MicroSave

Market-led solutions for financial services

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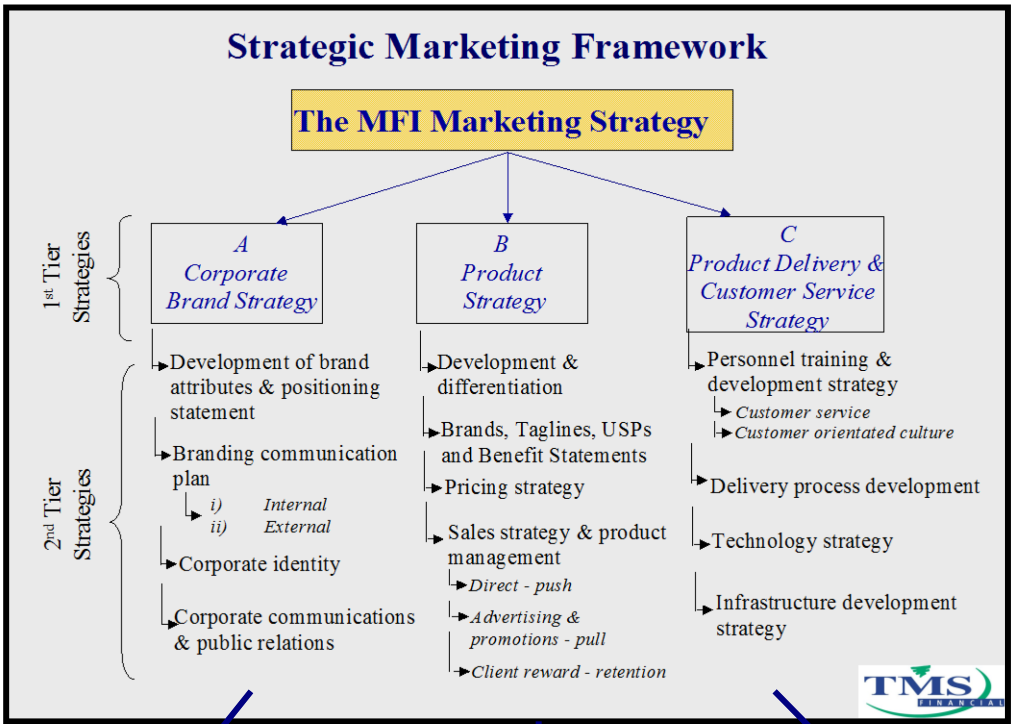
Strategic Marketing for Microfinance Institutions Toolkit



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•**David Case,** Director**,** Moringa-Olgivy

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Session One: Introduction[1]

Background to the Study:
In 2002 *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.

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 <u>becoming</u> 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 serve[2]?

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.

[1] The initial slides in the presentation encourage introduction of participants and suggested ground rules. All participants should receive a session plan, if it is not already included in their notebooks/handouts.
[2] *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.

Q. Where does this course lead?

The participants are expected to complete two assignments after the training. The two follow up activities of the training are:

Marketing Audit – The marketing audit allows an institution to look at all aspects of its marketing function. It is very helpful to do this as a cross audit in which one MFI evaluates a similar type of financial service provider in a different market, then that institution reviews the other MFI's marketing strategy.

If a cross audit is not possible, a marketing audit done together with an external consultant (such as *MicroSave* Certified Service Providers) can be arranged. Alternatively, an MFI can attempt to do an in-house audit of their marketing functions, but it is very helpful to have the outside perspective. Based on the results of the marketing audit the MFI will then prepare a marketing plan for the institution, or revise their existing strategy.

Marketing Plan - Prepare to write or revise existing strategic marketing plan for the institution.

Typically marketing audits take 3-5 days, depending on the amount of information to review, the size of the team and the number of branches to be visited.

Q. What is *MicroSave*'s training philosophy and strategy[3]?

MicroSave is committed to building capacity for training delivery and use of its toolkits among MFIs pursuing a market-led, client-responsive approach to developing and delivering financial services.

MicroSave's training approach is distinguished by its practice-based training philosophy and strategy:

- *MicroSave*'s toolkits are developed on the basis of rigorous, field-based research and testing of the approaches and tools with a diverse range of MFIs operating in a variety of markets.
- *MicroSave* training then focuses on transferring the knowledge, skills and attitudes necessary for effective use of each toolkit through hands-on, practical application of the tools as part of the training process.

To ensure the training is translated into relevant change in institutional performance *MicroSave* employs four complementary training strategies:

1. Classroom training is always followed by practical field work
2. Training materials are developed as a complete package of resources
3. Training is designed for specific skill sets, not particular microfinance models
4. Certified Service Providers extend the capacity for high-quality training and use of the toolkits

Most of the practical work of MicroSave is carried on with its Action Research Partners in the four African countries. The Action Research Partners of MicroSave as of February 2005 are:
Kenya: Kenya Post office Savings Bank and Equity Bank
Tanzania: Tanzania Postal Bank, FINCA Tanzania, PRIDE Tanzania
Uganda: Uganda Microfinance Union (UMU), Centenary Rural Development Bank, U- trust and FINCA Uganda
South Africa: TEBA Bank and Credit Indemnity

Q. How does the *MicroSave* training work?

MicroSave is firmly committed to practice-based training. For all the toolkits ***MicroSave*** follows the same basic approach. The courses offered in each toolkit begin with 2-3 days of classroom theory, exercises and discussion. The complete training process - classroom and practical - involves interactive discussions and debates, hands-on exercises, exchange of experiences by participants and coaching by others certified in the skill area. This is followed by at least two to four weeks of practical on-site

[3] See *MicroSave's* Briefing Note 32: Beyond the Classroom: *MicroSave's* Training Philosophy and Strategy by Lisa Parrott and Graham A.N Wright.

application of the tool with the MFIs[4]. Sometimes a 1-2 days are spent back in the classroom to analyse the implementation process, consolidate learning and to wrap-up and decide on the way forward for institutionalisation of the tool.

A summary of all the toolkits developed by *MicroSave* are in Annex 1.

Q. What does it mean to move from a product-driven to market-led approach?

All businesses orient themselves toward the marketplace using one of four concepts or approaches:

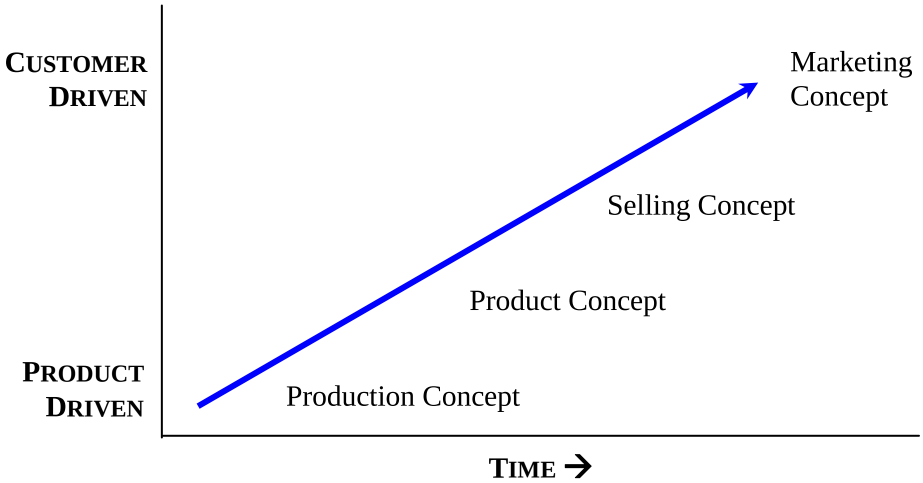
1. **The production concept: *"Make it and it will sell."*** Production-oriented businesses focus on producing as much of their product or service as cheaply as they possibly can because they assume that consumers are primarily interested in product availability and low prices. The production concept is common and relatively effective in new industries where a product is in high demand and there is very little supply.

2. **The product concept: *"Make it well and it will sell."*** Product-oriented businesses focus on producing the highest quality goods and services as possible and improving them over time. They assume that if they design a well-performing product, consumers will buy it.

3. **The selling concept: *"Promote it well and it will sell."*** Sales-oriented businesses focus on persuading customers to buy whatever goods or services they are producing. They believe that consumers are naturally hesitant to make purchases and are often ill-informed or confused about their purchase options. Thus, they must be coaxed into buying through aggressive selling and promotion.

4. **The marketing concept: *"Make something the market values and it will sell."*** Market-oriented businesses focus on understanding target market needs and responding to them in all aspects of their operations. They believe that by trying to understand the consumers' perspective, they will be in the best position to develop products that are valuable to the market and, therefore, easily sold at a profit.

Development of Business Philosophy



Adopting a Product-Driven approach means that microfinance clients are essentially homogenous and that "one product fits all." This has led to the following problems:

- "Drop outs" and multiple membership are usually due to inappropriately designed products
- Exclusion of both the poorest and the "missing middle"
- The informal sector (usually unrecognised) is the main competition
- MFIs attempt blueprint replication of existing models developed for other markets/clients

[4] ***MicroSave*** strongly recommends its Certified Service Providers to package and price the trainings offered as classroom plus 1-2 weeks of on-site follow-up. This results in a significantly better level of implementation and institutionalisation of the skills and approaches by the MFIs … and of course a better revenue stream for the consultant/trainer.

When *MicroSave* started its work in east Africa in 1997, one of the common issues, which existed with most of the MFIs in the region, was an annual client drop out rate of 30 to 60%. This phenomenon was accepted as normal and thus was not addressed by the service providers. *MicroSave* studied the crisis risks faced by microfinance clients in Uganda for over a period of about a decade, and the results revealed that repayment of loans caused the highest financial pressure amongst clients. It surely portrayed that the financial services provided in the region did not consider the wide range of household needs of the clients arising from different lifecycle events and thus had very limited financial services which did not address the financial needs of the clients.

In most businesses the “product-driven” approach has been superseded by the “market-driven” approach. In recognition of retaining customers through appropriately developed and delivered products, banks/MFIs are moving to a market-led strategy that identifies different client needs, tailors products and delivery systems to meet those needs and looks at ways to cost-effectively serve niche markets. Rather than pushing products on consumers, the new economy looks at marketing as a way to put the consumer back in charge and deliver to their expectations. The focus has also turned towards retaining customers, as it is cheaper than losing existing customers to be replaced by new customers. Microfinance has made a paradigm shift from “credit for enterprise only” to a wider variety of financial services. Recognising client needs has brought into limelight the huge demand for financial services being met by the informal sector that was not recognised earlier as a competitor.

Q. What is marketing?

“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.”[5]

- It’s identifying unfulfilled needs and wants;
- It’s looking at the size of markets;
- It’s determining what target markets you can best serve;
- It’s deciding on the appropriate products, services and programmes to serve these markets.

Q. What is the strategic marketing framework?

The strategic marketing framework was developed 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 sub-components (which forms the 2nd tier) which 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.

The Marketing Strategy comprises three pillars or the three 1st tier strategies:

1. ***Corporate Brand and Identity,*** which is the design and presentation, intended to differentiate the MFI from its competition.
2. ***Product Strategy,*** which encompasses product development and differentiation, as well as costing/ pricing and sales/promotion strategies used by MFIs.
3. ***Product Delivery and Customer Service Strategy,*** which focuses on how and where the MFI’s products are delivered and the customer experience.

Each of the above three 1st tier strategies is developed through its different subcomponents, which consist of the 2nd tier strategies. Each subcomponent has to be well designed and coordinated keeping in mind the need to align with the institutional vision, mission and objectives. The vision, mission and strategic goals of an institution decide its target market and where it wants to position itself in the competitive environment. The strategic marketing framework assists the institution to reach out to the identified niche market by aligning the institutional operations to the institutional vision, mission and goals. To make the market-led approach yield the full benefits of its potential, for the MFI and its clients,

[5] Kotler 36.

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.

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

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.

They are complimented with some ad hoc analysis on and as needed basis for example, a stakeholder needs assessment or process mapping.

Q. What is different about selling financial services?

An analysis of the product vs. service continuum shows an interesting shift in the nature of the product being marketed and sold. On one end of the continuum we have the tangible products such as soap, with specific tangible features. In the next level in the continuum are the products with tangible features accompanied with some component of service attached to it. So for example, a car has its tangible features of engine power, model features which are related to its utility, but has an added component of service which caters to the model features which address the comforts of the car owner. The next level of services has a major component of human touch in the delivery of the product and may not often have tangible features. For example, in the case of airlines, they sell comfort and convenience, which are not tangible. The same is the case for financial services, where a financial institution sells trust, loyalty, convenience and efficiency to its clients through its delivery of different products and services.

Thus financial services have features, which are different from consumer goods:

- **Financial services are intangible**: can't smell them, can't kick the tyres. You are selling on trust, so you must deliver on that trust.
- **Inseparability**: The institution, the service provider and the product are one. It is your MFIs product, not something that is sold by someone else. The same person producing the product is selling the product. Makes the corporate brand even more important.
- **Standardisation vs. Tailor-made**: The microfinance industry is about volume – high volume. There is a tension between having a standardised product that we just put on the market and a personal service designed for each client. It's a service so clients want to feel unique and valued.
- **Perish-ability**: Some products have long-term maturities, others have short-term maturity. Lasts only as long as people are using the cheque, loan, etc.
- **High involvement**: Clients are willing to shop around and seek advice on financial services. Customers say they would like to choose the services based on better price, but they can't sort out the pricing of most services because of fees and how rates are quoted. They are willing to look around to find out what is the best deal.
- **Regular decision-points**: Clients have points of departure – end of loan cycle, renewal of savings deposits, etc. They can shift from one MFI to another.
- **High levels of brand loyalty**: Most people stick with their financial service provider if the MFI has built brand loyalty and offered products for all their life cycle needs. MFIs need to think about building customers for life: product range, long-term products, accounts for children to keep long-term relationships.

As financial services are different in nature from other common products, they also need to be marketed and delivered in a different manner to the client, especially by focusing on the user's convenience and comfort which will build on the trust and loyalty to the institution. As the clients in an institution are not homogenous in nature and often belong to different market segments, a single communication medium may not work for all of them. The institutions need to develop a distinct marketing strategy and use a mixed communication media to reach out to its clients effectively.

Session Two: Development of a Corporate Brand – Process and Principles

Q. What is a corporate branding and how does it fit into the overall strategic marketing strategy?

Corporate branding is a strategic approach to:

1. Assessing the institution's current position in the market;
2. Assessing where the institution should position itself in the market; and
3. Developing internal and external strategies to implement and monitor the brand.

Corporate branding is one of the core 1^{st} tier strategies of the strategic marketing framework. Development of the brand – its process and principles is the first 2^{nd} tier strategy with the core component.

Branding is not merely taglines, logos or a colour scheme. It is the way the institution is perceived to be by its clients and the value they attach to it. The institution's products and services can have their names and brands, but brand is about the people's perception of the whole organization. The brand is intangible - logos, colours and images are instruments to send a message of certain values, principles that the institution stands for. It is what the institutions promote consciously or unconsciously through its service delivery. For e.g. the name FINCA brings a picture of an institution working with community giving small loans and not a loan officer with a tie giving million-dollar loan. The corporate brand should guide all the other brands (for example for the different products and services) in the organisation – they should all be part of an overall brand architecture, with clear links to the corporate brand, so that they reinforce one another.

Corporate branding is a process of determining where your institution is positioned in the market as perceived by your clients, potential customers, staff and other stakeholders (government, networks, donors, investors), and then making strategic choices to influence that position. When an institution engages in a full process of "branding" or "re-branding," it conducts market research to understand where it is currently positioned, determines where it wants to be (its aspirations) and how it will get there by creating a brand that communicates the essence of what the institution stands for. However, a brand cannot standalone: the institution must deliver on the brand promise over time at each contact-point with the customers and other stakeholders.

Institutions must clearly and convincingly communicate their brand to their staff so that it is internalised and becomes the personality of the institution while at the same time reflecting the business aspirations. The corporate brand must also be communicated externally through the marketing, media and public relations functions. Although a financial institution may go through a branding process, monitoring and managing the brand is a continuous process. The institution must develop strategies to measure the success of the brand and determine when it may need to adjust its branding strategy to ensure the corporate identity remains positively positioned.

Q. What is a brand?

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 you from the competition.

Branding terminology can be complex and confusing. Often two terms mean the same thing and it feels as though you must describe your brand from every angle. At its core, the "brand" is whatever the consumer thinks of when he or she hears your company's name, or sees evidence of your company. It's the perceptions, emotions and attitudes others have towards you.

Q. Why do I need a brand if…

- I have limited competition?
- I have a small client base?
- I don't have a marketing department?
- I'm an NGO?
- I belong to an international network that does our branding for us?

Many MFIs think they don't need to worry about their brand if they are not in a very competitive market, or have not reached significant scale or belong to a larger network. These institutions forget the power of branding in establishing a competitive position (before competition moves in) or the necessity to bring clarity ad to stand for something special to all clients, irrespective of the clientele size. There are many cost-efficient ways to strategically align the MFI internally with your desired image. Branding is not a stand-alone activity to be undertaken by the marketing department, it is an integral part of all operations and necessarily cuts across all the departments. Institutions belonging to a larger network, or international set up, also need to develop its own brand which is locally adapted and is also responsive to the changes occurring in the local competition.

Also, it is important to point out that whether or not you focus on branding, your clients and staff will develop an image of your institution over time. Without adequate attention, this might not be the image you want. So branding is a conscious effort to create and disseminate what you want your clients to believe in.

Q. Why is a brand important for financial service providers?

A strong brand can…

- **Differentiate the institution**
  By defining what it stands for and delivering on its promises, the institution can define – and hold onto – a clear position in the marketplace.

  This can help institutions operating in competitive markets stand out from the competition. For those with little or no competition, a strong brand can help to stake out a position which can then serve them well when competition does enter. If they are doing a good job with services, they won't be alone in the market for long, so they will want to ensure they stand out distinctively from the eventual competition that tries to enter.

  A strong brand can also facilitate strategic alliances, as potential partners will be eager to leverage the benefits for their own brands of linking themselves with a strong brand. In addition, making clear what the institution is about can help to attract those institutions with similar values and approaches.

  A strong brand can also help to build credibility for the institution, and to establish a positive reputation with investors, regulators, and policy makers.

- **Unify the organisation and guide internal initiatives**
  A strong brand helps unify the organisation behind a common sense of purpose and direction. People want to work for institutions that have positive profiles and deliver on what they promise, so a strong brand can help the organisation to attract qualified and committed talent. Potential employees will know what the institution stands for, what its values are, and what benefits it aims to deliver to clients – so those who are a "good fit" for the institution will be drawn to apply. In addition, it is easier for a strong brand to attract very qualified candidates, as they will likely be more interested in working for an institution that is well-known and has a positive reputation in the marketplace.

  A clearly-defined, credible and inspiring brand can also help employees to focus and make decisions, as well as to feel motivated and keep morale high. These internal benefits of the brand are often forgotten in discussions of the brand – but they are at least as important as the external ones. Where employees are clear about what the organisation is driving towards, what it stands for, and what it promises to employees, they can much more easily do their jobs. In addition, the feeling of joint purpose that comes along with a clear brand position can help them to feel inspired – and there is also pride in being part of an institution that is known and respected in the marketplace. Of course, this all takes work: employees must be involved throughout the brand building and management process, as their commitment and understanding is crucial to the brand's success.

- **Enhance marketing effectiveness**
  By clearly defining its brand, the institution can simplify the process of developing its marketing messages – as these will all need to be linked to the overall corporate brand message. It is easier to encourage clients to choose an institution that has a distinctive personality and clear benefits. Once the brand has high recognition and understanding in the marketplace, marketing materials will have higher recall – and materials can be simpler, as even a simple logo can then trigger the desired audience to think about the institution. And if you give your staff and clients something positive to talk about, they will be your word-of-mouth marketers.

- **Build client value**
  Clients will ultimately reap the benefits of a brand which helps staff and management to deliver a consistent experience that is in line with client's needs and desires. The process of building the brand can help institutions to think about what their clients want and to align all organisational initiatives behind serving their target clients better and more consistently. Clients are the reason the institution exists – and a strong brand can help ensure that the institution is fully aligned both internally and externally to meet their expectations.

  A strong brand can also help the institution to attract the right clients – that is, ones who will benefit the most from its products and services. In addition, it can help to instil a sense of pride in clients for being affiliated with the institution.

- **Strengthen against bad times**
  A brand is an important asset when institutions are hit by bad times. Negative PR or market downturns can impact even the most effective institutions, but those which have solidified their reputation in their market are much better equipped to recover. Institutions with a strong brand can call on the value of their brand (and its positive associations) to remind clients, staff and other stakeholders of better times.

- **Increase institutional profitability**
  It is important to remember that the brand is also a financial asset. Brand valuation is an entire field of study on how to quantify the value of brands for institutions: every year, Interbrand, one of the most respected organisations in this field, publishes an annual list of the top 100 brands, and the value of some of the top brands is certainly striking! For example, the most recent stock market value for CocaCola was $164 billion, whereas the actual value of the company is $7 billion – $157 billion is brand value.

  > "The brand is a special intangible that in many businesses is the most important asset. This is because of the economic impact that brands have."
  > **- Interbrand**

  A strong, positive reputation in the industry can significantly increase the number of donors and / or investors interested in the institution. In addition, clients are willing to pay for a quality brand, and it can also help increase client loyalty and retention rates – thereby also increasing profitability for the institution.

Q. What are the key steps/footpath to the branding process?

Corporate branding involves three broad processes:

- **Developing the brand**
- **Implementing the brand**

- **Monitoring the brand**

These processes have been divided into five key steps that form the Footpath to a Great Brand:

- Developing the Brand:
  Step 1: Analyse Where We Are and Where We Want to Be
  Step 2: Create the Brand

- Implementing the Brand:
  Step 3: Internalise the Brand
  Step 4: Communicate the Brand Externally

- Monitoring the Brand
  Step 5: Measure the Success of the Brand

Step 1 in the branding process is to identify the institution's current market position and potential areas of differentiation. Through research with target clients, staff and management, and other key stakeholders (such as members of the Board, policy makers and regulators, strategic partners, etc), the Brand Management team should develop an in-depth understanding of what the brand stands for today – and what these key groups would want the brand to stand for in the future.

The analysis of the current and desired image from Step 1 forms the basis for the next step, in which a credible, compelling brand is designed (**Step 2**). Here the Brand Management team will develop the new Brand Guide, including brand attributes, benefits, essence and positioning statement. The Brand Guide will need to be clearly based on the research findings and linked to the organisational strategy, mission and vision. Organisational capabilities and resources will also need to be considered in order to ensure that the new brand can be delivered consistently. Once the Brand Guide is developed, the Brand Identity (logo, tagline, signage, etc.) will need to be considered and appropriate changes made to reflect the new brand. The institution may choose to involve an agency at this stage of this process, in which case a comprehensive agency brief will need to be created to guide them in their work on the brand.

Once the brand is created, it is time to make it a reality! The first step of implementing the new brand is for the institution to build internal commitment and ensure organisational alignment (**Step 3**). Here the Brand Management team will need to develop and implement an internal communication strategy to ensure that all members of staff fully understand the new brand. Staff should already be aware of the brand building process by this stage, and their opinions should have been solicited – as it is crucial that they feel part of the brand building process. (For larger organisations, it may not be possible to involve everyone from the beginning, in which case the internal communications strategy must be considered all the more carefully.) Step 3 also involves ensuring organisational alignment – that is, assessing what needs to be done or changed to ensure that the staff have everything they need to deliver on the brand. For example, if the institution promises fast service, loan application processes may need to be changed, staff may need training in ways to serve clients more quickly, or more staff members may need to be hired to reduce client waiting time. It is important that this step occur *before* the brand is communicated externally, as the brand will only succeed if employees have the resources – and desire – to "live the brand."

The brand is then communicated externally through a well-designed communications and marketing strategy (**Step 4**), using the various components of the marketing mix (eg, advertising, direct marketing, public relations, personal selling, and events and sales promotion). This may be done with the assistance of an external agency, which can help the institution to develop its marketing materials and to choose which media to use. The Brand Management team (and any marketing staff members not explicitly on this team, if relevant) will regardless need to be heavily involved to ensure that the marketing messages are consistent and aligned with the new brand.

Finally, **Step 5** is designed to help institutions assess the impact and effectiveness of their brand initiatives so they can decide how to adjust their branding strategy. This step should help institutions both understand how compelling their new brand is to their various stakeholders and determine how consistently it is being implemented in the marketplace. The findings from this step should then feed back into other parts of the brand development process: monitoring the brand and making the necessary changes can ensure that the institution will continue to feel all of the benefits of a great brand.

Q. What is important in the process of building the brand for the institution?

The steps defined in the footpath are not meant to be considered as a strictly linear progression, with each one being completed before the next one begins. The ideas are presented in the order that it makes most sense to think about them, and in the general order in which they need to be implemented to craft an effective corporate brand strategy. There will be loops throughout the entire process, however, when new information or client feedback should cause you to revisit your strategy in a previous step. At times, this may feel like you are taking a step back, but in reality, you are refining and improving your brand. It is the way the process is supposed to work – a continuous monitoring cycle that keeps you ever responsive to your market.

Building the brand makes the institution to analyse and define for themselves the following:

- Where are we
- Where are we going
- How are we going to get there
- What should be the brand attributes and what are the components of the brand identity?
- How will the brand be communicated internally and externally?
- How will the performance of the brand and its impact be assessed?

As branding is a continuous process, throughout each of the steps of building the brand - designing, implementing and monitoring - your institution will gain an understanding of the existing gaps and thus would work towards developing solutions to overcome them. The process thus provides immense scope for learning for the institution, making the process of designing a brand for your institution just as important as the brand itself.

Q. We have already done some work on our brand – do we still need to go through each step of the process?

The time and resources required for the process will depend on how much work still needs to be done on the brand. In some cases, it may be possible to skip directly to the implementation and monitoring stages – but mostly it is at least necessary to clarify what the brand is about, if not to actually revise or change it. In addition, think about how well they understand where your brand is today – in the minds of their target clients, staff, and key stakeholders – as this information can inform how much work still needs to be done on the brand.

Q. Who should lead the process?

To create the brand, there should be a Brand Management team to develop, implement and monitor the brand. This team usually consists of the CEO, head of operations and the marketing manager, as well as any other senior managers who have expressed explicit interest or expertise in branding. The team should be kept relatively small in order to facilitate both the logistics of meeting and the speed of decision making – but it is important that other staff stay involved to provide feedback and review key decisions. Staff commitment and buy-in is crucial to the process, so the Brand Management team must make soliciting the opinions of other staff members and listening to their concerns a top priority.

