

Product Rollout

A Toolkit for Expanding a Tested Product Throughout the Market

Michael J. McCord, Graham A.N. Wright, Henry Sempangi, David Cracknell,
Trevor Mgwang'a and Michael Mithika
MicroSave

(Edited by Janet S. McCord)

**January 2004
Version 3.0**

Table of Contents

Table of Contents.....	i
Table of Figures	iv
Introduction.....	1
What is rollout?	1
Where does rollout fit into the framework of product development?	1
Can you show me what the product development process looks like?	3
How do we use this tool kit?.....	5
When does rollout begin?	5
When is rollout, and the product development process, finally over?	5
Step 1. Formation of the Rollout Team and Terms of Reference.....	7
Who should move from the Pilot Test Team to the new rollout team?	7
What is the responsibility of the Rollout Team?	8
What happens to the Pilot Test Team leader?.....	8
Do we need a Terms of Reference for the Rollout Team?.....	8
What are the components of a Terms of Reference?	8
Step 2. Preparation for the Rollout	11
On your <i>marks</i> . . . get ready	11
Capacity assessment	11
But, we had a successful pilot test. Doesn't that prove that the institution has the capacity for rollout?	11
What is involved in assessing our institutional capacity for rollout?.....	11
Key considerations for a successful rollout	13
What else should be done before/during/after rollout?	15
How do we make the transition from the Pilot Test to rollout?	15
The Hand-Over Package.....	15
An overview of the Letter of Recommendation and the Hand-Over Package.....	16
What should we keep in mind while compiling the Hand-Over Package?	17
What if the recommendation for rollout is rejected?	17
If the recommendation to rollout is approved, what's next?.....	18
Transitioning from pilot test to rollout	18
Does the Pilot Test Team simply hand over the product to the new department?	18
How does the “transitional phase” work?	18
How long does the “transitional phase” last?	19
Risk analysis	19
Why focus on new product development risks?	20
What is the objective of a pre-rollout risk assessment?	20
Risk check list.....	22
Step 3. Organising the Rollout Process.....	23
How do we organise the rollout process?	23
Shall we rollout in phases? We are anxious to get our product out to the customers. May we roll out the product all at once, or is it better to do it in phases?	23
How can we be certain that phasing in our product is the best way to proceed?	23
Methods of a phased rollout	25
How can we choose the best method for our institution?	25
Branch Rollout.....	26
How do we determine the order of branch rollout?	26
Other factors to consider when deciding where to roll out the product first?	28
Step 4. Setting the Objectives for the Rollout.....	30
What do formal objectives “do” for us?	30
Product objectives.....	30
How do we establish clear product objectives?	30
Do we need to consider the impact of our staff incentive scheme on our objectives?	25

Step 5. The Rollout Protocol.....	26
How it differs from the pilot testing protocol	26
Haven't we already developed a schedule for rollout?	26
What else should the rollout protocol include?.....	26
Schedule-altering issues	26
What should we do if we find that our competition is mimicking our new product?	27
Step 6. Product Costing and Pricing	28
What about costing the product for rollout?	29
What if we are not doing any costing exercise with our current products?	29
What do we do in the meantime, or until our institution can implement a costing approach?	30
Should we include the amortised costs of product development and the costs of the Rollout Team in the projections?	30
How should we price the new product for rollout? Are there pricing strategies that we should consider?	31
Branch-based costing system.....	31
Must we put the new product in every branch?	32
Step 7. Financial Planning	33
Must we draft a financial plan just for rollout?.....	33
How do you develop a financial plan for rollout?	33
Are there a lot of new issues to think about after the pilot test?	34
OK, I understand what you are saying about accounting treatment. What about the projection of results?	34
What is the easiest method of developing a rollout budget?.....	34
Are there tools that facilitate financial planning for rollout?	34
So, how do we develop a financial plan for rollout if we do not use a comprehensive planning tool?	35
Must we put the new product in every branch?	35
Our new product is more complicated than that.	35
Do we have to do all of this ourselves?	36
Step 8. Systems	38
Systems Planning Checklist.....	38
In the test branch, our computer systems are not networked. Does it make sense to set up a stand-alone system for rollout?.....	40
How should we schedule the installation of the computer system for rollout?.....	40
Since we completed a pilot test, is there a need for systems acceptance testing?	41
Structuring systems preparations	41
What information should we be getting from our MIS to track the progress of the new product?	43
How can we get management to actually use the product data we are producing?	43
How do we address system backups?	45
We have a large set of manuals covering our systems. Are these really necessary?	45
Making sure our systems are set up and running properly is not easy, is it?	46
Step 9. Staff Training.....	48
Recruitment and training	48
How can we evaluate the effectiveness of the pilot test training?	49
How can we use the lessons learned from the pilot test to improve the rollout training?	49
Most of our staff-persons have never used a computer before. How can we train them to process these transactions?	49
Should we train the staff in-house, or hire out for the rollout training?	50
If we use a phased approach to rollout, how can we efficiently train the staff?	50
How do we keep the new and old product staff working together on the new product?	51
Do we need to offer incentives for staff to market this new product?	52
What kinds of incentives can be used other than monetary ones?	52
Change Management	52
This product will cause much institutional change. How do we address the "change management" issues?.....	52
What is the best approach to address resistance among staff to these new changes?	53
These suggestions are very helpful. I am beginning to understand what is required for successful change management.....	54
Are there other resources our new rollout team can consult?	54
Developing a marketing plan.....	55
Do we need a new marketing plan?	55

Rollout marketing plan	55
Should the plan address the short or long term?	58
How does the Rollout Marketing Plan relate to our institution's Strategic Marketing Plan?	58
Involving all the staff in marketing – Branch Marketing Plans	59
How do we determine the appropriate marketing tools for this product?	61
What about the marketing/sales strategy?	62
Choosing the marketing communications mix	65
How do we address cannibalisation of our other products?	65
How do the "8 P's" relate to roll out?	65
What about the rollout itself?	66
Step 11. Launch Day Activities	68
Launch day considerations!	68
What do we do on the launch day?	70
Step 12. Assessing the Rollout.....	71
Continuous assessment	71
These assessment types seem familiar.	72
What options do we have when we assess the product and find deficiencies once the product is rolled out?	72
What do we do if the product is not working, and it is too expensive to drop the product?	72
Can we adjust the product once it is rolled out?	73
What are some of the key issues to remember if we have to adjust the product in a way that affects customers?	73
How frequently do we need to report on the new product?	73
How do we get management to respond to the reports?	74
Do we really need to do more customer research on the product?	75
Appendix 1: Critical Path Analysis.....	76
Sequential and parallel activities	76
Method.....	76
Presenting the Analysis	77
Summary.....	80
Appendix 2: A Format for Reporting.....	81

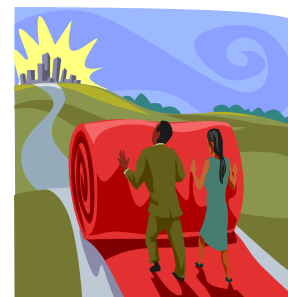
Table of Figures

Table I.1: Rollout Team Members.....	7
Table II.1: Capacity Assessment and Questions to Ask	12
Table III.1: Key Questions.....	24
Table III.2: Rollout Method Comparisons.....	25
Table III.3: Sample Rollout Order Worksheet.....	27
Table III.4: Branch Rollout Schedule	28
Table V.1: Schedule-Altering Issues	27
Table V.2: AMC Fast Access Savings Account Objectives: Completed	31
Table VIII.1: Systems Planning Checklist.....	38
Table VIII.2: Systems Manuals	46
Table X.1: The Eight “Ps” of Marketing	66
Table XII.1: Continuing Assessment.....	71

Introduction¹

What is rollout?

Collins Paperback English Dictionary offers that to rollout means “to spread or cause to spread out flat or smooth.” The dictionary also notes that rolling out can be “to walk with a swaggering gait, as when drunk.” For example: “He rolled out of the bar, staggered, and fell flat on his face.” Or another: “After they finished their pilot test, they rolled out their savings account to all branches at once. Then they stumbled around trying to regain control, and fell flat on their faces.” Both definitions can fit with product rollouts. We have seen them where the product is spread out smoothly, and we have seen them when the organization looks like a swaggering drunk within its market.



Often, MFIs look at rollout as simply the “Product Launch”. They may go through all the other product development steps leading to rollout. Then they plan a big launching event where top executives and invited politicians say nice things about the product. Then it is over. The team goes home and works on the next launch, not looking back where it has been rolled out before. In a dramatic example of this, at the end of its launch event one institution pulled down its product banners, distributed all its product brochures, and went back to the head office.

When we speak of rollout we are talking about the whole process of moving a product from the successful conclusion of the pilot test, to the point where it is fully operational in all desired locations, and has an established continuous feedback loop providing data for management decision making. It is a *process*, with multiple steps, whether we are considering a new or restructured product.

Rollout is much more than simply the launch of the product. It includes the preparation leading to the launch, the launch itself, and product management after the launch, all of which are equally important, and all of which will be addressed in this toolkit.

Where does rollout fit into the framework of product development?

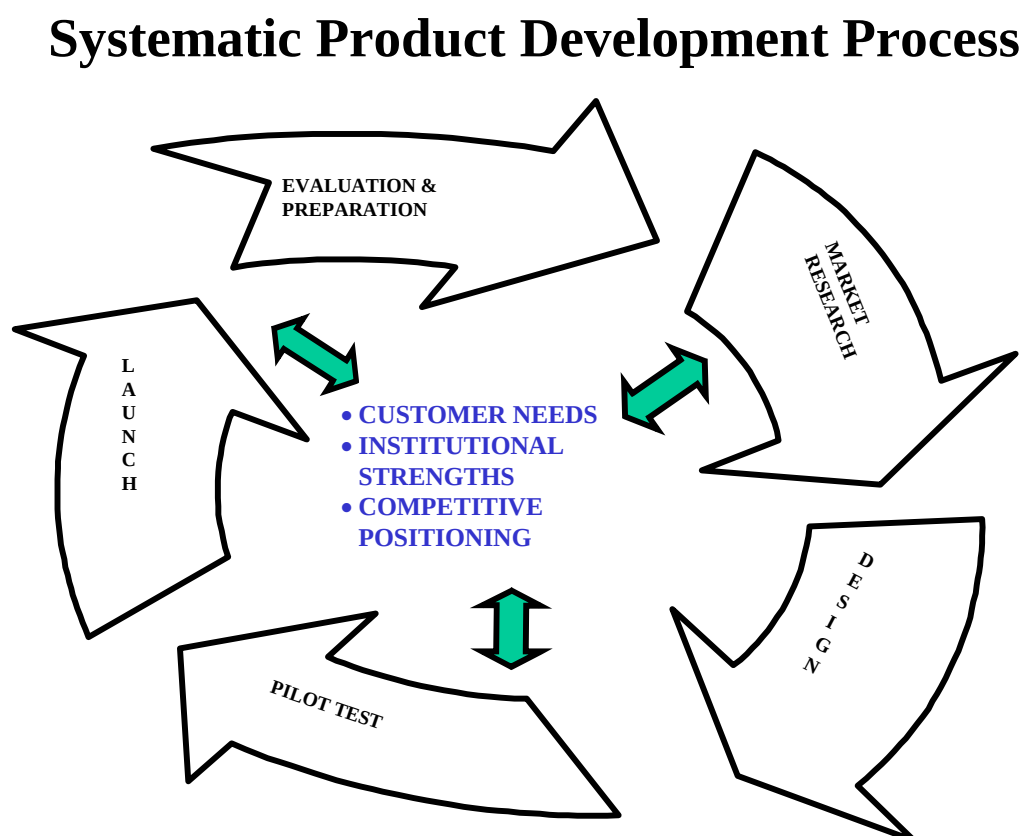
In a sense, rollout comes at the very end of the long process of product development. This is only in a sense, because product development and redevelopment is a continuous process as shown in *Diagram 1: Systematic Product Development Process*.

All products must be continuously assessed based on client and institutional responses, as well as the overall position of the product within the market. When this is not done, the institution may not recognize, for example, that a competitor is overtaking them because their product is more closely aligned with client’s needs, or that their own systems are becoming less and less able to absorb the strain of the new product.

In assessing these core elements, we often use a variety of qualitative research tools, including Participatory Rapid Appraisal (PRA) and focus group discussions (for both clients and staff)², as well as quantitative assessments of client, institutional, and market share information.

¹ The authors are indebted to staff and management of the Kenya Post Office Savings Bank, Tanzania Postal Bank and Equity Building Society at which institutions this methodology was extensively discussed and applied to their product development process. Many lessons learned with these institutions and several others are reflected in this toolkit.

