Market Research for MicroFinance Toolkit

Overview
Following recent developments and the growing competition amongst financial institutions, and in the light of growing numbers of “drop-outs” or “exits” from their programmes, there has been increased interest in improving product development skills. Developing financial institutions’ capacity in market research is the first, all-important step. The qualitative skills and tools in the Market Research for MicroFinance (MR4MF) training 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 institution 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 institution is operating;
- Analysing problems such as drop-outs and growing trends loan default;
- Preparing and monitoring customer service strategies;
- Impact assessment and evaluation;
- Analysis of relative depth of outreach;
- Detecting fraud/rent-seeking; and
- Running strategic planning/staff meetings.

The Market Research for MicroFinance toolkit consists of standard PRA tools adapted to microfinance, as well as original PRA tools developed by MicroSave. The toolkit includes:

- Simple and detailed wealth ranking tools;
- Seasonality, life cycle, and time series tools adapted to learn about the characteristics and financial dynamics, patterns, needs, and preferences of MFI customers; and
- Several original PRA tools developed to understand the financial service use, options, and opportunities within communities, including tools for assessing the gender issues and household control of resources.

The toolkit includes guidance on using the tools in the context of focus group discussions (FGDs). It also offers examples of analysis matrices to help organize and process information generated by each tool. A key feature of the toolkit is its dynamic and flexible nature. The tools can be changed, combined, and adapted to examine areas of specific interest to the market researcher. Depending on the purpose, new tools can be added, while others can be adapted for different kinds of purposes. In this way, the toolkit continues to evolve as it is used to address new issues.

Benefits
Translated into French, Spanish, Arabic, Portuguese and several other languages, the MR4MF toolkit has been used extensively across the globe for a very wide-variety of purposes including product development, drop-out/delinquency management, image analysis, feedback loop/communication systems development, product marketing, customer service improvement and financial education.

- All of MicroSave’s Action Research Partners in India, Philippines and throughout Africa have used the toolkit as a basis for new product development and existing product refinement. Based on the toolkit they have developed individual lending, leasing, current account and contractual savings, mobile and e-banking, insurance and...
remittance/money transfer products. Using the toolkit has allowed them to ensure that the products offered in the market were tailored to the needs of their clients, thus optimising their uptake and use by the target market.

- **Equity Bank**’s “re-birth” as a market-led institution began with an application of the MR4MF toolkit which showed that clients did not like (or understand) the bank’s pricing systems. These were then simplified and to test the effect of the market research, Equity decided not to market the pricing system aggressively, but instead 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 20–30 to about 200.

- In Eastern Europe, on the basis of the findings from its MR4MF exercise, **EKI** deliberately shifted its target market from exclusively small and medium-sized enterprises to include a poorer and more rural clientele because it believed that market segment had significant potential for growth. It developed a micro-loan product to meet the needs of this new segment, which came to represent 73% of its portfolio within two years of the product being introduced. In the same time period, EKI’s total number of clients increased from 8,999 to 18,815.

- In India, **ASP** initially thought it would provide one insurance product with a combination of product features, but market research made it realize that clients preferred individual insurance products with different types of risk covers, premiums, payouts and conditions. In the words of the research report, “Having a single combination product would have been a recipe for disaster as the clients would have rejected it outright.”

- The customer service strategies of **Equity Bank** and **Kenya Post Office Savings Bank** were developed on the basis of MR4MF, as were the re-branding exercises currently underway at **Centenary Bank** and **Pride Tanzania**.

An independent assessment of the MR4MF toolkit concluded:

“The tools are well designed and easy to adapt to different settings and purposes. With training, users can generate information that is credible and useful for improving products and services. ... The tools have contributed to the development of new and improved market oriented products and services. ... This assessment confirms the very positive value and effectiveness of MicroSave Market Research for MicroFinance toolkit. The PRA tools are well conceived, useful and effective; the training is excellent; and both have received extremely positive reviews by almost all users. The tools have had a significant outreach to MFIs in East Africa and beyond. They have had positive impacts on MFI thinking about, and approach to, clients and market research. They are unique in the microfinance field and have brought many MFIs to a point where they “can’t go back” to their old supply led ways. This has led to the development of a wide range of new and improved products and services that have improved the competitive position of many MFIs. The change in approach is profound”.

Who Should Attend the Market Research for MicroFinance Training

This training is offered either for individual institutions (6 days plus 1-2 weeks on-site follow-up) or as a training of trainers or ToT (12 days plus email-supported follow-up). Participants should be drawn from middle-level management/staff in the institutions, but should also include one senior member of staff who will act as “Product Champion” and oversee the entire product development process. In order to get a critical mass of staff versed in the techniques, each institution should send a minimum of two-four staff to the ToT. Participants should bring laptops to conduct the preliminary research planning and analysis that is an integral part of the course. The “host” institution where the training (and the field research that is an integral part of it) is conducted must also provide extensive logistics, including organising around 20-30 groups of 6-8 participants, vehicles to move participants etc.

After the course, the cost/time taken to use these tools depends on the depth into which the institution wants to go and the purpose for conducting the market research. A typical medium-sized financial institution seeking to develop new products would want to commit to around 25-30 personnel days to the process (planning through to report generation), of which the majority would be sitting in the field with the clients learning from them.

**Use of Market Research for MicroFinance is at the core of a market-led approach and helps institutions understand their clients’ needs and preferences, and thus to optimise their products and services!**

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1 Anyango, Ezra, Jennefer Sebstad and Monique Cohen “Assessment of the Use and Impact of MicroSave’s Market Research for Microfinance Toolkit”, MicroSave, Nairobi, 2002

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