

MicroSave

Market-led solutions for financial services

Speed Dating With *MicroSave*: Africa Microfinance Conference



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Speed Dating with *MicroSave*

- A presentation on *MicroSave* and the market-led approach
- Real results from a market led approach
- A presentation on Market Research for Microfinance and its multiple uses
- Speed dating through a selection of *MicroSave* toolkits... a chance to understand more about some of *MicroSave*'s tools

MicroSave in Brief

- *MicroSave* has worked with more than 15 financial institutions in East and South Africa to develop tools and guides for the microfinance industry.
- When we started here in Uganda in 1998 we were asked to look at why people were leaving microfinance institutions.
- One major reason was that the institutions were supply driven and not market led...
- So we moved into market research and product development

MicroSave in Brief – Toolkit Development

- As we moved through the product development process we realised that different aspects of individual microfinance programmes had weaknesses.
- Limited marketing, poor processes, limited understanding of individual lending
- As we saw a need for knowledge, we worked with other specialists to fulfill that need, to test tools and develop them further.

MicroSave – Expertise through Collaboration

- Usually we would work with specialists in a particular area to develop the tool. For example...
 - Martin Holtmann for Staff Incentive Schemes
 - Moringa Ogilvy and WWB for Branding
 - Shorebank for Process Mapping and Individual Lending

MicroSave Expertise through Practice

- *MicroSave* then uses the tools within our Action Research Partners, and the tools are further refined.
- *MicroSave* staff have been using and refining the tools for the last four years or more.

Features of *MicroSave* Tools

- **Practical:** Designed to be used in today's changing environment.
- **Tested:** Already applied and refined
- **Understandable:** The basis of many training courses both within *MicroSave* and beyond
- **Skills based:** Based around imparting key skills to managers and staff of financial institutions

MicroSave's Commitment to Dissemination

- We have developed a range of products and services, both for savings and loans.
- Currently we have 14 toolkits, over 100 studies and 60 briefing notes.
- We participate in training courses and dissemination events taking African experience worldwide.
- We share principles and practices, though of course some details are confidential

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So What Is Market Led
Microfinance?

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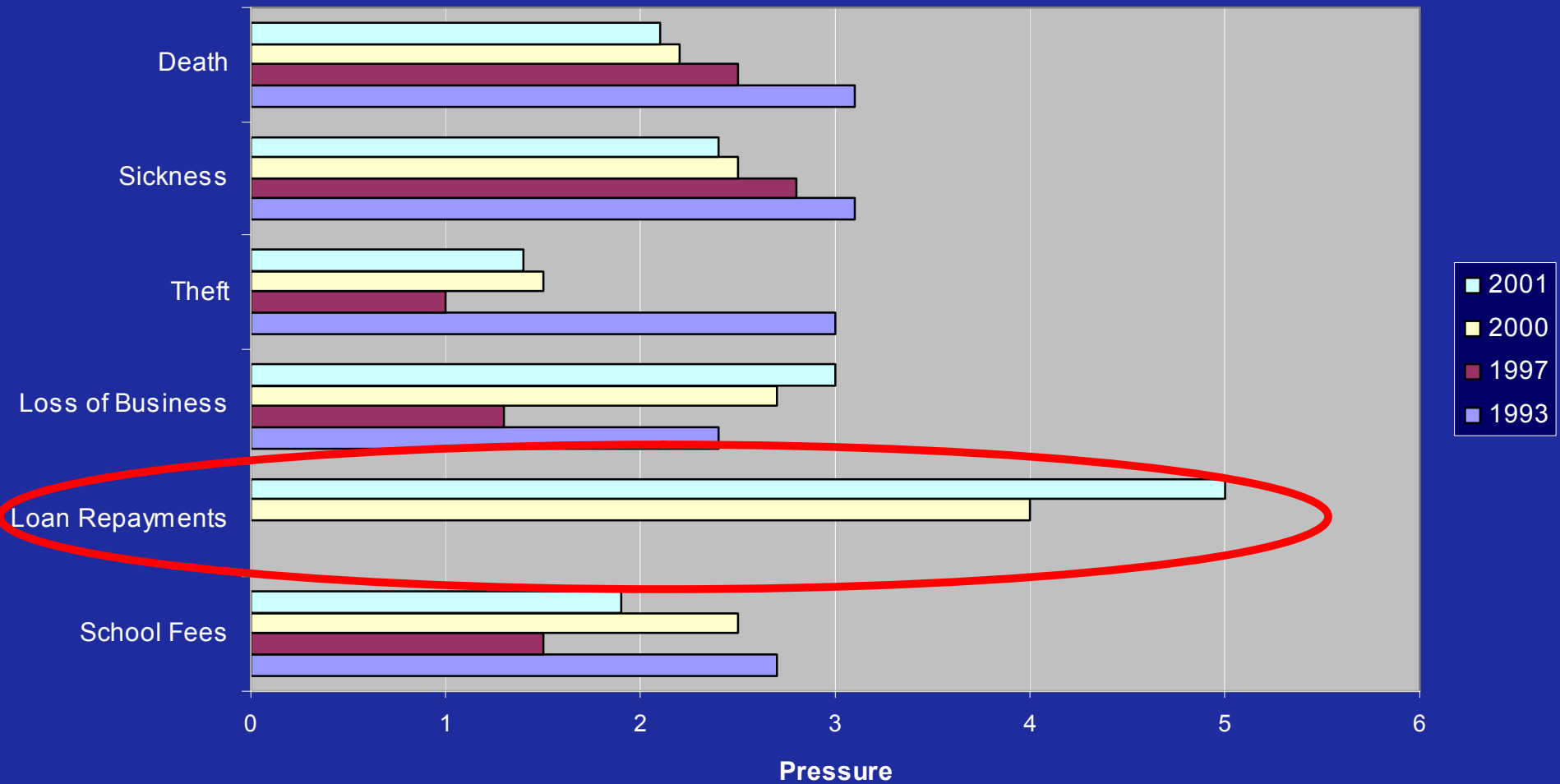
From Product-Driven to Market-Led