In addition to the Brand Management team, it is important that one Brand Manager be appointed to be responsible for monitoring the brand and signalling when it is time to make changes to either the brand design or to how it is being implemented. This person should also take a leading role in meetings of the Brand Management team, and should ensure that there is clear follow-up from these discussions. The choice of Brand Manager will depend on the organisation, but it should be someone who is senior enough to command the attention of the rest of the team, has a good understanding of market research and of client needs and desires, and has the time and energy to devote to the brand. The Brand Manager does not always have to be the marketing manager, and that the Brand Management team should have non-marketing managers on it as well. (Some institutions may have already selected the Brand Management team and Brand Manager. So it is important to stress who should be involved in case some representatives are missing from the training – and to point out that it is very important that each and every member of the Brand Management team become very familiar with all of the material in the training.)

Commitment of the CEO / Executive Director and Board is crucial. The senior executive could guide the process and ensure buy in and institutionalisation of the brand. Though it is a specific brand management team that develops and manages the institutional brand, everybody in the institution needs to be accountable for delivering the brand. It is also important that the brand can be communicated through different symbols or words but the message should be consistent. Think globally, act locally!

Q. How long does this whole process take?

To go through each of the steps described in this manual could take anywhere from 2-6 months – but to truly establish a strong brand that is believed by the organisation and its clients can take years. The brand development process should be mostly completed by the end of this process (recognising, of course, that the brand will need to be evolved and modified over time to keep it up-to-date) – but brand implementation and monitoring must remain a priority for the organisation over time.

The amount of time and effort that will need to be invested upfront will depend on a number of factors, including:

- *The amount of research already conducted*: the amount of additional research that should be conducted will depend on how well the organisation already understands the beliefs and needs of its key stakeholders;
- *The degree of agreement amongst key stakeholders*: the Brand Management team will have to allot more time for brand design if they need to resolve conflicting views on what the brand should stand for;
- *The degree of alignment between the desired brand and current organisational initiatives*: the amount of time necessary for the brand implementation stage will depend on how many organisational changes will be required in order to deliver on the brand's promises; and
- *The organisation's brand development and management history*: the process will be expedited if the Brand Management team can leverage past work or build on earlier branding initiatives.

Q. How much will it cost?

Strong brands are invaluable, and building them does require both time and money. So the institution will need to commit adequate finances before beginning the brand building process. In the long run, the brand will pay for itself, and thus the costs incurred in the brand building process are actually investments that pay off in the long run. The process of building a brand is valuable as a tool to bring the organisation together and strengthen its focus for the future.

The precise amount of money you will need to spend on brand building will depend on how much research you conduct, how many members of your staff are involved (and how much time they each spend on the brand), and how many additional resources you need in order to deliver on the brand. You will also need to consider the costs of revising your Brand Identity – eg, your logo, letterhead, branch signage etc. In addition, the costs will depend in part on the extent of change required: the new brand must be financially realistic, and designed with the current organisational resources and capabilities in mind.

There are ways to decrease the costs of brand building by leveraging already existing initiatives (eg, monitoring the corporate brand through research being used to test new products or new marketing materials or timing the brand development to coincide with a strategy review process). The long-term benefits should also be considered, as ultimately the brand will deliver financial benefits to the organisation – by improving efficiency through better aligned organisational initiatives, increasing both the number of clients and client retention rates, and enhancing marketing effectiveness.

Q. How much will the brand need to change over time?

Branding is a continuous process – and institutions with strong brands make brand management a core part of their business. It is not a separate initiative but a core part of other initiatives. However, once an institution has gone through a comprehensive brand development process, its efforts should shift away from changing the core of the brand itself towards making sure that the brand is delivered consistently throughout each and every part of the business. The brand management team will need to monitor the brand to ensure that it remains compelling, and changes may be necessary – but these should mostly be only minor refinements.

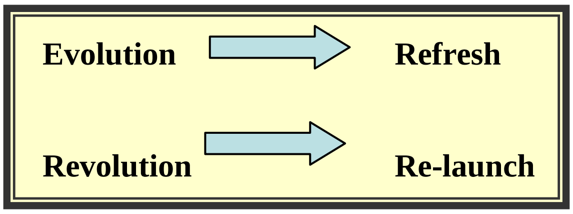
Some institutions may want to make substantial changes to their brand, others may want to make refinements and then focus their efforts on implementing and monitoring the brand. The decision on this should follow the market research with their clients.

Making too frequent changes to the brand can harm its credibility, so it is important for the brand management team to consider how the new or modified brand will stand up to time when they are going through the design process. Of course, some market or institutional changes may be difficult to predict and will necessitate more substantial changes to the brand. However, as much as possible, the goal of the brand design process should be to develop a brand that will remain compelling and inspiring over time, as then the brand management team will be able to spend its time, energy and resources in ensuring that the brand is delivered consistently to all of its stakeholders.

Q. When is it time to change the brand?

Brands must evolve with the times – and the challenge is to remain up-to-date while also retaining all of the goodwill built throughout the organisation's history.

The level of change necessary will depend on the institutional and market situation. While one institution might simply need to refresh its brand to keep it current, another might need to undergo a substantial re-launch of the brand.



Sometimes brands lose their capacity to be inspiring to employees, clients, or other stakeholders. This may occur for a number of reasons – perhaps the organisation has outgrown the brand, client needs have changed, or competitors are seen to offer superior products or services. Or perhaps the brand was never clearly defined and implemented, so it has become confused and undifferentiated.

This training, as well as research with your target clients, staff and other key stakeholders, should help you determine the amount of change that is right for *your* institution. Some reasons why you might want to consider a more substantial change to the brand include:

- **Brand is not fully understood by key stakeholders**
  This is likely to occur if the institution never clearly defined its brand – or if it did not consistently deliver on its brand promises. Some brands may have high awareness, and yet no one can agree on what they stand for – then it is time to clarify what the brand is about, and to implement the necessary internal and external initiatives to make the brand a reality.

- **Client expectations have changed**
  Clients needs do change, and a brand can only be strong if it meets – or, better, exceeds – clients' expectations. This may occur because clients have become more knowledgeable of the options available to them, so they are more demanding of their financial service provider. Or perhaps the macroeconomic situation has changed, so their concerns and requirements have changed accordingly. The amount of change required will depend on the degree to which the brand's promised benefits continue to be aligned with what clients want.

- **The competition has increased / become stronger**
  Fierce competition in the marketplace often requires organisations to differentiate themselves more clearly and to improve their overall positioning. The brand will need to be clearly defined – and delivered – so that clients, potential staff and other stakeholders will want to choose the organisation over others in the market. It doesn't make sense (for either the financial or social bottom lines) to compete on the same platform and for the same clients as other organisations, so the brand can help to ensure that organisations attract those who are the best fit for them.

- **Your strategic goals, mission or vision have changed**
  The brand must be aligned with the strategy, mission, and vision – so where there are changes in any of these, the brand should be changed accordingly. For example, if an institution decides to shift its target client base to include male as well as female clients, its brand can be a significant help in ensuring that this choice is understood and well received in the marketplace. The links between the brand, strategy, and mission/vision should continually be examined and maintained, as each of these should reinforce and strengthen the others.

- **You have gone through organisational changes**
  One of the most important reasons for changing the brand is that the organisation has undergone changes that have not yet been reflected in the brand. This may occur because of a change in ownership or management, or because of a new strategic partnership, acquisition or merger. Organisations that undergo formalisation will also want to consider the impact of this change for their brand.

Q. What are the principles for creating a strong brand?

There are five key principles to remember when starting off on the Footpath to a Great Brand:

1. **Stand for something**
   Standing for something clear and compelling will help clients, potential employees, and other stakeholders to differentiate you from other institutions in the market. If you try to stand for everything, you will ultimately stand for nothing. You will need to make some hard choices about which clients you most want to target and what you most want to promise them, as even the strongest institutions cannot provide everything to everyone. Making these choices, which should be based on how you can best meet clients' needs and desires while also building on your institutional history and core strengths, will help you to target and focus your activities and set you well on the path towards a great brand.

2. **Keep your brand promise**
   If you don't deliver the benefits your brand promises, clients will lose faith in your organisation and will become frustrated or angry. It is better not to make the promise than to make it and not keep it – so you should ensure that you can deliver on your brand promise before communicating it externally to clients. If your brand is about honesty, your product has to be trustworthy – and if it is about value, your product has to be competitively priced. Clients' level of satisfaction will depend on having their expectations met – thereby also impacting staff morale and the organisation's reputation in the community.

3. **Deliver your brand consistently**
   It is important that each and every part of the organisation be aligned to deliver on the brand. The brand should guide each and every interaction with staff, clients and other stakeholders – as each of these will impact how your organisation is perceived. It is not enough to make the logo and external marketing materials communicate your brand: all internal and external initiatives should be geared towards delivering your brand. It is important to make sure that clients and other stakeholders are provided a consistent experience of the brand at each and every touch-point, so as to reinforce the brand. This requires a cohesive strategy and has significant implications for how the organisation is perceived in the market.

The clients' experience of each of the eight "Ps" (people, product, pricing, place, promotion, positioning, physical evidence and process) must be aligned with the brand. If these are not aligned, brand credibility will be damaged.

4. Cherish your brand
A brand is like a child, full of potential, loved by those who know it, mistrusted by those who don't, easy to guide with love and care, ready to bounce back when attacked…but love your brand and it will repay you over and over again…A brand does require the commitment of time, energy and resources…but its benefits will make the investment worth it! If well managed, a brand repays over and over again.

Once you have invested time and money into developing a brand, it must be treasured and preserved. The Brand Management team will need to ensure that it is understood and owned by all employees, so that the brand guides every aspect of how they do their work and how they interact with clients.

5. Keep your mission and strategy in mind
Brands are sometimes used by institutions to cover up their failings – but, as organisations that provide financial services to low income people, the responsibility to use the brand for good is particularly pressing. The brand should not be seen as a tool to manipulate people into believing compelling marketing messages, but rather as a tool to help the organisation stand for something that truly appeals to clients – and to provide clients with the corresponding products and services. The brand must also be consistent with the organisation's strategic goals and initiatives, as the organisation's strategy; mission, vision and values; and brand should all reinforce each other and guide the organisation towards being the best it can be at providing financial services to its target clients.

Q. What are the most common branding mistakes?

Many of the most common branding mistakes have to do with ***not delivering on your brand promises*** – make sure that you are fully ready to deliver on your brand *before* launching it externally! Your brand message should reflect what you are actually equipped to offer to clients – not what you would like to offer them. Do *not:*

- **Launch a brand you cannot support**
  Sometimes organisations become overly confident, thinking that they can launch the brand before the systems and staff are ready: the organisation must be fully ready to deliver on the brand before it is launched externally.

- **Set up unrealistic expectations which the organisation cannot deliver either now or in the foreseeable future**
  The brand must be credible and consistent with the organisational capabilities and resources. Sometimes organisations try to stand for something that they can't provide (eg, a mono-product microcredit organisation promising to provide products tailored to clients' needs – without the resources or regulatory environment to expand its product offerings), thereby setting themselves up to disappoint their clients.

- **Create astonishing demand and then don't deliver**
  Sometimes organisations do have the resources to deliver on the brand, but they just aren't ready to deal with the increase in demand associated with the new brand. It is important to ensure that the organisation is prepared to deliver the brand promise not only to existing clients but also to new clients attracted by an effective external communications strategy.

- **Diversify beyond your competency or area of strength into unrelated product categories**
  The brand must be founded on what the organisation already does well, and plans to diversify must be carefully considered to ensure that they make sense given organisational capabilities and strategic goals. It is important to think about how the different parts of the organisation fit together, and how they all link to the corporate brand, strategy, and mission / vision / values.

- **When product brand overtaken corporate brand**
  Some particular products may become very popular in the market when over a period of time, the institution is recognised through the product. This poses a risk for the institution in a situation when the product starts making loss, or the institution decides to stop the product, or rename the product, and any of these affect the institutional brand. For example, a bank introduced a children's saving account with lot of attractive incentives for the children. The product became very popular and overtook the institutional brand. Overtime the product made losses as more accounts brought with it added expenses to fund the incentives attached to the product. However the institution had to retain the product as removing it would affect the corporate brand.

- **When brand of the partner institution takes over**
  Institutions may be required to partner with other institutions to deliver from some of its services, for example, financial institutions often partner with insurance companies and money transfer services. These partner companies would require to have office space within the institution's premises and if the brand of the main company is not strong and prominent, the brand of the partner may take over. Western Union money transfer service has a strong brand and often is more prominent than the brand of the host institution.

Organisations also sometimes suffer from ***marketing mistakes or oversights***…do *not:*

- **Continually change the launch date**
  When organisations decide to launch a new brand, they should decide on a launch date and stick to it. Changing the date can generate confusion both inside the organisation and externally.

- **Say the wrong thing about your brand at the wrong time in the wrong place**
  A clear marketing and communications strategy should be developed in order to ensure that each piece of external marketing is coordinated and helps to reinforce the core messages of the corporate brand. It is easy for marketing materials to provide conflicting messages or to make false promises (e.g., "X loan is coming" – when it isn't!): this will damage the brand's credibility in the marketplace.

- **Link your brand with someone rather worrying or politicians of dubious repute**
  Brand spokespeople should be considered carefully. It is not enough for them to be well-known: they should reflect the values and feel of the organisation, as their image will become linked in people's minds with the reputation of the organisation.

- **Ignore negative publicity or rumours**
  Sometimes organisations suffer from negative PR, and it is important to respond to these messages quickly and carefully so that they do not spiral out of control.

  Weak brand monitoring and management can also lead to problems for the brand…do *not*:

- **Remain static in changing times…**
  Organisations that don't change in changing times, sticking to their original brand and ignoring market trends and changing client needs, will find that their brands become static and lose their original appeal. Brand management is a continual process, and it is important to evolve the brand and keep it ever responsive to the market.

Session Three: Developing the Brand: Analyse where we are and where we want to be

Q. Why is this step of the footpath important?

A major part of brand building is understanding where the institution is and where key stakeholders (clients, staff, partners, investors, etc.) want it to be. This knowledge is important in terms of setting the foundation for the brand building process. This step involves an analysis of the market to understand clients' needs and expectations and identify potential areas of differentiation, as well as an analysis of institutional goals and desires to determine internal brand aspirations. The results of this analysis will then form the basis upon which to build a brand that is relevant to the target market and appropriately aligned to the Vision and Mission of the institution.

The research and tools described during this step are not only useful at the beginning of a brand building process – but are also relevant as part of ongoing brand tracking which can then help institutions make the refinements necessary to sustain a strong brand.

Q. Who should do the research?

Some institutions may choose to conduct and analyse the research themselves, while others may choose to outsource the research to an external facilitator or agency. In making this choice, it is important to recognise the trade-offs between cost savings and the potential to increase staff understanding and commitment on one hand, and impartiality and the potential for a fuller picture on the other.

Keeping the research function within the organisation can help to reduce costs, and it can also build the understanding of those involved in conducting and analysing the research – making them particularly valuable members of the team developing the brand. Building research skills internally can also be helpful for the future, and *MicroSave*'s Market Research for Microfinance Toolkit can provide tips and guidelines to guide those interested through the research process.

However, there are also benefits to hiring an outside facilitator or partnering with an agency for the research. In particular, they will bring skills and experience that can help improve the quality of the results – a benefit that will become particularly relevant where there is little institutional experience in conducting and analysing research. Additionally, they will be better able to bring out sensitive information, which participants may not be willing to share with someone affiliated with the organisation. This is particularly important for smaller organisations where focus group discussion participants may feel especially reluctant to share concerns for fear that their comments will have an impact on how they are treated subsequently.

One option to consider with outsourcing research is to have an outside facilitator conduct all or part of the research, but to have a few key members of the brand management team listen in – while this option does introduce issues of confidentiality regarding sensitive information, it can help build understanding and buy-in amongst those listening in.

An outside facilitator may be particularly helpful for discussions with staff – although again this will depend on the degree to which the information solicited is likely to be sensitive. Sometimes the primary goal of the brand development process is to improve negative internal perceptions of the brand and boost low staff morale – if this is the case, an outside facilitator will be better equipped to capture the information necessary to achieve this goal.

Q. How involved should we be in the analysis of data?

Regardless of whether the research function is kept internal or outsourced, the Brand Management team should be heavily involved in data analysis. Again, this can be facilitated if they are present for at least most – preferably all – of the research. The Brand Management team's involvement is important because the research must form the foundation of the brand, and yet experience has shown that it is easy to ignore research if one has not been intimately involved with the analysis!

Meetings should be held with all senior management and select staff to present and discuss the research findings, as this is an important part of ensuring their buy-in and soliciting ideas for brand development.

The research findings should also be shared more broadly, and links between the research and subsequent choices made about the brand should be made explicit – such that staff can see how the beliefs and desires of key stakeholders (especially of target clients) are reflected in the new brand. Staff understanding and buy-in will ultimately determine the success of the new brand – so their involvement throughout the brand development process is crucial.

Q. Which groups should we talk to?

Before beginning the market research, it is important for the institution to identify which groups it wants to understand:

- *Clients:* Who is the target?
- *Staff:* Which members of staff / management?
- *Other stakeholders:* Are there any stakeholders who are crucial to the success of the brand? If so, which ones? These might include: board members, donors, investors, strategic partners, etc.

The different groups being researched may provide conflicting suggestions or ideas. For example, policy makers, the Board of Directors, and staff may not all have the same vision for the brand – and these may not all align with the desires of the target client. Raising and, hopefully, resolving these tensions is an important result of the brand building process, and is valuable in itself. The brand management team should look out for these tensions early on and bring them to the attention of senior management (that is, including members who are not on the brand management team) for discussion.

Q. Which clients should we talk to?

The corporate brand should be designed to meet the needs and desires of clients identified as the core target for the institution, as a brand cannot be for everyone. There should be clear agreement amongst senior management regarding who this core target is – before beginning the brand building process – as the brand will need to be created with this target in mind. This decision should be informed by the organisational strategy, mission and vision, as well as by earlier research and market segmentation work. Different clients will have different needs and desires, so the *specific* needs and desires of those considered the highest priority for the institution should guide the design of the new brand.

Depending on institutional goals (regarding growth, attempts to shift the client base, etc.), it may be helpful to talk to both current and potential clients, screening for those who are the highest priority for the institution. Discussions with potential clients will likely need to be kept at a more general level as they will not be as familiar with the institution, but these discussions can help particularly in defining the institutional landscape and finding potential areas of differentiation.

Q. Which staff members should we talk to?

Although the brand will need to be communicated across the organisation as a whole before it is shared externally, it is important to involve key members of staff in the earlier stages of the process. The choice of which staff to talk to will depend on the institution, but it should at least include the heads of each division, as well as any other senior staff not included in the brand management team. Members of the frontline staff should also be talked to as they usually have rich information from the market since they interact with clients on a daily basis. They are well placed in analysing institutional capacities relative to market opportunities or challenges. Meanwhile, talking to management allows for the exploration of strategic issues by looking at what has been done and what is being planned.

Talking to staff and management in this process helps:

- Raise ideas that will help build a more credible and inspiring brand;
- Increase brand awareness and understanding within the institution;
- Ensure buy-in across the institution.

Q. Which other stakeholders should we talk to?

This decision will depend on the institution, as it should be determined based on which groups will have different and important perspectives on how to make the brand successful, as well as on which groups can exert influence on the brand. In other words, the institution should ask itself whose beliefs and suggestions will be most valuable, and whose buy-in is most critical to the brand's ultimate success.
The groups to consider include the Board of Directors, donors and investors, policy makers and regulators, strategic partners, etc. Given time and financial constraints, it may not be possible to reach everyone the institution might like to talk to – but it is important not to forget these groups, as they will often exert significant influence over how the brand is received in the marketplace.

Q. Can we use data we have already collected?

Yes – definitely! As much as possible, the institution should review information it already has on trends in the marketplace, perceptions of the institution and its products and services, segmentation of clients, etc. and use this information to inform the additional research to conduct.

Q. What potential tools can we use?

There are a number of possible tools that can be used to build understanding of the brand beliefs, needs, desires and aspirations of clients, staff, and other key stakeholders. The suggestions in the manual are just that – they are intended to form part of a toolkit of market research options, and the mix of tools used should be tailored to the specific institution – how much information it already has, what questions are remaining, and what is the situation in the marketplace.

The potential tools to understand each target group include:

- **Target Clients** – Image Analysis, Mind Mapping, Other FGD/PRA tools (including Financial Landscape Analysis, Relative Preference Ranking, Perceptual Mapping), Individual surveys
- **Staff / Management** – Image Analysis, Mind Mapping, Perceptual Mapping
- **Other Key Stakeholders** – Internal brainstorming, one-on-one discussions

Q. How can we use a perceptual map to develop our brand?

Determining how the brand can be differentiated in the marketplace is a crucial part of effective brand design. The Perceptual Mapping tool helps the institution to accomplish this goal, as it illustrates where each of the existing brands sits along key dimensions that define the brand – highlighting areas where there are many competitors and areas where there is "white space" in the market.

There are two approaches to developing a Perceptual Map. The first can be called the "rigorous approach," as it involves defining key attributes for the market and then creating maps using statistical regression analysis (from quantitative research). The second – or "simple" – approach involves placing the organisation and its competitors on a pre-developed Simple Perceptual Map:

Example of Simple Perceptual Map

The Simple Perceptual Map tool can be used in focus groups with clients, as well as in discussions with staff and management. As with most of the other tools, the discussions are at least as valuable as the output of the Perceptual Mapping exercise – so the key points from these discussions should be captured and summarised for those who are not present for the research.

The Perceptual Mapping tool can also be a helpful tool for the Brand Management team when they try to decide on the *aspirations for the brand* – as it illustrates the importance of making choices. As tempting as it may be to pursue a strategy that aims to provide benefits in all three areas – price, quality and customer service, institutions should avoid positioning themselves in the middle of the value triangle. Experience in other industries has shown that companies can succeed by concentrating on being the best in one particular area, or at times, by being very good in two out of the three areas, but they fail when they end up in the middle, trying to deliver a little bit of everything to everybody and delivering nothing all that special to anyone.

An institution that positions itself in the middle of the triangle will have a very difficult time differentiating itself from its competitors. If it is in the middle, it will be competing with all of the other players in the market—those who focus on offering the best price, those who focus on offering the highest quality and those who focus on offering the best service. What benefits can an institution in the middle offer by comparison? Simply an average product at an average price with average customer service, which is not a very attractive offering. Institutions should not fool themselves into thinking they can be the best in all three areas at once. There is a cost, after all, to higher quality and better service. Customers who want a more convenient product or a more personalised product will be willing to pay more for those benefits. Clients who are most concerned about price will look for the lowest cost service provider. By figuring out what matters most to your target client, you can aim to have your institution positioned as providing the greatest benefit in that area.

Q. What are the 9 brand differentiators?

1. Speed of development (Product)

- Capture the leadership position by being first to market e.g. ATMs
- Develop products/processes in parallel and not sequentially
- “Me-too products do not do as well”

2. Features (Product)

- Know what the customer will pay for – focus your offer there
- Don’t over complicate with excess, under-utilised features (some internet banking solutions)

3. Design (Product)

- Perception is everything – design the product to stand out in the market-place
- Not just about style – the product is easy to:

    - Learn how to use
    - Use
    - Understand/get information about
    - Maintain, etc.

4. Technology (Product)

- Innovate: find new customer applications for new technologies
- Technology
    - Bigger, faster, cheaper (something that everyone understands and simply extends existing products)
    - Bigger, faster, cheaper but newer (replacement technology)
    - Strategic technology – high potential technology but use unknown …
        - Market research can help understand how these might be used/customer value.
        - Get prototypes out as quickly as possible so that they can touch/feel/taste it.

5. Reliability (Product/Customer Service)

- Give customers what they want, when they want it
- Earn customer loyalty, deliver reliable products consistently
- Do what you say you are going to do – consistently and don't make it my problem if something goes wrong
- Quality of conformity (consistency) – throughout the organisation

6. Service speed and satisfaction (Customer Service)

- Satisfy your customer
- Can justify a price-premium
- Service augmentation is the key – particularly in competitive arenas where the products are all the same.
- Don't leave your most junior people dealing with the customer without careful training
- Ensure that you hire people who like being with people

7. Relationships (Customer Service)

- Nurture customer relationships
- Everyone in the organisation must be market-driven
- Original 4 Ps only focused on getting new customer – need to focus retention/relationship marketing
- Maximise customer lifetime value
- Dissatisfied customer says so twice as often as satisfied customer
- Get managers to answer customer questions/complaints – focus on solving problems

8. Personality (Customer Service)

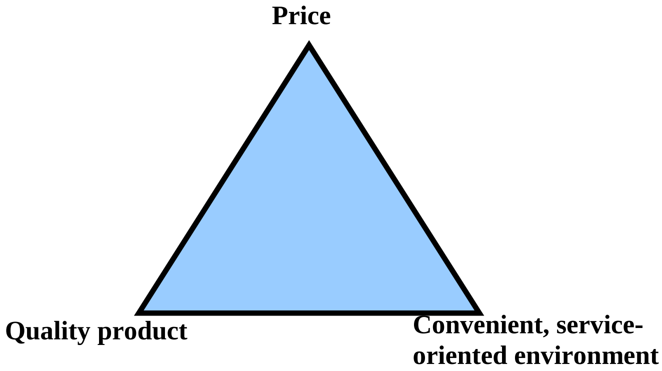
- Define yourself – create a distinct image for your offering
- Set of values which the corporation believes in – Cooperative Bank in UK
- Can develop confidence/trust in users/customers
- Basis of brand equity

9. Price

- Offering the lowest cost (often relatively inflexible) option – for example ASA in Bangladesh

Q. Simple Perceptual Map: Where do our MFI's Products Lie?

Focus on one or two positioning issues: stand for something, clearly and convincingly!



Reminder: As tempting as it may be to pursue a strategy that aims to provide benefits in all three areas – price, quality and customer service, avoid positioning yourself in the middle of the value triangle. Experience in other industries has shown that companies can succeed by concentrating on being the best in one particular area, or at times, by being very good in two out of the three areas, but they fail when they end up in the middle, trying to deliver a little bit of everything to everybody and delivering nothing all that special to anyone.

