

# MicroSave Briefing Note # 18

## Signposts to the Provision of Market Led Micro-Financial Services<sup>1</sup>

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There is increasing discussion of ‘market led’ microfinance, of placing customers first - but how do we know if an institution is becoming market led? The following ‘signposts’ to the provision of market led micro-financial services reflect *MicroSave*’s experience with its Action Research Partners. As will be demonstrated a commitment to providing market led services touches upon every aspect of a financial institution.

1. **Vision and mission statements** are focused on profitability through designing, developing and delivering quality customer responsive financial services.
2. **The Board maintains vision and mission.** A competent, knowledgeable and skill-based board prevents mission drift and supports a customer-focused agenda. It provides practical advice to management in key areas such as law, strategic planning, information technology, etc.
3. **The Executive function**
  - **Focuses on its customers;** ensuring attractive financial services are delivered that are variable, frequent, convenient, affordable, and sustainable.
  - **Ensures congruence of goals and activities between the marketing and operations functions;** whilst the marketing function is focused on an external customer’s perspective of the institution, the operations function is focused internally on service delivery. Executive guidance manages potential tension between the functions.
  - **Hires and develops very competent and capable senior management;** rapid growth frequently accompanies a transition to providing market led services. Ensuring senior management competence is vital in responding to and sustaining this growth.
  - **Actively plans the future;** strategic plans are developed, defined and redefined on a regular basis in line with changing circumstances, keeping the vision and mission central.
  - **Is knowledge based and opportunity focused;** it looks to add value to the Bank and its customers, through strategic co-operation, joint ventures and donor-assisted projects.
  - **Is aware of the competition,** through industry associations, personal contacts and active research. It uses this knowledge to retain its competitive advantage.
4. **The bank develops and retains customer focused staff through investing in:**
  - **Training on delivering client focused services.** Members of staff are trained in customer service, sales techniques, and in “service recovery” – identifying and resolving client difficulties.
  - **Internal communications,** through corporate notice boards and staff email systems. An inexpensive monthly bulletin is produced through which staff suggestions are encouraged.
  - **Innovative mechanisms to build staff capacity,** a mentorship programme which rotates potential managerial staff around departments. Staffs are encouraged to study not through direct payment of course fees, but through a bonus scheme that offsets the costs of successful study.
  - **Well-designed incentive schemes** which reward staff performance, and ensure improved service delivery.
5. **The bank retains a strong customer focus throughout its “front office” operations**
  - **Marketing department** maintains a customer focus in all its activities - it develops corporate communications strategies, branding strategies and product marketing plans. It communicates in clear concise and client friendly language. Front line staff is provided with full information about every product, through FAQ guides and are familiar with them. Marketing and client relations are seen as a function and responsibility of all staff. The department has annual marketing audits aimed at increasing the effectiveness of the marketing function.
  - **A research department** carries out customer-focused research into customer requirements. It trains staff in customer-centred research to expand the department’s ad-hoc research ability. The department conducts regular “mystery-shopping” surveys of its own and its competitors’ products.
  - **A strong brand** has is established in the marketplace – the bank would be considered innovative, flexible, polite, and service oriented by its existing and potential customers.
  - **A customer charter** sets customer service standards, known by the customer and staff alike, progress is measured against the charter. Customers are encouraged to report failures to meet commitments made.

<sup>1</sup> These signposts are given for a relatively mature MFI with front and back office operations. Newer or smaller MFIs or those operating a group-based mechanism, may have several functions performed by the same person, though the basic principles and commitment to customer service still apply.

- **A feedback loop** would be in place to allow customers to feed back their perceptions, client suggestions would be welcomed and responses detailing actions taken or not would be given to the customer.
  - **A pleasant banking environment.** Branches display a common corporate identity they are smart, clean and tidy. There are enough tellers and fast enough systems to serve customers quickly and efficiently. Clear signage directs customers to the correct teller. Peak period workloads are carefully managed, through a combination of information, additional resources, extended opening hours, and incentives (e.g. encouraging employers to pay salaries on different days). During slack periods surplus tellers have a second role, in research, marketing or sales.
  - **Proactive customer communications exist** Mechanisms to inform the client are well developed at branch level; through notice boards and help desks. Fees and charges are explained in clear concise customer friendly terms on posters clearly displayed in every branch. Branch security staff can answer basic customer queries.
  - **Branch managers have a developed knowledge of their local community** they are familiar with local business opportunities. Managers are available and are encouraged to see their customers on demand within reasonable limits.
- 6. Back office operations support continually improving products and processes**
- **An accountant ensures that the bank designs and delivers efficient and profitable services**, knowing that growth is often constrained by loss making products. Costing systems are well developed with costing produced quarterly. Process audits are carried out regularly.
  - **Well-written self-explanatory procedure manuals are in place** - updates are based on staff and client feedback on systems in place.
  - **Major changes are pilot tested to ensure continued delivery of high quality services to its customers**
    - New products are pilot tested on the basis of demand led market research in accordance with a structured process.
    - IT systems developed designed and fully tested before introduction. IT support is available locally.
    - Incentive schemes are developed through a participatory process, in accordance with best practice and pilot tested where necessary.
  - **A portion of retained earnings is held in an innovation reserve** - It is recognised that investing in innovation is likely to lead to failures as well as successes. The organisation is not afraid to fail, as long as proper processes have been utilised in assessing and testing new innovations and appropriate lessons are learned and internalised within the organisation.
  - **The bank actively mines its data to ensure delivery of high quality services to its customers**
    - Identify opportunities for enhancing service quality, through developing new markets, opening new branches and developing products, and modifying the product mix.
    - Ensure efficient utilisation of staff based on the number and type of transactions they perform
    - Identify staffing requirements ahead of time allowing for due process to take place in recruitment and training.
  - **The bank actively manages risk** Active assessment and management of risk allows innovative new projects to be undertaken. Awareness of risk extends beyond the traditional CAMEL environment.
  - **An engaged IT department** develops or purchases IT solutions which allow products which are flexible, convenient, which facilitate small high volume transactions. The department provides management with mined data, exception and ad-hoc reports.
  - **Internal Audit** has a management audit function aimed at ensuring efficient service delivery and customer satisfaction through customer service audits, tracking data usage, and performing process audits.

All the references below are available on the *MicroSave* website:

- **McCord**, Michael J. "Pilot Testing for MFIs" *MicroSave*, 2001, under Toolkits section.
- **Rutherford**, Stuart, "Getting Serious About Banking for the Poor" Safesave, 2000.
- **Holtmann**, Martin, "Designing Staff Incentive Schemes in Micro Finance Programmes" *MicroSave*, 2002, under the Study Programme section.
- **Anyango**, Ezra, Sebstand Jennefer and Cohen, Monique, "Assessment of the Use and Impact of *MicroSave*'s Market Research for Microfinance Toolkit" *MicroSave*, 2002, under the Study Programme section.
- **McCord**, Michael J. "The FeedBack Loop – A Process for Enhancing Responsiveness to Clients" *MicroSave*, 2002, under the Study Programme section.
- "Costing and Pricing of Financial Services for MFIs" *MicroSave*, 2002, under Toolkits section.
- **Coetzee**, Gerhard, Kamau Kabbucho and Andrew Mnjama, "The Rebirth of Equity Building Society" *MicroSave*, 2002, under the Study Programme section.
- **Cracknell**, David, et al. "Lessons from *MicroSave*'s Action Research Programme (2001)" *MicroSave*, 2002, under Action Research Programme.