MARKETING FOR MICROFINANCE

A Women’s World Banking Publication
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Preface

This publication is designed as a reference guide for microfinance organizations seeking to develop their marketing capabilities. It describes in detail the steps involved in developing, implementing and monitoring a marketing strategy. It provides examples from microfinance organizations and banks, and includes tools designed for the marketing specialist.

This is a simple reference guide, and does not cover the full range of marketing disciplines. Customer research, segmentation, branding, and customer care could all be subjects for a book—they are included but covered in brief. New product development, product pricing, and distribution channels are important functions in marketing, but are not included in this guide.

The examples in this publication come directly from microfinance institutions or banks providing microfinance services. In certain cases, raw data has been altered to preserve confidentiality.

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Introduction

A changing marketplace

In the early days of the microfinance industry, the primary focus of microfinance institutions was building strong credit operations. Financial and human resources were dedicated to credit departments, and management’s time was devoted to overseeing credit functions. For most microfinance organizations, the institutional indicators monitored were disbursements, arrears and portfolio outstanding.

In recent years, however, the microfinance sector has become very dynamic, and organizations increasingly face new market challenges that include fierce competition, demand for diversified products, and more selective customers. As a result, microfinance providers face rising client drop out rates and sometimes low acquisition rates.

In this changing market, microfinance organizations have begun to recognize that their operations can be strengthened by employing marketing techniques traditionally found in the private sector.

The power of marketing

Marketing is defined as “the management process that identifies, anticipates and satisfies customer requirements profitably.”¹ Private-sector marketing practices can significantly increase the rate at which organizations acquire new customers and reduce the number of customers they lose each year.

The most important function of marketing in microfinance is in creating a customer-centric culture that strengthens the ties between the organization and the customer in numerous ways, including:

- Finding the customer:
  Marketing helps organizations grow their customer base as they expand into new markets and work with new customer segments. Marketing also helps organizations achieve their social missions by making sure low-income clients are aware of the services available.

- Listening to the customer:
  Although microfinance organizations are in close physical contact with their customers, they often lack a systematic approach to listening to their clients. Marketing helps organizations design mechanisms that enable them to understand what the customer needs and wants.
• **Responding to the customer:**
  The marketing department is the voice of the customer in the organization. It ensures that the organization considers the customer’s needs at every decision point and finds ways to respond to those needs.

• **Keeping the customer:**
  Marketing ensures the organization takes good care of its current customers and keeps them loyal to the institution.

**Marketing to inspire women entrepreneurs**

Women’s World Banking (WWB) has also found that marketing can be a powerful tool to encourage and even empower businesswomen. Two marketing strategies are particularly important in this effort: branding and customer care.

Brands that are built around women entrepreneurs inspire and encourage them in their efforts to expand their businesses and improve the well-being of their families. Women-focused brands publicly acknowledge businesswomen’s efforts, raising their status in their communities.

WWB research has shown the empowerment effect of branding and has demonstrated that social marketing can deepen the impact of microfinance. According to Arije al Amad, General Manager of Microfund for Women, which launched a women-focused brand in Jordan, “Women tell us: ‘You empowered us by having this campaign.’ They are proud. Microfund makes them feel they are important.”

Customer care ensures that women are treated with respect whenever they interact with an institution. Women’s World Banking research has shown that microfinance customers want to be treated with respect, and want simple processes and flexible products.

Microfinance providers have long been aware that their customers are their greatest asset. They also understand that keeping this asset as competition increases is of vital importance. This publication presents microfinance providers with well-tested marketing and customer care strategies to help them reach their customers, understand their needs, fulfill their desires and win their loyalty.
CHAPTER 1

1. PROCESS TO DEVELOP A MARKETING STRATEGY
2. STRUCTURING A MARKETING DEPARTMENT
Microfinance service providers typically face four challenges that can be addressed through marketing:

**Poor awareness:**
Potential clients may not be familiar with the organization and so will not necessarily consider it when they need a loan or want to save money.

**Poor understanding:**
Potential clients may have heard of the organization, but they do not fully understand what it does and what it offers.

**Low activation rates:**
Potential clients know about the organization and what it offers, but they may not have a good reason to borrow from it or make a deposit.

**Low retention rates:**
Current clients have worked with the organization in the past, but they may not have a good reason to continue to work with the organization.

A marketing manager’s responsibility is to identify the problems facing the organization, design and execute appropriate strategies to respond, and track results.
Process to Develop a Marketing Strategy

A smart marketing strategy is an iterative process that involves fieldwork, collaboration with field staff and management, and most importantly clear thinking. There are five steps to design a marketing strategy.

1. **Analyzing the problem:**
   The first step is identifying the problems in the organization that can be solved through marketing. The tools and metrics that can be useful in this process are discussed in chapter three. Only after completing this process can the right strategy be designed.

2. **Setting the objectives and strategies:**
   After identifying the challenges the institution is facing, management must set its objectives and select two to three marketing strategies for achieving these objectives. Marketing strategies are the broad initiatives that the organization will focus on such as *improve customer service* or *launch a new brand*. Sometimes organizations get excited about marketing tactics and rush to make calendars for clients or give away umbrellas. There is no point in doing any of these until the organization has first set the objectives and defined the strategies.

3. **Selecting the tactics:**
   Marketing tactics are the specific initiatives the organization will undertake such as radio advertising, community events or raffles. Once the marketing strategy is set, it is a relatively simple process to select the most effective and efficient marketing tactics necessary to achieve the objectives. Traditional marketing tactics vary widely, and include printed media, television, radio and billboards. Then there are the more informal techniques of field promotion and word of mouth.
Setting the Marketing Budget

Microfinance organizations historically have had very small marketing budgets. Because of changing market conditions, however, organizations are spending more to keep their organizations growing.

There is no magical formula to setting the marketing budget. One approach is to consider how much money the institution can afford to spend on marketing. A more customized approach is to work backwards from the desired results and determine how much the institution needs to spend. If we need to grow 34% this year, how much do we need to spend on marketing?

The right marketing budget should take into consideration the competitive environment and the institution’s business performance. Additionally, the cost of marketing varies tremendously from country to country. Institutions operating in markets with a developed advertising industry will usually need to spend more.

The ultimate test of any marketing strategy is the return on investment. Every marketing department has to show that the money is not “spent” but rather “invested” in marketing activities that help the institution grow and achieve its mission.

4. **Executing the strategy:**
   Marketing is not rocket science. Indeed it is often fairly straightforward. But the power of marketing is in the execution—effective communications, adequate financial and human resources, trained field staff, and alignment across departments.

5. **Measuring the results:**
   The effectiveness of a marketing strategy can only be judged by careful monitoring and tracking. It is the marketing manager who must show the cost effectiveness and results of each marketing dollar, peso or rupee.
Structuring a Marketing Department

Building up the marketing capacity of an institution means making decisions on what type of person to hire, whether to hire them from outside or to train and promote someone from inside the organization, what their responsibilities should be and what level of seniority they should have within the organization.

At a microfinance organization, the marketing manager has the following responsibilities:

1. **Marketing strategy development:**
   Developing, implementing and monitoring the marketing plan
   - Designing marketing strategies and communication tactics
   - Identifying and working with external agencies to execute effective communication tactics
   - Collaborating with field staff to implement marketing tactics
   - Designing a method for working with MIS and field staff to monitor and analyze results

2. **Customer service and client satisfaction:**
   Developing and implementing customer service initiatives
   - Conducting (or coordinating with research companies) periodic client research to assess client satisfaction and client needs
   - Developing and implementing customer satisfaction measurements and ongoing mechanisms to secure client feedback
   - Analyzing and evaluating client concerns/problems and recommending solutions
   - Formulating customer service policies and procedures

IN THIS SECTION:
- What are the responsibilities of a marketing manager?
- What should I look for when hiring a marketing manager?
• Coaching and mentoring others, especially field staff, on how to respond effectively to client needs
• Monitoring monthly drop out rates and designing strategies to improve client retention and customer loyalty

3. Product development
• Existing product modification: Collaborating with operations and field staff to identify client problems with existing products and to develop solutions; and collaborating with the finance team to understand the cost of any product modifications.
• New product development: Identifying market opportunities and key target markets for new products; assessing market demand for new products; collaborating with market research companies/consultants to design product prototypes; and collaborating with the finance team to understand the cost and benefits of new products.

4. Competitive Analysis
• Conducting regular assessments of key competitors in the market in terms of marketing initiatives, product offerings and customer service approaches.
• Monitoring marketing innovations in the microfinance industry for new ideas and strategies.

The required experience level of the marketing manager depends on the institution’s competitive landscape, business strategy and marketing challenges. The best candidate for this position will have at least five years’ experience in marketing and communications, specifically in market research and analysis, marketing strategy development, marketing plan development, integrated communications planning, and monitoring and tracking marketing initiatives.
Most importantly, the marketing manager must be comfortable spending time in the field (at least two days a week) and respect the field staff. Unlike traditional marketing jobs, marketing for microfinance requires heavy interaction with low-income customers and significant collaboration with the field staff—branch managers, loan officers and branch staff.

The location of the marketing function in the organizational structure differs from organization to organization. But it is strongly recommended that the marketing manager be at the same level as the credit manager. The marketing function represents the voice of the client within the institution. If this position is a middle management position, the client’s voice will not be adequately represented at senior management level.

As well as having a marketing specialist, other marketing capacities need to be built throughout the organization at various levels in order to build full marketing competencies. See Women’s World Banking publication “Building Human Resource Capacity: Developing Competition for Microfinance Institutions” for a detailed description of the institutional competencies for marketing.
CASE STUDY 1: 
Staffing the Marketing Manager
WWB Cali, Colombia

WWB Cali is a leading microfinance institution in Latin America with nearly 200,000 active clients in 55 service points across Colombia. At WWB Cali, the marketing function is at the same level as the credit function and the marketing manager is responsible for:

- Conducting market research studies
- Measuring external customer satisfaction levels
- Establishing, implementing and evaluating promotion and advertising strategies
- Researching and developing new products and new markets
- Developing, implementing and evaluating programs for collections and creating customer loyalty programs
- Developing tele-auditing programs
- Developing, implementing and evaluating customer service strategies
- Managing public relations with microentrepreneur associations, support and training organizations, and providers of products and services for microentrepreneurs
- Monitoring the competition
- Proposing and participating in studies on opening new branches
- Proposing and providing guidelines regarding maintenance of the corporate visual identity
- Proposing the strategic marketing plan
- Proposing the personnel recognition and incentive plan
- Designing and overseeing the web page

WWB Cali decided to hire a marketing manager from outside the organization for the following reasons:

1. When the skills of current personnel were analyzed, no candidates were found who met the requirements of the new position.
2. There was a desire to bring new ideas and new knowledge into the institution, which brought about significant changes in how customers were served.

The marketing function has had the following positive results on the institution:

- Introduction of a customer-driven focus
- Standardization of the corporate image
- Establishment of an efficient mechanism for communicating with customers
- Creation of a positive attitude toward customer service in the credit department
- Promotion of creativity as one of the bases for institutional growth

“There is a tendency at microfinance institutions to delegate the marketing work to the credit process, which is counterproductive in most cases because operating indicators—such as portfolio growth and portfolio quality—become obstacles to achieving good customer service, which in the end is what ensures the continuity or the future of the organization. The degree of prominence given to this function is directly related to the characteristics of the market in which activities are performed (size, monopoly, moderate competition) and the size or degree of development of the institution.”