Q. How should we begin to analyse our brand aspirations?

After looking at the brand's current market position, analysing the brand's differentiators, and building an understanding of what is needed in the market, the Brand Management team can begin to "dream" about a new or modified brand.

Although it is important to "dream" about how the ideal brand would look and feel, it is also important to remember to ground the discussions of brand aspirations in the research, as well as in the organisation's capabilities, resources and existing business plan. Of course, the brand discussions may highlight areas for change, and they may lead the institutional leadership to decide to build capabilities, add resources or adapt the business plan. However, it is crucial that the discussions about the brand always be grounded in what is realistic and credible – to potential clients, to staff, to management and to other key stakeholders.

The brand should be designed through a series of workshops with the Brand Management team – leaving time to solicit input from management team members who are not explicitly on the team. The first brand building workshop should be spent discussing the findings from the research, and then the team should attempt to fill out the Brand Building Worksheet.

The Brand Building Worksheet is designed to help start the process of developing the brand. It should help the team analyse and condense the information from the research conducted with clients, staff, senior management and key stakeholders. It is not intended as a template or as a tool for external communication, but the responses generated should inform the Brand Guide that is developed in Step 2.

Q. What is your MFI really selling?

Your MFI is actually selling a service, which depends above all on a *relationship* with your clients.

Q. What guidelines should we follow in creating the brand?

First, the brand must be both inspiring and credible. It should reflect the needs and desires of clients and the aspirations of employees and other stakeholders, but the organisation must be able to deliver on any promises made. Some internal changes are likely to be necessary in order to build the brand effectively, but it is crucial that these be realistic. Each component of the new brand should go through a "credibility test": the organisation may decide to invest in building certain capabilities, but it will need to have the necessary resources to do so – and such choices must be made explicitly.

Second, the new brand must be consistent with the organisational strategy, mission and vision. The brand process will sometimes lead the organisation to make modifications in these areas – but these choices must be made consciously.

Third, the brand must be grounded in the findings of the market research with all key groups – as collected in Step 1. It should specifically be designed to appeal to the target client, while also considering the findings from discussions with staff and other stakeholders.

Fourth, it should represent the composite identity of the organisation – and not be specifically focused towards individual products.

Finally, the benefits promised should satisfy a number of criteria:

- **Important**: Highly valued to a sufficiently large market
- **Distinctive**: Distinctly superior to other available offerings
- **Easily Communicated**: Can be communicated simply and effectively
- **Superior**: Not easily copied by competitors
- **Affordable**: Perceived as sufficiently valuable to compensate for any additional cost
- **Profitable**: Will lead to financial benefits for the institution

Q. Who should be involved?

The brand should be developed in brainstorming sessions with key staff and management. The Executive Director or CEO should be very involved in the process and should be present for most or all of the brainstorming sessions, as should the marketing manager and operations manager. Other participants will depend on the organisation: regardless, the process should be iterative – with room to solicit inputs from any leadership team members not present in the brainstorming sessions.

The organisation should consider hiring an agency for the external communication stage of the process (as we will discuss later). It may be helpful to include members of the agency in the brainstorming sessions – although the brand must be primarily developed internally.

Q. What is the Brand Guide?

The Brand Guide is a framework to describe the organisation's desired brand. It includes four key components:

- **Brand Attributes**: Short, tangible descriptors of the organisation
- **Brand Benefits**: Benefits provided to the target client
- **Brand Essence**: The core of the brand
- **Positioning Statement**: 2-3 sentences encapsulating the desired brand

Q. What are the benefits of the Brand Guide?

The Brand Guide provides a comprehensive framework that illustrates the organisation's brand as a total, recognisable entity. It covers the key components of the brand, thereby ensuring that these are arrived at through the brand creation process. In addition, it is a useful tool for communicating the brand internally and with strategic partners.

Q. What are some tips for developing the different components of the Brand Guide?

General Tips:

- Use the Brand Building Worksheet (as described in Step 1) to help with this process and to brainstorm and distil the key ideas.
- Be sure to ground the discussions in the research findings, as well as in the organisation's existing mission, vision, values and strategy.

- Be creative in choosing the language, but keep the wording simple and easy to understand. Don't use "yets or buts" (e.g., traditional, yet curiously modern), and don't use clichés or tired language.
- Ensure that the Attributes and Benefits reinforce one another and are clearly linked to the Brand Essence and Positioning Statement. Don't offer conflicting messages.

Attributes should be short, tangible descriptors of the organisation – including products, services, etc. Some examples might include: fast service, short waiting times, well-trained staff, etc. In the Brand Guide, they should represent the features that need to be offered in order to deliver on the brand. Although they need not all be offered by the organisation when the Brand Guide is developed, it is important to ensure that they are consistent with the organisation's assets and capabilities – as a key part of implementing the brand is building these features into the business strategy.

Benefits should represent the benefits the organisation wants to provide to the target client through the corporate brand. They should reflect the way the organisation wants clients to feel as a result of the attributes offered – so they should be from the client's perspective. They should link with the attributes agreed on – so they too should be credible given the organisation's assets and capabilities.

The *Brand Essence* should encapsulate everything you want the brand to be – in one short phrase. It should reflect the values of the organisation and be aligned with the mission, vision and strategy. It should be both credible and aspirational, and be designed to inspire staff and management. It is not a tagline and should only be used to communicate the brand internally or with organisational partners.

The *Positioning Statement* should summarise the other components of the Brand Guide and provide a more complete statement of what you want the brand to stand for. It should answer the following questions – for the desired brand:

- **Who:** Who are you?
- **What:** What business are you in?
- **For whom:** What people do you serve?
- **What need:** What are the special needs of the people you serve?
- **Against whom:** With whom are you competing?
- **What's different:** What makes you different from those competitors?
- **What's the benefit:** What unique benefit does your target client derive from your service?

Q. What is the Brand Identity?

The Brand Identity is all of the audio and visual signals of the brand, such as the logo, tagline, colours, branch look, pamphlets and advertisements.

Q. What is the role of the agency in developing the Brand Identity?

A good marketing or advertising agency can greatly assist in the development of the Brand Identity. It can help you translate your market research into a cohesive communications strategy (both internal and external), and it can help you develop your marketing materials and plan which media to use. You will want to retain a high degree of involvement throughout the process, but a good agency will be an invaluable partner.

Q. What should we look for in an agency?

While a good agency can be an invaluable partner, one that does not understand your goals and values can waste valuable time and resources. It is important to invest the time up-front to ensure that you will get the most from the agency you choose.

In comparing agencies, look to see if they share and can relate to your organisational values. The agency you choose should understand your target market, and be open to listening to your goals and aspirations for building your brand. You should feel comfortable with the people at the agency, and feel as though you would be inspired to bounce ideas around with them.

Q. Do we have to use an agency?

Many MFIs (including quite large ones) have found it difficult to get agencies to understand their needs/business. (after all microfinance is rather different from branding beer or even up-market commercial banks) and/or to get the agency's attention high quality staff (since they are viewed as "petty cash clients" – with little value). You will typically either have to find a small/medium sized agency that is willing to make the commitment to learn and work with your institution or you may want to use alternative and innovative approaches, such as involving your staff/graduates from design colleges or business schools to work on the "creatives" that will be associated with your brand. Involving your staff through competitions etc. can often increase their buy-in to the new brand and you will often find the new graduates provide great value for money.

Q. What is a brief?

A brief is a document which is used to build understanding amongst those working on the Brand Identity. At the beginning of the engagement with the agency, the financial institution should provide the agency with a comprehensive agency brief, which should then assist them in preparing a brief (the "creative brief") to guide the development of the Brand Identity.

Q. Why write a brief?

A brief is useful because it brings focus to marketing efforts and ensures tactics align with the brand. By laying everything explicitly out on paper, it leads to better, more effective, and measurable work. It also saves time and money and makes fees and remuneration fairer.

Q. Is it enough to write the brief and circulate it?

No. It is best to follow up the written brief with a discussion – and then, if necessary, to make any relevant changes based on this discussion. This process is valuable because it can raise important issues and also help to build understanding. It also contributes to a feeling of "buy-in" as everyone will feel more involved in the process.

Q. What are some principles behind a good brief?

- **Make it brief!** Briefs are called "briefs" because they are meant to be concise – attach all relevant supporting information as appendices.
- **Clearly define the objectives:** Start by making sure that your objectives are crystal clear. Use concrete objectives rather than vague terms such as "to improve brand image".
- **Set measurable targets:** Define the project's "success criteria" – what will success look like and how will it be measured?

Q. What should go into the agency brief?

The agency brief is the document the financial institution provides in order to prepare the agency. The exact contents will depend on the scope of the agency's assignment, but the goal should be to include all of the most critical information that you think the agency would need to be as an effective partner as possible. The following are some sections to include:

- Background on the organisation, its history and heritage
- Where the brand is today
- Where the brand is going
- What has already been done to launch the brand internally and externally
- What will need to be done to launch the brand internally and externally
  - *This should outline exactly what you expect from the agency, and should be as specific as possible*
- Measures of success
- Budget
- Timeline
- Practicalities, including project management and administration details and approval processes

Q. What should we expect from the creative brief?

The creative brief should be prepared by the agency, and they should be able to develop it after receiving and discussing the agency brief. It should be designed to guide all external marketing, media planning, and Brand Identity development.

You should review this brief closely to ensure the agency has understood the research, the organisational values and the new or modified brand. It is important to discuss any and all areas you don't feel entirely comfortable with, as this document will guide all future work by the agency.

Q. What is a logo?

A logo is the visual representation of everything you want your brand to stand for. Through the choice of images and colours, it should instantly communicate the tone of the brand. Customers and potential customers will attach a whole set of beliefs and emotions towards the institution based on recognition of the logo.

Q. Why is the logo important?

The logo can instantly communicate who you are – "a picture is worth a thousand words"! A good logo will make you stand out, and it can then build awareness wherever it is seen. This becomes particularly important in semi-illiterate markets, where a good logo can be a particularly effective way of communicating with potential clients.

Q. What should we consider in designing the logo?

The agency should come up with sample logos, but the financial institution should also provide input. It is important to think about what your logo says about who you are. For example, ask yourselves if you want to communicate a modern image or a more traditional one: your corporate logo should reflect this choice. The choice of colours can also be very important: consider what different colours mean in your specific context.

Although it is important that employees be inspired by the logo, remember that it is primarily a marketing tool – so be sure to test different options with your target clients.

Q. What is the corporate tagline?

The tagline is a short phrase that communicates your brand essence in a creative and motivating way.

Some examples include:
- "Faster, simpler, better" – Standard Bank
- "Growing together with trust" – TEBA Bank
- "At your service countrywide" – KPOSB
- "Cash loans to help you" – Credit Indemnity

Q. What should we consider in designing the corporate tagline?

The agency should come up with sample taglines, with input from the financial institution. There are three main points to consider when designing the corporate tagline:

First, it must be **credible**: the tagline is the direct promise you are making to your clients, so you must be able to deliver on it. For example, Standard Bank's tagline is "simpler, better, faster" – a compelling promise, but one that has also caused them problems where they have not been able to provide "simpler, better, faster" customer service.

Second, it must **fully represent the brand**: this is your chance to communicate the essence of the brand. The Brand Guide (with attributes, benefits, essence and positioning statement) will only be shared internally, whereas the tagline is a catchy way of putting all of this together.

Third, it must be **differentiated from the competitors:** your tagline should make you stand out from other institutions in your market. It is important, therefore, to consider competitors' taglines and to design yours to reflect the differentiated position you have chosen for your brand.

Q. What should we do to test our logo and tagline?

It is crucial to validate all components of the Brand Identity with your target clients. Use basic focus group discussions to test for resonance and also to ensure that each part of the Brand Identity communicates the desired messages, ideas and feelings.

Test especially for problems of translation! When General Motors introduced the Chevy Nova in Spanish-speaking markets, it was apparently unaware that "no va" means "it won't go"! Likewise, the name Coca-Cola in China was first rendered as Ke-kou-ke-la – but the company apparently didn't discover until thousands of signs had been printed that the phrase means "bite the wax tadpole" or "female horse stuffed with wax" depending on the dialect.

Q. What are some other components of Brand Identity to consider?

In addition to the logo and tagline, your new brand should inform the look and feel of your branches, including the colours, signage, branch uniforms, etc. It should also influence the design of documentation – including pamphlets, letterhead and loan application forms – as well as the marketing messages and media that you choose.

It is important to decide on a corporate logo and tagline early on the process (as part of creating the brand), but other components of the Brand Identity will be developed as part of the external marketing and communications strategy.

Session Four: Implement and Monitor the Brand

Q. Why is internalising the brand important?

Unless you build the brand internally, it won't get delivered externally. The internal component of brand building is often forgotten – and yet it is crucial to success.

A strong internal brand unites the organisation behind a common purpose and vision, and ensures that everything the organisation says and does is aligned. It motivates staff and builds morale, helping the organisation to attract and keep the most qualified and committed talent. It also helps overcome differences within the organisation, such as between head office and field staff. A strong internal brand can also be very useful in guiding decision making, helping staff to focus and prioritise.

Q. What is involved in internalising the brand?

Building the brand inside the organisation is a continual process that is critical to strong brands. It involves two key pieces:

- **Communication**: Ensuring that all employees – in every division and throughout the organisation – understand and believe in the brand
- **Building Organisational Alignment**: Ensuring that the organisation can deliver on the brand promises

Q. Why communicate the brand internally?

Employees won't deliver the brand promise if they don't both understand it and believe in it. The front line staff are an organisation's "Brand Ambassadors," and every interaction they have with clients affects how the brand is perceived externally. The staff must live the brand each day for it to become a promise that customers experience.

> *"Until everyone from your CEO to your receptionist can accurately and consistently articulate your brand's promise, how do you expect your customers to?"*
>
> \- David A Aaker

Q. How can we communicate the brand internally?

Once the new brand has been created, it should be introduced throughout the organisation – through organisation-wide presentations, site visits, etc. Senior management should be actively involved in presenting the brand vision and explaining the rationale behind it – in person for smaller organisations or by video or PowerPoint presentation for larger organisations. Supporting materials and handouts should be provided, and a kick-off party can be a fun way to build excitement about the brand.

It is important to ensure that the brand is not only introduced but continues to remain top-of-mind. Regular communications reinforce the brand message and encourage active employee involvement. This greater understanding will lead to staff taking greater responsibility for delivering the brand promise and also lead to greater pride in the brand. Staff must also be given the means of asking questions, seeking advice and generally voicing their concerns and views through e-mail, discussions, workshops, telephone, web/intranet, etc.

Some creative ways to keep the brand top-of-mind for staff and management include:

- Mousepads
- Screensavers
- Posters
- Yearly planners or calendars
- Bags
- Competitions to highlight staff who are "living the brand"

Q. What does it mean to build organisational alignment?

This means making the changes necessary to ensure that everything that the organisation does reinforces the brand. It means tracing the entire client experience and making sure that the client has a consistent experience of the brand at each and every point of contact. And it means making sure that the staff and employees have the resources and knowledge they need to make this a reality.

For example, an organisation may need to change the look and feel of its branches, improve loan application procedures, or add products or services. If it promises, knowledgeable, well-trained staff, it may need to improve its staff training programmes; if it promises fast service, it may need to hire additional staff members or improve operational processes.

Q. Why build organisational alignment?

Even the most compelling brand will only succeed if it is actually delivered in the marketplace. Clients will become confused or even angry if the expectations set up through marketing materials or other external communications are not in line with their actual experience. Therefore, before communicating the brand externally, the organisation *must* implement strategies to make the attributes and benefits promised a reality.

And these changes are what make the brand such a powerful tool. If the brand itself is effectively designed to meet clients' needs, and the organisation is then aligned to deliver on this brand, clients will notice the benefits. And clients are the reason why the organisation exists! Brands are sometimes seen as purely a marketing and communications tool – but they are much more than that. They bring focus and direction to the organisation – ensuring that everything the organisation does and says works to provide important, differentiated benefits to the target client.

Q. How can we build organisational alignment?

Begin by determining where there are gaps between what you offer today and the benefits you are promising with the new or modified brand. Then develop strategies to bridge the gap, considering how these fit with the business plan. This may involve making revisions to the products or services offered, the human resources and recruitment strategy, physical improvements, etc.

It is particularly important to ensure that senior management leads by example, as they need to model the brand values in everything they do and say. In addition, staff should receive positive feedback for effective branding: for example, if a branch does a particularly good job of "living the brand," this should be acknowledged. Staff should be engaged in and informed of all important developments, campaigns or modifications to the brand. Remember that involving staff from the beginning of the branding process is a crucial part of making the brand a reality!

The brand should also influence recruitment, as recruiting people who feel inspired by the brand will lead to more internal alignment. The human resources department should profile potential candidates against the brand's core values to ensure the best match. Meanwhile, projecting a strong, cohesive brand image should also help attract committed talent. Once new employees are hired, they should be introduced to the brand – its history, values, positioning and purpose.

Q. Why is it important to communicate the brand consistently?

One of the most useful outputs of the branding process is the identification of key messages that the institution wants to communicate – messages that should then be reinforced in each and every contact point the client has with the institution. Inconsistencies in the messages communicated will weaken the brand's credibility, whereas consistent repetition of the same core ideas will clarify and solidify the organisation's image in people's minds.

Session seven described the importance of making sure that every part of the organisation is aligned to deliver a client experience that is entirely consistent with the brand promise. This session is about ensuring that the external messages given by the brand are also consistent with what the brand is about – that the Brand Identity (the audio and visual signals of the brand) reinforces the core brand messages. The brand should be clearly communicated so that potential customers (and potential staff members and others in the community) can fully comprehend what the brand stands for.

Q. How can brands be leveraged through the 8Ps of marketing?

The 8 Ps of marketing are helpful when used as a guide to brand a product as it ensures that branding is consistent in all aspects of the product. The 8Ps are:

The "P"	**Details of the "P"**
Product (design)	Includes specific product features, opening/minimum savings balances, liquidity/withdrawal terms, loan terms, ancillary services such as loan review and disbursement times, collateral or guarantees, amortization schedules, repayment structures (e.g. balloon payments or interest-free grace periods etc).
Price	Includes the interest rate, withdrawals costs, statement/ledger fees, loan fees, prepayment penalties, prompt payment incentives, transaction costs and other discounts.
Promotion	Includes advertising, public relations, direct marketing, publicity, and all aspects of sales communication.
Place	Refers to distribution and making sure that the product/service is available where and when it is wanted. This includes such options as outreach workers or agents, mobile bankers, ATMs, working with the informal sector financial services etc.
Positioning	Is the effort by the MFI to occupy a distinct competitive position in the mind of the target customer. This could be in terms of low transaction cost, low price, high quality, security of savings, quick turnaround time, professional service, etc. It is a perception.
Physical Evidence	Includes the presentation of the product: how the branch physically looks, whether it is tidy or dirty, newly painted or decaying, the appearance of the brochures, posters and passbooks etc.
People	Includes how the clients are treated by the people involved with delivering the product – in other words the staff of the MFI. It also includes recruitment, internal communications, performance monitoring and training. To get the best performance from staff, MFIs need to recruit the right staff then invest in training on customer service and in products, the MFIs' processes and procedures.
Process	Includes the way or system in which or through the product is delivered: how the transaction is processed and documented, the queues/waiting involved, the forms to be filled etc.

Q. What are the key steps in planning the marketing and communications strategy?

There are five key steps to follow in planning each component of the marketing and communications strategy:

1. Identify objective: What are you hoping to accomplish?
2. Identify audience: Whom are you hoping to reach?
3. Decide on message and select media channels: What will you say (and how), and where will you say it?
4. Communicate!
5. Monitor against objective: Have your goals been met?

Q. What are some tips to consider in planning the marketing and communications strategy?

Identifying and monitoring the objectives…

- Be sure to include *measurable* objectives for each component of the strategy – and then track these accordingly. This information should then inform future revisions and modifications to the strategy.

Identifying the audience…

- Identify and focus on one target for each piece you develop. Most communications do have multiple targets, but you must prioritise one and then consider the links to other secondary targets. This prioritisation will lead to more effective and tailored materials, and it will also guide the choice of media – as well as determine the success metrics to use.

Deciding on and communicating the message…

- Say one thing and say it well. Don't try to include too much in any one piece of communication, or the message will get lost.
- Don't try too hard to be clever – be simple and literal! Often advertising agencies prepare overly sophisticated concepts, and the message can get lost – make sure that yours is coming across loud and clear.
- Focus on the emotional benefits of the brand to build long-lasting connections with your target.
- Communicate your message in the appropriate tone for your brand.
- Test each and every piece of marketing or communications materials *before* it is shared externally! Test for: identification with the brand, comprehension, and ease of recall (how easily can they remember both the brand and what it promises)

Q. What mix of different communication vehicles should we use?

Using the right balance of different media is key to developing a strong brand communication strategy. The mix can include:

- Public relations
- Advertising
- Events
- Personal sales
- Direct marketing

Every communication vehicle has its strengths and weaknesses – but look for a medium that will be cost effective, will reach your target audience, and will convey the desired message. Think about how different media can be used in parallel or sequence in order to maximise the results of your overall brand communication strategy. And think creatively – within the categories listed above, there are many possible tools and techniques, and these will depend on your market, your objectives, and your brand's position in the market. Talk to loan officers and other staff members to get ideas on creative marketing techniques.

Q. How should we use Word-of-Mouth to build our brand?

Unlike with other communication vehicles, the organisation can have very little direct control over Word-of-Mouth as a marketing tool. However, the key is to provide existing clients with great service that is consistently aligned with the brand, as high client satisfaction should lead to a high number of referrals. This is where the internal alignment with the brand is particularly important, as it is crucial that existing clients feel – and benefit from – everything the organisation stands for – as this is what they will then communicate to others.

Remember also that rumours spread quickly – here PR and other communication vehicles are important to clearly communicate your brand and avoid negative word-of-mouth. Likewise, it is important to build in ways to recover from negative customer service experiences and to turn these into opportunities to impress and delight. Clients who have been disappointed and then receive a response that exceeds their expectations often turn into the organisation's most loyal advocates, so consider ways to make customer service recovery systems align with the brand.

Branding helps institutions to deliver a consistent, compelling customer experience, which will then result in increased customer satisfaction – and more positive word-of-mouth. A strong brand also will help to boost awareness of the institution; so potential clients will be more likely to talk about it with their friends. This then creates a positive cycle – the brand builds word-of-mouth, and word-of-mouth builds the brand!

Q. How can we work with an agency to build the external communications strategy?

As discussed in session six (Step 2), there are benefits to working with an agency to help you design the audio and visual representations of your brand and to develop an external communications strategy. In particular, you may want to consult this agency – or one specialising in media planning – to determine where and when to place your advertisements.

If you do use an agency for media planning, be sure to review their plans carefully, ensuring that they back up their choices with up-to-date statistics on demographics and audited audience figures. Several media agencies publish statistics (for example, the Optimal Media Directions Africa book lists readership and audience numbers for all major newspapers and radio stations), so look for these. The agency may be able to negotiate good deals through its contacts, but supervise all media choices carefully to ensure that they are not being made based on rates of commission.

Q. How does Brand Identity help in communicating externally?

Make sure that all of the audio and visual representations of your brand (your Brand Identity) are consistent. In session six**,** we discussed the importance of developing a logo and tagline to reflect your new brand. In fact, all external communications should be made to reflect the new look and feel of the brand. This includes branch signage, letterhead, brochures, staff uniforms, company vehicles, etc. Marketing materials (client birthday cards, advertisements, in-branch brochures, direct mailings, etc) should also be made to reflect the new brand – in "look and feel" as well as in the messages included.

Develop a Brand Identity Folder – a template that provides the technical specifications for all external communications and marketing materials. This template should specify how all parts of the Brand Identity should be represented – including the look and placement of the corporate logo, colours and format for all signage, key messages to include in advertisements, etc. It should guide the creation of all key "visibles" that the institution shows to the public, and ensure that these are consistent and aligned with the brand. The more specific you can be with your Brand Identity Folder, the better.

If the institution registers some changes, it must be well communicated to avoid confusion and distort image. It is easier to form an image than change it. So if changes have to be made, clarity and consistency in communication is essential.

Q. Why is it important to monitor success?

Brand building is a time-consuming and costly process – but the upsides of a strong, well-maintained brand are significant. Too many organisations invest the time up-front, but then forget to track the success of their initiatives – so they don't know what is working and what isn't, and they don't make changes that could significantly improve the success of their brand. Monitoring success is crucial to ensuring that the brand continues to provide the maximum amount of value for the organisation.

Q. What should we monitor?

Tracking and monitoring success should help the organisation answer four main questions:

1. **Is the organisation delivering on the brand?**
   Checking for any remaining gaps between what is being promised and what is being offered can help the organisation identify products or services which need to be changed or added in order to build a client experience that consistently aligns with and builds the brand.

2. **Do the employees continue to understand and believe in the brand?**
   Testing internal perceptions of the brand can help the organisation identify how much still needs to be done to help staff and employees learn to "live the brand."

3. **Does the target client understand what the brand stands for?**

Tracking whether the external communications strategy is actually building understanding of the brand can help the organisation refine its marketing messages and Brand Identity materials.

4. Is the brand still right for the organisation?
Brands evolve over time, and it is important to continue to monitor perceptions of the organisation's brand both internally and externally to ensure that it remains compelling and inspiring. Changes in the industry environment (for example, the entry of a new competitor or a regulatory change) may mean that the brand needs to be updated or modified: regular monitoring of the brand's appeal can help keep it up-to-date and ensure that it continues to bring the desired benefits to the organisation.

Q. When should we monitor success?

The appropriate timing will depend on the pace of the market and the organisation's current branding efforts, but a complete "brand check-up" should occur at least once a year – and the results should then inform the strategic planning process. Monitoring should occur more frequently after major changes in the brand or after new initiatives have been launched.

Efforts to monitor the brand can also be combined with existing research initiatives – eg, by including questions on brand perceptions in focus groups designed to test a new product or a new marketing initiative. Likewise, monitoring the brand internally can occur as part of initiatives to gage employee satisfaction or as a separate discussion on a staff retreat.

The exact timing is less important – what matters is that internal and external monitoring of the brand does occur regularly, and that the findings are actively used to make the necessary changes.

Q. What tools can we use to measure success?

Some of the same tools used to develop the brand can be used to monitor the brand – such as focus groups, client surveys, in-depth interviews, discussions with staff, etc. Remember to think about ways to leverage work that is already going on (eg, client research, staff discussions, etc), as this is a good way of lowering the administrative and financial costs of monitoring the brand.

