracing overview of how a market-led approach necessarily affects almost every aspect of an MFI’s business – from operations to human resource management, from IT to sales. To make the market-led approach yield the full benefits of its potential, for the MFI and its clients, it will require support from the Board and top management. And the Marketing Director will need to be a master of developing collaborative working, team-based relationships.

The next section of this paper briefly examines the three 1st tier strategies and their sub-components.

³ *MicroSave*’s “Costing and Pricing of Financial Services Toolkit” helps MFIs to analyse the profitability of profits. Once the MFI has understood the profitability of various products, it can start to look at modifying terms and conditions or delivery systems to reduce costs or increase revenue.

Table 2. The *MicroSave*-TMS Financial Strategic Marketing Framework

A. Corporate Branding Strategy

A brand is the essence of what the institution stands for in the market: the organisation's personality. It is a reflection of who the organisation is, what products it offers and how it serves its clients. It also differentiates one institution from the other in a competitive environment. Brands are much more than logos and taglines, they are the essence of what the institution stands for and the experience that people have whenever they interact with the institution.

From the project's inception, *MicroSave* has put significant effort into developing its brand. And research indicates that the *MicroSave* brand is associated with client-focused, quality work on savings. As a result, many people working on microfinance turn to *MicroSave*'s publications / website when they want information on savings and/or clients' perceptions or use of products. But *MicroSave*'s brand is fundamentally misleading, since the project's mandate has been widened beyond just savings to embrace product development and a market-led approach to microfinance. As a result of the misleading branding, *MicroSave* continues to struggle to gain recognition for its work and toolkits on product development and marketing.

During the study, it became clear that many of *MicroSave*'s Action Research Partners had misleading or problematic brands. FINCA-Uganda has a well-recognised brand associated with providing small loans to groups of women. An asset in the past, this will prove a challenge as FINCA tries to expand its product range to include individual lending and savings products for both women and men. Both Post Banks are still associated with, and seen as part of the Post Offices, even they were functionally separated years ago. Credit Indemnity is moving towards offering savings services and indemnifies nothing!

A good corporate brand is important since it provides:

- **Instant recognition:** so that consumers feel they know what they can expect and know what to ask for if they are seeking services;
- **Differentiation:** so that the well-branded MFI can stand-out from the crowd in a competitive market;

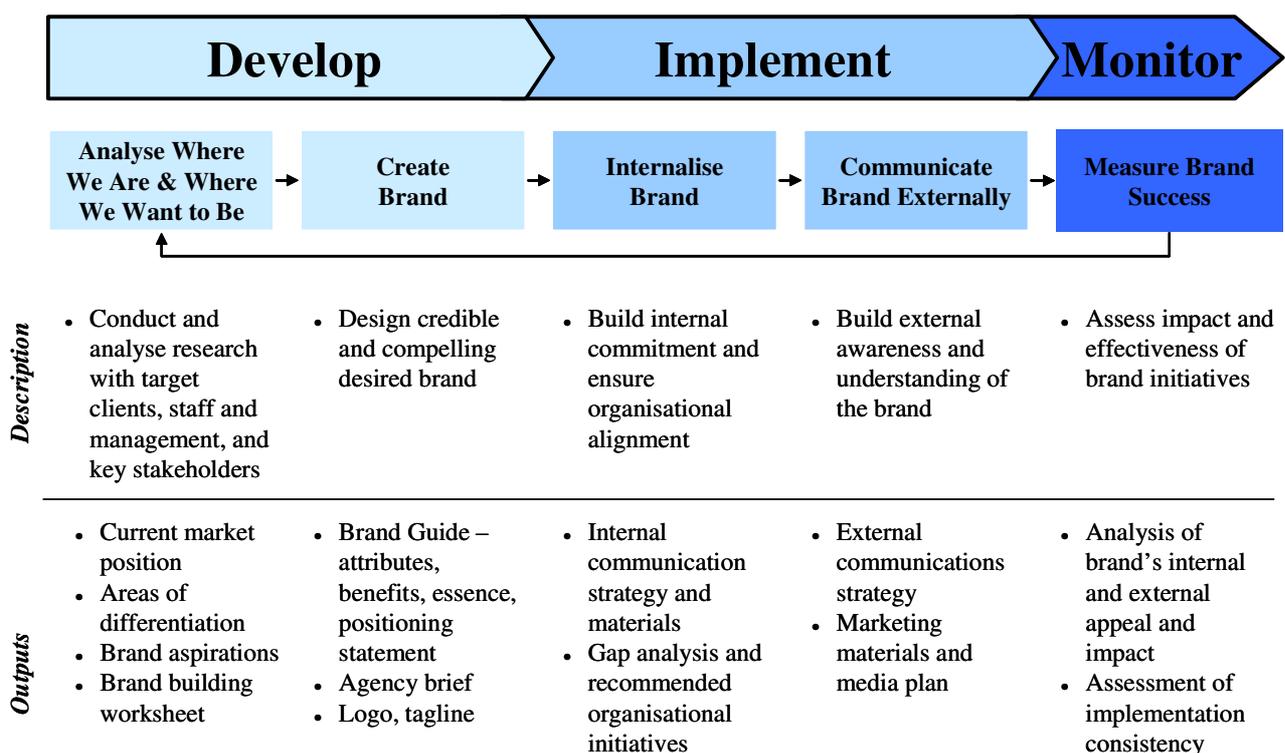
- **Credibility:** so that consumers can believe in the organisation (which is particularly important for those offering savings services);
- **Warranty:** of the quality and reliability of services offered by the MFI;
- **Facilitated Promotion:** since promotion efforts can spend less time on who the MFI is, and more on its competitive advantages and products;
- **Word of Mouth Marketing:** so that customers can easily recommend the MFI and its services, and those hearing the recommendation can remember the MFI's name; and
- **Goodwill:** so that the MFI is better equipped to come through problems, and better positioned to talk to stakeholders above and beyond its existing customers – from government officials to donors.

Rutherford's detailed work on financial diaries amongst the poor in Bangladesh provided very clear evidence of the importance of these roles of a corporate brand. "Quite aside from the inadequacies of product design is the overwhelmingly important issue of product *reliability*. Reliability is the quality that, above all others, is conspicuously missing in the world of money management of the poor – and the poor themselves know it ... many MFIs (and their backers) have yet to understand that this leaves them with a golden opportunity to steal a march on the competition" – Rutherford, 2002.

In industries with strong competition, a brand differentiates an organisation or product by creating an association with a particular set of features and standards. Brand attributes are brand character statements that reflect or play on market needs or expectations. If an MFI understands the positive and negative motivators are for value amongst its target market, and offers key positive motivators, this will attract consumers to choose it and its products over those of the competitors. This in turn, provides an opportunity for the consumer to become deeply committed to the MFI's brand over time – to become a loyal and valuable customer.

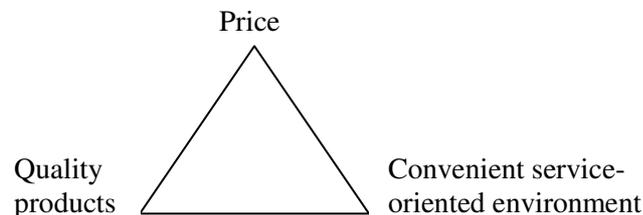
Every institution has a brand in the market: positive or negative, known or unknown and it is dynamic. Because the brand is defined by many variables and how an institution portrays itself in the market, effort needs to be put in to developing the brand, implementing it internally and externally, and continuously monitoring it to evolve and enhance its distinction.