- In most businesses the “product-driven” approach has been superseded by the “market-driven” approach
- In recognition of value in retaining customers than attracting new customers who cost more.
- Market-led approach allows banks/MFIs to:
 - Identify different client needs
 - Tailor products/delivery systems to meet those needs
 - Examine cost-effective ways of serving niche markets

The Product-Driven Problem

- “Drop outs” and multiple membership are usually due to inappropriately designed products
- Exclusion of both the poorest and the “missing middle”
- But the informal sector (usually unrecognised) is the main competition
- Often driven by blueprint replication of existing models developed for other markets/clients

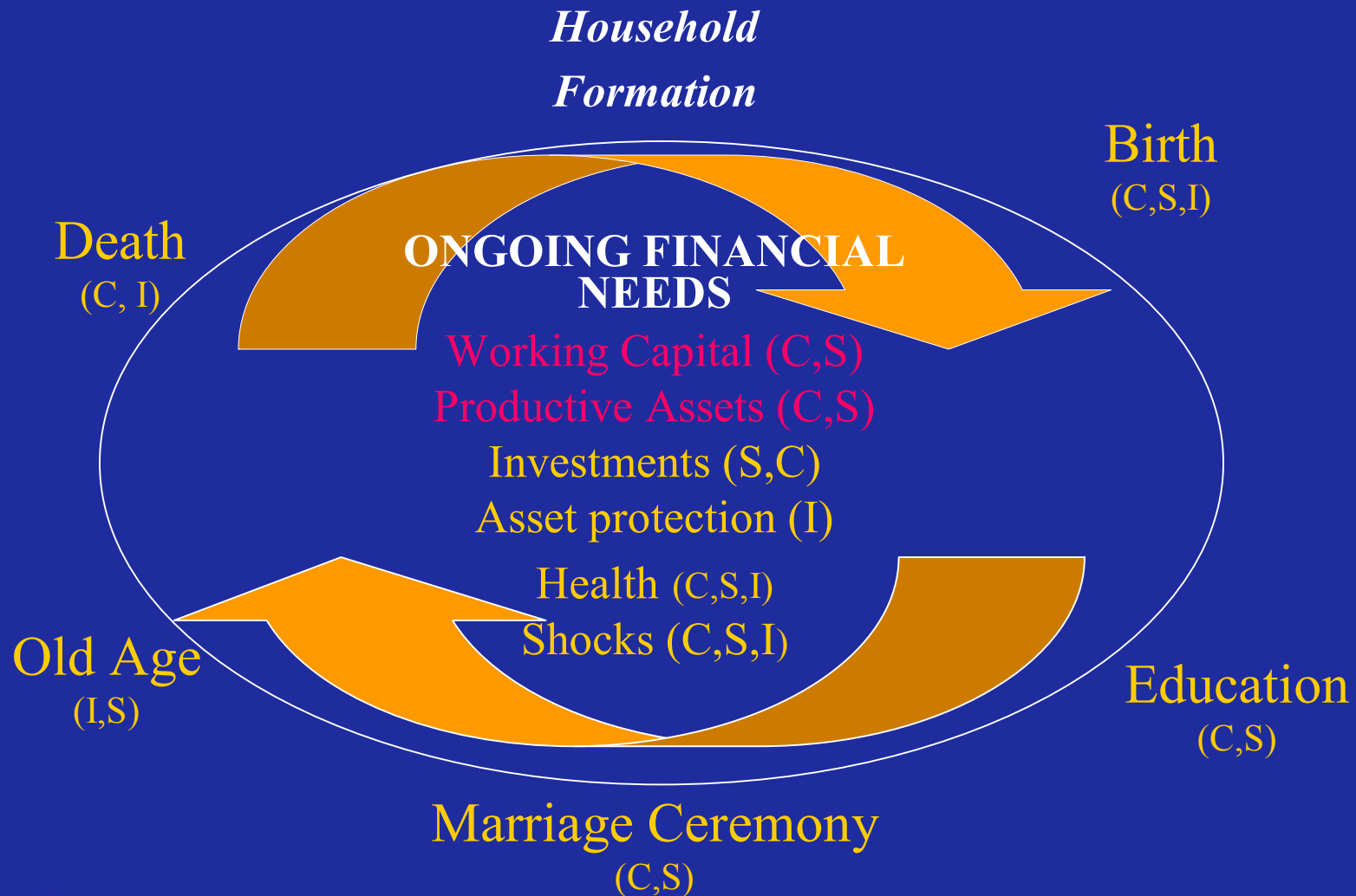
Crisis Risks in Uganda



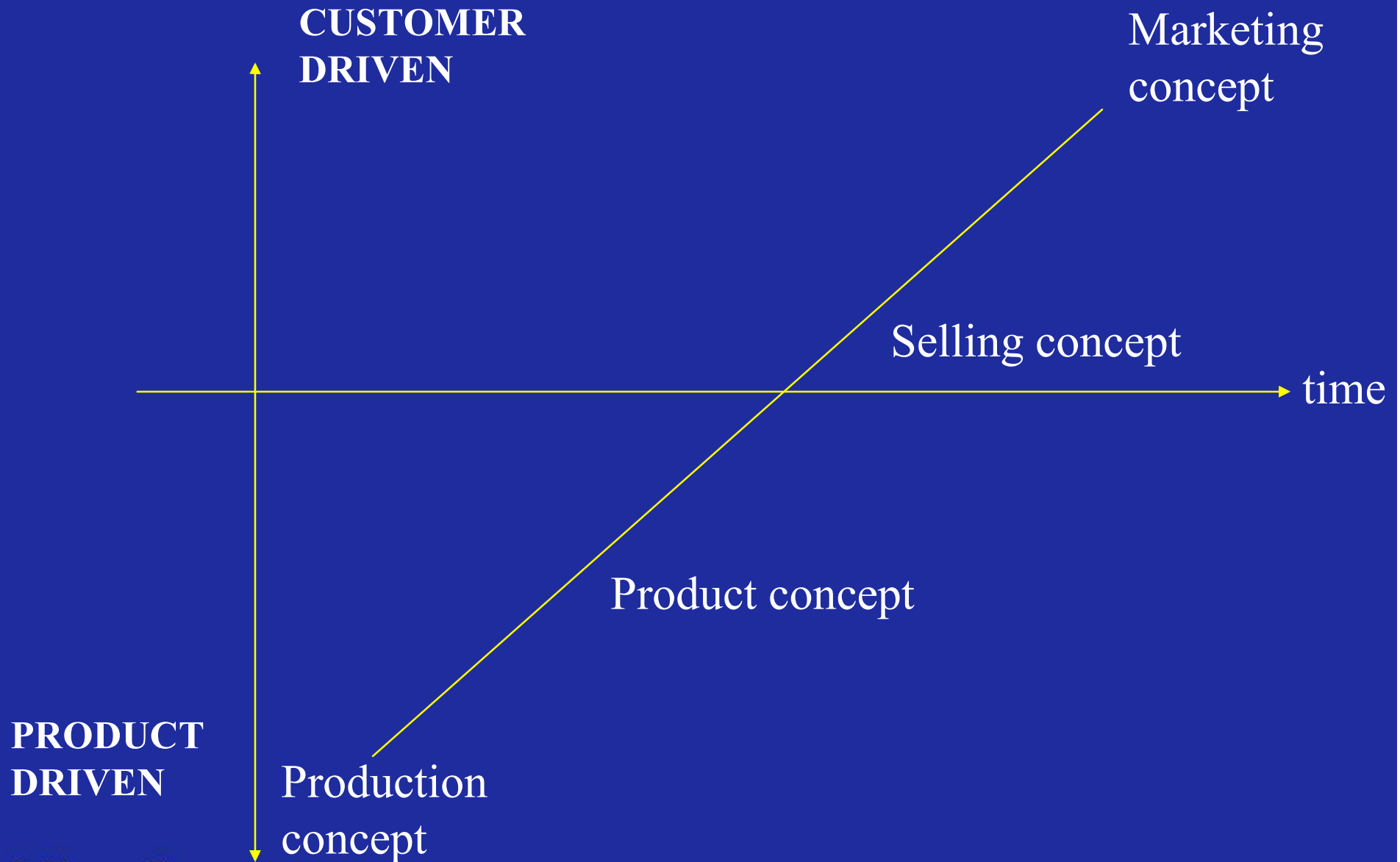
Homogenous Clients & Services?

- Implicit assumption that microfinance clients are essentially homogenous.
- Essentially, a “one product fits all” approach continues to dominate the industry worldwide.
- In reality, the financial service needs of poor people are as diverse and complex as those of richer people.
- For forward-thinking MFIs, these needs represent opportunities that can be met on a profitable basis.

Household Life Cycle Financial Needs



Development Of Marketing Philosophy



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Market-Led MicroFinance:
The *MicroSave* Approach

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Market led Solutions for Financial Services

- Putting the customer first in terms understanding customer requirements and developing an appropriate response.