Consider having a group of staff and/or clients who meet regularly (for example, every six months) to take the temperature of the brand. Although this group cannot replace more extensive research, it can be useful in raising issues and questions – and it can have the added benefit of keeping the people in the group engaged and excited about the brand. This group should be facilitated by the Brand Manager, as comments and suggestions should then feed directly into the brand management plan.

Q. What tools can we use to measure success internally?

Maintain an open dialogue with the staff to get feedback on the brand. Test whether they continue to feel inspired by the brand and whether there are still gaps in understanding, commitment or buy-in. Front-line staff will be especially well equipped to provide information on whether the brand is still right for the organisation – and whether there are changes in the market or with clients that require a brand evolution or revolution. Likewise, they will be able to highlight ways in which they feel it is difficult to "live the brand" – perhaps because the organisation does not possess the capabilities or resources necessary to deliver on the brand promises.

In addition to periodically discussing the brand in staff meetings and discussions, develop systematic "brand check-ins" – meetings run by the Brand Manager or division head to monitor perceptions of the brand. The goal of these meetings should be to answer the following questions:

- How do the staff currently perceive the brand?
- Do the staff believe in the brand?
- Do the staff feel as though they have the resources necessary to "live the brand"?
- What needs to be done to better align the brand promises with what is actually delivered?

- What are the ways staff use the brand to guide the way they work? For example, how does the brand impact the way loan officers interact with their clients? The way senior managers interact with loan officers?

Keep these "check-ins" fun and motivating: they should be designed as much to excite and inspire staff about the brand as to collect information.

Q. What tools can we use to measure success externally?

Again, some of the same tools used to develop the brand can be used for monitoring – and existing client research should be leveraged. Ideally, research with target clients (new and existing) and other key stakeholders should be conducted annually to monitor how the organisation's brand is perceived. A complete review may be too costly for smaller organisations, but some effort to track how the brand is being perceived in the marketplace *must* occur at least once annually – and must certainly occur as part of new marketing initiatives and to accompany any changes in the Brand Identity (eg, logo, tagline, branch signage, etc.)

Quantitative research is a particularly effective way to monitor how the brand is perceived by target clients. Quantitative research can help quantify changes after a re-branding effort, showing how effectively the new brand has been understood and accepted externally. It can help the organisation determine whether the new brand has been clearly communicated, and whether the target can clearly identify the new brand essence, attributes and benefits. It can also quantify the degree to which the target clients recognise the new Brand Identity: for example, do they know what the new logo and tagline are?

Focus groups can provide more in-depth information how the brand is perceived by target clients – and can also be used to solicit ideas for ways to improve clients' experience of the brand. They can help the organisation understand whether the target clients believe that the brand is credible, and whether they feel that the organisation is delivering on its brand promises and living its brand values.

It is also important to remember to monitor the brand with key stakeholders such as Board Members, policy makers, strategic partners, etc. – for example, making the brand a topic of discussion in pre-arranged meetings (eg, Board meetings). Consider holding follow-up discussions with individuals interviewed as part of the process of creating the brand in order to determine whether the new brand is meeting (or, better, exceeding) their expectations. This is a good way of soliciting suggestions for improvement, as well as of maintaining the commitment of individuals whose buy-in is particularly important to the success of the brand.

Q. What is the Brand Plan?

Keeping track of everything learned, discussed and decided during the branding process can be a daunting task. The Brand Plan is a tool you can use to capture all the most important components of the process in one concise, simple-to-understand document. This is a document that should be for internal use only – to help guide the Brand Management team in keeping the organisation on course along the Footpath to a Great Brand. It should be updated as changes are made or as additional research is conducted.

Q. What should go into the Brand Plan?

The Brand Plan should include the following key components:

- **Background of the Brand**
  This is a description of the brand's history – what has been done to build the brand, who has been involved, and what the objectives of brand building are for the organisation

- **Analysis of the Brand Today**
  Summary of research findings on what the brand stands for today in the eyes of target clients, staff and other key stakeholders

- **Brand Aspirations**
  Summary of research findings on desires and wishes for the brand in the eyes of target clients, staff and other key stakeholders

- **Finalised Brand Guide**
  Statement of the finalised brand attributes, benefits, essence and positioning statement, as well as clarifying descriptions / rationale for these choices where relevant

- **Key Organisational Initiatives**
  Description of what the organisation will need to do to make the brand a reality – both strategically and operationally

- **Brand Identity Folder**
  Guidelines for the audio and visual representations of the brand

- **Launch Plan and Timeline**
  Detailed plan for how to launch the brand both internally (with staff and management) and externally (with clients and other key stakeholders) – including activities, timing and responsibilities

- **Monitoring / Management Plan**
  Detailed plan for how to monitor and manage the brand over time

The exact components should be tailored to the institution, as it may be helpful to include additional sections such as the external communications strategy, guidelines for working with the agency, etc.

Q. What else should we keep a record of from the branding process?

In addition to the Brand Plan, you should save *all* of the documents (formal and informal – including detailed research findings, notes from Brand Management team discussions, agency memos, etc.) from the brand building process. Create a CD-rom or hard-copy folder will all of these materials. They are an important part of the institution's history, and will become a crucial asset if there is a change in the Brand Manager or in the organisational leadership.

For example, be sure to keep a copy of each of the following, including any supporting documents or notes:

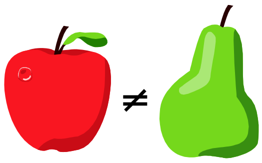
- Research objectives and facilitator guides
- Detailed research findings and summaries
- Notes from discussions about development of Brand Guide
- Finalised Brand Guide
- Agency brief
- Creative brief (from the agency)
- Brand Identity Folder, with any notes from discussions re: why new Brand Identity was developed
- Plan for changes necessary to build organisational alignment with the new brand
- Internal communications plan
- Marketing and communications plan
- Proposed marketing materials

The reason institutions should keep all the details of brand evolution is to understand the history and legacy of the brand. Why did it change? What changes were made? What worked, what didn't work? This rich background of experience will help in re-creating, re-launching or re-freshing the brand in the future.

Session Five: Product Strategy - Development and Differentiation

Q. What does it mean to develop and differentiate your product?

Having defined the type of product you want to develop and the market or markets you want to develop it for, you're now ready to focus on product development and differentiation. In this step, you'll design and refine your product's features so that they meet the needs of your target market. You'll also take a careful look at how to distinguish your product in the market and set it apart from other available alternatives. Refining existing and developing new products is a complex undertaking, getting it wrong can be expensive.



Differentiation is the act of designing a set of meaningful differences to distinguish your product offering from competing offers. These differences include the benefits gained and the features used to deliver the benefits to the consumer. Simply developing a product that meets customer needs will not necessarily generate sales. You must develop a product that meets customer needs better than the competition. This does not mean that your product will be absolutely better than the competition in every possible way, but it does mean that your product will be recognisably better in at least one way that matters to your target market.

Q. Are there any tools that can help me develop a differentiated product?

Given that a product's value is determined by its marketing mix, one of the tools you can use is the framework of the 8 Ps. The eight Ps provide both a lens through which you can examine existing products to identify how they might be improved, and a structure upon which you can build new products that respond to customer needs and preferences.

Remember that if you're serving more than one market segment, you'll need to develop a different marketing mix for each one. Not all of the 8 Ps need to change from one segment to another, but the mix as a whole should change in order to cater as much as possible to the particular needs and preferences of a given target market. Remember also that each marketing mix must be consistent with your institutional resources, business strategy, image and culture. Individual elements in the mix should also be consistent, so that the mix as a whole can convey a coherent message.

Loan Product Competitive Position Analysis

Rate your product's strengths and weaknesses relative to your main competitors' products.

Product: Loan Account	Excellent 5	Good 4	Average 3	Poor 2	Bad 1
Product Design					
Compulsory Savings Balance					
Grace Period					
Repayment Period					
Repayment Instalment Size					
Repayment Instalment Flexibility					
Group Meeting Requirements					
Collateral Requirements					
Other Requirements					
Product Price					
Interest Rate Paid					
Loan Appraisal/Processing Fees					
Penalty Charges					
Prompt Payment Interest Rebate					
Other Fees					
Promotion					
Marketing/ Information Dissemination					
Advertising					
Position					
Slogan/vision					
Corporate Image					
Product Image					
Place					
Physical Evidence					
People					
Process					
Loan Application Documentation / Requirements					
Loan Processing Time					

Source: MicroSave

Critical to this process is the linking of your product features to identified customer needs and preferences, so you may also find it useful to consider how the product looks from the customer's perspective and think of the 8 Ps in terms of the 8 Cs, as summarised below:

Product	=	Customer Solution (the wants or needs that are satisfied)
Price	=	Cost
Physical Evidence	=	Confirmation (that your product really exists)
Promotion	=	Communication
Place	=	Convenience
Positioning	=	Clarity (with respect to what you are offering vs. the competition)
People	=	Care (with which I am treated)
Process	=	Consumption (of my time and energy required)

Q. What are market segments and why worry about them?

Market segmentation is the process of dividing a market into groups of customers (i.e., segments) that have somewhat different needs or preferences. Your MFI can divide its market in numerous ways, for example:

- Demographic characteristics (e.g. gender, age, income, household size, education, illiteracy)
- Cultural variables (e.g. religion, ethnicity, language spoken)
- Geographic variables (e.g. location, population density)
- Psychographic variables (e.g. personality, lifestyle, likes and dislikes, values)
- Type of business or economic sector of employment (e.g. farmer, small trader, tea, coffee)
- User status (e.g. ex-user, potential user, first-time user, regular user)
- Usage frequency (e.g. heavy, medium, light or non-users)
- Attitude toward a product or institution (e.g. enthusiastic, positive, indifferent, negative, hostile)
- Financial service needs (e.g. savings, money transfer, size of loan required, timing of loan required, loan purpose)
- Benefit sought (e.g. low price, high quality, excellent service)

Clearly, any market can be segmented in a variety of different ways, but not all of these options will be equally relevant or useful to your MFI. The challenge is to identify which kind of segmentation makes most sense for you. Along what dimensions do your customers' needs vary?

Segmenting your market allows you to:

- Deepen your understanding of current customers.
- Identify opportunities for future business development.
- Increase your product strategy options.
- Price products more appropriately.
- Make more efficient use of your resources.
- Achieve more effective outreach.

Q. How do we segment our market?

A segment has to be measurable, accessible and substantial (it needs to be worth worrying about). Market segments must also be unique in their response so that your business can match with its needs. Finally, a market segment needs to be stable in behaviour so you can keep tabs on it (teenagers are rarely stable in their behaviour and are one of the most difficult markets to connect with).

- *Identifiable*. Can you describe the customers in the segment with several characteristics in common?
- *Measurable*. Can the size, purchasing power and characteristics of the segment be measured?
- *Accessible*. Can you effectively reach and serve the segment?
- *Substantial.* Is the segment large and profitable enough to serve?
- *Unique.* Is there something different about the segment's response to different marketing-mix elements that distinguishes it from other segments?
- *Stable.* Can effective programs be formulated to attract and serve the segment?

Segmentation analysis is often done using the following dimensions:

	General	**Product-specific**
Observable	Cultural, Geographic, Demographic and Socio-economic variables	User status, Usage frequency, Brand loyalty, Branch loyalty and patronage, Usage situation
Unobservable	Psychographics: personality and lifestyle	Psychographics: Benefits, Perceptions & Attitudes, Preferences & Intentions

Q. What do we do with market segments?

Once you have identified various market segments as having the potential to be effective, target those segments that offer your MFI the greatest opportunity. Check your MFI's core competencies against the requirements of each segment, and select the ones you can best serve.

Once you have selected a target market or markets, research those market segments in detail and begin planning how you will meet their needs. Be prepared to conduct ongoing research, as the characteristics and needs of each market segment will change over time. Use today's market segments to shape your MFI's value today, but continue to research your segments to be able to effectively shape your value in the future.

Q. What is your growth strategy?

If you're assessing your marketing strategy, we assume that you're doing so because you want your institution to grow. You want to be able to provide more services or better services to more people; you want to make more profit and/or have greater outreach. But how do you want to grow? What will your strategy be? Do you want to sell more of your existing product to the same kind of customers? Do you want to change your product offering in some way? Or do you want to change the market to which you sell your product?

As summarised in the Table below, you basically have nine different growth strategy options. You can choose among these options based on the type of market you want to reach and the degree to which you wish to alter your current product offering. Each of the nine options is described briefly.

Market saturation may force you to move to a different marketing strategy. A new or weak institution may be taking on too much risk if moving to new products and new markets at the same time.

Nine Growth Strategies

		Product		
		Existing	Modified	New
Market	Existing	1. Sell more of an existing product to our current types of customers (Market penetration)	2. Modify our current product and sell more of it to our existing customers (Product modification)	3. Design a new product that will appeal to our existing customers (New product development)
	Geographically Modified	4. Enter and sell our products in other geographic areas (Geographic expansion)	5. Modify an existing product for sale in new geographical markets (Expansion with modification)	6. Design a new product for the types of customers we already serve but in a new geographic area. (New products in new areas)
	New	7. Sell our existing products to new types of customers (Segment invasion)	8. Offer and sell modified products to new types of customers (Invasion with modification)	9. Design new products to sell to new customers (Diversification)

Adapted from Kotler (1999)

Option No. 1: Market Penetration.
If your existing product effectively serves the types of customers you want to serve, and if unmet demand for your product still exists in your current market, then this may be your best option. With the market penetration strategy, you would aim to grow by doing more of what you have already been doing, but on a larger scale. It is the least costly of the nine strategies and is a common approach among MFIs, particularly those that do not conduct market research. The danger with this option is falling into the trap of being content with the status quo, and not looking for ways to increase customer value until it is too late. As a market matures, MFIs that have not invested in product or market development may see their one and only market usurped by a more innovative competitor.

Option No. 2: Product Modification.
Once MFIs have completed Steps 1 and 2 of the product marketing process, it is rare for them to choose to continue with business as usual. At a minimum, they tend to find that there are changes they could make to their product that would make it more attractive to their current market. With the product modification strategy, an MFI would aim to grow by selling a more valuable product to its existing market. It is a relatively low cost strategy and may be the least risky of all nine strategies, since it focuses on serving an existing market more effectively.

Option No. 3: New Product Development.
The more an MFI understands its current market, the more likely it is to identify unmet needs and potential demand for a new product. With the new product development strategy, an MFI would aim to grow by cross-selling a new product to the same type of clients it is already serving. For example, an MFI that uses the solidarity group lending methodology might develop an individual loan product if it realised that its group loans were failing to address the needs of clients with rapidly growing businesses. This is a much riskier strategy than the two previous options because of the human, financial and operational investments that it requires. Before choosing this strategy, your MFI should examine whether it has the institutional capacity to develop a new product and be careful not to spread itself too thin.[6]

Option No. 4: Geographic Expansion
If your existing product effectively serves the type of customers you want to serve, but your current market is saturated or is becoming saturated, then expanding to new locations could be an attractive growth strategy for you. By delivering your existing product to the same type of customers that you have

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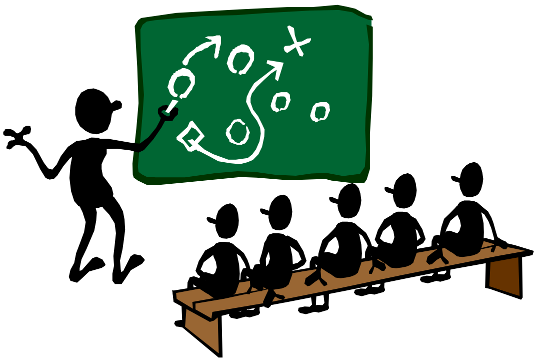
[6] See *MicroSave*'s Briefing Note #9 for guidelines that can help you decide whether your MFI is ready to introduce a new product.

been serving, but in different geographic markets, you might be able to quickly and cost-effectively expand your operations. Just be careful to test whether customers in your new market do, indeed, have similar needs and preferences as those in your old market, and whether they will find your product attractive.

Option No. 5: Expansion with Modification
If your research indicates that customers in the new geographic location you want to expand to have slightly different characteristics or priorities, you may need to modify your product to make it more attractive or accessible to customers in that market. You may, for example, alter the minimum account balance or the promotion strategy.

Option No. 6: New Products in New Areas
This growth strategy will be relevant if your research has indicated that the type of customer you want to serve when you expand to a new area has a need that cannot be met by existing products. For example, if you're moving into rural areas and you find that your existing individual loan product is too costly given the average loan size that borrowers require, you may choose to develop a new product that enables you to work through solidarity groups or producer's associations.

Option No. 7: Segment Invasion

If you think your existing product might be attractive to customer groups or market segments that you are not yet reaching, this may be the strategy for you. MFIs that choose the segment invasion approach aim to grow by broadening their reach to include a different set of potential customers. For example, an MFI that provides loans primarily to street vendors may try to broaden its market to include taxi drivers, hair cutters, or other service microenterprises. Selling an existing product to new types of customers is an especially interesting option for institutions that have recently done market segmentation. The better job an MFI does at segmenting its market, the more likely it will be to implement this strategy successfully.

Option No. 8: Invasion with Modification
Moving into a new market segment may require that changes be made to your MFI's existing product in order to adapt it to meet the needs of new customer groups. As was the case with geographic expansion, the new type of customer may have different needs, characteristics or priorities, and you may need to modify your product to make it more attractive or accessible to customers in that market. If your MFI is experienced with market segmentation, this is a strategy it can effectively take advantage of to tap serious growth potential.

Option No. 9: Diversification.

> Box 1: The Risks of Diversification
>
> "The risks of diversification are exemplified by the case of CorpoSol, a now bankrupt MFI in Colombia, which almost simultaneously launched three new untested microfinance projects: Mercasol, a chain of retail outlets for microentrepreneurs to purchase supplies with credit lines; Agrosol, a rural credit program with borrower groups of 20 or 30 clients and different repayment schedules than the urban program; and Construsol, a home improvement loan scheme. CorpoSol not only entered an unfamiliar rural market, but it also initiated retail activities, which required a completely different set of skills than providing financial services. The business world is littered with successful firms that tried to enter markets that were too far from their strengths, and failed. This approach works best if the firm enters related markets and deals with related technology, product, or type of service."
>
> *Churchill (1997)*

- The diversification approach is a two-dimensional growth strategy for an MFI that wants to introduce new products *and* enter new markets. This involves greater risk than the other approaches since you have to learn many new things at once; it is easy to make mistakes, and it can place a strain on cash flow and profitability. If you're not careful, the diversification approach can also move you away from your core competencies, as was the case with CorpoSol in Colombia.

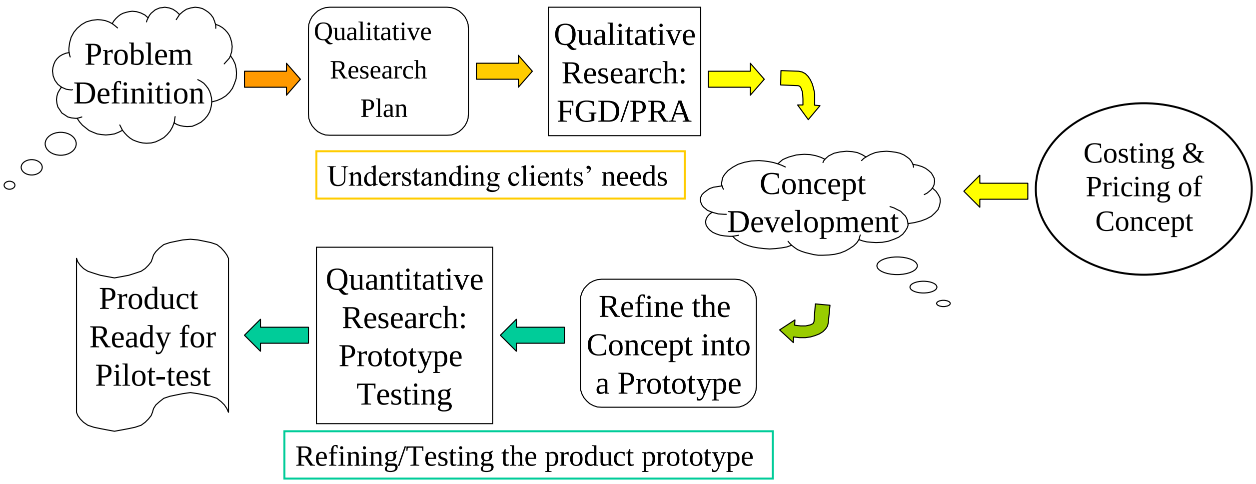
Q. What should the product development process look like?

The process of market research and product development is discussed in depth in a variety of other *MicroSave* publications.[7] Thus, the details need not be explored here, but the diagram below provides an overview of the process. Everything begins with the definition of a problem. Depending upon which growth strategy you chose in Step 3, this problem definition will vary. It could involve the modification of an existing product to better meet a particular market need, or the design of a completely new product to serve a new market.

Depending on the quality and character of the research your institution has conducted so far, you may be ready to move to the development of a product concept, or you may need to go back and organise additional research now that you have identified the target market and the approach you want to take in meeting that market's needs. The product development process often requires several stages of research before a solid product concept can be defined. Once you have a product concept, you'll need to subject it to appropriate costing and pricing analysis before refining it into a prototype. You may also want to subject the prototype to quantitative research to provide a final check of its marketability before investing in a pilot test. This is particularly true in the case of new products.

Q. What is the potential of market-led product refinement?

Market Research and Product Development Process Overview



[7] For more information on product development, refer to the *MicroSave* website and the bibliography at the end of this manual. As an initial source, see, Graham A. N. Wright, "Market Research and Client Responsive Product Development," *MicroSave*, 2003.

The Power of Market-Led Product Refinement

The case of Equity Building Society demonstrates what effective product development and differentiation can do. To Equity directors, management and staff, the market research conducted in 2001 represented a crucial milestone in the growth, development, and success of the institution because it was the first deliberate attempt to gain an accurate client perspective on the institution and its products.

The market research made it clear that Equity would need to quickly address the perceived exorbitant price and attendant charges of its loans. It would have 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 carried 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; printing brochures outlining the product changes; displaying bank tariffs in the banking halls; reconstituting a professional marketing team to carry out the changes; and transforming Equity's image in the market – all this was formulated out of client responses during 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 or 30 to about 200. Effective product development and differentiation – even when it only involves relatively straight-forward product refinement – can have dramatic results.

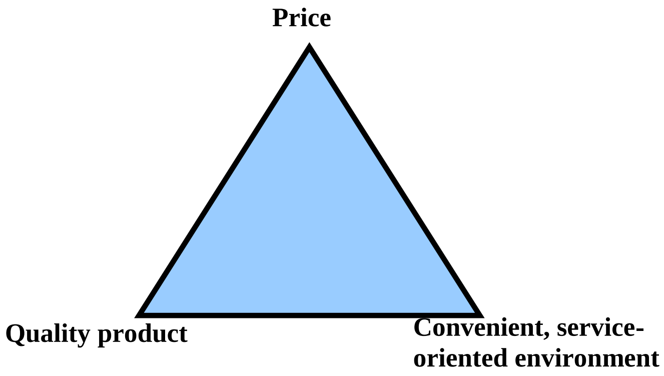
Adapted from Coetzee, et al. (2002)

Session Six: Product Brands, Taglines, USPs and Benefit Statements

Q. What is unique about selling financial services? Why is the customer's perspective important?

As mentioned in the introductory session on strategic marketing, selling financial services is different from selling tangible goods such as an consumer goods because when you sell financial services, you are basically selling a relationship based on trust and security and thus would also be required to deliver on that trust. As perception of the intangible values differs from person to person, estimating a value for these services would be very subjective. However, it can still be estimated with some exactness. The value is estimated on a balance between a fair price for the product, attributes that satisfies the customers' needs and an efficient, responsive, service-oriented environment. It is the right combination between these three that decides the benefit of the product to both the client and the institution.

The positioning of each of the products or services of the institution in the triangle with the above-mentioned factors as the vertices should be in line with where the institution has positioned itself in the same triangle. So if an institution claims to have the most affordable price in the market, all its products and services should be the best priced in the market. It does not then allow the institution to price some of its products competitively and some with a premium price. Similarly, if an institution markets itself as being client oriented by having the most responsive products, it has to have a wide range of products, be sensitive to changes in needs of clients, and if successful clients will not think twice about paying a higher price for accessing those efficient, well thought out products.



When an institution thinks of the 8Ps of marketing, it also needs to think of each P from the clients' perspective so as to come to that mutually beneficial position on the triangle. What is deemed price by the financial service provider, is the cost that the client has to bear, the place of service delivery for the institution should speak of convenient access to those services by the client.

Q. What is the marketing communications mix?

The marketing communications mix is the blend of direct marketing, advertising, sales promotion, personal selling and public relations.

In order to fully exploit these marketing channels, an institution must first establish its product marketing message: what it wants to communicate about its product through each of these channels.

Q. What are the core components of a product marketing message?

There are five core components that are used to build a marketing message:

1) The positioning statement;
2) The benefit statement;
3) The unique selling proposition (USP);
4) The tagline; and
5) The brand name.

In different ways, each of these components can be used to convey something about your product and its value to the target market. No one component can produce an effective message, but together the package can be dynamite!

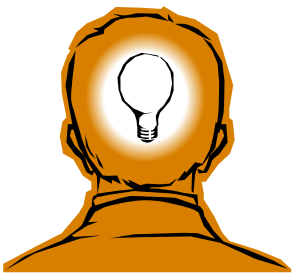
The brand associations must be simple and clear to avoid any possible confusion in communication. The names, visuals, are best accepted if direct or literal as it leaves very less room for assumptions by the clients and thus the probability of getting it wrong. All brand associations must be pre tested before launch to check if it is acceptable to the local users of the service and also that other competitors are not using it. Customers being at the receiving end, look at the benefit or value that they derive from it and it is very subjective. So a good understanding of the clients likes, dislikes, beliefs and perceptions is essential to sell a product as a benefit. The institution needs to turn the 8Ps of marketing which are the institutions' perspectives into the benefits for the clients to make it more attractive to the client by using their perspective.

Q. What is a benefit statement?

There's nothing tricky about the answer to this question. A **benefit statement** is simply a clear, concise description of the customer needs or wants that your product can fulfil. What problems can it solve? What opportunities can it provide? It is the single most powerful tool your sales force can carry.