- Nestor Raul Plata
  Executive Director, WWB Cali

Source: WWB MicroMarketing Workshop 2005
CHAPTER 2

1. THE CUSTOMER MINDSET
2. CUSTOMER RESEARCH
3. SEGMENTATION
A microfinance institution offering only group loans decided to introduce individual loans to reach a new customer segment. They talked with the customers and were confident there was market demand. They designed the product—the loan term, the loan amount, the interest rate, etc. As a requirement to get the loan, they asked clients to provide post-dated checks and a property title. Very few entrepreneurs had bank accounts and women entrepreneurs were unable to provide property title. The product had very low uptake until a few months later when it was modified with less stringent requirements. Listening and responding to your customer is a critical part of succeeding in microfinance.
From the moment someone first hears about an organization to when they become a loyal customer, they pass through five general stages. As an institution develops its marketing strategies, it needs to identify the stages customers are in.

**Figure 1: Five stages of the customer experience**

- **Stage one**
  - **Awareness**
  - “I’ve heard of that organization and it seems like a good place to get a loan or open a savings account.”

- **Stage two**
  - **Consideration, Inquiry, Visit**
  - “I’m interested and when I need a loan or savings account, I will consider working with this organization.”

- **Stage three**
  - **Activation**
  - “I compared my options and decided to take a loan/open a savings account with this organization.”

- **Stage four**
  - **Repeat/Loyal Customer**
  - “I had a positive experience with the organization and I will work with them again.”

- **Stage five**
  - **Influence Others**
  - “I like this organization so much that I will recommend it to my friends.”

**IN THIS SECTION:**
- What are the steps needed in developing a marketing strategy?
Different customer segments may be at different stages. For example, if the organization has just introduced SME lending, potential customers may only recently have become aware of the organization. At the same time, the organization may be trying to turn individual microfinance loan customers into loyal repeat customers.

The objective of any marketing tactic is to move a person through the cycle, from prospect to customer to repeat customer.

**Figure 2: Marketing objectives**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage one</td>
<td>Build customer <strong>awareness</strong> so they think of you when they need a loan.</td>
</tr>
<tr>
<td>Stage two</td>
<td>Build <strong>understanding</strong> of product offerings and how they compare to other options.</td>
</tr>
<tr>
<td>Stage three</td>
<td>Show customers the <strong>benefits</strong> of the product so they decide to borrow from you.</td>
</tr>
<tr>
<td>Stage four</td>
<td><strong>Deliver the benefits</strong> you’ve promised to customers so they come back.</td>
</tr>
<tr>
<td>Stage five</td>
<td><strong>Deliver the benefits</strong> you’ve promised and give them a reason to tell their friends.</td>
</tr>
</tbody>
</table>
Customer Research

Customer research is at the heart of marketing. It is from this research that organizations understand customers and learn how to respond to their needs and wants.

The research process

1. Define the problem to be researched
2. Design the research methodology with the following considerations:
   - Select qualitative, quantitative or a combination of the two
   - Determine whether to conduct research in-house or to outsource
   - Design research tools, such as discussion guides and survey instruments
   - Define the sample population i.e. current customers, potential customers, men, women, geography, net monthly business income, loan cycle, etc.
3. Conduct the research
4. Analyze the results
5. Prepare research report and recommendations

Defining the research question

The first question organizations must answer is: “What do we need to know?” Managers often indicate that they don’t understand a certain client behavior. But without properly defining precisely what it is they want to know, the research results will not be useful.
Sample Research Questions:

- How many clients would be interested in a life insurance product?
- Which product attributes—such as loan amount, term, interest rate, service fees or guarantors—are most important to clients for the new line of credit?
- How satisfied are clients with the customer service?
- Why do clients borrow from competitors instead of us?
- Why is there low uptake of the passbook savings accounts?
- Why do clients leave after the fourth loan cycle?
- Why aren’t more clients taking the seasonal loan?

Quantitative versus qualitative research

The second challenge organizations face is choosing between qualitative or quantitative research, or some combination of the two. Should the organization conduct focus groups or administer surveys?

**Quantitative research** uses surveys and standardized research instruments to answer research questions with a statistical level of accuracy. Quantitative research is best used to answer the question “how many?”

What percentage of clients are satisfied?
How many clients would be interested in an insurance product?

Quantitative research often requires qualitative research initially to design the quantitative instrument.

**Qualitative research** uses focus groups and in-depth interviews to gain deeper understanding of clients’ attitudes and behaviors. Qualitative research can best be used to answer the question “why?”

Why are clients dissatisfied? Why are clients frustrated with the loan process? Why are clients uninterested in the insurance product?

<table>
<thead>
<tr>
<th>Table 1: Methodology comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantitative</strong></td>
</tr>
<tr>
<td><strong>More costly:</strong> For greater statistical confidence, a larger sample size is required, pushing up the costs</td>
</tr>
<tr>
<td><strong>More time intensive:</strong> Expect 10 to 14 weeks from the design of the research to the analyzed results</td>
</tr>
<tr>
<td><strong>More precise:</strong> Large, stratified random samples ensure the results are statistically representative of the researched population</td>
</tr>
</tbody>
</table>

| Table 2: Typical applications of quantitative and qualitative research |
|--------------------------|--------------------------|
|                          | **Quantitative** | **Qualitative** |
| Market size              | ✓                        |
| Demand for new product   | ✓                        |
| New product design       | ✓                        |
| Product modifications    | ✓                        |
| Customer satisfaction: Percentage of satisfied or dissatisfied customers | ✓ | |
| Customer satisfaction: Why customers are satisfied or dissatisfied | ✓ | |
| Client exit research     | ✓                        |
| Testing product prototype | ✓                    |

Source: WWB
Segmentation

Segmentation is the process of identifying sets of individuals with similar characteristics. Segmenting the market makes for smart marketing strategies and successful new product introductions. In microfinance, segmentation tends to be most commonly used to match the organization’s credit and savings products to the customer segment they best suit.

A company can use a number of variables to segment its customers. The most common in microfinance is demographics—age, gender and income.

**Table 3: Useful variables for segmentation in microfinance**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Rationale</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age/Lifecycle</td>
<td>Customers need and want different products at different ages</td>
<td>Older clients offered 10-year savings product for retirement; women of child-bearing age targeted for health insurance that covers maternity</td>
</tr>
<tr>
<td>Gender</td>
<td>Men and women have different roles and responsibilities in the household, which means they have different spending, savings and investment patterns</td>
<td>Mothers of young children offered programmed savings accounts for school fees; young men targeted for loans for motorbikes</td>
</tr>
<tr>
<td>Net monthly business income</td>
<td>Indicates repayment capacity on a loan and absorption capacity for other financial products</td>
<td>Customers offered group loans rather than individual loans</td>
</tr>
<tr>
<td>Net monthly household income</td>
<td>Indicates saving capacity of household and preference for liquidity</td>
<td>Customers offered passbook savings accounts rather than fixed deposits</td>
</tr>
</tbody>
</table>
Segmentation for new product development

Building on basic demographic segmentation, a deeper segmentation based on financial behaviors is necessary for product development. With this financial segmentation in place, organizations can align credit and savings products with their customer’s financial needs.

For credit products, segmentation should consider factors such as average monthly disposable income, household expenditure, household assets, and business assets.

CASE STUDY 2: Individual Loan Segmentation
Kashf Foundation, Pakistan

Kashf Foundation is a leading microfinance institution in Pakistan, with more than 208,000 clients. In 2004, the organization wanted to introduce an individual loan product so it segmented its customer base to identify which size businesses would be best suited for that product. As the graph below indicates, three segments were identified. At the top end of the pyramid is segment three, the microenterprise segment: businesses that generate enough revenues to pay household expenditures and then have enough left to reinvest the profits in the business. This segment would be eligible for larger loans using the individual loan methodology. In contrast, segments two and three represent the income-generating segment: small home-based activities that have high seasonality and withdraw business profits for household expenditure. Loans are paid from income generating activities plus other income sources. These businesses would be best suited for smaller sized loans using the group loan methodology.

A detailed cash flow analysis of the business and household income was conducted to develop this segmentation. Results from this analysis enabled Kashf Foundation to determine which segment to target for individual loans and design its loan product according to their needs (see table below).

Segmentation based on monthly disposable income
Pakistani Rupees

<table>
<thead>
<tr>
<th>Net Business Income (RP)</th>
<th>Segment 1 &lt; 2,500</th>
<th>Segment 2 2,500-6,000</th>
<th>Segment 3 &gt; 6,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Business Net Income</td>
<td>1,145</td>
<td>4,096</td>
<td>15,142</td>
</tr>
<tr>
<td>Percent of Cases</td>
<td>30.5%</td>
<td>35.2%</td>
<td>35.3%</td>
</tr>
<tr>
<td>Average Total Assets</td>
<td>30,347</td>
<td>60,802</td>
<td>69,667</td>
</tr>
<tr>
<td>Average “Other family” Income</td>
<td>6,651</td>
<td>5,230</td>
<td>6,425</td>
</tr>
<tr>
<td>Average Family Expenses</td>
<td>5,794</td>
<td>5,971</td>
<td>9,963</td>
</tr>
<tr>
<td>Average Family Surplus</td>
<td>2,002</td>
<td>3,355</td>
<td>11,604</td>
</tr>
<tr>
<td>Percent Installment/Family Surplus</td>
<td>107%</td>
<td>43%</td>
<td>17%</td>
</tr>
</tbody>
</table>


For savings, segmentation should analyze factors such as household income sources, household expenditure, average monthly savings, and savings mechanisms used.

Note: The full tools to conduct segmentation analysis for individual loans are described in the WWB How-to Guide on “Introducing Individual Lending.”
Segmentation for product and service improvements

Another use of segmentation in microfinance is to modify products and customer service to meet specific segments’ needs.

CASE STUDY 3: Savings Segmentation
Banco ADOPEM, Dominican Republic

When ADOPEM was converting from an NGO to a bank, it segmented its market to determine what type of savings products to develop. Potential savers were divided into four income segments according to their total monthly net income (business plus household).

The graph below shows that the savings products clients were interested in (listed in the vertical lines) depended on their wealth and disposable income. Banco ADOPEM today offers passbook savings, programmed savings and certificates of deposits to more than 50,000 clients.

Savings products by segment (ADOPEM)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Average Monthly Net Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>RD 5,765</td>
</tr>
<tr>
<td>2</td>
<td>RD 1,286</td>
</tr>
<tr>
<td>1</td>
<td>RD 370</td>
</tr>
</tbody>
</table>

Source: WWB Presentation, Sanabel Network Conference, December 7, 2004

Segmentation for marketing

In the microfinance sector, segmentation for marketing tends to be used for product and service improvements (as previously described) in the following additional ways:

- Promoting the right product to the right customer:
  For example, offering parallel loans/seasonal loans to clients looking to take advantage of business opportunities and who have the capacity to repay the loan

- Segmenting current clients to improve retention strategies:
  For example, developing renewal incentives for clients in the third loan cycle who have high drop-out rates

- Understanding the demand from different client groups for specific new products:
  For example, loan officers informing management that their group loan clients in the fifth loan cycle want additional credit products and larger loan amounts

A more sophisticated segmentation considers “psychographics,” that is, customers’ attitudes and behaviors. For example, an institution might identify women between the ages of 25 and 39, who are married with children and earn $1 to $5 a day, who are uncomfortable using traditional banks, who do not like dealing with male loan officers and who have very little time.

