

Product Marketing Toolkit



Cheryl Frankiewicz, Graham A.N. Wright and David Cracknell

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Introduction¹

Getting ourselves oriented

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



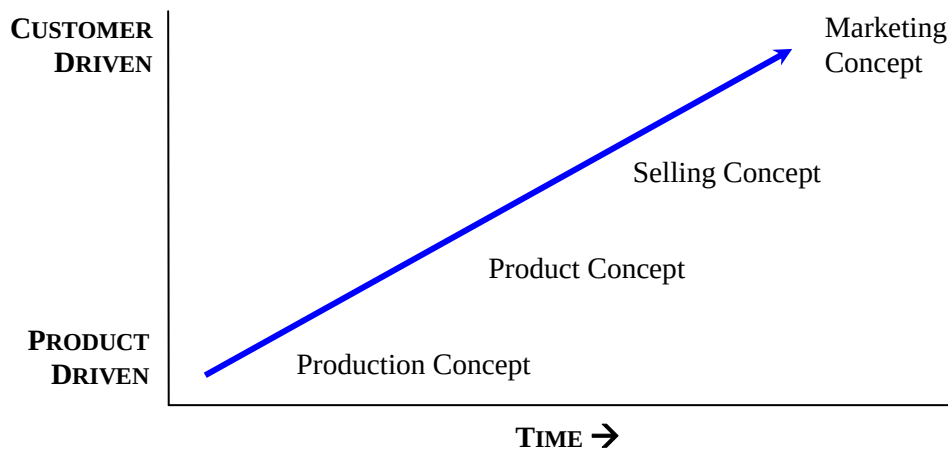
1. **The production concept:** *“Make it and it will sell.”* Production-oriented businesses focus on producing as much of their product or service as cheaply as they possibly can because they assume that consumers are primarily interested in product availability and low prices. The production concept is common and relatively effective in new industries where a product is in high demand and there is very little supply.
2. **The product concept:** *“Make it well and it will sell.”* Product-oriented businesses focus on producing the highest quality goods and services as possible and improving them over time. They assume that if they design a well-performing product, consumers will buy it.
3. **The selling concept:** *“Promote it well and it will sell.”* Sales-oriented businesses focus on persuading customers to buy whatever goods or services they are producing. They believe that consumers are naturally hesitant to make purchases and are often ill-informed or confused about their purchase options. Thus, they must be coaxed into buying through aggressive selling and promotion.
4. **The marketing concept:** *“Make something the market values and it will sell.”* Market-oriented businesses focus on understanding target market needs and responding to them in all aspects of their operations. They believe that by trying to understand the consumers’ perspective, they will be in the best position to develop products that are valuable to the market and, therefore, easily sold at a profit.

These four concepts have been used by businesses in most industries over time. Movement from one to the next has typically (but not always) been linear, with the industry passing through each phase before moving to the next (see Figure 1). The microfinance industry is similar to other industries in this respect, as it has moved over time from a production concept (in which MFIs aimed to produce as many affordable group loans as possible by replicating a blueprint of what had been successful elsewhere) to a product concept (in which MFIs sought to improve the quality of the product they were offering) to a selling concept (in which MFIs focused on selling their “new and improved” but still rather narrow range of products to an essentially homogenous market). Slowly but surely, however, an increasing number of MFIs are adopting the marketing concept and orienting themselves not towards production or products or sales, but rather, towards particular target markets. They are adopting a more demand-driven, client-oriented approach.

Why adopt a market orientation?

Businesses across a wide range of industries adopt a market orientation because they realise that it is the most sustainable path to success. When an industry is young, demand for a new product or service can be overwhelming and supply scarce. In such a situation, companies can simply produce the product as quickly as possible and they are likely to sell vast quantities of it at a profit. However, as the industry grows, more companies will enter the market and begin producing similar products. Supply will increase and demand will slowly but surely be met. Soon, suppliers will have to compete with each other not only for new customers but also to keep existing customers. At that point, the production concept will fail as a profitable business strategy because consumers will look for ways to distinguish one supplier from the next and will begin to demand more than just product availability and low cost.

¹ The authors are indebted to the staff and management of Credit Indemnity, Equity Building Society, FINCA Tanzania, Kenya Post Office Savings Bank, Tanzania Postal Bank, Teba Bank and Uganda Microfinance Union at which institutions this methodology was extensively discussed and applied to their strategic marketing process.

Figure 1: Development of Business Philosophy

Businesses that want to stay in business will have to choose a different concept, but if they choose either the product or the selling concept, they will still be setting themselves up for only short-term success. While both of these concepts allow businesses to differentiate themselves from the competition, their continued focus on developing and selling products that they think the market might want (an inside-out approach) rather than finding out what the market wants and developing a product that delivers it (an outside-in approach) dooms them to failure. Product and selling-oriented businesses will succeed only until someone else comes along and offers something better. And once market-oriented companies start asking consumers what they want, making a concerted effort to understand the components, complexity and characteristics of the market in order to develop responsive products, it is only a matter of time before they put more attractive options on the table. Businesses that want to survive will also need to adopt a more market-oriented perspective. In the microfinance industry, we see this happening already in highly competitive markets such as Bolivia and Uganda.

A market orientation is useful even in a non-competitive environment, however. In addition to preparing companies for competition whenever it may come, a market orientation can help businesses increase both their profits and their outreach. In microfinance, a market orientation can help an MFI understand why it is not reaching the clients it most wants to reach, why so many clients “drop-out” or choose not to repeatedly purchase a service, why default rates are high, what could be done to more effectively support local economic development, what other communities it might be able to serve effectively, etc. The rewards of making the transition to a market-led approach are significant and manifest themselves in a variety of ways including staff satisfaction, customer loyalty, developmental impact and higher profitability.



I’m an operations person. Why should I care about marketing?

As alluded to above, MFIs that focus their operations on their products are doomed to failure or, at best, mediocrity. Institutions that want to thrive in the future must focus their operations on their customers – on their markets. In a market-oriented business, operations people *are* marketing people.

Isn’t marketing the same as selling?

Although marketing is often confused with selling, the two concepts are actually quite distinct. In the words of marketing guru, Philip Kotler, “Marketing cannot be equivalent to selling because it starts long before the company has a product. It is the homework that managers undertake to assess needs, measure their extent and intensity and determine whether a profitable opportunity exists. Selling occurs only after a product is manufactured. Marketing continues throughout the product’s life, trying to find new customers, improve product appeal and performance, learn from product sales results, and manage repeat

sales.”² The management expert Peter Drucker once noted, “The aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him [her] and sells itself.”³

So what exactly is marketing?

“Marketing attempts to understand the needs of the client and to adapt operations in order to meet those needs and achieve greater sustainability. It addresses the issues of new product development, pricing, the location of operations and the promotion of the institution and its products. Marketing is a comprehensive field aimed at strengthening the institution by maintaining focus on the client. In doing so, it creates exchanges that satisfy individual and organisational goals.”⁴

“Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.”⁵

“Marketing is meeting needs profitably.”⁶

What would it take for my MFI to adopt a market orientation?

To adopt a market orientation, an MFI must first and foremost decide that it wants to put its customers at the centre of all that it does. Once it has made this commitment, it can develop a marketing strategy.⁷ *MicroSave* and TMS Financial (a South African marketing company with extensive experience in marketing financial services) have developed a framework to assist MFIs in thinking about strategic marketing and how it relates to their core business of providing financial services to poor people. The framework is based on three 1st tier strategies, each of which incorporates several 2nd tier sub-components. Together, they provide a comprehensive overview of how a market-led approach necessarily affects and changes almost every aspect of an MFI’s business – from operations to human resource management, from IT to sales.

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² Philip Kotler, *Kotler on Marketing* (London: Free Press, 1999) 19.

³ Peter Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1973) 64-5.

⁴ Kotler 36.

⁵ Philip Kotler, Peggy H. Cunningham and Ronald E. Turner, *Marketing Management*, 10th ed. (Toronto: Prentice Hall, 2001) 8.

⁶ Kotler, et al, 2

⁷ There are many other things an MFI can do to put the customer at the center of its operations. See David Cracknell, “Signposts to the Provision of Market-Led Micro-Financial Services,” *MicroSave* Briefing Note #18.

Figure 2, the three 1st tier strategies focus on:

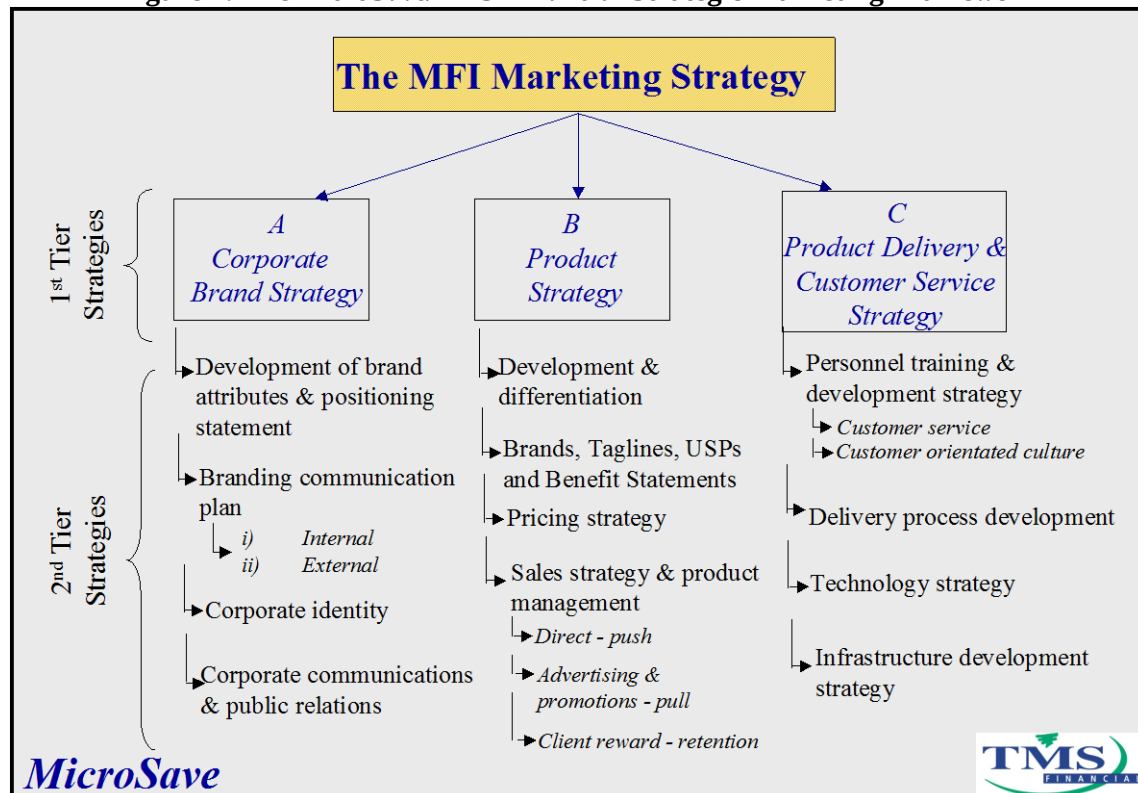
1. **Corporate Brand and Identity**, which is the design and presentation intended to differentiate the MFI from its competition.
2. **Product Strategy**, which encompasses product development and differentiation, as well as the costing/pricing and sales/promotion strategies used by MFIs.
3. **Product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

Each one of these first tier strategies is defined and explored in a separate *MicroSave* toolkit. This manual is part of the toolkit that focuses on the middle column—product strategy.

What is product marketing and how does it fit into the overall strategy?

Product marketing is a strategic approach to:

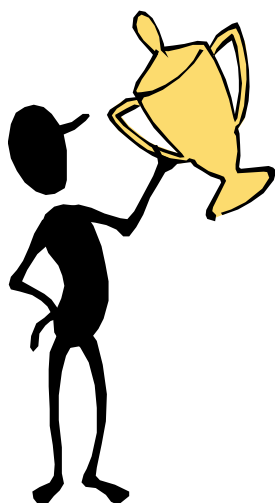
1. Developing and enhancing products that fit the needs of the market; and
2. Going about activities to optimise sustainable sales of the product in the most profitable manner.

Figure 2: The MicroSave/TMS Financial Strategic Marketing Framework

Product marketing is the second component of an MFI's overall marketing strategy and is key to the ultimate success of an MFI's marketing efforts. The product strategy is the process through which an MFI designs the actual products that will meet customer needs; decides whose needs it wants to meet; and informs the market of what it has to offer. Granted, product marketing cannot stand alone. Without effective delivery and customer service strategy, and without a clear identity and corporate strategy to direct product strategy decisions, product marketing cannot be effective. However, product marketing strategy does lend substance to the corporate brand and gives the delivery and service infrastructure something to deliver. It is a central and integral part of the overall marketing strategy.

What makes a product marketing strategy successful?

As alluded to above, a product marketing strategy must accomplish several objectives to be successful:



- It must define who the MFI wants to serve and which markets it can serve most effectively.
- It must identify the characteristics, needs, desires, preferences, values and priorities of the market(s) it wants to serve.
- It must develop a product that meets market needs better than the competition.
- It must price the product competitively.
- It must craft a message that clearly and concisely conveys the product's benefits and positions it in line with the corporate brand strategy.
- It must design and implement a sales strategy that effectively communicates the product's value and encourages purchase.
- It must monitor and manage product performance, learning from the feedback gathered to improve product design, delivery, promotion and sales.

Is there anything special about marketing microfinance products?

Yes, in fact, there is. Because microfinance institutions sell financial services, their product marketing strategy will be greatly influenced by four characteristics common to all services: intangibility, inseparability, variability, and perishability. In addition, because the products being sold are **financial** services, there are two other distinguishing characteristics that should be taken into account: high involvement and loyalty. Each of these characteristics and their implications are briefly described below.⁸

- ❖ **Intangibility.** Financial services are intangible. Unlike physical products, they cannot be seen, tasted, felt, heard, or smelled before they are bought. This makes it difficult for customers to assess what exactly they are buying. To reduce uncertainty about their purchase, they look for signs or evidence of service quality in what they can see: the physical environment where the service is provided, the people who provide it, the communication materials, symbols and price. MFI marketing strategy must recognise this and carefully manage all opportunities to make its products tangible. A passbook, bank statements, preferred customer cards and insurance policies are all examples of the ways in which financial services are presented to customers in a tangible way. This has particular implications for product branding, which will be discussed in more detail in step six of this manual.
- ❖ **Inseparability.** Microfinance services are typically produced and consumed simultaneously. Because the client is present as the service is produced, both the service provider and the client affect the outcome. This provider-client interaction is a special feature of services marketing and it is at the heart of most microfinance products. A few institutions now offer some services via automated teller machines (ATMs) which, if they are linked to a broader technology system, allow microfinance products to be produced in one location and consumed at another. This radically alters the marketing of the product.
- ❖ **Variability.** Because financial services depend on who provides them and when and where they are provided, they are highly variable. By standardising processes and procedures, MFIs can significantly increase the efficiency, convenience and reliability of the services they deliver. However, not all clients value standardisation. Some customers may want transactions as speedily and efficiently as possible while others may prefer a caring approach and a friendly chat. The challenge for MFIs is to balance the need for standardisation with the desire for customer care that tailors the product and marketing approach to the needs of individual customers.
- ❖ **Perishability.** Financial services are not as perishable as many other services. Production and consumption is frequently not simultaneous and services can, to some degree, be stored for later use without them “spoiling.” For example, while a customer ordering a meal in a restaurant does so with the understanding that she will be able to eat that meal the same evening, a customer signing up for a savings plan may expect benefits in one, two or five years. There may be no immediate benefit – on the contrary, having to make regular payments may be seen as a disadvantage or a cause of worry. A key task in financial services marketing is to create awareness of long-term benefits and to help customers recognise the need for financial services which they may not see themselves requiring for many years to come, or which they may not want to consider at all, such as life insurance.

Financial services can be perishable, however, whenever demand and supply are mismatched. If customers want to access their accounts at the end of the month, but the lines are too long to provide efficient service, they may stop using your service. If a customer needs a loan by a certain date to take advantage of a business opportunity and the MFI does not deliver it by that date, the benefits to the customer are lost. In this respect, the service could be said to be

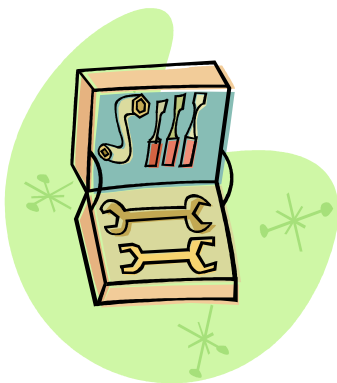
⁸ The general definition of each of the characteristics described in this section is excerpted from Kotler, et al, 419-22, but the microfinance application of the definition is that of the authors.

perishable. Thus, MFIs must design a marketing strategy that can effectively balance supply and demand flows pressures.

- ❖ **High Involvement.** Many financial services are high involvement purchases and the purchase decision is frequently made by more than one person. Customers will shop around for the best advice or the best offer and may take a long time to make their decision. They will seek out information about competing brands and products, usually from a variety of sources including advertising, the press, informal advice from colleagues or family, and formal advice from the bank manager or other staff. The process is similar to that of any major purchase, except that customers often perceive greater risk since the service being offered may be complex or unfamiliar or they may have had negative experiences with financial service providers in the past due to inflation, mismanagement or bankruptcy.
- ❖ **High Loyalty.** Once customers find a financial service provider that they trust, they tend to stay with that institution and use it to satisfy their various needs at different stages of their life. Many people use the same financial institution as their parents because the parents opened an account for them there when they were children. Traditional banks recognise this and are usually keen to provide special services to children and teenagers. Insurance companies emphasise in their advertising that they offer services to meet a whole lifetime of needs from a first-time mortgage, life insurance and household insurance, savings and pensions for old age, and even funeral insurance.

Customer retention is the aim for financial service providers, but MFIs, in general, are only beginning to catch on. Many are still providing short-term credit-only services that give customers a regular opportunity to discontinue service at the end of each loan cycle. The lack of product differentiation means that customers in competitive markets leave one institution to go to another even if they were more or less satisfied with the service delivered, simply because another MFI offers a similar service at a lower price. MFIs that have expanded their product offering, tailored it more closely to their customers' needs, and deliberately made an effort to build relationships with their clients are reaping the benefits in terms of strong customer loyalty.⁹

How do we use this Toolkit?



The product marketing process can be divided into two parts. The first part aims to develop valuable products, while the second half aims to communicate that value to the market. This toolkit is designed to guide you through both parts of the process and to assist you in creating a product marketing plan that summarises your overall product marketing strategy and guides you in its implementation.

The toolkit is divided into nine sections, each of which explores one step of the process. Not surprisingly, the first step is for you to identify who your market is, what that market needs, and what it values. The second step is to examine your existing products to see how effectively they meet market needs. Based on the results of your research, you can then define your target market and your overall product strategy (step 3) and begin developing, differentiating and pricing products so that they have value to both your customers and to you (steps 4 and 5). Once you've developed a valuable product, you must prepare your marketing messages (step 6) and then deliver those messages through an effective marketing communications mix (step 7). The results of all seven steps are then brought together to form the marketing plan (step 8). Last but not least, the overall product strategy must be monitored and managed (step 9).

⁹ For more information on customer loyalty and how to build it, see *MicroSave's Customer Service Strategy Toolkit*.

The following sections will describe each step in detail, offering analytical tools, practical examples and tips to help you work your way through the process. Use the checklists that are provided at the end of each section to make sure you've covered the important points and have gathered the information you'll need for subsequent steps.

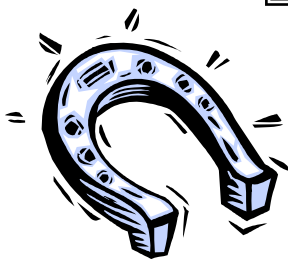
The steps in this toolkit are not meant to be considered as a strictly linear progression, with each one being completed before the next one begins. Rather, we have presented the ideas in the order that it makes most sense to think about them, and in the general order in which they need to be implemented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

Who should use the toolkit?

The toolkit is designed to be read by anyone and everyone who will be involved in the product marketing process. Remember, once you decide to adopt a market orientation, everyone in your MFI becomes a marketer. Not everyone will be interested in all the details, but anyone who reads this guide should be able to increase his or her understanding of the overall product marketing process and his or her ability to contribute to it in an appropriate manner. Senior managers should find steps 3, 6 and 8 particularly relevant. Those in the operations department should take a special look at steps 1, 2 and 4. The finance department will be particularly interested in step number 5, and the marketing department, well, it should probably sleep with the entire toolkit under its pillow, but pay particular attention to steps 1, 3, 7, 8 and 9. As mentioned previously, this toolkit is designed for a broad audience, and can hopefully guide the work of numerous actors in different departments and functions within the institution.

We hope that this manual will help you make your organisations more market-led, and will enable you to complete and implement your product marketing plans successfully.

Enjoy, and Good Luck!



Step 1: Know Your Market



Your MFI has decided that it wants to develop a product marketing strategy. Where should it start? In marketing, processes always start with the market. Only after you know something about your market, its needs and its characteristics can you move on to developing and selling products that have value to that market. More than any other factor, the quality and care with which you research and analyse your market will determine the quality and effectiveness of your product marketing strategy. This first

step is the foundation upon which all else is built. It is the step that you will return to again and again as you continuously strive to meet customer needs and to improve the value you have to offer.

What kind of things do we need to know?

Truth be told, there is an endless amount of information that you could gather about your market, but what you basically need to know is the following:

- Whose needs are you supposed to be meeting? Which market or kinds of markets do your corporate vision, mission, and strategy direct you to serve?
- Whose needs are you actually meeting? Who currently buys your product(s)? In which markets are you operating? Which markets have been particularly successful for you?
- Are there other markets you would like to serve? Are there other customers you would be capable of serving?
- What are the needs, wants, preferences, values and priorities of the markets you are currently serving or would like to serve?
- What is the overall market environment? What are the economic, political, and legal characteristics that could influence your product offering? Who are your competitors?

How do we get this information?

The financial services market is one of the hardest to research since people's responses to questions concerning money and their financial affairs are often pre-programmed by society. Furthermore, there are often discrepancies between what people say about financial services and how they actually use them—hence the importance of careful and often non-traditional research.

In general, MFIs should gather information from both internal sources (such as feedback from front-line staff, simple questions on loan application or account opening forms, and the active mining of data from management information systems) and external sources (most importantly from customers and potential customers, but also from competitors, government and donor agencies, networks and trade associations, and the public media). For details and guidance with respect to the market research process, see *MicroSave's Market Research for MicroFinance Toolkit*.

"If you find out more, and more thoroughly, what a customer wants (and why) than a competitor, then everything else you do can be better directed and is more likely to succeed. Conversely, if the finding out process is skimmed or inaccurately conducted compared with a competitor, everything else you do is going to be more difficult and stands less chance of success. Take care to identify customers' needs."

~ Forsyth (1998)

Although the quantity and complexity of the information to be gathered may seem overwhelming at times, the research process is not as onerous as it may at first appear. Essentially, there are four standard information packages that will inform your product marketing strategy:¹⁰

¹⁰ For details on the requirements and sources of information for each package, see Appendix A.

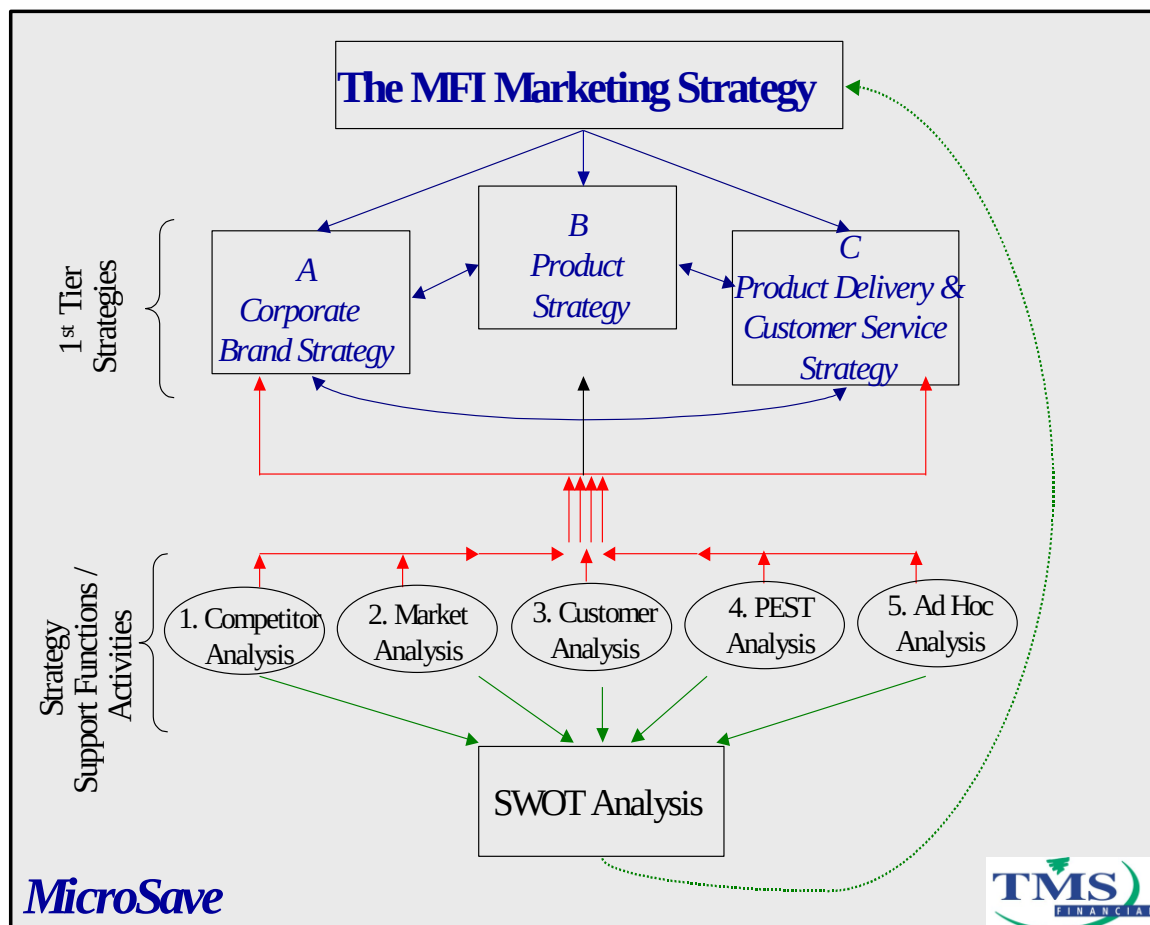
- **Market Analysis** – which profiles and understands your MFI's potential market;
- **Competitor Analysis** – which profiles and understands your MFI's competitors (formal, semi-formal and informal);
- **Customer Analysis** – which tracks your MFI's performance through customer research, particularly through customer satisfaction analysis; and
- **PEST Analysis** – which examines the Political, Economic, Social and Technological environment within which your MFI operates.