² For more on these approaches, see MicroSave’s “Market Research for MicroFinance” toolkit.

Diagram 1: Systematic Product Development Process

I. *Evaluation and Preparation*

Analyse the institutional capacity and “readiness” to undertake product development
 Assemble the multi-disciplinary product development team, including “product champion”

II. *Market Research*

- 2.1 Define the research objective or issue
- 2.2 Extract and analyse secondary market data
- 2.3 Analyse institution-based information, financial information/client results from consultative groups, feed back from frontline staff, competition analysis etc.
- 2.4 Plan and undertake primary market research

III. *Concept/Prototype Design*

- 3.1 Define initial product concept
- 3.2 Map out operational logistics and processes (including MIS and personnel functions)
- 3.3 Undertake cost analysis and revenue projections to complete initial financial analysis of product
- 3.4 Verify legal and regulatory compliance
- 3.5 On the basis of the above plus client feedback sessions refine the product concept into a product prototype in clear, concise, client language.
- 3.6 Finalize prototype for final quantitative prototype testing or pilot testing, according to the risk/cost nature of the product

IV. *Pilot Testing*

- 4.1 Define objectives to be measured and monitored during pilot test, primarily based on financial projections

- 4.2 Establish parameters of pilot test through the pilot test protocol, including sample size, location, duration, periodic evaluation dates etc.
- 4.3 Prepare for pilot test, install and test systems, draft procedures manuals, develop marketing materials, train staff etc.
- 4.4 Monitor and evaluate pilot test results
- 4.5 Complete recommendation letter documenting the results of the pilot test, comparison with projections, lessons learned, finalised systems/procedures manual etc. and the initial plans for the roll out

V. **Product Launch and Roll out**

- 5.1 Manage transfer of product prototype into mainstream operations
- 5.2 Define objectives to be measured and monitored during roll out based on financial projections
- 5.3 Establish parameters of roll out through the roll out protocol including schedule, location, tracking, budget, process
- 5.4 Prepare for roll out, install and test systems, finalise procedures manuals, develop marketing materials, train staff etc.
- 5.5 Monitor and evaluate roll out process and results

Can you show me what the product development process looks like?

Yes. Take a look at *Diagram 1: Systematic Product Development Process*. Note how Evaluation & Preparation, Market Research, Design, Pilot Test, and Rollout operate in a continuous loop, and all of these elements are in an interactive relationship with Customer Needs, Institutional Strengths and Competitive Positioning. It is important to remember that awareness of Customer Needs, Institutional Strengths, and Competitive Positioning must inform and shape product development at each step of the process.

Diagram 2: Product Development Process Overview, provides a much more detailed approach to new product development. Although it appears to end with “Monitor and Evaluate Results”, note that this is really the equivalent of “Undertake Primary Research” in the Market Research step, and the process loops continuously from there.

The Launch and Rollout phase is divided into twelve steps:

A. Preparation

- Step 1: *Formation of the team with Terms Of Reference*
- Step 2: *Preparation for the Rollout.*
- Step 3: *Organizing the Rollout Process.*
- Step 4: *Setting Objectives for the Rollout.*
- Step 5: *The Rollout Protocol.*
- Step 6: *Product Costing and Pricing.*
- Step 7: *Financial Planning.*
- Step 8: *Systems Planning and Installation.*
- Step 9: *Staff Training.*
- Step 10: *Marketing.*

B. Launch

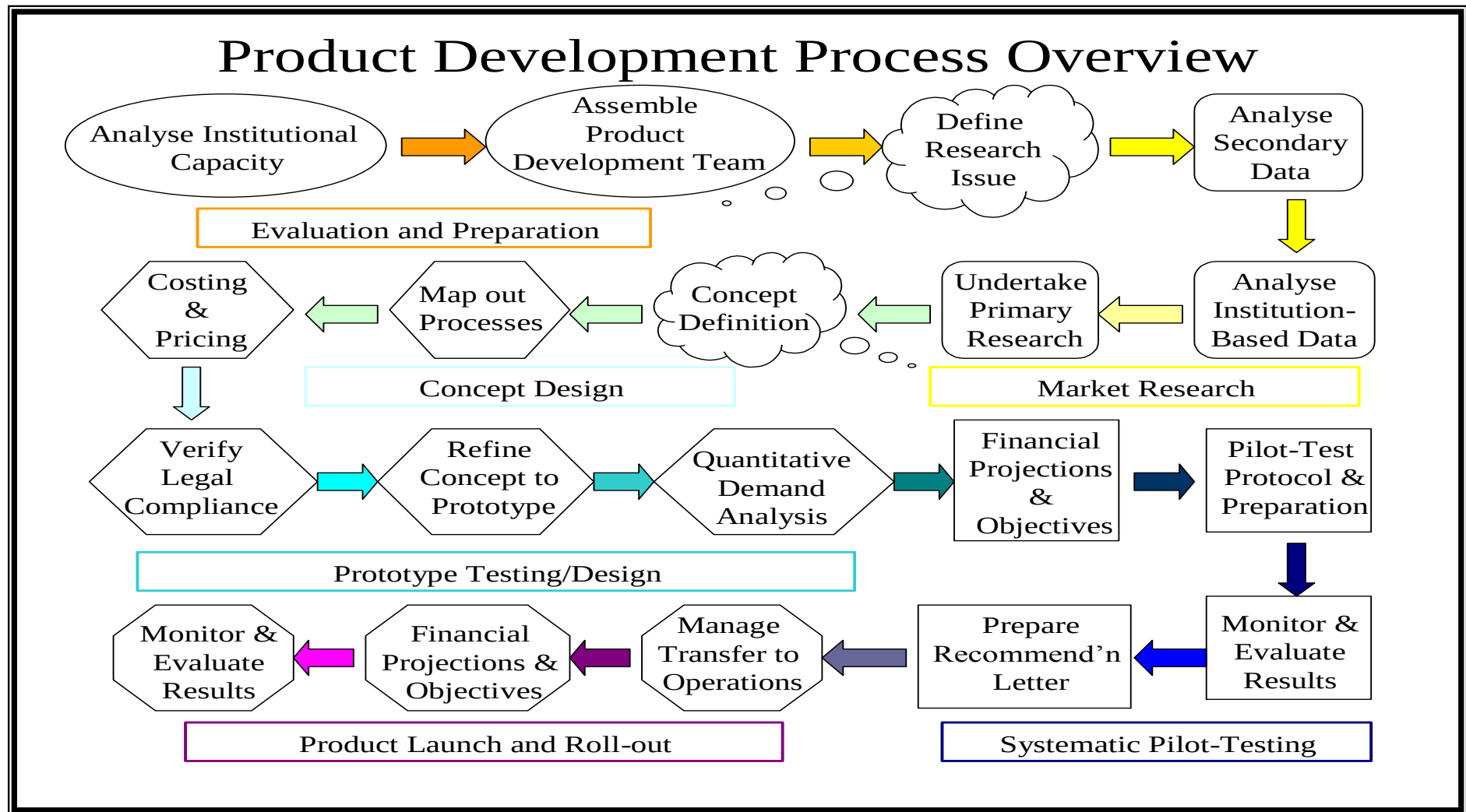
- Step 11: *Launch Day Activities.*

C. Follow-up

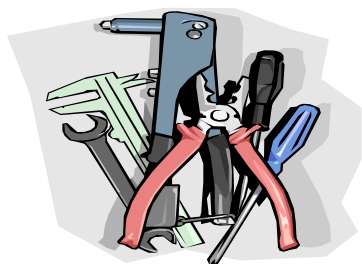
- Step 12: *Assessing the Rollout.*

This toolkit will assist users to navigate these twelve steps. Because of the critical nature of the Recommendation Letter as the foundation for rollout, that will also be reviewed in detail.

Diagram 2: Product Development Process Overview



How do we use this tool kit?



This toolkit will take readers through the steps required to manage an orderly and controlled rollout of their product. We have included many examples to help users understand the steps, sample forms to use in the process, and numerous other aids designed and tested to help MFI management manage the rollout process

When does rollout begin?

Rollout actually begins during the pilot test phase when the Pilot Test Team compiles the recommendation letter and its attached handover document. This handover document forms the basis of the rollout activities. The rollout process then moves through preparation and launch, and continues through management of the product, even after the product has reached a stable state.

A stable state should come once the product is available in all branches that are deemed appropriate (not necessarily *all* branches), the product is growing at a rate reasonably close to projected, systems are operating at or above expectations, and staff, management, and clients are reasonably happy with the product.

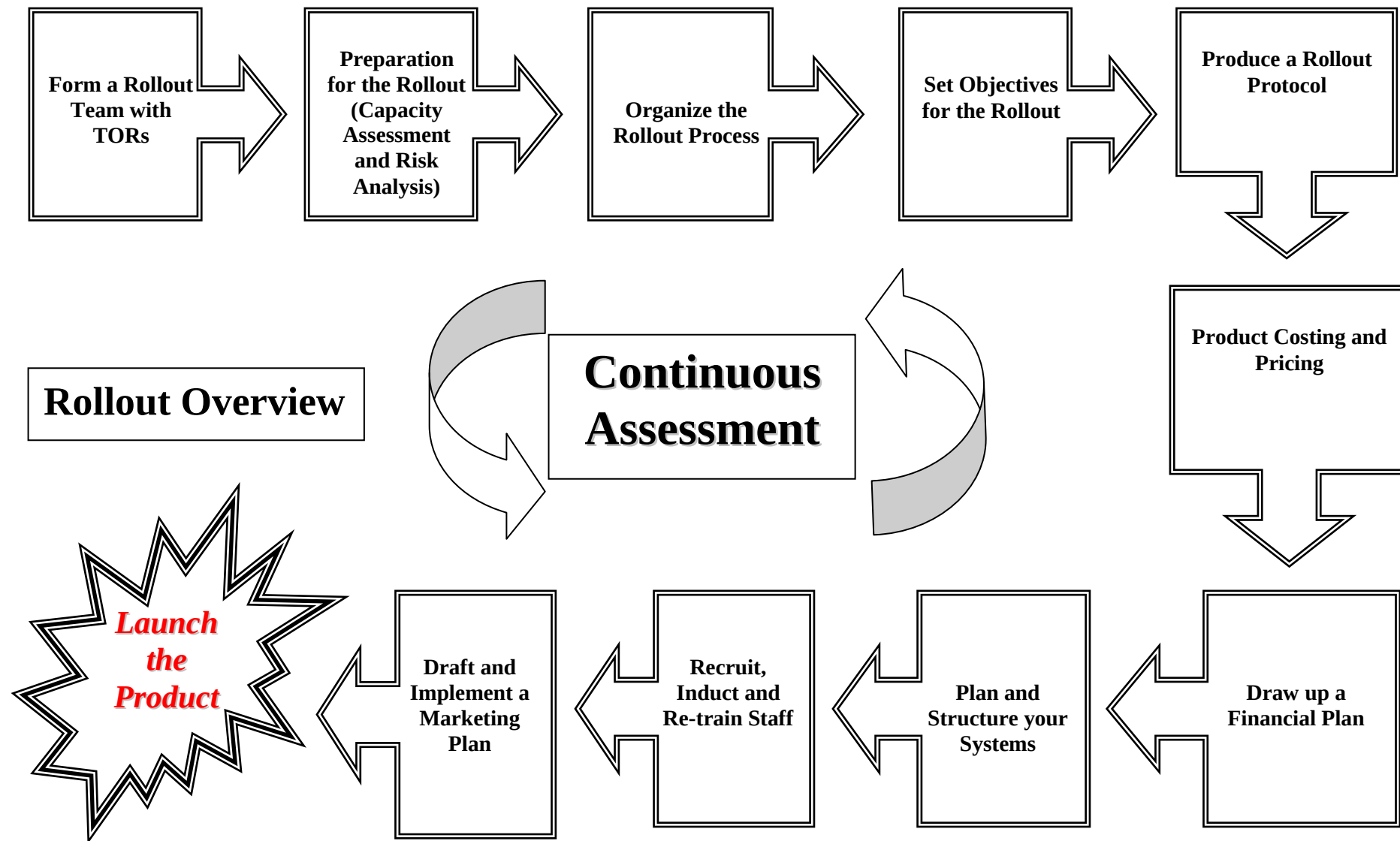
When is rollout, and the product development process, finally over?

As noted in the product development diagrams, the end of rollout does not mean the end of the process. Both Diagrams 1 and 2 illustrate that the product development process loops continuously. The next phase, building on lessons and knowledge from the rollout, is one of evaluation, adjustment, and reevaluation. However, the continuing assessment of the product should never end. In fact, it simply cannot be said that the product development process is ever over if an institution wants to maintain a client-focused, growing and vibrant product line.