The benefit statement is used to inform and guide a wide range of marketing activities. It is the basis of your advertising copy for brochures, posters, and campaigns. It helps you create frequently asked question guides for your staff. It is also used to craft your USP and tagline. We'll look at how this is done in just a minute.

You can describe your product's features until you're blue in the face, but if you fail to translate those features – the actual product – into a benefit or benefits for the customer, you will fail to sell your product.



Q. How do you write a benefit statement?

Remember, customers buy **<u>benefits</u>**, not products, so the message preparation needs to focus on the benefits that a product can provide.

To write a benefits statement:

- Start with the market research findings.
- Develop a list of every feature of the product.
- Translate, one by one, each feature into a very short benefit statement. Some may not translate.
- If one isn't "benefitable" after reasonable effort cross it off. Experience shows that 90% of product features deliver benefits to some market.
- Be sure to ask: Are the benefits the same for each market?

One of the easiest ways for an MFI to identify the benefits that it has to offer is to return to its 8 Ps.

1. For each of the "8 P" areas, develop an exhaustive list of all your product's features.
2. Translate each feature into a short benefit statement from the perspective of the customer. When you're finished, you'll have a benefit statement inventory. Refer to *Handout 7.3 Writing Benefits Statements*
   - It may help to think about the 8 Ps in terms of the 8 Cs.
   - Some features may not translate, but most will. *MicroSave*'s experience shows that 90% of product features deliver benefits to some market. If, after reasonable effort, you find a feature that does not translate into a customer benefit, cross it off your list.
3. Sift through your benefit statement inventory to identify those benefits that matter most.
   - Compare your list of benefits to the customer needs, wants and preferences identified in your market research.
   - Use the competition matrix developed earlier in the training to identify those benefits that no one else is offering, or that you think you can offer better than anyone else.
4. Use this information to edit individual benefit statements into an overall benefit statement or message for use in your marketing materials.
   - If you plan to develop a separate marketing mix for different market segments, consider categorising your list of product benefits according to the markets they appeal to most powerfully. Then rank each group of benefits by importance within that market, and craft a benefit statement geared specifically for that market segment

Turning Features into Benefits: Karibu Bank's Accumulator Savings Account

"8 Ps"	Feature	Benefit
Product		
Opening Requirements	2 coloured photos Employment ID card for employees; school ID for students; introductory letter from District Commissioner for unemployed customers	Simple opening documentation
Deposit Schemes	Weekly or monthly – chosen by the client when opening the account	Flexible deposit opportunities to suit the clients' income flows
Deposit policy	Each equal instalment to be deposited according to the weekly/monthly schedule Minimum instalment size: Ush.5,000	Affordable instalments
Duration to Maturity	2, 5 or 10 years – chosen by the client when opening the account	Variable maturity schemes to suit the clients' plans
Withdrawal policy	Withdrawals only allowed on maturity or premature encashment of the scheme.	Protecting your savings from casual spending by limiting opportunities for withdrawal
Price		
Interest rate paid	2 year scheme: 8% per annum (compounded) 5 year scheme: 10% per annum (compounded) 10 year schemes: 12% per annum (compounded) Zero interest paid on schemes cashed before chosen maturity date	High interest rates – rising with the length of the scheme – that accelerate your progress towards the lump sum of money you need to realise your dreams.
Service fee	None	No hidden costs: no service fee
Account opening fees	None	No hidden costs: no account opening fees
Ledger fees	None	No hidden costs: no ledger fees
Deposit fee	None	No hidden costs: no deposit fees
Withdrawal fee	None on maturity Ush.25,000 on premature encashment of scheme	No withdrawals fees – unless you break the contract
Promotion		
Marketing Information	Leaflets	N/A
Advertising	Radio Station	N/A
Place		

Location and Banking Hall environment.	Nampalam Branch is located next to the wholesale market on the outskirts of the capital city.	Close to you the clients
Positioning		
Slogan/ Vision	Karibu Bank: *"Your Welcoming Bank"* Accumulator Savings Account: *"Saving to Realise Your Dreams"*	The bank that offers high quality customer services Your dreams can come true!
Corporate and Product image	Attract small and medium scale savers. Designed for small and medium class income earners.	N/A
Physical Evidence		
	Passbook	See the progress towards realising your dream: Clear documentation of the account in the clients' hand
People		
Clients' Perceptions	Karibu Bank is still seen as "the new bank in town" and not entirely trusted Enquiries desk busy for Karibu Bank clients. Tellers always kind to customers.	Personalised service from welcoming staff
Process		
	The Karibu Bank IT system and staff are efficient	Rapid service – save time as well as money!

Source: MicroSave

In general, an effective benefit statement should answer these questions:
- Our service offers the following benefit ...
- To the following customers …
- Our service is unique in the following manner …
- We can prove we are unique because….

Karibu Bank's Overall Benefit Statement

"The Accumulator Savings Account is the personalised account for you to realise your dreams with
- flexible deposit opportunities
- affordable instalments
- variable maturity schemes

designed especially to suit your income flows and needs.

The Accumulator Savings Account is easy to open, carries no hidden costs and pays high interest to accelerate your progress towards the lump sum of money you need to realise your dreams…

With the Accumulator Savings Account your dreams can come true!"

Q. What is a USP?

A **Unique Selling Proposition** (or USP) is what differentiates your product from that of the competition in response to market needs. It is the difference that makes a difference. It is not just a special feature; it is a distinguishing feature that is valued by your market and is not offered by anyone else. Both elements of this definition are important—your unique selling proposition must be something your market values ***and*** it must be something that you can justifiably argue that you do better than anyone else.

The word "unique" in the term "unique selling proposition" can be misleading because it suggests that an MFI can have only one USP. That is not necessarily true. MFIs offering market-responsive products may be able to identify and market several USPs for each product. For example, Credit Indemnity in South Africa has four related USPs, the first focusing on how well established it is 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' PINs.
- We do not keep customers' cards.
- We do not keep ID books.

The challenge inherent in offering multiple USPs is to convince the market that your product can and does deliver all of these things. Even MFIs with a single product may find themselves using different USPs with different market segments to appeal to the particular priorities of each segment.

Your USP should be:

- Important - Deliver a benefit that is of high value to the target market.
- Specific - About single characteristics.
- Unique/Distinctive - The only one of its kind even if for the time being.
- Communicable - That target market can easily understand it.

In general, it is good to keep your product's USP as tangible and factual as possible – always be suspicious of a USP phrased as "we provide the best customer service." It will be difficult for customers to know what USPs like that stand for. Tangible, factual USPs – such as the examples provided for Credit Indemnity – are clearer and more compelling. You can "prove" them with the help of statistics, or testimonials. Customers can easily understand what they mean and what your product is promising.

Although it is better for your products to have unique features, they do not have to actually be unique. What you have to do is create a **perception** of being different. Perceptions are important because people act on perceptions.

Q. What is a tagline?

A **tagline** is a short phrase, sentence or slogan that is closely connected with the brand name. It is a positioning "nugget" that describes the essence of how you want customers to see your product. Because the tagline seeks to communicate your key product message, it must go everywhere with the brand—like a daughter who never leaves her mother's side—so that it embeds itself in your customers' memory. As with brand names, the product and corporate tagline should not be identical, though they can be related.

Some examples of product taglines used by *MicroSave*'s Action Research Partners include:

- "Time is Money, Save Both!" – Tanzania Postal Bank *Domicile Quick Account*
- "Realise your dreams" – Equity Building Society *Jijenge Account*
- "This one's for you" – Kenya Post Office Savings Bank *Bidii Account*

Q. How do I design my promotional materials?

When you do selling one-one-one you can augment the strength of your selling by offering brochures and promotional materials.

The core components of the message you want to deliver can be put into a tangible package that can be distributed to both customers and MFI staff as sales tools. In designing this literature, you should consider the following:

- ***Start with a statement of benefits.*** Remember, clients don't buy features or even products, they buy benefits and solutions.
- ***Consider the audience.*** Make sure that the language, detail and tone of the literature are appropriate for the people who will be reading it.
- ***Be clear and concise.*** The literature must be easy to understand and not create confusion about product features or requirements. If you the literature you've created is for a pilot test or a product that will only be available at certain locations, indicate clearly where the customer can access the product.
- ***Be creative.*** The literature needs to be interesting if anyone is going to read all the way through it. Use graphics, photos, pictures and/or colour.

- ⇨ ***Be consistent***. If you have a series of brochures describing different products or services, use common themes, colours, layout, size, etc. to tie them together and strengthen your overall brand.
- ⇨ ***Research your competitors' literature.*** If you operate in a competitive environment, potential clients are likely to compare your literature directly with that of the competition. Thus, it would be wise for you to know and learn from your competitors' literature, and strive to create something distinct and more attractive for yourself.
- ⇨ ***Consider regulatory requirements.*** If the financial services product is a regulated product, there may be strict guidance as to what information must be contained in the product literature, and these rules must be adhered to. The marketing challenge will be to present this information in the most user-friendly way possible so that it helps the purchase decision rather than hinders it.
- ⇨ ***Keep prices out of it.*** Prices must change and each time they do, they will force you to throw any promotional literature that contains the old prices into the garbage bin. To avoid such wastage, print separate price or tariff sheets to be inserted into the brochure or made available alongside it.
- ⇨ ***Test your design.*** Before printing a large quantity of materials, test the literature with focus groups of potential customers to ensure that your is attractive and effective.
- ⇨ ***Get support for it.*** Make it a policy that both the operations and marketing departments have to sign off on any promotional literature.

The message of your promotional materials should focus on the benefits the product offers the customer – and these benefits should be based on the results of the market research you conducted to design the product concept in the first place. Do <u>not</u> simply publish a list of the product features or components. The product was designed to respond to specific customer needs (as well as institutional needs). Use those needs and your solution to them (the benefits of the new product) to promote the product.

Session Seven: Product Pricing and Fee Strategy

Q. Why is pricing of financial services unique?

Whilst there are common issues of relevance in pricing all products, several characteristics of financial services add unique complexities.

- Frequently competition in the financial services sector is not as intense as in other industries. In the formal sector, regulation can limit competitive pressure by creating barriers to the entry of new companies. In the semi-formal MFI sector there remain relatively few competitive markets.
- Clear charges by banks are only a recent phenomenon, many banks and MFIs still maintain a price structure that lacks transparency. Thus customers often cannot determine the price they pay for services.
- Banking services are heterogeneous a product can encompass savings, money transfer, cheque and ATM facilities. Even within solidarity group based products, there can be significant differences, which are only likely to increase as markets become more competitive and microfinance becomes increasingly market-led.
- Some services demand a continuing relationship between the financial institution and its customers; for e.g. many MFI clients can only access larger loans through repaying a series of smaller loans. Continuing relationships offer the potential for cross- subsidising products, for example, an MFI may accept a break-even position on open access savings accounts in order to generate profits on contractual savings which use the same front and back office infrastructure, and loans which mobilise savings.

Q. What are the pricing consideration used by clients and MFIs?

Both the client and the financial institution view the same financial product but from their own perspectives.

For the MFI, the issues that are of greatest concern are that the delivery of these services should be able to cover the fixed and variable costs of the institution. The institution would have to prepare projections for its different product and services based on trends and market analysis to find the various options it has for pricing the product in the most client friendly way, but at the same time, cover the cost of delivering it. The delivery of the products comes with some risks, and the cost of those must all be priced, so that in case of a failure, the institution is able to recover its costs. The institution should aim not only at meeting costs but also generating profits so that the excess over costs of the previous years can be used in the succeeding years for further investment and expansion of the institution. This includes remuneration of equity capital that the institution may have invested in it.

For the user of the service, what is important is the total cost of the service, not only in terms of the fees and charges but also the opportunity costs. Clients thus want transparency in the pricing of the product. Clients also often have preference to pay for certain services and not pay for some, depending on the value they attach to the service or also on the visibility of the service for which the fee is being charged. Thus it is necessary for the institution to know the client preferences and price their product accordingly.
Equity Bank changed interest rate from declining balance to flat rate because competitors were charging a flat rate, which seemed cheaper than their declining rate though the effective rate of interest was lesser for them. TEBA Bank's account maintenance fee was - like all ledger fees – unpopular, as clients did not receive any visible service and yet were being made to pay. Tanzania Postal Bank conducted market research to understand clients' tolerance for withdrawal fees.

Q. What methods could MFIs use to set prices for their products?

Pricing methods split into three categories, cost oriented pricing, competition oriented pricing and demand oriented pricing, and these are discussed in turn below:

Cost Oriented Pricing – Under cost oriented pricing the products price equals direct costs, plus overheads, plus profit margin. The difficulty with this approach is that costs are difficult to trace. Unless you have performed a detailed product costing any cost oriented approach to pricing will be based partly on intuition.

Competition Oriented Pricing - Under competition oriented pricing prices are set with reference to the competition. This does not mean to say that the prices of competitors fully determine the prices charged by an MFI, but rather that prices are set only after a detailed investigation of the pricing structures and charges of the major competitors is conducted. This approach tends to be used where services provided are standard, or where there is a limited number of large competitors in the market – who effectively set the market price. Competition oriented pricing suggests that financial institutions respond when competitors change their prices, particularly if prices are moved lower. The first step in pricing your products under a competition oriented strategy, you need to look at the specific features of your products in relation to those of your competition. A competition matrix can be used as a framework for this analysis. It analyses features of a service including pricing across competitors in a given strategic context

Demand/Value Oriented Strategy - Demand/value oriented pricing involves setting prices consistent with customer perceptions of value – prices are based on what customers will pay for the services provided. Monetary price must be adjusted to reflect the benefit of non-monetary elements to the customer. Non-monetary benefits can include: Guaranteed loans, social acceptability (in some cultures), localised service, frequency of service, ease of access, transparency of pricing etc.

Establishing a demand/value oriented price entails the following steps: First elicit customer definitions of value in their own words and terms **-** customers articulate the value of the product to them by identifying the key benefits they seek and the features of the product particularly relevant to them.[8] Once you have established the features that customers particularly value, you attempt to quantify this value to your potential customers on a benefit by benefit basis (where possible), for example, if provision of a local mobile banking service is particularly valued by clients because it saves both travel time and a bus fare an additional charge may be levied based on a proportion of the bus fare saved.

MicroSave recommends that financial institutions use a three-step approach to pricing their products. First:

1. Cost-based pricing; then
2. Market/Competition-based pricing, and finally
3. Demand/Value-based pricing.

Q. What are the different product costing methodologies?

- There are two product-costing methodologies, Allocation Based Costing and Activity Based Costing (ABC).
- Allocation Based Costing is a method whereby each line of the profit and loss account is allocated to different financial products on the basis of a logical criteria called an Allocation Basis.
- Activity Based Costing traces costs through significant processes to products. Product delivery comprises a number of separate processes, for example, loan application processing, loan disbursement, and loan monitoring and loan recovery.

Q. What is allocation based costing?

Allocation Based Costing is a method whereby each line of the profit and loss account is allocated to different financial products on the basis of a logical criteria called an Allocation Basis. Allocation-based costing is the simpler of the two approaches to costing, and is often used by institutions new to the joys of costing exercises.

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[8] This is very similar to a technique used in ***MicroSave's*** "Marketing for Microfinance Toolkit" called Writing Benefit Statements.

Q. What is activity based costing (ABC Costing)?

- Activity Based Costing (ABC) traces costs through significant processes to products. Product delivery comprises a number of separate processes, for example, loan application processing, loan disbursement, and loan monitoring and loan recovery.
- Staff costs and non-staff costs are allocated to core processes upon the basis of staff time spent. Where members of staff do not directly spend time on core processes but rather provide support functions this time is booked to a general category called "sustaining activities". In most cases a significant proportion of head office costs come under this category.
- Once a cost for a particular core process has been determined based on staff time, these costs are then driven through to the products on the basis of a logical cost driver. To take a simple example, once you have determined the cost for processing a loan application – the logical cost driver would be the number of loan applications. Each product then absorbs costs for processing loan applications in proportion to the number of loan applications made by each loan product. Different processes will have different cost drivers.

However, sustaining activities cannot be driven directly to particular products. The costs of sustaining activities need to be allocated to the different loan and savings products using allocation based costing techniques described in the toolkit.

More information on ABC costing can be obtained from CGAP's website or the CGAP publication "Microfinance Product Costing Tool."

Q. Why should MFIs bother to cost products?

In the right environment, the benefits of product costing can be considerable. Identifying sources of profitability (and losses) allows a financial institution to focus on promoting their winning products, and redesigning those less profitable. Understanding of processes facilitates improvements in efficiency and a detailed understanding of cost structures allows more informed pricing decisions to be made.

MicroSave's work with its Action Research Partners (ARPs) has clearly demonstrated that product costing interacts strategically with a huge and diverse range of business areas including pricing, efficiency, outreach, the design of incentive schemes, the identification of the most suitable product mix, marketing, customer service, staffing patterns, profit centre accounting and budgeting. The strategic dimensions of costing are rarely well recognised.

Traditionally, greater attention has been placed on justifying high interest rates than towards ensuring that microfinance programmes operate efficiently. Until *MicroSave* started working with its ARPs, though several had costing systems, none fully costed products.

Q. What are the advantages of costing products?

- Determines the full-costs of delivering products.
- Determines the profitability/contribution of the products (including over time).
- Assists making informed decisions about selection of products (including cost/benefit analysis).
- Promotes a high quality MIS.
- Facilitates development of cost/profit centres.
- Reveals hidden-costs (especially at the departmental level).
- Instils cost-consciousness amongst product/service department managers – enhances productivity.
- Facilitates the pricing of current/future products.
- Provides basis for business planning and investment decisions (e.g. which product to market etc.).
- Can be used as a basis for variance analysis (budget v. actual comparisons etc.).

Q. Why is pricing important?

Pricing is a very important function in the life of an organisation. It is a critical factor in the survival and good health of every organisation that relies on sales of its products: "If prices are too high, business is lost; if prices are too low the enterprise may be lost". In price sensitive markets an organisation's price structure may affect its competitive position and its share of the market. Pricing has an important bearing on the organisation's revenue and profit.

Q. When is pricing necessary?

Pricing of products is essential whenever an organisation develops a new product, introduces an existing product in a new geographical location or when the organisation wishes to change the positioning of its existing product in the same market. It is essential that MFIs price their products systematically and correctly and that the price of products cover the full-cost of delivering them.

Session Eight: Product Sales Strategy Q. What are the different marketing levels?

Every niche market comes with its typicality and thus requires different approaches and communication media.

- An undifferentiated or mass market requires a "spray and pray" method as no particular section is being targeted and thus no specific media can be used.
- A differentiated or segmented market focuses on specific market segments which have specific identifiable needs and demands
- A concentrated or niche market segment has very specific needs and are usually a sub component of a larger market, which demands a preferential treatment
- Micro – individual companies/people is the smallest unit for marketing.

Q. Are we not really just talking about promotion again?

No, we're not. We're talking about…

- **…making your product real**
  Because financial services are intangible, they cannot communicate their benefits in the same way as other products—simply by being seen by customers. As a result, your MFI's marketing communications must do more than simply promote your product. They must make your service tangible and give customers something firm to evaluate.

  People cannot see your service, so they will judge it by what they can see. Take a look around you – at your banking hall, your logo, your staff, etc. What do the visible aspects of your MFI say about the invisible thing you are trying to sell?

- **…building trust**
  We implicitly trust goods and commodities—we trust that a drug will relieve our headache and laundry soap will clean our clothes—but we are far less trusting about services. In part, this is because they're intangible, but it's also because they're variable. Depending on which employee sells us the service, we might receive a different quality of care. Because of the fiduciary nature of financial services and the risk of losing one's savings if an institution goes bankrupt, customers are even more hesitant to trust financial service providers than other suppliers, and this adds an extra layer of complexity to the marketing process.

  In this context, delivering your message is all about building a relationship with potential clients and developing the trust that is necessary for a sale to happen. This includes building your MFI's reputation and brand, conveying the quality and consistency of your service, and focusing on long-term multiple sales, rather than one-time transactional sales.

- **…persuasion**
  If you're asking a customer to try a microfinance product for the first time, or to switch from their existing service provider to your MFI, effective message delivery will also require persuasive communication.

  To stimulate actual sales, you will not only have to promote your product, but you will also have to convince your market that your service promises are worth taking a risk for.

Marketing financial services is essentially about building relationships with your customers. You can use a variety of marketing channels to reach those customers, but when they walk in your door, you need to be ready with the products, services and processes that they expect. There has been a recent movement, especially among service and particular financial service providers towards long-term relationships with clients and focus on loyalty implying relationship marketing approach.

The Importance of Relationship Building

Professional service providers often assume that the more skilled they become in their particular area of expertise, the better their business will be. The more a tax lawyer knows about the tax code or a doctor knows about medicine, the more customers will beat a path to their doors. This is generally not the case. When Goldman Sachs clients were asked to rank the most important criteria for choosing an investment firm, they consistently put return on investment—the best evidence of technical proficiency in investing—below trust and other "relationship issues." In one survey, clients rated track record ninth out of seventeen attributes, rating it ***below*** "a sincere desire for a long-term relationship," among other seemingly soft criteria. Customers do not buy how good you are at what you do. They buy how good you are at ***who you are***.

Adapted from Beckwith (1997)

The difference between transactional and relationship marketing is outlined below:

Transactional Selling	**Relationship Marketing**
Single sales to each	Initially a single sale, but over time multiple sales
Short timescales involved in attracting customers and making sales	Longer timescales required to develop customer loyalty and build the relationship
Minimal customer contact following the sale	Greater customer contact
Little or no understanding of the customers	Regular two way contact enables a good understanding

Q. How do I select a sales strategy?

Your choice of method will depend on the nature of your product, your marketing objective, your available resources, and your target market. These will dictate the appropriate balance between pull- and push-based sales strategies, as well as the overall composition of your marketing communication mix.

A **pull-based** strategy concentrates activities on marketing to a wide range of potential end-users with a view to creating awareness and, ultimately, a strong demand for the product/financial service. It pulls customers to demand the product on the basis of:

- Advertising
- Public relations
- Sales promotions
- Direct marketing

Examples of pull-based strategies:

- **Advertising**
  - Billboards supporting or building the brand/reputation the institution or bank
  - Radio advertisements promoting a specific product
- **Public relations** – Sponsorship of an event to raise the profile of the institution or bank or in the name of a specific product
- **Sales promotions**
  - Announcements of lottery winners
  - Special offers to open accounts/take loans
- **Direct marketing** – Inserts into newspapers/magazines with response forms or customer to come and open accounts/take loans

A **push-based** strategy markets the product/financial service direct to the end user, either individual clients or groups of clients. It uses a sales force to push the product through the following channels:

- Personal selling
- Direct marketing

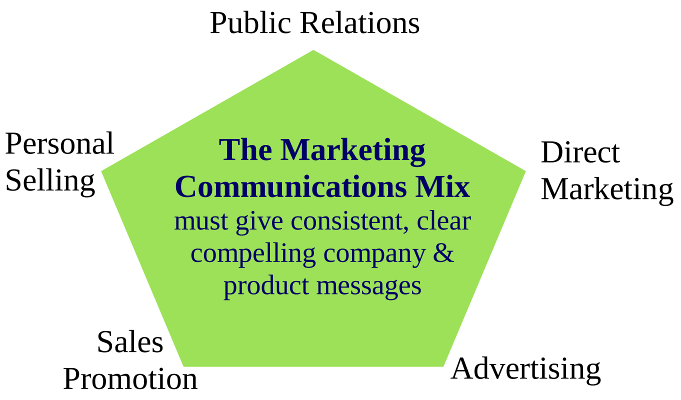
Examples of push-based strategies:

- **Personal selling**
  - Visits to employers to sell salary processing services or consumer loans
  - Information desks selling products at trade-fairs or other events
  - Information/sales pitches provided a Enquiries Desks within branches (Note: some of these customers will have been "pulled" into the branch by some of the promotion outlined in the previous slide!!)
- **Direct marketing**
  - Personalised letters with response forms for customer to come and open accounts/take loans

Q. So how can I communicate what my product has to offer?

There are five main strategies for communicating value: personal selling, advertising, sales promotions, public relations and direct marketing. Your MFI can draw from any or all of these strategies to create what is called a **Marketing Communications Mix** (see figure below). The right mix for you will be the mix that:

- ✓ Is appropriate for your product, target market and available resources;
- ✓ Clearly conveys what your MFI has to offer;
- ✓ Differentiates your offering from that of the competition; and
- ✓ Encourages potential customers to buy.



How do you figure out this mix? The best approach is a planned approach.

Q. What do you mean by "a planned approach"?

By planned approach, we simply mean a pre-meditated, organised and purposeful approach to marketing communication. This kind of approach must begin with a definition of your marketing objective and your target audience, as shown below. Once you're clear about why you're marketing and to whom you're marketing, you can select a method of communication and a message that will enable you to meet your goal. In a planned approach, you should implement your communication only after you're clear about what your goal is and how you can best achieve it. Monitoring the success of your communication efforts then becomes important because it helps to ensure that you actually meet your objective. If you monitor as you go, you can make adjustments as appropriate while simultaneously improving your understanding about how to communicate with a given market in the future.

Q. How do I develop a marketing objective?

For guidance on how to develop a marketing objective, see Step 8 of the *MicroSave* Product Marketing Toolkit which describes how to tie all of your marketing efforts together into a marketing plan.

Q. Who is my target audience?

This question is not as simple as it may at first appear. Of course, your target audience will be the market segment or segments that you decided you wanted to serve in Session 4. Yet your marketing department will also need to communicate with an internal audience if it is to meet its objectives. Anyone who comes into contact with customers will need to be prepared to deliver your MFI's product message:

Employees can be very effective marketers if they have something powerful to say about your MFI, but they can hurt you if they do not know what makes your product special.

- ⇨ Sales staff, in particular, will need to be fully convinced of the benefits of the product before attempting to sell it to potential customers. If they are not fully aware of the product's specifications and target market, or are not fully convinced of its benefits, they may miss potential sales or may fail to perform effectively in the sales process.
- ⇨ Everyone will need to know where to direct queries if they receive them. Frequently-asked question (FAQ) sheets may need to be prepared.
- ⇨ The training department will need to be briefed so that it can design appropriate training for those who will sell and administer the product.
- ⇨ Employees will need to know when an external marketing campaign is being launched so that they can help build excitement for it, and be ready to receive the response generated by the campaign.
- ⇨ Brief updates will need to be given to all staff, perhaps via a staff magazine or newsletter, to keep everyone informed about progress and changes to the product marketing strategy and, ideally, to generate the feeling that everyone is part of the overall marketing effort.