In addition to these four standard analyses, you may also need to conduct some *ad hoc* research and analysis in response to specific needs.

The information that results from all this research and analysis will influence the 1st tier strategies of your marketing framework, as shown in Figure 3, as well as your own internal analysis of institutional strengths, weaknesses, opportunities, and threats (SWOT). This SWOT analysis will also inform your overall marketing strategy. We'll take a closer look at how it does this in Step 8, when we begin constructing your product marketing plan.

For now, there is one aspect of the market research process that is worth exploring in more detail because of its role in the rest of the product strategy process, and that is market segmentation. Whether you're doing market analysis, competitor analysis or customer analysis, market segmentation can be a very useful technique for deepening your knowledge and understanding of market characteristics and opportunities.

Figure 3: Mapping the Strategic Marketing Framework



What is market segmentation?

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

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

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

Why segment your market?

Historically, MFIs have operated under the implicit assumption that microfinance clients are essentially homogenous. As a result, a “one product fits all” approach dominates the microfinance industry in many countries. In reality, however, the financial service needs of poor people are as diverse and complex as those of richer people and market segmentation can help you to better understand that diversity and complexity. The segmentation process can enable you to:



- **Deepen your understanding of current customers.** What kind of person currently uses your services? What are the different groups of customers that you serve? How do their preferences differ? Do regular users of a particular product have certain characteristics in common? What about loyal customers or borrowers with poor repayment records, do they have certain characteristics in common? Which of your current customers would you like more of, and how can you reach this type of customer?
- **Identify opportunities for future business development.** Which market segments are you not currently serving? Why are you not serving them? What does this market segment look for in a financial service? Is there something you could do to make your existing products more attractive to them? Is there a new product you could design that would meet their needs profitably?
- **Increase your product strategy options.** If you do not segment your market, you will limit your options significantly in terms of product development and differentiation, as well as sales and promotion. Segmentation gives you the option of targeting product development and delivery to more closely meet the needs of particular customer groups.
- **Price products more appropriately.** You can make more delicate trade-offs between price, quality and service for certain segments, which will increase the overall product value for customers.

- **Make more efficient use of your resources.** No MFI can be everything to everyone. By understanding the various types of customers that you could serve, and carefully selecting the ones you are in the best position to serve given your strengths and capabilities, you can more sharply focus your energy and resources on developing products and services that have the greatest impact. By concentrating on those segments whose needs you can meet best, you can deliver more value to a particular group of clients than you would be able to deliver to a mass market.
- **Achieve more effective outreach.** Market segmentation can assist you in reaching a specific outreach objective, for example, serving clients with a particular level of poverty. By identifying and focusing on the segment (or perhaps, sub-segments) that you most want to serve, you can better understand how to serve, and concentrate your resources on meeting the needs of, customers in that segment.

How to segment your market?

You can identify a market segment in one of two ways: either survey the marketplace or survey your customers. Again, it all boils down to market research. You can conduct the survey yourself or hire a company or consultant to do it for you. You can also set up internal systems to do it automatically, for example, by collecting information that you believe will be useful for segmentation from loan application and account opening forms, and by using your management information system to help you organise and process that information. You will no doubt need to examine a number of segmentation variables in order to select the ones that best explain customer behaviour in the particular product or market context being considered.

Box 1: Data Collection Using Account Opening Forms

AMC (a microfinance institution) collects a variety of data on its account opening form using a very simple “tick-the-box” survey instrument:

Demographic profile

Marital status
Age
Education
Income
Employment
Where the client lives
What languages they speak
What is the client's level of education
What newspapers or magazines do they read
Do they have TV or radio
What they do for entertainment etc.

Product usage patterns

Which products does the customer use in AMC
Which products does the customer use in other financial service organisations
For what do they use their current financial services

Satisfaction with AMC

Efficiency
Politeness
Ability to communicate clearly
Value for money

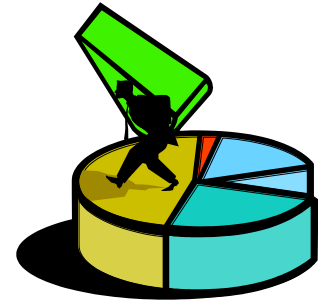
MicroSave

As you process the information and experiment with different customer groupings, check to make sure that the groups under consideration have the potential to be effective market segments. An effective market segment should be:

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

What do I do with market segments once I have them?

Once you have identified various market segments as having the potential to be effective, target those segments that offer your MFI the greatest opportunity. Consider your strengths in relation to the needs of potential customers, your competition, and the overall attractiveness of the market environment. No matter what your reason for wanting to target a particular market segment, you should examine your abilities and resources and choose to focus on the segments whose needs you can meet most effectively. Check your MFI's core competencies against the requirements of each segment, and select the ones you can best serve.



Once you have selected a target market or markets, research those market segments in detail and begin planning how you will meet their needs. Be prepared to conduct ongoing research, as the characteristics and needs of each market segment will change over time. The segment may grow or shrink. Its needs, expectations, priorities and preferences will change as the market changes, as competition changes, as technology advances, as the population ages, as the socio-economic and political environment changes, etc. Use today's market segments to shape your MFI's value today, but continue to research your segments to be able to effectively shape your value in the future.

Checklist: Before moving on...

...make sure you can answer the following questions. You'll want to carry the answers with you to the next step of the product marketing process.

- ✓ Who are your current customers? What are their needs, wants, preferences, values and priorities?
- ✓ What other market segment or segments might you serve? What are the needs, wants, preferences, values and priorities of each segment?
- ✓ Who are your competitors?
- ✓ What are your institutional strengths and weaknesses?
- ✓ What is your overall market environment? What are the economic, political, legal and technological characteristics that could influence your product offering?
- ✓ What threats and opportunities do you face?
- ✓ Which market segment or segments could you best serve given your internal capacity and your external environment? Which market will you target?



Step 2: Examine Your Current Value

This next step of the product marketing process also involves considerable research and analysis. The goal is to understand the value that your existing products currently offer the market segment(s) you have decided to target. Before you can plan a strategy for improving your product marketing, you have to know where it is that you currently stand. What do you offer the market? And is that what the market wants? If you are a new institution and have not yet designed a product, we recommend that you read this section anyway to grasp the concepts and tools presented in it before moving on to Step 3.

What is value?

Perhaps the easiest way to think about value is as a ratio between what a customer gets and what he or she gives. The customer gets functional or emotional benefits in exchange for money, energy and time.¹¹ In other words:

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}}$$

"No matter what business you are in or what you are selling, your customers always want the same thing—value."

~ Ferreri (1999)

To survive in today's competitive marketplace, you don't have to charge the lowest price. You can charge an average price but help customers to reduce their other costs, or you can add benefits to your product offering that make it more attractive than what the competition has to offer. You can even charge a higher price than the competition as long as you deliver greater benefits. Under any of these scenarios, you can increase your value. The strategy you choose—and the success of the strategy chosen—will depend on the target market's preferences, your own mission, resources and capabilities, as well as the relative strengths and weaknesses of your competitors.

$\frac{\text{The benefits your product provides}}{\text{The cost of receiving your product}}$	➤	$\frac{\text{The benefits the competition provides}}{\text{The cost of receiving the competition's product}}$
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To be successful, you must—at a minimum—offer your target market a product whose benefits are slightly greater than its cost. If benefits are exactly equal to cost, customers will gain nothing as result of the purchase and, therefore, will have no reason to buy. In a competitive environment, however, success requires more than this. You must also offer a greater quantity of benefits, more important benefits, or a lower price than your competitors. Do you? And if so, how do you? That is what you must explore in this step of the product strategy process.

Are we supposed to look at the value of an individual product or of all our products as a package?

To use this toolkit effectively, you'll need to focus on one product at a time. If your MFI offers a portfolio of twenty different products, then you'll want to repeat this step for each product. This is not to say that your products don't have a collective value—they do. But that collective value is a subject of discussion for another toolkit, the "Strategic Marketing Toolkit." What we want to focus on here is the value that is being offered by each individual product, taking into account any direct linkages that one product may have with another, but leaving aside the issue of collective or institutional value.

What's the biggest mistake we can make at this point?

Self-deception. Test your assumptions, and avoid stumbling into the trap of believing that you and your staff already know everything there is to know about your institution's products and what your market thinks about them. Be sceptical of what you know and don't know.

¹¹ Kotler, et al, 11



Try an experiment. Ask a friend if you can borrow his watch for a minute. Then ask him a few questions about the watch, for example, what colour the numbers are, is there any writing on the face, what brand is it, etc. You'll be amazed at how little your friend is likely to know about his watch even though he looks at it many times each day.

The same is sure to be true with respect to your customers and their opinions about your product. Don't assume that your product is superior. Find out first whether it really is, and then if it is, find out why. Where is your product strong; where it is weak; who really likes it and why? Don't assume that your customers won't know the competition, or if they do, that they will identify the same differences as you do. Ask your market!

Which matters more: perception or reality?

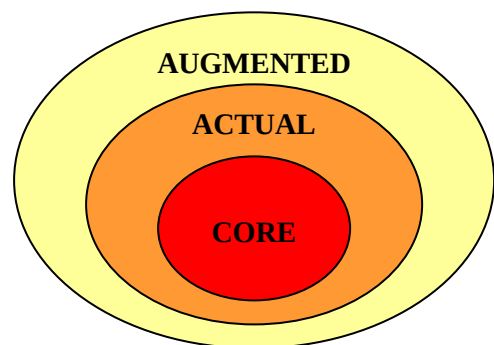
Of course, both are important, and you must understand both, but in the world of marketing, perception rules. Ever hear the expression, "Beauty is in the eye of the beholder?" Well, one could just as easily say, "Value is in the mind of the customer." It is not enough to understand the official product and service that you and your competitors provide. You must understand how your target market perceives the product and service provided. Forget what you think about your product. Find out what your customers think. If you discover that your customers don't perceive the same value as you do, that's extremely valuable information.

What does your product have to offer?

There are a number of different ways to define and examine the components of a product. One of the most common analytical frameworks is presented in Figure 4. As shown, the overall service product has three layers:

1. The **core product** is the reason for which customers buy your service. It is the need that you are fulfilling or the benefit you are providing (e.g. financial return, security, liquidity).
2. The **actual product** is what customers buy. This includes all of the product's design features as well as its packaging (e.g. terms, interest rates, eligibility requirements, passbook colour, length and clarity of the application).
3. The **augmented product** is the way customers receive what they are buying. This includes how the product is delivered and serviced (e.g. hours of operation, application turnaround time, waiting room facilities, customer service).

Figure 4: The Service Product



One way to think about your product is to think about its layers. What need are you fulfilling? What features are customers buying? How are customers receiving the benefits and features you are offering? This kind of analysis can be useful in helping you understand your product offering from the customer's perspective, but it is somewhat limited in terms of the level of detail and comparison that it can facilitate. It becomes a more practical instrument if we combine it with the concept of a marketing mix.

What is the marketing mix?

The **marketing mix** is a set of tools that any institution can use to pursue its objectives in the market. As many as eight different tools can make up the mix. They are generally referred to as the "8 P's" and are briefly described in Table 1.

Table 1: The Marketing Mix (The 8 P's)

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

Source: MicroSave

How can we use the marketing mix?

At this stage of the process, you can use the marketing mix in two ways: first, to examine the details of the product you are currently offering, and second, to compare your product offering with that of the competition. Table 2 illustrates how you can combine the 8 P's with the concept of a core, actual and augmented product to create a product competition matrix:

Table 2: Product Competition Analysis Framework

Product	Clients	Competition	Our MFI
Core Product:			
Needs Wants	What is the unmet need or want?	How are these needs being met by others?	How are we addressing this need/want, if at all?
Actual Product:			
Product Design	What terms and conditions do the clients want?	What products compete with ours? What are their terms and conditions	How does our product compare to the others offered by our MFI?
Price			
Physical Evidence (passbook, statement, etc.)			
Augmented Product:			
Promotion	How do we communicate with clients? Are they literate, geographically concentrated, in the same business, etc.?	How do competitors reach the target market? What is their image and the image of their product(s) in the market? What can we learn from this?	How do we currently <i>sell</i> our product (e.g. marketing, incentives, etc.)? How are we <i>perceived</i> in the market? How is our current product <i>perceived</i> by clients (and non-clients)?
Place			
Positioning			
Physical Evidence (branch appearance, etc.)			
People			
Process			

Source: MicroSave

You can build this matrix by talking to your clients and non-clients, studying the competition, and using quantitative or qualitative research techniques as discussed in Step 1.

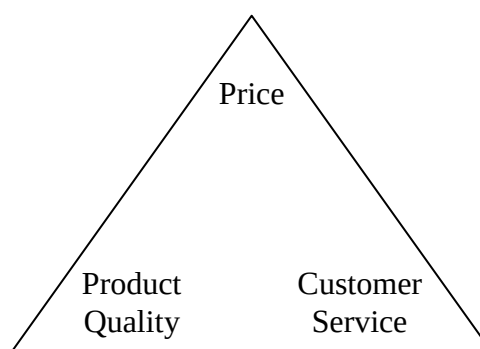
Do you have a real example of what the matrix might look like?

Sure. Check out the Current Account Savings Product Competition Analysis Matrix in Table 3 on the following page.

So, what is our value position?

By the time you have constructed your own product competition matrix, you'll have a pretty good idea of what you are offering your target market in comparison with the competition. This information will enable you to clarify your value position. One of the tools you can use to explore your current value relative to that of your competition is the value triangle, which is depicted in Figure 5.

Figure 5: The Value Triangle



Source: Ferreri (1999) 28

The triangle portrays value as a balance between three elements: a fair price, a quality product and a convenient, service-oriented environment. You can plot your MFI somewhere on this triangle, and you can plot your competitors as well. Are you more expensive than most of your competition, or cheaper? Do you provide higher product quality than your competition, or less? Do you offer more service with your product, or less? Go ahead and place an “X” on the spot where you think your product lies relative to your competitors.

Now, place a “Y” on the spot where your target market thinks your product lies. You may want to conduct additional research to identify where the market positions you if this information did not emerge clearly as part of the process of building your product competition matrix. Remember, you may think that you are delivering a certain value, but if customers perceive that you are delivering something else, then that is your current value position. If you want to be perceived differently, then changing market perceptions will have to be part of your overall marketing strategy—not just your product marketing strategy, but very likely, your corporate marketing strategy as well.

Is your value sustainable?

There is one more element of value that needs to be taken into account as you assess your current product offering: can the product last? Can you afford to continue offering the product in the future? In other words, does the product cover its costs?

You may be providing excellent value to your customers today, but if you're not simultaneously creating value for your institution, your current position is precarious. Refer to Step 5 of this manual as well as *MicroSave's* Costing and Pricing Financial Services Toolkit for guidance on how to examine whether you are pricing your product in a way that creates long-term value.

Table 3: Current Account Savings Product Competition Analysis Matrix

Product: Current Account	Our MFI	Competitor 1 MicroBank Ltd.	Competitor 2 Community Cooperative	Competitor 3 Rotating Savings & Credit Associations	Competitor 4 Itinerant Deposit Collectors
Product (Design)					
Opening Balance	Ksh. 500	Ksh. 5,000	Ksh. 250	Ksh.100 – Ksh. 1,000	Ksh. 50 – Ksh.500
Minimum Balance	Ksh. 500	Ksh. 5,000	Ksh. 250	N/A	N/A
Other Requirements	National ID	National ID Referral by 2 existing clients	National ID Share Capital of Ksh. 500	None	None
Deposit Policy	Any number at weekly meetings	Any number at all times (through safe deposit)	Any number in office hours	Daily/weekly/monthly	Daily
Withdrawal Policy	Maximum 3 per month at weekly meetings	Any number at all times (through ATM)	Maximum 2 per month	By rotation daily/weekly/monthly	End of the month
Price					
Interest Rate Paid	2.5% on balances > Ksh. 5,000	5% on balances > Ksh. 25,000 6.5% on balances > Ksh. 100,000	None	None	- 36% (approx) see withdrawal fees below
Overdraft Interest Rate Charged	No overdraft facilities	Nominal 24% pa = 48% APR	No overdraft facilities	No overdraft facilities	2% per week = 104% APR
Account Opening Fees	Ksh. 150	Ksh. 500	Ksh. 50	None	None
Ledger/Statement Fees	None	Ksh. 150 per month	Ksh.100 per quarter	None	None
Deposit Fees	None	None	None	None	None
Withdrawal Fees	Ksh. 25	None	None	None	1/30 th of the amount deposited
Account Closing Fees	Ksh. 150	Ksh. 500	Ksh. 150	None	None
Physical Evidence	Clean new branch, clear, professional- looking passbooks	Smart cards, ATM, large, impressive branch	Increasingly shabby and run down	None – no paper work	Very simple deposit collection sheets
Promotion					
Marketing/Information Dissemination	At group meetings	None	At AGM	Word of mouth	Word of mouth
Advertising	Annual “Savings Week” campaign	Radio/newspapers	Notices in branch	None	None

Product: Current Account	Our MFI	Competitor 1 MicroBank Ltd.	Competitor 2 Community Cooperative	Competitor 3 Rotating Savings & Credit Associations	Competitor 4 Itinerant Deposit Collectors
Place	In weekly groups in Nairobi (City Market, Kwangere, Kibera), Thika and Nakuru	ATM at branch in Nairobi only (City Market)	In weekly groups in Nairobi (City Market, Gymkhana Market, Eastlands) and Eldoret	In branch in Thika	In community throughout the country
Positioning					
Slogan/vision	“Flexible financial services for you”	“The solid bank”	“Co-operation for progress”	None	None
Corporate Image	The newcomer – fast, customer-responsive services.	Professional bank – but the poor are not welcome	Slow but very cheap (loan) service – get it when you can! Savings are made just to get loans	N/A	Valued at-the-doorstep service
Product Image	The business-person’s current account: earns interest and charges depend on how much you use the account	The rich person’s savings account – high interest, high charges, fast service	Save to buy share capital to get loans – no interest paid and regular ledger fees “eat your money”	The communities’ own little savings systems – but make sure you trust your partners	The most convenient and efficient service in town ... if you can find the right (trustworthy) collector
People	Welcoming, professional	Disdainful of poor people – not friendly at all	Most members are welcome	Our trusted friends and neighbours	The friendly mobile banker offering good service
Process	Quick and efficient but collections/withdrawals only through weekly groups causes many problems	High-tech and efficient	Lengthy queues on market days but friendly service	Fast and efficient but inflexible in times of need or when you have more than the regular contribution to save	Fast and efficient – doorstep/market stall collection

Source: MicroSave

Checklist: Before moving on...

...make sure you can answer the following questions. You'll want to carry the answers with you to the next step of the product marketing process.

- ✓ Why do customers buy your product? What problem does it solve for them or what need are you meeting?
- ✓ What product features do customers particularly like or dislike?
- ✓ What makes your product valuable compared to that of the competition?
- ✓ Why do some people not buy your product?
- ✓ Are you serving the clients you want to serve? If not, why not? Are you giving that market segment what it wants? Which needs aren't you meeting?
- ✓ How is the value of your product perceived in the market? Is this how you want your product to be perceived?
- ✓ Are current customer perceptions (or misperceptions) helping or hurting you? In what ways?
- ✓ How profitable is your product?



Step 3: Select an Approach

Once you've decided which market or market segment(s) you want to serve, you've identified the needs of those markets, and you've assessed the extent to which your current product meets those needs, you're ready to define your overall product strategy. There are three main questions that need to be answered in the process of selecting your approach. Each of these is explored in some detail below.

What is your growth strategy?

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



Once you've completed Steps 1 and 2, you will have a wealth of information with which to answer these questions. You'll know who your existing customers are, how well your existing products are meeting their needs, and which new markets and products seem to have the most outreach and/or profitability potential. You can use this information to make an effective choice about which strategy to pursue.

As summarised in Table 4, you basically have nine different growth strategy options. You can choose among these options based on the type of market you want to reach and the degree to which you wish to alter your current product offering. Each of the nine options is described briefly below.

Option No. 1: Market Penetration.

If your existing product effectively serves the types of customers you want to serve, and if unmet demand for your product still exists in your current market, then this may be your best option. With the market penetration strategy, you would aim to grow by doing more of what you have already been doing, but on a larger scale. It is the least costly of the nine strategies and is a common approach among MFIs, particularly those that do not conduct market research. The danger with this option is falling into the trap of being content with the status quo, and not looking for ways to increase customer value until it is too late. As a market matures, MFIs that have not invested in product or market development may see their one and only market usurped by a more innovative competitor.

Table 4: Nine Growth Strategies

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

Adapted from Kotler (1999)

Option No. 2: Product Modification.

Once MFIs have completed Steps 1 and 2 of the product marketing process, it is rare for them to choose to continue with business as usual. At a minimum, they tend to find that there are changes they could make to their product that would make it more attractive to their current market. With the product modification strategy, an MFI would aim to grow by selling a more valuable product to its existing market. It is a relatively low cost strategy and may be the least risky of all nine strategies, since it focuses on serving an existing market more effectively.

Option No. 3: New Product Development.

The more an MFI understands its current market, the more likely it is to identify unmet needs and potential demand for a new product. With the new product development strategy, an MFI would aim to grow by cross-selling a new product to the same type of clients it is already serving. For example, an MFI that uses the solidarity group lending methodology might develop an individual loan product if it realised that its group loans were failing to address the needs of clients with rapidly growing businesses. This is a much riskier strategy than the two previous options because of the human, financial and operational investments that it requires. Before choosing this strategy, your MFI should examine whether it has the institutional capacity to develop a new product and be careful not to spread itself too thin.¹²

Option No. 4: Geographic Expansion

If your existing product effectively serves the type of customers you want to serve, but your current market is saturated or is becoming saturated, then expanding to new locations could be an attractive growth strategy for you. By delivering your existing product to the same type of customers that you have been serving, but in different geographic markets, you might be able to quickly and cost-effectively expand your operations. Just be careful to test whether customers in your new market do, indeed, have similar needs and preferences as those in your old market, and whether they will find your product attractive.

Option No. 5: Expansion with Modification

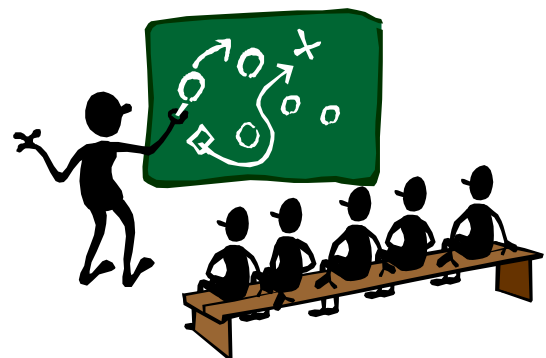
If your research indicates that customers in the new geographic location you want to expand to have slightly different characteristics or priorities, you may need to modify your product to make it more attractive or accessible to customers in that market. You may, for example, alter the minimum account balance or the promotion strategy.

Option No. 6: New Products in New Areas

This growth strategy will be relevant if your research has indicated that the type of customer you want to serve when you expand to a new area has a need that cannot be met by existing products. For example, if you're moving into rural areas and you find that your existing individual loan product is too costly given the average loan size that borrowers require, you may choose to develop a new product that enables you to work through solidarity groups or producer's associations.

Option No. 7: Segment Invasion

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



¹² See MicroSave's Briefing Note #9 for guidelines that can help you decide whether your MFI is ready to introduce a new product.

its market, the more likely it will be to implement this strategy successfully.

Option No. 8: Invasion with Modification

Moving into a new market segment may require that changes be made to your MFI's existing product in order to adapt it to meet the needs of new customer groups. As was the case with geographic expansion, the new type of customer may have different needs, characteristics or priorities, and you may need to modify your product to make it more attractive or accessible to customers in that market. If your MFI is experienced with market segmentation, this is a strategy it can effectively take advantage of to tap serious growth potential.

Option No. 9: Diversification.

The diversification approach is a two-dimensional growth strategy for an MFI that wants to introduce new products *and* enter new markets. This involves greater risk than the other approaches since you have to learn many new things at once; it is easy to make mistakes, and it can place a strain on cash flow and profitability. If you're not careful, the diversification approach can also move you away from your core competencies, as was the case with CorpoSol in Colombia (see Box 2).

Box 2: The Risks of Diversification

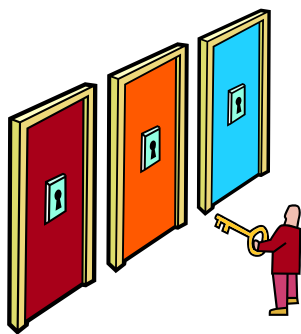
"The risks of diversification are exemplified by the case of CorpoSol, a now bankrupt MFI in Colombia, which almost simultaneously launched three new untested microfinance projects: Mercasol, a chain of retail outlets for microentrepreneurs to purchase supplies with credit lines; Agrosol, a rural credit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

Churchill (1997)

What is your marketing strategy?

Once you've defined your growth strategy, you're ready to select a marketing strategy. In the most general terms, how will you connect your product with the market? There are three main approaches to choose from:

- 1) Mass marketing strategy: selling almost the same product to every customer
- 2) Segment marketing strategy: selling a different product to different market segments
- 3) Niche marketing strategy: focusing all the institution's energy on selling to a particular segment



The characteristics and implications of the different strategies are summarised in Table 5 and Figure 6 on the following pages. In general, if an MFI has segmented its market, it is much better off choosing a segment or niche marketing strategy rather than a mass marketing strategy. Mass marketing may be less expensive, but it is also less effective. Naturally, if you design your marketing strategy to meet the needs of a specific group of people that has common characteristics, your chances of meeting those needs effectively are much higher than if you try to meet everyone's needs with a generic product. MFIs can be more efficient by designing their products, product delivery, and promotion strategy differently for different markets.

An MFI can choose to sell to one segment or many segments, but if it chooses to sell to more than one segment, each one should receive a different and appropriate product offering. As Ferreri writes (1999), "The more individual segments to which you market, the more campaigns you'll need, which of course, increases production and media costs. This may tempt you to use the same campaigns for several

different markets. Don't do it—it's a false economy. If your campaign looks like it speaks to two different markets equally well, it probably doesn't address either market effectively. You can't be all things to all people. Heck, you can't even be all things to two people."