Strategic Marketing Framework

The MFI Marketing Strategy

1st Tier
Strategies

A
*Corporate
Brand Strategy*

B
*Product
Strategy*

C
*Product Delivery &
Customer Service
Strategy*

2nd Tier
Strategies

- Development of brand attributes & positioning statement
- Branding communication plan
 - i) *Internal*
 - ii) *External*
- Corporate identity
- Corporate communications & public relations

- Development & differentiation
- Brands, Taglines, USPs and Benefit Statements
- Pricing strategy
- Sales strategy & product management
 - *Direct - push*
 - *Advertising & promotions - pull*
 - *Client reward - retention*

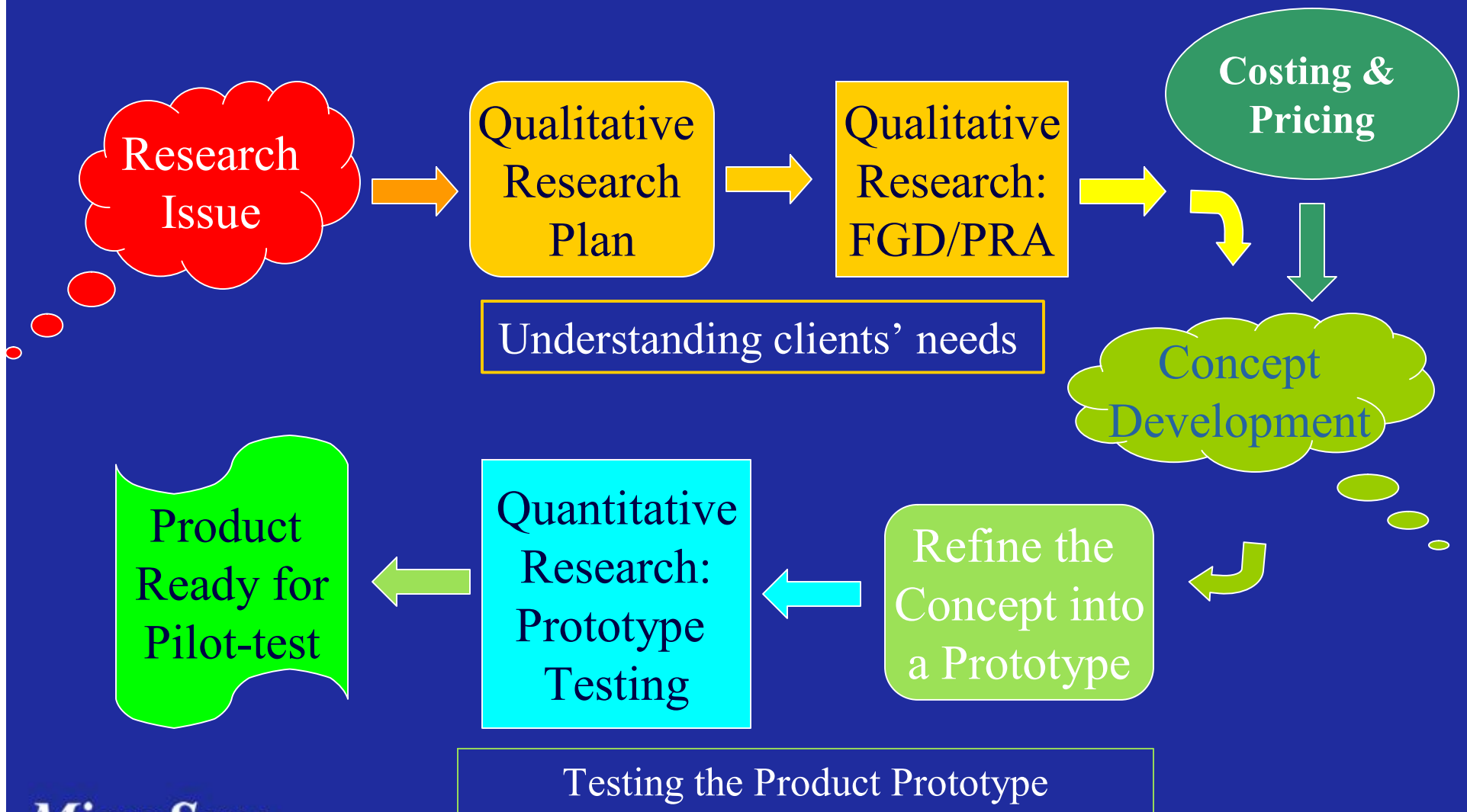
- Personnel training & development strategy
 - *Customer service*
 - *Customer orientated culture*
- Delivery process development
- Technology strategy
- Infrastructure development strategy

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Market Research & Product Development Process Overview



Relationship Between *MicroSave* Tools

Corporate Branding	Product Strategy	Customer Service and Delivery Channel
Market Research	Market Research	Market Research
Branding and Identity	Pilot Testing and Rollout	Customer Service
Process Mapping	Product Costing and Pricing	Individual Lending
Customer Service	Product Marketing	Process Mapping
Strategic Business Planning	Loan Portfolio Audit	Electronic Banking*
	Staff Incentive Scheme	Strategic Business Planning
	Product Costing	
	Process Mapping	
	Product Risk	
	Branch Based Marketing*	
	Savings Products*	
	Strategic Business Planning	

Why Are These Tools Important in a Market Led Approach

Market Research for Microfinance

- The importance of market research cannot be underestimated. A market led approach is built on understanding clients needs and preferences and then ensuring that what we do meets those needs and preferences.
- Market research is the link between the institution and its customers...