The path to developing and retaining an established brand is summarised as follows:



A.1 Brand Development and Positioning

Typically, brand development should start with the MFI identifying its competitive advantage, or the advantage that it wishes to promote given its target market's needs and expectations. At its simplest, this can be done on a basic perceptual map. The MFI can plot its position and that of its major competitors on this simple perceptual map that highlights the trade-offs between price, products and convenience/service orientation. Placing institutions on the map as to where they are perceived by the market helps an institution identify its current position, which it can compare to its desired position and determine how to build its brand.



Assessing the current position and identifying areas of differentiation can be accomplished through market research. Many institutions have used *MicroSave*'s Competition Analysis Matrix and Financial Landscape Analysis tools from the Market Research for MicroFinance toolkit, with target clients, staff, management and key stakeholders to assess their position. The following tools are used with each group:

Target Clients

Image Analysis

Mind Mapping

Other FGD/PRA Tools:

- Financial Landscape Analysis
- Relative Preference Ranking
- Perceptual Mapping

Individual Surveys

Staff / Management

Image Analysis

Mind Mapping

Perceptual Mapping

Key Stakeholders

Internal Brainstorming

One-on-One Discussions

Analysing the market research conducted with clients, staff and other stakeholders helps the institution distil the essence of its brand – what it stands for. In addition to these perceptions the brand is aligned with the corporate strategy – where the institution wants to be. Design of a brand guide with all aspects of the brand, including the logo and the tagline, is an essential component of implementing the brand internally and externally. Research and monitoring of the brand, however, is a continuous process that requires an institution to return to clients, staff and stakeholders to assess the impact and effectiveness of the brand on a regular basis. Branding is never a one-time activity but a market-led solution that is verified with the target clients and stakeholders through regular market research.

Some institutions use marketing or media agencies to help develop their brand guide or specific aspects of the brand such as “collaterals,” or visual the representations of the brand. Part of the brand guide includes words that describe the brand, and logos or symbols that trigger recognition of the brand. Corporate brands are often supported by taglines, which are designed capture the essence of the brand and its key attributes in a single catchy phrase. *MicroSave* Action Research Partner corporate taglines include:

- “*Growing Together With Trust*” – TEBA Bank
- “*At Your Service Countrywide*” – Kenya Post Office Savings Bank
- “*Cash Loans to Help You*” - Credit Indemnity
- “*The Leading and Preferred Financial Service Provider*” – Equity Building Society

Once an MFI understands the need for a market-led approach to conducting business and makes the decision to build a brand, it will need to identify its position in the market and prepare a positioning statement to define its desired brand. A **position** (or statement of position) is a cold-hearted, no-nonsense statement of how the MFI is perceived in the minds of prospective customers. A position is given to an MFI by the market. A **positioning statement**, by contrast, states how an MFI wishes to be perceived. It is

the core message the MFI wants to deliver in every medium. It is aimed at influencing perceptions of the MFI's service ... and eventually, changing your MFI's position.

An MFI's positioning statement must support its brand. The positioning statement is short and aims to differentiate an MFI from its competition by focusing on key competitive advantages that address market needs. The MFI's staff must associate with its positioning statement and deliver on it – thus ensuring that the customer's experience of delivery, product and pricing is aligned to the advertised brand.

A.2 Brand Implementation and Monitoring

To build and deliver on a brand (for it is essential that the customer's experience of the brand is closely aligned to the brand's attributes) it must be communicated effectively both internally and externally.

A brand communication plan defines the activities needed to establish the brand and communicate its attributes. Continuity and consistency of messages and associated content is important in building the desired brand position. The brand communication strategy has two parts – internal and external brand building activity. Internal marketing of the brand is as important as the external marketing efforts – it is essential that the brand is believed by the MFI's employees as well as confirmed by its customers.

Many methods have been used by *MicroSave's* Action Research Partners to communicate the MFI's brand and these include:

- **Internal workshops** – at branch, regional etc. levels – to discuss the MFI's position, positioning statement and brand, and why these are important;
- **Internal "road shows"** – presentations by management on the MFI's position, positioning statement and brand, and why these are important;
- **Internal competitions** – to stimulate discussion of how best to support and strengthen brand attributes;
- **Newsletters**, corporate communications and intranet;
- **Dissemination of positive research results** – both internally and externally; and
- **Using symbols, logos, taglines, uniforms, corporate colours** etc. consistently in support of the brand and its attributes.

It is important to remember that everyone (from the Chairman to the cleaner) is important in marketing and the establishment and maintenance of the corporate brand.

The Heart of a Brand

"When a prospect initially agrees to use a typical service, what does he own? Nothing but someone's promise that they will do something. The most desirable services, then, are those that keep their promises. This also means that the heart of a service brand – the element without which the brand cannot live – is the integrity of the company and its employees."

- Beckwith, 1997

Once brand is firmly established and believed internally, it is projected externally as part of the corporate identity and communications strategy. Branding is never a one-time event, these strategies to build the brand are continuous parts of a financial service provider's overall strategic initiatives and the brand is constantly monitored to determine when new information must be communicated or the brand must evolve to reflect changes in the market or strategic direction of the institution.

A.3 Corporate Identity

A crucial element of supporting the corporate brand is the MFI's corporate identity. **Corporate identity** is, in simple terms, the total of the experience, history, culture, strategy, structure and appearance of the MFI – what the MFI is, its personality. This should not be confused with the MFI's **corporate image** – how an institution's audiences perceive its corporate identity.

Corporate identity is therefore the unique characteristics of an MFI that together define it. On a day-to-day basis these include the design of its offices, its signage, staff uniforms (if any), its stationary and so on. They also include less tangible things like the way the MFI conducts its business. And these are very often even more important than the physical characteristics of the MFI. In developing a corporate

identity, it is crucial to ensure consistency through standardisation so that the customers' experience of the MFI and its identity is the same irrespective of which branch they visit.

The details of corporate identity *do* matter – particularly (but not exclusively) in competitive environments. People look for *differences* upon which to base their decisions. This is very significant for an MFI in an industry of look-a-likes. It means that the more alike the services on offer are, the more important each difference becomes. With meaningful differences difficult to find, potential clients look for signals in seemingly trivial differences: the appearance of the banking hall, the behaviour of the front-line staff etc. Unable to see the real differences between the services, potential customers look for clues in the differences elsewhere.

Teba Bank and Tanzania Postal Bank have both invested heavily in the development and maintenance of corporate identity. Their branches are under-going refurbishment, their staff wear uniforms, their corporate colours are firmly established and omnipresent, and their promotional materials are presented in a consistent manner. As a result of this work on corporate identity both organisations' images have significantly improved and their customers happily report this, not just to customer satisfaction analysis teams, but (far, far more importantly) to friends and relatives – all potential clients.

A.4 Corporate Communications and Public Relations

Corporate communications are the way in which an MFI projects its corporate identity in the media and public relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public.

Most MFIs will get some form of publicity – even without trying ... the public relations function is to ensure that it is good publicity. Public relations can have a strong effect on the public's knowledge and perception of the MFI, its products, people and position ... at a much lower cost than with advertising. The role of the public relations function is to ensure that there is a steady flow of positive, brand-strengthening stories circulated around the media to build strong links between the MFI and the public.

The public relations function can be seen as playing the following roles:

- **Press relations** – placing newsworthy information in media appropriate for the target audience;
- **Product publicity** – generating positive institution and/or product-focused publicity, which is usually cheaper and more effective advertising;
- **Public affairs** – developing and maintaining national and/or local community relations;
- **Lobbying** – to influence legislation/regulation;
- **Investor relations** – with shareholders/financial community; and
- **Development** - liaising with donors/non-profit organisations for financial or volunteer support.