This type of segmentation is extremely helpful when designing marketing strategies because it provides insight to the customers’ mindset, answering questions such as:

What do they need? What do they want? How do they want to be treated?

So far, this type of segmentation is not often used in microfinance, but it holds great potential as an area of development.
CASE STUDY 4: Product and Service Improvements Segmentation Microfund for Women, Jordan

Microfund for Women, the largest microfinance organization in Jordan, conducted qualitative customer research in part to understand satisfaction levels. Clients were segmented by income and gender, and were separately asked to identify the most important criteria for selecting a financial service provider. Women business owners’ top four priorities were concentrated on customer service while male business owners’ top four priorities were focused on the loan product and loan process.

Product and service attribute ranking
Jordanian Dinars

<table>
<thead>
<tr>
<th>Importance of Attribute</th>
<th>Rank</th>
<th>Importance of Attribute</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship with institution</td>
<td>1</td>
<td>Guarantor</td>
<td>1</td>
</tr>
<tr>
<td>Cooperation, smile</td>
<td>2</td>
<td>Evaluating the value of the project</td>
<td>2</td>
</tr>
<tr>
<td>Answers questions, clear</td>
<td>2</td>
<td>Easy process to receive loan/fast turnaround</td>
<td>3</td>
</tr>
<tr>
<td>Clarity of terms and conditions</td>
<td>2</td>
<td>Loan amount</td>
<td>4</td>
</tr>
<tr>
<td>Loan amount</td>
<td>5</td>
<td>Duration (term)</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Microfund for Women, Jordan, 2006

WWB research in many countries has found significant differences between the needs of male and female business owners. Women business owners tend to place more emphasis on customer service than men.
CHAPTER 3

1. CUSTOMER ACQUISITION RATES
2. CUSTOMER RETENTION RATES
3. COMPETITOR ANALYSIS
Marketing Diagnosis

Smart marketing strategies begin with thorough analysis. Because the main aim of marketing is to acquire new customers and retain more of the current customers, the first step in developing a marketing strategy is to analyze customer acquisition and retention rates.
Customer Acquisition Rates

Customer acquisition analysis investigates the speed at which the organization, a branch or a product is adding new customers. Many microfinance service providers track customer acquisition as part of their daily operations, but the data is lodged in credit operations reports and not properly analyzed for marketing purposes.

Five questions should guide the analysis of customer acquisition:

**Question 1: Are we fully penetrating the market?**

**Metric:** MARKET PENETRATION

**Calculation:**

\[
\text{Organization’s active clients} / \text{Total estimated market size}
\]

**Metric:** MARKET SHARE

**Calculation:**

\[
\text{Organization’s active clients} / \text{Total clients served by microfinance service providers}
\]

**Analysis:**

- Are we serving the full range of customer segments?
- Do we offer products and customer service that meets the clients needs?
- Are clients borrowing from multiple institutions?
- Are clients saving in multiple institutions?
CASE STUDY 5: Customer Acquisition
Banco da Família, Brazil

As a result of declining uptake for products in one of its areas of operation, Banco da Família recognized the need to make its products more competitive. The bank redesigned its credit products, especially its individual loan, making it more flexible and accessible to clients. New customer acquisition and product uptake increased dramatically in 2007.

New clients by product in branch x

![Graph showing new clients by product in branch x]

Source: Banco da Família, Brazil, 2006

Question 2: Are all branch areas reaching full growth potential?

Metric: NEW CLIENTS BY BRANCH
Calculation: New clients for branch X in Q1
Total active clients for branch X in Q1

Analysis:

- Why are some branches growing faster than others?
- What promotion strategies are being used in each branch?
- Are some branches more effective at promotion than others?
- Are some loan officers more effective at promotion than others?
- Have all field staff been consistently trained at promotion?
- Are some markets more receptive to organization than others?
- Do potential customers near the branch have adequate awareness of the organization?

Question 3: Does each product have adequate uptake?

Metric: RATE OF GROWTH BY PRODUCT
Calculation: Product X disbursements in Q2
– product X disbursements in Q1
Disbursements for product X in Q1

Analysis:

- What is the seasonality in the uptake of the product? Which are the good months? Which are the slow months?
- Are the slow months slow because of client behavior, or because of lack of promotion by the loan officer? For example, if client businesses are still active in the summer, but it is too hot for loan officers to do field promotion, other marketing strategies could be deployed to maintain high customer acquisition numbers.
- Does the product design meet customers’ needs?
- Is the product growing faster in certain regions?
- Do staff have the right incentives to promote the product?

For a specific analysis of a passbook savings product, analyze the number of savings accounts, the average balance in the accounts and the frequency of deposits. Also consider the number of dormant accounts out of the total number of accounts. Look for trends by quarter and by branch. If numbers are trending downward, use the questions above to find out why.
Question 4: Are customers using the full range of products?

**Metric:** NUMBER OF PRODUCTS PER CUSTOMER

**Calculation:**

\[
\text{Active loans + active savings products + insurance, etc.} \div \text{Total active clients}
\]

**Analysis:**

- Are customers aware of the full range of products available to them?
- Are customers eligible for the full range of products?
- Are cross-selling marketing strategies effective?
- Have all staff who work with the client been trained to cross-sell products?
- Are staff incentive systems aligned toward selling multiple products to the customer?
- Do MIS systems help staff know which clients are eligible for which products?

Question 5A: Are loan officers effective at promotion? Is the branch area receptive to our product and service offering?

**Metric:** CONVERSION RATES (PROMOTION TO APPLICATION)

**Calculation:**

\[
\frac{\text{Number of loan applicants}}{\text{Number of people who received direct promotion}}
\]

Question 5B: Are we promoting to qualified applicants?

**Metric:** CONVERSION RATES (APPLICATION TO APPROVAL)

**Calculation:**

\[
\frac{\text{Number of loans approved}}{\text{Number of loan applications}}
\]

**Analysis:**

- How can promotion strategies be more effective?
- How can we target more qualified applicants for the product?
IN THIS SECTION:

- What percentage of my clients do I want to keep?
- What is the best way to measure retention rates for marketing?

Consumer Retention

Microfinance service providers have been slow to make customer retention an institutional priority, but it is critical for profitability and social impact. Higher retention rates lead to more profitable institutions. Furthermore, higher retention rates ensure that the organization delivers on its mission to provide excellent financial services to those who need it most.

No matter how many new customers join an organization, it is extremely difficult to grow if the organization is losing its customers as fast as it gains them.

**Figure 3: Customer retention**

Across industries, it is estimated that finding a new customer can cost up to five times more than keeping a current customer.² It is also estimated that for microfinance banks and non-bank financial institutions, the cost of serving repeat customers is 10 to 39% less than finding new customers.³ While the exact cost in microfinance varies from institution to institution, it is undoubtedly more expensive to recruit, filter, analyze and disburse a new loan than to renew a customer with a good repayment history.
Benchmarking customer retention

The question microfinance practitioners always ask is: “What is the benchmark for customer retention? What percentage of my clients should I keep? 70%? 75%?”

Unfortunately, the answer is: “It depends.”

To set the target retention rate, analyze the competitors in the market and calculate the market benchmark. Then set the target for the institution higher, taking into account its current retention rates.

Retention rate is an indication of 1) customer satisfaction, and 2) availability of other options in the market. When there are options in the market, dissatisfied customers leave and find another organization. Therefore retention rates are driven by competition and the drivers of customer satisfaction—products, process and service:

- **Competition:**
  In competitive markets, clients have options and try out other organizations. In non-competitive markets, they have less choice and are more likely to remain with the provider with whom they have credit history. However, even in some competitive markets, such as Mexico City, clients do not move from one institution to another. The clients simply bank with many institutions at once. As one client said in Mexico, “I have loans at Crédito Familiar, Banco Azteca and CAME. If [FinComún] gives us big loans, there would be no need to look for other loans…”

- **Product availability:**
  If a basic group loan is the only credit product available, expect clients to leave as they outgrow the product offering. If multiple credit, savings and insurance products are available for businesses and households, expect higher retention as clients’ lifecycle needs are likely covered.

- **Process:**
  Slow and tedious processes to obtain a loan or open a savings account frustrate clients. WWB research has shown that certain client segments place a priority on speed of transaction. This is especially true with repeat loans, where clients expect simpler procedures.

- **Customer service:**
  When clients are satisfied with their service provider, they return. Dissatisfied clients do not return. Even worse, dissatisfied clients tell their friends about how much they dislike the organization: a dissatisfied male customer tells an average of 11 people and a dissatisfied female customer tells an average of 52 people! Customer service is a major factor in the satisfaction level of a customer.

Calculating customer retention

Calculating customer retention can be fairly complex and the industry continues to debate what is the best formula. One of the most commonly-used is:

| Clients at the beginning of the period | Clients at the end of the period |

This is an easy calculation and produces a simple percentage answer. However, the disadvantage of this formula is that it assumes all clients had the option to renew during the period. More importantly, this number does not reveal anything useful for marketing purposes. It is tied to an arbitrary time period (usually one year) and indicates how both retention and new client acquisition have fared rather than exclusively analyzing retention.
For marketing purposes, one of the most effective approaches to analyzing retention is calculating it by loan cycle. This calculation answers a direct question: “Every time a client has an opportunity to renew their loans, do they renew or exit?”

The exact time period can be set according to how often the institution wants to measure retention. The most common period is 12 months. However, calculating it on a bi-annual or quarterly basis is a good idea, especially for institutions operating in competitive markets.

Table 4: Calculating retention by loan cycle

<table>
<thead>
<tr>
<th>Question</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>During X time period, how many clients that finished their 1st loan went on to take a 2nd loan?</td>
<td># of clients who took a 2nd loan / # of clients who finished their 1st loan</td>
</tr>
<tr>
<td>During X time period, how many clients that finished their 2nd loan went on to take a 3rd loan?</td>
<td># of clients who took a 3rd loan / # of clients who finished their 2nd loan</td>
</tr>
<tr>
<td>During X time period, how many clients that finished their 3rd loan went on to take a 4th loan?</td>
<td># of clients who took a 4th loan / # of clients who finished their 3rd loan</td>
</tr>
<tr>
<td>During X time period, how many clients that finished their 4th loan went on to take a 5th loan?</td>
<td># of clients who took a 5th loan / # of clients who finished their 4th loan</td>
</tr>
<tr>
<td>…etc.</td>
<td>…etc.</td>
</tr>
</tbody>
</table>

Source: WWB

A more nuanced calculation of retention by loan cycle takes into account resting periods and counts clients as renewals so long as their subsequent loan took place within a specific time period, such as six months. It also ignores clients whose loans the organization did not want to renew, such as delinquent clients:

\[
\frac{\text{All clients who took a 2nd loan from 2007 within 6 months of the 1st loan terminating}}{\text{All clients who finished their 1st loan in 2007} - \text{delinquent clients who finished their 1st loan in 2007} - \text{clients who went out of business} - \text{clients who died, etc.}}
\]

“The key to any customer retention rate calculation is consistency.”

The beauty of calculating retention by loan cycle is that marketers can take action according to the data. If clients are dropping out in the third cycle, marketing can be targeted at clients in the third cycle. If too many clients leave after the first individual loan, staff may have failed to give clients clear expectations about the loan.