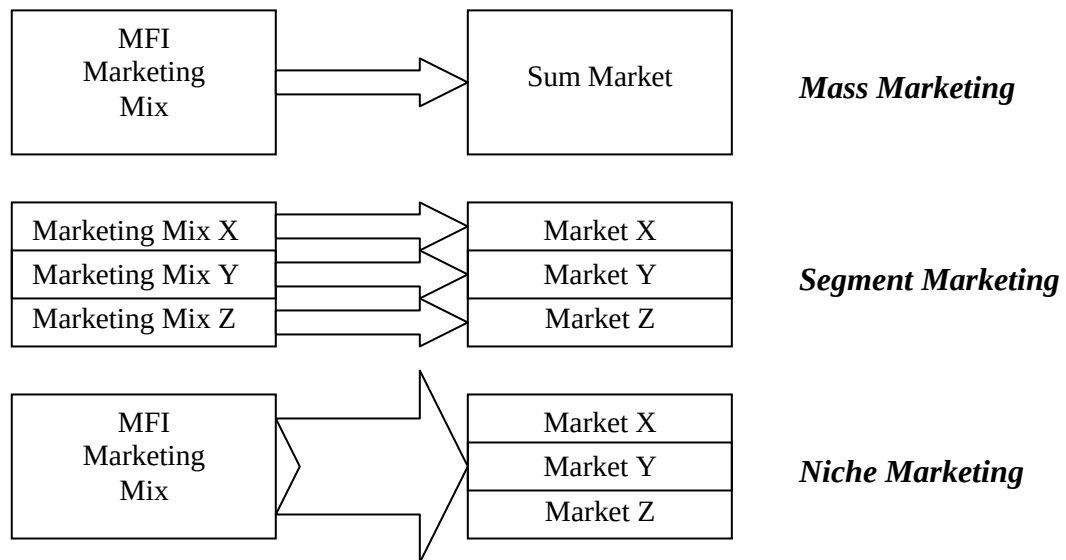
Table 5: Alternative Marketing Strategies

Strategy	Characteristics	Implications
Mass Marketing	- No differentiation by customer; assumes user homogeneity - Only option for an MFI that does not segment its market - MFI will have one marketing mix for its entire market.	Advantages: Mass marketing creates the largest potential market, which leads to the lowest marketing costs, which in turn can lead to lower prices or higher margins. Disadvantages: Strategy is rarely successful because markets are not homogeneous; they are made up of different types of buyers with diverse wants regarding product benefits, price, channels of distribution and service.
Segment Marketing	- Implies an ability to segment a market and to cater for the varying needs of the different segments. - Each segment's buyers are assumed to be quite similar in wants and needs. - MFI will tend to concentrate on select segments which they will seek to dominate. - Separate product and marketing programmes are developed for each segment. - MFI will have several marketing mixes.	Advantages: MFI can create a more fine-tuned product/service offering and price it appropriately for the target audience. The choice of distribution and communication channels becomes much easier. The MFI may face fewer competitors in particular segments. Risk is lower; even if one segment's profit potential weakens, the MFI can be sustained by other segments. Permits the MFI to enjoy certain economies of scale and scope, thus giving the company a cost advantage in each segment in which it competes. Disadvantages: Requires more resources and effort to develop separate product/service offerings. The MFI must be able to effectively segment its market; if it does not, segment marketing may be unsuccessful or unnecessarily expensive.
Niche Marketing	- The MFI serves a group of customers who seek a distinctive mix of benefits. - All MFI activities are concentrated on a particular market with a view to achieving the strongest position within that market - Implies an ability to segment a market and to select a profitable segment to serve. - MFI will have one marketing mix. - Often the best strategy for a smaller MFI.	Advantages: Niches are fairly small and normally attract few competitors. Because it is focusing on one market segment, the MFI should be able to understand its needs and preferences better than anyone else and therefore serve it best. The MFI will enjoy a good chance of becoming the supplier of choice to the segment and earn the largest market share and margin. Disadvantages: Higher risk; if the segment becomes less populated as consumer preferences shift or attracts too many competitors, all MFIs in the segment will see profits shrink and those who depend on the segment for their livelihood will have greatest difficulty surviving.

Adapted from MicroSave

Where do you want to be positioned?

The third element of your overall approach is your positioning strategy. How do you want your product to be perceived by your target market? Can you get there given where the market currently positions your product? Will that be the best position for the long-term success of your MFI? Does it fit with your corporate position? Will it effectively differentiate you from the competition?

Figure 6: Alternative Marketing Strategies

Adapted from Ferreri (1999)

If you like, you can return to the value triangle presented in Figure 5 and plot your competitors as they are currently positioned by the market, and then plot where you want your product to be positioned in relation to your competitors. Be sure to have your institutional SWOT analysis handy to inform this decision. After all, you want to aim for a position that allows you to make the most of your available resources, matching your strengths with market opportunities. You will not necessarily choose a location on the triangle where there is no competition, but you should try to choose an area in which you have a competitive advantage.



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

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

If your target market is not currently positioning you where you want to be positioned, you will need to develop a marketing message and a promotion strategy that either influence that position or leverage it to make the most of what the market has given you. Avis Rent-A-Car provides an excellent example of the latter option. It had



If your primary selling position is good value, you have no position. Value is not a competitive position. Value is what every service promises, implicitly or explicitly.

been lagging behind the number one rental car company for a decade and a half when it decided to make its second-place position a more desirable position than first. It launched a wildly successful campaign based on the slogan, “We’re number two. We try harder.”

Is your approach coherent?

Although the three questions posed above can be analysed independently, they are really just three elements of one product marketing approach. Be sure to check your answers to each question against the others and make sure that the overall strategy you’re embarking upon makes sense as a whole. If you decide to develop a new product for a particular market, you’re going to need a segment or niche marketing strategy. If you want to position yourself as the low-price service provider, then a mass marketing strategy makes most sense. Take care to craft a coherent approach that aligns your growth objectives, marketing promotion objectives, and value objectives. Then carry this strategic approach with you to Step 4 to develop a product that can effectively meet your objectives.

Remember ...

- ☉ Your MFI cannot be all things to all clients
- ☉ In competitive markets, MFIs must identify segments or niches in which they excel and leave other segments and niches to other institutions.
- ☉ No matter how skilled you are, you must focus your skills.

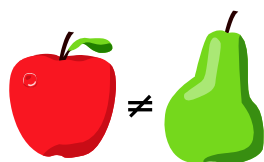
Checklist: Before moving on...

...make sure you can answer the following four questions. Your answers will guide you through the rest of this manual:

- ✓ What is your growth strategy?
- ✓ What is your marketing strategy?
- ✓ What is your positioning strategy?
- ✓ Is your approach coherent? Do your growth, marketing and positioning strategies support each other?



Step 4: Develop and Differentiate Your Product



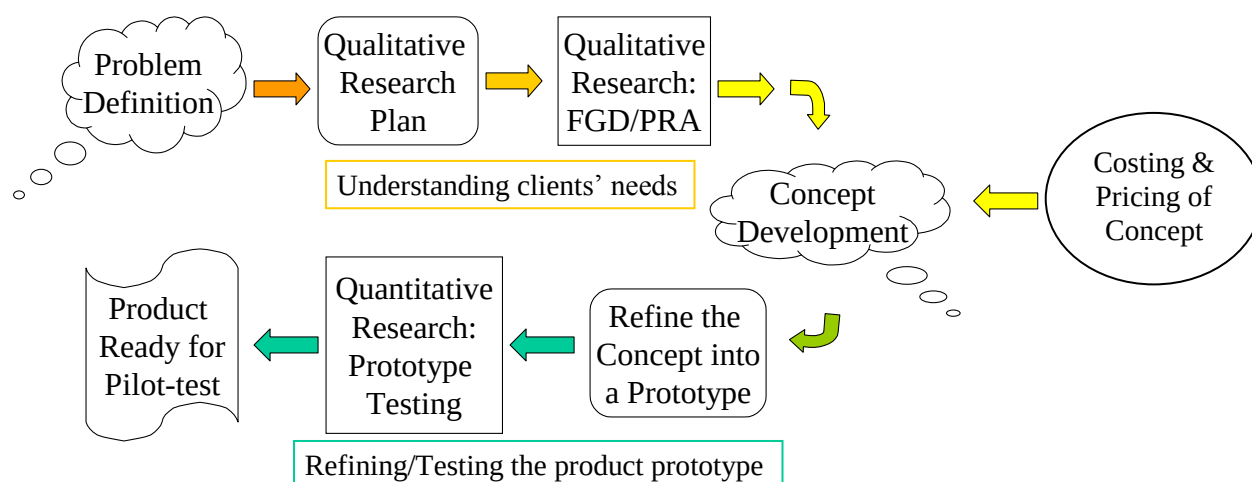
Having defined the type of product you want to develop and the market or markets you want to develop it for, you're now ready to focus on product development and differentiation. In this step, you'll design and refine your product's features so that they meet the needs of your target market. You'll also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

What should the product development process look like?

The process of market research and product development is discussed in depth in a variety of other *MicroSave* publications.¹³ Thus, the details need not be explored here, but a summary of the process is depicted in Figure 7. Everything begins with the definition of a problem. Depending upon which growth strategy you chose in Step 3, this problem definition will vary. It could involve the modification of an existing product to better meet a particular market need, or the design of a completely new product to serve a new market.

Depending on the quality and character of the research you conducted in Steps 1 and 2, you may be ready to move to the development of a product concept, or you may need to go back and organise additional research now that you've identified the market you want to target and the approach you want to take in meeting that market's needs. The product development process often requires several stages of research before a solid product concept can be defined. Once you have a product concept, you'll need to subject it to appropriate costing and pricing analysis before refining it into a prototype. You may also want to subject the prototype to quantitative research to provide a final check of its marketability before investing in a pilot test. This is particularly true in the case of new products.

Figure 7 Market Research and Product Development Process Overview



What does it mean to differentiate a product?

Differentiation is the act of designing a set of meaningful differences to distinguish your product offering from competing offers. These differences include the benefits gained and the features used to deliver the benefits to the consumer. Simply developing a product that meets customer needs will not necessarily

¹³ For more information on product development, refer to the *MicroSave* website and the bibliography at the end of this manual. As an initial source, see, Graham A. N. Wright, "Market Research and Client Responsive Product Development," *MicroSave*, 2003.

generate sales. You must develop a product that meets customer needs better than the competition. This does not mean that your product will be absolutely better than the competition in every possible way, but it does mean that your product will be recognisably better in at least one way that matters to your target market. A few examples of differentiation strategies that have been adopted by MFIs to date are provided in Box 3.

Box 3: MFI Differentiation Strategies

- ✱ Focusing on personalised customer service (Mibanco, PROPESA, FUPACODE)
- ✱ Offering different loan sizes from the competition (CERUDEB, ACLEDA)
- ✱ Offering a broader range of financial products (Al Amana, BancoSol)
- ✱ Offering more flexible access to credit (Mibanco, Al Amana)
- ✱ Easing the process of obtaining guarantees (BancoSol)
- ✱ Focusing only on providing credit, no savings required (PRIDE/Finance, Guinea)
- ✱ Adding non-financial products, attending to clients who want broader services than credit (FMSD)
- ✱ Removing forced savings or required training and meetings (Al Amana)
- ✱ Offering faster loan processing than the competition (Mibanco, Al Amana, ACLEDA)
- ✱ Relying on an outstanding reputation (FMSD)
- ✱ Being the oldest MFI in the country, the market leader (TSPI, FINCA Uganda, K-REP)
- ✱ Taking a unique geographic position (VITA Microbank)
- ✱ Offering lower interest rates (FUPACODE, Multicredit)

Adapted from Grant (1999)

What happens when you put the two together?

The development and differentiation of products is a process of continually and systematically assessing needs of the market and its different segments to support product development and innovation that caters for those needs in the most feasible and profitable manner. It looks for opportunities that are not oversupplied from a competitive perspective.

The process is ongoing because the needs and preferences of the market change constantly. Thus, an effective product marketing strategy will always be assessing market needs and searching for ways to meet those needs better. It will always be looking for ways to increase the product's value.



The more alike two services are, the more important each difference becomes.

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

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

To make use of the 8 Ps in this context, gather together all of your answers to the questions at the end of Steps 1 through 3 of this manual and return to the product competition analysis framework you developed using the template in Table 2. Refine the definition of your target market's needs, wants and preferences in each of the 8 P areas. Look at how the competition is currently meeting those needs, and then develop your marketing mix to meet those needs better than the competition. You may want to use the sample "Competitive Position Analysis" provided in Table 6 to help you assess which areas you should target for improvement and to identify specific competencies unique to your MFI that would be difficult to copy and, therefore, can be seen as a source of competitive advantage.

Remember that if you're serving more than one market segment, you'll need to develop a different marketing mix for each one. Not all of the 8 Ps need to change from one segment to another, but the mix

as a whole should change in order to cater as much as possible to the particular needs and preferences of a given target market. Remember also that each marketing mix must be consistent with your institutional resources, business strategy, image and culture. Individual elements in the mix should also be consistent, so that the mix as a whole can convey a coherent message.

Table 6: Loan Product Competitive Position Analysis

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

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

Source: MicroSave

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

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

Box 4: The Power of Market-Led Product Refinement

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

The market research made it clear that Equity would need to quickly address the perceived exorbitant price and attendant charges of its loans. It would have to re-price and re-package its loan products if it was to counter and overcome the threat from SACCOs and other competitors.

In the short term, the company carried out a quick product differentiation in the various features of the loan products to address the needs of each market segment. The research team prepared a list of things to be acted on immediately which included: reviewing the interest rates and restating them in client language; printing brochures outlining the product changes; displaying bank tariffs in the banking halls; reconstituting a professional marketing team to carry out the changes; and transforming Equity's image in the market – all this was formulated out of client responses during the market research.

The results of this initial product refinement were marked by an overwhelming client response towards Equity as an institution and its products and services. To test the effect of the market research, Equity decided not to aggressively market the new refinement measures but instead monitor to see what responses would ensue that could be attributed solely to the market research exercise. Soon after the market research, the number of accounts opened in a day jumped from an average of 20 or 30 to about 200. Effective product development and differentiation – even when it only involves relatively straightforward product refinement – can have dramatic results.

Adapted from Coetzee, et al. (2002)

Checklist: Before moving on...

...check to make sure you can answer the following four questions:

- ✓ What needs or wants is your product meeting?
- ✓ What differentiates your product from that of the competition?
- ✓ How do you expect this product to be perceived by the market?
- ✓ Do you have a distinct marketing mix for each market segment you're aiming to serve?



Step 5: Price Your Product

You should have given some thought already to the pricing of your product as part of the product development and differentiation process covered in Step 4. However, since pricing is such an important and complex element of the marketing mix and often does not receive the attention it deserves, we discuss it here as a separate step of the product marketing process.

Why is pricing so important to product marketing strategy?

Price plays an important role in the marketing mix for many reasons.

- It is the only element in the marketing mix that produces revenue.
- Customers weigh all the benefits you have to offer against your price to determine the value of your product or service. One whole side of the value equation is pricing.
- Price is easier to change than other elements of the marketing mix; you can do it almost instantly.
- Price changes tend to have a larger impact than other marketing mix changes. A one percent change in price can have a sales effect that is twenty times as big as a one percent change in advertising expenditure.
- Market reaction to a price change is often immediate and relatively easy to measure, unlike other marketing mix changes, which usually lag and are difficult to quantify.
- Competitors react more quickly to price changes, so you must be ready for a counter response.
- Increasing competition and the liberalisation of regulatory environments put pressure on prices; microfinance consumers are becoming more sophisticated and demanding.



A service's price must fairly reflect its value to the customer, or the service will ultimately fail.

What makes pricing financial services different?

As mentioned in the introductory section of this toolkit, the marketing of financial services differs from that of traditional goods because of the intangible, variable and inseparable nature of the product being sold. The unique characteristics of financial services influence consumer decision-making, and as a result, MFI choices about pricing strategy.

Before exploring specific pricing methods and options, take a quick look at eight factors that tend to shape the pricing of financial services:

Most financial services involve a continuing relationship between the institution and customer. Depositors want to save money over time; borrowers want to repay debts over time; many MFI clients can only access larger loans through repaying a series of smaller loans, or must save for 6 months before being able to borrow. Unlike most purchases, the consumer of a financial service often has a continuing interest in the standing, behaviour and solvency of the institution supplying the service. It is generally of no concern to a consumer if a restaurant goes out of business the day after he or she has bought a meal, whereas, because of the long-term nature of financial contracts and the fiduciary role that exists, it can matter a great deal to a consumer if a financial institution collapses. This means that the nature and strength of the ongoing relationship between an MFI and its customers will often determine customers' reaction to pricing decisions.

The ongoing relationship also gives rise to the potential for cross-subsidising products, for example, an MFI may accept a break-even position on open access savings accounts in order to generate profits on contractual savings which use the same front and back office infrastructure, and loans which mobilise savings. Depending on how sensitive customers are to changes in price for a given product and competitive conditions, one service or contract may be priced low relative to cost and risk and subsidised

by other services (or different customers) which are priced high relative to cost and risk. Financial services pricing frequently involves a network of complex cross-subsidies between sectors, customers and products.

Value is often uncertain. Many financial services involve future consumption, which means that neither the price nor the benefits of service can be known at the point of purchase. For example, a contractual savings account which offers variable rates may pay 4% interest today but only 2% interest a year from now. If the financial institution holding the savings goes bankrupt, it won't pay any interest at all. Similarly, a long-term loan with a variable interest rate might cost a borrower 2.5% today, but 3.5% a year from now. This uncertainty complicates both the setting and interpretation of prices in the financial services industry.



Customer needs vary considerably, and with that, customers' willingness to pay for particular service attributes varies. Financial service providers respond to this reality by providing customers with options, each of which has a different price, and perhaps, price structure. Unlimited access will be more expensive than the same savings account that can only be accessed three times per month. The monthly interest rate on a loan may be constant, but depending on the term of the loan, the effective interest rate may differ. Even within solidarity group based products, there can be significant differences in pricing, such as progressively lower interest rates for each additional loan cycle.

Financial services are often bundled together. The nature of financial services is such that individual services are easily linked and often naturally bundled. For example, a standard savings account might come with an ATM card and/or overdraft facilities. A standard bank account can encompass savings, money transfer, cheque and ATM facilities. These services may be priced independently (but if you want to receive a money transfer, you must have a bank account) or they may be priced as a group and you will pay for the package whether you use each of the services or not. The bundling of services increases pricing options and can make fee structures simpler or more complex.

Financial services can be priced using a variety of strategies and fee structure combinations. An MFI can charge for each type of transaction involved in delivering a particular product (e.g., opening a savings account, making a withdrawal, making a deposit, closing an account, accepting a cheque deposit, etc.); it can charge for some services while offering others "for free;" it can charge repeat customers more than first-time customers or vice versa; it can charge based on the frequency of transactions; and so on. The sheer quantity of information, options, and what-if scenarios that customers must consider can be overwhelming.

The price of many financial services and contracts is not readily transparent. Because financial services are heterogeneous, are often bundled, and may be priced using a combination of strategies and fee structures, price information can be cryptic to consumers. Even in the best case scenario – when a financial institution is making a concerted effort to make its fees and pricing clear – customers often cannot determine the total price they will pay for a service. This can create significant tension in the relationship between a financial institution and its clients, particularly because financial institutions have access to customer funds and can automatically deduct fees and payments from the customer's account without the client being involved. This unique characteristic of financial services is leading to increasing pressure by customers and regulatory authorities alike for higher levels and standards of transparency.

Price comparisons are difficult. Because of the lack of transparency and the complexity of financial services pricing, consumers have a hard time not only calculating, but also objectively comparing the cost of two related financial products. This can work for or against an MFI depending on the extent to which it understands the criteria according to which customers evaluate prices and assists them in making relevant comparisons.

The price a financial institution charges is not the price the customer actually pays. Microfinance clients incur substantial non-monetary and sometimes monetary costs in order to access financial services. For example:

- Opportunity costs – e.g., time not spent in business activities
- Transaction costs – e.g., bus fare, notary services
- Psychic costs – e.g., fear of not understanding or being rejected

These costs can be so significant that they may actually outweigh any minor change in a financial institution's product price. Thus, MFIs should always be aware of total client costs and consider any possible reduction of these costs as a benefit for which clients might be willing to pay a higher product price.

What should we consider in pricing our product?

There are a range of factors that should be taken into account when pricing a product. We've highlighted the major ones below.

1. Cover your costs.

If you don't cover all your costs in making and delivering your product, you can't remain in business. This is the most important principle of pricing. In calculating costs, be sure to take into account both fixed and variable costs. Fixed costs stay relatively constant no matter how many customers you have. They include management salaries, office space, utilities and the cost of funds. Variable costs are primarily the time and expenses associated with delivering services to customers. These costs will vary depending on the number of customers you have and the degree to which they make use of the services provided.



If prices are too high, business is lost; if prices are too low the enterprise may be lost.

2. Price your risk.

Different products carry different degrees of risk and this has implications for pricing. Risk is a cost to an institution, and if an MFI consistently does not incorporate risk premiums into, for example, its interest rates on loans, its equity capital will eventually be depleted and it will become insolvent.

3. Remunerate your equity holders.

Equity holders supply risk capital and they need to be compensated for taking risk, either through dividends, capital appreciation or undistributed profit. If you don't price your product high enough to generate returns for your equity holders, the value of your business will decline and you'll have a difficult time obtaining risk capital in the future.

4. Generate retained profits for growth.

In order to achieve outreach objectives, you should price your product high enough to generate internal capital for growth through retained profits.

5. Understand client preferences for fee structures.

Pricing is not simply a question of fee levels, or how much to charge. MFIs have a variety of pricing strategy options, several of which may yield similar revenue per customer, but one may be more attractive to your target market than another, in which case, you would be able to sell your product to a larger number of customers if you used that strategy. Research into client preferences has led many MFIs to alter their fee structures. For example, Equity Building Society changed its interest rate from declining balance to flat rate; TEBA Bank eliminated its account maintenance fee; and Tanzania Postal Bank lowered its withdrawal fees.¹⁴

6. Maintain a coherent identity.

Keep your corporate image and positioning strategy in mind as you set prices. If you want to be a low volume, super-quality operation, you can't rely on drastic price-cutting as a regular marketing strategy.

¹⁴ For more information on the details or process of this research, see Cracknell and Sempangi, "Product Costing in Practice," *MicroSave*, 2002.

You'll destroy your image. Conversely, if you've staked out the high-volume, low-price camp for your own, don't expect to have crowds at the door when you raise prices and start acting upscale. Stay with your selected marketing mix. If you want to make more money from your existing products, you have to raise the perceived value of your products—update their look, add new features, get quality endorsements, promote more heavily, etc. If your pricing strategy conflicts with your image in the marketplace, it can actually be counterproductive and cause quite a bit of damage.

7. Pay attention to your environment.

You have to stay sensitive to the pulse of the marketplace and monitor changes to ensure that your price level remains consistent with market trends all the time. It matters to your pricing strategy whether you are selling in a growing or shrinking economy. If a new competitor comes to town, that is not a good time to raise prices. If, on the other hand, a competitor adds a new branch and people start noticing that its prices have gone up, see if you can drop yours.

8. Price according to your business objectives

It is essential to know why you are pricing – i.e., with what objective in mind you are pricing your product. MFIs can set prices for their financial services guided by a wide variety of objectives, for example:

- Profit: To achieve an immediate target profit or return
- Volume: To accept lower profitability in order to achieve growth
- Financial: To increase market worth
- Market-share: To maintain or improve market share
- Competition-oriented: To meet or prevent competition
- Customer-oriented: To generate specific client responses or goodwill, to be perceived as fair
- Regulatory: To avoid government intervention
- Survival: To temporarily cope with intense competition, changing consumer wants, or high fixed costs

9. Consider your revenue strategy.

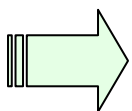
Charging the lowest price won't win you all the customers, nor will charging a higher price necessarily bring you higher profits. Look at your target market and current market position and price according to an appropriate and coherent revenue strategy. Do you want to skim the market (i.e., maintain a high price and deal only with the top end of the market) or do you want to penetrate the market (i.e., lower your prices enough to make active inroads into a new segment)? Are you willing to sacrifice your normal margin to 'buy a segment'? Remember that raising prices can sometimes cut your sales and leave you in worse shape than before. If your product or service is really needed by customers, and if there's no ready substitute, you may get away with a price hike until a competitor appears, but if demand is elastic your customers will decrease as your price creeps up.



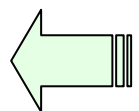
Charging a high price is not necessarily bad, nor is charging a low price necessarily good.

10. Remember that pricing is in large part psychological.

Perceived value is what drives a market exchange. If a client thinks your product looks, feels or smells cheap, you won't be able to get a high price for it no matter how much it costs you to produce or provide the service. If you're able to make the customer think your product is top-of-the-line, you can set a much higher price. Remember, too, that perceptions change and prices may have to be adjusted accordingly.



"Your product or service is worth exactly what someone will pay you for it. Customers want to pay as little as possible; businesses want to charge as much as possible. These are two sides in an eternal tug-of-war." ~ Ferreri (1999)



What are my options?

As alluded to above, MFIs have a wide range of options with respect to pricing. You can choose:

- ⇒ the type(s) of fee(s) that will be charged;
- ⇒ the level of fee(s) that will be charged; and
- ⇒ the strategy that will be used to price the product.

There are two main types of prices: explicit and implicit. With **explicit pricing**, the customer is charged specific and identified fees for services or transactions, such as a money transfer, savings withdrawal, or ATM transaction. With **implicit pricing**, the customer is not charged a fee, but instead, assumes a cost that the institution would otherwise have had to incur in order to provide the service. The customer makes an implicit or implied payment to the financial institution, rather than an explicit one. For example, you might provide a deposit service for “free,” but pay no interest on account balances; or, you might require a minimum average balance for a client to avoid certain explicit account charges. You can then invest your clients’ interest-free deposits and generate revenue that contributes to covering your costs.

Implicit pricing is attractive for a number of reasons. It can greatly simplify prices and charges for customers and institutions. Administration costs can be much lower, and customers have greater comfort about the level of charges they can expect. Taxation is levied on interest received but is not levied on the implicit interest received through the provision of free services. However, implicit pricing can also lead to an oversupply of services, since customers can request as much service as they want without having to pay for it, thereby raising costs to you as the MFI. Customers are unaware of the true value of the services provided and have no incentive to economise on the number of transactions, or to choose transactions with lower costs or greater efficiency.

The explicit or implicit prices that an MFI elects to charge and the way in which these fees are combined and structured is what defines an MFI’s **pricing strategy**. Examples of pricing strategies include:

- charging a flat quarterly or annual fee for an unlimited number of transactions
- charging a fixed fee with a specified number of transactions that can be made free of charge
- charging a fee each time a transaction (such as a withdrawal or wire transfer) is conducted
- attaching differential prices to different payment media, market segments, etc.
- reducing charges on the basis of the size of the average balance maintained during a particular transaction period
- offering customers a choice of fee structures
- bundling products and offering them at a total price that is less than the price of the individual products combined to encourage customers to purchase more services
- charging a two-part tariff that incorporates a monthly or quarterly fee plus a transaction charge

This last strategy is particularly popular as it enables institutions to cover their fixed costs through a standing charge and variable costs through a transaction fee. The inclusion of the transaction fee provides an incentive for most clients to ration their use of the service, thereby reducing costs to the bank, whilst not discouraging frequent users of the account.

The wealth of pricing options give MFIs significant flexibility for meeting their objectives. Different fee structures influence customer behavior in different ways. An explicit transaction charge will reduce the number of withdrawals made, is of benefit to customers with a low volume of transactions, and is transparent. By contrast, a fixed fee covers certain costs, but effectively provides a subsidy to clients with a high volume of transactions. Implicit and explicit charges can be combined and rearranged to produce trade-offs that generate the same revenue, but can also have the effect of influencing consumer behaviour differently and either increase or decrease the costs of providing services. Thus, MFIs should not necessarily be indifferent between alternative pricing mechanisms which yield the same revenue.