With such a diverse set of roles to play, it is important for corporate communications and public relations to be coordinated, planned and targeted with care in order to ensure optimal impact and cost effectiveness. MFIs should spend some time examining their key stakeholders, their needs for information and the media through which it is best to communicate with them.

In addition to the broad diversity of roles and target audiences for corporate communications and public relations, there are also a variety of tools that can be used to optimise this important function. Some of the main tools of a corporate communications and public relations department are as follows:

- **News**, placed or naturally occurring – for best results the news relating to the MFI should tie into larger-scale current events;
- **Speeches**, usually by senior staff, at conferences/workshops etc.;
- **Special events** such as news conferences, press tours, grand openings or educational programmes – usually these coincide with important events (branch openings, product launches etc.) or anniversaries (ten years of operation, the 100,000th loan made etc.);
- **Written materials** such as annual reports, brochures, articles or company magazines/newsletters;
- **Audiovisual materials** such as videos, slide-shows etc., which are particularly powerful for audiences which cannot get out to see the front-end of the MFI in the field;

- **Corporate identity materials**, including logos and signage etc. (see above for a detailed discussion of these);
- **Public service activities** such financial advice for low-income families, training/information sessions etc.; and
- **Sponsorship/donations** of activities and events or people/to charitable organisations – with education such an important issue for MFI clients, sponsoring even a very few children, selected in a transparent and fair manner, through school can create excellent community relations and even press coverage.

B. Product Strategy

Product strategy is a strategic approach to developing and enhancing products to fit the needs of the market and going about activities to optimise sustainable sales of the product in the most profitable manner.

B.1 Development and Differentiation

The development and differentiation of products is a process of continually and systematically assessing needs of the market and its different segments to support product development and innovation that caters for those needs in the most feasible and profitable manner. In particular MFIs will be looking for opportunities that are not oversupplied from a competitive perspective.

Kotler (1999) identifies nine ways to build demand, depending on the nature of the market and the product being sold by the organisation. MFIs can use this matrix (see Table 3) to analyse how they might set about product development and differentiation.

Table 3: Nine Ways to Build Demand (Kotler, 1999)

		Product		
		Existing	Modified	New
Market	Existing	Sell more of our existing products to our existing types of customers (<i>Market penetration</i>)	Modify our current products and sell more of them to our existing customers (<i>Product modification</i>)	Design new products that will appeal to our existing customers (<i>New product development</i>)
	Geographically Modified	Enter and sell our products in other geographic areas (<i>Geographic expansion</i>)	Offer and sell modified products to new geographical markets	Design new products for prospects in new geographic areas.
	New	Sell our existing products to new types of customers (<i>Segment invasion</i>)	Offer and sell modified products to new types of customers	Design new products to sell to new customers (<i>Diversification</i>)

Effective product development and differentiation – even when it only involves relatively straightforward product refinement, can have dramatic results.

The Power of Market-Led Product Refinement
 Extracted from Coetzee et al., 2002

“The market research made it clear Equity Building Society would need to quickly address the perceived exorbitant price and attendant charges of the loans. Equity would have to seek to re-price and re-package its loan products if it was to counter and overcome the threat from SACCOs and other competitors.

In the short term, the company would carry out a quick product differentiation in the various features of the loan products to address the needs of each market segment. The research team prepared a list of things to be acted on immediately which included: reviewing the interest rates and restating them in client language, print brochures outlining the product changes, displaying bank tariffs in the banking halls, reconstitute a professional marketing team to carry out the changes and transform Equity’s image in the market – all these were formulated out of client responses as result of the market research.

The results of this initial product refinement were marked by an overwhelming client response towards Equity as an institution and its products and services. To test the effect of the market research, Equity decided not to aggressively market the new refinement measures but instead monitor to see what responses would ensue that could be attributed solely to the market research exercise. Soon after the market research, the number of accounts opened in a day jumped from an average of 20 – 30 to about 200.”

B.2 Product Brands, Tag Lines, Unique Selling Propositions and Benefit Statements

Selling products is made considerably easier when approached in a systematic manner. There is a relatively straight-forward method for preparing the key messages for a product marketing strategy. This approach is built on taglines, unique selling propositions and benefit statements – see Table 4 for the roles of each of these components and how they fit together. Each of these components should be developed on the basis of market research to assess clients’ needs and expectations, and then quickly tested on the target market using focus group discussions prior to roll-out.

Product branding has similar objectives to corporate branding – namely differentiation, warranty and sales promotion. Product branding comes to the fore where there is little differentiation in product attributes – for example savings accounts ... and many MFIs’ standard group-based lending products. For the microfinance market, it is important to keep brand associations simple and clear. It is also important to test the perceptions of brand names/images – clients can often surprise us! Finally the MFI should check product branding against competition to ensure no overlap or potential for confusion.

A **tagline** is a short phrase that is always connected with the product. It is a positioning “nugget” that describes the way you want customers to see the product. The tagline seeks to communicate key product messages to the customer and must always be there in print and in the minds of the customers. The product and corporate tagline should not be identical though they can be related. The tagline must reflect a need and be informative/descriptive of the product. Examples of product taglines used by *MicroSave*’s Action Research Partners include:

- “Time is Money, Save Both!” – Tanzania Postal Bank *Domicile Quick Account*
- “Realize your Dreams” – Equity Building Society *Jijenge Account*
- “This One’s for You” – Kenya Post Office Savings Bank *Bidii Account*

A product’s **Ultimate Selling Proposition** (or USP) is the choice between differences you want to communicate to the target market. The USP is “the difference that makes a difference” – the difference that compels the potential client to choose your product over that of the competition. The USP differentiates a product from the competition in response to market needs. The USP should be as tangible and factual as possible – always be suspicious of a USP phrased as “we provide the best customer service”. The term USP can be misleading – MFIs offering market-responsive products may be able to identify and market several USPs for each. For example Credit Indemnity has several related USPs, the first relating to how well established they are and the others stressing that the organisation operates in a very different manner from almost all of its “loan shark” competition:

- We have been around since 1978
- We do not keep customers’ PINs⁴ or cards
- We do not keep customers’ ID books

Benefit statements are central to the sales effort. Every marketing book relates that the customer looking for a drill is not really looking for a particular piece of equipment - he or she needs a hole in something. Your customers are looking for the end result. It is important to remember that customers do not buy products and services; they buy **benefits** or **value** they expect to derive from them. It is therefore important to list out the key product attributes and translate them into benefits to the customer.

The list of the benefits for the product is the most powerful tool your sales force can carry. In every customer contact, they should deliver the full key benefit message. Each carefully crafted benefit will appeal to various clients unequally. Price may mean everything to one customer, while availability might be the big problem to another. An MFI’s sales force should be sensitive to the needs and responses of the target market to ensure that the product’s benefits are appropriately pitched. For example when selling a salary-processing current account to an employer, he/she may be more interested in the low cost and efficient processing time. On the other hand, the employees are likely to be more interested in the convenient location of branch offices, rapid and courteous service and access to credit on the basis of the salary remittances.

⁴ Personal Identification Number for credit cards

Please see the *MicroSave*'s "Product Marketing Strategy Toolkit" for more details on these issues.

