

MicroSave Briefing Note # 36

Market Research for Microfinance: Beyond Product Development

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MicroSave's Market Research for MicroFinance Tools have been widely used for product development and refinement. However, increasingly the tools have been used to address diverse institutional needs. Some tools have been modified and others added to explore issues appropriately and in-depth. This Briefing Note outlines five of the new uses to which the tools have been put.

Image Analysis

Market-led institutions realise that their corporate image, the market perception of their institution, is the most significant factor in defining their services and driving sales¹. Institutions attempt to influence market perceptions by building a strong corporate brand. To do so the institution must fully understand its corporate image through research designed to:

- *Know the target market* and its unique characteristics thus enabling an institution to develop carefully tailored products and services.
- *Understand perceived institutional strengths*: in order to determine the market perceptions of its competitive strengths and to understand factors driving this image. Resources can then be targeted efficiently on these image drivers.
- *Understanding perceived institutional weakness* enables an institution to take corrective action.
- *Develop appropriate messages* necessary to maintain or improve on the image. The messages whether through marketing materials or public relations will be developed from a well-thought premise to support the image.

Tools developed to understand image include:

Image Trend Analysis: *MicroSave's* Financial Sector Trend Analysis Tool has been modified to facilitate image analysis. The Image Analysis Tool enables discussants to explore an institution's changing image over time and determine major contributing factors. Image Trend Analysis at Equity Building Society (now Equity Bank) showed that during the last five years Equity had significantly improved its image. Factors driving this improvement were advances in information technology, enhanced customer service and the expansion in the branch and mobile banking network. Image analysis highlighted areas of concern such as reductions in service levels due to rapid growth, slow inter branch transactions, and a need for some products to be more competitive.

¹ See *MicroSave's* Briefing Note # 27 "Corporate Branding and Identity – Why They Are Important for MFIs" on www.MicroSave.net under the Briefing Notes section.

² For more on Customer Service, see *MicroSave's* Customer Service Toolkit on www.MicroSave.net under the Toolkits section.

Image analysis was used by Equity to inform its re-branding campaign as it transformed from a building society to a full commercial bank.

Image Cards: The comprehensiveness of information collected has been enhanced by the introduction of Image Cards. This visual, card-based, analysis enables respondents to use their experience to associate an institution with a particular picture and in the process identify key factors underpinning the image. Using Image Cards Kenya Post Office Savings Bank documented challenges facing its brand and suggested ways to improve its corporate image.

Customer Service

In competitive markets many market-led financial institutions differentiate themselves on the basis of customer service. However, service levels change over time especially in rapidly growing institutions². Market-led institutions need to understand and align institutional and customer expectations of customer service. Secondly, they need to determine the factors underlying customer service failings. *MicroSave* has adapted market research tools to help institutions review customer service, these are:

Customer Service Attribute Ranking: This tool separately identifies elements or "attributes" of customer service and priorities these for both clients and staff. Participants develop cards for each attribute of customer service and rank the attributes in order of importance. This allows the institution to focus on aspects of customer service that really influence customer satisfaction and demand.

Attribute ranking at Commercial Microfinance Limited (CMF) ranked slow disbursement and extensive documentation of loans as key customer concerns. In response, CMF chose to process map its loan disbursement procedures and has reduced documentation requirements and increased loan-processing speed.

Customer Service Trend Analysis: This tool tracks perceived changes in levels of customer service in an institution over time, providing a rapid diagnostic of how and why perceptions of the quality of customer service are changing.

Relative Preference Ranking: This tool demonstrates how different customer service attributes have influenced clients' choice of financial service provider.

In addition to the market research tools outlined above a number of additional diagnostic tools can be used to explore customer service – these are provided in *MicroSave's* Customer Service Toolkit.

Feedback Loop Analysis

The Feedback Loop is a continuous process from data collection to the use of data for decision making and the implementation of new actions³. Managers in several of *MicroSave's* Action Research Partners have found effective analysis of feedback loops within their institutions allow them to:

- Strengthen contact with customers;
- Get the most value out of data collected;
- Improve customer service;
- Develop new products and refine old ones;
- Improve internal & external communication flows;
- Avoid collecting unnecessary information; and
- Increase staff productivity.

Information Mobility Mapping: This tool captures data on sources of information, relative amounts of information involved, key modes of information flow and the uses of information.

Focus Group Discussions and other PRA tools (in particular ranking the effectiveness of different forms of communication and Relative Preference Ranking of communication means across different institutions or departments within large institutions) have been used to back up the Information Mobility Mapping tool.

Product Marketing

Market research is essential in developing a product marketing campaign that carefully promotes the key benefits of the product to the customer. This is done through developing and testing benefit statements, Unique Selling Propositions and taglines with customers⁴.

Benefit Statements: Clients purchase financial services because of the benefits that they expect to receive from them. Focus Group Discussions with clients enable financial institutions to understand client perceptions of the value they receive in consuming these products.

Unique Selling Propositions (USP): While developing benefit statements through Focus Group Discussions, the marketing team can investigate the uniqueness of its products' features. The USP is the "difference that makes the difference" (that makes your institutions' product or service special).

³ See **McCord**, Michael "The Feedback Loop – A Process for Enhancing Responsiveness to Clients", *MicroSave*, 2002 on www.MicroSave.net under the Study Programme section.

⁴ For more on Product Marketing, see *MicroSave's* Product Marketing Toolkit on www.MicroSave.net under the Toolkits section.

⁵ For more on Financial Education see Microfinance Opportunities' website <http://www.microfinanceopportunities.org>

Market research helps a marketing team to refine and test USPs to be as tangible and factual as possible.

Tagline: Every product should also be clearly positioned and should encapsulate the way the institution wants clients to see the product. The tagline communicates key product messages to the client. The development and validation of the tagline normally involves a combination of Focus Group Discussions and benefit statement ranking exercises. Tanzania Postal Bank's tagline for their Domicile Quick Account "Time is Money - Save Both" communicated a key product USP ... that the account was quick to operate.

Marketing Materials: Draft marketing materials should be tested with customers to ensure that the key messages the institution wants to communicate are indeed the messages being received by clients ... (When General Motors took its highly successful "Nova" into the Mexican market, they did not validate the product name, which in Spanish means "Does not go" ... so sales were understandably weak).

Financial Education

Financial education⁵ teaches the knowledge, skills and attitudes required to adopt good money management practices for earning spending, borrowing and investing. Financial education builds the capacity of the poor to gain control, and to use information and resources to enhance their economic security through more effective use of financial services. When better-informed clients become better consumers of financial services, financial institutions benefit. The broad themes of financial education include:

- *Savings, Debt and Money management*: How/where to save, avoid over-indebtedness and manage money;
- *Financial Negotiations*: How to strengthen a client's bargaining position vis-à-vis input suppliers, other household members, and financial institutions;
- *Use of Bank Services*: How banks work and impose charges. How clients can optimise their use of bank services, interact with banks and effectively use ATMs.

The *MicroSave* market research tools have been adapted to look at planning for life cycle and seasonal events, to prioritise household expenditures and to examine the relative costs and benefits of different service providers.

Conclusion

The [Market Research for MicroFinance Toolkit](http://www.MicroSave.net) has been used in a wide variety of ways in a diverse range of settings. This reflects the flexibility and potential of the tools and the creativity of their users. *MicroSave* welcomes feedback on any other innovative uses of the tools—send an email to info@MicroSave.net.