Documents and courses offered by *MicroSave* take MFIs through the whole process shown in *Diagram 2: Product Development Process Overview*. Courses and toolkits include:

1. Market Research for MicroFinance,
2. Costing and Pricing of Financial Services,
3. A Tool Kit for Planning, Conducting, and Monitoring Pilot Tests for MFIs,
4. Product Marketing Strategy
5. Institutional and Product Risk Analysis

Using these toolkits and courses, MFI management can bring their institution to the brink of rollout. This rollout toolkit can guide MFIs through this next step in the process.



Step 1. Formation of the Rollout Team and Terms of Reference

Who should move from the Pilot Test Team to the new rollout team?

For pilot testing a Pilot Test Team was composed from all relevant departments to facilitate both the efficiency and effectiveness of the Team as well as to build a knowledge base within the departments. Full Pilot Test Team participation is not necessary once rollout commences.

Table I.1: Rollout Team Members

Pilot Test Team Skill Areas Required	Pilot Test Team Skill Areas Required for Rollout	Operations Staff Required	New Rollout Team Members
1. Product Champion/Team Leader	Product Champion		Product Champion
2. Finance/Accounting			
3. Information Technology/MIS	Information Technology		Information technology
4. Marketing	Marketing		Marketing
5. Training	Training		Training
6. Operations/Management		Departmental Senior Management	Departmental Senior Management
7.		Departmental Product Manager / Team Leader	Departmental Product Manager / Team Leader
8. Operations/Frontline		Departmental frontline	Departmental frontline
9. Research			
10. Audit/Controls			

The *Product Champion*, who is a senior member of management, is retained because s/he is the person who best knows the product and has managed the coordination through to the current point. However, during the transition phase the leadership of the overall Team must shift to the person who will be responsible for the product within the department. This transfer of leadership should occur soon after the recommendation is approved and at the discretion of the *Senior Departmental Manager*.

The Rollout Team composition will include *Marketing* and *Training* since these are the most critical areas outside the department.

MIS remains on the Team if the product is computer-based because of the intensive input required by *MIS* in ensuring that systems are fully tested and operational in all new sites.

It is also likely that some of the *staff of the operations department* who participated in the Pilot Test Team will be included on the Rollout Team as representatives of the department.

The *finance, research, and audit* representatives have been removed from the new Rollout Team. This is not to suggest that these departments no longer have a role with the product, simply that their role should be institutionalised based on activities from the pilot test. Their processing and monitoring roles remain critical. However, it is unnecessary to have these representatives attending Team meetings unless there is a specific issue the Team needs them to address.

What is the responsibility of the Rollout Team?

Once the Board approves the new product rollout, the Rollout Team's responsibility is to get the product rolled out throughout the institution (or those parts of it as determined by the board). The departmental representatives are specifically charged with the implementation of the product. Marketing is charged with development and implementation of the marketing plan. Training is responsible for the full training of all staff on all relevant aspects of the product. MIS is charged with ensuring full functionality of hardware and software systems including installation, testing, and connectivity (where required).

What happens to the Pilot Test Team leader?



The Pilot Test Team Leader or Product Champion often works very hard to get the product through the process and to the rollout point. He has developed a great deal of knowledge about all aspects of the product. The transfer of a product often requires the development of new capacity to manage the product within the departmental home. Recognizing this high level of product knowledge in the Pilot Test Team Leader, and the need to develop that same capacity within the department, many companies, if they are able given their size, will shift the Team Leader to the departmental home and then make him the product manager for the product.

This strategy offers the institution a new path for staff development and an opportunity for management to assess the abilities of the Team Leader in a temporary position before moving him to a new, permanent position. This allows for a maximization of efficiency, and the smoothest possible transition for the product.

Do we need a Terms of Reference for the Rollout Team?

Yes. A good starting point for the Rollout Team is to prepare a Terms of Reference (TOR). The TOR for rollout is much like the one developed prior to commencing the Pilot Test. The Terms of Reference is a formal document that outlines the highlights and recommendations of the Pilot Test activity, as well as specific tasks, obligations and expectations of the Rollout Team. The TOR will be structured in several sections to clearly define the role, responsibilities and resources of the Team.

What are the components of a Terms of Reference?

Section I: Background of the Relevant Project, Desired Results, and Activities:

Section One summarizes the work that has already been completed, especially the pilot testing and explains the motivations and objectives of the product in both general and specific terms.

The *General Background* notes the history of the product concept and product design, and the pilot testing and highlights of the Letter of Recommendation. This section should specify how the *general* need for the new product was discerned and how it performed in the pilot test.

The *Specific Background* **identifies the desired results** for rollout of the new product in relation to both market and institutional needs. Additionally, it should indicate the MFI's desire to make its operations more efficient and reduce costs.

Section II: Description of Required Activities:

This section of the TOR describes the activities required of the Rollout Team. It lists specifically the actual activity for which the Team is composed, the rollout plan, the composition of the Team, and Team Leader.

Section III: Duration and Timing:

This section stipulates the time frame for the Rollout. It **indicates the guidelines** for when the rollout is to begin, and how it will progress.

Section IV: Monitoring/Progress Control:

This section **assigns accountability** for the test and its outputs.

Section V: Definition of Expected Outputs/Results:

This section defines the products expected of the Rollout Test Team. It could also include when key reviews of the rollout will be scheduled, what reporting will be required during rollout.

Finally, this section should **reflect the consequences** in the case of non-compliance with the guidelines of the TOR.

Section VI: Budget:

This section outlines the budget for the Rollout and thereby **clarifies the resources** required. Although it may be more accurate to complete a budget inclusive of the costs of management and staff time, the budget advocated here is an incremental budget which records only the costs that are additional to the company because of the rollout.

Finally, the Managing Director (or equivalent) and the Team Leader should sign the TOR. Copies should be distributed to all members of the Rollout Team, and posted in private staff areas of all branches and departmental offices so all within the MFI are clear about what is happening. You do not want to post this in public areas of the branches because that would only serve to incite questions and agitation from non-pilot test branch customers.

Remember **that a Terms of Reference, as with any communication designed to illicit action, should always include the following keys:**

- 🔑 **Identify the desired results**
- 🔑 **Indicate the guidelines**
- 🔑 **Reflect the consequences**
- 🔑 **Assign accountability**
- 🔑 **Clarify the resources**



For a more comprehensive discussion of Terms of Reference please refer to *MicroSave Africa's* Toolkit for Planning, Conducting and Monitoring Pilot Tests – this is available under the “toolkits” section of *MicroSave Africa's* website: www.MicroSave.com

Formation of the Rollout Team and Terms of Reference check list: Have You ...

- ☐ Selected and secured the agreement of your Rollout Team members?
- ☐ Developed a Terms of Reference for the Rollout Team?
- ☐ Got Senior Management/the Board of Directors to sign off on the Terms of Reference for the Rollout Team?



Step 2. Preparation for the Rollout



On your marks . . . get ready . . .

Like pilot testing and the other steps in product development, there is significant preparation required in planning rollout. It is more than deciding who to invite to the launch event and what the brochures will look like. Good preparation is essential to every successful rollout.

Capacity assessment

The first thing to consider when planning the Rollout is if the institution has the capacity for rolling out this product.

But, we had a successful pilot test. Doesn't that prove that the institution has the capacity for rollout?

Not necessarily. *Capacity must be assessed and reassessed at every step of the product development process*, based on the experience and lessons learned from the previous step and a review of the new status of the organization. Many things can happen that can unexpectedly, if only temporarily, weaken an institution's capacity for product development activities. Consider this example:

In one company, at the start of the product development process, their capacity and potential for new products seemed strong. By the end of the pilot test phase, management had seen dramatic staff attrition - resulting in portfolio-at-risk dropping to PAR 30 = 10%. With new staff and middle management needing focus to clean up a serious problem, management decided to delay rollout of a new fixed asset loan product until the institution returned to stability and built additional capacity through training and experiential learning.

Capacity may seem fine at one point, but MFIs can be highly dynamic with dramatic fluctuations in capacity. Continuous assessment of capacity, therefore, is prudent management strategy, and is especially important when considering rollout of a new product.

What is involved in assessing our institutional capacity for rollout?

In assessing capacity, the MFI needs to look at several factors.³ Reproduce and use the table that follows in assessing your MFI's capacity for rolling out a new product.

³ The basic structure for this assessment is adapted from the "Guide to New Product Development Institutional Diagnostic", by Zan Northrup and Monica Brand (ACCION, forthcoming).

Table II.1: Capacity Assessment and Questions to Ask

Capacity Assessment Areas:	Questions to ask:	Yes/No ?
a. Institutional Strategy	Does the product still fit within the Company's strategic plan?	
	Based on results from the pilot test, does the product satisfy strategic planning objectives relating to product return expectations?	
	By the end of the pilot test did the product satisfy the product objectives in terms of growth, customer satisfaction, and product quality?	
b. Financial Viability	Has the pilot test created any liquidity management problems that have not been completely resolved?	
	Is the institution's Asset/Liability management team including the new product in its assessments, and is it projecting for the impact of full rollout? Do the projections confirm an ability for effective management during and after rollout?	
	During the pilot test, has the impact of the new product on portfolio-at-risk, or savings volatility, remained within acceptable limits (as per policy guidelines and the strategic plan)?	
	Has operational efficiency of the new product improved during the pilot test and reached acceptable limits? Is overall institutional efficiency projected to improve with rollout? Calculate this as Operational Expenses related to the new product over the average size of the portfolio (loan or savings). Calculate as month-to-month through the pilot testing period and review the trend.	
	Do projections based on the reality of the pilot test show significant improvements in institutional profitability relating to the rollout of the new product?	
	Has the institution assessed the level of cannibalisation of the new product on any pre-existing products, and has this been both deemed acceptable and included in rollout projections?	
c. Organisational Culture	Is there an efficient feedback mechanism that provides the team with timely and complete data about the team and which leads to management utilization of that information in decision making? Cite examples in your consideration of this point.	
	Has pilot test staff closely followed the draft procedures manuals and adjustments to it and is the rest of the staff likely to follow the formal procedures?	
	Are management and staff (at all levels) positive about the new product and their role in its implementation? If not, has an internal marketing plan been developed to mitigate problems this might cause?	
d. Human Resources	Have the issues of change management within the institution been identified and addressed to minimize problems on rollout?	
	In some cases where a new product is significantly more efficient and designed to replace a more labour-intensive product, there will be issues of personnel redundancy. In such a case, does the institution have a plan to address this both initially in terms of staff morale, and in the long term with regards to addressing the redundancies and extracting the full value of the product?	
e. Delivery Networks	Do the product delivery networks – from the product development team to the branch management to the front line, through the back office and to management – work efficiently? Have any weak links (frequently the front line to the back office) been fully addressed?	
	Are the delivery networks developed during the pilot test fully replicable to all branches where the product will be rolled out? If not, has a plan been developed to test whatever adjustments are required?	
f. Systems	Are electronic or manual systems completely reliable for the pilot test?	
	Are front and back office staff fully confident about the ability of the system to manage the new product?	
	Based on the reality of the pilot test and the rollout projections, does the system have at least twice the capacity required to handle the projected transactional activity?	
	Has the audit department signed off on the controls related to the system?	

MFI management should be able to answer *all* of these in the affirmative if the new product is really ready for rollout.

Key considerations for a successful rollout

Several key ingredients must be considered for a successful rollout. Without these, it will be very difficult to achieve success.

- a. **Management commitment:** Management commitment is what allows the process to move smoothly towards success. When management is committed, key rollout personnel will not be diverted and they will have incentive to achieve.



A Tale of Two Rollout Branches, or: Why Management Commitment is Critical to Success

In a multi-branch microfinance institution, the growth numbers of a product being rolled out in one branch were significantly lower than anticipated. When asked why this was the case, the regional manager remarked: “If my boss (the operations director) does not like this product, why should I push for it?” Management’s open opposition to the product created a disincentive to rollout success!

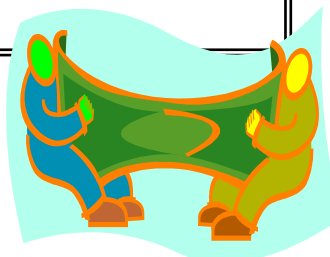
In another case, an MFI branch demonstrated extraordinarily positive responses to a product being rolled out – significantly more positive than other branches of the same institution. The branch manager held training meetings for all his staff, and he emphasized his commitment to being the best branch for this product in the system. He even frequently sent his tellers out marketing when the front office was slow. If the tellers went out to market the product during lunchtime, he would give them lunch money from his own pocket. Strong commitment from the manager to both the product and the staff was very clear, not just through words, but through action. The result? A powerful team effort at the branch, and significantly stronger product growth than at all other branches.