These issues are explored in more detail in *MicroSave*'s Customer Service Strategy Toolkit.

A Planned Approach to Communication

Define your marketing objective

↓

Accurately **identify the target audience**, i.e. who is the communication designed to reach

↓

Select a method of communication that is appropriate for both the objective and the target audience, e.g. mailing may be appropriate for existing customers whilst a television advertisement might be used to reach a mass market of potential new customers

↓

Decide on the message that you are to communicate, and ensure that it is clear, concise and easily understood. If you want the receiver to take some kind of action, this must be clear and easy for them to do

↓

Carry out the communication

↓

Monitor the communication and measure its success, i.e. has it achieved its objective

Q. How do I select a communication method?

Your choice of method will depend on the nature of your product, your marketing objective, your available resources, and your target market. These will dictate the appropriate balance between pull- and push-based sales strategies, as well as the overall composition of your marketing communication mix.

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  - Personalised letters with response forms for customer to come and open accounts/take loans

With limited resources, a push-based strategy is more effective at generating sales. It is particularly useful with a niche or concentrated marketing approach, as shown in the Table below. A pull-based strategy is most appropriate when you're aiming to serve an undifferentiated or mass market. Of course, there are often opportunities to combine both push- and pull-based strategies to create the marketing communications mix that is right for your product. We'll look at the individual strategies from which you can choose later in this section.

Marketing Strategies and Approach Matrix

Product / Financial Service	**Strategies/Target Market**			**Approach**	
	Undifferentiated (mass marketing)	*Differentiated (segment marketing)*	*Concentrated (niche marketing)*	*Push*	*Pull*
Current Savings Account	✓				Generic promotion campaign on reliability of MFI
Contractual Savings		Weddings Funerals Buying Land Education			Differentiated promotion campaigns for each segment
Group Credit			Poor and vulnerable not-so-poor people with no/limited access to formal sector banks	Direct selling by field agents to market/village meetings	Promotion through leaflet distribution and microphone announcements
Individual Credit			Graduates from group lending programme	Direct selling by field agents to targeted customers	

Source: MicroSave

In putting together your marketing communications mix, the main challenge is to tailor your marketing campaign delivery to the customer you're trying to reach. The important point is: communicate the message in a way that your potential customers will understand.

Q. Should I have more than one marketing communications mix?

The answer to this question will depend largely on the marketing approach you've chosen. If you have not segmented your market or have decided to pursue either an undifferentiated or niche marketing strategy, you'll only need one marketing mix. But if you've decided to pursue a differentiated marketing strategy, you'll need a different communications mix for market segment.

Q. Can you tell us more about the individual components of the marketing communications mix?

1. Advertising

Advertising is designed to generate demand through non face-to-face communication channels. An MFI pays for media space or time in order to sell its product and services at a distance, with the aim of being able to reach more potential customers more quickly at a lower overall cost than would be possible through face-to-face communication. Advertising is particularly useful when the benefits to be communicated are relatively simple; there is a need to develop awareness in a mass market; or products are purchased frequently.

Designing an advertising campaign is essentially a four-step process:

1. Knowing your objectives. The first step is to ensure that everyone involved in the campaign understands the purpose of the advertising, i.e. what the objectives are and what criteria the campaign will be judged against. The objective of the advertising will also dictate to a large extent the type of message, the way it is conveyed and the media used. The most common objective for advertising will be an increase in the number of sales of the product or service being advertised. However, there could also be other objectives such as an increase in name awareness or brand building. It is essential to have clear and measurable objectives so the effectiveness of the campaign can be evaluated later.

2. Agreeing on a budget. Advertising costs money and, for some types of media, a great deal of money. The budget and the objectives will go hand-in-hand, with the size of the objectives and the purpose of the advertising dictating how much money will need to be spent. It is no use having ambitious targets unless there is an adequate budget to support them. The amount of budget available will in turn influence such things as the extent to which an advertising agency will be involved and how much of the work can be carried out 'in-house'. It will also influence the choice of advertising media.

3. Crafting a clear, creative and concise message. As discussed previously, careful attention needs to be paid to the visual and verbal language of any marketing communication. In advertising, the creativity of the message is key and will often determine the success or failure of the campaign. However, creativity must not get in the way of clarity. The message should be conveyed in a simple and straightforward manner in a language that potential customers will be able to understand and relate to. It should also be tested with a small number of customers before the advertising campaign proceeds.

Keep your advertising message simple, direct and literal.

4. Selecting an appropriate channel. Once the message and style of the advertisement are agreed upon, the final step is to decide the type of media in which to advertise. The available budget will have a big influence on this decision, as will the nature of the target audience and the purpose of the advertising campaign. MFIs should conduct adequate research (or use a media planning agency) to identify which media are likely to generate the most cost-effective audience. The general advantages and limitations of major media types are summarised in the Table below.

Traditionally, MFIs have organised advertising campaigns to coincide with the opening of a new branch or the launching of a new product. They have used the event to publicise their institution and their products using newspapers (both special articles and ads), radio, television banners and broadcasting cars. These mass-media channels are accompanied by brochures, posters, leaflets, flyers, calendars, billboards, logos, bumper stickers, videos playing in the banking hall, messages playing on the telephone, displays at the point-of-purchase and other items. MFIs often involve local leaders or celebrities in the production and delivery of this advertising to attract attention, generate enthusiasm and build credibility.

Profiles of Major Media Types

Media Type	Advantages	Limitations
Newspaper	Flexibility; timeliness; good local market coverage; broad acceptability; high believability; allows some targeting (can choose a newspaper widely read by a particular target audience).	Short life-span; poor reproduction quality; competitors are likely to advertise at the same time in the same place; small pass-along audience.
Television	Good mass-marketing coverage; low cost per exposure; combines sight, sound, and motion; appealing to the senses.	High absolute costs; high clutter; fleeting exposure; nature of viewers is difficult to predict; difficult to target particular market segments.
Direct Mail	Very precise targeting; flexibility (in terms of timing and format); no advertising by the competition within the same medium; allows personalisation.	Relatively high cost per exposure, "junk mail" image.
Radio	Good local acceptance; high geographic and demographic selectivity; low cost.	Audio only, fleeting exposure; low attention ("the half-heard" medium); fragmented audiences.
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life and good pass-along readership.	Long ad purchase lead time; high cost; no guarantee of position.
Outdoor	Flexibility; high repeat exposure; low cost; low message competition; good positional selectivity.	Little audience selectivity; creative limitations.
Internet	High selectivity low cost; immediacy; interactive capabilities	Small, demographically skewed audience; relatively low impact; audience controls exposure.

Source: MicroSave

Advertising need not be limited to such massive campaigns, however. A few strategically placed signs can direct people to your location, build your product's image, and/or provide helpful information. Printed banners and awnings can be cost-effective and eye catching. Well-made portable stands can be displayed at schools, markets, field days, exhibitions, etc. To help you think clearly about what you want to include in your advertising campaign, consider using the Ad Strategy Worksheet provided in Table 16.

Q. How do I test an advertising message?

Prepare sample posters or flyers and use focus groups to explore the extent to which potential customers:

- Identify with the message: could they relate to it?
- Comprehend the message: did they interpret your message as you intended them to?
- Remember the message: do they remember who and what is being advertised?
- Want to act on the message: what is their desire to buy?

Q. Do you have any other tips for designing an effective ad?

Of course! Here's a list of suggestions that haven't been mentioned above:

1. Make sure your ad stands out in some way, perhaps with:
    - An attention-getting headline;
    - A jingle or memorable sound (for radio or TV)
    - An intriguing visual;
    - An eye-catching graphic;
    - Attractive design; or
    - The striking use of colour.

Ad Strategy Worksheet

This worksheet will help you solidify your thinking about your ad, whether it's for print or broadcast. It will keep you from simply throwing something together to meet a deadline. An ad gives you the opportunity to make a brief presentation to your potential customers. Don't you want to think a bit about what you'll say?
1. What's the target audience of this ad?
2. Why are you running this ad?
3. Which media will run this ad?
4. What benefits do you want to communicate to the target audience?
5. How do you support those benefits? How do you convince the reader the benefit is true?
6. What do you want this target audience to do? What action do you want them to take next?
7. Other important information (size, colours, length, other campaign elements, etc.)?

Source: Ferreri (1999)

2. Never run an advertisement in any medium without studying the ads already running there. Such a survey will tell you several things:
   - Who thinks it's a good place to advertise;
   - Who doesn't;
   - The level of ad design (running a cheap-looking ad in an expensive publication won't get you much response; you won't look professional); and
   - The size of typical ads.

3. In writing the text, or "copy," of your ad:
   - Use an active voice, not a passive voice.
   - Use energetic verbs and phrases, not dull ones.
   - Be specific, not general or abstract.
   - Use "you" – you're explaining a desirable benefit to another human being.
   - Make your ad no longer than it has to be.
   - Keep headlines short.

4. If you can only afford a small ad, make the most of it:
   - Don't fill it up with small print and details.
   - Add even a small visual for impact.
   - Use colour if you can afford it.
   - Use a heavier border or a bolder typeface for your headline.
   - Make it a different shape.
   - Use more than one small ad on the same page.
   - Use artwork that makes your ad look like someone's circled or highlighted it with a marker.

5. Make your case credible.
   - Present research results, if available.
   - Cite standards that your MFI follows.
   - Use numbers: e.g., 20 years of experience or 200,000 loans disbursed.
   - Use testimonials and case histories. In a case history, you tell the story of a problem faced by a customer and how your product solved the problem. In a testimonial, current or past customers speak about the virtues of your product or service. Both are creative techniques for incorporating word-of-mouth type advertising into just about any marketing media.

Q. Should I use an advertising agency?

There are three main reasons to use an advertising agency:

1. You get access to experienced professionals – your product benefits from the skills of people who market and advertise for a living.
2. You get connections – they know how to buy broadcast media effectively and efficiently; they know the people, the prices and the conditions.
3. You get a team – the agency has a whole cast of people to make a campaign or project run smoothly: writers, designers, marketers, media specialists and support staff who know how to work together and to schedule activities to meet a deadline.

There are also, however, some powerful reasons not to use an advertising agency. For the average MFI, the most significant one is cost. Related to this is the unlikely chance that you will find an ad agency that knows the microfinance market. Even the smartest agency team will need time to get up to speed on your product and your marketing environment and you will have to pay for that time. Unless you're a big advertising spender, you also risk having a relatively inexperienced team assigned to your contract, which means you'll only be able to benefit from the knowledge and skills of less experienced professionals.

If you do decide to work with an advertising agency, we recommend that you:

- Understand your market before you approach the agency; if you don't understand your customers, chances are the agency won't either.
- Be clear about your needs, and be open to feedback.
- Insist on detailed written communications.
- Feel free to contract out creative or artistic work, but give the media agency a VERY tight brief that outlines what you want and gives them very limited flexibility.
- Supervise media choices to ensure that you get the best deal for your MFI and not just the best commission for your agency.
- If you use a media planning agency, be sure to review its plans carefully, and make sure that they are backed by statistics and analysis on readership/viewers/listeners/visibility, etc.

Q. What are some advertising options for MFIs?

Radio

- Engage the listeners attention by evoking pictures with your words and sound effects
- Find and use truly memorable sounds (Jingle)
- Flag down your targeted listeners straight away
- Mention your brand name and its key benefit early and often
- Radio's favour direct action goals **-** listeners do take direct action from listening to their radios: ***AIDA!***
- Radio ads also create brand awareness
- Radio has cheaper reach than many other medium
- Can often ask for talk-show slots – but have the answers!!

Signage

- Can build image
- Can provide helpful information
- Can direct people to your location
- Can provide street advertising
- Printed banners and awnings can be a cost effective and eye catching alternative
- Outdoor advertising at a local level
- It is permanent

Local Communications

- Tend to be short term and generate immediate results - it should be possible to attribute sales
- Tend to be on small budgets, returns should be kept in perspective
- Ought to bring more people into the bank, or accomplish some other pull-oriented goal. Compare this with national communications which often seek to build brand identity
- Need to make even more creative use of the media, because of low focus and small budgets
- Ensure communications give people a strong reason to react
- Often a sense of being community based

2. Sales Promotions

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;"
- 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."

Sales promotions are short-term activities designed to boost sales for a limited time, or to entice new customers to experiment with the institution's products and services. Some of the sales promotion techniques that have been used by MFIs include: coupons, special pricing, point-of-sale offers, contests, rebates, prizes and lotteries. For instance, with each money transfer completed during a holiday season, one institution offered clients the opportunity to win a free flight to unite them with their preferred loved one. Another MFI had a radio station draw customer receipt numbers at random and announce prizes for the winner (such as baseball caps and t-shirts) with the MFI's logo on them.

Experience from BCS (Colombia), BAAC (Thailand), BRI (Indonesia) and RBP (Philippines) has shown that savings lotteries are very popular among depositors. The larger the average balance that depositors have in their accounts, the more lottery numbers they can earn—creating a significant boost to savings balances. The prizes, which may be put on display in the branch office, are especially suited to the preferences of low-income customers, including pickup trucks, motorcycles and household appliances. Apart from the economic value of the prizes, depositors are attracted by the drawing parties that are treated as important social events. In rural areas, the entire community participates in drawing parties at the local branch, which also attracts new depositors. For the urban clientele, a nationwide lottery transmitted on television seems to be a more promising marketing tool.

Q. What about reward and incentive programmes?

Client reward and retention activities are closely related to sales promotion but they are 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 to mange and administer for the MFI.

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.

3. Personal Selling

Personal selling is face-to-face salesmanship. It is the most direct, the most personal, and the most commonly used sales technique among MFIs. Field staff are out in the cities, towns and villages selling the MFI and its services. Some institutions 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. Other MFIs target employers needing efficient banking services for their lower-paid staff.

Because personal selling is so personal, it offers benefits that other components of the marketing communications mix cannot. It facilitates relationship building between customers and the MFI; it generates future sales through the provision of advice to potential customers or to influential members of the community; and it gathers feedback and other marketing information that helps increase understanding of ever-changing customer needs, wants and preferences. Personal selling is particularly appropriate for products that are complex and require explanation or demonstration.

Alas, these benefits are not without cost as personal selling is generally more expensive than other elements of the mix. Attention must be focused on important issues such as the organisational training and motivation of the sales force, control, and remuneration. To make the most effective use of a personal selling strategy, MFIs should:

- Set standards and define common approaches so that different sales agents explain product benefits and costs (or requirements) in a similar, consistent and appropriate manner.
- Define transparent and fair rewards or incentive schemes for the sales force. MFIs using personal selling can set targets by team, region and/or person, and should ensure buy-in to those targets from the sales team.
- Adequately prepare staff to sell the institution, its products and its services. Training is essential to convey specific product information as well as general institutional knowledge, marketing techniques, and personal communication skills such as the ability to read body language, listen and empathise with the customer, be courteous yet confident, etc.
- Provide sales staff with support materials – brochures, Frequently Asked Questions sheets, etc. in **C**lear, **C**oncise, **C**lient language.
- Make sure that it is easy for customers 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 open their accounts, so as to keep the sales team out selling the MFI and its services.
- Use the personal selling strategy as 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.
- Stress with staff the need to be attentive to customer care so that the personal selling process can build customer trust and loyalty.
- Remember that your employees aren't the only ones who will personally sell your product for you. Independent authority figures, friends, family and other reference groups may communicate your message for you via social channels and word of mouth. This is invariably the cheapest and often the most credible approach to promotion. Support it by making promotional literature available that can help such satellite marketers get your message across as you intend it.

Q. What tips can you give my sales staff?

First and foremost, focus on the customer. Listen to them, respect them, and communicate in a way that tells them what they want to know rather than what you want to tell them.

Selling is best regarded as the process that assists customers to make buying decisions.

Be prepared. Know your MFI and its product. Think about your explanations and descriptions in advance, try them out, and be sure they give the right information. Aim to make what you say immediately and easily understandable. If the customer poses clarifying questions, take note of these and ask yourself whether you can get your message across with another, clearer, form of words.

- Be confident, be courteous and be positive.
- Be flexible and creative, and expect to be surprised.
- Be actively helpful and friendly.
- Take care of your image.

Sell the benefits of your product, not the features. Remember that you've got to communicate what's in it for your customer, and not every customer will find all benefits attractive. You'll need to be sensitive to the needs and responses of your customer to ensure that the product's benefits are appropriately pitched. For example, when selling a salary-processing current account to an employer, he or she may be most interested in the low cost and efficient processing time. However, 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. You should stress the benefits differently depending on the priorities of a given segment.

A strong benefit directed to the wrong market is no benefit at all.

Invite a dialogue and expect potential customers to ask questions, raise objections, and outline how they personally want to use your product. By inviting and encouraging their participation, you enlist their help in figuring out all the ways your product or service can benefit them. Make listening an active process.

Q. How can I make listening an active process?

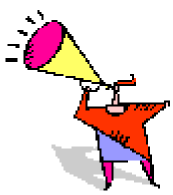
- Concentrate. Focus on what is being said rather than on what you plan to say next
- Check with the customer immediately if something is not clear
- Augment your memory with good note taking, especially regarding key points
- Look like a good listener: focus your attention visibly on the other person
- Acknowledge information as the conversation moves along: "right… good… yes…," occasionally restate what the customer has said
- Let customers know you appreciate their point of view
- Watch their eyes and other body language for non-verbal communication clues
- Don't interrupt or talk too much
- Ask questions
- Use what you hear to match your marketing to the individual customer

4. Direct Marketing

Like personal selling, ***direct marketing*** is a sales strategy that can link your MFI directly with its customers or potential customers. It is a very flexible, low-cost and creative strategy that is less visible to competitors. As such, it is both an appropriate and particularly useful strategy for institutions with limited resources, although it is likely to have the most impact when applied by institutions with databases that are sufficiently sophisticated to allow market segmentation and analysis.

Direct marketing approaches used by MFIs include:

- Direct mail
- Online/email (avoid spam)
- Targeted press advertising



- Leaflets (General/Inserts)
- Telephone marketing
- Kiosk marketing
- Participation in radio or TV programs with built-in direct response mechanisms (e.g., call-in talk shows).

With direct marketing, it is essential to ensure that your potential customers are given an easy opportunity to respond to your MFI and/or buy your product. It is usually more effective when it is backed up (or proceeded) by an advertising campaign so that customers recognise your MFI and your brand before the direct marketing contact is made.

Advantages of direct marketing include:
- Targeting precision
- Testing (markets, offer, services, timing, creative, format)
- Is measurable and accountable
- Control of timing – when the campaign is set in motion
- Advertising cost effectiveness
- More effective segmentation
- Less visible to competitors

5. Public Relations

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. A public relations strategy aims to ensure that the publicity an MFI gets is good publicity.

Public relations-based selling efforts are time-consuming and often slow, but they can have a significant and somewhat unique impact. They can have a strong effect on the public's knowledge and perception of your MFI, its products, its people and its position at a much lower cost than with advertising. They can contribute to the building of trust and credibility, which is critical for any financial institution.

Look at media-focused PR, versus planned events and sponsorship, and their impact on performance, drawing on Equity Building Society's Anniversary and Teba Bank's Social Responsibility programme.

The primary task of a public relations strategy is to ensure that there is a steady flow of positive, brand-strengthening stories circulated around the media to build strong links between your 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 or product-focused publicity.
- **Public affairs** – developing and maintaining national or local community relations.
- **Lobbying** – to influence legislation or regulation.
- **Investor relations** – with shareholders or the financial community.
- **Development –** liasing with donors or non-profit organisations to get financial or volunteer support.

With such a diverse set of roles to play, it is important for 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. There are a variety of tools that can be used to facilitate this important function, including:

- **News**, placed or naturally occurring – for best results the news relating to your 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.)
- **Informal lunches** to which a group of influential community members, media representatives or clients is invited
- **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 your MFI in the field
- **Corporate identity materials**, including logos and signage, etc.
- **Public service activities** such financial advice for low-income families, training/information sessions etc.
- **Sponsorship** of activities and events or people – with education such an important issue for MFI clients, sponsoring the education of even a very few children (selected in a transparent and fair manner) can create excellent community relations and even press coverage; other MFIs have sponsored sporting events to publicises the institution to the attendees (as potential customers).

Q. Do you have any recommendations with respect to the overall mix?

Absolutely. No matter what strategy or combination of strategies you select, there are a few general items that are worth keeping in mind:

- ***Integrate individual sales strategies into one marketing communications mix.*** Rather than plan and implement each strategy separately, design an overall communications mix that is consistent and coherent and makes sense given your MFI's larger mission and objectives. This can make budgetary trade-offs both easier and more effective since resources can be allocated to achieve overall marketing objectives rather than specific goals of individual sales campaigns.
- ***Balance sales and promotion efforts with institutional capacity to deliver***. If marketers and operations staff do not communicate well, an MFI's marketing efforts can easily outstrip the institution's capacity to deliver the value that it promised. This can have disastrous results, both in terms of lost customers and weakened institutional credibility.
- ***Say it again and again.*** Give your customer one good reason why she should buy from you and not someone else. Keep it short and simple and repeat it again and again. Repeat yourself visually, too. It makes you look more organised and professional, and easier to remember.
- ***Don't raise expectations you cannot meet***. If an MFI leads a potential client to believe that it can do better or deliver something that it cannot, that client will eventually leave the institution disappointed or, even worse, feeling betrayed and will likely let a lot of people know it. MFIs are much better off if they communicate the value they ***can*** deliver, and focus on getting the market excited about that.
- ***Remember AIDA***. AIDA is an old but useful marketing acronym that can help guide any MFI sales strategy: first get the audience's ***Attention***, then 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.

Q. How do I assess the effectiveness of my communication?

There are a number of ways to measure how well your communication campaign is working for you. None of these methods is perfect, but they can help you get a sense of how well you're doing and whether the cost of your campaign is worth the investment. The choice you make about which one to use will depend on the particular nature of your mix.[9]

[9] This section is adapted from Ferreri 157-8.

- ***Before and after surveys:*** You can conduct a market survey that tests the level of awareness of your product compared with competitors' products before and after your campaign. Barring outside influences, you can attribute the difference in awareness to your communication efforts. Such assessments can be conducted using sophisticated attitude/perception quantitative surveys or Focus Group Discussions (FGDs). Though they require special skills, FGDs can be superior to questionnaire assessments because they allow for a better exploration of issues and, therefore, an opportunity to gain potentially greater insight.
- ***Revenue measurement:*** Although many factors can impact your gross income, counting your revenues every day before, during and after a campaign can tell you in absolute terms if you're doing something right. When you analyse the results, be sure to allow for mitigating factors (e.g., look at the last few years to see if there's normally a seasonality trend in revenues).
- ***Mechanical measurements:*** If you ask your customers to bring in a coupon or a copy of an ad to qualify for a special discount, you'll receive very clear evidence of how well you've done. You can even code your coupons to record precise details about the nature of the communication channel (e.g., publication and date).
- ***Split runs:*** Run two different versions of an ad—with different prices, different products and different time applicability—and measure the difference in responses. This will also allow you to learn which appeals work best with your target audience.
- ***Customer query:*** Instruct your staff to simply ask customers why they're there and how they heard about you. Tally the answers, and you'll see the effect of your advertising. An easy and inexpensive way to facilitate this kind of query is to incorporate a few strategic questions into your account opening documentation, as shown in the example provided in Box 1.

Box 1: Marketing Assessment Questionnaire

1. Did you come to AfriCo Microfinance Company specifically to open a Fast Access Savings Account?
   a. Yes
   b. No, I already had another account
2. Do you have another account at AMC?
   a. Yes
      i. Regular Savings (Balance = ____________________)
      ii. Our-Way Loan (Balance = _____________________)
   b. No
3. Where did you learn about the Fast Access Savings Account?
   a. Posters
   b. AMC staff (Name: _________________________________)
   c. Another AMC customer (Name: _____________________)
   d. Marketplace Event (which? _________________________)
   e. Other ____
4. Where do you stay?
   a. Town 1
   b. Town 2
   c. Village 1
   d. Village 2
   e. Other __________________
5. Where do you work?
   a. Town 1
   b. Town 2
   c. Village 1
   d. Village 2
   e. Other ________________________

Source: MicroSave

The first question in the above questionnaire will help management to know if customers have been attracted to the MFI because of this product. The data quantifies the satisfaction of an objective related to numbers of new customers opening a new account versus current customers opening new accounts.

The second question provides basic activity data that enables the tracking of customer levels by account type and balance. Once you have some data on customer activity, this information provides a good idea of who is opening this new account.

The third question tracks the effectiveness of the marketing efforts. This is critical for any MFI that is spending money on advertising. With some historical data, management can identify the most effective advertising media for reaching potential customers. This question also aids in the identification of specific staff persons or customers to whom the MFI might want to show some appreciation. It is becoming more common for MFIs to pay a small commission to staff who generate new customers, or to show appreciation to existing customers who assist in new customer generation, so this is especially important if staff people are promoting the product.[10]

Questions four and five help management to identify where the customers are coming from. Identifying geographic clusters of customers can be useful in future advertising, product development, and selecting locations for future branches.

This type of questionnaire, and the data it seeks to generate, is very flexible, allowing an MFI to ask questions relevant to its operations and information needs. It can be a useful tool for gaining better information on your customers and helping management to make informed decisions about how best to meet their needs. However, it is necessary to conduct analysis of the results. Unless someone is analysing the completed questionnaires, the exercise is a waste of customer time. The marketing department (or operations in the absence of marketing) usually does this analysis.

By analysing the results of different sales campaigns and strategies, you can focus future resources on those marketing efforts that produce the strongest results. After particularly expensive or intensive campaigns, you may want to conduct a cost-to-result ratio analysis to assess whether you got value for money from your investment. An example of a basic cost-to-result assessment is provided in the Table below. The cost of each media campaign is simply divided by the number of clients attracted to get an average communication cost per client.

Example of Basic Effectiveness Assessment

	Cost (Ksh)	**# of clients**	**Cost per client**
Radio	750,000	2,503	299.6
Posters	20,000	126	158.7
Billboards	100,000	345	289.9
Pamphlets	50,000	245	204.1
Personal Selling	250,000	1,759	142.1

Source: MicroSave

[10] See *MicroSave*'s Designing Staff Incentive Schemes Toolkit for more details on this complex issue.