The key to any customer retention rate calculation is consistency. The same approach must be repeated every quarter, every six months or every year in order to compare changes.

Finally, marketing can only respond to low retention rates if it is known why customers are leaving. Customer research on client satisfaction is critical for institutions. If customers are leaving because the organization’s products are inferior to those of the competition, the products must be improved. If customers are leaving because of poor customer service, the marketing strategy will be to improve customer service.
CASE STUDY 6: Customer Retention by Loan Cycle
Microfund for Women, Jordan

When Microfund for Women analyzed customer retention for one of its loan products, it found low retention rates from the first to second loan and from the fourth to fifth loan. After looking at this analysis, the organization decided on several actions:

- Better understand why clients were taking only one loan and then leaving. Were staff adequately screening new clients? Had staff set unrealistic expectations for new clients?
- Better understand why clients were leaving after the fourth loan and target client loyalty programs for clients in the fourth loan.

Percentage of clients who go to the next cycle

![Percentage of clients who go to the next cycle](source: Microfund for Women, Jordan, 2005)

FinComún, Mexico

When FinComún's analyzed one of its products, it found a healthy retention rate after the client had been with the organization four or more cycles, but in the early cycles, too many clients were leaving. FinComún modified the credit process, making new loans and loan renewals simpler and quicker.

Retention by loan cycle

![Retention by loan cycle](source: FinComún, México, 2006)
IN THIS SECTION:

- What do I need to know about my competitors for my marketing strategy?
- How do I analyze my competitors’ products, brand and customer service?

Competitor Analysis

Organizations typically undertake an analysis of the competition and the industry during their business planning. A marketing analysis of the competition builds on this assessment and adds additional details from a marketing perspective. This exercise helps the organization determine how to use marketing to differentiate itself.

**Product comparison**

One analysis of the competition is a product comparison between the organization’s products and the competitor’s products. Are the products differentiated? In what ways are they better? In what ways are they worse?

To do this analysis, select the product attributes that matter to the institution’s client, e.g. loan term, interest rate, requirements, collateral, speed of service, etc. Then select the competitors that the clients consider as options and make a comparison.

**Brand differentiation**

Before investing time and money in building a brand, an organization should analyze its competitor’s brands. Since companies rarely state their brand image publicly, collect and analyze competitor’s public communications, i.e. brochures and promotion strategies.

In the analysis on the following page (Table 5), the local consumer lenders were all positioning their brands around fast and easy credit. To differentiate itself, Banco da Família clearly needed a different message. They decided on the tagline, “apoando seu trabalho” which translates to “Supporting your Work.”
<table>
<thead>
<tr>
<th>Name of the Institution</th>
<th>Tactics</th>
<th>Primary Message</th>
<th>Supporting or Secondary Message</th>
<th>Tone</th>
<th>Target Audience: Demographics &amp; Psychographics</th>
<th>Tagline</th>
<th>Overall Company Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: Coca Cola</td>
<td>Television</td>
<td>“Coca Cola is refreshing”</td>
<td>“Coca Cola is always cold”</td>
<td>Cool, young, hip</td>
<td>Young men and women from all economic levels, especially appeals to those who like to feel cool</td>
<td>“Drink the good stuff”</td>
<td>Coca Cola is the company that provides affordable refreshments</td>
</tr>
<tr>
<td></td>
<td>Billboards</td>
<td>“Coca Cola is affordable”</td>
<td>“Coca Cola costs only 20 reales”</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FinInvest</td>
<td>Leaflet to promote personal credit loan</td>
<td>“Money right away!”</td>
<td>“Low requirements: no check, no co-signer. Just provide CPF, ID, proof of income and residence”</td>
<td>Encouraging, easy</td>
<td>Men and women, Target segment D/E, who need money quickly</td>
<td>n/a</td>
<td>FinInvest provides quick and easy credit no matter how low your income</td>
</tr>
<tr>
<td></td>
<td>Leaflet to promote bill paying through FinInvest</td>
<td>“Pay your bills with 40 days interest free”</td>
<td>“Pay all your utility bills through FinInvest: if you use your credit card, no interest for 40 days”</td>
<td>Helpful, simple</td>
<td>Men and women, Target segment D/E; Heads of households who are behind on their bills</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leaflet to promote insurance</td>
<td>“Make you and your family more secure with insurance”</td>
<td>“Four Insurance products: Plano Individual, Plano Individual Super, Plano Casal, Plano Casal Super”</td>
<td>Helpful, safe</td>
<td>Men and women, Target D/E; Parents with children</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Cifra</td>
<td>Leaflet to promote loans for retirees</td>
<td>“Take advantage of life with money from Cifra”</td>
<td>“Special loans for retirees from 6-36 months: no credit check, no bank account needed”</td>
<td>Special, exciting</td>
<td>Retirees</td>
<td>“Fast Credit”</td>
<td>Cifra provides fast money for your life</td>
</tr>
<tr>
<td></td>
<td>Leaflet to promote all loan products</td>
<td>“It’s a pleasure to offer you our financial products”</td>
<td>“Personal credit, refinancing”</td>
<td>Helpful, easy access</td>
<td>Target D/E</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Banco da Familia, Brazil, 2005
Customer service differentiation

Another area of comparison with the competition is in customer service. Is the organization differentiated? How does the organization’s customer service compare to that of local banks? Is the customer service better than or worse than other microfinance institutions?

A “mystery shopper” is the best tool to make these evaluations. It can be outsourced to a research company, but sending field staff or students is usually adequate. Develop an observation guide with a list of the important elements—including speed of service, queue time, friendliness of staff and comfort of branch.

Have the mystery shopper visit each competitor and attempt to apply for a loan or open a savings account. After the interaction, the mystery shopper should rate the company’s level of service. Have the research team visit multiple branches of an organization to determine whether its processes and service are standardized. If students conduct the research, they can mystery shop your own organization for comparison.
CHAPTER 4

1. MARKETING OBJECTIVES AND STRATEGIES
2. TRADITIONAL MARKETING TACTICS
3. INFORMAL MARKETING TACTICS
4. MONITORING RESULTS
Marketing Strategy Development

With the analysis complete, the organization can design its marketing strategy for the year. The marketing strategy will develop marketing objectives, strategies and tactics to address the customer acquisition and customer retention challenges previously identified.
Marketing Objectives and Strategies

The marketing plan begins with setting the marketing objectives and marketing strategies.

See page 78 for a template that can be used to build the marketing plan.

Setting marketing objectives

Marketing objectives should be set to meet business objectives and respond to the weakest areas. So first, define what the organization’s business objectives are for the year. Now consider the analysis of acquisition rates, retention rates and the competition that was covered in chapter three.

There are two types of marketing objectives: improvement in acquisition rates and improvement in retention rates.

1. Customer acquisition:
   Set the objectives according to the organization’s acquisition rate challenges. Are there branches, customer segments or products that should be growing faster?

2. Customer retention:
   Refer to the analysis done on customer retention rates, focusing on loan cycles, products and branches where retention is lowest. Can more customers in these areas be retained? How can the most valuable customers—those with a history of good repayment—be retained? How can repeat use of credit products be encouraged? How can clients be encouraged to save more?

It is critical to put in place ways of measuring the effectiveness of each tactic to ensure that money is increasingly well spent over time.
Marketing strategies are what the organization will do to achieve its objectives. The strategies should match the challenges faced by the organization. For example if the organization needs to improve the retention rate, a strategy could be to launch a customer loyalty program. Other examples of strategies include launching the corporate brand, improving customer service, introducing new products.

Aim to have no more than three major marketing strategies—perhaps one or two to improve customer acquisition, one or two to improve customer retention and one or two to learn. Each strategy requires many tactics, so it is important to be highly selective in choosing marketing strategies.
Traditional Marketing Tactics

The diagnosis is complete. The marketing objectives are set. The marketing strategies have been selected. The next step is to determine the right combination of marketing tactics.

This section will look at traditional private sector marketing tactics such as television, radio, billboards/outdoor, brochures, posters, PR, events and client gifts. The following section will outline the informal marketing tactics: field promotion and word of mouth. Combined, these sections will help the marketing manager select the most effective and efficient marketing tactics.

Microfinance organizations often see traditional marketing tactics as too expensive. Yet the cost of these tactics can be quite low when calculated on a per customer basis. Additionally, tactics such as advertising reach new customers far faster than door-to-door promotion strategies. By foot, a loan officer might reach 20 potential clients in two hours. A radio ad could reach 20,000 potential clients in 30 seconds. Finally, traditional marketing tactics can build additional credibility for an institution, which is especially important for organizations offering savings products.

Example

2 hours of loan officer time = $10  
Clients reached = 20  
Client leads generated = 4  
Cost per client reached = $2.50  

Cost of a local radio ad = $500  
Client reached = 20,000  
Client leads generated = 200  
Cost per client reached = $2.50
Choosing the marketing tactic

In identifying the most appropriate marketing tactic, two points need to be considered:

- **The message:** What does the organization need say to attract its target audience?
- **The medium:** Where should the message be placed to reach the target audience?

### Table 6: A brief guide to marketing tactics

<table>
<thead>
<tr>
<th>Marketing Objective</th>
<th>The Message</th>
<th>Strongest Tactics</th>
</tr>
</thead>
</table>
| **Build Awareness** | Explain who your organization is and what you have to offer | • PR  
• Flyers  
• Posters  
• LO contact  
• Branch presence  
• Radio  
• Newspaper  
• Word of mouth  
• Coupons  
• Sponsorship |
| **Educate Clients** | Explain how the product works, its functional benefits and advantages over the competition | • Brochures  
• Website  
• LO contact  
• Community events  
• Print inserts  
• Word of mouth (at times)  
• PR (at times) |
| **Activate Clients** | Explain the benefits of the product and show how the product can solve a problem | • Television  
• Radio  
• Newspaper (depending on literacy rates)  
• LO contact  
• Word of mouth |
| **Retain Clients** | Give your customers a reason to use the product again | • Reward programs  
• Incentives  
• Personal attention  
• Door-to-door promotion  
• Open house  
• Small gifts  
• Product incentives (reduced rates, increased flexibility) |

### Table 7: Strengths and weaknesses of different marketing tactics

<table>
<thead>
<tr>
<th>Tactic</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| Television | • Emotionally connects with the target audience  
• Reaches large audience of potential clients | • Expensive to produce television ad/buy ad space  
• Difficult to target a specific group, e.g. women with home based projects |
| Radio | • Motivates clients to take action  
• Local radio stations can reach a large but targeted audience | • Can be expensive  
• Radio listeners often don’t pay attention to the ads because they are driving, radios are background noise, etc. |
| Newspaper | • Clients usually pay attention while reading  
• Can buy ample space to provide detailed explanations | • Only reaches the literate clients; excludes the semi-literate and illiterate (often women) |
| Press/PR | • It’s free! | • You get what you pay for. The message is out of your control—sometimes it is positive, sometimes it is negative or incorrect |
| Brochures | • Leaves the clients with something tangible they can read/discuss with their spouse | • Poor quality brochures make the organization look cheap |
| Billboards/Posters | • High visibility in public places | • Limited message—when people walk or drive by posters and billboards they capture only a sentence or two |
| Branded Give-aways: pens, calendars, calculators, key chains | • Frequently reminds the person about the organization every time they use the pen, the calendars, etc. | • Doesn’t tell clients what the organization does, what it offers, how it works, etc. |

Source: WWB
To develop clear, concise communications, companies can benefit from working with advertising agencies staffed with creative writers and graphic designers. In the absence of an agency, there are a few things to keep in mind when designing marketing tactics.