- b. **Project management skills:** Preparation, launch, and follow-up (the three components of rollout) become rather complicated when rollout hits different branches at different times. Managing and monitoring the pilot test in one or two branches carries its own complexities, but the controlled rollout of a product to tens or even hundreds of branches requires significant project management skills. Project management skills can help this process to move more smoothly.



One way to manage this process is through critical path analysis using Gantt or PERT charts. This analysis will help the MFI to identify the critical and non-critical steps required in the process of rollout. Understanding these and their timing will help the MFI to manage the process. A detailed example of Critical Path Analysis is provided in *Appendix 1: Critical Path Analysis* (with Gantt and PERT Charts).

- c. **Flexibility:** Let us assume that you have tested the product in one, maybe two branches. Your team has worked out the issues and the product seems to be working fine. Now you are finding that every branch is unique, making each new rollout a bit different. These anomalies may result from:



- *Staff and management capacity, quality, or incentive.*
- *Market characteristics* such as local competition or market density.
- *Cultural issues* such as who should promote the product in the community (sometimes government officials are the right people, other times they are completely wrong, and you should use local business or tribal leaders instead).
- *Infrastructural issues* such as the ability to keep a computer running for a new computer-based product.
- Potential *client perceptions* of the MFI/bank or its products.

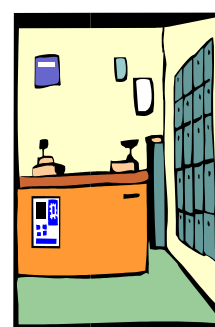
All of these issues require flexibility on the part of the Rollout Team.

Although the product will remain essentially the same, the team will need to assess each particular rollout branch and address its anomalies before finalizing the rollout plan with them. Without flexibility in implementation, the product will have difficulties as it is rolled out in individual branches. This is not to say that the core product attributes and procedures are to be changed at each rollout location. These are fundamental to the product and cannot be changed. What can be altered is the way the product is marketed, the way the staff and management are trained and incentivised, and the satisfaction of infrastructural requirements.

d. Infrastructural implications: When assessing the individual branches for rollout there will be certain minimum requirements for each branch. These are critical factors in determining the ability to rollout in that branch. Some of these requirements might include (depending on the requirements of the specific product):

- *Office size* – Is there enough space to accommodate the anticipated number of new clients? If not, what will be the financial impact of enlargement?
- *Utilities* – Is there an adequate supply of electricity, and is it consistent? If not, what are the cost implications of bringing electricity to the office? Do these fit with the institutional objectives on profitability?
- *Market* – Is there enough market to make the financial investment in preparing the branch worthwhile? This should be reviewed against managerial objectives.

Postal Banks often have two kinds of branches. They have branches that the Postal Bank owns and operates, and postal bank “units” that are owned and managed by the National Post Office for a fee from the Postal Bank. When rolling out a computerized product that requires significant oversight, it may make sense not to roll out the new product in the postal units because the cost involved in outfitting them with computers, and training and supervising their staff, may be far in excess of the earning potential from the product at that unit.



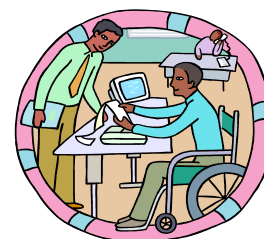
Do not assume that just because the institution has a new product that the product must be offered in every location. A new product should not be offered in a location if the institution loses money due to the costs of needed adjustments, building, training, or management.

e. Central bank restrictions: In some countries, central banks set restrictions on the amount of cash that can be held in a single branch, the amount of fixed assets the institution can acquire relative to institutional capital or assets, or other restrictions. These can be highly limiting and difficult to manage. One institution was under pressure to reduce its level of fixed assets to capital. At the same time, they were testing an automated system that required computers, printers, UPS's, and, in some cases, generators. This regulatory issue had to be addressed if rollout was to be successful.

What else should be done before/during/after rollout?

Remember that in developing any product, there are several aspects to consider. The core inputs to rollout include:

- Formalizing procedures,
- Developing financial projections,
- Finalizing marketing strategies,
- Training staff, and
- Preparing systems.



For many reasons, some organizations will try to push ahead with rollout without concluding these inputs. They think that formal procedures can wait, or that they already know how to do a launch, or even that financial projections can wait, or that training can be “on-the-job”. This is a mistake and most MFIs invariably will make unnecessary, often costly errors. Take the time necessary to carefully move through these steps, particularly marketing strategies, staff training, and system preparation. We will go over these aspects later in this Tool Kit.

How do we make the transition from the pilot test to rollout?



Recall that the pilot test concludes with the preparation of a “Recommendation Letter.” In truth, calling this document a “letter” is a misnomer. It really is more like an epic and it may be more appropriate to consider it as two outputs: the “Recommendation (cover) Letter” and the “Hand-Over Package.” The Recommendation Letter goes to the senior manager who then presents it to the board for a vote on the future of the product. If it is complete, the Hand-Over Package will contain all the critical information and tools that are required for rollout. These should have been compiled during the pilot test phase in steps and iterations as more was learned about the product and how it responded in the real market.

By following this process, the development of the core inputs to rollout will be complete in plenty of time and rollout will not be delayed. If the institution moves ahead without formalizing procedures, the rollout will lead to confusion, with different branches operationalizing the product in different ways. With no strong marketing plan, marketing and growth will be weak, since each branch will have to design its own marketing strategy. Without a solid training curriculum, training will be haphazard and lead to unacceptable and costly error levels. Skipping the critical steps will cost a great deal in terms of efficiency and control.

Because the Letter of Recommendation and the Hand-over Package are so important for the efficient and smooth rollout of the product, these will be discussed in the next section.

The Hand-Over Package

Transferring the new product from the pilot test phase to the rollout phase can be smooth and efficient if the appropriate information is collected during the pilot test, and all the formal documents are drawn up. If the Pilot Test Team has done all that was expected of them by their protocol, then handing over the “keys” will be easy.



Although there is a cover letter that accompanies the documents, the package as a whole is more properly thought of as a “Hand-Over Package.”

That said, the resulting document is complete only if it contains virtually everything needed for rollout. If the Pilot Test Team organizes and compiles the necessary information as they move the product through the pilot test, the final collection of documents can be an amazingly efficient tool that requires little work between the pilot test and the rollout.

For ease of reference, we will now split the Hand-Over Package into two pieces: the few pages of the Letter of Recommendation, and the larger Hand-Over Package.

An overview of the Letter of Recommendation and the Hand-Over Package

The Letter of Recommendation is divided into two parts:

- 1.0 Executive Summary
- 2.0 Recommendation with major supporting justifications. Justifications should cover these issue:
 - 2.1 Institutional profitability
 - 2.2 Efficiency improvements
 - 2.3 Satisfaction of corporate and market needs
 - 2.4 Corporate image improvements

The Team's "Hand-Over Package" should include at least the following sections in this format:

- 1.0 Full description of the product, its terms and conditions, as well as basic data of product acceptance and customer attitudes about the product
- 2.0 Comparative Pilot Test projections to actual results of objectives tables
 - 2.1 Discussion of any significant variance (>20% in either direction)
 - 2.2 Discussion of the reasons behind any significant projection adjustments made during the Test.
- 3.0 Completed projections model for the Rollout based on actual data from the Test
 - 3.1 Note any anticipated deviations from the Test branch that are likely to be experienced in other branches
 - 3.2 Include specific objectives for the Rollout
- 4.0 Discussion of the interrelationships of all significant departments with the product noting any material issues that arose during the Test and how they were resolved. This will provide important input in the preparations for and implementation of Rollout.
- 5.0 Confirmation of procedures, policies and systems (software and hardware) from the internal audit department. The product should not move beyond the Test phase without a comprehensive review and approval by the internal auditors. If there are no internal auditors or the internal auditors are not fully capable of such a review, external auditors should be contracted to complete this step.
- 6.0 Discussion of strengths, weaknesses, opportunities, and threats to the institution posed by the product and its Rollout. This will give the Team and the operations department a quick summary of the product and its needs during rollout.
- 7.0 Draft plan for Rollout including scheduling of the process (see Appendix 1 on Gantt and PERT charts), including procedures for addressing:
 - 7.1 Training
 - 7.2 Infrastructure
 - 7.3 Marketing
 - 7.4 Controls
- 8.0 A detailed marketing plan for the product Rollout.
- 9.0 Appendices containing:
 - 9.1 Full procedures manual section "draft" ready for corporate approval
 - 9.2 Training curriculum
 - 9.3 Systems manual (specific for the product)
 - 9.4 Copies of all marketing documents
 - 9.5 Copies of all audit reports of the product
 - 9.6 Copies of Team minutes

Because each of these steps simply reflects activities that were to be drafted in preparation for the pilot test and then refined throughout the pilot test, *the preparation of the Hand-Over Package should be a compilation and quality control exercise rather than a large writing task.* Doing it this way also assures that the procedures and plans developed are based on actual pilot test results rather than being quickly thrown together in order to satisfy a formality and get the rollout moving.

What should we keep in mind while compiling the Hand-Over package?

Some points to remember in compiling this hand-over package include:

- ❖ The Rollout Plan must reflect the true capacities and abilities of the institution as a whole, with a healthy dose of conservatism. Be sure that branch and team capacity is adequate for managing the rollout. Do not plan for the first rollout branches to be in different parts of the country at the same time. Especially with the early rollouts, there will be problems and you will need to be able to focus your key staff on the rollout sites.
- ❖ Choose rollout sites and timing that make sense for the product, the branch, and the institutional capacities. Many issues require consideration, including:
 - ✓ Infrastructure
 - ✓ Logistics
 - ✓ Actual capacity of the institution, and
 - ✓ Taking advantage of opportunities



Management will have to consider multiple issues in making these decisions. If, for example, the product can be part of a network, it might make sense to roll out the product in branches that are on the network first. If a branch has a new manager, it may be best to let her settle in before adding a new product. If a marketing opportunity at a one branch seems particularly keen for the product, then it might be a good idea to roll out the product there.

- ❖ A detailed mini-plan will be needed for each branch that is scheduled for rollout. These are especially important as they note conditions under which the product may perform differently in a different market.

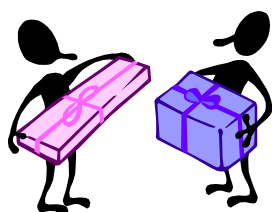
What if the recommendation for rollout is rejected?

If the Pilot Test Team has managed the test appropriately, the Managing Director and the Board will be expecting a recommendation for rollout. In practice, unless something has dramatically changed within the institutional culture, the Team should never submit a recommendation for rollout to the Board unless they are sure it will be approved. Submitting a weak recommendation only undermines the credibility of the Team and the product.

If the Board rejects the product, it will need to advise the Team on what to do next. The options include:

- ✧ Terminate the product development process for this product
- ✧ Continue the Pilot Test
- ✧ Alter the product and re-test

If the recommendation to rollout is approved, what's next?



Once the Board passes the recommendation, it is time to begin handing the product over to the department that will hold it permanently. Remember, the Pilot Test Team was only constituted to manage the product through to its permanent home. **Generally, this “home” will be the Operations Department⁴.** In some cases, it may be a specialized department or division specifically for savings or loan products.

Transitioning from pilot test to rollout



In most institutions, a representational Pilot Test Team has brought the product from inception through the pilot test approval by the Board. Once the product is approved, management of the product needs to be transferred from the Team to a permanent departmental home, usually in the Operations Department. Making this transition as smooth as possible is important for the success of the product.

Does the Pilot Test Team simply hand over the product to the new department?

The transitional phase, when management of the product is moving from the Pilot Test Team to the Departmental Home, it cannot run smoothly without the participation of both groups. The Hand-Over Package that goes to the departmental home contains the blueprint and “assembly instructions” for the product along with the proposals for rollout.

The Team itself has invaluable experience and the best understanding of the lessons learned, lessons that should not be discarded at the end of the pilot test.⁵



The Pilot Test Team should therefore be available to help the new team in operations.

How does the “transitional phase” work?

For any big project, an institution needs a core group of people who will push the project through and manage the process. This core group of people is often known as the Product Development Team and/or its various iterations (including the Pilot Test Team). Rollout is no different.

During the transition period from pilot test to rollout, there is a need to draw together a new team, a Rollout Team, that includes key people from the departmental home, and some key people from the Product Development Team. As rollout progresses, the Product Development Team members can be gradually phased out, since their utility with regards to the product will be reduced as the departmental home staff gains a better understanding of the product, and its needs and opportunities.