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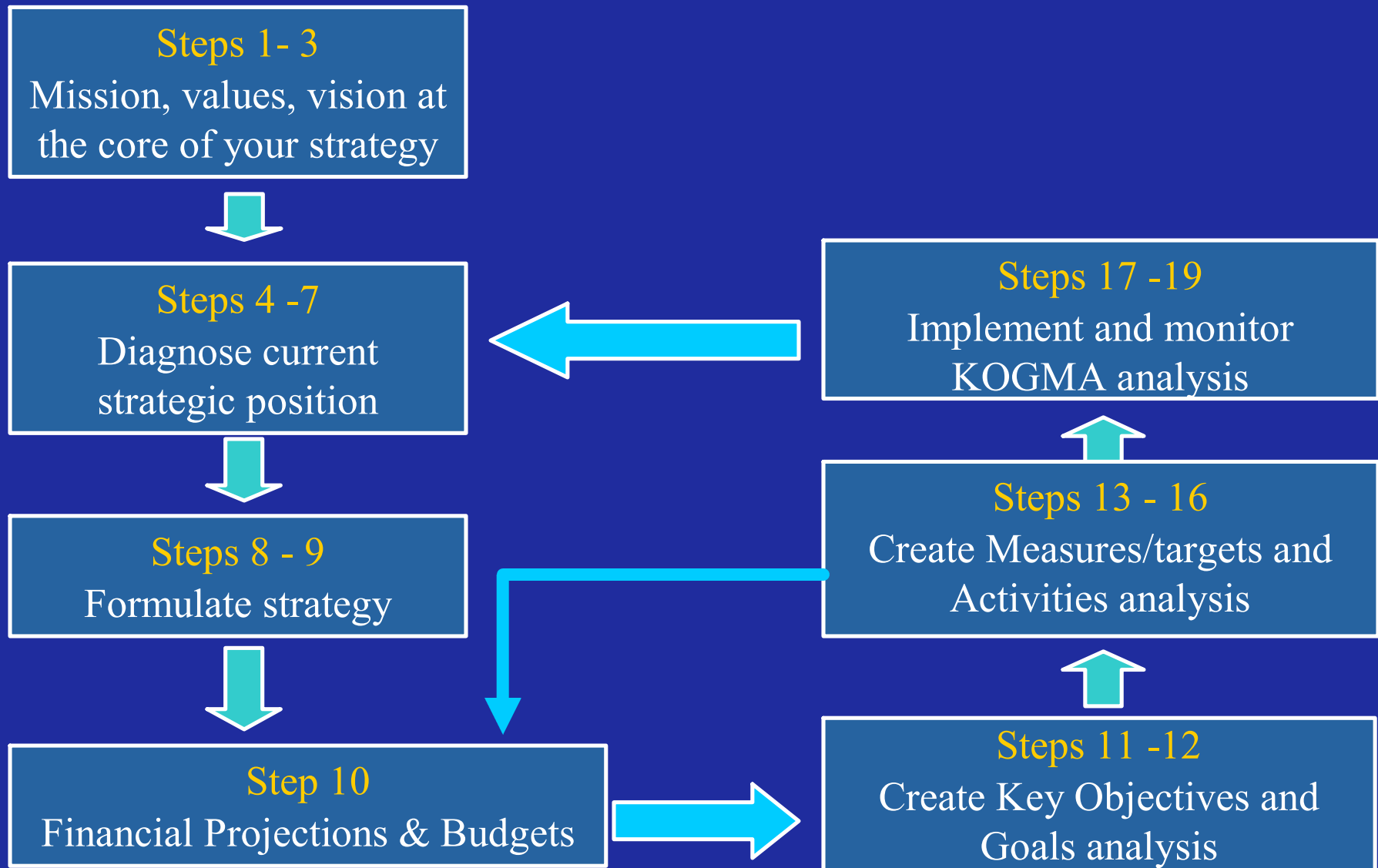
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Strategic Business Planning Process



Corporate Brand and Identity

- People make decisions based on how they perceive a financial institution to be.
- 60% of customers in Uganda choose their bank account by Word of Mouth
- Build winning perceptions through a corporate branding and identity strategy.
- Communicate your institution effectively to your clients.