How do I price my product?

There are basically three methods for pricing your product:

- **Cost-based:** prices are based on the cost of the product plus a margin
- **Competition/Market-based:** prices are based on the prices charged by competitors
- **Demand-based:** prices are based on an assessment of the value of the product to the customer

For detailed descriptions, examples, and guidance on how to apply the three methods, refer to *MicroSave's Costing and Pricing Financial Services Toolkit*.

What is the best pricing method?

The answer to this question will vary depending on your current institutional capacity, your market environment and your pricing objectives.

Under the **cost plus** method, a product's price is determined by calculating the direct costs of delivering the product and adding the cost of overhead consumed, plus a profit margin. The main difficulty with this approach is that costs are difficult to trace and overhead can be difficult to allocate appropriately. Unless you have performed a detailed product costing, any cost-oriented approach to pricing will have to be based at least partly on intuition.

Under the **competition-based** method, prices are set with reference to the competition. This does not mean to say that the prices of competitors fully determine the prices charged, but rather that prices are set only after a detailed investigation of the pricing structures and charges of the major competitors is conducted. This approach tends to be used where the services provided are standard, or where there is a limited number of large competitors in the market – who effectively set the market price. When using this pricing method, it is important to ask yourself whether the competition is really offering the same product as you are.

Under the **demand-based** method, prices are set to be consistent with customer perceptions of value – they are based on what customers will pay for the services provided. The monetary price must be adjusted to reflect the benefit of non-monetary elements to the customer, for example, frequency of service, ease of access, transparency of pricing, social acceptability, etc. The demand-based method will tell you how much you could charge, but the question of how much you should charge will need to be answered taking into account the ten issues mentioned earlier in this section, particularly with respect to business objectives and revenue strategy.



Don't be afraid to test higher prices for a time to judge the market reaction. If the demand stays strong, congratulations; if it doesn't you can always return prices to their original level.

Each pricing approach has advantages and disadvantages, which are summarised in Table 7 to facilitate comparison. In reality, your management team will probably use a combination of cost plus, competition-based, and demand-based strategies to determine the amount customers are charged. Whatever pricing method you choose, it is essential that you conduct some kind of product costing as an integral part of your pricing process. Remember, if your price doesn't cover your costs, you won't stay in business for long.

How can I combine the three approaches?

To combine the three approaches, you would generally follow a three-step process:

- Step 1:** Price to cover the full cost of delivering your product or service.
- Step 2:** Compare this price with that of the competition to see if it can be raised.
- Step 3:** Assess demand for your product's USPs (see Step 6 of this toolkit for an explanation of USPs) and see if the price can be raised further.

Table 7: Three Pricing Methods

	Cost Plus	Competition-Based	Demand-Based
Definition	Prices are set to cover direct product costs plus relevant overhead plus a profit margin	Prices are set using competitor prices as a benchmark	Prices are based on what customers will pay for the services provided
Advantages	• All costs are covered • Easy with a single product and a good MIS • Helps resist market pressures/price wars • Allows flexibility and differential pricing • Process directs attention to priority areas for efficiency improvements	• Market-oriented • Quick and easy to assess • Cheap • Easily understood and appreciated by clients • Easy to adjust with market changes • More useful with standard product or in industries with a small number of players	• Customer-driven • Guarantees market • Compels efficiency • Compels quality • Creates customer loyalty • Stimulates volume of sales • Helps to define market segments • Potential to make great profits
Disadvantages	• Can be expensive and complex • Cumbersome when dealing with multiple products and/or a weak MIS • Not market-oriented • Costs are difficult and time-consuming to trace • Costing is a technical discipline with skills in short supply in developing markets • Costs may not equal value	• May not cover costs • Provides no incentive to lower costs or increase efficiency • May be difficult to select appropriate competitive benchmarks – is the competition really offering the same product as you? • Small firms may charge too little to be viable • Price may not reflect customer value	• Time-consuming and involved • Expensive • Adjusting the monetary price to reflect the value of non-monetary features is difficult because it's subjective • Must understand the elasticity of demand in your target market – i.e., by how much will demand for your product be affected by a change in price • Difficult to get the margins; market must highly value the benefits of your product • Disregards some market segments • High profit makes you a competitive target • Risk poor image as expensive provider once competition enters

Adapted from MicroSave

Why bother to cost products?

In the right environment, the benefits of product costing can be considerable. The process allows an MFI to:

- Determine the full cost of delivering a product, including costs that may have been hidden;
- Identify inefficiencies;
- Make more informed pricing decisions;
- Determine the profitability or contribution of different products to profits (including an analysis of changes over time);
- Identify which winning products should be promoted and, perhaps, which loss-generating products should be redesigned, discontinued or re-priced;
- Identify the factors that drive costs in the institution;
- Improve business planning and investment decisions;
- Consider options for outsourcing services (e.g., security, cleaning);
- Improve the quality of its financial modelling and budgeting;
- Determine the viability of new products;

- Instil greater cost-consciousness in staff;
- Refine cost/profit centres and the MFI's management information systems; and
- Make more informed decisions about the mix of products to offer (including cost/benefit and marginal cost analysis).

The strategic dimensions of costing are rarely well-recognised by MFIs, yet *MicroSave's* work with its Action Research Partners clearly demonstrates that product costing interacts strategically with a huge and diverse range of business areas including pricing, efficiency, outreach, the design of incentive schemes, the identification of the most suitable product mix, marketing, customer service, staffing patterns, profit centre accounting and budgeting. It is an essential tool in developing profitable and efficient financial services.



After introducing product costing, almost every one *MicroSave's* Action Research Partners discovered that it had a loss-making product.

Which costing method should I use?

There are two main costing methods: allocation based costing and activity based costing. Both methods are explained in detail in a *MicroSave's* Costing and Pricing of Financial Services Toolkit, so they will only be briefly introduced here.

Allocation based costing is a method whereby each line of the profit and loss account is allocated to different products on the basis of an appropriate "allocation base." For example, personnel costs might be allocated to different products using a staff time sheet, and non-personnel costs might be allocated according to the relative volume of each product.

Activity based costing, usually referred to as ABC, traces costs through significant processes to products. Staff and non-staff costs are first allocated to core business activities, such as application processing, loan disbursement, or loan monitoring and recovery, generally on the basis of how staff time is spent. Where staff members do not directly spend time on core processes but rather provide support functions, their time is booked to a general category called "sustaining activities."

Once the cost for a particular core process has been determined, costs are then driven through to products on the basis of an appropriate cost driver. For example, once you have determined the cost for processing a loan application, the cost driver would be the number of loan applications. Each product then absorbs costs for processing loan applications in proportion to the number of loan applications made by each loan product. Different processes will have different cost drivers. Sustaining activities cannot be driven directly to particular products, so their costs need to be allocated to products using allocation based costing techniques.

Although ABC allows a microfinance provider to assess the cost of key processes while allocation based costing cannot, the choice of which method to use should be considered in relation to institutional capability and a range of other institutional factors. Refer to the Costing and Pricing of Financial Services Toolkit for guidance on how to choose an appropriate costing method and for detailed examples that can help clarify how each method is implemented.

What does it take to implement an effective costing exercise?

Again, for details, refer to the toolkit that *MicroSave* developed specifically to address the topic of costing and pricing, but in general, you'll want to keep the following four critical success factors in mind.

Management Commitment: Management needs to be fully involved and committed at all stages of the costing process. This heavy involvement allows the costing exercise to be taken further and faster than would otherwise be possible.

Trained and capable staff: Allocation based costing is not a difficult exercise, however, exposure to the principles of allocation based costing in a workshop combined with technical assistance is a tested way to create an effective costing system. In the case of ABC, which is conceptually more difficult, the training and mentoring approach becomes even more important.

Careful preparation: Careful preparation significantly reduces the time and effort involved in developing a product costing system, this usually entails:

- Training the costing team in allocation based costing or ABC;
- Ensuring technical support is available should it be required;
- Providing staff sufficient time away from other responsibilities to complete the costing process; and
- Gathering key information in advance to inform the process: product policies, procedure manuals, detailed accounts, trial balance, details of transactions and staffing levels.

Resources: Where costing processes have been introduced quickly and efficiently, sufficient resources were allocated to the process. For allocation based costing the resource requirement is modest, a small team of 2-4 people can normally produce an allocation based costing system within a week as long as there is a good management information system already in place. ABC is a more complex, longer process, which requires greater data gathering and absorbs correspondingly greater resources.

Is there any way to predict the impact of a price change before actually implementing it?

There are four basic research methods that you can use to help you set prices and understand the impact of those prices. The methods include: purchase simulation, historical data modelling, trade-off analysis, and controlled market testing.

- ❖ **Purchase simulation** is a controlled simulated test where the researcher systematically varies aspects of pricing in order to study their impact on sales and revenue. Marketers select respondents who represent the ultimate customers of the product or service being studied, bring them to an interview location with different service or product displays, and give them 10 poker chips to place in front of the display to represent their next 10 service purchases. Respondents repeat the chip allocation exercise with different pricing approaches. The marketer then compares the purchasing behaviour in the different price approaches.
- ❖ In the **historic data modelling** approach, researchers look at past buying patterns using a statistical approach such as regression analysis. The impact of different marketing variables, including price, are examined for trends in past data.
- ❖ **Trade-off analysis** includes two approaches: conjoint measurement and discrete choice modelling. Conjoint measurement asks respondents to choose what they prefer in a series of price/service combinations (groups of specific services with prices). Discrete choice modelling derives measures of importance that reflect the market's value system of preferences.
- ❖ In the **controlled market test** approach, marketers select sample locations that are then divided into two groups: a control group and a test group. In the control group, prices do not change. In the test group, there is first a period with prices the same as in the control group and then a period with test pricing. Sales activity and profitability are monitored in both the control and test groups. Identifying changes in the test group compared with the control group gives the marketer a measure of the impact of the new pricing approach.

Which approach is best to use? That depends on the decision issue, cost, statistical expertise required, accuracy, difficulty of understanding results, and time horizon for implementation. A more detailed explanation of the strengths and weaknesses of the four methods in each of these areas can be found in Handout 8.2 of *MicroSave's Strategic Marketing Toolkit* entitled, "Services Marketing: Integrating Customer Focus Across the Firm."

What are some of the most common pricing mistakes?

- Viewing pricing as being entirely cost determined.
- Not revising the price often enough to keep it in line with market changes.
- Setting the price in isolation of the rest of the marketing mix.
- Not varying the price sufficiently enough for different product types and market segments.



When pricing a new product, be conservative. If you meet or exceed your estimates, you can lower your price and customers will be thrilled. But if you underestimate your costs, you'll not only make a loss, but you'll find it difficult to raise prices too quickly. Plus, you'll inevitably disappoint your customers."

Box 5: The Resistance Principle

"Just months into business, I have made my first great discovery about business," a young woman recently told me. "There's one simple way to get all the business you handle: Charge almost nothing."

She's right.

If no one complains about your price, it's too low.

If almost everyone complains, it's too high.

So if no price resistance is too low and 100 percent is too high, how much resistance is just right? How much resistance tells you that your price is right?

Fifteen to 20 percent – and there is one simple reason why. Close to 10 percent of people will complain about any price. Some want a deal. Others are mistrusting and assume every price is overstated. Still others want to get the price they had in their mind when they approached you because it's the price they hoped for and already have budgeted in their mind.

So throw out the group that will object no matter what your price. Then ask, in the remaining cases, how often do I encounter resistance?

Resistance in 10 percent of those remaining cases – for a total of almost 20 percent – is about right. When it starts exceeding 25 percent, scale back.

Setting your price is like setting a screw. A little resistance is a good sign.

Beckwith (1997)

Checklist: Before you move on...

...make sure you can answer the following questions:

- ✓ How much does your product really cost?
- ✓ Does your current product price cover your total costs?
- ✓ How important is price in your marketing mix? How sensitive is your target market to price?
- ✓ What key issues influence your pricing decision for this product?
- ✓ What is your pricing objective?
- ✓ What pricing strategy will you follow?
- ✓ What is pricing method will you use?
- ✓ Does your pricing make you look valuable or cheap? Will it help your market position you where you want to be in the value triangle?



Step 6: Prepare Your Message

Once you've developed a valuable product—a product that is capable of meeting customer needs profitably—you have to communicate that value to your market. Potential customers need to know that your product exists; they need to understand its terms and how to access it; and they need to be convinced of its benefits before they will buy.



The secret of success in communicating your product's value is to take the time to carefully prepare an appropriate message before embarking on the actual delivery of that message. Too often, MFIs skip this step as they rush to get their product into customers' hands as quickly as possible. They give the sales vehicle—the radio or newspaper ad, the product brochure or the smile on the loan officer's face as she speaks with a potential client—more attention than the message that is delivered in that ad, brochure or conversation. This is a mistake.

Remember that even if you've done excellent research and have developed a product that delivers exactly what your market needs, no one will buy your product unless you effectively communicate to them **how** it meets their needs and, in a competitive environment, how it meets their needs better than anyone else can. Your message must be clear, distinctive, and compelling. Not surprisingly, achieving such a message requires a bit of careful preparation.

What are you *really* selling?

In preparing your marketing message, the most important thing to remember is that customers do not buy products and services; they buy benefits that they expect to derive from those products and services. In the marketing literature, nearly every text comments that the customer looking for a drill is not really looking for a particular piece of equipment. He or she needs is a hole in something.

“Customers do not buy products; they buy solutions to problems. If a competitor offers a better solution, even with a completely different product, customers will defect to the better solution.”

~ Wilson (2000)

As a microfinance institution, what are you really selling? A loan? A service? A solution? A relationship? That is what you must explain in your marketing message.

What are the core components of a product marketing message?

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

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

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

What is a brand?

Your **brand** is whatever the consumer thinks of when he or she hears your product's name. It includes the product name and logo, but it also includes the promises, benefits, personality and expectations that customers attach to that name and logo. In the words of David Ogilvy, founder of one of the world's largest advertising networks, “A brand is a complex symbol. It is the intangible sum of a product's attributes, its history, reputation and the way it is advertised. A brand is also defined by consumers' impressions of the people who use it, as well as their own experiences.”

If you like, you can think of your brand as a bridge between yourself and your clients, as shown in Figure 8. It is the relationship that you and your product have with your market. At first, the name you give your product may seem to be just a name, but as soon as you start delivering your product to the market, that name will become much more. It will come to represent the product brand and will serve as either a warranty of quality service or a warning of service to avoid. So, be careful with the name you choose, and be careful with the marketing messages you attach to it, because everything you do will affect your brand and will be reflected in your brand name.

When you first select a name for your product, you'll want to choose something that is "catchy" – something that will stick in the consumer's mind after he or she hears it for the first time. An effective brand name will possess some or all of the following qualities:

- ☉ It will suggest something about the product's benefits.
⇒ For example, Compartamos' "CreditoIndividual" is an individual loan product.
- ☉ It will suggest product qualities such as speed or reliability.
⇒ For example, Tanzania Postal Bank's "Domicile Quick Account" is a computerised branch-based savings account.
- ☉ It should be easy to pronounce, recognise, and remember.
⇒ For example, MiBanco's "MiCasa" (which means "my home" in Spanish) is a home improvement loan.
- ☉ It should be distinctive.
⇒ For example, Equity Building Society's "Jijenge" (which means "build it yourself" in Swahili) is a user-defined contractual savings product.

A brand name often comes packaged with a logo, symbols or colors that help make the brand easily recognisable and memorable. For product branding, one strategy that can be particularly effective is to design a sub-brand for your product that actually builds on your corporate brand. This not only etches the product in your customer's mind, but also reinforces the image of your institution. MiBanco in Peru provides an excellent example of how this can be done (see Box 6).¹⁵

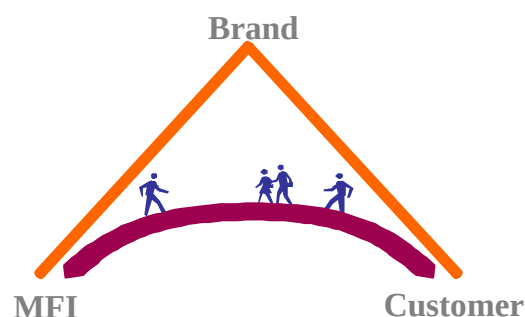


Figure 8: The Brand as a Bridge between an MFI and its Customers

Box 6: Connecting Product and Corporate Brands at MiBanco

Miahorro

Savings accounts for domestic currency or US dollars with no fixed term.

Mimercado

Credit for construction of a market stand or shop.

Micasa

Credit for the construction or improvement of a home.

Miequipo

Credit for equipment or machinery for a business.

Micapital

Credit for general capital infusions for businesses.

Mifacilidad

Personal loans for unexpected or emergency situations.

What is a tagline?

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

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

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

What is a USP?

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



*Uniqueness in itself
is not a benefit.*

Be careful not to confuse uniqueness with a unique selling proposition. Being unique means nothing. You could produce the only fifty kilogram pencil in the world, but that doesn’t mean you would sell any. Customers want benefits, and uniqueness in itself is not a benefit. Ask

yourself what’s in your product or service for the customer and then consider what makes that benefit different from what everyone else is offering. If you want to offer a working capital loan, great, but since every MFI offers a working capital loan, what makes yours so special?

The word “unique” in the term “unique selling proposition” can be misleading because it suggests that an MFI can have only one USP. That is not necessarily true. MFIs offering market-responsive products may be able to identify and market several USPs for each product. For example, Credit Indemnity in South Africa has four related USPs, the first focusing on how well established it is and the others stressing that the organisation operates in a very different manner from almost all of its “loan shark” competition:

- We have been around since 1978.
- We do not keep customers’ PINs.
- We do not keep customers’ cards.
- We do not keep ID books.

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

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

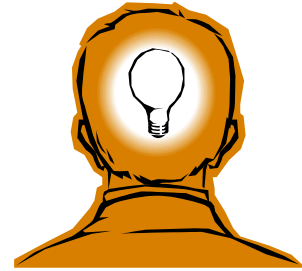
What is a benefit statement?

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

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

What is a positioning statement?

The fifth and final component to be used in building your marketing message is the positioning statement. A **positioning statement** articulates how you want your product to be perceived. It is an internally-focused statement that tells your staff how they should position the product in customers' minds.



Like the USP, a positioning statement must address customer needs and focus on the key strategic or competitive advantage that differentiates the product from its competition. Unlike the USP, however, and unlike all the other marketing message components, the positioning statement is written for staff rather than clients. As shown in Table 8, what distinguishes the positioning statement from other message components is this internal focus. Whereas the benefit statement provides the basis for an MFI's external marketing, the positioning statement provides the basis for its internal marketing. It is the statement that should guide everyone's efforts to position the product where the MFI wants it to be, both in the market and in the minds of the consumer.

Table 8: Key Characteristics of Core Marketing Message Components

	Tagline	USP	Benefit Statement	Positioning Statement
Focus	External	External	External	Internal
Length	Very short; a succinct statement of USP	One sentence	Several sentences or short paragraphs	Long sentence or two
Addresses competition?	Perhaps	Must	Not directly	Must
Durability	May occasionally change to keep it fresh	Likely to vary by market segment	Rarely changes	Rarely changes
Utility	Goes everywhere with the brand name to communicate the core message you most want remembered	Identifies the difference that will make a difference in selling to a particular market segment	The basis of all external marketing; used to other core message components as well as advertising copy	The basis of all internal marketing; tells staff how to position the product in consumers' minds

Can you give us an example of all five components for one MFI?

Sure. See Table 9 on the following page, which looks at the example of Tenga Savings Bank's Premium Fast Account.

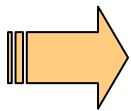
How do I use these components to prepare an effective message?

Remember, customers buy benefits, not products, so centre your message preparation on the benefits that your product can provide. If you have some initial ideas about what to call your product, or a catchy slogan you want to use as the tagline, that's great! Set them aside for a moment and first make sure you're clear about your benefit statement.

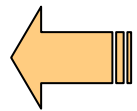
Table 9: Roles of Different Core Marketing Strategy Components

Strategy	Example	Role
Brand Name	Premium Fast Account	Assurance or warranty of the product's quality and values, the integrity of the product. Well-established brands sell faster and easier.
Tagline	"Unlimited Withdrawals – Fast!"	The idea that must whiz through customers' head when they hear the brand name. A succinct statement of the product's Unique Selling Proposition and benefits.
Unique Selling Proposition	"The safe account that offers fast, unlimited withdrawals at the customer's convenience"	The compelling benefit that shouts – "no other product is like this!" The choice between service differences that you want to communicate to the market. It is the difference that makes a difference.
Benefit Statement	The Premium Fast Account ("Unlimited Withdrawals – Fast!") is the account for the saver who wants a secure place to save with fast and easy access to his/her money. The Premium Fast Account ("Unlimited Withdrawals – Fast!") offers the following benefits: • It is a Fast: a computer operated account so you no longer have to wait in long lines; • It is Safe: if you lose your card, no one can use it to withdraw money and TSB is a stable government-backed bank so your deposits are secure; • It is Easy: the minimum balance is Tsh.5,000 and customers can deposit and withdraw money any time they need; and if they need to transact away from their Premium branch they can transfer money onto their passbook and use that, so it is flexible and responsive to your needs; • And Interest is paid at the end of each year so you earn money on your deposits.	Based on, and expanding/explaining the Unique Selling Proposition. The basis of your advertising copy for brochures, posters etc. as well as standard marketing lines, Frequently Asked Questions, etc.
Positioning Statement	Tenga Savings Bank's Premium Fast Account provides fast, flexible savings account for our existing passbook savings account holders, institutions looking for an efficient way of paying salaries, traders and savings groups offering a convenient account in a secure bank. Unlike other products in the market Tenga Savings Bank's Premium Fast Account allows customers to deposit and withdraw any amount as often as they want so they can make unlimited withdrawals – fast!	The internal focused statement of the marketing perception staff are required to plant in customers' minds. Speaks of the product orientation. How you wish the product to be perceived – the core message you want to be delivered in every medium in order to influence the perceptions of your company/product. Should be tattooed on the inside of your staff's heads!!

Source: MicroSave



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



How do I write a benefit statement?

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

1. For each of the “8 P” areas, develop an exhaustive list of all your product’s features.
2. Translate each feature into a short benefit statement from the perspective of the customer. When you’re finished, you’ll have a benefit statement inventory.
 - See Table 10 for an example of what this process might look like.
 - It may help to think about the 8 Ps in terms of the 8 Cs.
 - Some features may not translate, but most will. *MicroSave*’s experience shows that 90% of product features deliver benefits to some market. If, after reasonable effort, you find a feature that does not translate into a customer benefit, cross it off your list.
3. Sift through your benefit statement inventory to identify those benefits that matter most.
 - Compare your list of benefits to the customer needs, wants and preferences identified in your market research.
 - Use the competition matrix you developed in Step 2 to identify those benefits that no one else is offering, or that you think you can offer better than anyone else.
4. Use this information to edit individual benefit statements into an overall benefit statement or message for use in your marketing materials.
 - See the continuation of Table 10 for an illustration of how Karibu Bank turned its list of benefits for the Accumulator Savings Account into an overall benefit statement.
 - If you plan to develop a separate marketing mix for different market segments, consider categorising your list of product benefits according to the markets they appeal to most powerfully. Then rank each group of benefits by importance within that market, and craft a benefit statement geared specifically for that market segment

In general, an effective benefit statement should answer these questions:

- Our service offers the following benefit ...
- To the following customers ...
- Our service is unique in the following manner ...
- We can prove we are unique because....

What do I do once I have my benefit statement?

Most likely, as you worked to develop your benefit statement, you also made some progress on the definition of your other core marketing components. You’ve probably chosen a brand name and maybe even a tagline, and you probably have a reasonable idea as to what your USPs are. Indeed, some find it easier to write their benefit statement last, after they’ve developed all of the other core components of their external marketing.

In any case, once you define your benefit statement, go back to each of the other components and make sure they’re what you want. Use your well-defined benefit statement to fine tune them and make sure everything is in sync. Return to your competition analysis matrix again and hone in on your USPs. Even if you have one overall benefit statement, you may decide to develop a USP for each market segment. If so, make sure each one clearly states how your product will benefit the customer as no other product can. Be ready also to eliminate USPs. You may have started with what you thought were five excellent propositions and realise you would be better off focusing on just two. Finally, once all of your other core components are in place, tackle your positioning statement.

Table 10: Turning Features into Benefits: Karibu Bank's Accumulator Savings Account

"8 Ps"	Feature	Benefit
Product		
Opening Requirements	2 coloured photos Employment ID card for employees; school ID for students; introductory letter from District Commissioner for unemployed customers	Simple opening documentation
Deposit Schemes	Weekly or monthly – chosen by the client when opening the account	Flexible deposit opportunities to suit the clients' income flows
Deposit policy	Each equal instalment to be deposited according to the weekly/monthly schedule Minimum instalment size: Ush.5,000	Affordable instalments
Duration to Maturity	2, 5 or 10 years – chosen by the client when opening the account	Variable maturity schemes to suit the clients' plans
Withdrawal policy	Withdrawals only allowed on maturity or premature encashment of the scheme.	Protecting your savings from casual spending by limiting opportunities for withdrawal
Price		
Interest rate paid	2 year scheme: 8% per annum (compounded) 5 year scheme: 10% per annum (compounded) 10 year schemes: 12% per annum (compounded) Zero interest paid on schemes cashed before chosen maturity date	High interest rates – rising with the length of the scheme – that accelerate your progress towards the lump sum of money you need to realise your dreams.
Service fee	None	No hidden costs: no service fee
Account opening fees	None	No hidden costs: no account opening fees
Ledger fees	None	No hidden costs: no ledger fees
Deposit fee	None	No hidden costs: no deposit fees
Withdrawal fee	None on maturity Ush.25,000 on premature encashment of scheme	No withdrawals fees – unless you break the contract
Promotion		
Marketing Information	Leaflets	N/A
Advertising	Radio Station	N/A
Place		
Location and Banking Hall environment.	Nampalam Branch is located next to the wholesale market on the outskirts of the capital city.	Close to you the clients
Positioning		
Slogan/ Vision	Karibu Bank: <i>"Your Welcoming Bank"</i> Accumulator Savings Account: <i>"Saving to Realise Your Dreams"</i>	The bank that offers high quality customer services Your dreams can come true!
Corporate and Product image	Attract small and medium scale savers. Designed for small and medium class income earners.	N/A
Physical Evidence		
	Passbook	See the progress towards realising your dream: Clear documentation of the account in the clients' hand
People		
Clients' Perceptions	Karibu Bank is still seen as "the new bank in town" and not entirely trusted Enquiries desk busy for Karibu Bank clients. Tellers always kind to customers.	Personalised service from welcoming staff
Process		
	The Karibu Bank IT system and staff are efficient	Rapid service – save time as well as money!