Table 4 Roles of Different Core Marketing Strategy Components

(remember that these can be applied at the corporate or the product level
– this example illustrates the concepts at a product level)

Core Marketing Strategy	Example	Role
Brand Name	Premium Fast Account	Assurance or warranty of the product's quality and values, the integrity of the product. Well-established brands sell faster and easier.
Tagline	" <i>Unlimited Withdrawals – Fast!</i> "	The idea that must whiz through customers' head when they hear the brand name. A succinct statement of the product's Unique Selling Proposition and benefits.
Unique Selling Proposition	"The safe account that offers fast, unlimited withdrawals at the customer's convenience"	The compelling benefit that shouts – "no other product is like this!" The choice between service differences that you want to communicate to the market. It is the difference that makes a difference
Benefit Statement	<p>The Premium Fast Account ("<i>Unlimited Withdrawals – Fast!</i>") is the account for the saver who wants a secure place to save with fast and easy access to his/her money.</p> <p>The Premium Fast Account ("<i>Unlimited Withdrawals – Fast!</i>") offers the following benefits:</p> <ul style="list-style-type: none"> ➤ It is Fast: a computer operated account so you no longer have to wait in long lines; ➤ It is Safe since if you lose your card, no one can use it to withdraw money and TSB is a stable government-backed bank so your deposits are secure; ➤ It is Easy since the minimum balance is Tsh.5,000 and customers can deposit and withdraw money any time they need; and if they need to transact away from their Premium branch they can transfer money onto their passbook and use that, so it is flexible and responsive to your needs; ➤ And Interest is paid at the end of each year so you earn money on your deposits. 	<p>The basis of your advertising copy for brochures, posters etc. as well as standard marketing lines, Frequently Asked Questions etc.</p> <p>Includes and expands on/explains the Unique Selling Proposition.</p>
Positioning Statement	Tenga Savings Bank's Premium Fast Account provides fast, flexible savings account for our existing passbook savings account holders, institutions looking for an efficient way of paying salaries, traders and savings groups offering a convenient account in a secure bank. Unlike other products in the market Tenga Savings Bank's Premium Fast Account allows our customers to deposit and withdraw any amount as often as they want so they can make unlimited withdrawals – fast!	<p>The internal focused statement of the perception staff are required to plant in customers' minds.</p> <p>Speaks of the orientation of the company/product.</p> <p>How you wish the company/product to be perceived. The core message you want to be delivered in every medium in order to influence the perceptions of your company/product.</p> <p>Should be tattooed on the inside of your staff's heads!!</p>

B.3 Pricing Strategy

There are several factors that make pricing financial services very different from pricing traditional goods. These are as follows:

- **Customer needs vary considerably** and with that customers' willingness to pay for particular service attributes varies;
- **Financial services often bundle several services together** - for example savings accounts with ATM cards, or overdraft facilities;
- **Price information is overwhelming** - a savings product may pay interest, but have monthly fees, fees for withdrawals, transfers, opening accounts, closing accounts, accepting cheque deposits etc. These fees make it difficult for a customer to objectively compare two related financial products;
- **Many products involve future consumption** - for example contractual savings account that offers variable rates or a pension scheme, which can make future values uncertain; and
- **Most services involve a continuing relationship between bank and customer** - which means that the nature and strength of the ongoing relationship between the bank and its customers often determines customers' reaction to pricing decisions.

While there are a large variety of bases for pricing financial services (see *MicroSave's* "Costing and Pricing Financial Services Toolkit" for an extensive discussion of the many bases for pricing), the three most commonly used are as follows:

- **Cost based** – prices are based on the cost of the product plus a margin;
- **Competition/Market based** – prices are based on the prices charged by competitors; and
- **Demand based** – prices are based on an assessment of the value of the product to the customer.

There are many advantages and disadvantages to each of these approaches to pricing products. In reality the MFI management team will probably use a combination of cost plus, competition based, and demand based strategies to determine the amount customers are charged. It is, however, essential for the MFI to conduct product costing as an integral part of the pricing process. Almost every one of *MicroSave's* Action Research Partners discovered that they had a loss-making product when they conducted their product costing analysis.

B.4 Sales Strategy

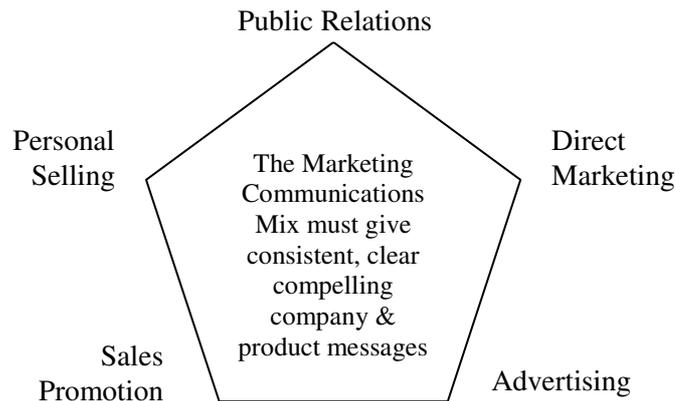
An MFI's sales strategy will depend on its products and its target market. These will dictate the balance between pull- and push-based strategies to selling the products. A **pull-based** strategy uses big spend on advertising and promotion to increase demand. This pulls the customers to demand the product on the basis of:

- Advertising
- Public relations
- Sales promotions
- Direct marketing

A **push-based** strategy uses a sales force to push the product through the following channels:

- Personal selling
- Direct marketing

The options in striking the balance between these strategies can be shown graphically as follows:



Advertising is designed to generate demand for your MFI's products through non face-to-face communication channels and can also complement corporate branding communications. When designing an advertising campaign, it is important to remember that the level of *identification* is central to advertising. Essentially you are seeking to get the prospect to hear the advertisement, identify with it, understand it and remember the advertiser. Often advertising agencies prepare concepts which are too sophisticated for MFI clients – it is essential to be simple and literal, with one single message. To minimise wastage MFIs should also test the basic messages (whatever medium is to be used) before they take them out to the market.

In designing advertisements – irrespective of the media to be used - MFIs can also use the old marketing acronym of AIDA to guide the development of the copy/message. AIDA reminds us to get the audience's Attention, generate its Interest, stimulate its Desire for the product and give it clear instructions on the Action it should take to respond to that desire.

The final step is for the MFI to conduct adequate research (or use a media planning agency) to identify which media (TV/radio, newspaper, posters, signage etc.) are likely to generate the most cost-effective audience. Thereafter, the MFI should conduct some cost-to-result ratio analysis after the campaign has been run to reassess whether it got value for money from the investment. At the most basic level, the MFI can analysis cost per new client generated by asking new clients where they heard of the product as part of the initial account opening or application process.

As noted above **public relations** can play a very important role in an MFI's selling strategy. A well-designed public relations campaign can provide:

- **Credibility:** provides validity for product claims;
- **Imitation:** prospects/customers relate to the credentials of the event or individuals involved;
- **Image transference:** links product with a set of positive image qualities;
- **Bonding:** gains involvement of prospects/customers; and
- **Retention:** enduring awareness and exposure since public relations activities often have a longer run time.

Public relations-based selling efforts are time-consuming and often slow to yield results, but can prove very valuable exercises.

Sales Promotions are used by MFIs throughout the world, whenever they make special offers such as waived fees, reduced opening balances or premium interest rates. Typically these promotions are:

- **Time-bound** (for example "open an account before 31st December and we'll waive the account opening fees"); or
- **Activity-based** (for example "bring in 5 new customers and we'll offer 2% premium interest on your savings account for that year"); or
- **Segment focused** (for example "special offer for students - no minimum balance on this account").