⁴ In the toolkit ‘operations department’ is used interchangeably with permanent departmental home.

⁵ The lessons learned by the Pilot Test Team will also prove important in the next round of new product development since so much of what was learned relates to the Product Development Process as a whole, and not just the product itself.

How long does the “transitional phase” last?

The “transitional phase” lasts until the product is rolled out to all branches and the relevant parties are fully able to monitor and manage the product as it moves into its different phases. In this phase, the Product Development Team members on the Rollout Team should gradually phase out their activities while the Departmental Members increasingly institutionalise the relevant product responsibilities within the department. In a reasonably short time, usually three to nine months, the various relevant departments should have fully institutionalised the product into their processing and management routines.

Preparation for rollout check list: Have You ...

- ☐ Assessed your institutional capacity for rollout?
- ☐ Ensured that you have adequate
 - Management commitment
 - Project management skills
 - Flexibility
 - Office space
 - Utilities
 - Market for the product
- ☐ Assessed the regulatory implications
- ☐ Planned for the transition from pilot test to rollout
- ☐ Ensured that the Hand-Over package is complete and comprehensive



Risk analysis

The final stage in the Preparation for Rollout step is to undertake product-level risk analysis as it pertains to rolling out the product. This assumes that the institution already has a proactive risk management strategy at the institutional level.

To assist you with risk management, whether at the institution-level or product-level, *MicroSave* has developed a comprehensive “Institutional and Product Development Risk Analysis Toolkit”, which you can see and download at – www.MicroSave.net. The toolkit has useful ready-to-use tools. The following overview is extracted from *MicroSave*’s Briefing Note #23, and highlights the benefits of proactive risk management.

Proactive Risk Management

Proactive risk management is essential to the long-term sustainability of a microfinance institution. It lays out the general framework for identifying, assessing, mitigating and monitoring risk in the MFI as a whole. A key management responsibility is to provide reasonable assurance that the MFI's business is adequately controlled, and until it has embraced risk management at an institutional level, there is very little chance that the MFI's product-level risk management strategies can succeed.

Effective risk management has several benefits:

- **Early warning system for potential problems:** Less time fixing problems means more time for production and growth.
- **Efficient use of capital:** Risk management allows management to qualitatively measure risk, fine-tune the capital adequacy ratio, and evaluate the impact of potential shocks to the financial system or institution.
- **Successful new product development and roll-out:** Systematically addressing the risks inherent in new-product development and roll-out can result in enhanced corporate reputation, improved customer loyalty, easier cross-selling of services, and better knowledge for developing future business.

Why focus on new product development risks?

Failure to identify and manage risks proactively during the process of developing and rolling out new products can yield disastrous results. In hindsight, outcomes were predictable, with management asking, “How could we have failed to see this outcome?” Many of the most common and serious risks are related not to products – as is often assumed by about-to-be-regulated microcredit institutions – but rather to ownership, management, and institutional capacity to deliver products.⁶

What is the objective of a pre-rollout risk assessment?

In the context of a New Product Development Risk strategy, undertaking a Pre-Rollout Risk Assessment ensures that limitations necessarily imposed during the pilot phase and additional stress indicators predictably present during a rollout are identified and the impact of removing these limitations is assessed prior to actual product rollout.

⁶ Introducing Voluntary Savings from the Public in Regulated Microcredit Institutions: What are the Risks? by Marguerite S. Robinson, November 2002

A sample toolkit for risk assessment follows below. However, the complete Tool 5 – Pre-Rollout Assessment found in *MicroSave*’s Toolkit should be used.

Examples of Possible Stress Indicators ⁷	Impact (H, M, L)	Mitigation Strategy (Accept, Control, Transfer, Avoid)	Mitigation Tactic(s)	Risk Owner
ENVIRONMENTAL				
Technological changes since pilot that effect/outdate product delivery/design				
Competition has brought same/similar product to market with similar or higher pricing				
High profile union leader or community leader tells community that product is exploitative				
INTERNAL				
Human Resources				
Insufficient Trainers to support rollout within time frames				
Insufficient on-site, trained support staff available during first stages of rollout at each site				
Lack of Change Management process				
Delivery Network				
Greater than anticipated demand results in inadequate stationary supplies available on time				
Seasonality of product dictates timing of rollout				
Organizational Culture				
Weak Management commitment				
Lack of buy-in by other departments/staff				
Financial Viability				
Liquidity systems will be stressed if loan product demand exceeds projections, and cash funding may not keep pace with demand				
Effect of cannibalization noted during pilot expanded to rollout greater negative impact than planned.				
Institutional Strategy				
Product meets objectives in terms of growth, customer satisfaction, and product quality?				
Board and/or CEO rush rollout by cutting corners in methodology				

⁷ Note: This list is for illustrative purposes only. Every MFI will have variants on the stress points that we have suggested.

Examples of Possible Stress Indicators ⁷	Impact (H, M, L)	Mitigation Strategy (Accept, Control, Transfer, Avoid)	Mitigation Tactic(s)	Risk Owner
Systems				
System not capable/not tested for capacity to handle scale (capacity and response time issues)				
IT problems noted during pilot not corrected and/or not sufficiently tested				
Audit department not signed off on the controls related to the system				

Risk check list: Have You ...

- ☐ Completed the Pre-Rollout Risk Assessment Tool?
- ☐ Formally made the decision to proceed with the product launch?
- ☐ Scheduled your Rollout activities to follow the remaining steps in this Rollout Toolkit?
- ☐ Conducted a post implementation review and is this fully documented for future reference?
- ☐ Integrated the product into the MFI's overall Risk Management Programme?



Product

Step 3. Organising the Rollout Process

How do we organise the rollout process?

Remember that the pilot test process was governed by a protocol. Rollout also needs a protocol to guide the process. Later in this section, we will discuss the components of a Rollout Protocol.

Your Team will first need to choose a process method. Below, we review various process methods (also see Appendix 1). Choice of rollout process method must be made before a protocol can be drafted, as key components of the protocol depend on this decision, especially with respect to the scheduling of activities.

Shall we rollout in phases? We are anxious to get our product out to the customers. May we roll out the product all at once, or is it better to do it in phases?



After spending six months, twelve months, or even more in the pilot test phase, most managers are anxious to get the new product out to the market quickly. The pilot test has demonstrated the possibilities offered by the product, and they want to realize those opportunities immediately. Unfortunately, in most cases this is not the most prudent method of Rollout. Most institutions will need to *phase in* the new product.

With savings and credit products and services, especially those that are tied to a computer system, it takes longer to make sure staff are trained, confirm that the systems are in place and working, and ensure that limited support staff can assist with the rollout in each location. Capacity remains the biggest issue here, and the determining factor in deciding whether or not to roll out to all branches at once.

Remember, during the rollout and follow-up phases there will be problems – some significant, some petty. The overriding question is: When there are real problems in the rollout, how will we be able to address them?

How can we be certain that phasing in our product is the best way to proceed?

Use *Table III.2: Key Questions* to help determine your ability to address problems in the rollout, and thus better understand the need to roll out in phases.

Table III.1: Key Questions

How many branches are there to rollout to?	The more branches you have the more likely it is that you will need to rollout in phases.
How much technical input is required in setting up for rollout?	The more technically complicated the product the more likely it is that you will need a technician on site for the rollout. The number of technicians you have will determine your rollout speed.
Are you using software that your company developed?	If you have developed your own software remember that one installation is not sufficient to deem software completely stable. The new rollout branches will still be Test Sites for the software and will require phased rollout, at least in the beginning.
Are you using “off-the-shelf” software that has been proven in many installations?	If you have an unadulterated off-the-shelf system this will allow for more rapid rollout. If you have significantly altered the system, initial rollout should be phased to allow for testing the adjustments at different sites.
Are you using a module of a software package that your institution is already using?	This is an excellent choice since staff is already familiar with the look and feel of the software, and the main system is already in use at the different rollout sites.
Are you using a manual system?	Training and confirmation of controls are often more critical here. Staff in the rollout branches requires more detailed training, and management needs more extensive training on the controls of the manual system.
How far are the rollout sites from the head office?	The further the rollout sites are from the head office, the better it is to roll out in phases, since support staff will be unable to travel long distances efficiently in order to address rollout issues.
Are you already offering a similar product, or is this product simply a re-engineered product?	The wider the gap between products the institution currently offers and the new product, the more likely it is that you will need to roll out in phases.
What is the level of capacity of the branch staff that will implement the product?	The more flexible your staff is in managing multiple products, the easier it is for them to understand and manage another product. However, you need to assess the possibility that a new product will overwhelm your staff and overall productivity will be reduced. The productivity of staff during the pilot test should be a good indication of their capacity to take on a new product. The greater their capacity the more likely it is that you can roll out more rapidly.
How much infrastructural adjustment is required to offer the new product?	Commercialisation is a popular goal for MFIs now. This usually requires instituting a Savings Department with all the management, staff, and infrastructural issues that such a move implies. For a company that had previously offered only credit products, this is a major infrastructural adjustment. This kind of change in infrastructure cries out for a phased rollout since there are so many issues that could be problematic during the rollout itself, possibly posing serious risks to the institution and the clients.
Can the projected cash flow be adequately managed by the MFI?	This is an important issue. With both loan and savings products, a new product can greatly alter cash flow. After a pilot test, the MFI will have a better indication of the potential cash flow issues during rollout. Caution is critical. MFIs have been observed to roll out a new loan product not recognizing that cash flow projections would have shown that there was not enough funding to manage the product. How embarrassing it is to have to cancel a new product because there is not enough money to fund it. In addition, managing excess liquidity from a new savings product creates a problem for an MFI that might not have a strong treasury function. Idle money can have a rather negative impact on a company’s income statement.

Methods of a phased rollout

Generally, there are several methods an institution can use for a phased rollout. Three of the most common are:

- A **fixed-period rollout** where an institution simply offers the product in a new branch after a fixed time-period. Institutions using this method might choose to rollout the product to a new branch each month, for example.
- An **accelerated phased rollout** where an institution begins rollout at a careful pace and then accelerates rollout as they clean up problems that arise and become more comfortable with the rollout process.
- A **regional phased rollout** approach where an institution rolls out the product at one time to all branches in a geographical region.



Table III.3: Rollout Method Comparisons below shows the pace of rollout using the three different approaches.

Table III.2: Rollout Method Comparisons

Rollout Method Comparisons												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Fixed Method												
Rollouts per month:	1	1	1	1	1	1	1	1	1	1	1	1
Cumulative Rollouts:	1	2	3	4	5	6	7	8	9	10	11	12
Accelerated Method												
Rollouts per month:	1	1	2	2	3	3	3	4	4	4	5	5
Cumulative Rollouts:	1	2	4	6	9	12	15	19	23	27	32	37
Regional Method												
Rollouts per month:	2	0	3	2	4	4	3	3	5	4	2	5
Cumulative Rollouts:	2	2	5	7	11	15	18	21	26	30	32	37

How can we choose the best method for our institution?

The choice of method is a function of the issues addressed in the *Key Questions* table above. For most institutions, rollout capacity is built rather quickly since much of the rollout process is the same for each branch. Therefore, the Accelerated Method is usually the most appropriate choice since it gives an institution time to work out any rollout issues or problems and build rollout capacity. Then the institution can speed up the rollout based on their assessment of capacity.



The Regional Method is an accelerated method that may be most appropriate for MFIs with tight clusters of branch activity at a distance from the head office. In these cases, the required team members would go to a regional area and rollout the product in the different branches in that region. This can make rollout more efficient and still retain the benefits of the Accelerated Method.

One MFI conducts business only in urban areas within a country. In any given urban area they might have three or four branch operations. It makes sense in a case like this to have a product rollout in all of the branches in an urban area.

Another MFI has branches in the northern region of a large country. Within that region, there are several branches, on average about one hundred kilometers distant from each other. Even though this is a “region” for the MFI, it would be more appropriate in the context of product rollout to treat these branches as separate units, although some activities may be efficiently combined, such as training.

Things to remember:

- Rollout pace should always be based on the capacity of the institution and the rollout branch staff.
- Each rollout is a bit different. The Rollout Team must recognize this and adapt the rollout and the planning to those differences.
- When problems occur make sure there is enough time to correct them so that the lessons can be applied to subsequent branch rollouts.

Branch Rollout

How do we determine the order of branch rollout?