Source: MicroSave

Table 9 (continued): Karibu Bank's Overall Benefit Statement

“The Accumulator Savings Account is the personalised account for you to realise your dreams with

- flexible deposit opportunities
- affordable instalments
- variable maturity schemes

designed especially to suit your income flows and needs.

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

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

How do I write a positioning statement?

You can build your positioning statement by answering the following series of questions:

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

For example, the positioning statement for Tenga Savings Bank's Premium Fast Account might be built something like this:

Who:	Tenga Savings Bank's Premium Fast Account
What:	provides a fast, flexible savings account
For whom:	for our existing passbook savings account holders, institutions looking for an efficient way of paying salaries, traders and savings groups
What need:	offering a convenient account in a secure bank.
Against whom:	Unlike other products in the market, Tenga Savings Bank's Premium Fast Account
What's different:	allows customers to deposit and withdraw any amount as often as they want
For what benefit:	so they can make unlimited withdrawals – fast!

As you create your *positioning statement*, be careful not to confuse it with your *position*. Your position is a cold-hearted, no-nonsense statement of how you are currently perceived in the market. A positioning statement, by contrast, states how you **wish** to be perceived. It describes what you want the world to think. As you're writing your positioning statement, don't forget to take your current position into account and ask yourself whether people will believe your positioning statement given where you are today. If the gap between your position and your positioning statement is too big, your customers won't be able to make the leap.



How do I bring my marketing message together?

The best way to bring your message together is to weave it into your product marketing plan. You'll see how to do this in Step 8 of this manual. A second way to see your message come alive is through the development and testing of promotional materials.

How do I design my promotional materials?

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

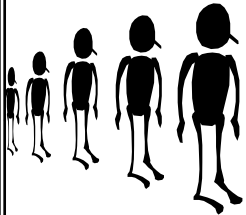
- ⇒ **Start with a statement of benefits.** Remember, clients don't buy features or even products, they buy benefits and solutions.
- ⇒ **Consider the audience.** Make sure that the language, detail and tone of the literature are appropriate for the people who will be reading it.
- ⇒ **Be clear and concise.** The literature must be easy to understand and not create confusion about product features or requirements. If the literature you've created is for a pilot test or a product that will only be available at certain locations, indicate clearly where the customer can access the product.
- ⇒ **Be creative.** The literature needs to be interesting if anyone is going to read all the way through it. Use graphics, photos, pictures and/or colour.
- ⇒ **Be consistent.** If you have a series of brochures describing different products or services, use common themes, colours, layout, size, etc. to tie them together and strengthen your overall brand.
- ⇒ **Research your competitors' literature.** If you operate in a competitive environment, potential clients are likely to compare your literature directly with that of the competition. Thus, it would be wise for you to know and learn from your competitors' literature, and strive to create something distinct and more attractive for yourself.
- ⇒ **Consider regulatory requirements.** If the financial services product is a regulated product, there may be strict guidance as to what information must be contained in the product literature, and these rules must be adhered to. The marketing challenge will be to present this information in the most user-friendly way possible so that it helps the purchase decision rather than hinders it.
- ⇒ **Keep prices out of it.** Prices must change and each time they do, they will force you to throw any promotional literature that contains the old prices into the garbage bin. To avoid such wastage, print separate price or tariff sheets to be inserted into the brochure or made available alongside it.
- ⇒ **Test your design.** Before printing a large quantity of materials, test the literature with focus groups of potential customers to ensure that your is attractive and effective.
- ⇒ **Get support for it.** Make it a policy that both the operations and marketing departments have to sign off on any promotional literature.

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



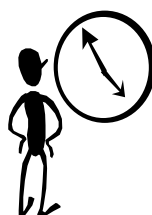
Can you show us an example of “benefit-focused” promotional materials?

Sure. Let's say your research has indicated that customers want a more efficient savings product. Rather than simply advertising that your product is fast, you might try something like this:



Is this how you want to spend your time?

We know your time is as valuable as your money. Save with Afri-Co Microfinance Company, and you won't spend all your time waiting!



How long did you wait at the bank for your last withdrawal?

With our new “Fast Access Savings Account” we at AMC will have you back at your business in just fifteen minutes!

Checklist: Before moving on...

...double check to make sure your message is really ready to go:

- ✓ Does it convey benefits that will be attractive to your target market?
- ✓ Does it distinguish you from the competition?
- ✓ Are the core components of your message consistent? Do they all build upon one another?
- ✓ Is your message going to help position you where you want to be? Is it consistent with the value position you want to take?
- ✓ Is your message believable? Are you exaggerating or raising expectations that you won't be able to meet?
- ✓ Is the language of your message clear, concise and customer-friendly?
- ✓ Have you checked to make sure that your product brand name, logo, colours and tagline don't overlap with that of the competition?
- ✓ Have you tested your product tagline, name, images, and internal and external promotional materials?



Step 7: Deliver Your Message



If you have effectively completed Steps 1 through 6, all that is standing between you and the profitable sale of your product is communicating to customers what it is that you have to offer.

Aren't we really just talking about promotion again?

No, we're not. We're talking about...

- **...making your product real.**

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

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

- **...building trust.**

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

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

- **...persuasion.**

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

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

Box 7: The Importance of Relationship Building

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

Adapted from Beckwith (1997)

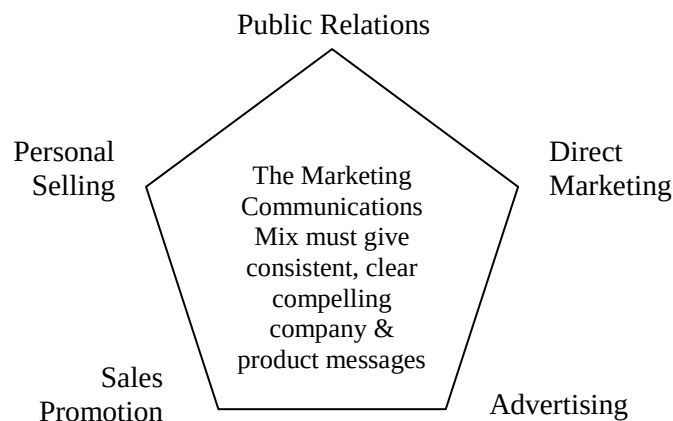
So how can I communicate what my product has to offer?

There are five main strategies for communicating value: personal selling, advertising, sales promotions, public relations and direct marketing. Your MFI can draw from any or all of these strategies to create what is called a **Marketing Communications Mix** (see Figure 9). The right mix for you will be the mix that:

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

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

Figure 9: The Marketing Communications Mix



What do you mean by “a planned approach”?

By planned approach, we simply mean a pre-meditated, organised and purposeful approach to marketing communication. This kind of approach must begin with a definition of your marketing objective and your target audience, as shown in Figure 10. Once you’re clear about why you’re marketing and to whom you’re marketing, you can select a method of communication and a message that will enable you to meet your goal. In a planned approach, you should implement your communication only after you’re clear about what your goal is and how you can best achieve it. Monitoring the success of your communication efforts then becomes important because it helps to ensure that you actually meet your objective. If you monitor as you go, you can make adjustments as appropriate while simultaneously improving your understanding about how to communicate with a given market in the future.

How do I develop a marketing objective?

For guidance on how to develop a marketing objective, see Step 8 of this manual which describes how to tie all of your marketing efforts together into a marketing plan.

Who is my target audience?

This question is not as simple as it may at first appear. Of course, your target audience will be the market segment or segments that you decided you wanted to serve in Step 3. Yet your marketing department will also need to communicate with an internal audience if it is to meet its objectives. Anyone who comes into contact with customers will need to be prepared



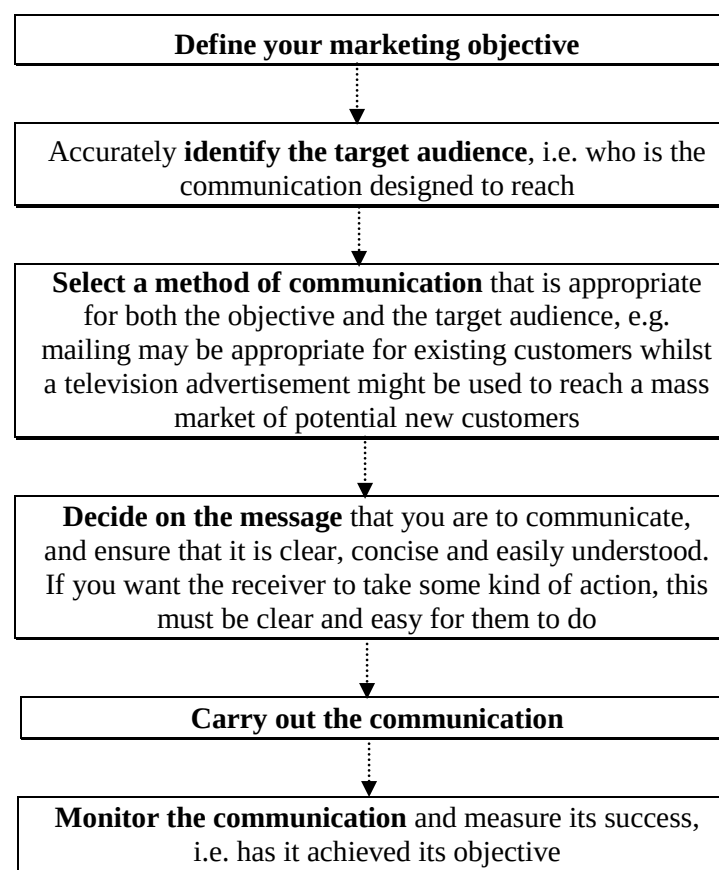
Employees can be very effective marketers if they have something powerful to say about your MFI, but they can hurt you if they do not know what makes your product special.

to deliver your MFI's product message:

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

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

Figure 10: A Planned Approach to Communication



How do I select a communication method?

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

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

- Advertising
- Public relations
- Sales promotions
- Direct marketing

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

- Personal selling
- Direct marketing

With limited resources, a push-based strategy is more effective at generating sales. It is particularly useful with a niche or concentrated marketing approach, as shown in Table 11. A pull-based strategy is most appropriate when you're aiming to serve an undifferentiated or mass market. Of course, there are often opportunities to combine both push- and pull-based strategies to create the marketing communications mix that is right for your product. We'll look at the individual strategies from which you can choose later in this section.

Table 11: Marketing Strategies and Approach Matrix

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

Source: MicroSave

In putting together your marketing communications mix, the main challenge is to tailor your marketing campaign delivery to the customer you're trying to reach. Thus, the best way to start is to bring together the people who were involved in your product's market research and ask for their input. Discuss who your target market is and what it is that makes them respond; then develop your sales strategy based on that information. For instance, if people prefer a personal approach, go to the markets or other places where people gather and promote the product there. If a significant percentage of your market is illiterate, use pictures instead of text in the promotion. If people must take something home to discuss with a spouse, make sure you have a good, simple brochure in the local language. The important point is: communicate the message in a way that your potential customers will understand.

Should I have more than one marketing communications mix?

The answer to this question will depend largely on the marketing approach you've chosen. If you have not segmented your market or have decided to pursue either an undifferentiated or niche marketing

strategy, you'll only need one marketing mix. But if you've decided to pursue a differentiated marketing strategy, you'll need a different communications mix for market segment.



Didn't I already decide on my message in Step 5?

Yes and no. Remember that each aspect of the benefit statement you prepared in Step 5 will appeal to various clients unequally. Price may mean everything to one customer, while availability might be the big problem to another. You need to pitch the product's message appropriately for each target market, and depending on the mix of communication methods that you plan to use, you may need to refine your message to make it appropriate for the communication channel chosen.

Carrying out the communication

Regardless of the marketing communication mix you've selected, your chances of implementing a communication strategy that actually meets your marketing objective are much higher if you plan your implementation in advance. A phased approach that takes into account the activities and tasks that need be carried out by different parts of your institution is essential. A simple communications plan for the marketing of a new product might look like the one presented in Table 12, while a more elaborate Marketing Activity Plan, such as the one shown in Table 13, could be adapted and expanded to provide a checklist for implementing your entire marketing strategy.

Table 12: Marketing Department Communications Plan

	Week of 8 May	Week of 15 May	Week of 22 May	Week of 29 May	Week of 5 June
Training Department	•				
Press Office/PR		•			
Customer Services		•			
Branch Staff		•			
New Product Launch			•		
Direct Mail to Existing Customers				•	
Direct Mail to Potential New Customers				•	
Newspaper Advertising					•

Source: MicroSave

Table 13: Marketing Activity Plan

Activity	Responsible Party	Timing	Resources	Expected Results	Actual Results
Design and order customer transactional documents (account-opening forms, paying-in and withdrawal slips)					
Design and order posted and/or display materials, brochures, buttons and other handouts					
Posting of fliers					
Event advertising (bazaars, shows, market, meetings)					
Informal public marketing by tellers/cashiers					
Design marketing results tracking tool					
Implement tracking tool					

Source: MicroSave

How do I assess the effectiveness of my communication?

There are a number of ways to measure how well your communication campaign is working for you. None of these methods is perfect, but they can help you get a sense of how well you're doing and whether the cost of your campaign is worth the investment. The choice you make about which one to use will depend on the particular nature of your mix.¹⁶

- ❖ **Before and after surveys:** You can conduct a market survey that tests the level of awareness of your product compared with competitors' products before and after your campaign. Barring outside influences, you can attribute the difference in awareness to your communication efforts. Such assessments can be conducted using sophisticated attitude/perception quantitative surveys or Focus Group Discussions (FGDs). Though they require special skills, FGDs can be superior to questionnaire assessments because they allow for a better exploration of issues and, therefore, an opportunity to gain potentially greater insight.
- ❖ **Revenue measurement:** Although many factors can impact your gross income, counting your revenues every day before, during and after a campaign can tell you in absolute terms if you're doing something right. When you analyse the results, be sure to allow for mitigating factors (e.g., look at the last few years to see if there's normally a seasonality trend in revenues).
- ❖ **Mechanical measurements:** If you ask your customers to bring in a coupon or a copy of an ad to qualify for a special discount, you'll receive very clear evidence of how well you've done. You can even code your coupons to record precise details about the nature of the communication channel (e.g., publication and date).
- ❖ **Split runs:** Run two different versions of an ad—with different prices, different products and different time applicability—and measure the difference in responses. This will also allow you to learn which appeals work best with your target audience.
- ❖ **Customer query:** Instruct your staff to simply ask customers why they're there and how they heard about you. Tally the answers, and you'll see the effect of your advertising. An easy and inexpensive way to facilitate this kind of query is to incorporate a few strategic questions into your account opening documentation, as shown in the example provided in Box 8.

Box 8: Marketing Assessment Questionnaire

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

Source: MicroSave

¹⁶ This section is adapted from Ferreri 157-8.

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

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

The third question tracks the effectiveness of the marketing efforts. This is critical for any MFI that is spending money on advertising. With some historical data, management can identify the most effective advertising media for reaching potential customers. This question also aids in the identification of specific staff persons or customers to whom the MFI might want to show some appreciation. It is becoming more common for MFIs to pay a small commission to staff who generate new customers, or to show appreciation to existing customers who assist in new customer generation, so this is especially important if staff people are promoting the product.¹⁷

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

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

By analysing the results of different sales campaigns and strategies, you can focus future resources on those marketing efforts that produce the strongest results. After particularly expensive or intensive campaigns, you may want to conduct a cost-to-result ratio analysis to assess whether you got value for money from your investment. An example of a basic cost-to-result assessment is provided in Table 14. The cost of each media campaign is simply divided by the number of clients attracted to get an average communication cost per client.

Table 14: Example of Basic Effectiveness Assessment

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

Source: MicroSave

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

Sure. Let's take a look at them one at a time.

1. Personal Selling

Personal selling is face-to-face salesmanship. It is the most direct, the most personal, and the most commonly used sales technique among MFIs. Field staff are out in the cities, towns and villages selling the MFI and its services. Some institutions have dedicated sales staff tasked with making presentations to

¹⁷ See MicroSave's Designing Staff Incentive Schemes Toolkit for more details on this complex issue.

each and any gathering of the target market – from school open days to meetings of vendors' associations. Other MFIs target employers needing efficient banking services for their lower-paid staff.

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

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

- Set standards and define common approaches so that different sales agents explain product benefits and costs (or requirements) in a similar, consistent and appropriate manner.
- Define transparent and fair rewards or incentive schemes for the sales force. MFIs using personal selling can set targets by team, region and/or person, and should ensure buy-in to those targets from the sales team.
- Adequately prepare staff to sell the institution, its products and its services. Training is essential to convey specific product information as well as general institutional knowledge, marketing techniques, and personal communication skills such as the ability to read body language, listen and empathise with the customer, be courteous yet confident, etc.
- Provide sales staff with support materials – brochures, Frequently Asked Questions sheets, etc. in Clear, Concise, Client language.
- Make sure that it is easy for customers to buy so that the sales team does not waste too much time closing the pitch into a sale – some MFIs have separate staff to assist prospective clients open their accounts, so as to keep the sales team out selling the MFI and its services.
- Use the personal selling strategy as a unique opportunity to educate clients and respond to their questions (as well as obtain important information from them that can be fed into future marketing activities). This is particularly important in a competitive market where clients have a large number of choices and therefore want to ask many questions about the service before finally choosing which MFI to use.
- Stress with staff the need to be attentive to customer care so that the personal selling process can build customer trust and loyalty.
- Remember that your employees aren't the only ones who will personally sell your product for you. Independent authority figures, friends, family and other reference groups may communicate your message for you via social channels and word of mouth. This is invariably the cheapest and often the most credible approach to promotion. Support it by making promotional literature available that can help such satellite marketers get your message across as you intend it.

What tips can you give my sales staff?

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



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

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

► Be confident, be courteous and be positive.

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

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



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

interested in the convenient location of branch offices, rapid and courteous service and access to credit on the basis of the salary remittances. You should stress the benefits differently depending on the priorities of a given segment.

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

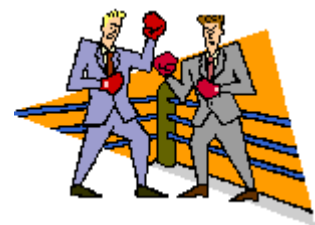
How can I make listening an active process?

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

Do you have any advice for handling objections?

Objections are a natural part of the buying process, of comparing options and trying to identify the best possible deal. Don't be surprised by them or fear them; just prepare yourself to handle them.¹⁸

- * View objections positively; see them as opportunities to go back and reinforce your case. Objections often arise simply because you neglected to fully explain something earlier in the conversation.
- * Regard objections as a sign of interest – after all, why would anyone ask anything about something they have totally rejected?
- * Anticipate and, perhaps, pre-empt them. If you can eliminate a common objection before it arises, your potential customers won't be distracted by the thought of an apparent weakness in your product or service.



¹⁸ This section is adapted from Patrick Forsyth, *The Sales Excellence Pocketbook*, (London: Management Pocketbooks, 1998) 71-73.

- ✱ Put together a list of the six to ten objections that come up most frequently. Then, write down your best responses to each of those objections.
- ✱ Price is not a priority if your customer **WANTS** what you are selling. Price objections signal insufficient benefits.
- ✱ Never let conversations about objections descend into arguments (e.g., “It’s very expensive...No, it isn’t... Well, I think it is...”).
- ✱ Remember, handling objections well can say something about you, boosting your image and reinforcing credibility.
- ✱ If an objection is raised, make sure it is resolved before moving on.



Your job is not to **defend** price, so much as demonstrate value for money.

Once an objection is raised, resolving it is a two-stage process.

First, acknowledge the objection. Before an objection can be answered it must be recognised. Jumping in, especially with a denial, gives the wrong impression and tends to lead to an adversarial situation and to argument. The acknowledgement may be only a few words, for example, “That’s certainly something we need to review” or “Yes, that’s a fair point; let me give you some more background.”

Acknowledging the objection will:

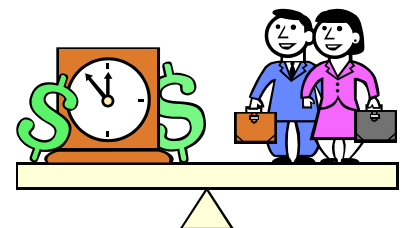
- Demonstrate that you are listening.
- Indicate to the customer that you believe they have a point (including the word ‘yes’ in the acknowledgement may help you with this).
- Show that you are not going to argue.
- Make it clear that you are likely to respond with something serious and considered.
- Give you a moment to think (if you need more time to gather your thoughts, respond to the objection with a clarifying question; this will give you more time and help you zero in on the true nature or the objection).
- Make subsequent handling of the objection more straightforward.

Once you’ve acknowledged the objection, you need to deal with it. The range of approaches from which you can choose is actually quite limited. You can either:

- Remove it;
- Reduce its power or significance;
- Change it into something seen as positive; or
- Agree that it represents a snag and focus attention on other strong points that more than make up for this weakness.

For example, if a potential customer objects because your product doesn’t have a particular feature, ask why that particular feature is important, then suggest that the existence of another feature/benefit more than compensates for the one that is missing.

All of these approaches, in effect, re-balance the pluses and minuses of the purchase decision. Remember, it is the overall perception of the balance on which a decision to buy is made, and a small change in that perception can act to create a winning balance.



What about closing the sale?

Closing is an important stage of the sales process, though one that may be very brief. It is here that a customer gives you a commitment to purchase your product or service.

Closing does not cause people to buy; it simply converts the interest you have generated into action, into an actual purchase. The greatest danger at this stage is not that closing will be done badly, but that it will not be done at all. It's very easy to avoid the close (after all, it is at this point that you can get a yes or a no answer). What often happens is that the final elements of making your case are continued beyond a point when they are helpful. For example, you might say, "Well, I hope this has been useful; is there anything else I can tell you?" The customer can then take control, "This really has been most useful. I am sure that I have all the detail I need. Thank you for taking so much trouble... goodbye."

In terms of techniques for actually closing the sale, there are a variety of methods to choose from, but they all must be matched to the circumstances – the kind of customer you are dealing with and the character of the meeting that is taking place. The methods include:

- **Direct request.** Just ask a straightforward question: "Shall we go ahead?" "How much would you like to borrow?" "Would you like to open an account?"
- **Immediate gain.** This offers the customer a reason for deciding now, rather than later: "If you complete the application now, I can have an answer for you by tomorrow."
- **Fear close.** This reverses the immediate gain close, putting it on an 'unless' basis: "If you're not able to complete the application today, I'm not certain that I can meet the deadline you requested."
- **Alternatives.** This method involves what is called a yes-yes question: "Would you like to make a 3 month or a 6 month deposit?" Regardless of the alternative chosen, a sale is made.
- **Summary.** This suits situations in which the case you make is complex. It links a brief recap of key factors (or benefits) with a simple closing statement or question: "So, this gives you account that is easy to open, with no minimum balance and you can access it at any time from any of our 79 branches around the country. Can I get you an application?"
- **Assumption.** This literally assumes the customer will say yes and continues the conversation as if this has actually happened: "Right, everything seems clear, let me get the documentation sorted out and we can go on from here."

Complex techniques are often unnecessary with closing. If what has been done previously has been effective, then closing can be a detail. What's important is making sure that you do close, and when you do it, you do it both confidently and positively.

In general, you should close as soon as you can. Once you are convinced the buyer has sufficient information to make a decision, and that the overall picture (balance) is positive, you can close. Judge when the time is right by watching for buying signals. These are signs that the buyer is ready to make a decision, for example, when she makes a reference to how she will use the product; or when he starts asking questions about post-purchase details.

If you close too early, don't worry, you can make it an opportunity to obtain clues about the best way forward. What is causing customers to hesitate or what are they still unclear about? Once these issues are identified you can focus in on them. Some sales persons intentionally close early just so they can obtain these clues.

Once you close, customers may respond ambiguously, or may tell you that "they'll think about it." What do you do then?

- **Always agree:** "Of course, it's an important decision and you must be sure..."
- **Check why they are unsure:** "Do you say that for any particular reason? Are there details that you're not sure about?" This allows you to focus on any points that are then raised and to continue the conversation, after which it may well be possible to close again.

Finally, remember that you can always learn something from a rejection. If a customer says “no,” why weren’t they interested in purchasing? Find this out and you’ll be gathering important marketing information that you can use to improve your product and service in the future.

2. Advertising

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



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

1. **Knowing your objectives.** The first step is to ensure that everyone involved in the campaign understands the purpose of the advertising, i.e. what the objectives are and what criteria the campaign will be judged against. The objective of the advertising will also dictate to a large extent the type of message, the way it is conveyed and the media used. The most common objective for advertising will be an increase in the number of sales of the product or service being advertised. However, there could also be other objectives such as an increase in name awareness or brand building. It is essential to have clear and measurable objectives so that an analysis of the effectiveness of the campaign can be carried out after it has been completed.
2. **Agreeing on a budget.** Advertising costs money and, for some types of media, a great deal of money. The budget and the objectives will go hand-in-hand, with the size of the objectives and the purpose of the advertising dictating how much money will need to be spent. It is no use having ambitious targets unless there is an adequate budget to support them. The amount of budget available will in turn influence such things as the extent to which an advertising agency will be involved and how much of the work can be carried out ‘in-house’. It will also influence the choice of advertising media.
3. **Crafting a clear, creative and concise message.** As discussed previously, careful attention needs to be paid to the visual and verbal language of any marketing communication. In advertising, the creativity of the message is key and will often determine the success or failure of the campaign. However, creativity must not get in the way of clarity. The message should be conveyed in a simple and straightforward manner in a language that potential customers will be able to understand and relate to. It should also be tested with a small number of customers before the advertising campaign proceeds.

Keep your advertising message simple, direct and literal.
4. **Selecting an appropriate channel.** Once the message and style of the advertisement are agreed upon, the final step is to decide the type of media in which to advertise. The available budget will have a big influence on this decision, as will the nature of the target audience and the purpose of the advertising campaign. MFIs should conduct adequate research (or use a media planning agency) to identify which media are likely to generate the most cost-effective audience. The general advantages and limitations of major media types are summarised in Table 15.

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

Table 15: Profiles of Major Media Types

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

Source: MicroSave

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

How do I test an advertising message?

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

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

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

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

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

Table 16: Ad Strategy Worksheet

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

Source: Ferreri (1999)

2. Never run an advertisement in any medium without studying the ads already running there. Such a survey will tell you several things:
 - Who thinks it's a good place to advertise;
 - Who doesn't;
 - The level of ad design (running a cheap-looking ad in an expensive publication won't get you much response; you won't look professional); and
 - The size of typical ads.
3. In writing the text, or "copy," of your ad:
 - Use an active voice, not a passive voice.
 - Use energetic verbs and phrases, not dull ones.
 - Be specific, not general or abstract.
 - Use "you" – you're explaining a desirable benefit to another human being.
 - Make your ad no longer than it has to be.
 - Keep headlines short.
4. If you can only afford a small ad, make the most of it:
 - Don't fill it up with small print and details.
 - Add even a small visual for impact.
 - Use colour if you can afford it.
 - Use a heavier border or a bolder typeface for your headline.
 - Make it a different shape.
 - Use more than one small ad on the same page.
 - Use artwork that makes your ad look like someone's circled or highlighted it with a marker.
5. Make your case credible.
 - Present research results, if available.
 - Cite standards that your MFI follows.
 - Use numbers: e.g., 20 years of experience or 200,000 loans disbursed.