Direct marketing is the form of selling that links the MFI directly with its prospects. Direct marketing approaches used by MFIs include the distribution of leaflets, kiosk marketing in busy places, direct mail, targeted press advertising, and radio or TV advertisements with built-in direct response mechanisms. With direct marketing is essential to ensure that the prospect is given an easy opportunity to respond/buy. Direct marketing is usually more effective with advertising back up so that prospects know/recognise your MFI and its brand.

Personal selling is perhaps the mostly commonly used sales technique amongst MFIs. Field staff are out in the cities, towns and villages selling the MFI and its services. Some MFIs have dedicated sales staff tasked with making presentations to each and any gathering of the target market – from school open days to meetings of vendors’ associations. Others target employers needing efficient banking services for their lower-paid staff.

Optimising personal selling depends on setting consistent standards and approaches – so that the benefits are appropriately marketed and the message is consistent and compelling. In addition, effective personal selling is dependent on defining transparent and fair rewards or incentive schemes for the sales force. MFIs using personal selling should set targets by team, region and person, and ensure buy in to those targets from the sales team. The team should also be provided with sales support materials – brochures, Frequently Asked Questions sheets etc. - in Clear, Concise, Client language. Furthermore, the MFI should make sure that it is easy for the prospect to buy so that the sales team does not waste too much time closing the pitch into a sale – some MFIs have separate staff to assist prospective clients to open their accounts, so as to keep the sales team out selling the MFI and its services.

Finally, it is important to note that personal selling provides a unique opportunity to educate clients and respond to their questions (as well as obtain important information from them that can be fed into future marketing activities). This is particularly important in a competitive market where clients have a large number of choices and therefore want to ask many questions about the service before finally choosing which MFI to use.

Client reward and retention is closely related to sales promotion but is geared towards retaining high quality, high value clients and rewarding client behaviour that benefits the MFI – for example regular and prompt repayment of loans or maintenance of high savings balances. To work effectively, the incentive offered to the client must constitute a real benefit, and experience suggests that it is important to keep reward/incentive schemes simple to ensure that the customer understands them and that they are easy for the MFIs to manage and administer.

Examples of client reward and incentive schemes include Centenary Bank’s automatic access to credit for long-term clients with an excellent repayment record, Bank Rakyat Indonesia’s interest rebate for prompt payments on loans and CARD Bank’s Gold Card for long-term, high-quality customers.

C. Product Delivery and Customer Service Strategy

C.1 Personnel Training and Development Strategy

The fastest, cheapest, and best way to market an MFI’s service is through its employees. Every employee should know that every act is a marketing act upon which the success of the MFI depends. A market-led MFI needs to review every step, from how its receptionist answers the phone to its transaction forms, and ask what it could do differently to attract and keep more customers.

An MFI’s staff members define its corporate image, make or break its brand, ensure quality of service and commitment to client satisfaction (or otherwise) and deliver its products. A market-led MFI therefore has to focus particularly carefully on them and optimising their performance through:

- A well structured programme of **human resource development**;
- Attention to the process of **team building** and maintenance and
- The development and implementation of transparent and fair **staff incentive schemes**.

Perhaps the simplest framework for looking at **human resource development** is as follows:

- **Evaluate:** the attitude, skills and knowledge required for a particular role or position;

- **Audit:** existing staff's competencies – usually through an appraisal system;
- **Gap Analysis:** of the variation between two above to identify where additional training is required;
- **Implementation:** of the identified training programme; and
- **Evaluation:** of results of training programme.

Team building is essential for a market-led MFI. There is an almost universal acceptance in the management literature that high-quality, market-oriented organisations are invariably run by teams. Key factors for teams' success (or otherwise) are broadly as follows:

- There must be **tangible indications of team's importance** to the organisation;
- The **group dynamics** amongst the team members must "fit";
- Personal characteristics and **abilities of members** contribute to, and are sufficient for, the task at hand;
- **Effective leadership** able to recognise significant gaps, which if are not recognised or go unfilled, will cause adverse effects on performance; and
- A recognition that **teams need to be fostered**, developed and assessed.

Please see the *MicroSave*/Aclaim "Institutional Culture Change Toolkit" (which is due to be updated in 2005) for more on these issues.

Well-designed **staff incentive schemes** can have positive and powerful effects on the productivity, efficiency and quality of MFI operations. Conversely poorly developed schemes can have serious detrimental effects. Incentive schemes must be transparent so that staff members affected should be able to easily understand the mechanics of the calculation. Thus the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible. Furthermore, the "rules of the game" should be made known to everyone and should not be changed arbitrarily. In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded with higher salaries. Finally, everyone must be able to achieve a higher compensation by working better and harder.

Please see the *MicroSave* Briefing Note #15 "Designing Staff Incentive Schemes" and the *MicroSave* "Designing and Implementing Staff Incentive Schemes Toolkit" for more on these issues.

There are five compelling reasons why excellent **customer service**⁵ 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; and
5. Good service helps you work more efficiently.

Customer service depends on a wide range of variables, many of which have already been touched on in this paper. These are:

- **Product/service range** - not only the core products and services offered, but also the additional services (such as customer rewards and incentives) as well as the delivery augmentations outlined below;
- **Delivery systems** need to be efficient, effective, responsive and reliable, mass services are typified by limited contact time and a product orientation;
- **Delivery environment** in terms of the location of branches and their opening hours, as well as their physical layout and design, as well as the atmosphere – space, colour, lighting, temperature etc. – in the branches;
- **Technology** is often integral to a product – for example ATMs or card-based savings accounts; and
- **Employees'** role in customer care cannot be overstated.

⁵ See *MicroSave*'s "Customer Service" toolkit.

To help employees achieve the quality of customer care necessary, 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 actions you want employees to take in response to customers;
- Reward employees who exceed customer service standards; and
- Involve customers in providing feedback.

Customer service standards in financial service organisations typical 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.

C.2 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. New focus on Activity Based Costing and risk analysis, as well as this important component of the Product Delivery & Customer Service Strategy, are all using process mapping as a tool to improve the efficiency of delivery processes. Process mapping involves the detailed analysis and recording of systems and procedures in the form of a flow chart to identify inefficient or redundant procedures.

The basic procedure used to analyse and improve delivery processes is broadly as follows:

1. **Set and monitor performance targets** as recommended in the previous section;
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, 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; and
5. **Study existing processes**, through process mapping or activity based costing.

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; and
- Tanzania Postal Bank, Kenya Postal Bank, Centenary Bank and Equity Building Society have all developed and introduced **Frequently Asked Questions guides** to help both customers and staff understand new products introduced.