Session Nine: Personnel Training and Development Strategy

Q. Why is the role of staff key in the performance of financial institutions?

The customers access financial services through the staff. The contact point between the staff and clients is critical as it is that which defines your corporate image – it may make or break your brand. Trust and security are the basis of the financial relationships that the customers get into with the institutional and good staff thus ensures quality/commitment on which the trust rests and grows.

Thus it is important that the financial institutions focus on them and attempt to optimise their performance through training, courses and other staff development programme, team building and incentive schemes.

As the staff are constantly in touch with the customers, they are the most effective marketing media. An institution, which aims to excel in customer service, must have every employee as a marketer – starting from the security guard, who very often is the first contact point in the institution t the members ofteh senior management.

Q. Why is staff development a key element in marketing strategy framework?

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**.

Q. What is the process of HR development?

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 <u>results</u> of training programme.

Q. What are key success factors for team development?

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
- Recognition that **teams need to be fostered** developed and assessed.

Q. What is the role of staff incentive schemes?

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.

Session Ten: Customer Service

Q. What is Customer Service?

The microfinance industry has for a long time been an institution-focused industry that has not paid much attention to the needs of clients. This is to some extent a consequence of the strong emphasis on control mechanisms that are a prerequisite for working with higher risk clients (as compared to those served by the formal sector). Perhaps for the same reasons the industry has focused on offering non-diversified products with limited flexibility in order to reduce the cost of services that are already very resource intensive. While this approach promotes efficiency and allows for better control, it has failed to meet the diverse and dynamic client needs that are becoming more and more sophisticated. The result has been an increase in client desertion, delinquency and limited or slow growth. With the growth of competition in the industry, these problems can only intensify.

Q. Why Focus on the Client?

Although the industry is still fairly young and has not yet encountered fierce competition (with the possible exceptions of Bolivia, Bangladesh and Uganda), there is need to prepare for this eventuality, as it is (in most markets) inevitable. A market oriented approach and commitment to client needs[2] will help in reducing client dissatisfaction and thus desertion in future when the market becomes more competitive.

To be client oriented means making the client the primary focus of the institution, that is, learning about their needs and responding to them through the development of appropriate products and services[3]. After all, it is the client that is the basis and source of the MFI's business.

Q. What are the elements of Customer Care?

The different elements of customer service are:

- ✓ ***Product / service range:*** This is the core product or service that is being offered, along with additional services and the service delivery augmentations.
- ✓ ***Delivery systems:*** This refers to the need to be efficient, effective, responsive and reliable, as mass services are typified by limited contact time and a product orientation. Also financial needs are mostly urgent though dependent on the nature of the product.
- ✓ ***Technology*****:** This is often integral to a product, as in ATMs.
- ✓ ***Employees:*** The role in customer care is immense in selling financial services which is intangible and thus value based.
- ✓ ***Delivery environment:*** The physical design, access, atmosphere – space, colour, lighting, temperature are important to make one institution different from the other and to make the client feel important and cared for.

Q. What are the gaps that exist between the service provider and user?

Very often gaps are found to exist between the service provider and service user as service provides mistake their perception and knowledge about clients to be always true. This leads to the following areas of mis-communication:

- Not knowing what customers expect
- Not selecting the right service designs and standards
- Not delivering to the service standards
- Not matching performance to promises

Q. What should be the approach to customer satisfaction management?

As the financial services market becomes increasingly competitive, providers continue to strive for competitive advantage and that element which will make them stand out from the competition. One of the best ways of doing this is to ensure that everything they do they achieve quality and a degree of excellence.

Define the required quality for each product and the service you offer

↓

Establish procedures and service standards that reflect the levels of quality that you require

↓

Monitor the production and provision of services against the established standards

↓

If quality falls below the established standards, ensure that action is taken rapidly so that standards are improved again

Q. Why is it important to set Customer Service Standards?

It is important to set standards for absolutely everything, and therefore standards should be limited to the areas where a quality standard will actually be of some benefit to the company. There is little point in having a level of quality in an area which the customers does not feel out what its customers want, what they feel is important, and what influences their buying decision, and then defines the quality standards for those elements.

What we can see from this is essential for the organisation to have a clear understanding of its customers, who they are and what they want, before they can understand a programme of quality management. They must gather information and opinions from their customers, their potential customers, and indeed from those who rejected their offerings and decided to buy from somewhere else in order to ensure they have a good understanding. They must also do this on a continual basis if they want to keep their knowledge of the customer, and therefore their quality standards, up-to-date.

Each standard must be achievable, and if there are costs involved, these must be identified and measured against the benefits that they will bring in terms of new customers and customer retention. While there may be areas of the products and services that the company feels would benefit from improvements in quality, there is little point in doing so unless these areas are of importance to the customer.

Q. What is a customer retention programme?

A customer retention/customer development programme implemented by the marketing department of a financial services company could contain the following.

- Issuing new customers a satisfaction questionnaire when they have completed the purchase of their product, asking them to rate the service they received. This will show the customer that you value their opinion and provide valuable information in order to help you to improve the service for future customers.

- Regular customer contact is important if the customer is to feel that they have an ongoing relationship with the provider. This communication can be in letter form or via the telephone depending upon the nature of the provider and the information which will be useful to them rather than just junk mail.

- Creating a feeling of ‘belonging’ among the company’s valued customers will be an important element of the programme. This may be achieved by such things as a customer magazine, or by offering additional services available only to existing customers.

- Because of the reduced cost of selling further products to existing customers, the company may be able to offer reduced charges to their customers. These “exclusive” offers will also help to build a feeling of customer loyalty.

Session Eleven: Improving Delivery Processes

Q. What are some of the examples of quick wins from which financial institutions have gained?

- Institutions have observed delays often due to duplication of work or excessive risk control mechanisms which when simplified or removed improved efficiency (Teba Bank, Equity Bank, Uganda Microfinance Union, FINCA-Tz)
- Introducing a separate counter for enquirers saves a lot of time for clients and is always appreciated. It reduces pressure on the teller too. (Teba Bank, Equity Bank, Kenya Post Office Savings Bank)
- If the prices are transparent and well communicated, it reduces enquires, confusion in understanding the transaction statements issued and saves time (Equity Bank)
- Financial institutions which process salaries have used salary boards to announce the names of companies/departments for which salaries have been credited/ non credited. It saves time and human resource for both the client and institutional and reduces congestion in the banking hall to a great extent (Equity Bank)
- Dedicated customer service staff helps improve processes as customers get it right the first time itself and it enhances appreciation for the institution as clients feel cared for (Teba Bank, Equity Bank, Uganda Microfinance Union)
- FAQ guides can be used for both clients and staff to understand products and services ad also to be updates on changes introduced in the institution, leading to changes that affect the clients (Tanzania Postal Bank, Kenya Post Office Savings Bank, Equity Bank)
- Conduct process mapping (Equity Bank, Tanzania Postal Bank, Kenya Post Office Savings Bank, FINCA-Tz)
- Installation of digital cameras have helped clients immensely for processes that require photographs. It gives a lo of credibility to the institution and saves time on repeatedly attending to same customer on different days (Equity Bank)
- Dedicated product tellers help clients to get familiar with the process and people, saving on time and reducing congestion in banking halls (Tanzania Postal Bank/Kenya Post Office Savings Bank)
- Some banks face high pressure during certain days of the month, if they are processing salaries, or school fees. Hiring part time staff and adding extra counters for those days are very effective. (Credit Indemnity)

Q. What is process mapping? How is it helpful?

A *process map* is a visual representation of a process, within specified *boundaries*, that uses symbols and arrows to display *inputs*, *outputs*, tasks performed, and task sequence. It promotes understanding of a process in a way that written procedures cannot. One good process map can replace pages of words.

Q. What does a well-prepared process map help to do?

- Communicates process-related ideas, information, and data in an effective visual form.
- Identifies actual or ideal paths, revealing problem areas of risk and potential solutions.
- Breaks processes down into steps using consistent, easily understood symbols.
- Is inexpensive and quick to produce, and gives employees the opportunity to experience a shared view when they participate in constructing it.
- Shows intricate connections and sequences clearly.
- Aids in critical business communication, problem-solving, and decision-making processes.
- Permits immediate identification of any element of the process.

Q. How did Equity Bank benefit from process mapping?

Potential benefits from process mapping are demonstrated by achievements at Equity Bank, Kenya.

Process Mapping at Equity Bank

Equity Bank (or Building Society as it then was) in Nairobi, Kenya eagerly embraced the concept of process mapping as core to a massive undertaking to document all procedures within the organization, using *MicroSave*'s risk management process mapping format.

A cross-functional team of 14 staff members was trained in process mapping. Staff was drawn from head office as well as branches, and represented the Marketing, Internal Audit, Credit, Finance, Human Resource, IT departments. Staff levels represented encompassed a range from senior management (Credit, Finance, Internal Audit Managers), to Assistant Branch Manager, to line staff.

In addition to the benefits to the main procedures project (as the figures below represent), team members identified additional uses for process mapping within Equity such as costing, marketing: new product development cycle, training for new staff as well as trainer notes, and trainer of trainers, audit planning, standardization: uniformity of procedures, communicating the advertising process, documenting all processes, problem-solving tool, communication tool, both internal and external (e.g. auditors), performance evaluation tool.

The exercise ended in a total re-engineering of their processes over 3 months making huge savings!

Procedure	Before Process Mapping	After Process Mapping
Account opening	12m 36s	9m 47s
Account Opening error rate	99.5%	22%
Cash transaction (Cashier)	1m 58s	2m 10s
Cash transaction (Total time)	7m 8s	4m 58s
Issuing of Magnetic Cards	1-2 months	2 week

Deriving the full benefits of process mapping, however, is a discipline, in the same way that accounting, auditing, and lending are disciplines. Provided that MFI management is willing to implement the changes proposed, a process mapper's ability to analyse a properly constructed map and recommend institutional improvements can result in enormous gains in efficiency, customer satisfaction, market share, economy, and profitability. If process mapping can have such a profound effect on an organisation, it seems only logical that it should become an integral part of the organisation's methodologies.

Session Twelve: Enhancing Service Delivery through E- Banking

Q. Why electronic banking?

Electronic Banking brings the potential to extend low cost virtual bank accounts to a large number of currently un-banked individuals worldwide. Change is being driven by falling costs of technology, by competition and by the ability of electronic banking solutions to offer customers an enhanced range of services at a very low cost.

Whichever technical option is chosen the development of an electronic banking solution should consider the customer perspective – the customer value proposition; the institutional perspective – the business case; and the local environment for electronic banking.

The Environment for Electronic Banking

Many e-banking projects are developing in South Africa. This is not the result of chance, but rather that the South African environment is more favourable for electronic banking. There are well-developed banking and retail sectors, a supportive central bank, good communications and a generally positive policy environment. The environment for electronic banking is influenced by the:

- *Evolution of the financial and retail sectors*: The nature of the financial and retail market in which the solution is being launched is a key determinant of product features, interoperability, potential volume drivers and basic financial literacy.

- *Level of financial literacy*: The level of financial literacy influences communication of the product, the nature of the distribution channel and the nature of transactions made.

- *Regulatory and policy environment*: The regulatory and policy environment should be supportive of electronic banking. This includes appropriate banking regulations and communications, security, and information policies.

Q. What are the different technical options?

Electronic Banking Technology

There are a number of options facing institutions thinking about investing in electronic banking for the mass market, these include: [11]

a) Personal Digital Assistants to automate loan officer operations
b) ATM machines & POS
c) Magnetic Stripe Cards … often referred to as "magstripe"
d) Smart Cards
e) Cell-phone banking

Frequently debit card and smart card options are integrated with Automated Teller Machines (ATMs) and Point Of Sale (POS) devices.

Personal Digital Assistants: An increasing number of microfinance programmes are introducing personal digital assistants (PDAs). PDAs are small handheld computers that can run specialized programmes to manage MFI and client records. More information on PDA's is available in Charles Waterfield's article in the CGAP innovation series.

Automated Teller Machines: ATMs are associated with magstripe or smart cards. Experimentation with graphical user interfaces and talking ATMs, such as at PRODEM, combined with falling ATM prices[12] are bringing ATM technology to larger microfinance programmes that can accept client deposits. ATMs can be fully functional teller machines that accept deposits, dispense cash and can be programmed with other functions. Or they can be cash dispensers only.

[11] The paper does not attempt to provide a detailed technical overview of the options available, nor to get involved in a detailed argument over which option is most suited to which circumstance.
[12] ICICI Bank in India is also experimenting with a very low cost ATM machine, which dispenses pre counted packets of money.

ATMs are expensive to own and operate but offer the financial institution a much cheaper way of processing withdrawals than through over the counter operations. ATMs are typically online, therefore, require reliable and affordable communications and power.

"*Magstripe Cards*": Debit cards, often based around magnetic stripe technology, allow customers online access to their accounts through a network of POS devices and ATMs. The principle advantages quoted by proponents of Magstripe cards are low price and the requirement that transactions are performed online. The requirement for online transactions means that geographic outreach is determined, in part, by the availability of reliable and affordable communications and power.

"*Smart Cards*": Smart cards have a machine-readable chip embedded in the card. This chip is able to store detailed transaction records offline and perform transactions without a link to the customers' account. In order to do this, value is stored on the chip by the customer and is periodically reloaded, over the counter, through ATM machines or through POS devices.

The principle advantages quoted by proponents of the Smart Card are security and offline functionality. Biometric security allows a cardholder's picture and fingerprints to be stored on the card and used to identify the user. More information on biometric security is available in Stephen Whelan's article in the CGAP innovations series. Disadvantages include the cost of the card and risk of loss of value on losing the card. Counterweighted by move to pre-authorised debit where cards are loaded 'on-line' but transact 'off-line' which allows reconciliation of approved transactions.

Eurocard, MasterCard and Visa are currently introducing a new standard (called EMV) whereby all Visa, MasterCard and Eurocard branded cards will be issued with a magstripe and a smart chip. Whilst this offers security advantages, it could significantly increase the cost of any mass market solution which relies upon the Visa or MasterCard distribution network.

Mobile phone banking: The phenomenal expansion of mobile phone networks in Africa and other parts of the world provides an opportunity to operate virtual bank accounts through mobile phones, either through menu driven systems or through SMS technology which is already being used by millions. This option has the significant advantage that the distribution infrastructure is already in existence – millions of mobile phones.

Q. What is the key issue in customer service while shifting to electronic banking for the poor?

An electronic banking solution must provide sufficient value to persuade the customer to move away from cash[13]. However, cash is an incredibly versatile medium of exchange. It is universally recognised as a store of value; and it is accessible, portable and divisible. It has taken millennia to evolve into its current paper form, from crude coins whose value was determined by silver or gold content to complex notes with multiple devices to combat forgery.

So what are the important drivers of the value proposition to the customer[14]?

Features: What needs does the e-banking solution meet? What features encourage the user to maintain an electronic account in preference to cash? For example, improved personal safety from reducing cash carried.

Accessibility: Limited distribution of transaction points strongly reduces the value proposition to the customer. Walking many kilometres to be able to access the service is inconvenient and costly. Saturation of an area with the service is preferable to a wider thinner, distribution.

13 In this paper cash is taken to mean notes and coins, rather than near cash substitutes like cheques etc.
14 Adapted from a contribution to the Virtual Conference on Electronic Banking for the Poor by Ron Webb, Paynet Kenya

Affordability: Start up and transactional costs need to be as low as possible for both the end user and the merchants these users frequent. Cash is inherently "frictionless" there is no charge that gets levied each time value is transferred.

Ease of use – convenience: Simple to use fast and user friendly. Wealthier individuals are prepared to accept a fee for convenience. Low value users will accept greater inconvenience to save money or to facilitate low value transactions.

Q. Does e-banking require a partnership approach?

Except perhaps for the larger banks or in the case of solutions with tightly defined functionality, e-banking solutions require a partnership approach to achieve scale. Partners in an e-banking solution include, application service providers, banks, communications providers, merchants – groups of merchants, government departments, Post Offices and/or Postbanks, microfinance institutions, petrol stations, transaction processors etc.

IT Vendor or Strategic Partner?

A critical partnership is that between the system developer and the host bank. A vendor relationship is based on a transient relationship, where the vendor and the host financial institution can have very different objectives. In a partnership, a longer-term relationship is envisaged with both parties working towards common objectives. For example, Teba Bank in South Africa structured a partnership with its system developer, Celltransact, to create a joint venture in which both parties benefit from the success of the solution. As a consequence, it can be argued that the combined team has delivered an extremely flexible, cheap to operate product at a fraction of the cost of some competing solutions.

Developing Multiple Business Cases

Each partner in an electronic banking solution has to have a firm business case in favour of the solution. While providing a service that the end user values, the financial institution must satisfy the requirements of a range of different partners each requiring slightly different benefits from electronic banking solution.

Q. Do we need to invest in financial education?

The nature of marketing electronic banking for the poor is likely to be significantly different from the marketing employed for other products and services, in that it will include a greater emphasis on financial education.

To benefit from the solution, users need to understand:

- *How to use the cards*: Where revenue streams are dependant on transaction based income, it may be more important to ensure customers are familiar with the multiple ways in which a card may be used than to simply increase the number of card holders.
- *Where to use the cards*: Clear branding that is easily communicated to both literate and non-literate clients is a prerequisite to informing customers where the cards can be used.
- *What to do when things go wrong*: When service delivery fails, clear instructions need to be given on how the expected service can be obtained, for example, through the provision of a call centre number or a location guide to ATMs in a particular area.

Financial institutions have developed a number of innovations to assist their customers to access services. These include:

Customer training: Standard Chartered Bank was one of the first banks in Uganda to introduce ATMs. To educate customers, it employed customer service advisers to physically demonstrate the use of ATMs to sceptical customers. It took time even for a literate market to learn to trust a mechanical service.

ATM innovations: Prodem in Bolivia developed its own range of Smart Card ATMs, combined with digital fingerprint recognition technology, as well as stand-alone, voice driven smart ATMs in local languages with colour coded touch screens. (Digital Dividend, 2002)

Assisted ATMs: Standard Bank in South Africa developed a model based around a basic bank account (see above), which would be operated totally electronically called E-Plan. A simplified menu structure was placed on dedicated ATMs that were easier for clients to follow. Staff were recruited who were dedicated to the E-Plan outlets. Because these staff had a narrower job specification and did not have to learn extensive back office procedures emphasis was placed on recruiting staff with “people skills”

Customer communication material: Teba Bank in South Africa carefully designed and tested communications materials based on photographs, with minimal text aimed at explaining the operation of its debit card to semi literate customers.

Training merchants: While merchants are not members of the issuing bank’s staff, if the business case has been carefully constructed, they stand to gain from increasing usage of the card. Providing training and support materials to merchants to better enable them to assist customers should significantly improve the effectiveness of a communications campaign.

Call centres: A phone line connects customers to a call centre where queries on the operation of the account can be resolved, lost cards reported and where payment instructions can be raised. Care is taken to identify frequently asked questions made to the call centre and to provide appropriate and consistent answers for the call centre operators.

Training issuers: The difficulty and opportunity for the host financial institution is that different card issuers have very different motivations for issuing the solution. A Government wishing to pay pensions is mainly concerned with ensuring that users are able to withdraw funds from the card. A petrol company offering a loyalty programme wants to ensure that users understand how the loyalty programme works. The host financial institution may have to devise a communications strategy that informs card users of the wider functionality of the e-banking solution.

Session Thirteen: Infrastructure Development Strategy

Q. Why is the branch important in quality customer service delivery?

The branch is a critical component of any savings product. On one level the branch is simply the place where the financial service is delivered. However, it is in practice fundamental to each of the 8 Ps, considering each in turn.

- **Product**: Savings products are usually delivered through a branch network – the nature of the branch and the number of tellers strongly influences how savings products are delivered;
- **Price**: The extent, type and nature of the branch network establishes operating cost parameters that must be recovered through the price of products and services;
- **Place**: The branch is the principle place of business for many financial institutions;
- **Promotion**: The branch should be one the principle locations for the promotion of an institutions products and services given that it is a meeting place for clients and staff;
- **Physical evidence**: The branch provides the clearest evidence of an institution's professionalism and stability, and is often seen a proxy of an institutions ability to deliver financial services;
- **People**: The majority of many savings institutions' staff are based at branch level. A branch must be designed to facilitate both efficient transactions and effective interactions with customers;
- **Process**: The physical environment strongly influences the efficiency of delivery related processes;
- **Position**: The branch is a core component of the corporate brand of a financial institution. A strong corporate brand positively influences public perceptions of institutional stability and facilitates Word of Mouth communications making marketing savings much easier.

Q. What are the key issues in branch location?

Branch Location: Which Town?

Branch location is a particular challenge to a transforming credit based microfinance institutions. Credit based microfinance programmes select office location, according to a very different set of criteria than savings based financial institutions. PRIDE offices in Uganda and Tanzania service tens of thousands of loan clients every year. To control for costs many of these offices are located up a flight of stairs or in converted residential space. This approach has worked well for providing loans, however, while clients are prepared to sacrifice convenience to obtain a loan, the same cannot be said for savings services.

Feasibility Studies: Typically branches are located after producing a macro level study. A feasibility study determines high potential towns that match with an institutional mission and vision. The study considers likely demand for financial services, plus proximity to other branches and any competing financial institutions.

Accessibility: Branches should be located in areas that allow the institution to provide accessible, frequent and convenient services to its customers. For Teba Bank this meant careful research to ascertain where its target populations were located and underserved by the traditional banking infrastructure and then carefully choosing locations within those target communities.

Before beginning to covert to a Microfinance Deposit-taking Institution FINCA Uganda located many of its regional offices on the outskirts of regional centres, as this provided good access to its rural village banking clients for its field staff – for FINCA Uganda, actual delivery of financial services occurred at the village level. However, to compete for deposits FINCA Uganda has had to relocate many of its regional offices, and to rethink its delivery strategy.

Providing rural services: An approach being adopted by many converting microfinance programmes in Uganda is to operate through a branch network, which is supplemented by smaller sub-branches or agencies. Sub-branches are smaller than branches but otherwise fully functional, though they may operate on a local server during the day and update information overnight. Agencies only operate on one or two days per week, generally in smaller towns with opening times coinciding with market days. Centenary Bank plans to pilot test sub-branches in its branch network – in medium sized towns. Each sub branch would be provided with sufficient space to graduate into a full branch as its active client base grew.

Equity operates mobile banking through vans equipped with online access through VSAT communications. The vans can operate independently with staff serving customers from the van, or more normally are used to operate agencies for one afternoon a week in different locations around an Equity branch. (Coetzee et al, 2003)

Proximity to other branches: To moderate management and training costs many financial institutions open branches in relative proximity to other branches within their branch network. Equity Bank in Kenya started operations in the Nairobi and Central Provinces, as it grew it made a conscious decision to expand around its existing branches. This allowed Equity to provide multiple access points for customers within a given region and to expand into areas where it was already known, thereby reducing marketing and promotional costs whilst containing monitoring and management costs.

Competition: It should come as no surprise that high potential locations already have a number of existing financial institutions. The question then becomes is there sufficient unmet demand for another financial institution. Locations where there is limited competition may prove an ideal opportunity but the institution must ask itself – why is there no competition there in the first place?

Location may also be a function of the maturity of a financial institution. For both Equity and Uganda Microfinance Union many of their initial branches were situated in smaller towns with limited local competition. However, as Equity and UMU expanded they had a much greater ability to compete effectively with larger commercial banks and opened branches in major metropolitan areas.

Branch Location: Which Street?
Once a high potential town has been selected, the institution needs to select where in the town the branch should be positioned. Sometimes the decision is forced by the availability of suitable premises (see box), however, other factors such as foot traffic, transport routes, potential for expansion, facilities and security should be considered.

Foot traffic: Foot traffic refers to the number of people from the intended target group that passes by the branch during a given period of time. Locations with heavier foot traffic offer much higher potential for savings mobilisation than branches with low levels of foot traffic. More remote areas with lower population density may not be able to justify a full branch, but may justify opening an agency branch or mobile banking.

Transport network: A branch is likely to draw customers from surrounding areas where there are good transport links. Good transport links make cash based transactions quicker and generally safer. However, generally branches should not be located too close to bus terminals as in many countries these are considered unsafe locations, favoured by pickpockets and other petty thieves.

Expansion potential: A market-led financial institution must carefully consider the expansion potential of the branch. Teba Bank in South Africa, Centenary Rural Development Bank in Uganda and Equity in Kenya all needed to increase the number of branch based teller positions. For Centenary this meant providing two extensions to their Entebbe Road Branch in Kampala this increased teller capacity to 28, and allowed the branch to handle 80,000 deposit accounts. Equity realised shortly after opening their branch in Nakuru that they would need additional space due to the much higher than anticipated response from the public. Equity negotiated with the tenants who occupied the floor above their branch, obtained their premises and converted them into a second banking hall.

Facilities: The branch should have access to utilities, water and electricity and be accessible to the management of the financial institution. This leads to an almost inevitable bias towards locations serviced by tarmac roads.

Security: The branch should be situated in a relatively secure area, a frequent complaint of Commercial Micro Finance Limited customers in Owino, Kampala is that the branch is located too close to the market and they do not feel safe carrying large amounts of money to the bank.

Q. What are the key issues in branch set up?

Branch Infrastructure

Building a branch infrastructure can be very expensive the transforming Ugandan microfinance programmes are spending between US$35,000 and US$ 50,000 for each four to five teller branch, in order to meet Central Bank licensing requirements (see box).

One of the most expensive requirements is the construction of the strong room. Strong rooms are normally constructed from reinforced concrete – ceilings, floors and walls. According to one respondent "The strong room can make up half the cost of preparing a new branch. We ensure that the strong room does not connect with an outside wall, has reinforced walls, ceiling and floor and an appropriate secure door."

Given the cost of preparing a branch its no surprise that transforming microfinance institutions look where possible to rent premises formerly occupied by other financial institutions.

Paraphrased from: Schedule 5: Questionnaire on Premises – Microfinance Deposit Taking Act, Bank of Uganda - pages 36-38.

Inside The Banking Hall

Most banks providing mass-market financial services operate predominantly from rented premises. There are some good reasons for this, firstly the capital outlay required to own premises is significant and it reduces cash available for lending. Secondly, in many countries Central Banks prefer financial institutions to maintain fixed assets at a lower level than core capital – to ensure that depositors' savings are not being used to finance long term assets within the bank.

However, reliance on rented premises comes at a price. In the absence of purpose built banking premises it can be difficult to create an ideal banking hall, especially outside capital cities where there is a limited choice of suitable buildings. Extensive renovations are required and frequently internal walls and partitions are removed to create a large enough area for a banking hall.

