

MicroSave Briefing Note # 91

The Overlap between Customer Service and Social Performance Management¹

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Customer Service: Foundation for Sustainable Organisations

Customer service² is the fundamental principle on which financial services providers can thrive in dynamic and competitive markets. As financial services offered by providers in competitive environments are often relatively similar in prices and features, customers often use the *service* that institutions provide to differentiate among them.

Customer Service in the Social Performance Framework

MicroSave's practical, market-led approach to Social Performance Management (SPM)³ includes a social performance assessment or 'diagnostic' of a microfinance institution from different operational aspects, including: *alignment of an organisation's key systems* (MIS, operations, internal audit, human resource management, training, etc.) with its *mission; governance and strategy* (including business planning); and field-level research on its *level of understanding/responsibility towards its staff, clients, and the community*. Emphasising customer service is important from a social performance perspective because achieving positive client outcomes is predicated on an MFI's ability to: (a) provide service in a manner that results in *customer delight (client services)* and (b) *not harm* its clients – meaning they should not become worse off than they were before joining the programme (*client protection*). Thus, an integrated approach fuses these two aspects into a socially responsible, customer service strategy by influencing overall customer service and SPM strategies, including implementing the strategy, monitoring the performance and taking corrective course of action.

Client delight is about exceeding customer expectations. MFIs that take customer service seriously should naturally have better social performance as well. Such institutions may offer a range of high quality, client-centric and flexible financial products in a manner that is appropriate and suitable for clients. All of which ultimately leads to better financial outcomes as well. Customer service, or client delight, involves:

- *Listening to clients*: Understanding clients' needs helps organisations to better tailor products and services. In a competitive market, it is also a way

to differentiate; while in a nascent one, it is a way to attract clients and deepen outreach. In any circumstance, understanding client needs should be built into an MFI's institutional culture and it will likely pay dividends in client retention, financial performance and growth.⁴

- *Offering appropriate products and services*: Information pertaining to client needs and preferences should be used to inform key decisions in policy and strategy, and may eventually be used to further develop/tailor products and services.
- *Client retention*: The retention rate, or inversely exit rate, can be an important indicator of social performance. If clients are leaving an MFI's programme, then it is missing a chance to improve their well-being and serve their true needs. Calculating and reporting on the client dropout rate regularly can be an easy way to force management to pay attention to the gaps. By monitoring who is leaving the programme (and why), one can better adjust products and services to retain the bulk of the MFI's clients and can also give MFIs a sense of how well staff members are treating its customers!
- *Client feedback*: Collecting (and acting upon!) client feedback regularly will help MFIs to improve the design and delivery of their products and services. Such feedback can be collected many ways, including: monthly/quarterly meetings with clients, client committees, using feedback mechanisms like a drop box or phone line, informal client visits by supervisors, and/or weekly/monthly debriefings with field staff about client issues.
- *Client outreach/targeting*: As part of effective SPM, MFIs need to have a precise selection process that will help them in reaching their target clients. Therefore, it is important that: 1) the target market matches what is stated in the MFI's mission; and, 2) the MFI's client/geographic selection and operational processes provide a successful strategy towards reaching this market. This will not only help an organisation to meet its mission, but become more efficient operationally.

¹ This briefing note is based on the MicroSave's "Customer Service" and "Social Performance Management" Toolkits.

² Refer to BN # 28, "Customer Service – Why it is Important for Microfinance Institutions".

³ Refer to IFN 35, "Social Performance Management in India: Seeking a Market-led Approach".

⁴ See MicroSave's "Market Research for Microfinance Institutions" Toolkit.

Client protection is the bare minimum and ‘no compromise’ aspect of microfinance operations. Clients of MFIs are especially vulnerable because of their socio-economic backgrounds, and hence MFIs have a responsibility to protect these clients and to avoid pushing them into a worse position. Such protection may entail the implementation of policies and practices ranging from ethical staff behaviour, transparency/proper communication with clients, avoidance of over-indebtedness, and effective grievance redressal mechanisms.⁵ While current client protection measures have achieved broad consensus among microfinance practitioners, clients’ own priorities are likely to vary between countries and perhaps even between regions or markets within countries. Hence, it is important to have a client-focused approach and a firm grasp of clients’ own perceptions, needs and aspirations in both SPM and customer service equally.

Some of the ways to ensure client protection is to place clear guidelines in the operations manual and trainings on

Staff Training and Client Orientation

Sambandh, an MFI in based in Orissa, India, incorporates a client focus in its induction training. This includes reviewing not only the mission of the organisation, but also its statement of challenges and its ten core values. The ten core values should then be followed by all staff in all dealings with clients. For instance, being *honest* in all transactions, maintaining *integrity and trustworthiness* in all the dealings, being *transparent* by inculcating high degree of commitment of reporting exactly what “things are” and not “what is expected to be” are some of the ways in which it integrated its values into the customer service.

client treatment, disseminating or displaying a code of conduct in branch offices, and fostering a well-informed, motivated and trained staff.⁶ These measures should be backed up with appropriate supervision, regular interaction with clients and grievance mechanisms to monitor actual adherence to client protection norms. All of these are incorporated into the *MicroSave*’s own SPM approach.

Implementing an SPM-Customer Service Strategy

One of the biggest challenges for MFIs is not simply to understand the issue but to identify which steps they should *practically* take. As part of the on-going service improvement process, *MicroSave* can help MFIs to analyse the high impact, low cost steps available in order to identify the “quick wins”. This is similar in both the SPM and customer service toolkits. At the end of an SPM visit, *MicroSave* helps MFIs to prioritise and choose concrete steps to take in the implementation of proposed

SPM improvements. It then helps in providing expert technical assistance to ensure uptake. Likewise, *MicroSave*’s approach to customer service involves using a variety of market research tools to examine the perceptions and priorities of the clients and staff, as well as a comprehensive diagnostic and analysis tool built around the “8Ps⁷” of marketing which is then administered with senior management and frontline staff to analyse the

Customer Service and SPM

MicroSave has worked with a variety of banks and MFIs across Africa and Asia to implement customer service programmes that have a significant impact on the organisations’ social performance. Recent examples include a large bank in Africa that will completely overhaul its staffing and customer management systems in response to growing dissatisfaction with its service and delinquency management practices. An MFI in India, in response to complaints about lack of information, has introduced further discussion between the credit officers and client about loan amounts sanctioned as well as FAQ guides.

optimal response to these.

Conclusion

Realising the overlap between customer service and social performance places the client once again at the centre – the *raison d’etre* for the existence of the microfinance sector. Excellent customer service does not just happen – it needs to be a purposeful pursuit which needs a strategy, commitment, and continuous improvement. The SPM framework does just that by:

- providing opportunities to be proactive in defining a socially relevant mission and then fulfilling it
- offering opportunities to measure such performance and take corrective actions
- offering a range of practical tools to give feedback on the responsibility of the organisation to each of the stakeholders
- giving scope for systematic feedback built in
- putting customer delight and other stakeholder delight at the centre
- recognising that internal customers – staff of the organisation – matter just as much as external customers. It provides steps/approach to learn about the internal customer (staff) needs as well and respond to them.

recognising that customer service and social performance is not just a front line issue – it is the way whole organisation works, the corporate culture.

⁵ <http://smartcampaign.org/>

⁶ See *MicroSave*’s “(Advanced)/Human Resource Management for MFIs” Toolkit.

⁷ Product, Price, Place, Promotion, People, Process, Physical evidence and Position