- Use testimonials and case histories. In a case history, you tell the story of a problem faced by a customer and how your product solved the problem. In a testimonial, current or past customers speak about the virtues of your product or service. Both are creative techniques for incorporating word-of-mouth type advertising into just about any marketing media.

Should I use an advertising agency?

There are three main reasons to use an advertising agency:

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

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

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

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

3. Sales Promotions

Sales Promotions are used by MFIs throughout the world, whenever they make special offers such as waived fees, reduced opening balances or premium interest rates. Typically these promotions are:

- Time-bound: for example, "Open an account before 31st December and we'll waive the account opening fees;"
- Activity-based: for example, "Bring in 5 new customers and we'll offer 2% premium interest on your savings account for that year;" or
- Segment focused: for example, "Special offer for students - no minimum balance on this account."



Sales promotions are short-term activities designed to boost sales for a limited time, or to entice new customers to experiment with the institution's products and services. Some of the sales promotion

techniques that have been used by MFIs include: coupons, special pricing, point-of-sale offers, contests, rebates, prizes and lotteries. For instance, with each money transfer completed during a holiday season, one institution offered clients the opportunity to win a free flight to unite them with their preferred loved one. Another MFI had a radio station draw customer receipt numbers at random and announce prizes for the winner (such as baseball caps and t-shirts) with the MFI's logo on them.

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

What about reward and incentive programs?

Client reward and retention activities are closely related to sales promotion but they are geared towards retaining high quality, high value clients and rewarding client behaviour that benefits the MFI – for example regular and prompt repayment of loans or maintenance of high savings balances. To work effectively, the incentive offered to the client must constitute a real benefit, and experience suggests that it is important to keep reward/incentive schemes simple to ensure that the customer understands them and that they are easy to manage and administer for the MFI.

Examples of client reward and incentive schemes include Centenary Bank's automatic access to credit for long-term clients with an excellent repayment record, Bank Rakyat Indonesia's interest rebate for prompt payments on loans, and CARD Bank's Gold Card for long-term, high-quality customers.

4. Public Relations

Public relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public. Most MFIs will get some form of publicity – even without trying. A public relations strategy aims to ensure that the publicity an MFI gets is good publicity.

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

The primary task of a public relations strategy is to ensure that there is a steady flow of positive, brand-strengthening stories circulated around the media to build strong links between your MFI and the public. The public relations function can be seen as playing the following roles:

- **Press relations** – placing newsworthy information in media appropriate for the target audience.
- **Product publicity** – generating positive institution or product-focused publicity.
- **Public affairs** – developing and maintaining national or local community relations.
- **Lobbying** – to influence legislation or regulation.
- **Investor relations** – with shareholders or the financial community.
- **Development** – liaising with donors or non-profit organisations to get financial or volunteer support.

With such a diverse set of roles to play, it is important for public relations to be coordinated, planned and targeted with care in order to ensure optimal impact and cost-effectiveness. MFIs should spend some

time examining their key stakeholders, their needs for information and the media through which it is best to communicate with them. There are a variety of tools that can be used to facilitate this important function, including:

- **News**, placed or naturally occurring – for best results the news relating to your MFI should tie into larger-scale current events
- **Speeches**, usually by senior staff, at conferences/workshops, etc.
- **Special events** such as news conferences, press tours, grand openings or educational programmes – usually these coincide with important events (branch openings, product launches etc.) or anniversaries (ten years of operation, the 100,000th loan made, etc.)
- **Informal lunches** to which a group of influential community members, media representatives or clients is invited
- **Written materials** such as annual reports, brochures, articles or company magazines/newsletters
- **Audiovisual materials** such as videos, slide-shows, etc., which are particularly powerful for audiences which cannot get out to see the front-end of your MFI in the field
- **Corporate identity materials**, including logos and signage, etc.
- **Public service activities** such financial advice for low-income families, training/information sessions etc.
- **Sponsorship** of activities and events or people – with education such an important issue for MFI clients, sponsoring the education of even a very few children (selected in a transparent and fair manner) can create excellent community relations and even press coverage; other MFIs have sponsored sporting events to publicise the institution to the attendees (as potential customers).

5. Direct Marketing

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

Direct marketing approaches used by MFIs include:

- the distribution of leaflets;
- kiosk marketing in busy places;
- direct mail;
- targeted press advertising; and
- participation in radio or TV programs with built-in direct response mechanisms (e.g., call-in talk shows).



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

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

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

- ❖ **Integrate individual sales strategies into one marketing communications mix.** Rather than plan and implement each strategy separately, design an overall communications mix that is consistent and coherent and makes sense given your MFI's larger mission and objectives. This can make budgetary

trade-offs both easier and more effective since resources can be allocated to achieve overall marketing objectives rather than specific goals of individual sales campaigns.

- ❖ **Balance sales and promotion efforts with institutional capacity to deliver.** If marketers and operations staff do not communicate well, an MFI's marketing efforts can easily outstrip the institution's capacity to deliver the value that it promised. This can have disastrous results, both in terms of lost customers and weakened institutional credibility.
- ❖ **Say it again and again.** Give your customer one good reason why she should buy from you and not someone else. Keep it short and simple and repeat it again and again. Repeat yourself visually, too. It makes you look more organised and professional, and easier to remember.
- ❖ **Don't raise expectations you cannot meet.** If an MFI leads a potential client to believe that it can do better or deliver something that it cannot, that client will eventually leave the institution disappointed or, even worse, feeling betrayed and will likely let a lot of people know it. MFIs are much better off if they communicate the value they **can** deliver, and focus on getting the market excited about that.
- ❖ **Remember AIDA.** AIDA is an old but useful marketing acronym that can help guide any MFI sales strategy: first get the audience's **Attention**, then generate its **Interest**, stimulate its **Desire** for the product, and give it clear instructions on the **Action** it should take to respond to that desire.

Checklist: Before moving on...

...make sure you're ready to deliver your message:

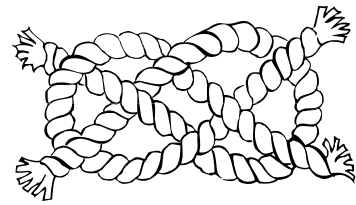
- ✓ What are your marketing objectives?
- ✓ Have you defined specific strategies for meeting those objectives?
- ✓ Have you identified a targeted message and communication mix for each target market?
- ✓ Will your sales strategy get your market's attention, generate its interest AND stimulate action?
- ✓ Are you raising expectations you can't meet?
- ✓ Do you have a plan for implementing your marketing communications strategy?
- ✓ How will you monitor the effectiveness of your communication?



Step 8: Tie it all Together with a Marketing Plan

“Visions demand a strategy; strategy requires a plan.”

“If you fail to plan, you are planning to fail.”



Why bother with a marketing plan?

With conditions changing so fast today, planning may at times seem futile. Most of us have moments when we feel like we spend more time preparing plans than achieving them. Yet, plan we must, because without a plan, we risk wandering aimlessly. We won't know what needs to be accomplished in order to achieve success, and thus, our chances of achieving success will be slim. As an alternative scenario, even a somewhat inaccurate plan is far better than no plan at all.

Some have argued that the process of planning may be even more important than the plans that emerge from it. This is because the planning occasion forces managers to schedule “thinking time.” They must think about what has happened, what is happening, and what might happen. They must set goals and get agreement. These goals must then be communicated to everyone, and progress towards the goals must be measured. Then, if goals are not achieved, corrective actions can be taken. For all these reasons and more, planning turns out to be an intrinsic part of any good management strategy – and product marketing strategy is no exception.

Your marketing plan can:

- Provide a framework and an opportunity for top-level thinking and focus.
- Increase familiarity, understanding and support for a market-led approach within your institution.
- Define a desired direction for future growth and provide a map for how to get there.
- Get everyone on the same page with respect to your product marketing strategy, thus increasing the consistency of your product and service delivery.
- Provide a tool through which you can market both internally and externally.
- Help staff feel part of a team engaged in an exciting and complicated joint endeavor. People don't always understand financial projections, but they can rally around a well-written and well-thought-out marketing plan.
- Guarantee institutional memory – if people leave or new people arrive, if memories falter, or if events bring pressure to alter assumptions, the information in the written marketing plan stays intact to remind you of what you've agreed on.

What is a Product Marketing Plan?

Your product marketing plan is a step-by-step, concrete guide for what your MFI needs to do in order to successfully market its product during a particular time period – usually one year. It lays out your game plan and assigns specific tasks to be accomplished during the year. It should not be a 200-page document loaded with numbers, text, diagrams and ads that no one has time to read and risks becoming obsolete before it is even printed. Rather, it should clearly and succinctly convey your product marketing goals and strategy as well as the cost of implementing that strategy.

What should be included in the plan?

A product marketing plan should contain five main sections: a situation analysis or background section, the product marketing objectives and goals, a product marketing strategy, an action plan, and controls.

Your table of contents might look something like this:

- I) Executive Summary
- II) Background
- III) Conclusions and Key Assumptions
- IV) Strategic Objectives
- V) Core Marketing Strategies
- VI) Key Product Policies
- VII) Activities and Results Expected
- VIII) Administration and Budget
- IX) Tracking and Analysing Results

Much of this information probably exists in the heads of your management team, but if you're like most MFIs, it's not written down. The marketing plan gives you the chance to put it clearly on paper. It gives you the opportunity to bring all of this relevant information together in one place, to stimulate, ideas and to justify actions.

How should I organise the “Background” section?

The planning process must begin with an objective assessment of the product's current situation. Therefore, no matter how you organise the background section, make sure it achieves this end. If you are preparing the plan for an existing product, you can include a statistical picture of the last few years of product sales, market share, prices, costs and profits, along with the main competitors' performances. Major driving forces in the market environment should be assessed regardless of whether your product is new or old, as should the current strengths, weakness, opportunities and threats facing your MFI and your product.

Typically, the background section is divided into three parts:

1. Macro-Environmental Analysis
2. Micro-Environmental Analysis
3. Institutional Self-Analysis

Macro-Environmental Analysis

In your analysis of the macro-environment in which you operate, you essentially want to look at four types of external factors and how they might impact your product. These include:

Political factors	e.g. regulatory framework, minimum capital requirements, changes or instability in national governance
Economic factors	e.g., rate and volatility of inflation, interest rates, currency prices, economic growth
Social factors	e.g., HIV/AIDS, demographics, cultural characteristics, public perception of the industry
Technical factors	e.g., communications infrastructure

This analysis is often referred to as PEST analysis. You can use the matrix provided in

Table 17 to help you organise an assessment of the political, economic, social and technical factors that are relevant in your environment, and to comment on the degree of threat or opportunity that each one poses to your product. Refer to Appendix A for additional guidance on the types of information you might want to collect in order to complete this analysis and the tools you might use to collect it. If you'd like to see an example of what a completed PEST Analysis Matrix might look like, see the product marketing plan case study for Tenga Savings Bank provided in Appendix B.

Micro-Environmental Analysis

The Micro-Environmental Analysis contains three components. One explores the market situation, another examines the competition, and a third takes a look at customer requirements, all from the perspective of your product. Details on the information requirements for this and all other micro-environmental analyses can be found in Appendix A.

Table 17: Macro-Environmental PEST Analysis Matrix

Factor	Event / Issue	Threat / Opportunity	Probability / Importance	Impact on Marketing Plan
Political	1. 2. 3. 4.			
Economic	1. 2. 3. 4.			
Social	1. 2. 3. 4.			
Technical	1. 2. 3. 4.			

Source: MicroSave

The section of the micro-environmental analysis that deals with the **market situation** should contain a succinct but clear description of the current state of the marketplace:

- ⇒ Who are the players?
- ⇒ What are the dynamics of competition? Are you operating in a:
 - **new market**, characterised by few or limited available financial services with little effective demand, where the focus for the institution is on developing appropriate products and creating a market for microfinance products, in general;
 - **growth market**, where there is substantial unmet demand for existing financial products and institutional focus is on developing the institution and systems to meet that demand; or
 - **mature market**, where financial services are readily available to the population, where competition is developing among service providers, and MFIs need to focus on improving responsiveness to client interests and on diversifying their products?
- ⇒ Who are your chief competitors?
- ⇒ What geographic area do you sell to?
- ⇒ What is the size of your market?
- ⇒ What are your sales trends?

The section of the micro-environmental analysis that deals with the **competition** can be constructed using the Competition Analysis Matrix and Competitive Position Analysis Matrix that you developed earlier in this manual. Both of these matrices can be annexed to your marketing plan, with a brief presentation in the plan itself of the implications of your analysis. Distinct from the discussion of the overall market, this analysis should focus only on those competitors with products that meet a similar customer need as yours. Pinpoint what your MFI's competitive advantage is and identify the product features or benefits it should emphasise relative to the competition. For an additional example of what a completed Competition Analysis Matrix and Competitive Position Analysis Matrix look like, see the product marketing plan case study for Tenga Savings Bank provided in Appendix B.

Last but not least, your micro-environmental analysis should include a **customer analysis**. This analysis should explore, in the context of the product you aim to market, what your target market's wants, needs

and preferences are and how your product is going to meet them. Your full analysis can be attached as an appendix to your plan, but in the plan itself, you should highlight the most important and most relevant customer requirements. The matrix provided in Table 18 can help you organise your analysis and the TSB case study in Appendix B gives you an example of how it is done.

Table 18: Customer Analysis Matrix for _____ Product

What	
benefit does the customer seek?	
factors influence demand for the financial service?	
factors influence the provision of the financial service to the customer?	
are important criteria for customers choosing this financial service?	
is the basis of comparison with other products?	
risks does the customer perceive?	
services do customers expect?	
How	
do customers buy?	
long does the process last?	
do various elements of the marketing programme influence customers at each stage of the process?	
and for what do customers use the financial services?	
much are they willing to spend?	
often do they transact?	
much do they transact?	
Where	
is the decision made to buy?	
do customers seek information about the product?	
do customers buy the product?	
Why	
do customers buy this financial service?	
do customers choose one brand as opposed to another?	
Who	
are the occupants of segments?	
buys our financial services and why?	
buys our competitors' financial services and why?	

Source: MicroSave

Institutional Self-Analysis

The last component of your background section is an institutional self-analysis. This analysis is essentially a candid introspection of your product's:

Strengths

Weaknesses

Opportunities

Threats

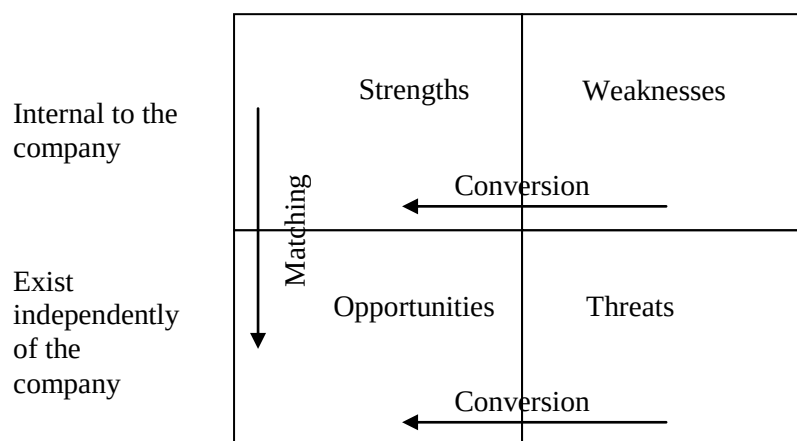
The strengths and weaknesses describe factors internal to your MFI while the opportunities and threats describe external forces faced by your MFI, as shown in Figure 11. In completing this analysis, you are likely to draw on the macro- and micro-environmental analysis described above, so it is useful if you complete those first.

Be careful not to fall into the trap of assuming that you've finished your institutional self-analysis once your list of strengths, weaknesses, opportunities and threats is complete. To make this list useful in the definition of marketing objectives and strategies you need to go three steps further.

- (1) Examine the extent to which it is possible to match your internal strengths with the opportunities presented by the market environment. Strengths which do not match any available opportunity will be of limited use, while opportunities which do not have any matching strengths cannot be exploited unless you make fundamental institutional changes.
- (2) Look for weaknesses that you might be able to convert into strengths in order to take advantage of an identified opportunity.
- (3) Consider whether you can convert any threats into opportunities, which can then be matched by existing strengths.¹⁹

Your SWOT analysis can be presented in simple bullet form in an appendix to your plan. However, in the body of the plan, select only the most important items and describe each one together with an indication of the implications for your marketing strategy. See Appendix B for an example.

Figure 11: SWOT Analysis Framework



Source: Ennew, et al. (2000)

Conclusions and Key Assumptions

You may choose at this point to summarise the wealth of background data you've collected and to highlight the most important conclusions that you've made as a result of your research and analysis. You may also want to state clearly any assumptions that you've made as a result of that research and analysis, particularly if the assumptions establish ground rules for the development of the remaining sections of your plan. This section is not "mandatory," but it can provide an important link between your analysis and your discussion of strategy by shedding some light on the reasons for which you made the decisions presented in subsequent sections of the plan.

Strategic Objectives

In this section, you paint your picture of the future: what marketing objectives do you want this plan to achieve? Each objective should reflect and complement the objectives of your business plan. It should also be SMART: Specific, Measurable, Achievable, Realistic and Time-bound. For example:

- To break even within 24 months of the start of the pilot test.
- To maintain customer time in the branch to less than ten minutes.
- To enlarge the overall customer base by 10% over two years.

Be careful to limit the number of marketing objectives you commit to in a given year so that you'll have the resources available to meet them.

¹⁹ Ennew, et al., *Marketing Financial Services*, (Oxford: Butterworth-Heinemann, 2000) 68-70

Core Marketing Strategies

This is the point at which you present the core marketing strategies that you defined in Step 6 of this manual: your product's brand name, tagline, USP(s), benefit statement, positioning statement. You'll also want to state the market or market segment(s) that you've chosen to target and succinctly describe the strategy that you'll use to communicate with each one.

- What will your key message be for each market?
- Will you use a push or a pull approach?
- What mix of sales and communications strategies will you use?

Key Product Policies

In this section, you should summarise your product's key characteristics using the 8 Ps framework:

Product	Positioning
Price	Physical Evidence
Promotion	People
Place	Process

Refer to the TSB case study in Appendix B for an example of how this might look.

Marketing Activities and Results Expected

In the objectives section of your marketing plan, you focus on the 'what' and the 'why' of the marketing tasks for the year ahead. In this implementation section, you focus on the practical areas of 'who,' 'where,' 'when' and 'how.'

The key task is to take each objective and lay out the steps you intend to take to reach it. One of the best ways to handle such details is through an activity matrix that lets you clearly and visibly plot actions across time. You can make the matrix as detailed or as big-picture as you want.

One of the best things about working with a matrix is its adaptability. Each block on the matrix can lend itself to another chart providing more detail. It should, however, include everything that's scheduled in the big picture, when it's scheduled and who the responsible party is. And don't forget to delegate responsibility as you go. One of the ways that you can get other people excited about and involved in your plan is by giving them a marketing objective to tackle. Choose some employees you can delegate to, assign them an objective and have them develop the detailed goals and tactics. You'll probably get some fresh ideas, and you'll certainly get enthusiasm.

Administration and Budget

The marketing plan needs to have a section in which you allocate a budget for each activity planned. This information shouldn't appear on the activity matrix since there's enough detail there already. But it should be in writing with the individual carrying overall program responsibility. People responsible for portions of the marketing activity should know exactly what funds are available to them. In fact, you would be wise to involve them in planning those budgets.

Be as objective as you can about those costs you can anticipate. For activities with which you have no budget experience, add 25 percent to your best estimate.

Tracking and Analysing Results

The reason you pick measurable marketing objectives is to have the ability to track your progress toward reaching them. Too many marketing efforts aren't quantifiable, which often results in unsatisfactory results. An effective marketing plan will include monthly or quarterly benchmarks against which performance can be measured.

To track progress on your marketing plan throughout the year, establish a regular schedule of meetings, and spell this out in writing. Scheduling quarterly meetings is usually best. At these meetings, responsible individuals should report on what they've accomplished in the last quarter, including how much of the budget has been spent.

As your activities move forward over time, you'll doubtless find the need to adjust the timing, the budget or the tasks themselves. At these points, you must decide whether to intensify your efforts, add more tactical steps to pick up the pace, or scale back your objectives. Make your changes in an organised manner, adjusting all the dependent tasks so that the plan shifts as a whole. Whatever your decision, make sure to update your marketing plan document. Put in writing your understanding of why you didn't reach your goals. Keep the original, and date and number all changes. All this information will be useful when you create next year's marketing plan.

Executive Summary

Put a brief summary at the front of your marketing plan that overviews its contents. Use bullet points, short sentences and bold type for major points. You can use a chart if you like to organise the presentation. Whatever you do, stay focused on the big issues and give your reader a concise description of what your MFI plans to do in the coming year.

The process of writing the executive summary can be quite useful, as it forces you to boil your thoughts down to their richest and most flavorful essence, which is always a good thing.

Step 9: Manage Your Product Marketing Strategy

No discussion of product marketing strategy could possibly be complete without at least a brief discussion of how to manage your strategy over a period of time. The concept of marketing management is one that is covered in some depth in other *MicroSave* publications, so there's no need to go into detail here.²⁰ It is important to at least mention, however, the most important principles of marketing management as they relate to product strategy so that you can be sure to keep them in mind as you design and refine your product marketing.

Perhaps Philip Kotler and his colleagues said it best when they wrote in 2001:

“Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.”

Recall that the successful marketing of financial services requires the building of trust, confidence and a long-term relationship between you and your customers. That is how you optimise sustainable product sales. A product marketing strategy that consists solely of a one-year marketing plan could miss the larger marketing challenge, which is both long-term and relationship-based.

To manage your product marketing strategy effectively beyond the one-year time frame of a marketing plan, there are three things to keep in mind:

1. Build your brand.



You're never finished marketing.

The more effectively you brand your product, the more your brand can facilitate your efforts to communicate the value your product brings to the market. It can make purchasing decisions easier for your customers; create emotional attachments to your MFI's products and services; and ultimately, help build customer loyalty. A well-developed brand is instantly recognisable, which makes customers comfortable; they feel they know the institution and what they can expect from it. The brand easily stands out in a crowded, competitive market, which facilitates word of mouth marketing. A well-developed brand also provides a certain level of assurance with respect to the quality and reliability of the services offered.

How, then, do you build an effective brand? Media agencies might suggest that brands are built through advertising campaigns, but Edward E. Furash, Chairman of Furash & Company, begs to differ, “Brand names are not built by advertising and promotion. They're built by living up to your promises, by repeat daily performance against a standard of excellence.”

This issue of delivering on a promise is important to any service business, but it is particularly important to financial service providers who are trying to build customer trust. This suggests a couple of tips for ongoing product strategy management:

- ✗ Don't falsely advertise the benefits of your product or make false claims about your competition.
- ✗ Don't raise expectations you can't meet. When trying to differentiate yourself from the competition it's both tempting and easy to put your product on a pedestal and exaggerate its benefits. The hype you create may sound good and get the market's attention, but if you make customers think you will do better than you can do, they'll end up disappointed. Even worse, they may decide that you misled them, or lied.
- ✗ Don't manipulate your customer. Although many strategies exist for convincing a customer to believe that a product delivers something that it doesn't just to land a sale, manipulating the value

²⁰ See *MicroSave's* toolkits on Corporate Brand and Identity, Customer Service Strategy, Strategic Marketing, and Product Development.

proposition will not convey integrity, will not build trust, and will have long-term negative repercussions for your brand.

- ✓ Instead, use your marketing plan as a tool to carefully craft and deliver targeted messages that make the process of meeting your promises relatively easy.
- ✓ Focus on getting the next sale, rather than the first sale.
- ✓ Actively seek out marketing strategies that will build your brand, for example, when choosing between two different fee structures that generate approximately the same amount of revenue.

2. Seek feedback.

Continuously monitor the delivery of your product and encourage feedback with respect to all aspects of your performance. Doing so will enable you to learn from both client and institutional experiences and will keep you in touch with the constantly changing needs, wants and preferences of your target market, as well as the internal and external environment in which you operate. This will make it possible for you to improve upon your current product marketing strategy and to make adjustments to current policies, activities and messages, while also informing future strategy decisions.

There are numerous ways to solicit feedback, including:

- A regularly monitored suggestion box;
- A customer service representative, prominently positioned at a desk in each branch
- A customer advisory board that meets periodically to discuss the current state of affairs in the institution from the customers' point of view
- Questions on loan applications
- Customer satisfaction surveys
- Targeted customer surveys
- Focus groups
- Mystery shopping
- A marketing audit
- A question and answer section in the staff newsletter
- Rewards to employees who present the best suggestions for improvement (either their own or their clients')

Take a look at how the feedback loop functions within your MFI and see what steps you can take to lubricate the flow of information around it.²¹ Make sure that information is not only coming into the institution, but is also getting channelled to a place within the institution where something useful can actually be done with it. Double check that key departments involved in the implementation of your product marketing strategy are communicating with each other and are providing the feedback necessary to ensure, for example, that the customer demand generated by the marketing department can be matched by the operational capacity of the institution to serve it. Taking steps to lubricate your feedback loop will increase the extent and speed with which your market can inform and influence your product marketing efforts.

3. Respond to feedback.

As simple as it may sound, the third and final point to remember when thinking about the long-term management of your product marketing strategy is responsiveness. Once feedback is received, either from within the institution or from outside of it, it is critical that the suppliers of the information be given some kind of response – to let them know you are listening, you received and appreciated the information offered, and you plan to do something valuable with that information. We come back to the issue of relationship building again and the need to encourage two-way conversation between you and your customers. If customers feel they are listened to, if they believe their input is valued, if they see the

²¹ For more information on the concept of the feedback loop and how to analyse it within your institution, see Michael McCord, "The Feedback Loop - A Process for Enhancing Responsiveness to Clients," *MicroSave*, 2001.

impact of changes made as a result of their having invested in a relationship with you... well, they're more than likely to keep investing in that relationship. On the other hand, if they try to interact with you and never get a response, they are likely to feel ignored and unimportant. The minute someone else offers them an opportunity for a more rewarding relationship, they will leave your MFI for another. Responding to feedback is a very effective strategy for building trust, and for building your brand.

It is also an effective product marketing strategy. After all, marketing is about meeting customer needs profitably, and feedback gives you valuable clues as to what you might do differently to meet those needs even better than you do now. Researching the clues that your internal and external customers provide and incorporating what you find into future product refinement, development and market strategy will not only keep your product from becoming stagnant; it will very likely result in sustainable, profitable sales.