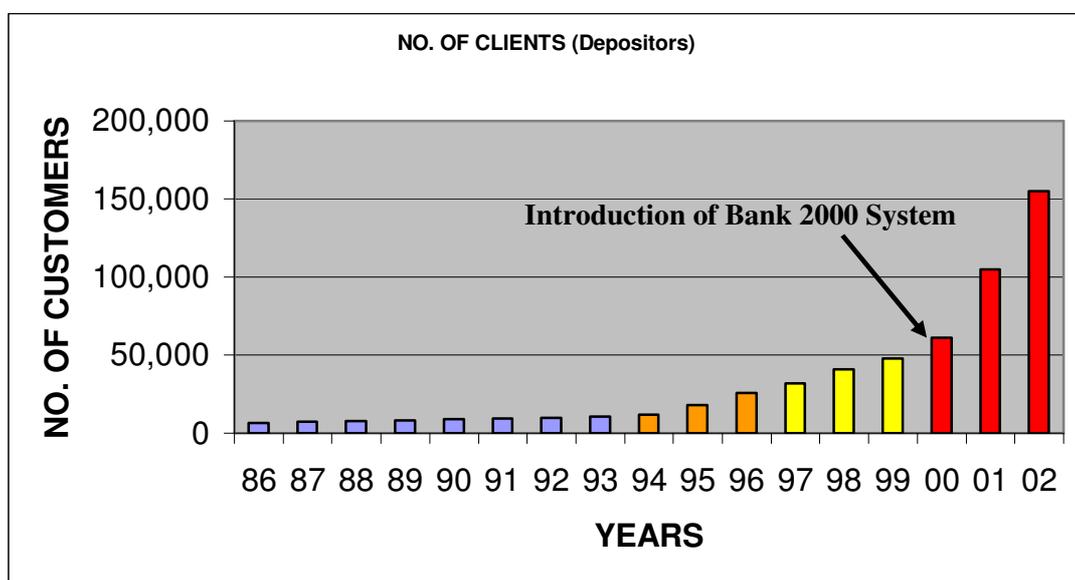
For more on Activity Based Costing, please see CGAP's "Activity Based Costing Toolkit". For more on risk analysis, please see *MicroSave*'s "Institutional and Product Development Risk Analysis Toolkit". For more on optimising information flows see *MicroSave*'s study "The Feedback Loop: A Process for Enhancing Responsiveness to Clients". For more on process mapping see *MicroSave*'s "Process Mapping Toolkit".

C.3 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 constantly examine options for technology-based solutions but 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. Equity Building Society's growth was significantly restricted by its manual system until it introduced the Bank 2000 system in the year 2000. That year Equity was able to nearly double their number of clients – a trend that has continued since (see Table 5).

Table 5. Growth in Number of Depositors with Equity Building Society 1986-2002



Similarly, 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%. Cost savings were made as a result of the reduced teller-client interface time arising from the computerised nature of the *Bidii* account. And 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.

C.4 Infrastructure Development Strategy

This strategy refers to the development of infrastructure so that the target market can have access to the financial services offered by the MFI. This strategy is therefore an important component of any growing and expanding MFI's business plan, and should outline proposals and rationale for the development and expansion of the MFI's outreach infrastructure.

It depends on detailed analysis of several issues including:

- Infrastructure (availability of roads, electricity, telephone, public transport, security etc.);
- Economic activity in the area;
- Demographics and population density;
- Results of market research into demand/perceptions of target market;
- Presence (or absence) of competitors;
- Location of the MFI's existing branches to minimise overstretching the MFI's resources and allow effective communication and monitoring;
- Location of branches to provide the necessary financial backbone to allow a the MFI to function;

- The mobility of target market and the existence or otherwise of centrally located markets to which they come;
- Seasonality of road access;
- “Footfall” (i.e. passing traffic of potential customers) at proposed branch, sub-branch, agency or mobile unit;
- Cost-benefit analysis for the potential branch, sub-branch, mobile unit; and
- Availability of housing etc. for staff.

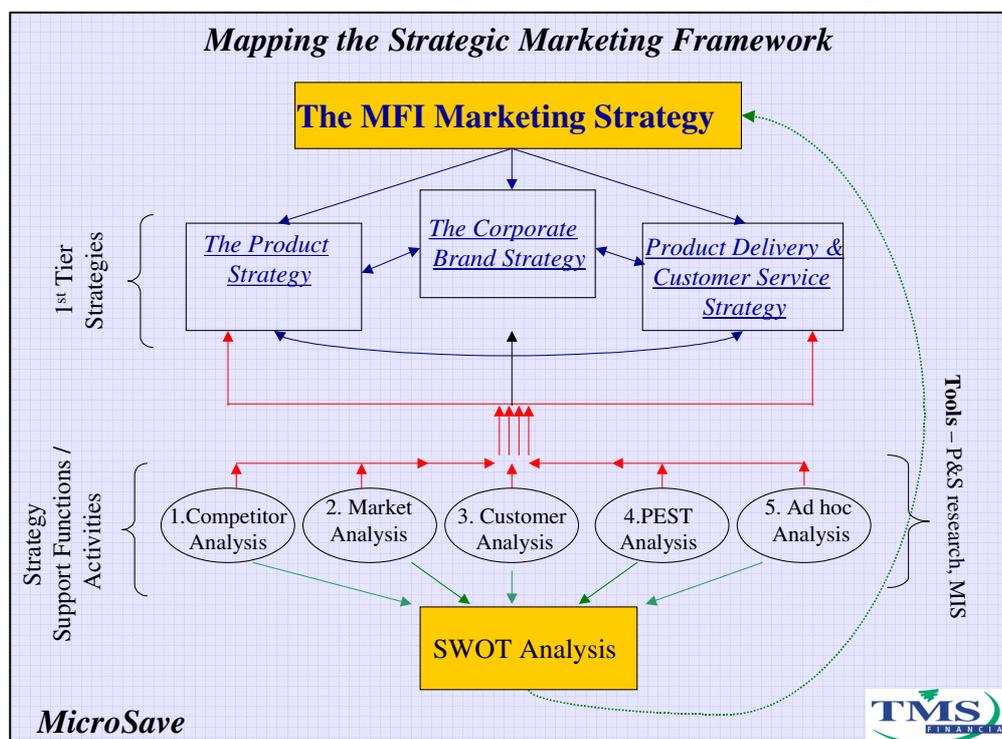
Sources of Information to Support the Marketing Strategies

Throughout the discussion above, the importance of basing the strategies and the supporting activities and documentation on careful research and analysis has stressed. The process of gathering information to underpin these is not as onerous as it first appears. Essentially, there are four standard information packages that will inform all of the marketing strategies although these will need to be supplemented periodically with additional *ad hoc* analysis – particularly when testing communication materials. In addition, it should be stressed that before 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 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. Thus people in Bangladesh will almost invariably describe themselves as “poor”, whereas those in Uganda will nearly always say that they are “not so poor” as being “poor” carries a significant social stigma. Responses on savings behaviour are also often influenced by social norms and desirable practices. 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.

TMS Financial and *MicroSave* have tried to show the relationship between the various information packages and the three 1st tier strategies of Corporate Brand, Product and Product Delivery and Customer Service outlined above in Table 6.

Table 6. Information Packages and the Three 1st Tier Strategies



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

MicroSave – Market-led solutions for financial services

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.

In addition, 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 etc.;
- 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;
- 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; and
- Outlet feasibility analysis to guide expansion plans.

The above information packages can be obtained using a mixture of:

- Secondary sources such as government/industry surveys, donor reviews, research studies, newspaper and trade journal reports etc.;
- Information derived from active mining of data from the MFI's Management Information System (a source of important marketing data typically under-used by MFIs);
- Qualitative group discussions/individual interviews; and
- Quantitative surveys.

MicroSave's "Market Research for MicroFinance Toolkit" can be used to obtain most of the qualitative information – as shown in Appendix 1. *MicroSave* is currently working on a quantitative component of the "Market Research for MicroFinance Toolkit".

Conclusion

The microfinance industry is at a crucial stage of its evolution: it is coming of age. 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.

While this important shift has been in progress for many years amongst leading MFIs, many remain fixed on "credit for enterprise". In such organisations microfinance clients continue to struggle to manage rigid enterprise loans to meet their real needs (see for examples of this Rutherford 1995, Wright et al. 1999 and Snodgrass and Sebstad, 2002). Many MFIs continue to simply replicate systems developed and delivered in foreign lands and very different socio-cultural and economic environments to markets that are fundamentally different in nature ... and then struggle to understand why their clients leave in such large numbers. As a result this form of microcredit is confined to certain, limited market segments (Cohen 2001) and is not realising its full potential developmental impact.