There are several issues to consider when determining which branches to rollout to first. Among the most important are the following:

- **Infrastructure needs and opportunities:** Can the site infrastructure maximize the technological opportunities of the product? For example, if the system can be networked from the head office, some branches may have the infrastructure for networking and others may not. Those that have the infrastructure for networking should be the first to receive the product.
- **Market demand:** Is there significantly more demand for the product in one area than others? This demand should be satisfied first, if practical.
- **Geography:** It is likely that the first rollout branches will require the most Rollout Team input. Thus, the head office will be better able to rollout in branches that are geographically close.
- **Profitability:** Fundamentally, the product is intended to improve profitability of the institution. The product should be rolled out first in the branch where it is likely to show the most profit. A corollary to this is that branches in which the product is not likely to be profitable should not get the product at all.
- **Management and staff demand:** One of the most powerful factors of success for a new product is the eagerness of branch staff and management to make it work. This factor should be seriously considered in rollout planning.

A simple decision-making grid can help in determining the order of branch or region rollout. An example where weightings are applied to the factors to indicate their importance to the MFI is provided in *Table III.4: Sample Rollout Order Worksheet*.

Table III.3: Sample Rollout Order Worksheet

	Distance from head office (in Kms)	Networking (time to network in months)	Infra-structure	Market Demand	Geography	Profitability potential	Score
		Weightings	7	5	3	10	
Branch 1	135	networked	5	5	2	4	106
Branch 2	20	within 4	3	3	5	2	71
Branch 3	75	not networked	1	2	3	2	46
Branch 4	125	networked	5	4	2	3	91
Branch 5	60	within 4	3	3	3	3	75
Branch 6	90	within 8	2	1	3	1	38
Branch 7	35	within 12	2	4	4	4	86
Branch 8	30	networked	5	3	4	4	102
Branch 9	160	networked	5	3	1	3	83
Branch 10	5	within 1	4	5	5	5	118
Branch 11	45	within 4	3	4	4	4	93
Branch 12	100	within 8	2	2	3	3	63
Infrastructure: 1 = very poor with no networking capability 5 = currently networked Market Demand: 1 = no active demand for this product 5 = very strong demand relative to other branches Geography: 1 = more than 150 Kms 5 = less than 25 Kms Potential Profitability: 1 = break even expected but no more within 1 year 5 = break even plus from first month							

This institution decided that the most important requirement was profitability and thus gave it a ten out of ten in the weightings. The next most important requirement was infrastructure because although the general infrastructure of the branches is similar, the new product can be networked and they want to network it where possible. Market demand was weighted in the middle because the institution, recognizing this was a new product that would be substituted for their old product over time, considered this a product driven by technology that would ultimately benefit all clients. Finally, because this institution had reasonably easy access to its relatively close network, geography was the least of their concerns.

In rolling out a new savings product, seasonality might be an important factor. In many countries, November, December, and January are poor months for rolling out a savings product because money traditionally haemorrhages out of the household for Christmas and school fees during this period, and most people have little left over to save.

Similarly, loan products are likely to be affected by seasonal patterns – particularly in rural areas. Many market traders need loans before religious festivals (Christmas, Eid, Holi etc.) to stock their stalls.



Other factors to consider when deciding where to roll out the product first?

It is important to remember that this is a *tool* to help institutional management make the decisions on rollout order. Just because a branch receives a high score does not necessarily mean that that is where the institution should go first. There are many inputs to this process, and this is just one. It is intended to help guide an MFI as one input to the discussion. Because it is based on institutional objectives, it should be a relatively powerful tool, but management consideration is still required.

In this case, the two lowest scoring branches (3 and 6) may be eliminated from rollout since one is not on the network and the other will not be profitable. Management needs to look carefully at these branches because opening there with these constraints will require special requirements and additional procedures.

The highest scorers (Branches 1 and 10) are at the two extremes in distance from the Head Office. Because Branch 10 is about to obtain networking capability and is close geographically, the institution selected this branch as the first rollout branch. They knew it would take at least a month to get ready, and the proximity to the head office made them confident that Branch 10 should be first.

The institution decided on the following rollout schedule based on its assessment (above) and management objectives.

Table III.4: Branch Rollout Schedule

Accelerated Method	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Branch numbers:	10	1	9 & 4	8 & 11	5&2	12					7	
Cumulative Rollouts:	1	2	4	6	8	9	9	9	9	9	10	10

Notice several points about this Rollout Plan:

- Management decided they would not rollout to branches 3 and 6 because the product would not satisfy important corporate objectives. They agreed to reassess these branches after one year.
- Rollout in Branch 7 was delayed until networking was expected to be available in the branch. If networking comes available earlier, they will rollout to branch 7 anytime after Month 5.
- The Accelerated Method was used, speeding up rollout after the second branch rollout. By this point, they had the product in the test branch, a close branch, and a distant branch.

Things to remember:

- If rollout to certain branches does not appear to satisfy corporate objectives, rollout to those branches is not advisable.
- An accelerated rollout is generally most appropriate and the acceleration should begin after two to three branches per month have been rolled out “successfully.”
- The rollout schedule must remain flexible. Do not rollout simply because it is scheduled if you are having trouble with previous rollouts. The only reason to rollout is because previous rollouts have been successful and are stable (or rollout issues have been isolated to a problem branch).

Organising the rollout process check list: *Have You ...*

- ☐ Decided on the method of phasing of the rollout?
 - Fixed-period
 - Accelerated
 - Regional
- ☐ Determined the order of branch rollout?
- ☐ Developed and communicated a branch rollout schedule?



Step 4. Setting the Objectives for the Rollout

In order to determine the success or failure of the Rollout, it is essential that the objectives for the new product be clearly defined – on a branch by branch basis. This step is a two-stage process. Here, you will generate a list of general objectives, from which you will set specific targets based on the financial projections.

What do formal objectives “do” for us?

Clearly defined objectives provide key indicators that are important for at least two reasons:

- ✓ They help the Rollout Team to recognize quickly if the product needs any remedial action or adjustments during the Rollout.
- ✓ They provide criteria against which the Team can interpret the results of the Rollout.

Product objectives

The objectives are usually closely related to, if not exactly the same as, those of the pilot test because the initial objectives made for the product during the pilot test were clearly related to long-term objectives of the institution. It may be that an additional objective or two might be added to reflect the issues of rollout.

The objectives are different from the targets that clarify them, and so certainly the targets will be different for rollout than for the pilot test. Additionally, there should be a set of objective targets for the whole exercise, and there should be a set of objective targets that relate to each administrative unit (branch, region, or other). These micro-level targets should accumulate to satisfy the targets of the institution as a whole. The objectives for all levels will be the same. It is simply the targets that will be adjusted by unit.

An example of institutional objectives and their targets might look like *Table IV.1: AMC Fast Access Savings Account Objectives: Completed*.

How do we establish clear product objectives?

Objectives define the critical success factors of your Rollout. When choosing objectives, think about them in terms of the MFI’s and customer’s key factors of interest:

- ✓ Central issues of profitability
- ✓ Growth (in terms of volume of accounts and the value of their balances)
- ✓ Customer and institutional efficiency
- ✓ Customer service
- ✓ Effectiveness of marketing efforts

Table IV.1: AMC Fast Access Savings Account Objectives: Completed

AFRI-CO MICROFINANCE COMPANY FAST ACCESS SAVINGS ACCOUNT (FASA) OBJECTIVES															
(NOTE: Parts of this document should tie into the costing and sensitivity analysis. 1US\$=10AFshs)															
Item	Objective	Current Status (for period or EOQ)	Objective Target (End of quarter 8)	Q1 Status		Q2 Status		Q3 Status		Q4 Status		Q5 Status		Q6 Status	
				Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
1	Net Number of FASA Accounts (thousands)	1.3	25.0	2.1		4.3		8.6		12.1		17.1		21.4	
2	Percentage of FASA accounts from new AFRI-CO deposit customers	3%	≥ 75%	7		11		21		30		42		54	
3	Total FASA Account Liabilities (millions of Afshs)	1.78	35.0	3		6		12		17		24		30	
4	% increase in net deposit value attributable to FASA account	2.9%	60%	5%		10%		20%		30%		40%		50%	
5	Cumulative NPV loss/profit (net of Regular Savings transfers) (In millions of AFshs)	(0.500)	≥ 1.50	(.700)		(0.800)		(0.700)		(0.350)		Even		0.250	
6	Market target Objective (Marketing staff activities result in average XX% of new product accounts)	32%	65%	40%		45%		50%		55%		60%		65%	
7	Customer satisfaction (Average score on a 5 point scale on a PRA rating exercise designed by marketing)	4.0	4.0	4.0		4.0		4.0		4.0		4.0		4.0	
8	Deposit account market share	9%	12.5%	20		20		21		22		22		23.5	
9	Number of Branches offering the product	1	10	4		9		9		10		10		10	

Do we need to consider the impact of our staff incentive scheme on our objectives?

Yes. The existence of a staff incentive scheme can significantly impact on the performance of targets set for the new product. This is especially true if staff members are incentivised for achievements on existing products and not for performance on the new product. The MFI may decide to introduce specific incentives for the duration of the pilot test, or simply to adapt its existing incentive scheme to accommodate its new product.

MicroSave's Toolkit for Designing and Implementing Staff Incentive Schemes in MicroFinance Institutions Martin Holtmann

Well-designed staff incentive schemes can have positive and powerful effects on the productivity, efficiency and quality of MFI operations. Conversely poorly developed schemes can have serious detrimental effects. Incentive schemes must be transparent so that staff members affected can easily understand the mechanics of the calculation. Thus the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible. Furthermore, the “rules of the game” should be made known to everyone and should not be changed arbitrarily. In addition, it is essential that the incentive scheme be perceived as being fair, and thus the goals set out by the scheme must be attainable, and better performing staff members must indeed be rewarded with higher salaries. Finally, everyone must be able to achieve a higher compensation by working better and harder.

This *MicroSave* toolkit provides a detailed examination of:

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

Setting the objectives for the rollout check list: *Have You ...*

- ☐ Established clear product objectives?
- ☐ Considered the impact on our staff incentive scheme?



Step 5. The Rollout Protocol

How it differs from the pilot testing protocol

In general, a protocol defines what will be done, by whom, and when. It formalizes the activities that lead to the results and further defines the procedures and parameters for the rollout itself by addressing each specific activity required for success, scheduling that activity, and allocating responsibility for getting it completed. The Rollout Protocol is very similar to the Pilot Testing Protocol in its objectives and structure.

The typical format for the Rollout Protocol would be as follows:

ABC Bank XYZ Product Rollout Protocol	
Product Rollout Objectives:	1-6
Basic Branch Rollout Schedule:	From the previous question (“Accelerated method”)
Critical Path Diagram (Gantt, PERT, or other)	
Definition of schedule altering issues:	
Reporting points:	- What is reported - Who reports it - Who uses it - How

Haven’t we already developed a schedule for rollout?

Yes, if you followed the guidelines above -- the schedule of the Rollout Protocol will draw on the Rollout Branch Schedule. A protocol incorporating this Rollout Branch Schedule is needed to ensure, initially, that everything is ready for each rollout and, after the product is rolled out, that data is being collected and used in subsequent decision-making.

What else should the rollout protocol include?

The responsibilities required for each step of the protocol (training, marketing preparation and follow-up, systems installation and testing, as well as many others) should draw on the PERT or Gantt charts described above and in Appendix One. In addition to this, the Protocol should include reporting requirements (what and when), as well as guidance as to when the rollout should be paused.

Schedule-altering issues

Schedule-altering issues should be rather intuitive, especially for organizations that have followed the *MicroSave* Toolkit for Planning, Conducting and Monitoring Pilot Tests, and are such that their occurrence puts rollout success as per the schedule in question, at least for a short time. These issues might be considered in two groups, those that are related to logistics and those related to the product. Some examples of these include those found in *Table V.1: Schedule-Altering Issues*.

Table V.1: Schedule-Altering Issues

Logistics Issues:	Product Issues:
Excessive difficulty obtaining fixed assets that are needed for rollout	Product uptake is less than 75% or more than 150% of projected in more than one branch
Severe networking problems	Competitor mimicking your product
Regulatory issues	
Staff training proves ineffective	
Control environment is found significantly lacking	

All logistics issues should have been identified and dealt with during the pilot test, so there should really be no further significant issues with them unless some important factor was altered before the product is rolled out.

On the product issues, if uptake is dramatically faster or slower than projected this should trigger a re-assessment of several factors:

- Training
- Marketing
- Competition
- Market Research/Demand (as assessed through PRA/FGD sessions)⁸
- The section in the Hand-Over Package about expected differences in speed of product take-up during the rollout to branches as compared to the pilot test. These should have been addressed when the MFI set targets for the branches.

Once these are re-assessed, a strategy to correct the issues should be developed. Frequently the problem lies somewhere among the localized issues of marketing, training, and competition.

For the purposes of the protocol, note the issues that might occur and be clear about what severity of issue will be required to cause a major adjustment to the Rollout Plan.

What should we do if we find that our competition is mimicking our new product?