Costing and Pricing

- As MFIs become more sophisticated and client-oriented, they start to offer a range of products.
- This necessitates understanding the full costs of delivering the individual products and how they contribute (or otherwise) to the overall cost-structure of the MFI.
- Essential for new product development and pricing.
- Pricing: Cost-Competition-Value

Process Mapping

- Process Mapping allows MFIs to:
 - Refine delivery systems
 - Optimise and standardise policies, procedures and processes
 - Perform detailed analysis of costs
 - Identify opportunities for improving efficiency/speed/quality of service (front and back-office)
 - Develop staff induction, training and reference manuals
 - Improve customer service
 - Analyse and manage risk

Pilot Testing

- In the pilot test toolkit learn how to:
 - Introduce new products
 - Follow a structured ten step process
 - Learn lessons from pilot testing
 - Refine products and services
 - Reduce the costs of making mistakes
 - Measure the success of your pilot test

Product Marketing

- Product marketing means
 - Optimising communication with clients
 - Identifying product benefits and expressing these in clear concise client friendly language
 - Ensuring all, Chairman to cleaner, are involved
 - Branch-based marketing
 - Cross selling
 - Personal selling
 - Promotions
 - PR etc.
 - Developing the marketing strategy

Customer Service

- Good service:
 - Keeps customers
 - Builds word-of-mouth business
 - help you overcome competitive disadvantages
 - easier than many parts of your business
 - helps you work more efficiently
- The customer service toolkit looks at whatever it takes to deliver good customer service – it is not front office training

Loan Portfolio Audit

- Quality loan portfolios are at the heart of a strong financial institution.
- However, factors underlying portfolio quality are not always obvious
- The loan portfolio audit toolkit examines the loan portfolio at a global level and then burrows down into detail tracing loans from the head office to branch and branch to head office and examining loan files

Institutional and Product Risk

- De mystify operational risk – the heart of Basle II
- Deliver products at an appropriate level of risk through analysing risks both within the institution and at the product level.
- Identify risks, risk owners and risk mitigation strategies
- Manage risks in a way that is customer focused

Individual Lending

- More and more institutions are moving to cash-flow based individual lending...
 - How is this done?
 - What is it all about?
- *MicroSave* has a toolkit for credit managers and is finalising a toolkit for credit officers. This was developed for us by ShoreCap Exchange.

Staff Incentive Schemes

- The principles of staff incentive schemes are explored at the institutional level, for credit and for savings.
- The process of designing staff incentive schemes is examined.
- Advice to avoid common mistakes is provided

Trainers of Trainers Toolkit

- Improve your own training, learning lessons that *MicroSave* and its consultants have learned through running many training courses.
- Increase the ability of your institution to develop your own training courses and your own training materials.

How *MicroSave* Training Works

- *MicroSave* is firmly committed to practice-based training
- For all the above toolkits (except this Strategic Marketing workshop) a similar workshop *MicroSave* follows the same basic approach:
 - 2-3 days in the classroom introducing topics and beginning to work on outline plans/solutions
 - 1-3 weeks on-site at participants' institutions working on the issues
 - (Sometimes) 1-2 days back in the classroom to process and wrap-up

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Real Results from A Market-Led Approach

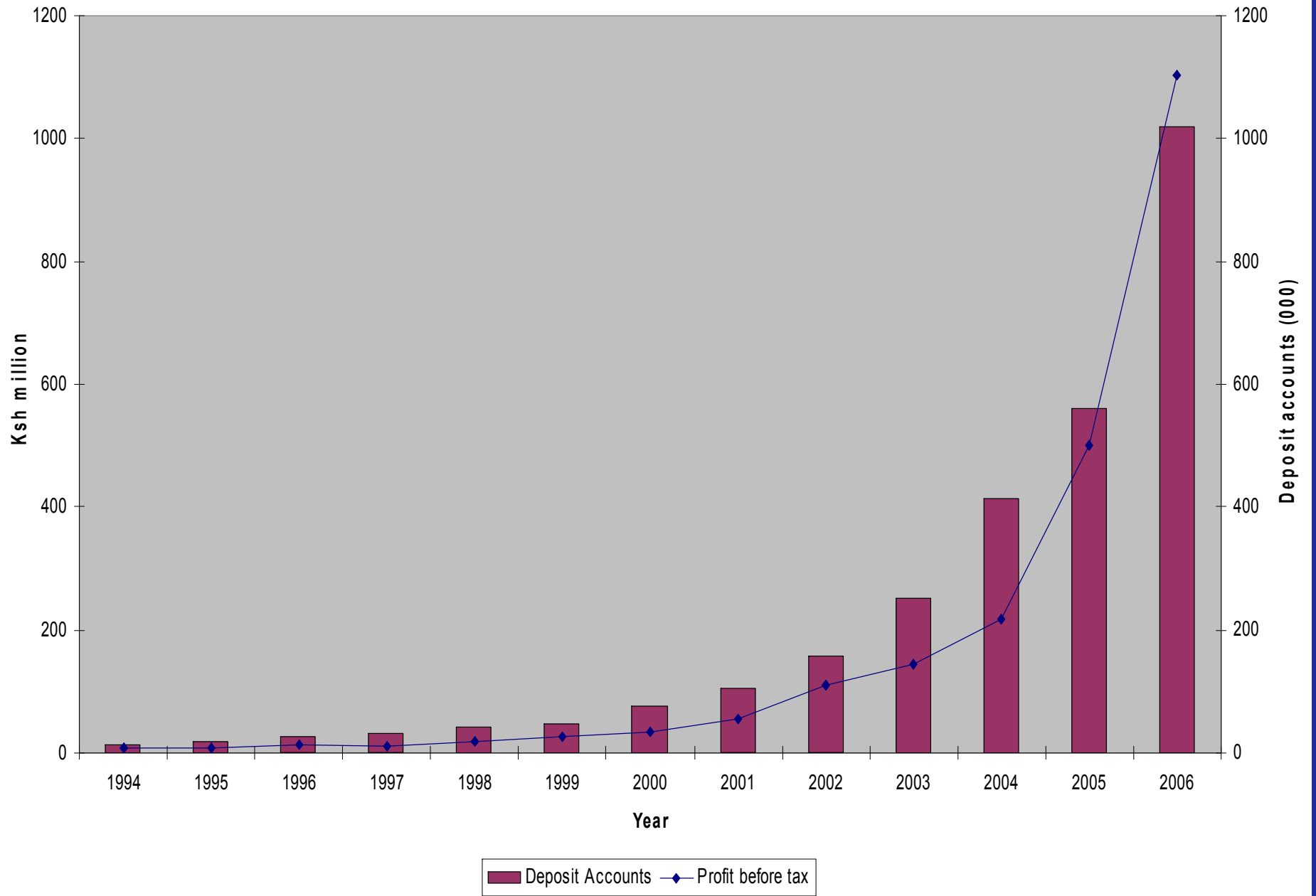
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Kenya – A Highly Competitive Market