Ensuring a Customer Focused Banking Environment

Older banking halls can be especially problematic, as they were designed at a time when there was greater use of manual procedures requiring considerable space to be set aside for back office operations. Today, there is much greater focus on providing space for customers and for staff interaction with customers.

A customer focused banking environment is carefully planned to provide a pleasant, effective and efficient banking experience for customers. In a customer-focused environment a much greater focus is placed on the customer and her needs – typically this translates into significant front office staff presence, including a greater number of tellers, specialised customer service staff and front office based sales staff.

Space Allocation

Financial institutions need to carefully plan the allocation of space in the branch between the front and back office, and between the savings and credit functions. The high transactions volumes that follow from pursuing a market-led approach to customers and to product development has a number of implications.

Customer Communications

The branch is probably the most important venue for client communications within a branch-based delivery system, given this is where staff and clients meet on a day-to-day basis. Given its strategic importance, it is remarkable how little considered attention is given maximising the communication potential of a branch.

Signage: Signage should be clear and concise in language that clients can understand. Signs must be visible in a crowded banking hall, so that customers know that they are in the right place for the service that they require. For this reason hanging signs may be more effective than smaller signs placed on the tellers' windows. Signage important for customer understanding should be consistent with the corporate brand as this helps to convey its significance to the bank.

Name Tags: It is surprisingly common for staff to remain unidentified to their customers. In such cases poor service is identified as an institutional failing rather than the fault of a specific individual. Wearing nametags identifies staff as bank employees and gives the impression that that financial institution is open and transparent and can be held accountable for its actions. From a staff perspective it promotes service excellence amongst staff and encourages better communication.

Customer Information: Customer information includes informative posters, price lists, brochures and notice boards. The target market must understand customer information. This has several implications firstly customer information should be written in clear, concise and client friendly language; secondly use graphics and photographs where this assists a semi-literate market; thirdly customer information should always be available.

Customers respond well to the provision of information. Customers complained of a high level of miscellaneous charges at Equity Bank in Kenya in November 2000. In response Equity revised their pricing structure removing several fees and re-pricing their products. Equity produced poster sized price lists and placed these in glass frames and placed them in the banking hall.

However, if information is poorly presented it can become much more difficult to communicate with customers. Many banking halls contain out of date posters and brochures, which can be disastrous when prices or product features change. In some cases customers are presented with too much information are therefore unable to determine what is important for them to read. In still other cases communication materials are presented casually in handwriting rather than in print and in a format that is inconsistent with the corporate brand – thus lessening the impact of the corporate brand on the customer.

Solicit Customer Feedback: *MicroSave* studies have consistently shown the value of soliciting customer feedback not only in improving delivery of financial services but as an active ingredient of promoting positive Word of Mouth amongst the target group. Mechanisms to solicit customer feedback are many and include:

- **Customer Surveys**: To generate positive Word of Mouth it is important to feedback the results of the survey along with a positive institutional response
- **Focus Group Discussions**: Carefully moderated discussions with groups of clients designed to solicit client feedback on key issues.
- **Suggestion Boxes**: Many suggestion boxes sit dusty and unused sometimes because customers feel that their opinions will have limited impact on the financial institution. However, it is possible to significantly increase the volume and quality of suggestions received through actively promoting the suggestion box as a feedback mechanism. This would include prominent posters soliciting customer feedback and a board showing institutional responses to client suggestions.

Customer Points of Contact

To run an efficient and focused front office means ensuring that anyone customers have contact with is able to assist customers with basic enquiries. Most customers fail to distinguish between a teller and a loan officer when it comes to the provision of basic information, yet in many institutions tellers have minimal knowledge of loan products and loan officers have poor knowledge of savings products.

Customer Service Desk

Many financial institutions offering savings services operate customer service desks within banking halls. Customer service desks operate as a principle point of contact with customers – customer service staff are trained to answer the most frequently asked questions that customers have. They have an in-depth knowledge of the products and services of the bank and are able to facilitate product sales even if other officers are responsible for closure of a particular sale. Where customer service staff cannot answer a particular query should be able to channel queries to an appropriate officer in the bank.

Customer service desks serve an important purpose not only in assisting customers but also in promoting efficient services. Customer service desks remove customers with queries from queues enabling queues to flow faster. The customer service desk effectively screens customer contact to other officers in the bank, enabling these officers to be more effective and more efficient. In smaller branches its common for customer service desks to open accounts, though where demand justifies this function is delegated to a specific account-opening desk.

Uganda Central Bank Questionnaire On Premises

- *Ownership of Premises*: Whether owned or leased, and if leased whether the lease is sufficiently long to produce economic returns, and whether landlords approval has been obtained for alterations.
- *Approvals*: Have approvals been provided from local authorities, security companies, electricity company
- *Banking hall*: Does the banking hall suit the type of business to be undertaken in the premises?
- *Staff Operating Area*: Is the space for each individual adequate. Does the branch have appropriate conveniences?
- *Lighting and Ventilation*: Are these appropriate throughout the premises?
- *Outer Doors / Walls / Windows*: Are the outer doors heavy duty, secured with two or more locks of good quality. Are the windows and glass walls reinforced with metal grills or made of anti-burglar or bulletproof glass.
- *Strong Room*: If there is a strong room is it conveniently situated… does it boarder with outside walls. Is there space to cater for the need of the institution? Are duplicate keys stored off the premises? Is there dual control for entry?
- *Free Standing Safe*: Is it fire proof, is access to the safe and the room it is kept under the control of more than one person.
- *Cash loading area*: Is it protected from public view and access? Is cash in transit protected by police / security firm? Are there security guards at the premises at all times?
- *Cashiers till*: Is it restricted to individual cashiers during working hours?
- *Alarm System*: Is there an alarm system installed in the premises: If yes is it connected to the police / security firm. Are switches located in the strong room, cashiers cubicles and managers office.
- *Emergency Plan*: Is there an emergency plan? Is it documented? Are there fire extinguishers at appropriate places? i.e. Water type, non water type.

Session Fourteen: Strategic Marketing Plan

Q. Why bother about an institutional marketing strategy?

The reasons why a financial institution requires a strategic marketing framework can be summarised as: The institution needs to market itself and its product and services to its internal clients, that is the staff and to its external clients. A strategic marketing framework for the institution ensures consistency among what the institution believes in, what is actually being offered to clients and what the clients perceive as the institutional beliefs. It aligns each component of the strategy – the corporate brand, the product brand, the delivery mechanism - with the institutional vision and mission to ensure coordination and promotion of the same by all.

Q. What is the role of a marketing strategy?

The marketing strategy gives the staff something to believe in and to promote. If well formulated and documented this can become the binding factor for the different implementing units and implementers. It gives immense clarity to people inside and outside on what the institution stands for and how and why it is different form the others in the competition.

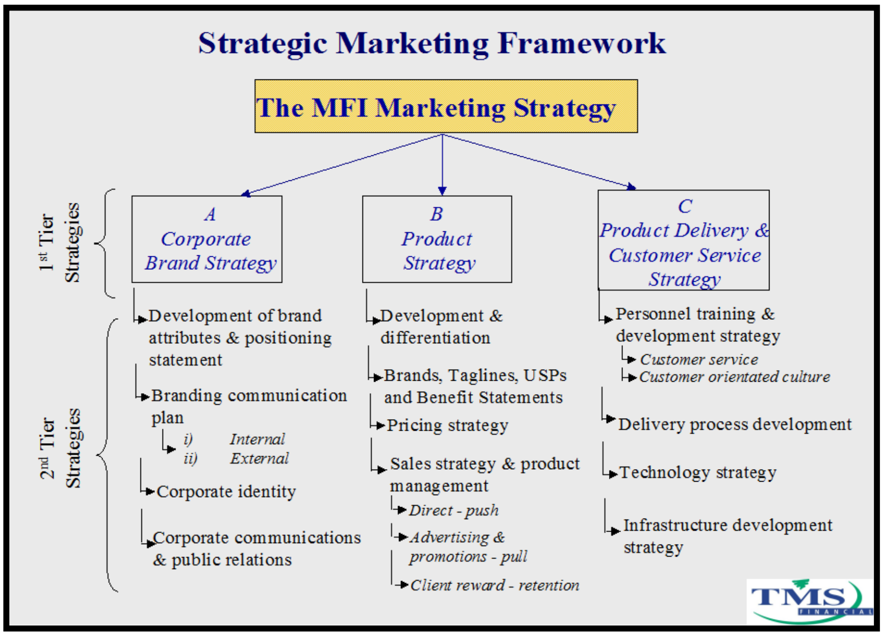
The marketing strategy acts as a map to direct the institution to a desired and defined destination. It is a step-by-step, concrete guide for what the institution needs to do to be successful during the year. It breaks down the vision, mission and values of the institution to a feasible plan of achieving them. This becomes guide for the existing and new personnel to get updated on where you are and where you want to be.

Q. How to start writing a marketing strategy?

As a marketing strategy is a comprehensive document covering all aspects of the institution, it requires a lot of information of diverse nature to develop it. A good beginning would be to pull together some information that you will need to have handy. Secondary data from the institutions recent history in the form of annual reports, financial reports, strategic plans, progress reports etc. and published data on the sector provides a good start. Involvement of all is essential as every person must be a marketer and thus inputs needs to be solicited from them through exercises like: Ask each of your staff to list the 6 most crucial points, in their opinion, that need to be included in the coming year's marketing strategy.

Q. What is the structure/content of an institutional marketing strategy?

A suggested outline for a marketing strategy could be the sequence followed in the workshop as presented below. Refer to the sample plan and *MicroSave's* paper on Strategic Marketing for MFIs.



Structure/content of an Institutional Marketing Strategy

0. Executive Summary

1. Background:
- 1.1. Vision, Mission and Values
- 1.2. PEST Analysis
- 1.3. Markets, Clients and Competition Analyses
- 1.4. Institutional SWOT Analysis
- 1.5. Key Outcome-Focused Marketing Objectives

2. Core Strategic Marketing Framework:
- *2.1. Corporate Branding Strategy*
  - 2.1.1. Brand Development and Positioning
  - 2.1.2. Brand Communication Plan
  - 2.1.3. Corporate Identity
  - 2.1.4. Corporate Communications and Public Relations
- *2.2. Product Strategy*
  - 2.2.1. Development and Differentiation
  - 2.2.2. Product Brands, Tag Lines, Unique Selling Propositions and Benefit Statements
  - 2.2.3. Pricing Strategy
  - 2.2.4. Sales Strategy
- *2.3. Product Delivery and Customer Service Strategy*
  - 2.3.1. Personnel Training and Development Strategy
  - 2.3.2. Delivery Process Development
  - 2.3.3. Technology Strategy
  - 2.3.4. Infrastructure Development Strategy

3. Implementation of Strategies:
- 3.1. Organisational structure, functions and interface efficiency
- 3.2. Management information systems, research and segmentation analysis

4. Institutional Marketing Activities
- *4.1. Corporate Branding Strategy*
  - 4.1.1. Brand Development and Positioning
  - 4.1.2. Brand Communication Plan
  - 4.1.3. Corporate Identity
  - 4.1.4. Corporate Communications and Public Relations
- *4.2. Product Strategy*
  - 4.2.1. Development and Differentiation
  - 4.2.2. Product Brands, Tag Lines, Unique Selling Propositions and Benefit Statements
  - 4.2.3. Pricing Strategy
  - *4.2.4.* Sales Strategy
- 4.3. *Product Delivery and Customer Service Strategy*
  - 4.3.1. Personnel Training and Development Strategy
  - 4.3.2. Delivery Process Development
  - 4.3.3. Technology Strategy
  - 4.3.4. Infrastructure Development Strategy

5. Organisational structure, functions and interface efficiency

6. Management information systems, research and segmentation analysis

The first section – the executive summary – is written at the end of the process. It sums up the contents of your marketing plan with a focus on the key strategies. Using bullet points, short sentences and bold type for major points assists presentation. It is important to stay focused on the big issues. Ensure that it is shared with all by publishing it in your institution's newsletter, putting it on the intranet, introducing it in a meeting or such other methods.

To summarise, marketing is not the responsibility of a specific department, it is everybody's responsibility the chairperson to the cleaner. Alignment of the strategy and its implementation with institutional vision mission and values is the basis of this framework.

This benefits both: the low-income clients who will receive more appropriate products communicated and delivered in a high quality and cost-effective manner and the MFIs that adopt it because drop-out rates fall, income streams increase and sustainability is easier to achieve.

Indeed it is managing the rapid growth that follows the implementation of an effective market-led approach that is perhaps the greatest risk

Session Fifteen: Marketing Audit

Q. What is marketing audit?

A Marketing Audit is a comprehensive, systematic review of an institution's marketing environment, objectives, strategies and activities. It is aimed at determining the existing opportunities, identifying existing problems or challenges, in a particular market, business or product(s). This is because the elements involved – defining, describing and analysing the market – are concerned essentially with human needs and wants. A marketing audit allows you to see the big picture – and the true picture. Recommendations can then be made to improve current strategies or introduce more effective activities. It helps an institution to evaluate progress and strengthen its current marketing plan, or develop a marketing plan for the future.

Q. What are the components of the marketing audit?

The marketing audit examines six major components of the institution's marketing situation.

Part 1: Marketing Environment Audit: The Marketing Environment Audit is done at two levels: the Macro Environment and the Operating Environment of the MFI. The macro environment audit studies the political, economic, social (cultural and demographic) and technological scenario to be updated on the changes in the outside environment that has an impact on the MFI's operations. Secondary information from published reports along with market research provides information to conduct this audit. The operating or task environment also studies the market and its clients, but unlike the macro environment audit, focuses on the specific operating market of the MFI only. Existing strategic plans for the MFI, supported and/or verified by market research can be used to conduct the operating environment audit. Client behaviour changes with changes in the way the microfinance industry operates in the area and so the marketing strategy of an institution should also show responsiveness to the changes in the microfinance industry.

Part 2: Marketing Strategy Audit: It is important that the institution's vision, mission and values are reflected in the marketing strategy of the institution. This can be verified by reviewing the different plans (product, IT, marketing) that are implemented by the institution. The marketing strategy audit helps review the alignment of different activities undertaken by the institution with the institutional mission and values and also how they are shared with its clients.

Part 3: Marketing Organisation Audit: The Marketing Organisation Audit reviews the organisational structure, product management system, relations between marketing and operations, R&D, finance, accounting and the need for training for any of the departments. This ensures that the marketing strategy for the institution is well understood and implemented by all concerned. Interviews with personnel from different departments provide information for auditing.

Part 4: Marketing Systems Audit: The performance of marketing strategies need to be monitored - for existing and new products – and that is done with the help of the MIS. The marketing systems audit examines whether the information system being used is capable of monitoring the different marketing strategies that are being implemented.

Part 5: Marketing Productivity Audit: The market productivity audit reviews the productivity of all the products and the different channels of marketing being used. Review of the productivity also helps to take decisions related to continue or discontinue delivering services to the different segments of the market.

Part 6: Marketing Function Audit: The marketing functions audit can be done using the 8Ps of marketing as guideline. This gives a very comprehensive understanding of the quality of the products and services and their delivery to clients in terms of the product design, the processes involved, the documentation used and required and most importantly, how the customer views the product and its delivery mechanism.

The marketing strategy of an institution has a wide range of variables and the marketing audit enables a comprehensive review of them. The key is to ensure coordination of the institutional level strategies with the departmental and product level strategies. The marketing strategy is all encompassing and its value lies in the fact that it is the critical link between institution and its clients.

Q. What tools are used to conduct a marketing audit?

Some of the tools that can be used for conducting a marketing audit are:

- **Marketing Review:** This reviews the marketing plans by reviewing the quality of information that is being disseminated by using the identified promotional media. Maintenance of banking halls, efficiency at the enquiries desk, quality of the promotional material are some of the variables reviewed. Observation and interviews are the most common methodology used for a marketing review.
- **Branch Staff Questionnaire:** As the name suggests, a questionnaire is administered to the branch personnel to review their knowledge of the institutional marketing strategy. Their awareness on the clients views, the performance of the products they sell, their features and benefits are also studied through this.
- **Support/Training Review for Marketing:** The personnel needs to be trained on marketing strategies, how to implement it, performance against targets, and monitoring the reasons for the current behaviour. Interviews with the staff reveal the training they have attended and the quality of the learning from it and the areas that need further training.
- **Physical Infrastructure Marketing Review:** The external and internal appearance, quality if IT support, presence of infrastructure/systems and responsive feedback loop mechanisms through proper structuring comprise the physical infrastructure review.

Q. Why is marketing audit needed?

The goal of marketing audit is to examine the institution’s strengths and weaknesses in relation to its current and potential markets. There are a variety of options to consider that will generate more business and revenues while providing more value to members and clients. It addresses literally everything affecting your institution’s revenue generation: customer retention, promotions, colour, font of all printed material, publications, websites. So a marketing audit reveals many areas in which you can quickly and inexpensively expand its activities, identify specific areas where marketing activities should be focused, and generate increased business revenues.

Q. What’s next?

The workshop ends with the finalising of the plan for follow up exercise. Ideally participants should get an opportunity to audit the marketing strategy and its implementation for another institution. Institutions, which do not have a strategy, should develop one and those that have one, need to revise and strengthen it based on the feedback, which will be received from the auditing team.

ANNEX 1

Introduction to the *MicroSave* Toolkits

The combined experience of its core research and the action research programme has allowed *MicroSave* to develop and test a series of practice-based and practitioner-focused, training curricula and workshops. *MicroSave* has developed and tested, or is completing the following toolkits:

1. Market Research for MicroFinance
2. Costing and Pricing of Financial Services
3. Institutional Culture Change
4. Planning, Conducting and Monitoring Pilot-Tests– Savings/Loans
5. Institutional and Product Risk Analysis
6. Process Mapping
7. Product Roll-out: A Toolkit Expanding A Tested Product Throughout The Market
8. Strategic Marketing for MFIs
9. Product Marketing Strategy
10. Designing and Implementing Staff Incentive Schemes
11. Customer Service
12. Corporate Brand and Identity Strategy

1. Market Research for MicroFinance

Following recent developments in understanding the needs of clients and the growing competition amongst microfinance institutions (MFIs), and in the light of growing numbers of “drop-outs” or “exits” from MFIs’ programmes, there has been increased interest from MFIs in improving their product development skills. Developing MFIs’ capacity in market research is the first, all-important step. The qualitative skills and tools in this workshop can also be used for a wide variety of activities that are critical for a successful MFI. These include:

- Developing new products and modifying old ones,
- Understanding clients and their perceptions of the MFI and its services/products,
- Developing/refining marketing programmes,
- Analysis of clients’ risks/vulnerability/opportunities and how people use (formal and informal sector) financial services,
- Understanding the “financial landscape”, or environment, within which the MFI is operating,
- Analysing problems such as drop-outs and growing trends in loan default,
- Impact assessment and evaluation,
- Analysis of relative depth of outreach,
- Detecting fraud/rent-seeking, and
- Running strategic planning/staff meetings.

2. Costing and Pricing of Financial Services

As MFIs become more sophisticated and client-oriented, they start to offer a range of products. This in turn requires an understanding of the full costs of delivering the individual products and how they contribute (or otherwise) to the overall cost-structure of the MFI and its income and expenditure statement, and thus, to its financial viability. Furthermore, a clear understanding of the cost structure of the MFI’s products is essential if new products are to be developed and priced effectively for pilot-testing (and then subsequently for roll-out throughout the organisation).

The *MicroSave* Costing and Pricing of Financial Services toolkit allows the MFI’s management to:

1. Determine the full-costs of delivering products
2. Determine the profitability/contribution of the products (including analysis over changes time)
3. Refine cost/profit centres and the MFI’s management information systems
4. Identify hidden-costs (especially at a departmental level)
5. Instil cost-consciousness amongst product/service department managers
6. Price current/future products

7. Make informed decisions about selection of products (including cost/benefit and marginal cost analysis)
8. Improve business planning and investment decisions (e.g. which product to market etc.)

The correct pricing of financial services is essential if the MFI is to achieve financial viability – the income generated must cover the full costs of delivering the organisation's products. There are many approaches to pricing and these are discussed in detail in the workshop and manual.

3. Institutional Culture Change

The *MicroSave*/Aclaim Institutional Culture Change toolkit/workshop consists of high-level seminars intended for members of senior management/Boards of MFIs who play a key role in decision-making in their institutions. The workshop is designed to assist with the process of:

- Moving staff towards a greater service orientation;
- Developing a positive client responsive attitude; and
- The management skills necessary to instil this in the staff.

The modules cover the following topics:

1. Shifting Paradigms
2. Vision, Mission and Values
3. Banking Ethical Standards
4. Accountability and Integrity at the Workplace
5. Strategic Planning
6. Leadership and Management
7. Corruption: Its Patterns and Causes and Its Effects and Consequences
8. Effective Communication
9. Team-Building
10. Effective Motivation
11. Delegation
12. Time Management

4. Planning, Conducting and Monitoring Pilot-Tests – Savings/Loans

In the process of product development, the pilot-test is one of the most important steps and yet one of the least well implemented ones. This *MicroSave* toolkit was developed with Michael McCord and provides a user-friendly guide to the critical pilot-testing process. It allows MFIs to design and implement pilot-tests in a controlled and scientific manner and includes spreadsheets to facilitate the performance projections for new products under testing.

The Planning, Conducting and Monitoring Pilot-Tests for MFIs toolkit covers:

1. Composing the Pilot Test Team
2. Defining the Objectives
3. Documenting the Product Definitions and Procedures
4. Developing the Testing Protocol
5. Modelling the Financial Projections
6. Developing Customer Marketing Materials
7. Installing/Instilling All Systems
8. Training the Relevant Staff
9. Commencing the Product Test
10. Reviewing the Product as per the Protocol

5. Institutional and Product Risk Analysis

Proactive risk management is essential to the long-term sustainability of microfinance institutions (MFIs). This toolkit presents a framework for anticipating and managing risk in microfinance institutions with a particular emphasis on new product development. The discussion is tailored to senior managers who play the most active role in setting the parameters and guidelines for managing risk.

There are two parts to this toolkit. Part I lays out a general framework for identifying, assessing, mitigating and monitoring risk in the MFI or bank as a whole. The document emphasizes the interrelatedness of risks and the need for a comprehensive approach to managing them. Establishing a comprehensive risk management control structure in a financial institution is a necessary precondition to effectively managing risks related to new product development and roll-out.

Part II focuses on risks inherent to new product development and suggests tools to help manage the process. The toolkit's approach to managing risk in new product development and roll-out is, by intent, conservative and time-consuming. However, the toolkit recognises that sometimes it will be necessary to fast – track certain steps or maybe even take the risk of leaving some steps out in the hope of a greater gain down the line. The toolkit cautions against too much haste in rolling out new products. Being first in a market with a new product is not a sustainable competitive advantage. The toolkit recommends following and/or adapting *all* the steps in *MicroSave's* product development process to suit an organisation's needs, and complementing it with the risk mitigation tools provided in this manual. Managers should always weigh the costs of leaving out particular steps against the benefits that they might yield in preventing unnecessary cost and product failures, or increasing opportunities for new product successes down the line.

6. Process Mapping

Effective process mapping allows financial service providers to analyse and improve many important functions and activities within the institution. Process mapping can play a key role in optimising:

- Policies, procedures and works flows
- Staff training
- Risk analysis
- Internal control
- Customer service
- Activity Based Costing

This toolkit provides a comprehensive overview of why and how to conduct process-mapping using a four-tiered process-mapping framework that encompasses:

1. Flowcharting the processes
2. Describing the processes
3. Analysing the risks in the processes
4. Analysing the internal controls and other risk management strategies to manage the risks

7. Product Roll-out: A Toolkit for Expanding A Tested Product Throughout The Market

Rolling-out new products and taking them to scale after the completion of a pilot-test is a difficult and complex process. This *MicroSave* toolkit covers the steps necessary for an MFI to roll-out a new product in a controlled and user-friendly manner with tips, check-lists and ideas for optimising rollout process.

The topics covered include:

1. Preparation
2. The Hand-Over Package
3. The Moving Day – Handing Over to the Operations Department
4. Financial Matters – Projections and Costing
5. Systems including the Feedback Loop
6. Human Resources
7. Marketing
8. Assessing the Rollout

8. Strategic Marketing for MFIs

"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*

Building on a comprehensive review of the marketing efforts of its Action Research Partners, TMS Financial and *MicroSave* developed a Strategic Marketing Framework for use in the microfinance industry. The Marketing Strategy comprises three legs:

1. Corporate Brand Strategy
2. Product Strategy
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
4. Political, Economic, Social and Technological (PEST) Environment Analysis

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

9. Product Marketing Strategy

The Product Marketing Strategy includes the development and differentiation of products. It 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. 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 that is built on taglines, ultimate selling propositions and benefit statements. 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.

This toolkit covers:

1. Definition of Marketing and its Role
2. Information and Market Segments
3. Customer Value and the Marketing Mix
4. Growth and Marketing Strategies
5. Product Development and Differentiation
6. Product Pricing
7. Developing the Marketing Messages
8. Marketing Communications
9. Developing the Marketing Plan

10. Designing and Implementing Staff Incentive Schemes

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 can 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.

This toolkit provides a detailed examination of:

1. The Theoretical Background of Staff Incentive Schemes
2. Basic Building Blocks for Staff Incentive Schemes
3. Principle Design Questions for Staff Incentive Schemes
4. Incentive Schemes for Different Functional Areas in MFIs
5. A Step-by-Step Approach to the Design of Incentive Schemes
6. A Benefit-Cost Analysis of Incentive Schemes
7. Incentive Schemes in Other Areas of Microfinance

11. Customer Service

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

Customer service depends on a wide range of variables, 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, and atmosphere – space, colour, lighting, temperature etc. – in the branches
- Technology is often integral to a product – for example ATMs or card-based savings accounts
- Employees' role in customer care cannot be overstated

This toolkit provides user-friendly tools to help MFIs optimise their customer service by identifying and addressing front- and back-office issues that directly affect the customers' experience of the MFI's services and products.

12. Corporate Brand and Identity

Kotler (1999) defines a brand as "A name, term, symbol or design (or a combination of them) which is intended to signify the goods and services of one seller or group of sellers and to differentiate them from those of competitors."

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
- **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

This toolkit provides a simple approach to assessing the MFI's current position in the market, assessing where the MFI should position itself in the market and developing branding and corporate identity strategies to get there.