Competition mimicking your product can be a serious issue that may justify an even more accelerated rollout. By the time you get to rollout of a new product, you have probably been working on it for twelve to eighteen months. For twelve months, the product may have been available to the public (and competitors) during the pilot-testing phase. During that time, competition has watched your test and seen that the product has worked well.

Thus, if competition is aggressively marketing “your” product, a speedier rollout may be called for depending on market overlap, your capacity to speed up rollout, and your competitor’s ability to offer the product without serious problems.

However, use caution. Although you certainly do not want to lose the advantage of “your” product and the investment your organization has made to a parasitic competitor, remember that you also do not want all that preparation to be lost in an uncontrolled rollout. Just because you have a competitor for your market with your product, does not mean that you should abandon the control of your rollout.

And finally: don’t worry too much – your competition might be able to copy the external, visible aspects of your product but they cannot copy the internal, invisible systems, training etc. you have carefully developed. They will have to go through the complex process of doing this for themselves – and may well stumble in the process.

⁸ PRA - Participatory Rapid Appraisal

The rollout protocol check list: *Have You ...*

- ☐ Developed and communicated a clear rollout protocol?
- ☐ Identified and documented potential schedule-altering issues?



Step 6. Product Costing and Pricing

What about costing the product for rollout?

Always remember that the product should be profitable, or it should not be rolled out. One of the basic objectives of pilot testing is to determine profitability. Profitability is a factor of the:

- costs related to the product or service,
- the *retail price* of that product or service, and
- the *volume of “sales.”*

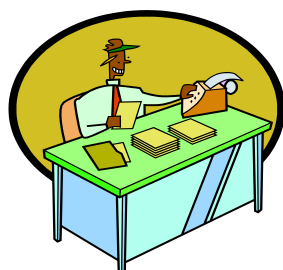
In the pilot test, all three of these factors must have been aligned in such a way as to show potential (or even achieved) profitability. When the product moves to other branches in the rollout, some of these factors may be significantly different than they were in the test branch. This could dramatically impact the profitability of the product in those branches. Therefore, costing must be done for each rollout branch.

Although there are three key components, all rest on the costing. The pricing must be based on the anticipated costs with a factor for volume of sales. Depending on the price elasticity of the product, price is likely to be a significant consideration in a customer’s purchase decision, and thus a potential limiting factor.

For the pilot test, costs (as well as volumes and other factors) were projected using a projections model. Now that there is “real experience” data generated from the pilot test, it may be more appropriate to apply these to a costing model. Many institutions are already using a costing model to calculate the “real” costs of their products. If this is the case, the institution can add the new product to their current costing activities. The results of this application will then be applied to the projections model where adjustments can be made on a branch-by-branch basis.

What if we are not doing any costing exercise with our current products?

If an institution of any substance is not costing its products, then proper management is difficult. Without knowing the details of the cost side of a product, the management will have difficulty effectively addressing costs to make the institution more competitive. Certainly without adequate costing, the institution will have a difficult time setting prices that cover costs and provide profit. Proper management requires appropriate costing.



That said, if your organization is not currently conducting a regular costing exercise, then accurate costing for this product will be extremely difficult because you will have to cost the whole institution with it. In this case, your institution should set a short-term objective to identify and begin the implementation of an institutional costing model in parallel with the rollout of the new product.

Once institutional costing has been done, management will have a better understanding of the cost components of its new product, as well as for all its products. From here, the information from the costing exercise can be applied and the institution can re-project the results of the new product.

What do we do in the meantime, or until our institution can implement a costing approach?

Although information from the costing exercise for the new product is very important for the success of rollout, the recommendation is to move forward even if your institution has not yet implemented a costing approach. This is significantly inferior, however, to an institution that is using a costing model to generate information for the projections model.

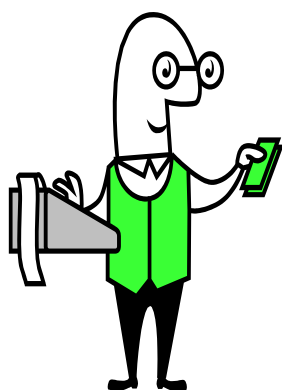
The reasoning for this recommendation is that, especially at first, costing is a difficult process to commence. The institution must first find a model that works for them. CGAP promotes the Activity Based Costing (ABC) method and offers a guide and model to apply it. This method is preferred for institutions with the capacity to manage it. Another method, Allocation Based Costing, is much simpler for institutions to manage, and is seen by many as an appropriate entry into costing for the first time. After the institution builds some capacity in this method, it makes implementation of ABC significantly easier. *MicroSave's* "Costing and Pricing of Financial Services" Toolkit provides a simple guide to conducting Allocation Based Costing – this is available under the "Toolkits" section of *MicroSave's* website: www.MicroSave.net.

Should we include the amortised costs of product development and the costs of the Rollout Team in the projections?

An excellent question. Two issues arise here:

- 1) The **accounting treatment** for research and development of the new product.
and
- 2) The **projection of results** – the projection of fully loaded net income from the product once it is rolled out.

The **accounting treatment** is rather straightforward because of the International Accounting Standards that govern the treatment of intangible assets (which is how the IAS addresses research and development costs).



The IAS requires that in order to qualify for amortisation on product development costs, the institution must be able "to demonstrate that an intangible asset exists from which future economic benefits will be able to be generated."⁹ To do this, the institution "will need to demonstrate that the intangible asset will generate cash inflows in excess of the cash outflows to generate/acquire it."¹⁰ Clearly this is impossible up to the point of rollout because you do not know if the cash flow will be positive. Thus, these phases are all "research" (as per IAS) and research activities, by definition, do not meet the criteria for amortisation and therefore should be expensed as incurred.¹¹ All costs up to rollout should therefore have been expensed as incurred.

Once we get to rollout there is a better opportunity to prove the positive cash flow. However, the IAS further notes that the following activities are not allowable for amortisation, and thus must be expensed as incurred:¹²

- ✓ start-up, pre-opening, and pre-operating costs [IAS 38.57]
- ✓ training cost [IAS 38.57]
- ✓ advertising cost [IAS 38.57]
- ✓ and others

⁹ Price Waterhouse Coopers. Understanding IAS Chapter 38.

<http://www.pwcglobal.com/Extweb/corprep.nsf/docid/5C54D00083338A0A80256AFF005CF6A9>

¹⁰ Ibid.

¹¹ Ibid.

¹² Deloitte, Touche, Thomatsu. IAS PLUS: Summary of IAS 38. <http://www.iasplus.com/standard/ias38.htm>

Therefore, it is clear that product development costs should be expensed as incurred.

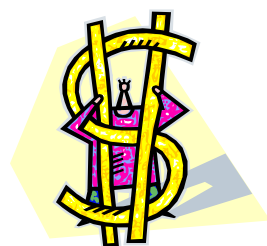
To assist in management accounting, it is important to segregate development costs for each product from other costs. This is commonly done through *expense subsidiary accounts*, or separate accounts. With this segregation, management will easily be able to pull out those expenses and assess the cost of development for each product.

How should we price the new product for rollout? Are there pricing strategies that we should consider?

There are several strategies that companies use with regards to pricing their products. Fundamentally, however, pricing strategies fall in three broad categories, with the first being the foundation.



“**Cost-based pricing**” this essentially entails establishing the cost of the product and ensuring that the pricing is a mark-up over cost. The mark-up could be determined by the finer objectives of the institution, such as achieving a certain return on assets or capital employed. In other instances, the institution may simply want to cover their costs and make money on another product.



With the costs of the product firmly established, an institution may consider **competition** in their pricing. The product is priced based on the relative pricing of the competition. An institution may for example have a product that is totally new to the market, and launch it at a premium, owing to lack of competition.

If the reverse is true, and the competition already has a product similar to the institution’s, penetration pricing may be adopted, where the product’s price is set low to gain quick acceptance.

The third pricing strategy is **value-based** pricing. Institutions that have a good understanding of the value their clients’ derive from their products and services, through gathering client feedback, are able to price products accordingly. Clients are generally willing to pay for value derived to a certain limit – a limit that is often above that of the competition if, for example, your MFI’s client service is truly outstanding. Value-based pricing seeks to price products to capitalise on this value, which is usually not as expensive to deliver and offer as clients’ are willing to pay.

For more detailed discussion of these and other pricing strategies, see *MicroSave*’s “Costing and Pricing of Financial Services” – this is available under the “Toolkits” section of *MicroSave*’s website: www.MicroSave.net.

Branch-based costing system

While the institution-wide product costing exercise provides valuable information for refining the product’s pricing before rollout, an understanding of the costs in each branch is useful in determining into which branches to rollout.

Monitoring costs at the branch level brings into focus the unique needs of the product amongst the branch customers, making the institution more responsive to client needs. In addition, branch staff are able to compare the performance of the product in their branch against other branches.

Must we put the new product in every branch?

Most institutions will put all new products in every branch. Usually this makes sense when the markets are similar and the product broadly appealing. However, there are times when it does not make sense to introduce a new product in a particular branch or even a class of branches.

A key rule for moving products out to the branches is that the more it costs to introduce and then maintain a product, the more closely an institution should review the potential for profitability. A product that requires a bit of simple training and minor alterations of procedures, and thus very little input cost, can easily be rolled out to all branches.

The example of Postal Banks illustrates how costing can influence rollout. Traditionally Postal Banks have operated solely through the local post offices, as a division of the Central Post Office. Now many of them are privatised, or are preparing for privatisation. Often these retain the in-post-office operations (paying a fee to the post office for transactions conducted by the post office staff), and they may have developed a network of their own branches. It does not make good business sense to transfer a product to post office branches that require installation of a capital-intensive structure requiring computer systems and well-trained staff in a setting where the market may be questionable and the Bank really has no control over the operations. However, it might be highly appropriate to offer such a product in the “owned” branches.

As with most of the decisions that managers face in this process, the decision to offer a product through a specific outlet is based on the potential for product profitability within the unit.

Costing and Pricing Check List: Have you . . .

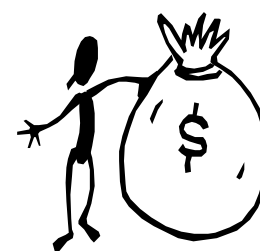
- ☐ Performed a product costing exercise including the new product as a profit centre?
- ☐ Performed a branch-based costing analysis?
- ☐ Reviewed the pricing of the product using actual information from the pilot?
- ☐ Tied in the figures in the costing / pricing with the Rollout Objectives and Financial Plan?



Step 7. Financial Planning

Must we draft a financial plan just for rollout?

Yes. A financial plan is, in fact, absolutely necessary, and not always easy to compile. Financial planning, monitoring, and asset/liability management can be quite complicated depending on how an institution tracks its accounting data, the detail of its budgets, and the level of ongoing costing activities. This is especially true if an institution has weak systems. Even with all the difficulties, it is clearly quite necessary to develop and manage budgets, monitoring systems, and tools to track and evaluate product costs.



Additionally, building a budget and other financial projections for a multi-branch rollout can be rather time consuming and complicated simply because of the many different variations in systems that can be present in different branches. Financial issues that are affected by rollout of a new product could include:

- ✓ Budgets
- ✓ Cash flow
- ✓ Asset/liability management

Many institutions and their senior managers are not careful with financial matters when it comes to new or altered products. However, not being careful with financial projections can be disastrous.

One credit institution redesigned the method by which they calculated a borrower's maximum next loan in order to help clients borrow larger sums in subsequent cycles. This was not tested (the first mistake), and no cash flow projections were prepared (the second mistake). Nevertheless, the product was rolled out throughout the MFI's system (the third mistake, though somewhat mitigated by the fact that these were group loans and all clients gained access to the new amounts over the period of one cycle).

The product was rolled out, the clients appreciated it, outstanding balances of loans increased dramatically and, unfortunately, because we all use double entry accounting, cash and bank balances dramatically reduced.

This created a severe liquidity crisis for the MFI. Ultimately, within two months the MFI had to suspend implementation of the adjusted product. This caused a great loss of goodwill and created distrust of the institution.

It is not that the product should not have been adjusted. The problem was not properly preparing and skipping a vital step.

How do you develop a financial plan for rollout?

In many cases, the Pilot Test Team has already done much of the work for the Rollout financial plan, and this should be included in the Hand-over Package. In some cases it may need very little adjustment, however, in many cases it is likely that management in the new product home will make adjustments to the strategy, which will require a revision of the financial plan. However, this process will certainly be smoother and easier since the activity has already been done once.

Are there a lot of new issues to think about after the pilot test?