- Equity Bank has helped to redefine banking in Kenya. It currently has 1.4 million customers, 66 branches, 174 ATMs and is probably one of the fastest growing formal financial institutions in Africa.
- The competition has responded aggressively with Barclays, Stanbic, KCB and Cooperative Bank all announcing significant expansion plans.
- Barclays has added more than 30 branches so far this year

Customers and Profits of Equity Bank Since 1994



Using Market Research

- “To test the effect of the market research, Equity decided not to market the new [product] refinement measures aggressively, ... the number of accounts opened in a day jumped from an average of 20–30 to about 200.”
 - Coetzee, Kabbucho and Mnjama, 2002

Client Comments on Equity's Services

- “Equity listens to us and understands our problems.”
- “Equity treats all the members well.”
- “These people are our people. They are part of us.”
- “Equity staff members are not arrogant”
- “It is very easy to join the institution, very easy to open an account and very easy to obtain credit”.

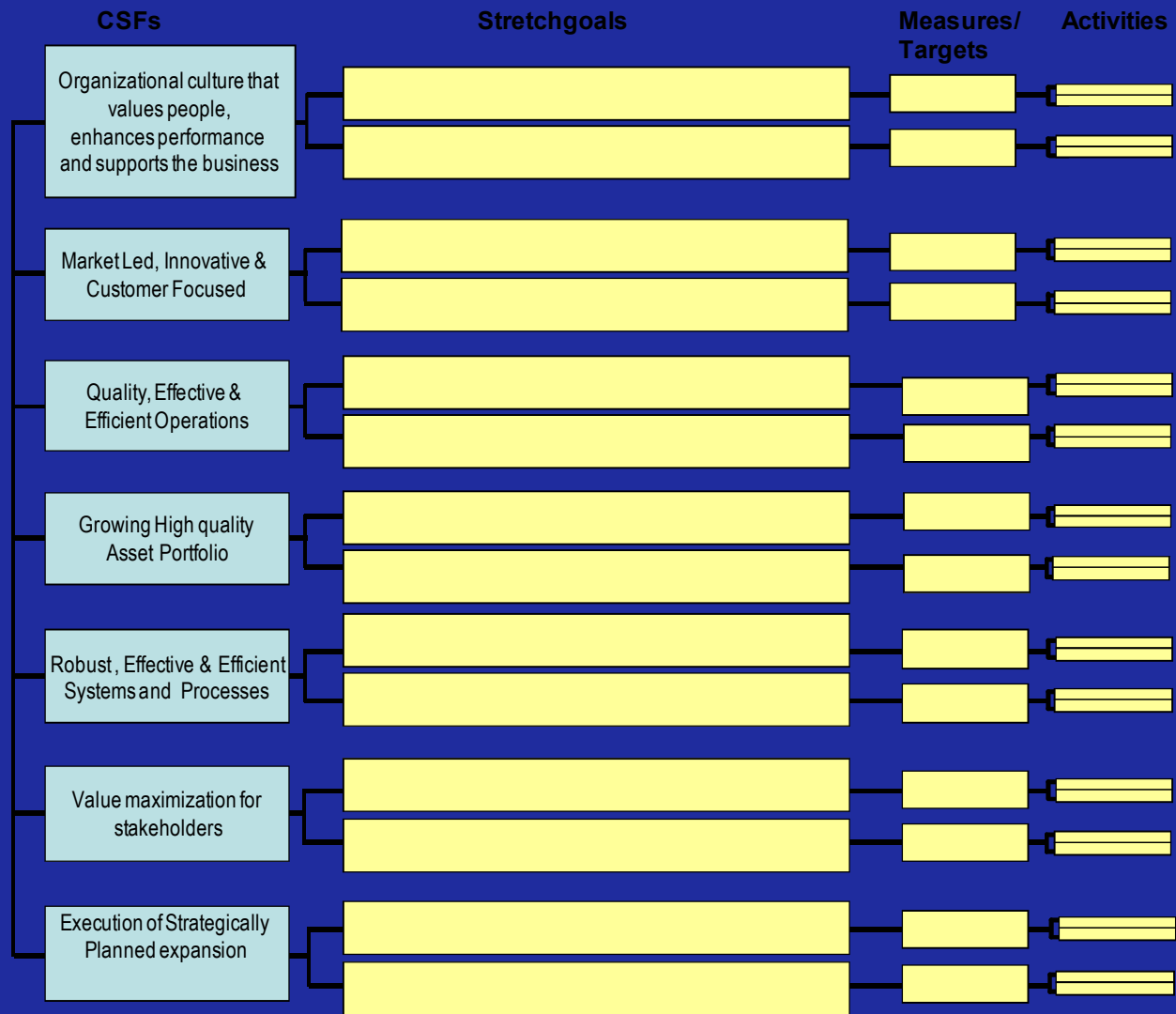
Using Strategic Business Planning



Mission/Vision

Vision:
 "To be the preferred microfinance service provider contributing to the economic prosperity of Africa"

Mission:
 "We mobilize resources and offer credit to maximize value and economically empower the Microfinance clients and other stakeholders by offering customer-focused quality financial services."



Using Process Mapping

Activity	Pre-pilot	Post-pilot