**Keep the message simple**

The experience of creating a brochure can go like this: you start composing messages you want to communicate to potential clients. The list starts with quick loans, simple requirements, affordable interest rates, and friendly customer service. Then someone wants to add the fact that only two guarantors are required. Someone else suggests listing all the branch locations and including a list of the requirements. Another person wants a client photo. Suddenly you find yourself with 16 different things to communicate.

But people have very short attention spans and selective memories, quickly forgetting what they hear and see. Therefore it is crucial to stick to one primary message—a single key benefit for clients to remember. *The organization with all the products to meet your needs.* Or: *The organization that treats you well.* Or: *The organization designed for small entrepreneurs.*

Once you select your primary message, you may add secondary messages to support/substantiate your main message.

**Emotional versus rational benefits**

When you buy a dress, what are the criteria that lead you to choose one dress over another one—they might include the price, the quality, the fabric, the pattern, the style, the shop, and/or the brand. Or if purchasing a motorcycle, the criteria might include price and quality, speed, the look, the engine, the salesperson, and/or the brand.

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**CASE STUDY 8:**

**Creative Marketing Tactics**

**Equity Bank, Kenya**

When launching in Mombasa, the bank selected 300 individuals with good businesses from the area surrounding the branch. They invited them for a free dinner at the most expensive restaurant in town. The guests had a wonderful evening, relaxing and enjoying the delicious food and music. At the end of the evening, Equity gave a brief presentation on its service offering. Attendees returned home not only telling tales to neighbors of the evening’s entertainment but also with incredibly positive associations about the bank. Equity Bank is one of the fastest growing banks in Africa, and its branch in Mombasa continues to grow.
But what truly makes the shopper choose one dress over another or one motorcycle over another? It’s often how the customer feels!

Do I feel beautiful when I have this dress on? Do I look cool when I’m sitting on this motorcycle? Will my friends notice my new bike? Will my friends compliment me on my new dress?

Emotional criteria often outweigh rational criteria in purchasing decisions. Rational elements are considered, but the final choice is usually based on emotional ones.

When creating communications, use messages and images that connect with customers on an emotional level. It is still important to communicate the rational benefits of the product, but this should be done in a way that motivates the client to work with the organization.

**Timing the tactics**

A common mistake organizations make is spreading communications too thinly. One month, for example, they have a radio advertisement. Because that was expensive, they wait two more months and then put up a billboard. And then because everyone is so busy, they wait one more month before having a community event.

Spreading the communications over time dilutes the impact of the message. A light rain shower that comes from time to time is easily forgotten. A huge monsoon rain is always remembered. So launch a heavy communications initiative in a short period of time. Aim to reach the target customer at least three times with the same message. Six times is recommended when trying to change customers’ perceptions.

The following is an example of a communication plan that has concentrated its tactics for maximum impact.

Go to page 82 for a template that guides you through creating marketing tactics.

---

**Figure 5: Timeline**

<table>
<thead>
<tr>
<th>Education</th>
<th>Activation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaflet distribution</td>
<td>Loan officers visits, word of mouth</td>
</tr>
</tbody>
</table>

- Radio for mass market reach OR
- Neighborhood meetings to build awareness

Week 1  Week 2  Week 3  Week 4  Week 5
Informal Marketing Tactics

Rather than launch a television campaign or purchase billboards, microfinance institutions often use more “informal” marketing tactics. The most common is to send loan officers door-to-door to find potential clients. The second informal tactic is word of mouth marketing—relying on clients to pass on the name of the organization to friends.

Field promotion

Field promotion is the dominant marketing tactic in the microfinance industry. Group loan officers typically do the promotion in residential areas going door-to-door while individual loan officers spend their time in local markets and commercial zones going from one business to the next. Some institutions have freed up the loan officers’ time for lending and use paid “promoters” to go door-to-door.

While microfinance service providers rely heavily on this tactic, they often do not invest enough financial and human resources to make it effective. Loan officers are often inadequately trained in sales promotion, either in the classroom basics or with coaching and practice in the field. Branch managers often spend little time monitoring loan officers’ effectiveness in generating prospective client leads.

On the following page are contrasting examples of conversations between loan officers and potential clients.
Example: Loan officer promotion

EFFECTIVE

**Loan Officer:** Good morning. My name is Yasmina and I am here to tell you about an organization called Microfinance Fund. We are dedicated to helping small business owners like yourself grow their businesses. Are you the owner of this shop?

**Client:** Yes, I am. I have had this business selling stationary supplies for four years.

**Loan Officer:** That's great. How's the business doing these days?

**Client:** Pretty good…but I've been thinking about growing it.

**Loan Officer:** Are you interested in purchasing more inventory? Or perhaps you need some new shelves?

**Client:** Actually I have been thinking about expanding the store. But it's hard to find the money I need to make the investment.

**Loan Officer:** Well, we may have a product that could help. We offer a loan for small businesses called the “Growth Loan.” It is a 12 month loan of $50 - $500.

**Client:** What is the interest rate?

**Loan Officer:** It is a fixed rate of 3% per month. So if you borrowed $300 for 12 months, the installment would be, $26.

**Client:** What type of documents do you require?

**Loan Officer:** Just bring your photo ID and a copy of your utility bill. You will need to find one person to guarantee the loan for you. And we can complete the whole process in just four days.

**Client:** Sounds pretty simple.

**Loan Officer:** Would you like to make an appointment to come to our branch and fill out the application form?

**Client:** Sure, let's make it next Tuesday in the afternoon.

**Loan Officer:** Great. Let's meet at 3:00 p.m. Please bring your photo ID and a copy of your utility bill. Let me leave you with this brochure that provides you with more information and has the address of the branch. Look forward to seeing you soon!

As this example shows, the loan officer takes the time to understand the clients needs and then promotes the right product to meet those needs. The loan officer listens to the client and they engage in a two-way conversation. The loan officer ends by setting up an appointment to begin the loan application process.

INEFFECTIVE

**Loan Officer:** Good morning. My name is Yasmina and I am here to tell you about an organization called Microfinance Fund. We have two loan products—group loans and individual loans. For the individual loan, you can borrow from $50 to $500. The requirements are simple. Just bring your photo ID and a copy of your utility bill. You only need one guarantor. The loan is for 12 months.

**Client:** [Blank face]

**Loan Officer:** Do you want to take a loan?

**Client:** Not right now.

**Loan Officer:** Can I have your name and phone number?

**Client:** No, I'm not interested in a loan, so I don't want to give you my phone number.

**Loan Officer:** Ok, thank you. Goodbye.

As this example shows, field staff too often view door-to-door promotion simply as providing clients with information. It is a passive interaction and not interactive. No connection is made with the customer or attempt to understand their needs. The loan officer has failed to promote the right product, deliver a call to action or close a sale.

These photos show professionally dressed staff about to begin door-to-door field promotion. The staff of this organization wear orange and black, the colors of the organization's logo. On the shirts, the organization's name and logo is visible. Staff also wear their company ID when they do field promotion. Some staff carry clip boards and small calculators to show the clients the monthly installment amounts.
Microfinance organizations should develop a standardized guide for field promotion that describes what the field staff should do and say. The marketing team should collaborate with the most effective loan officers in the organization to write this guide.

Next, loan officers should be trained in field promotion techniques. In the classroom, they should be given a chance to role-play the script and practice their promotion techniques. After the training, branch managers should accompany loan officers on at least two field promotion trips and give them feedback and coaching to improve their promotion techniques. The guide can be used as a feedback tool to highlight areas where loan officers are underperforming or excelling.

Promotional tools and techniques

Loan officers often dread field promotion—the weather is too hot or too cold; the work is tiring; clients are unreceptive—and so they often do not generate enough leads. Branches do not hit their targets and the market is not fully penetrated.

Before blaming the loan officers, managers should recognize that field promotion is tough work. To understand this fully, every head office staff member should regularly visit the field and try to generate client leads through field promotion.

Organizations should also recognize the limitations of field promotion. Door-to-door promotion is an effective but slow way to do marketing. It consumes loan officer time and is especially slow if no other marketing programs are in place. Nevertheless, tools and techniques exist to help loan officer struggling with field promotions.
• **Define zoning:**
  Make sure the zoning in the branches is clear—do loan officers know which areas they are responsible for? Are their coverage areas clearly defined and not overlapping with other loan officers’ areas?

• **Set targets for client outreach:**
  If loan officers need to disburse 20 loans a month, how many clients should they talk to in field promotion—40, 60? The exact number depends on the loan officers’ effectiveness in promotion, customer demand, physical concentration of the houses/businesses and competitive offerings in the market. In some markets, loan officers capture just one client out of 10 potential clients they talk with. In other markets, loan officers capture five out of 10. Analyze the market and set benchmarks for the loan officers.

• **Keep track of client visits:**
  Find a way to measure how many houses and businesses the loan officers are visiting. Organizations should record information such as the name and address of each client visited, whether or not they were interested and what type of business they own. This data should then be analyzed by the marketing team to help determine which branch areas are having challenges in field promotion.

• **Train loan officers to be more effective:**
  Loan officers will be more motivated when they get five client leads from talking with 10 clients, and the institution will be more efficient when its loan officers spend one hour to get five clients instead of one. The investment in training will produce financial benefits in the long run.

• **Align loan officers incentives with customer acquisition strategy:**
  Loan officers need to be motivated to find new clients. If their performance is measured by new disbursements each month, counting both new loans and renewals, there is little motivation to aim for a new client rather than a renewal. Measure the outcome you want to achieve.

• **Ensure good management at the branch:**
  If loan officers are scheduled to promote for two hours every morning, the branch manager needs to make sure that happens. In the area with the lowest numbers for the month, set additional times for special promotions, where the majority of the branch staff do a field promotion.

• **Use other marketing tactics as support:**
  Field promotion is much more effective when clients have heard of the organization at least once. Use awareness building tactics such as radio, posters, billboards and television ads.

**Word of mouth marketing**

Beyond field promotion, word of mouth has been an incredibly powerful informal marketing tactic in microfinance. Microfinance institutions in the Women’s World Banking network say that at least two-thirds of their new clients find them through word of mouth. The beauty of word of mouth is that it is free. Without investing resources, the organization has clients turning up at the door.

But there are risks associated with this type of marketing. Clients can say whatever they want to about the organization, good or bad, correct or incorrect. Confusion can arise about loan products or because clients have been spreading inaccurate information. Individuals may not understand what the organization offers and apply for loan products that they are not eligible for.

In competitive markets, word of mouth marketing is less powerful since clients have options and have less need to ask each other where to get a loan. In this case, it may be worth creating a “refer-a-friend” program. For example, at each loan disbursement, ask the client for the names of two friends who may be interested in learning about the organization’s products. Or hold a raffle, with customers receiving a raffle ticket for each name provided. Even better, only give tickets if names provided qualify for a loan.
Monitoring Results

All marketing strategies and tactics should be monitored to ensure they are making a difference. Monitoring marketing and tracking results ensures that the money is wisely invested and produces a return.

Many microfinance organizations lack the mechanisms to track marketing effectiveness. The marketing manager will need to develop these systems.