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Appendix A: Information Package Intelligence Requirements and Sources

Information Packages	Intelligence Requirements	Tools	Details Collected
1. Market Analysis	Sizing the market and its growth characteristics: ➤ <i>What is the size of the market? What are the growth drivers? What are the forecasted implications of these?</i> ➤ <i>Does it have any important or potentially important sub-markets or segments?</i> ➤ <i>What segments are likely to reflect more sustained demand and what segments less sustained?</i> ➤ <i>What are the growth trends within these and do these impact on finance supply?</i> Market cost structure & profitability profile: ➤ <i>How attractive / profitable are the market segments?</i> ➤ <i>What are the substitute products and competitor intensity profile?</i> ➤ <i>What is the bargaining strength of customers & suppliers?</i> ➤ <i>What is the competition intensity profile?</i> ➤ <i>What are the cost implications in delivering to the sub-markets?</i> Distribution channels: ➤ <i>Are existing channels the optimal, are there alternate channels of distribution, how are channels changing and what are the implications on both supplier and customer?</i> Critical success factors: ➤ <i>What are they now (identified through customer & competitor analysis) and more importantly what will they be in the future?</i> ➤ <i>Need to differentiate between hygiene & differentiation based Critical Success Factors</i>	Secondary data sources: • Local government surveys/census • Donor agency evaluations/surveys • Newspapers etc. Quantitative Demographic Profile Surveys MicroSave Qualitative tools: • Cash Mobility Mapping • Financial Services Matrix • Financial Trend Analysis • Seasonality Analysis • Life-Cycle Analysis	Analysis of Potential Market's Demographic details: ➤ Marital status, ➤ Age, ➤ Education, ➤ Income, ➤ Employment (formal vs. informal), ➤ Where they live, ➤ What languages they speak, ➤ What % are literate, ➤ What newspapers or magazines do they read, ➤ Do they have TV or radio, ➤ Their programme preferences, ➤ What they do for entertainment etc., ➤ For what do they use their current financial services. ➤ Where they go to get financial services ➤ When do they need financial services ➤ For what reasons do they need lump sums of money/financial services

Information Packages	Intelligence Requirements	Tools	Details Collected
2. Competitor Analysis	Nature of the competitor environment: ➤ <i>With which organisations do we compete directly & are our most intense competitors (our primary competitors)?</i> ➤ <i>Who are our secondary competitors and more importantly, which could become primary?</i> ➤ <i>In terms of new market entrants – what are the barriers to entry? How can these be raised?</i> Evaluating the competition - full “8 Ps” analysis for primary competition: ✓ Product ✓ Price ✓ Positioning (perceptual, branding) ✓ Place ✓ Promotion ✓ People ✓ Physical evidence ✓ Process Competitor SWOT Analysis ➤ Market share analysis & market share trends ➤ Changes/trends in competition over time ➤ Inter-relationships between competition/ use of competitions’ financial services	<i>MicroSave</i> Competition Analysis Matrix using: • Secondary data from evaluations, industry reviews, newspapers, promotional materials etc. • Mystery shopping <i>plus</i> <i>MicroSave</i> Qualitative tools: • Financial Landscape tool for client perception analysis (to check this v. actual reality gathered above) • Financial Trend Analysis • Relative Preference Ranking • Venn/Chapati Diagrams • Quantitative Mini Surveys	Full “8 Ps” analysis for primary competition (formal and informal sector) ✓ Product ✓ Price ✓ Positioning ✓ Place ✓ Promotion ✓ People ✓ Physical evidence ✓ Process ➤ Changes/trends in competition over time ➤ Strengths and weaknesses of competition ➤ Inter-relationships between competition/ use of competitions’ financial services ➤ Market share analysis

Information Packages	Intelligence Requirements	Tools	Details Collected
3. Customer Analysis	Understanding the customer base: ➤ <i>Customer profile & demographic trends</i> ➤ <i>Product usage patterns & product demand drivers (why do customers use our products – for what purposes – what are they really buying?)</i> ➤ <i>Profitability by segment & profitability trends</i> ➤ <i>Customer satisfaction with supplier service</i> ✓ Efficiency ✓ Politeness ✓ Ability to communicate clearly etc. ➤ <i>Product attribute satisfaction</i> ➤ <i>Perceptions of product benefits & nature of benefits sought</i> ➤ <i>Price sensitivity</i> ➤ <i>Finance supplier selection drivers (why do customers chose us? Did they consider multiple suppliers and if so, what gave us the edge?)</i> ➤ <i>Are our customers being targeted by the competition?</i> ➤ <i>Are our customers aware of and familiar with the competition and what are there perceptions towards the competition (i.e. extent of threat)?</i>	Quantitative Demographic Profile Surveys MIS SERVQUAL MicroSave Qualitative tools: • Financial Trend Analysis • Financial Services Matrix • Product Attribute Ranking • Customer Service Ranking • Pair-wise Ranking • Relative Preference Ranking AIMS' Customer Satisfaction Tool Account opening/loan application questions Suggestion-boxes/competitions	Understanding existing customers: ➤ Demographic profiles: ✓ Marital status, ✓ Age, ✓ Education, ✓ Income, ✓ Employment (formal vs. informal), ✓ Where they live, ✓ What languages they speak, ✓ What % are literate, ✓ What newspapers or magazines do they read, ✓ Do they have TV or radio, ✓ Their programme preferences, ✓ What they do for entertainment etc., ✓ For what do they use their current financial services ➤ Product usage patterns ➤ Profitability by segment ➤ Customer satisfaction ✓ Efficiency ✓ Politeness ✓ Ability to communicate clearly etc. ➤ Customer Profiles ✓ Age ✓ Region ✓ Income ✓ Loan Cycle ✓ Length of membership ✓ Loan Amounts Taken ✓ Loan Repayment History ✓ Savings history ✓ Product profitability relationships ✓ Economic activity – sector ✓ Error posting rate ✓ # of transactions per hour etc. Customer satisfaction with services

Information Packages	Intelligence Requirements	Tools	Details Collected
			Customer perception of importance of services ➤ Customer satisfaction ➤ Product attribute satisfaction ➤ Perceptions of product benefits ➤ Basic demographic data (see “Quantitative Demographic Profiles” above) ➤ Where they learnt about the service they are buying ➤ Recommendations for improvements made by clients/staff
4. PEST Analysis	Current and future environment: ➤ <i>Political</i> ➤ <i>Economic (& legislative)</i> ➤ <i>Social (including environmental)</i> ➤ <i>Technological</i>	➤ Secondary data review ➤ <i>MicroSave</i> qualitative research tools: – Detailed Wealth Ranking – Time Series (modified to project future trends too) – Gendered Financial Services Matrix – Household Generation, Receipt and Spending of Cash Analysis – Expenditure and Saving to Meet Expenditure Analysis	Current and future environment: ➤ Political ➤ Economic ➤ Social ➤ Technological

Information Packages	Intelligence Requirements	Tools	Details Collected
5. Pre- and Post-Testing		Focus Group Discussions and (sometimes) individual interviews AIMS' Customer Satisfaction Tool	To assess perceptions/ understanding of and associations with: ➤ Brands ➤ Taglines ➤ Corporate identity/Position ➤ Product concepts ➤ FAQs Participants' language
6. Ad Hoc 1		Secondary data – publications (policy statements etc.) Networking/Relationship building	The needs and expectations of your stakeholders
7. Ad Hoc 2		Activity Costing Analysis Process Mapping	Processes and internal controls with a view to optimising these: ➤ Activity Dictionary ➤ Activity Timings
8. Ad Hoc 3		IT Risk Analysis	Risk analysis of: ➤ Design and acceptance testing error ➤ Inadequate functionality and compatibility ➤ Bugs ➤ Systems and power supply failure ➤ Communications network downtime ➤ Abuse and security breaches ➤ Impermanence of electronic records ➤ Audit trail deficiencies ➤ Teleworking and remote access circumventing controls
9. Ad Hoc 4		Outlet Feasibility Analysis	Market Analysis (see above) plus Infrastructure Assessment: - Road - Electricity - Telephone - Security etc.

Source: Wright, et al., "Strategic Marketing for Microfinance Institutions," MicroSave, 2003 Appendices 1a and 1b

Appendix B: Product Marketing Plan for Tenga Savings Bank's Premium Fast Account

MicroSave

Market-led solutions for financial services

Shelter Afrique Building, Mamlaka Road
P.O. Box 76436, Yaya 00508, Nairobi, Kenya
Tel: 254 20 2724801 / 2724806
Fax: 254 20 2720133
Website: www.MicroSave.org
Email: info@MicroSave.org

Tenga Savings Bank

Premium Fast Account

"Unlimited Withdrawals - Fast!"

Executive Summary Marketing Plan 2002

Background: With the liberalisation of the Tengan financial market and the sharp decline in the T-bill rates, TSB is confronted with a very competitive environment. The Premium Fast Account (PFA) is one of the key strategies adopted by TSB to respond to the competition. The PFA is more efficient for the bank and for its customers and offers a way of improving the quality of service to the customers and image of TSB as a financial institution.

The **Strategic Goal** of the Premium Fast Account is to increase the efficiency (teller-client service time < 2 minutes), number (> 24% growth pa) and average value (> 22% pa) of accounts held at TSB through migrating passbook account holders onto the Premium Fast Account and seeking new customers from institutions, petty traders and groups.

Selling PFA to the Clients:

The Premium Fast Account (***"Unlimited Withdrawals - Fast!"***) is ***the account for the saver who wants a secure place to save with fast and easy access to his/her money.***

The Premium Fast Account (***"Unlimited Withdrawals - Fast!"***) offers the following **benefits**:

- It is a **Fast**: a computer operated account so ***you no longer have to wait in long lines***;
- It is **Safe** since if you lose your card, no one can use it to withdraw money and TSB is a stable government-backed bank so ***your deposits are secure***;
- It is **Easy** since the minimum balance is Tsh.5,000 and customers can deposit and withdraw money any time they need, ; and if they need to transact away from their Premium branch they can transfer money onto their passbook and use that, so ***it is flexible and responsive to your needs***; and
- **Interest** is paid at the end of each year so ***you can earn money on your deposits***.

The Markets for PFA:

Target Market	Strategy	Target #s
Existing Passbook Account Holders	Key message: "PFA is Faster, Safe, Easy and Earns Interest" Selling direct to the customer through direct marketing by tellers, posters/brochures and FAQ sheets	4,000
Institutions	Key Message: "You can process salaries through this account and your staff will have fast, safe, easy access to their money" Selling direct to the customer through direct marketing by branch managers and marketing department, posters/brochures (possibly specially designed brochures) and specially tailored FAQ sheets	3,000
Petty Traders	Key Message: "Why spend time away from your business? This account is fast, safe, easy and earns interest ... and has a minimum balance of only Tshs.5,000" Creating demand by targeted radio/newspaper advertisements, promotion campaigns/launches and posters	1,000
Savings Groups	Key Message: "Keep your money safe in this fast, easy access account that earns interest for your group" Creating demand by targeted radio/newspaper advertisements, promotion campaigns/launches and posters	400

The launch of the modern, fast and efficient PFA will start a rigorous campaign to **improve customer service standards** in TSB to prove to our customers that TSB real is the bank for their convenience.

MicroSave – Market-led solutions for financial services

Tenga Savings Bank Premium Fast Account *“Unlimited Withdrawals – Fast!!”*

Marketing Plan 2002

1. Background:

1.1 Macro-Environmental Analysis (see Appendix 1.1 for details)

- With the enactment of the micro finance policy, the Government of Tenga has sought to increase the number and type of institutions involved in offering financial services to the poor.
- Customers remain more confident in public owned institutions and the recent spate of bank failures has made people aware of the dangers of unsecured deposits.
- Interest rates on Treasury bills, the traditional source of income for TSB, have decreased from highs of 36% to around 4-5% thus placing TSB under great pressure to improve efficiency and increase fee-based income.

1.2 Micro-Environmental Analysis

1.2.1 The Market:

- The Tengan market is increasingly competitive as several banks – including NMB and ACB – have entered the lower-income market. Despite having recently increased its minimum balance requirements, CRDB also remains a serious competitor with an extensive computer-linked network of 24 branches. NBC is expected to complete its modernisation process and emerge as a significant competitor in the near future.
- Currently, the two chief competitors for TSB's PFA are CRDB and NMB (see Appendix 1.2.1 The Competition Analysis). As NBC completes its restructuring, it is likely to become a major competitor.

1.2.2 The Competition:

Comparing PFA with the equivalent products (see Appendix 1.2.2) demonstrates that TSB staff should stress the following:

- **Fast:** It is a modern, computer operated account – you will be typically served in just 3 minutes
- **Safe:**
 - If you lose your card, no one can use it to withdraw money and
 - TSB is a stable government owned bank
- **Easy:**
 - Customers can deposit and withdraw any amount at any time they need
 - TSB's opening hours from 8.30am to 4pm Monday-Friday and 8.30am-12pm on Saturday
 - TSB has an extensive branch network and if customers move around the country, they can transfer money from the PFA onto their passbook and withdraw at upcountry outlets using the passbook
 - The minimum balance of Tshs.5,000 is the lowest on the market and
 - Customers can open an account without referee account holders from the bank
- **Interest:** Is calculated monthly and paid at the end of each year.

1.2.3 The Customers:

The customers want:

- Ease of withdrawal/deposit – any amount at any time

- Unlimited withdrawals of savings on deposit
- Low minimum balance
- Speed of service < 3 minutes at the counter
- Security of deposits
- Portability of service (can only be delivered if customer has both passbook and card “Premium Fast Account”)
- Courteous, efficient service

(See Appendix 1.2.3: Customer Analysis Matrix)

1.3 Institutional Self-Analysis (SWOT) – See Appendix 1.3

Key Strengths	Implications for Marketing
Government participation in shareholding invokes customers’ confidence in the bank	Should stress this in marketing campaign
Customers/clients convenient service. With PFA a client can withdraw or deposit anytime he/she wishes.	Should stress this in marketing campaign
Fast-computerised service	Should stress this in marketing campaign
Low opening and minimum balance that enables anyone to open the account	Should stress this in marketing campaign
Key Weaknesses	Implications for Marketing
Branch-tied (“domiciled”) nature of account – loss of mobility	Encourage customers to transact most business using PFA and to transfer funds to passbook when travelling
Staff lacks knowledge of PFA	Circulate marketing plan Run articles in in-house magazine Run competitions amongst staff answering questions on PFA
Poor customer service as manifested in long queues, long service time and mishandling of customers.	Customer service standards Equip tellers with 3-4 sentences to sell PFA to passbook account holders
Staff not trained in modern service delivery methods	Institute and monitor customer service standards Institute “branch employee” of the month – voted by customers Suggestion boxes and follow-up
Government participation in ownership suggests inefficient and bureaucratic tendencies.	Stress PFA as “fast and efficient” Institute and monitor customer service standards Institute “branch employee” of the month – voted by customers Suggestion boxes and follow-up

Key Opportunities	Implications for Marketing
The liberalised exchange rates and interest regime allow competitive pricing of services the bank offers and receives.	Track competition's pricing
Potential for increased customer deposits from higher remuneration packages of restructured parastatals, if the bank adopts aggressive deposit mobilisation.	Consider targeting this segment
Key Threats	Implications for Marketing
Strong competition resulting from liberalisation of the financial sector	Conduct regular competition analysis
Negative attitude due to long time servicing in Passbook Savings Account and SAYE account	Transform into an opportunity by selling PFA as the solution to the problems of these accounts Equip tellers with 3-4 sentences to sell PFA to passbook account holders

2. Strategic Goal:

The strategic objective of the Premium Fast Account is to increase the efficiency (teller-client service time < 2 minutes), number (> 24% growth pa) and average value (> 22% pa) of accounts held at TSB through migrating passbook account holders onto the Premium Fast Account and seeking new customers from institutions, petty traders and groups.

3. Core Strategies:

3.1 Brand Name

Premium Fast Account

3.2 Tagline

"Unlimited Withdrawals – Fast!"

3.3 Unique Selling Proposition (the difference that makes a difference)

"The safe account that offers fast, unlimited withdrawals at the customer's convenience".

3.4 Benefit Statement

The Premium Fast Account (*"Unlimited Withdrawals – Fast!"*) is **the account for the saver who wants a secure place to save with fast and easy access to his/her money.**

The Premium Fast Account (*"Unlimited Withdrawals – Fast!"*) offers the following benefits:

It is a **Fast**: a computer operated account so **you no longer have to wait in long lines**;

It is **Safe** since if you lose your card, no one can use it to withdraw money and TSB is a stable government-backed bank so **your deposits are secure**;

It is **Easy** since the minimum balance is Tsh.5,000 and customers can deposit and withdraw money any time they need; and if they need to transact away from their Premium branch they can transfer money onto their passbook and use that, so **it is flexible and responsive to your needs**;

And **Interest** is paid at the end of each year so **you can earn money on your deposits**.

3.5 Positioning Statement

Who	Tenga Savings Bank's Premium Fast Account
What	provides fast, flexible savings account
For Whom	for our existing passbook savings account holders, institutions looking for an efficient way of paying salaries, traders and savings groups
What Need	offering a convenient account in a secure bank.
Against Whom	Unlike other products in the market Tenga Savings Bank's Premium Fast Account
What Different	allows customers to deposit and withdraw any amount as often as they want
For What Benefit	so they can make unlimited withdrawals – fast!

3.6 Target Market Segments and Strategies

TSB will sell the PFA to the following differentiated markets:

Target Market	Strategy
Existing Passbook Savings Account Holders	Key message: "PFA is Faster, Safe, Easy and Earns Interest" "Push": selling direct to the customer through: ➤ direct marketing by tellers (see Appendix 3.5.1) ➤ posters/brochures ➤ FAQ sheets (see Appendix 3.5.2)
Institutions	Key Message: "You can process salaries through this account and your staff will have fast, safe, easy access to their money" "Push": selling direct to the customer through: ➤ direct marketing by branch managers and marketing department ➤ posters/brochures (possibly specially designed brochures) ➤ specially tailored FAQ sheets
Petty Traders	Key Message: "Why spend time away from your business? This account is fast, safe, easy and earns interest ... and has a minimum balance of only Tshs.5,000" "Pull": creating demand by: ➤ targeted radio/newspaper advertisements ➤ promotion campaigns/launches ➤ posters
Savings Groups	Key Message: "Keep your money safe in this fast, easy access account that earns interest for your group" "Pull": creating demand by: ➤ targeted radio/newspaper advertisements ➤ promotion campaigns/launches ➤ posters

4. Key Product Policies:

Product:	
Opening Balance	Tshs.5,000/=
Minimum Balance	Tshs.5,000/=
Other Requirements	2 coloured photos, employment ID card for employees and a school ID for students. An introductory letter from ward secretary (Katibu kata Mtendaji) for unemployed customers.
Other facilities	A passbook for Savings Account and a card for Premium Fast Account holder.
Deposit policy	Any amount during office hours.
Withdrawal policy	Withdrawal is limited to the minimum amount of opening the account.
Price:	
Interest rate paid	Minimum interest earning balance is Tshs.50,000/= interest is rate paid of the available balance of 2.5%.
Overdraft interest rate charged.	No overdraft facility available with this account.
Service fee	None
Account opening fees	None
Ledger fees	Tsh.350 per month.
Deposit fee	None
Withdrawal fee	Tsh.100 per withdrawal transaction.
Account closing fee	Tsh.5,000
Promotion:	
Marketing Information	Enquiries desk within the branch. Tellers' direct marketing. Notice in the branch, poster, brochures, leaflets, FAQ sheets, signboards.
Advertising	Local TV and Radio Stations; Local newspapers; Quarterly magazines; Internet.
Place:	
Location and Banking Hall environment.	Located right in town. Branches are small and congested, banking halls are not well organised especially Morumu and Kirusha branches.
Number of branches	8 branches and 26 sub-branches
Positioning:	
Slogan/ Vision	TSB: "Savings are your future". PFA: "Unlimited Withdrawals – Fast!"
Corporate Image and Product image	Attract small and medium scale savers. Designed for small and medium class income earners. TSB's image is poor but PFA is viewed as an attempt by the bank to modernise itself
Physical Evidence:	
	Passbook for Passbook Savings Account and card for Premium Fast Account
People:	
Clients' Perceptions	Enquiries desk busy for TSB clients. Tellers of passbooks are not kind to customers. Tellers are not present at their cubicles. Some of the tellers use harsh language to customers or prospects.
Process:	
	Low tech and slow service for passbook. IT system and staff efficient, fast for PFA

5. Objectives, Strategies and Activities (See Appendix 5 detailed marketing activities plan)

Objectives	Strategies
Objective 1: To increase the number of PFA customers at an average of 24% per annum (base 35,500)	Strategy 1.1 To roll out PFA in 15 new outlets Strategy 1.2 To promote PFA in new outlets using official launches, posters, brochures, FAQ sheets and direct marketing by all tellers To promote PFA in existing branches using posters, brochures, FAQ sheets and direct marketing by all tellers Strategy 1.3 To encourage existing passbook holders to use PFA as their primary account using direct marketing by tellers, brochures and FAQ sheets Strategy 1.4 To provide incentives to PFA customers using raffles
Objective 2: To increase the PFA net deposit by 22% per annum (base Tsh.8,239,500).	Strategy 2.1 Embark on an aggressive deposit mobilisation campaign Strategy 2.2: Conduct on-going market intelligence on competitors operations and communicate the key findings to all staff in TSB
Objective 3: To establish fast (teller-client interaction <2 minutes), accurate, courteous and efficient workforce on PFA operations within six months	Strategy 3.1 To train staff in policies and procedures/marketing techniques of PFA Strategy 3.2 Establish and monitor PFA staff performance measures and customer service standards
Objective 4: To increase product awareness by reaching more than 100,000 prominent/corporate customers per annum	Strategy 4.1 To strengthen information communication among all staff on PFA using in-house magazine and briefing sessions Strategy 4.2 To strength and disseminate information communication to potential PFA customers using radio and newspaper advertisements Strategy 4.3 To visit institutions and petty-trading communities using marketing officers and branch managers with posters, brochures and specially tailored FAQ sheets

Appendix 1.1 TENGA SAVINGS BANK

MARKETING PLAN FOR PREMIUM FAST ACCOUNT

1.1 MACRO ENVIRONMENTAL ANALYSIS

FACTOR	EVENT/ISSUE	THREAT/ OPPORTUNITY	PROBABILITY/ IMPORTANCE	IMPACT ON MARKETING PLAN	KEY ASSUMPTIONS
<i>Political</i>	1. Enactment of Micro Finance policy.	a) It is an opportunity because the Micro Finance Policy has three components which are: • Savings • Credit and • Payment system. Due to their need for loans, people will automatically open accounts as a means to receive their loans and hence, increase deposits. b) It also provides an opportunity to mobilise fresh deposits into the existing accounts as income levels increase. c) It provides a threat since some microcredit organisations will be allowed to mobilise deposits and thus become competitors for low-income clients.	Short-term: low probability Medium-term: high probability It is important because it touches our deposit and income levels. Through a focus on long-term sustainability will the majority of low-income people have a chance of gaining access to financial services. It is important because it touches our deposit and income levels.	Will increase the level of deposits and ultimately levels income. Tenga Savings Bank should look to <i>form alliances with and/or market savings accounts through microcredit organisations.</i> Tenga Savings Bank should <i>market its history and stability</i> compared to these new (and by implication unstable and high risk!) microfinance organisations.	The government is backing the policy. We assume individual income levels will increase and therefore positively impact Tenga Savings Bank's situation.

FACTOR	EVENT/ISSUE	THREAT/ OPPORTUNITY	PROBABILITY/ IMPORTANCE	IMPACT ON MARKETING PLAN	KEY ASSUMPTIONS
	2. Restructuring of the financial sector.	It is an opportunity because customers are confident with government owned institutions more than private owned ones e.g. NBC which was earlier state owned, it deteriorated rapidly later after it was privatised.	High probability (on-going) The event is important because customers have lost faith in private banks due to sudden bankruptcy e.g. Meridian Biao Bank and Greenland Bank.	Will increase the level of deposit and ultimately levels income. Tenga Savings Bank should <i>market its status as a government-backed savings bank</i> that offers a stable, secure option for savers.	It is assumed that Tenga Savings Bank will continue to be a state owned bank at least for the next five years. It will therefore retain the existing customers and attract new ones. At the same time, the bank needs to move away from the manual system to advanced services delivery mode.
	3. Debt relief to Highly Indebted Poor Countries (HIPC).	a.) It is an opportunity because top leaders use this even to convince people to save for their future use. Based on political propagandas, people will save and thus make additional deposits. b.) Loans granted to women and youth groups (as special consideration/favour) would need an account for the loans to be channelled through. Thus, increase the number of customers.	High probability It is important because people see sense of savings after having been convinced by big politicians to save for their personal benefit. Medium probability It is important because loan needs will automatically cause customers to open account and PFA seems to be the most appropriate and convenient one.	Will increase the level of deposit and ultimately levels income. Tenga Savings Bank should <i>look for endorsement from political leaders for people to save</i> at TSB Will increase the level of deposit and ultimately levels income. Tenga Savings Bank should look to <i>form alliances with/market savings accounts through microcredit organisations.</i>	It is assumed that debt relief will persist and benefit individuals in the sense that, they will now work hard and cultivate the culture of saving.
Economic	1. Inflation rate dropping further to 4%	It is an opportunity because it encourages the propensity to save.	Medium probability It is important because it means that the real value of deposits is protected.	Higher amount to be deposited, thus increase deposit levels. Tenga Savings Bank should <i>market the protection of real value of deposits as inflation decreases.</i>	It is assumed that inflation rate will remain stable or continue to decline for high economic growth. Individuals will have an opportunity to make savings due to predictable expenditure.

FACTOR	EVENT/ISSUE	THREAT/ OPPORTUNITY	PROBABILITY/ IMPORTANCE	IMPACT ON MARKETING PLAN	KEY ASSUMPTIONS
	2. Drop of the market interest rate to 2.5% p.a.	It is an opportunity because it reduces interest expenses to the bank therefore. It is a threat since top-end savers may be prompted to look elsewhere for better rates of interest.	Medium probability It is important because reducing interest rates can save the bank substantial amounts. However, declining interest returns may mean high value savers look for alternative savings mechanisms	Tenga Savings Bank should <i>reduce its interest rates</i> in line with the market, but <i>promote/ market the tax-free nature of the interest payments made on accounts held with TSB</i>	By having lower inflation rate, customers will be attracted to save their money because they will realise positive returns on their savings, i.e. real interest rate.
	3. Debt relief to Highly Indebted Poor Countries.	It is an opportunity because it increases government expenditure domestically which in turn will enhance individual income that will later deposit with a reliable bank, which is Tenga Savings Bank.	High probability It is important because it creates opportunities for people to save for the future.	Tenga Savings Bank should <i>market its stability and the need for people to save for the future.</i>	It is assumed that domestic government investment will increase attracting for more employment and booming economic activities.
Social	1. AIDS epidemic.	a) It is an opportunity because small awareness groups are being formed for convenient financial and advice support. Such groups end up opening accounts so as to be able to channel through the financial supports they receive and the convenient account is PFA which maintains low opening and account minimum balance. The PFA rules are convenient as well. b.) It is a threat because many of our customers are dying daily due to this killer disease. c) It is also a threat because staff TSB may not serve HIV/AIDS infected people with appropriate dignity and respect.	High probability (on-going) It is important because it touches our deposit and income levels.	Higher amount to be deposited, thus increase deposit levels. Tenga Savings Bank should <i>market its stability and the need for people to save for the future.</i> Decrease of deposit levels and number of customers. Tenga Savings Bank should <i>market its stability and the need for people to save for the future.</i> May necessitate targeted recruitment drive for customers. Consider <i>HIV/AIDS awareness programme</i> – particularly for bank staff	It is assumed that all small awareness groups will deposit their financial assistance with Tenga Savings Bank after aggressive deposit mobilisation campaigns.