Despite the remarkable impacts of microfinance and its contribution to the Millennium Development Goals (see for example Snodgrass and Sebstad, 2002 and Littlefield et al., 2003), the dominant mono-product culture of short-term working capital loans backed by compulsory savings mean that Microfinance is not contributing as much as it might. In addition to a clear need for product diversification (but not proliferation – see Wright et al., 2002) to offer microfinance clients a wider range of services, there is a clear need for MFIs to look carefully at how to optimise their delivery and communication systems. Microfinance 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. In addition, MFIs continually struggle to communicate effectively with their clients and markets (see for example Cracknell et al., 2002) thus losing opportunities to retain and serve existing

clients as well as attract new ones. Selling products and, in increasingly competitive environments, branding is also essential both for the sustainability of MFIs, as well as empowering poor people to access the financial services of their choice.

The challenges raised in the paragraph 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.

MFIs will have to, and in some cases are beginning to, rise to these challenges. 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);
- Necessary as part of the maturing of the microfinance market and its **march towards commercialisation**;
- Necessary to **broaden the range of microfinance clients** – both up and down market – beyond the market traders;
- Necessary to **realise real change and development** in the livelihoods of clients and to reduce their vulnerability; and
- Necessary 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.

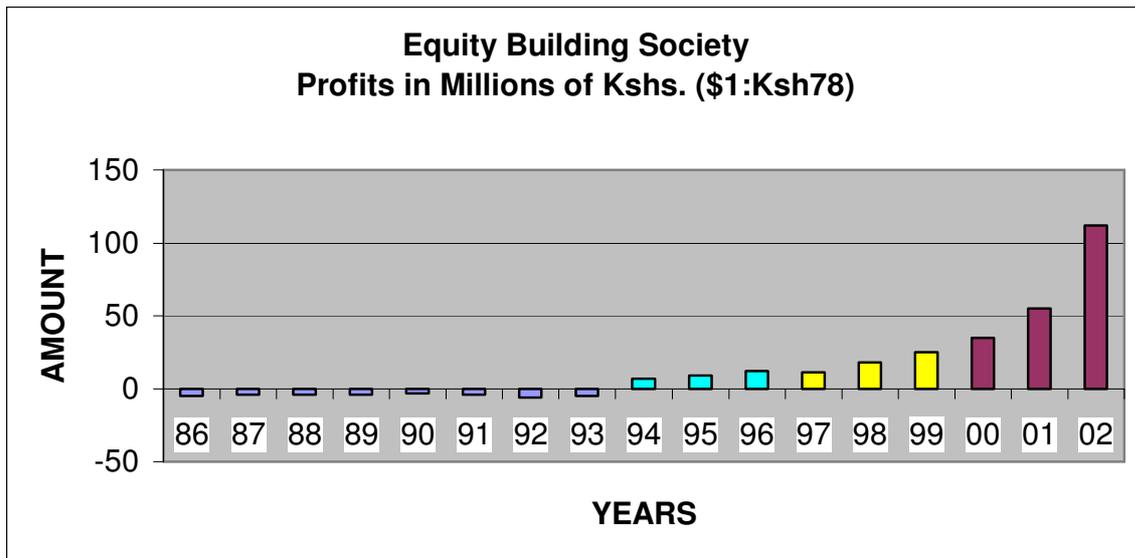
Gary Woller (2002) identifies five rules of thumb can help guide the transition to market orientation for MFIs:-

1. Senior management should not assume that such a profound change can be delegated to subordinates.
2. Transition to a market orientation should be viewed as a long-term evolutionary process.
3. Transition must involve all organizational levels and functions.
4. Transition requires extensive and continual training and development of staff.
5. Transition must be continually evaluated, monitored, and reinforced.

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 a 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.

The evolution of the Equity Building Society’s approach to microfinance demonstrating the effect of a market-led approach to microfinance on profitability is shown in Table 7. below. The recent change to a market-led approach has in the words of James Mwangi, it’s Finance Director, “revolutionised the bank”.

Table 7. Equity Building Society’s Annual Profits Coloured By Business Approach



	Product-Led Phase
	Selling Phase
	Marketing (Selling plus) Phase
	Market-Led Phase

We hope and believe that the *MicroSave-TMS* Financial Strategic Marketing Framework can be used extensively by MFIs. Specifically, to move the microfinance industry from a product-driven to a market-led approach to the benefit of MFIs and their clients.

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Appendix 1a: Information Packages' Intelligence Requirements

Information Packages	Intelligence Requirements
1. Market Analysis	<p>Sizing the market and its growth characteristics:</p> <ul style="list-style-type: none"> ➤ <i>What is the size of the market? What are the growth drivers? What are the forecasted implications of these?</i> ➤ <i>Does it have any important or potentially important sub-markets or segments?</i> ➤ <i>What segments are likely to reflect more sustained demand and what segments less sustained?</i> ➤ <i>What are the growth trends within these segments and do they impact on finance supply?</i> <p>Market cost structure & profitability profile:</p> <ul style="list-style-type: none"> ➤ <i>How attractive / profitable are the market segments?</i> ➤ <i>What are the substitute products and competitor intensity profile?</i> ➤ <i>What is the bargaining strength of customers and suppliers?</i> ➤ <i>What is the competition intensity profile?</i> ➤ <i>What are the cost implications in delivering to the sub-markets?</i> <p>Distribution channels:</p> <ul style="list-style-type: none"> ➤ <i>Are existing channels optimal, are there alternate channels of distribution, how are channels changing and what are the implications on both supplier and customer?</i> <p>Critical success factors:</p> <ul style="list-style-type: none"> ➤ <i>What are they now (identified through customer and competitor analysis) and more importantly what will they be in the future?</i> ➤ <i>Need to differentiate between “hygiene”⁶ and differentiation based Critical Success Factors</i>

⁶ *Hygiene factors are those product attributes that no longer provide a competitive advantage and have become basic and essential for the survival of any product in the market place*

Information Packages	Intelligence Requirements
2. Competitor Analysis	<p>Nature of the competitor environment:</p> <ul style="list-style-type: none"> ➤ <i>With which organisations do we compete directly and are our most intense competitors (our primary competitors)?</i> ➤ <i>Who are our secondary competitors and more importantly, which could become primary?</i> ➤ <i>In terms of new market entrants – what are the barriers to entry? How can these be raised?</i> <p>Evaluating the competition - full “8 Ps” analysis for primary competition:</p> <ul style="list-style-type: none"> ✓ Product ✓ Price ✓ Positioning (perceptual, branding) ✓ Place ✓ Promotion ✓ People ✓ Physical evidence ✓ Process <p>Competitor SWOT Analysis</p> <ul style="list-style-type: none"> ➤ Market share analysis and market share trends ➤ Changes/trends in competition over time ➤ Inter-relationships between competition/ use of competitions’ financial services