Here are four ways to analyze results:

1. **Meeting marketing objectives:**
   At the simplest level, the marketing team needs to report results against the stated marketing objectives. For example, if the objective is to increase new clients for the individual loan product by 28% in 2008, has the objective been achieved, and how much was invested to do so? This type of analysis should be reported to senior management on a quarterly basis.

2. **Monitoring interest:**
   All client inquiries and new clients should be asked how they heard of the organization, for example: word of mouth, brochures or radio ads. This should be measured at the branch level and monitored monthly by the marketing team. Develop a simple matrix or spreadsheet for the receptionist to keep this information up to date.

3. **Tracking the impact of marketing:**
   On a more detailed level, consider how effective a marketing tactic was at driving sales. The idea is to identify the most cost-efficient marketing tactics. This is a very important exercise and should help to set the budget for the subsequent year. Metrics include:
   - **Cost per client reached:** how much did it cost to tell a potential client about the organization?
• **Cost per client acquired:** how much did it cost to acquire one new client? It can be interesting to compare savings versus credit—it is often the case that more marketing is required to convince a client to open a savings account.

• **Cost for increased retention:** how much did it cost to retain 1% more clients?

4. **Measuring intangible or intermediary results:**
Quantitative or qualitative research can analyze how effective marketing is at changing perceptions—increasing trust, increasing interest in organization, or increasing likelihood to work with organization. Do more clients trust the organization after the brand campaign than six months before the campaign? Do clients say they are more likely to work with the organization as a result of improved customer service? Unfortunately, few microfinance institutions can afford this exercise, but it is a measurement that rounds out all the other quantitative analysis.

As the organization develops its analysis of marketing results, keep in mind that the results of marketing tactics are not always immediately apparent. Consider a radio advertisement that builds awareness and introduces the organization to potential clients. While clients may not come directly to the branch after hearing the radio advertisement, they will be more receptive to a visit from a loan officer or may stop by the branch two months later when they need a loan.

Keep in mind that marketing analysis can be imprecise. For example, suppose an organization uses a brochure and a poster to encourage clients to start a commitment savings account. Two weeks after the campaign is launched, a client walks into the branch and opens the account. The teller asks the client why they decided to open the account. The client says because a friend suggested it. But, did the client come to the organization purely because of word of mouth marketing? Or did the brochure and the poster motivate one client to tell her friend about the promotion?
CHAPTER 5

1. DEFINING A BRAND
2. LAUNCHING THE BRAND
Building a Brand

Imagine a plain white t-shirt. No markings, no words, just a plain white shirt. How much would this cost? Maybe $5? Now consider that same plain white t-shirt, but with a check mark on it or a “swoosh.” How much is a plain white t-shirt worth if it carries the Nike logo? Brands are a highly valuable asset and they are one of the marketing strategies available to microfinance organizations.
Defining a Brand

Defining a brand

Brands are often thought of as logos or taglines, but they are much more than that. A brand is a personality. It is the essence of what the institution stands for: what it is, what it does, and what it believes.

Suppose you meet someone for the first time. You learn his name—Aaron. You see his face and features—tall, short hair, friendly. Think of this as the organization’s brand name, logo and branch look. This is the visual representation of the brand.

Over time, you get to know Aaron. You learn that he is sweet, helpful and sincere. You come to learn that you can always rely on him to help out. In the same way, clients come to know about the organization. They learn that it is a place where they feel welcome. It is a place that respects them. It is a place that is dependable, always providing financial services in time of need.

This is the brand. This is the essence of the organization. A brand is the organization’s personality.

The power of branding

Many microfinance organizations see branding as costly and time consuming—something for companies like Coca-Cola or Toyota. Why would a financial services provider need to spend money on building a brand?

“A brand is the organization’s personality.”
A brand benefits a microfinance service provider in many ways:

- **Differentiating the institution:** Be the market leader before the competition comes in, and establish a positive reputation with investors, regulators, and policy makers.
- **Unifying the organization:** Attract qualified and committed talent and motivate current employees.
- **Enhancing marketing effectiveness:** Simplify and unite marketing messages and build positive word of mouth marketing.
- **Building client value:** Attract the right clients to your products/services and build a sense of pride in clients being affiliated with the organization.
- **Strengthening the institution against bad times:** Overcome negative publicity and remain strong in market downturns.
- **Increasing institutional profitability:** Clients are willing to pay for a quality brand. A strong brand also increases client loyalty and retention.

To build the new brand, use the results of the research to analyze the current brand and identify the opportunities to evolve the brand. The right brand will be a combination of who the organization is, its clients and what products it offers. The brand should also distinguish the organization from the competition (as analyzed in Table 5 on page 29).

The role of a brand is not to cover up the organization’s flaws or make promises that cannot be fulfilled. An organization still needs to provide quality products and good customer service to attract clients. If it fails to do so, the investment in building a brand will not pay off.

**Figure 6: The brand**
Launching the Brand

Internal launch

Once the organization has determined the new brand position, it needs to develop a strategy to launch the brand inside and outside the organization.

The internal launch, often ignored, is actually the most critical step. Every person within the organization is a brand ambassador and needs to have a deep understanding of the brand. Microfinance’s emphasis on staff-client interaction makes it especially critical to launch the brand internally.

Internally, launching the brand involves two steps—preparing the organization to deliver on the brand and communicating the new brand throughout the organization.

1. **Preparing the organization:**
   This ensures that the organization can actually deliver on the new brand promise. If the brand is all about the customer, does the organization have enough staff to serve the customer? If the brand is all about product innovation, does the organization have the right resources dedicated to research and development?

2. **Communicating the brand:**
   Each time clients interact with the organization, they touch the brand. Therefore the brand needs to be communicated throughout the organization—from the board members down to the receptionist—so that every touch point delivers the brand promise.
External launch
Launching the brand externally involves communicating the new brand to current and potential clients and living up to the brand’s values in all staff-client interactions.

Advertising agencies are best suited to launch the brand externally. They have extensive experience in designing brands and brand campaigns. It can be costly to work with a good advertising agency, but the result is typically superior to internal efforts.

Organizations should meet with the major advertising agencies working in the market and then select the best one according to the following criteria:

- **Quality of work:**
  The best way to judge an agency is to look at its past work. Did you like it? Was it creative and did it grab your attention? Was it based on customer insights or did it just use pretty pictures and write funny headlines? Did it achieve results?

- **Shared values:**
  An organization with the values of honesty, respect, integrity and transparency will want to find an agency that also believes in these things. This will create a strong working relationship and produce advertisements that reflect the values of your company.

- **Quality of staff:**
  Agencies may assign junior staff to small accounts when working with small budgets, so request involvement from the agency’s senior staff, especially at the beginning of the relationship. Talk to the agency’s other clients and see if they enjoy working with the agency staff.

- **Familiarity with the target market:**
  Many agencies have never worked with low-income populations, so look for one that has experience with your target market and expertise across various media. Agencies also tend to specialize in certain tactics (such as television and newspaper, but not brochures) and may push those tactics even if they are not the best way to reach your target audience. Find out what experience and expertise they have in different marketing tactics.

- **Experience in advertising products AND services:**
  Agencies tend to have more experience marketing a product than a service, which is a more complex proposition. Look for an agency that has produced advertising for a service—better still, for a financial service.

After identifying the best agency for the organization, fees will have to be negotiated. Advertising agencies typically charge monthly retainers plus the cost of producing/printing the advertisements and purchasing the media space. Try to negotiate the terms that work best for the organization, e.g. if this is a one time campaign, negotiate one time fees. Keep the following in mind while working with the agency:

- **Brief the agency:**
  Provide as much information as possible about your company, your values and the work you do with your clients. Brief the agency verbally as well as in writing. A written brief brings focus to marketing efforts and ensures the tactics align with the brand. It leads to better, more effective and measurable work and saves time and money. The agency then develops the creative brief, which will guide all external marketing, media planning, and brand development.

- **Outline expectations:**
  Before entering into a contract, be specific with the agency on the project’s objectives and what you expect it to deliver. This is how you will define and ultimately measure success.

- **Stay involved:**
  Provide the agency with all the information it needs, monitor the work and learn from what it does. Ask questions and challenge recommendations—the agency is an expert at marketing, but you’re the expert on your organization.
Monitoring the impact

Building a brand is a financial investment and results must be monitored to ensure the money is being spent wisely. There are three areas through which to monitor the brand:

1. **Acquisition rates:**
   A branding campaign does not typically lead directly to increased acquisition rates, but there should be an indirect link. Expect to see increased growth with a slight time lag to the campaign’s launch.

2. **Retention rates:**
   The branding campaign should lead to increased retention rates. There may or may not be a time lag on these results.

3. **Customer research:**
   If the objective of the campaign was to change perceptions, look for changes in clients’ attitudes. The only way to gauge this is to conduct customer research—qualitative or quantitative research—with clients before and after the campaign.
**CASE STUDY 9: Building a Brand**  
**MI-BOSPO, Bosnia and Herzegovina**

MI-BOSPO is the fifth largest microfinance organization in Bosnia and Herzegovina (BiH), serving clients with a range of credit products. Microfinance is extremely competitive in BiH and the organization was looking for a way to differentiate itself from the other players. As one of the few organizations focused exclusively on serving the women’s market, MI-BOSPO wondered if a brand highlighting this would be a competitive advantage. The organization decided to invest in branding to differentiate the institution and increase customer retention.

**Research**

This project began with research in order to assess the current brand and identify the desired brand. Customer research consisted of in-depth interviews and focus groups with three customer segments—group loan clients, individual loan clients (the priority segment for MI-BOSPO) and potential clients borrowing from other institutions. The research identified clients’ attitudes toward the current brand, their financial concerns and aspirations, and their view of MI-BOSPO’s products and customer service. Staff research was conducted by one-on-one interviews with members of the board, management team, head office staff and field staff. This research considered staff’s perceptions of the organization, their motivations to work in the organization and their aspirations for the organization.

**State of the current brand**

The research was exhaustive, but the analysis needed to boil down to one key idea that represented the essence of the organization.

The staff indicated they believed in the organization, its mission and values, but the team struggled with the dual objective of profitability and women’s empowerment. The staff were convinced that the organization could help women feel greater self-esteem and confidence, improve their position in their families and society, and grow their businesses to improve the household.

The clients did not perceive themselves as businesswomen; they talked about their household duties and about their business responsibilities. They did not fully recognize the businesswomen they had become. The clients aspired to financial independence and success in business, and appreciated being able to contribute financially to the household.

Both the staff and the clients believed in what the organization was trying to accomplish, but doubted their ability to fully achieve the desired results. The brand opportunity became very clear—encourage the clients’ hard work and inspire their success.

**New brand**

MI-BOSPO’s new brand position was “recognizing the efforts and successes of women entrepreneurs.”

The brand was first launched internally throughout the company. The management team published a small brochure explaining the brand, highlighting clients that exemplified the MI-BOSPO brand and commemorating its 10 years of service. The management team and credit staff had a 1.5 day training on how to deliver excellent customer service to deliver on the new brand position. The marketing team reinforced this by spending time in the field monitoring and coaching staff on delivering the new brand.

**Brand framework**

In this brand framework, MI-BOSPO found a brand essence that was aligned with the organization’s mission, was grounded in the product offering, and delivered on the rational and emotional benefits of MI-BOSPO.
CASE STUDY 9, continued
This brand position was brought to life by MI-BOSPO’s management team in collaboration with Saatchi & Saatchi BiH. Billboards (1) were placed at the entrance of key MI-BOSPO markets. They featured real MI-BOSPO clients with different size businesses, reading in bold letters: “MI-BOSPO for the success of business women.” In commemoration of the organization’s 10-year anniversary, it also said: “10 years with you.”