Account opening	12.6 minutes	9.78 minutes
Cash transactions (total cycle time)	7.14 minutes	4.96 minutes
Magnetic cards – Card issue	1 month	2 weeks

Using Pilot Testing

- Developing the successful Biashara Imara loan bringing un-collateralised loans to many individuals

BIASHARA IMARA
Loan

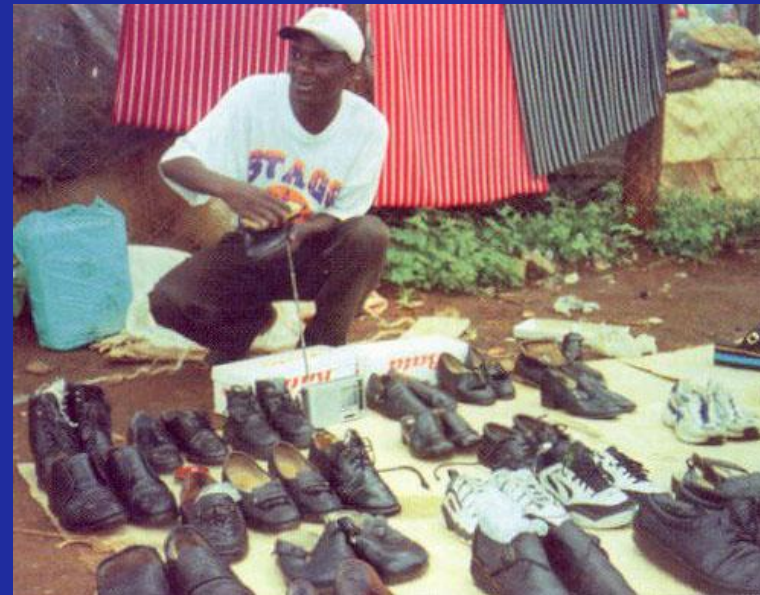
- Accessible to all business owners
- Loan up to Kshs. 500,000
- Flexible security requirements
- Fast processing & disbursement

EQUITY
Bank
“... growing together in trust ...”

Using Corporate Branding

Corporate Brand and Identity

- Communicating what Equity means to its customers



Key Reasons for Equity Banks Success

1. Commitment to Customer Focus
2. Harnessing the Market led approach, Word of Mouth and Public Relations to Stimulate Growth
3. Develop and Maintain Corporate Culture
4. Optimising Corporate Governance
5. Management of Donor Inputs
6. Commitment to Remaining a Broad based bank
7. Human Resource Management

MicroSave's Approach

- Practical Research
- Action Research
- Partnerships with leading MFIs
- Practical Toolkit development and testing
- Training of consultants and practitioners
- Dissemination



A New Future for *MicroSave*

MicroSave Consulting Limited

- *MicroSave* in Africa is in the process of transitioning from being a donor project into a consulting company.
- By 1st of January 2008 we will have fully transformed.
- However, even today we are looking to examine opportunities that can work to build your businesses

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