FACTOR	EVENT/ISSUE	THREAT/ OPPORTUNITY	PROBABILITY/ IMPORTANCE	IMPACT ON MARKETING PLAN	KEY ASSUMPTIONS
	2. Social and Family groupings.	a.) It is an opportunity because people open new accounts on group basis, thus providing TSB with additional deposits and customers.	High probability (on-going) It is important because it touches our deposit and income levels and the market trend shows.	Higher amount to be deposited, thus increase deposit levels. Tenga Savings Bank should <i>specifically target these groups as savings clients.</i>	
	3. Small Enterprises.	There has been a significant growth in small enterprises financed by microcredit organisations and retrenchment payments. It is an opportunity because groups running small enterprises open accounts so as to channel through their loans from microcredit organisations.	High probability It is important because it touches our deposit and income levels and the market trend shows.	Increases level of deposit and ultimately levels income. Tenga Savings Bank should <i>look to form alliances with/market savings accounts through microcredit organisations</i>	
Technical	1. Satellite networking services by the banking industry.	It is a threat because we Tenga Savings Bank are not ready and capable to have it in the near future though processes are under way.	High probability: it is already in operation in other banks.	Lose and miss new customers thus miss deposits and revenues – due to “domiciled” (branch-tied) account. Short-term: Tenga Savings Bank should <i>market the passbook together with the card-based product so that portability is maintained.</i> Long-term: Tenga Savings Bank should <i>move towards a satellite networked system</i>	It is assumed that Tenga Savings Bank will modernise its operations due to current market trend. This will enable customers to transact Premium Fast Account in all branches, which are scattered all over the country.

FACTOR	EVENT/ISSUE	THREAT/ OPPORTUNITY	PROBABILITY/ IMPORTANCE	IMPACT ON MARKETING PLAN	KEY ASSUMPTIONS
	2. Networking of the computerised PFA services.	It is an opportunity because it will allow accessibility of customers to transact in any location/branch all over the country in contrast to the current operations, which are “domiciled” – based in one branch.	Short-term: Low probability Long-term: High probability It is important because it will increase the volume of transactions and customers.	In the long-term, it will increase Tenga Savings Bank’s revenue. Increase the number of customers and deposits. Short-term: Tenga Savings Bank should <i>market the passbook together with the card-based product so that portability is maintained.</i> Long-term: Tenga Savings Bank should move towards a satellite networked system	It is assumed that Tenga Savings Bank will modernise its operations due to current market trend. This will enable customers to transact Premium Fast Account in all branches, which are scattered all over the country.

Appendix 1.2.1 TENGA SAVINGS BANK

MARKETING AND BUSINESS DEVELOPMENT DEPARTMENT Marketing Intelligence Report – Nov, 2001

SAVINGS COMPETITION ANALYSIS

Product: SAVINGS ACCOUNT	TSB	ACB	CRDB	NMB	NBC	EXIM	KCB	S&F
PRODUCT (DESIGN)								
Opening Balance	Tsh.5,000	Tsh.12,000	Tsh.50,000	Tsh.11,000	Tsh.100,000	Tsh.50,000	Tsh.100,000	Tsh.100,000
Minimum Balance	Tsh.5,000	Tsh.12,000	Tsh.50,000	Tsh.10,000	Tsh.5,000	Tsh.50,000	Tsh.100,000	Tsh.100,000
Other Requirements	2 coloured photos, employment ID card for employees and a school ID for students. An introductory letter from ward secretary (Katibu kata Mtendaji) for employed customers.	2 colored photos, employment ID card for employees and a school ID for students. Two referees who possesses an account at ACB.	2 colored photos, employment ID card /school ID card for students. 2 referees who posses or holds account at CRDB (for students not applicable)	Employment ID card for employees and a school ID for students, 2 coloured photos, no need of referees who holds account at NMB.	Employment ID 2-colored photos no need of referees who hold account at NBC-school ID for students.	Employment ID card, 2 colored photos – no need of referees. School ID for students.	Employment ID card, 2 colored photos – no need of referees. School ID for students.	ID card, 2 passport size photos, 1 referee who maintains an account with Saving & Finance.
Other facilities	A passbook for Savings Account and a card for Premium Fast Account holder.	A card to identify the account holder.	A card to identify the account holder.	A card to identify the account holder.	A card to identify the account holder.	Cheque book provided if you hold an account with Tsh.200,000.	Cheque book provided if you hold an account with Tsh.250,000.	Neither card nor passbook is given to the customer but a bank statement is provided. Any amount during office hours.

Product: SAVINGS ACCOUNT	TSB	ACB	CRDB	NMB	NBC	EXIM	KCB	S&F
Deposit policy	Any amount during office hours.	Any amount during office hours.	Any amount during office hours.	Any amount during office hours.	Any amount during office hours.	Any amount during office hours.	Any amount during office hours.	Any amount during office hours.
PRICE								
Withdrawal policy	Withdrawal is limited to the minimum amount of opening the account. A client can draw anytime any amount.	Withdrawal is limited to the minimum amount of opening the account.	Anytime, any amount a client can draw but a total withdrawal should not exceed Tsh.1,000,000 per week.. Against that a client is to pay Tsh.10,000 as a charge or give a notice 7 days prior the withdraw.	Client can draw twice in a week. Although they are not strict on this. If you over draw your account you are supposed to pay an addition of Tsh.1,000 of the amount overdrawn.	Withdrawal is limited to the minimum balance of Tsh.5,000 - no withdrawal fee.	Withdrawal is limited to the minimum amount of Tsh.50,000 - no withdrawal fee.	Withdrawal is limited to the minimum amount of Tsh.100,000 - no withdrawal fee.	Withdrawal below Tsh.100,000 is allowed but the amount has to be repaid at the 2 nd of the same month.
Interest rate paid	Minimum interest earning balance is Tsh.50,000 interest is rate paid of the available balance of 2.5%.	Minimum interest earning balance is Tsh.50,000 of 5%.	Minimum interest earning balance is Tsh.100,000 Interest rate is 4%.	Minimum interest earning balance is Tsh.50,000 Interest rate is 3.75%.	Minimum interest earning balance is Tsh.200,000 of 4%.	Minimum interest earning balance is Tsh.250,000 of 2%.	Minimum interest earning balance is Tsh.100,000 of 4%.	
Overdraft interest rate charged.	No overdraft facility on Savings.	It is subject to negotiation.	It is subject to negotiation.	No overdraft facility on Savings.	No overdraft facility on Savings.	No overdraft facility on Savings.	No overdraft facility on Savings.	No information Available.
Service fee	None	None	None	None	None	None	None	None
Account opening fees	None	None	None	None	None	None	None	None
Ledger fees	Tshs.350/= per Month.	None	Tshs.350/= per month. Whether drawing or not	Tshs.100/= per month	None	None	Tsh.500 per month.	None
Deposit fee	None	None	None	1.5% on forex deposits.	None	None	None	None
Withdrawal fee	None	None	Tsh.350per withdrawal.	Withdrawal fee is charged on forex transactions 1.5%	None	None	None	None
Account	Tsh.5,000	Free	Free	Free	No inform'n	Free	Free	Tsh.5,000 with

Product: SAVINGS ACCOUNT	TSB	ACB	CRDB	NMB	NBC	EXIM	KCB	S&F
closing fee					available.			one day notice.
PROMOTION								
Marketing Information	Enquiries desk within the branch. Notice in the branch poster, brochures, leaflets, signboards.	Enquiries desk within the branch. Notice in the branch.	Posters, brochures, leaflets, signboards. Enquiries desk within the branch.	Enquiries desk within the branch. Notice in the branch.	Enquiries desk within the branch. Notices in the branch.	Enquiries desk within the branch. Notices in the branch. Posters and signage.	Enquiries desk within the branch. Notice in the branch Signboards.	Enquiries desk within the branch. Notices in the branch.
Advertising	Local TV and Radio Stations; Local newspapers; Quarterly magazines; Internet.	Directly reaching out to the potential customers through marketing officers. Local TV and Radio Station.	Local TV Radio station Local and National Newspapers. Quarterly magazines Internet.	Local National newspapers.	Local National newspapers Internet.	Local National newspapers Internet.	None	Local National newspapers.
PLACE								
Location and Banking Hall environment.	Located Right in town. Branches are small and congested, Halls are not well organised especially Manzese and Mkwepu branch.	Right in town Branch is small and congested.	Right in town Spacious and attractive Well-organised hall especially PPF Tower and Holland House branches.	Right in town Modest.	Right in town Spacious Well-organised hall especially City Drive branch.	Right in town small and attractive.	Right in town, Spacious and Well-organised hall with dull atmosphere.	Right in town small and attractive Well-organised hall.
Number of branches	4 branches; 15 sub-branches	3	24	95	36	2	2	1
POSITIONING								
Slogan/ Vision	The bank for your convenience.	The bank for your development	The bank that listens	None	Banking in progress. Modernising your banking	Tanking you ahead	Customer first	None

Product: SAVINGS ACCOUNT	TSB	ACB	CRDB	NMB	NBC	EXIM	KCB	S&F
Corporate Image and Product image	Attract small and medium scale savers. Designed for small and medium class income earners. Interest is earned at Tsh.50,000 and above.	Attract small and medium scale savers. Specifically designed for small and medium savers who want to build a lump sum both in Informal and formal sectors.	Attract big savers as well as medium scale savers. Designed for medium and upper income earners. Earns interest if you maintain a balance of Tsh.100,000	Attract small and medium scale savers. Designed for small and medium class income earners. Interest is earned at Tsh..50,000 and above	Used to attract Big savers but now targeting Small and medium savers.	Attract big savers as well as medium scale savers. An account for Middle and upper class income earners with Tsh. 50,000 as Operating balance. It earns Interest if you maintain balance of Tsh. 200,000.	Attract big savers as well as medium scale savers. An account for Middle and upper class income earners with Tsh.100,000 Operating balance. It earns Interest if you maintain balance of Tsh.250,000.	Attract big savers as well as medium scale savers. It earns Interest if you maintain balance of Tsh.100,000
PHYSICAL EVIDENCE								
	Passbook and card for Premium Fast Account	Card	Card	Card	Card	Card	Card	Bank statement
PEOPLE								
	Enquiries desk busy for TSB clients. Tellers of passbooks are not kind to customers. Tellers are not present at their cubicles. Some of the tellers use harsh language to customers or prospects.	Enquiries desk busy for ACB clients	Smartly dressed tellers	Mature teller and very kind	Nobody at the enquiry desk.	Young teller and very kind seems to professional.	Young teller and very kind who is willing to serve every customer who comes in.	Mature teller and very king tight security.

Product: SAVINGS ACCOUNT	TSB	ACB	CRDB	NMB	NBC	EXIM	KCB	S&F
PROCESS								
	Low tech and slow service for passbook. Network & Staff efficient fast for PFA	Fast and efficient service, but serving counter situated in occasionally congested banking hall.	High tech and very efficient. Efficient staff.	Moderate.	Fast and net worked efficient.	Fast service and efficient staff.	Efficient staff. There is tight security which gives customers confidence.	Fast and efficient staff. Tight security.

MAIN COMPETITORS ARE: CRDB & NMB.

ABBREVIATIONS:

1. **ACB** = **Anzac Commercial Bank.**
2. **CRDB** = **Commercial Rapid Development Bank**
3. **NBC** = **New Bank of Commerce.**
4. **NMB** = **National Millennium Bank.**
5. **KCB** = **Kazoo Commercial Bank.**
6. **S & F** = **Savings and Finance.**
7. **TSB** = **Tenga Savings Bank.**
8. **EXIM** = **EXIM Bank.**

Appendix 1.2.2

Competitive Position Analysis PFA v. CRDB:

Product: <i>Savings Account</i>	Excellent 5	Good 4	Average 3	Poor 2	Bad 1
Product Design					
Opening Balance	TSB Tsh.5,000 v. CRDB: Tshs.50,000				
Minimum Balance	TSB Tsh.5,000 v. CRDB: Tshs.50,000				
Other Requirements		TSB does not require 2 referee account holders			
Other Facilities				No mobility of service – CRDB has 24 computer- linked branches BUT TSB has a larger network and customers can use passbook with PFA for mobility	
Deposit Policy			Same: any amount during office hours		
Withdrawal Policy	TSB offers unlimited withdrawals v. CRDB where withdrawals should not exceed Tsh.1,000,000 per week otherwise a charge of Tsh.10,000 or a notice of 7 days.				
Price					
Interest Rate Paid		TSB pays 2.5% > Tsh.50,000 and CRDB pays only 4% interest on accounts > Tsh.100,000			
Overdraft Interest Rate Charged				No overdraft from TSB, overdraft y negotiation from CRDB	
Ledger/ Statement Fees			Both Tsh.350 per month		
Deposit Fees			Both zero		
Withdrawal Fees		TSB Tsh.100 CRDB Tshs.350			
Account Closing Fees					TSB Tsh.5,000 CRDB zero

Product: Savings Account	Excellent 5	Good 4	Average 3	Poor 2	Bad 1
Promotion					
Marketing/ Information Dissemination				In branch campaigns similar but CRDB branches larger, cleaner and less crowded	
Advertising				CRDB has extensive TV, radio and newspaper campaigns	
Place					
					CRDB branches better placed, well organised, larger and less crowded
Position					
Corporate Image				TSB: The poor people's bank. A slow government bank that has been around for a long time. CRDB: A bank for middle and rich people. High tech- high profile	
Product Image		PFA is the modern account at TSB			
Physical Evidence					
					TSB's Banking halls are, crowded disorganised and dirty
People				TSB's tellers are often rude or absent. CRDB's tellers are smartly dressed and polite	
Process				CRDB is seen as high tech and efficient TSB's Passbook Savings Account is seen as slow and inefficient. The PFA is seen as TSB's step into the modern banking world.	

Competitive Position Analysis PFA v. NMB:

Product: <i>Savings Account</i>	Excellent 5	Good 4	Average 3	Poor 2	Bad 1
Product Design					
Opening Balance		TSB: Tsh.5,000 v. NMB: Tsh.11,000			
Minimum Balance		TSB: Tsh.5,000 v. NMB: Tsh.10,000			
Other Requirements			Both Banks have same requirements		
Other Facilities		TSB has a larger network and customers can use passbook with PFA for mobility			
Deposit Policy				Any amount during office hours BUT office hours of NMB extend 1 hour longer to 5pm	
Withdrawal Policy		TSB offers unlimited withdrawals while NMB is twice a week			
Product Price					
Interest Rate Paid		TSB pays 2.5% on accounts >Tsh.50,000 and NMB pays only 3.75% interest on accounts > Tsh.50,000			
Overdraft Interest Rate Charged				No overdraft from TSB, overdraft y negotiation from CRDB	
Ledger/ Statement Fees				TSB: Tsh.350 per month NMB Tsh.100 per month	
Deposit Fees			Both zero		
Withdrawal Fees					TSB Tsh.100 NMB Zero
Account Closing Fees					TSB Tsh.5,000 NMB zero
Promotion					
Marketing/ Information Dissemination				In branch campaigns similar but NMB branches larger, cleaner and less crowded	
Advertising			NMB advertising low key at present – but this is expected to change		

Product: <i>Savings Account</i>	Excellent 5	Good 4	Average 3	Poor 2	Bad 1
Place					
			NMB branches primarily in rural areas but are well organised and attractive.		
Position					
Corporate Image				TSB: The poor people's bank. A slow government bank that has been around for a long time. NMB: A bank for poor/medium people that has been privatised and is improving its services	
Product Image		PFA is the modern account at TSB			
Physical Evidence					
					TSB's Banking halls are, crowded disorganised and dirty
People					
				TSB's tellers are often rude or absent NMB's tellers are mature and offer excellent customer service	
Process					
			NMB's process is seen as a bit slow but better than TSB's Passbook Savings Account which is seen as slow and inefficient. The PFA is seen as TSB's step into the modern banking world.		

Appendix 1.2.3

Customer Analysis Matrix for Premium Fast Account “Unlimited Withdrawals - Fast!!”

What	
benefit does the customer seek?	A secure place to save with fast and easy access to his/her money
factors influence demand for the financial service?	The comparable services offered by the competition The effectiveness of the marketing of the PFA
factors influence the provision of the financial service to the customer?	Quality of staff's customer care/service Effective IT system Policies/procedures governing withdrawals > Tshs.100,000
are important criteria for customers choosing this financial service?	Ability to deposit and withdraw at will Speed of transaction Security of deposits Minimum balance requirement Quality service/customer care Portability/mobility of service (note: needs to be addressed in combination with passbook)
is the basis of comparison with other products?	Accessibility of branches Ability to deposit and withdraw at will Fees Security
risks does the customer perceive?	TSB as a government institution Poor quality service from staff Lack of portability of the Premium account
services do customers expect?	Faster service, friendly staff
How	
do customers buy?	By coming to the branch and opening a PFA account
long does the process last?	One visit taking around 5 minutes for opening a PFA account Card is delivered after 3 – 7 days. (It's in this year's budget that every location will have its lamination machine and thus it will take only one day to deliver a card)
do various elements of the marketing programme influence customers at each stage of the process?	Initial information from tellers' or marketing officers' direct marketing and/or brochures/posters Additional information from FAQ sheets (tailored to market specific segments) Final information from enquiries desk/PFA clerk opening the account
and for what do customers use the financial services?	To save for: • school fees • as conduit for salary payments • working capital • security against crisis (sickness, fire etc.) • consumption smoothing • religious ceremonies (confirmations, Christmas, Eid etc.)
much are they willing to spend?	Tshs.350 ledger fees acceptable Tshs.100-200 withdrawal fee acceptable if service of high quality

often do they transact?	5-2.5 deposits and 5-2.5 withdrawals per account in a year in Morumu 550-1,200 per month in Morumu 600-1,300 withdrawals per month in Morumu
much do they transact?	Deposits: Tshs.80 – 180 million per month in Morumu Withdrawals: Tshs.50 – 140 million per month in Morumu
Where	
is the decision made to buy?	In the branch
do customers seek information about the product?	In the branch
do customers buy the product?	In the branch
Why	
do customers buy this financial service?	To have a fast, safe, easy and affordable savings service
do customers choose one brand as opposed to another?	Ability to deposit and withdraw at will Speed of transaction Security of deposits Minimum balance requirement
Who	
are the occupants of segments?	<i>Existing Passbook Savings Account holders:</i> Broad representation from all walks of life – from medium entrepreneurs to hawkers <i>Institutions:</i> Regional based private organisations employing 10-20 staff wanting an efficient method for disbursing salaries Regional government/parastatal organisations employing > 20 staff <i>Petty Traders:</i> Hawkers and market vendors <i>Groups:</i> Savings group, upattu groups of petty traders etc.
buys our financial services and why?	Younger clients who see the PFA as modern account. Petty traders who need frequent withdrawals. Employees to manage their small salaries through multiple withdrawals.

Appendix 1.3 SWOT ANALYSIS

STRENGTHS:

- Government participation in shareholding invokes customers' confidence in the bank.
- The large service network with deepest regional outreach. Tenga Savings Bank has 9 branches and 12 sub-branches in almost all regions.
- Wide market segment/client base (rural, urban, small, middle and high income earners, parastatals and companies)
- Customers/clients convenient service. With PFA a client can draw or deposit anytime he/she wishes.
- Fast-computerised service.
- Wide service time a day, from 8.30 am to 4.00 pm compared to other banks.
- Patronage of small savers contributes to stability in deposit as such customers come from a diversity of sectors and geographical locations, let alone the fact that most of them save for precautionary motive and hence abstain from frequent withdrawals.
- The Board closely monitor Tenga Savings Bank performance. e.g. Product diversification.
- Trainable staff
- Loyal staff.
- Loyal customers
- Small saver's bank.
- Low opening and minimum balance that enables anyone to open the account.

WEAKNESSES:

- The bank offers PFA in a way that a customer can only operate his/her account at the location he/she has opened the account.
- Staff lacks knowledge of PFA although all staff has the same account for their salaries bases but still they do not have deep knowledge to educate customers and that is why we have poor internal marketing.
- Poor customer service as manifested in long queues, long service time and mishandling of customers.
- Poor management information system which may lead to uninformed decision making
- Lack of shared vision, which is attributed to lack of defined vision, and values as well as lack of cooperate culture due to, among others, lack of vision and diverse background of the personnel.
- Poor internal communication.
- Staff not trained in modern service delivery methods.
- Government participation in ownership suggests inefficient and bureaucratic tendencies.
- PFA is not well known by our prominent customers.

OPPORTUNITIES:

- The liberalised exchange rates and interest regime allow competitive pricing of services the bank offers and receives.
- The continuing economic adjustment effort is stimulating demand for banking services through:
 - Increases in private sector investments
 - Growth in some industrial sectors, especially mining and tourism.
 - Government commitment to economic growth.
- Stability in country's socio- economic environment can attract investors to Tenga Savings Bank, with resultant improvement in the bank's capitalisation and/or upgrading in technology, with the essential in modern banking.

- Potential for increased customer deposits from higher remuneration packages of restructured parastatals, if the bank adopts aggressive deposit mobilisation.

THREATS:

- Poor infrastructure and communication in the country is a hindrance to optimum customer service.
- Restructuring and/or privatisation of parastatal organisations have resulted in massive layoff of workers and thus reduction in customer deposits.
- Strong competitive resulting from liberalisation of the financial sector.
- Negative attitude due to long time servicing in Passbook Savings Account and SAYE account.

Appendix 3.4.1

FREQUENTLY ASKED QUESTIONS (FAQ) ON PFA For Passbook Savings Account Holders

PREMIUM FAST ACCOUNT

“Unlimited Withdraws – Fast”

- Question:** Can I withdraw my money whenever I need?
Answer: Yes, you can withdraw your money whenever you need but leave a minimum balance of Tsh.5000 and have enough money to pay for the service expenses.
- Question:** How long will I wait to get the services?
Answer: This account is fast since it is computerised. The moment you hand over your withdraw or deposit form to the cashier, you will be served within 3 minutes.
- Question:** Can I deposit or withdraw from any TSB branch?
Answer: No, you will only deposit or withdraw from the branch where you opened your account. BUT
- Question:** If I can't withdraw from any branch, what will I do if I have travelled away from my branch?
Answer: Do not worry; you can use our other service that is the Passbook Account. What you need to do is to transfer the amount you will require, while on the journey, from your Premium Fast Account to your Passbook Account. This will enable you to use your money on your journey.
- Question:** What will happen if I loose my Account Card?
Answer: Your account safety remains the same since no other person can use your card. Inform us fast and we will issue you with another card at a cost of Tsh.1,500 only.
- Question:** Will I get interest from this account?
Answer: Yes, interest is calculated on monthly bases but payable every end of the year.
- Question:** Can I use my account as surety against a loan?
Answer: Yes, you are allowed to borrow any amount up to an equivalent of 80% of your Premium Account savings.
- Question:** Can I deposit a cheque?
Answer: Yes, money will be put in your account after the cheque is cleared.
- Question:** What is required from me in order to open an account?
Answer: If you are ready to open an account, the following is required: (*see attachment*)

Tenga Savings Bank

Marketing Activity Matrix for Premium Savings Account (“Unlimited Withdrawals – Fast”)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
HO Marketing Dep’t	- Develop “Tagline” - Develop FAQs and Teller Messages	Print marketing materials: ➢ brochures ➢ posters	Evaluate sales and marketing efforts	Evaluate sales and marketing efforts	- Mambo branch initial training - Surprise visits to branches	- Mambo branch official launch - Kazina initial training	- Kazina official launch - Tengini branch initial training - Surprise visits to branches	- Tengini branch official launch - Design radio campaign - Evaluate sales and marketing efforts	- HO branch initial training - Launch national radio campaign - Design “Quality Client Service Training” - Surprise visits to branches	- Continue national radio campaign - Design “Quality Client Service Training” - Evaluate sales and marketing efforts	- Design “Quality Client Service Training” - Preparation to develop annual marketing plan	Preparation to develop annual marketing plan
All Operational Branches	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing of salary accounts by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing of salary accounts by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers “PFA” day drawing raffle for prize	- Enhanced direct marketing inside branches by tellers “Open days” for public to meet managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers	- Enhanced direct marketing inside branches by tellers - Direct face-to-face marketing in markets by managers
Morumu Market Branch	- Pilot Test FAQs and Teller Messages - Competition Analysis Matrix	- Introduce FAQs, Teller messages and marketing materials - Face-to-face marketing to institutions for salary accounts	Evaluate sales and marketing efforts								- Launch local radio campaign - Conduct “Quality Client Service Training”	Continue local radio campaign

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Mazewa Branch	Competition Analysis Matrix	Introduce FAQs, Teller messages and marketing materials	Evaluate sales and marketing efforts	Face-to-face marketing to institutions for salary accounts							Conduct “Quality Client Service Training”	
Mkwpeu Branch		• Competition Analysis Matrix • Introduce FAQs, Teller messages and marketing materials		Evaluate sales and marketing efforts	Face-to-face marketing to institutions for salary accounts						Conduct “Quality Client Service Training”	
Manzese Branch		• Competition Analysis Matrix • Introduce FAQs, Teller messages and marketing materials	Direct face-to-face marketing “blitz” in near-by markets	Evaluate sales and marketing efforts		Face-to-face marketing to institutions for salary accounts		Evaluate sales and marketing efforts			Launch local radio campaign	Conduct “Quality Client Service Training”
Mambo Branch				Competition Analysis Matrix	• Initial training • Introduce FAQs, Teller messages and marketing materials	Formal launch with direct face-to-face “blitz” in near-by markets	Face-to-face marketing to institutions for salary accounts	Evaluate sales and marketing efforts	Run booth at Agricultural show		Launch local radio campaign	Conduct “Quality Client Service Training”
Kazina Branch					Competition Analysis Matrix	• Initial training • Introduce FAQs, Teller messages and marketing materials	Formal launch with direct face-to-face “blitz” in near-by markets	Face-to-face marketing to institutions for salary accounts		Evaluate sales and marketing efforts	Launch local radio campaign	Continue local radio campaign

		Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
	Tengini Branch						Competition Analysis Matrix	- Initial training - Introduce FAQs, Teller messages and marketing materials	Formal Launch with direct face-to-face “blitz” in near-by markets	Face-to-face marketing to institutions for salary accounts			
	HO Branch								Competition Analysis Matrix	- Initial training - Introduce FAQs, Teller messages and marketing materials	Formal Launch with direct face-to-face “blitz” in near-by markets	Face-to-face marketing to institutions for salary accounts	