Brochures (2) carried the same primary message on the front and back, reading: “MI-BOSPO believes and invests in your success. Fast loans, simple guarantors, excellent customer service and no fees.”

The brand was visible in all marketing efforts such as the field staff’s vehicles (3) and MI-BOSPO’s presence at local community events (4).

Additionally, MI-BOSPO held a party to launch the brand and celebrate its star clients. And in preparation for the party, the MI-BOSPO staff volunteered their time for a day to underscore their commitment to serving the community. MI-BOSPO also used radio advertisements, which were a very effective way to reach specific communities in BiH.

Monitoring and results
The marketing team was responsible for monitoring the brand launch and tracking results. The objective of the brand launch was to improve retention by celebrating the clients. Over, the six months following the marketing campaign, retention improved dramatically:

- For solidarity clients, loan renewals in January–June 2006 averaged 97% compared to 57% in January–June 2005.
- For individual clients, loan renewals (within 180 days of the previous loan ending) in January–June 2006 averaged 90% compared to 56% in January–June 2005.
- The average number of new individual loan clients per month was 15% higher in January–June 2006 than January–June 2005.
- The average number of new solidarity loan clients per month was 25% higher in January–June 2006 than January–June 2005.

Note: MI-BOSPO’s returns on the brand investment were very high. These results may not be typical to all institutions that invest in improving the brand image.
CASE STUDY 10: Branding
Microfund for Women, Jordan

With the market in Jordan becoming increasingly competitive, Microfund for Women wanted to ensure that its position as market leader was unchallenged. It therefore decided to invest in a brand to build mass awareness of the organization throughout the Kingdom of Jordan and to unite the organization around one main idea. Microfund for Women had expanded from serving women with solidarity loans to serving women and men with individual loans, and staff needed to better understand the essence of the organization.

As with Mi-BOSPO, MFW conducted both staff and customer research to understand the perceptions of the current brand and the aspirations for the desired brand. After conducting and analyzing the staff and customer research, MFW settled on the brand position, “Empowering Every Ambitious Woman.” MFW worked with Saatchi & Saatchi Jordan to launch a national campaign featuring real clients and their businesses. They used television, billboards, bus wraps, posters and brochures to communicate their new brand image. Saatchi & Saatchi won Jordan’s Media Award for Best Press Campaign for 2006.

Customers, especially women, were greatly encouraged by the campaign, and MFW remains the market leader in Jordan.

- “When I see the ads I feel proud I’ve taken these loans from MFW.”
  - Segment 2 Female Client, Irbid
- “You feel that when a woman does something, there is actually something that comes out of her efforts.”
  - Segment 2 Female, Raghadan

MFW also overhauled the branches to ensure the customers, especially the women entrepreneurs, felt comfortable and welcome (see page 76).

Both Mi-BOSPO and MFW’s brands show the potential that branding has for empowering women.
CHAPTER 6

1. DELIGHTING THE CUSTOMER
2. IMPLEMENTING CUSTOMER CARE PROGRAMS
Customer Care

With each interaction with an organization, clients have a positive or negative experience, which shape their overall satisfaction with the institution. A customer care program is a marketing strategy that microfinance service providers can use to build customer loyalty. As microfinance institutions often provide very similar credit and savings products, customers are starting to differentiate institutions according to the level of service they receive.
Delighting the Customer

The ultimate goal of a customer care program is to delight the customer. There is a difference between customer satisfaction and customer delight, both in definition and in result.

A client’s satisfaction level is defined as the clients’ perceived experience with the organization minus the expectations they had for the organization. Therefore to satisfy clients, the institution must meet clients’ expectations.

**Figure 7: Customer satisfaction formula**

\[
\text{Customer Satisfaction Level} = \text{Client’s perception of their experience} - \text{Client’s experience}
\]

Source: WWB

Over the past 10 years, academic research and corporate anecdotes have provided overwhelming evidence that companies with high customer satisfaction perform better.

- **Retention rates:** Companies that have increased their customer satisfaction also increase their customer retention rates and average purchases per client. A 5% improvement in customer retention can cause an increase in profitability of between 25 and 85%.

- **Higher sales and customer acquisition:** Satisfied customers are more likely to purchase additional products and spread positive word of mouth, leading to increased customer acquisition.
• **Shareholder value:**

Firms with high levels of customer satisfaction tend to generate considerably more shareholder value than firms with low levels of customer satisfaction. US companies with high customer satisfaction indices outperform the stock market averages. A 5% improvement in the American Customer Satisfaction Index leads to a 35% increase of the company’s future operational cash flow and a 19% change in the market value of common equity.7

### Satisfying versus delighting the customer

As we said, to satisfy clients, the institution must *meet* clients’ expectations. To delight clients, however, the institution has to *exceed* clients’ expectations. But is there a need to delight the customer? Isn’t client satisfaction enough? Bank of America has found that its delighted customers are 5.8 times more likely than satisfied customers to open new accounts and six times more likely to recommend the bank.6

The Burke Institute has found that three questions in quantitative research indicate not only a customer’s satisfaction level, but also his or her loyalty level:

1. Overall, how satisfied are you with the organization? (Using a scale from very satisfied to very dissatisfied)
2. Do you intend to keep working with the organization? (Using a scale from very likely to very unlikely)
3. Would you tell your friends about the organization? (Using a scale from very likely to very unlikely)

If a customer gives a top score for all three questions, he or she is *delighted* and will likely stay with the organization. Top scores for only one or two of the questions, on the other hand, indicate that the customer is merely *satisfied*, and may leave the organization if a competitor makes a better offer.

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**Figure 8: Customer satisfaction**

<table>
<thead>
<tr>
<th>Likely to recommend the private bank</th>
<th>Likely to open a new account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delighted</td>
<td>Satisfied</td>
</tr>
<tr>
<td>76%</td>
<td>78%</td>
</tr>
<tr>
<td>(scored 9 or 10 on a scale of 1 to 10)</td>
<td>(scored 6 or 8 on a scale of 1 to 10)</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>5.8X difference</td>
<td>6X difference</td>
</tr>
</tbody>
</table>

Implementing Customer Care Programs

A customer care program is a marketing strategy that brings the customer’s voice into everything the organization does. The program uses qualitative and quantitative research to understand what dissatisfies, satisfies and delights the client. Then the institution decides how to respond to the customers, and what changes to implement.

Figure 9: Implementing customer care programs

Source: WWB
The voice of the customer

Women’s World Banking uses the “Voice of the Client” methodology. This methodology starts with the qualitative research to ask current customers what matters to them in a financial service provider:

- What does the organization offer you?
- What do you think about the credit product? What do you like/dislike?
- How was your experience getting a loan? What did you like/dislike about the process?
- What has been your experience with the customer service? What did you like/dislike?
- Can you think of a time you were satisfied/dissatisfied with the organization?
- Can you think of a time you were really delighted with the organization?

The data is then mined to define product and service attributes using the words of the customers. This creates the “customers’ lens”—how customers view what they want from the organization. At this stage, it is useful to bring senior management together to create the “lens” of the organization. This step helps the organization recognize the differences between the two perspectives and align the organization’s perspective to that of the customer.

Product and service attributes, as defined by the customers, are then transplanted to a quantitative survey instrument that statistically measures and analyzes satisfaction levels for each attribute. Through regression analysis, the quantitative research identifies exactly what drives customers’ dissatisfaction, satisfaction and delight.

Figure 10: Organization versus customer viewpoint

Source: Adapted from Improving Customer Satisfaction, Loyalty and Profit. Johnson and Gustafsson. 2000
For example, clients at one organization indicated four things that were important to them about the branch experience—proximity, space and comfort, security, and convenient opening hours. These four attributes became four questions on the quantitative survey, as shown above. (This survey revealed that of the four, proximity was the main driver of customer satisfaction.)

The quantitative research should be conducted periodically so that results can be compared over time. Commercial banking organizations conduct this research daily—other organizations may do this just once a year. New research should only be conducted after the organization has responded to the previous research.

**Responding to the customer**

Once the organization understands what is driving client dissatisfaction and how to delight customers, it needs to determine what action to take. Clients requests usually fall into four categories: product improvements, process improvements, service improvements and branch improvements.

Some client requests will be straight forward and the organization can immediately decide whether or not to make the necessary changes, e.g. clients want more flexible loan terms, or clients want air-conditioning in the branches. Other requests are more complex and require further internal analysis, e.g. clients are dissatisfied with the service in the branch. In the latter case, the organization has to undertake an internal analysis to determine what is causing this dissatisfactory service in the branch. Is the MIS system slow? Are staff inefficient? Are there enough staff members? Is the process flow poorly designed?

The internal analysis begins by mapping out every time a staff and customer interact. These are called “customer contact points” or “moments of truth.”

In the example at the top of the following page, an organization analyzed its customer contact points, indicating which staff function interacted with the client at each point. It then analyzed the frequency of each of these interactions: 188,000 loan applications, 178,000 loan approvals, 151,000 loan disbursements and 918,000 payments. The loan application only happens once a year, but the monthly payments happen 12 times in a year. Clearly the monthly payments are the big opportunity for the organization to improve its customer service.

The analysis then went a level further to document the customer experience of monthly payments. This was done through observations in the branches, talking with branch staff (especially cashiers), talking with branch and senior management and referring back to the research.
The analysis found that the weakest link was inadequate customer service training for the branch staff. Loan officers received nearly a month of in-class and on-the-job training, while cashiers received only three days of training. Management’s monthly indicators were entirely focused on the credit process—including the number of applications, the percentage of loan approvals and delinquency rates—and no one was monitoring the customer branch experience.

Ultimately, the organization was missing 918,000 opportunities to delight the customers by not spending enough time and money on training and monitoring branch staff. Since this analysis, the organization has invested in customer service training for all staff and designed a system for management to monitor customer service in the branches.

This is the case with many microfinance service providers—they invest heavily in training and monitoring of credit staff and devote very little time or resources on the other staff. To improve customer care, organizations need to focus attention on the branch experience and overall customer service. Caring for the customer means dedicating financial and human resources to the improvement of each step in the customer experience. This involves training staff in the classroom and on the job, monitoring staff’s delivery of customer service, and allocating management time to customer care.
Monitoring ongoing results

With the improvements in place, it is important for an organization to have a system with which to monitor the indicators for customer satisfaction. The exact indicators will vary significantly by institution, but Table 10 on the following page gives examples of the type of indicators that are useful.