Information Packages	Intelligence Requirements
3. Customer Analysis	Understanding the customer base: <ul style="list-style-type: none"> ➤ <i>Customer profile and demographic trends</i> ➤ <i>Product usage patterns and product demand drivers (why do customers use our products – for what purposes – what are they really buying?)</i> ➤ <i>Profitability by segment and profitability trends</i> ➤ <i>Customer satisfaction with supplier service</i> <ul style="list-style-type: none"> ✓ <i>Efficiency</i> ✓ <i>Politeness</i> ✓ <i>Ability to communicate clearly etc.</i> ➤ <i>Product attribute satisfaction</i> ➤ <i>Perceptions of product benefits and nature of benefits sought</i> ➤ <i>Price sensitivity</i> ➤ <i>Finance supplier selection drivers (why do customers chose us? Did they consider multiple suppliers and if so, what gave us the edge?)</i> ➤ <i>Are our customers being targeted by the competition?</i> ➤ <i>Are our customers aware of and familiar with the competition and what are there perceptions towards the competition (i.e. extent of threat)?</i>
4. PEST Analysis	Current and future environment: <ul style="list-style-type: none"> ➤ <i>Political</i> ➤ <i>Economic (& legislative)</i> ➤ <i>Social (including environmental)</i> ➤ <i>Technological</i>

Appendix 1b: Information Packages – Sources and Uses

Information Packages	Tools	Details Collected	Uses	Ref. ⁷
1. Market Analysis	<p>Secondary data sources:</p> <ul style="list-style-type: none"> Local government surveys/census Donor agency evaluations/surveys Newspapers etc. <p>Quantitative Demographic Profile Surveys</p> <p><i>MicroSave</i> Qualitative tools:</p> <ul style="list-style-type: none"> Cash Mobility Mapping Financial Services Matrix Financial Trend Analysis Seasonality Analysis Life-Cycle Analysis 	<p>Analysis of Potential Market's Demographic details:</p> <ul style="list-style-type: none"> ➤ Marital status ➤ Age ➤ Education ➤ Income ➤ Employment (formal vs. informal) ➤ Where they live ➤ What languages they speak ➤ What % are literate ➤ What newspapers or magazines do they read ➤ Do they have TV or radio ➤ Their programme preferences ➤ What they do for entertainment etc., ➤ For what do they use their current financial services. ➤ Where they go to get financial services ➤ When do they need financial services ➤ For what reasons do they need lump sums of money/financial services 	<p>Corporate Positioning Statements</p> <p>Corporate Branding</p> <p>Corporate Tag Lines</p> <p>Product Development and Differentiation</p> <p>Product Taglines and USP</p> <p>Direct Sales strategy</p> <p>Infrastructure Development Strategy</p>	<p>A1a.</p> <p>A1b/A2</p> <p>A1b.</p> <p>B1.</p> <p>B2.</p> <p>B5.</p> <p>C4.</p>

⁷ Reference to the Strategic Marketing Framework 1st and 2nd Tier Strategies

Information Packages	Tools	Details Collected	Uses	Ref. ⁷
2. Competitor Analysis	<p><i>MicroSave</i> Competition Analysis Matrix using:</p> <ul style="list-style-type: none"> • Secondary data from evaluations, industry reviews, newspapers, promotional materials etc. • Mystery shopping <p><i>plus</i></p> <p><i>MicroSave</i> Qualitative tools:</p> <ul style="list-style-type: none"> • Financial Landscape tool for client perception analysis (to check this v. actual reality gathered above) • Financial Trend Analysis • Relative Preference Ranking • Venn/Chapati Diagrams • Quantitative Mini Surveys 	<p>Full “8 Ps” analysis for primary competition (formal and informal sector)</p> <ul style="list-style-type: none"> ✓ Product ✓ Price ✓ Positioning ✓ Place ✓ Promotion ✓ People ✓ Physical evidence ✓ Process <ul style="list-style-type: none"> ➤ Changes/trends in competition over time ➤ Strengths and weaknesses of competition ➤ Inter-relationships between competition/ use of competitions’ financial services ➤ Market share analysis 	<p>Corporate Positioning Statements</p> <p>Corporate Branding</p> <p>Corporate Tag Lines</p> <p>Product Development and Differentiation</p> <p>Product Taglines and USPs</p> <p>Product Pricing and Fee Strategy</p>	<p>A1a.</p> <p>A1b/A2</p> <p>A1b.</p> <p>B1.</p> <p>B2.</p> <p>B3.</p>

Information Packages	Tools	Details Collected	Uses	Ref. ⁷
	<p><i>SERVQUAL</i></p> <p><i>MicroSave</i> Qualitative tools:</p> <ul style="list-style-type: none"> • Financial Trend Analysis • Financial Services Matrix • Product Attribute Ranking • Customer Service Ranking • Pair-wise Ranking • Relative Preference Ranking <p>AIMS' Customer Satisfaction Tool</p> <p>Account opening/loan application questions</p> <p>Suggestion-boxes/competitions</p>	<ul style="list-style-type: none"> ➤ Customer satisfaction with services ➤ Customer perception of importance of services ➤ Customer satisfaction ➤ Product attribute satisfaction ➤ Perceptions of product benefits ➤ Basic demographic data (see "Quantitative Demographic Profiles" above) ➤ Where they learnt about the service they are buying ➤ Recommendations for improvements made by clients/staff 	<p>Customer Service Delivery Process Development</p> <p>Customer Service Delivery Process Development</p> <p>Indirect Sales Strategy</p> <p>Customer Service Delivery Process Development</p>	<p>C1. C2.</p> <p>C1. C2.</p> <p>B5b.</p> <p>C1. C2.</p>
4. PEST Analysis	<p>Secondary data review</p> <p><i>MicroSave</i> Qualitative tools:</p> <ul style="list-style-type: none"> • Detailed Wealth Ranking • Time Series (modified to project future trends too) • Gendered Financial Services Matrix • Household Generation, Receipt and Spending of Cash Analysis • Expenditure and Saving to Meet Expenditure Analysis 	<p>Current and future environment:</p> <ul style="list-style-type: none"> ➤ Political ➤ Economic ➤ Social ➤ Technological 	<p>Product Development and Differentiation</p> <p>Direct Sales Strategy Indirect Sales Strategy</p> <p>Technological innovation and delivery strategy</p>	<p>B1.</p> <p>B5a B5b.</p> <p>C3.</p>

Information Packages	Tools	Details Collected	Uses	Ref. ⁷
5. Pre- and Post-Testing	Focus Group Discussions and (sometimes) individual interviews AIMS' Customer Satisfaction Tool	To assess perceptions/ understanding of and associations with: <ul style="list-style-type: none"> ➤ Brands ➤ Taglines ➤ Corporate Identity/Position ➤ Product concepts ➤ FAQs Participants' language	Corporate Positioning Statements Corporate Branding Corporate Tag Lines Product Development and Differentiation Product Taglines and USPs	A1a. A1b/A2 A1b. B1. B2.
6. Ad Hoc 1	Secondary data – publications (policy statements etc.) Networking/Relationship building	The needs and expectations of your stakeholders	Corporate communication and PR Infrastructure Development Strategy	A4. C4.
7. Ad Hoc 2	Activity Costing Analysis Process Mapping	Processes and internal controls with a view to optimising these: <ul style="list-style-type: none"> ➤ Activity Dictionary ➤ Activity timings 	Delivery Process Development	C2.
8. Ad Hoc 3	IT Risk Analysis	Risk analysis of: <ul style="list-style-type: none"> ➤ Design and acceptance testing error ➤ Inadequate functionality and compatibility ➤ Bugs ➤ Systems and power supply failure ➤ Communications network downtime ➤ Abuse and security breaches ➤ Impermanence of electronic records ➤ Audit trail deficiencies ➤ Tele-working and remote access circumventing controls 	Technological innovation and delivery strategy	C3.
9. Ad Hoc 4	Outlet Feasibility Analysis	Market Analysis (see above) plus Infrastructure Assessment: <ul style="list-style-type: none"> ➤ Road ➤ Electricity ➤ Telephone ➤ Security etc. 	Infrastructure Development Strategy	C4