Keep in mind that “leading” indicators are more useful than “trailing” indicators. Trailing indicators indicate what has happened in the past, e.g. 800 loan applications were received last month. Leading indicators provide visibility on what will happen this month or next month, e.g. 2000 flyers will be distributed today, so expect 200 applications in the next two weeks. Given this leading indicator, the organization could have an extra staff person available to meet the increased customer demand for filling applications. Or the organization could alert clients that the wait times for the loan officer’s visit may be longer than normal.
<table>
<thead>
<tr>
<th>Service Area</th>
<th>Activity</th>
<th>Customer Delight Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application</td>
<td>Application information</td>
<td>Customer satisfaction survey on information clarity</td>
</tr>
<tr>
<td></td>
<td>Application form-filling</td>
<td>Minutes waited to be helped</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of applications received</td>
</tr>
<tr>
<td>Analysis</td>
<td>Business/Home visit</td>
<td>Days clients waited from application to visit</td>
</tr>
<tr>
<td></td>
<td>Cross-sell: Life insurance</td>
<td>Number of life insurance applications</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of applications to credit committee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of approvals and percent approvals/applications</td>
</tr>
<tr>
<td>Approval/Denial</td>
<td>Notice of Approval/Denial</td>
<td>Days clients waited from visit to approval/denial</td>
</tr>
<tr>
<td>Call Center</td>
<td>Complaints</td>
<td>Number of complaints by type</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hours/days for complaint resolution</td>
</tr>
<tr>
<td></td>
<td>Suggestions</td>
<td>Number of suggestions by type</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hours/days for client follow-up</td>
</tr>
</tbody>
</table>

Source: Fundación Mundial de la Mujer, Bucaramanga, Colombia
Further Reading
Advertising

Branding
• *Corporate Brand and Identity Toolkit*. Developed by MicroSave in collaboration with Women’s World Banking. 2006.

Customer Care

Customer Research
• MicroSave: http://www.microsave.org/
• Burke Institute: http://www.burkeinstitute.com/

Customer Retention

Marketing Financial Services
APPENDIX II

Examples of Effective Communications

1. PYME BHD
2. SANTANDER BANAFE
3. CREDITOS PRONEGOCIO
4. MBNA CORPORATION
Example 1: PyME BHD
Dominican Republic

Clear and compelling primary message with a strong call to action: “Our loans are the future of your business. Apply for yours!”

Back of brochure outlines the “rational” benefits of taking a loan from the organization and provides contact information.

Example 2: Santander Banefe
Chile

This Chilean bank that provides microfinance services showed how it helps its customers with its agricultural loan product.

“Santander Banefe gives you a hand when you need it.”

Inside of the brochure is the product information and “rational” benefits of working with organization.
Example 3: Creditos ProNegocio
Mexico

Creditos ProNegocio’s trifold brochure recognizes that the client is the expert and tells the client how the organization can help. The inside of the brochure describes the benefits of working with ProNegocio, the product attributes and the requirements to get a loan.

Front: “No university teaches what you know about your business. This deserves credit.”

Back: “Now, growing your business is easy and quick.”
Example 4: MBNA
United States

MBNA sent out a note card “just to say thanks,” which was a great way to show customer appreciation.
APPENDIX III

Examples of Branch Appearances

1. BANCO DA FAMILIA
2. FUNDACIÓN MUNDIAL DE LA MUJER
3. MICROFUND FOR WOMEN
Example 1: Banco da Familia
Brazil

Branch has clear signage and a welcoming entrance.

Main customer area of branch—balloons were for the branch opening.

Clients can sit to meet with staff. Dividers between desks maintain customer privacy, which is often a customer demand.

Credit supervisor has an office with a door to meet with the staff.
Loan officers have desk dividers which control background noise when on the phone with clients.

Common area for the staff to relax from the stress of the job—delighted employees help make delighted clients.
Example 2: Fundación Mundial de la Mujer
Bucaramanga, Colombia

Two staff members greet the clients. One gives the clients information and screens potential clients, asking if they own their own business and have been in business more than six months. The second staff member fills out the application with the client and then passes the application to the loan officer who will visit the business to make a cash flow analysis.

This branch has two cashiers for all clients and one cashier for clients with the “Credito Master,” a preferential loan product for clients with good payment history after two years with FMM.

Clients loved having preferential customer service and it was a driver of customer delight.
Product posters were on the walls of all branches so that clients could understand the full range of product offerings. There was also a poster promoting the “Linea Afectiva,” a customer complaint line.
Example 3: Microfund for Women

Jordan

Microfund for Women remodeled all nine of its branches in 2006 to support its new brand. Before the remodeling, the branches were very simple, with little decoration. One of the objectives of the remodeling was to make clients feel welcome.

**BEFORE:** When clients entered the branch, they were supposed to be met by the “administrative officer,” but the office design was not conducive to this. In this particular branch, for example, the officer had a door on his office, so clients didn’t feel comfortable entering.

**AFTER:** Now the clients are immediately greeted by a “customer service representative,” who directs them to the appropriate staff member. This change was especially important as potential clients at microfinance institutions are often nervous the first time they enter a branch. They may never have been in a financial institution before, so it is critical to make them feel welcome.

**BEFORE:** Because MFW is primarily a group lender, the branches needed to have ample space for the groups to sit together. The old branch design had white tables and chairs in a room that was not heated or air conditioned.

**AFTER:** Now clients can sit in a welcoming environment with comfortable chairs and tables and climate control.
APPENDIX IV

Templates

1. MARKETING PLAN
2. MARKETING TACTICS
Marketing Plan Template

1.0 Background and Marketing Insight

Give a brief synopsis of the overall business situation your organization is operating in including market share, competitive position, performance metrics (number of borrowers, savers, number of loans outstanding, etc.) and current product/service offerings.

1.1 SWOT

Review your competition and identify opportunities and threats for your business. Pay particular attention to the marketing SWOT such as target market, positioning, marketing activities, etc.

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• List at least 3 strengths for your institution</td>
<td>• List at least 3 weaknesses for your institution</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• List at least 3 opportunities for your institution</td>
<td>• List at least three threats facing your institution</td>
</tr>
</tbody>
</table>

1.2 Target Market and Their Needs

Describe how you have segmented the market and specify which are the most important segments for your institution. Provide as much detail as possible about each segment, e.g. gender, age, size of segment, attitudes toward borrowing/saving, etc.

<table>
<thead>
<tr>
<th>SEGMENT NAME</th>
<th>SEGMENT DESCRIPTION</th>
<th>NEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name the segment, e.g. income generating segment, microenterprise segment, salaried employees segment</td>
<td>Describe this segment in terms of • Age • Gender • Household • Business type • Attitudes toward borrowing/saving</td>
<td>Based on the research, outline this segment’s needs from your institution. Be as specific as possible in describing the products and product attributes this segment needs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Key product service design features:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Key product service design features:</td>
</tr>
</tbody>
</table>

1.3 Market Trends

Outline any new trends in financial services that would impact your target market. For example, are banks downsizing and targeting your clients? Has there been a rise in consumer credit and less interest in microenterprise loans among your clients?
2.0 Marketing Strategy

### BUSINESS OBJECTIVES
Set your business goals, i.e. total number of new clients, total number of disbursements, portfolio size, etc. These are the goals your marketing initiatives will have to help accomplish.

<table>
<thead>
<tr>
<th>MARKETING OBJECTIVES</th>
<th>MEASURES OF SUCCESS</th>
</tr>
</thead>
</table>
| Set marketing objectives, e.g. how many new clients in segment two? How many new clients for the insurance product? What is the desired retention rate? | • X number of clients  
• X% retention |

### LEARNING OBJECTIVES MANAGEMENT MEASURES OF SUCCESS
Set learning objectives, e.g. what marketing tactics are the most effective? Which client incentives generate the best response? Etc.

### 3.0 Marketing Strategies
Outline the main marketing strategies for this year. Provide as much detail as possible for each strategy.

#### 3.1 Strategy 1

#### 3.2 Strategy 2

#### 3.3 Strategy 3, etc.

#### 3.4 Critical Issues and Keys to Success
Outline any critical issues that will create challenges to implementing the marketing plan within your organization. For example, do you have the staff capacity in place for the marketing plan? Is the budget sufficient? Is there internal alignment around the plan? Is the product standardized across branches?

Outline the critical steps that must take place in order to make this a successful marketing plan, such as working as a team, getting a standard of excellence from all staff, having a dedicated marketing person, or developing new products that are more responsive to client needs.

4.0 Marketing Tactics and Communication Plan
For each major marketing strategy above, describe the key communication tactics and their timing.

**STRATEGY 1**

1. Key tactic for strategy 1 | When
2.            
3.            
4.            

**STRATEGY 2**

1. Key tactic for strategy 2 | When
2.            
3.            
4.1 Marketing Plan for Branches/Regions

For each branch or region, describe the key communication tactics and their timing.

<table>
<thead>
<tr>
<th>BRANCH A/REGION A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The key communication tactic/initiative</td>
</tr>
<tr>
<td>2.</td>
</tr>
<tr>
<td>3.</td>
</tr>
<tr>
<td>4.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BRANCH B/REGION B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The key communication tactic/initiative</td>
</tr>
<tr>
<td>2.</td>
</tr>
<tr>
<td>3.</td>
</tr>
</tbody>
</table>

5.0 Product Introduction and Modification

5.1.1 Pilot Plan to Launch New Products

Outline your plan to pilot a new product. Describe the specifics of the new product, what target segment it is designed for and the customer insights that led to the development of this product.

<table>
<thead>
<tr>
<th>PILOT PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product name</td>
</tr>
<tr>
<td>Product description</td>
</tr>
<tr>
<td>Target segment for pilot product</td>
</tr>
<tr>
<td>Segment needs</td>
</tr>
<tr>
<td>Branches to pilot the loan</td>
</tr>
<tr>
<td>Credit officers to pilot the loan</td>
</tr>
<tr>
<td>Time frame for pilot product</td>
</tr>
<tr>
<td>Business goals for pilot</td>
</tr>
<tr>
<td>Learning goals for pilot</td>
</tr>
<tr>
<td>Marketing tactics for pilot</td>
</tr>
</tbody>
</table>
### 5.1.2 Plan to Modify Current Products

Outline your plan to make product modifications or name changes—specify what prompted this modification and how this change will improve the product. Outline any relevant cost implications of making these product modifications.

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>SEGMENT</th>
<th>SEGMENT NEEDS</th>
<th>CURRENT PRODUCT</th>
<th>SUGGESTED MODIFICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product name</td>
<td>Define the target segment in as much detail as possible—gender, age, attitudes, etc.</td>
<td>Based on the research, outline the customers needs from this financial service product</td>
<td>Describe the specifics of the current product</td>
<td>Outline the suggested modifications and how the modifications will respond to the segment’s needs</td>
</tr>
</tbody>
</table>

### 6.0 Budget

### 7.0 Monitoring and Tracking

Outline the tools you will use to monitor and track marketing tactics.
Marketing Tactic Template

1. **Background**
   What is the marketing problem we need to solve?

2. **Objective**
   What do we hope this marketing effort will accomplish?
   *Build awareness? Increase client activation? Increase client retention?*

3. **Target market**
   Who is our target market and what do we know about them that will help us?

4. **Tactics**
   What are the most efficient and effective tactics?

5. **Budget**
   How much can we afford to spend?

6. **Main message**
   What is the primary message that we want to communicate?

7. **Support points**
   Why is this message true?

8. **Tone of message**
   How do we want to say this message?

9. **Measurement**
   How will we track and define success?
   *Number of inquiries? Number of prospects? Number of applications? Number of disbursements?*
Notes

1. The Chartered Institute of Marketing.
4. IFC Global Banking Alliance for Women, 2005
In today’s increasingly dynamic and competitive microfinance sector, MFIs have begun to employ private-sector marketing techniques as a way of enhancing their performance. This publication is a reference guide for microfinance organizations seeking to develop their marketing capabilities. It describes in detail the steps involved in developing, implementing and monitoring a marketing strategy, and is grounded in real-life examples from microfinance organizations and banks around the world.