Yes. Rollout plans (including budgets for operations, assets and liabilities, and cash flow) become complicated because you not only have value issues, but you also have timing issues. With timing issues, you need to project when the rollout will hit a branch (done above), and what the velocity of new product uptake will be in that particular market.

When rolling out new and redesigned products an institution also has to address issues of cannibalisation within the branches. Almost invariably, many clients will move from one account to the new one which may serve their needs better. These cannibalised accounts do not represent new accounts, nor do they represent new deposits or loans. It is important to include a factor for these in projections so that income and expenses are not inflated.

OK, I understand what you are saying about accounting treatment. What about the projection of results?



In terms of management accounting and the **projection of results**, the development costs of a product should be included in the projections. The research and development costs should have been tracked in the accounting systems separately from the other institutional costs. This is not to suggest a different set of books for these transactions. It simply means that management must be able to identify easily the cost of product development.

The sum of these costs (qualitative and quantitative research costs, meetings of the Product Development Team and others, transport related to research and testing, a reasonable portion of head office indirect costs, and whatever other costs are related to the development of the product) should be allocated as product development costs and amortised in the projections.

The amortisation period should represent a reasonable reflection of the useful life of the product. Such financial products may be offered for many years, but for projection purposes it is prudent to limit the period to five to seven years. This allows a reasonable development-related annual cost, and allows the total cost to be out of the projections within a reasonable time.

What is the easiest method of developing a rollout budget?

There is no really easy way. The least trying method of developing a budget for a new product rollout is to have the branch managers develop a budget for their unit. Branch managers generally have the best idea about what is happening at their branch and what potential they have for growth. This will also give them incentive to follow their budget and take the new product more seriously.

Are there tools that facilitate financial planning for rollout?

Many organizations are already using planning tools for their annual planning exercises. These may be appropriate for rollout planning. It is important, however, that these tools reflect the timing issues so that the institution can properly plan, especially in terms of cash flow.



One tool that is gaining prominence is MicroFin. This powerful strategic planning tool can be useful in planning rollout because it offers options for planning in different branches with different products and is helpful in addressing the unique qualities of each branch with its detailed input screens. Therefore, it can offer a very helpful analysis of projections and indicators. It even has tools for planning for institutional capacity, a critical consideration throughout the product development cycle.

The concern with this tool is that institutions with limited capacity, or even those using MicroFin for the first time with this product development exercise, are likely to get so caught up in learning the system and managing the data that the product development process grinds to a halt. Many institutions, especially smaller ones, may not have the capacity to manage this very detailed and complicated program within their staff. The rollout of a new product is not the time to start developing capacity for strategic planning.

Additionally, MicroFin requires a significant amount of input data that will require projections by the Team. If these projections are significantly off, the data could be dramatically skewed. Completing these projections can be a very trying task and could lead to unreliable data for decision-making.

That said, those who have experience with the system, and certainly those that have integrated MicroFin into their back office operations, should certainly use this powerful tool in the development of their financial plan for rollout. These organisations will find the operational planning modules particularly helpful.

The MicroFin planning tool is available at no charge from <http://www.microfin.com/>. However, there is a charge for the very extensive and detailed manual that is essentially required for adequate operation. This planning tool is recommended in the medium- and long-term for all medium and large MFIs. Smaller MFIs with big plans should also consider using MicroFin, although there are very strong capacity issues that must be overcome in order to be effective with MicroFin.

So, how do we develop a financial plan for rollout if we do not use a comprehensive planning tool?

The simplest method is to use the planning tool that was used for the pilot test and have each rollout branch use it to develop a budget for their expected operations. This gets the managers involved, provides self-set goals for them to achieve, and ensures that they understand what is expected of them.

Then take the resultant summary data relating to assets and liabilities (at least net loans and deposits), income and expense (related to the product), and cash flow from the individual branch plans, and create a summary table that includes this data and spread it across the months. Each branch should have one row for each type of data. The month-to-month summary of these rows (one for each branch that “has” the product for that month) will help to provide reasonable projection data. This will be updated monthly with actual data and adjusted quarterly by branch managers where results significantly differ (more than 15%) from projections.

Must we put the new product in every branch?

As noted in the Costing and Pricing section above, most institutions will put all new products in every branch. Usually this makes sense when the markets are similar and the product broadly appealing. However, there are times when it does not make sense to introduce a new product in a particular branch or even a class of branches.

A key rule for moving products out to the branches is that the more it costs to introduce and then maintain a product, the more closely an institution should review the potential for profitability. A product that requires a bit of simple training and minor alterations of procedures, and thus very little input cost, can easily be rolled out to all branches.

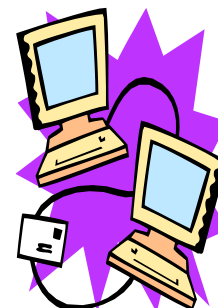
Our new product is more complicated than that.

Say, for example, that your product is the first computer-based product for an institution, requires extensive training of staff, and a large capital input for computers and printers, but will provide faster service and a better response to urban clients’ needs. If your institution also has rural branches,

management must decide if it is truly practical to bring that product into a very rural branch where electricity is highly variable, communications are unreliable, and the branch has very limited additional potential market simply because they have the market already.

An MFI can stabilize electricity through the purchase and installation of a generator and an uninterruptible power supply (UPS). Communication difficulties can be overcome with a satellite phone, and people can be trained. This requires a very large initial input of resources and significant ongoing costs (maintaining computer systems, fuel and maintenance for the generator).

Certainly it is attractive and provides a certain amount of status to have such a sophisticated operation in a rural area. It is important to recognize, however, that because the market as a whole is severely limited, there is likely to be very little increase in overall business volume (where the income is likely to come from with this product). There might be some cannibalisation of other accounts to the new one, but the limitation to potential market, relative to the cost of the product, makes it impractical and imprudent to bring such a product to this market, just to lose money.



Another example might be Postal Banks. Traditionally these have operated solely through the local post offices, as a division of the Central Post Office. Now many of them are privatised, or are preparing for privatisation. Often these retain the in-post-office operations (paying a fee to the post office for transactions conducted by the post office staff), and they may have developed a network of their own branches. It does not make good business sense to transfer a product to post office branches that require installation of a capital-intensive structure requiring computer systems and well-trained staff in a setting where the market may be questionable and the Bank really has no control over the operations. However, it might be highly appropriate to offer such a product in the “owned” branches.

As with most of the decisions that managers face in this process, the decision to offer a product through a specific outlet is based on the potential for product profitability within the unit.

Do we have to do all of this ourselves?

Not necessarily. Many institutions simply do not have the capacity within their staff to conduct the full range of activities required for product development, and it does not make good business sense to hire people permanently with the needed skills.

Many product development activities can be “outsourced” (performed by people external to the organization). For training, policies and procedures manual development, programming and systems development, even market research and marketing, your institution can rely on various inputs from external sources. This may prove to be much more efficient for an organization because even though the short-term cost may be relatively high, there are limited on-going costs and the skill level of the person or organisation doing the work should be higher than what the MFI would want on their payroll permanently. Conversely, for dynamic, market responsive organisations product development and refinement is an on-going process and they might want to try to develop and maintain these important skills in-house.

An Example – Conduct Market Research In-House or Contract It Out?

From Wright, Graham A.N., “Market Research for Client-Responsive Product Development, *MicroSave*, 2000

There are two alternative approaches to the periodic market research activities for MFIs: to do it “in-house” or to contract it out to a professional market research company. There are benefits and draw-backs to both and these can be summarised as follows:

	“In- House”	Contract -out
Advantages	• Allows the MFI/people who understand and care about the sector (and poverty agendas) to run the process • Provides unique learning opportunities for senior management • Provides important experience to MFI staff • Allows internalisation of the issues/ lessons learned • MFI staff are likely to be better equipped to draw appropriate conclusions from the results	• Should be done with maximum professionalism • Should save the MFI precious time • Will result in analysed data and a report ready for presentation
Disadvantages	• Requires special skills to ➢ moderate focus group discussions ➢ develop/administer questionnaires ➢ analyse data effectively • Will take much staff time (away from other duties) • Staff come with biases/history with the clients	• Most market research companies have little/no understanding of the sector within which MFIs operate • MFIs are often “low value” clients (relative to beer or soap producers!) and thus neglected or given poor service by the market research company • If the market research company is good, it will probably be expensive

Financial Plan Check List: Have you . . .

- ☐ Prepared and consolidated all operational budgets for the rollout?
- ☐ Prepared the cash flow statements?
- ☐ Worked out an Asset/Liability management plan?
- ☐ Revised and incorporated new account codes for the product into the accounting system?
- ☐ Revised the financial projections spreadsheet?
- ☐ Ensured that the figures in the Financial Plan tie into the Rollout Objectives?

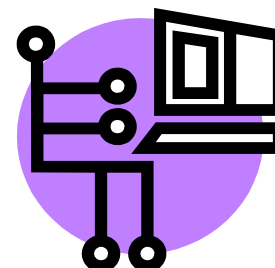


Step 8. Systems

Systems Planning Checklist

When addressing systems regarding a new product's rollout, an institution must look beyond the computerised systems themselves to the people and processes that make the best use of them. The basic operational systems have been tried and tested in the pilot test, but in the rollout many new factors will present themselves when these systems are placed in the branches. These issues can include:

- Staff capacity to operate and maintain the systems
- Regularity and quality of electricity supplied to the office
- The level of dust and dirt in the office (which can have a big impact on computer hardware operations)
- The availability and quality of communications lines (critical for networked systems)
- Office security
- Availability of servicing by competent technicians



All these issues must be assessed in each location before a computer system is installed there. A simple checklist sent out to all rollout branch managers should help in the systems planning (as well as the financial projections). Use a checklist like the one in *Table V.1: Systems Planning Checklist* to distribute to branch managers in systems planning.

Table VIII.1: Systems Planning Checklist

	Question	Response	Comments
1	Office Name		For identification
	Office Type		Could be a regional office, branch office, agency, or other type of office. This may be important in determining levels of computerisation, or even if there will be computerisation in that office.
2	Location		For identification
3	Distance in time and km from head office.		As a reminder of the time commitment for the head office to address issues at the branch.
4	Number of office staff requiring full product training.		This includes senior office manager, supervisor(s), and staff who will transact this account (include alternates for the initial staff selected).
5	Number of office staff requiring basic product training.		Other staff should understand the product, its basic operations, and have cross-selling skills. All office staff should attend one of these trainings.

	Question	Response	Comments
6	Number of full product training staff (and alternates) with computer skills and experience. Indicate level of expertise for each staff member.		This will provide an indication of the requirement for basic or advanced computer training in addition to training on the product.
7	Average weekly hours of electricity loss during business hours		This provides understanding of the level of likely disruption due to electrical failure. Helps management make a decision about alternative sources of electricity, and if this is an appropriate location for the product.
8	Is a generator currently available at the office?		Yes or no
9	If yes, what is the excess capacity of the generator?		If there is a generator does it have enough excess capacity to manage the computer(s) and its accessories?
10	Are surge protection and UPS available at the site?		If not, these will likely need to be purchased.
11	Is reliable telephone communication consistently available at the site?		A networked system will require adequate communications. This may require developing a radio system or leased lines. It will also assist in the on-line versus batch-processing discussions that institutions have with new software
12	Is telephone line quality adequate for network transmission?		This will require a testing of specifications required for transmission.
13	Are facilities for the computer and related equipment secure from customers and others?		The computer needs a space where it will be sufficiently protected from unauthorized access.
14	How far is the nearest approved computer maintenance technician (in kms and time for them to get to office)		Maintenance will be critical and management needs to know the likely response time (and costs) of the technicians.
15	Other questions		
16	Other questions		

In the test branch, our computer systems are not networked. Does it make sense to set up a stand-alone system for rollout?

In some areas it is simply not cost effective, and sometimes not even possible, to have a fully networked system. Identifying serious deficiencies in a specific branch through the questionnaire in Table V.1, and assessing the costs of addressing those deficiencies (relative to the anticipated benefit) through the costing exercise discussed above in the Financial Matters section, will help your Rollout Team to make a decision. But this does not mean the product cannot be offered at that location. However, various solutions might require additional, or subsequent, pilot testing.



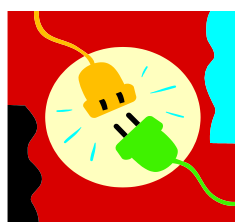
The objectives and benefits of the new product are critical to the decision of managing it as a stand-alone in some locations. If computerisation is necessary for the product but deemed impossible for one location it is possible, though costly, to prepare manual transactions and have them input at another location. It may be that rural branches will have to send their manual transactions to a regional office where they are input in the evening and consolidated with the rest of the account transactions from there.

If there is regular electricity or communication during a reasonably consistent time each day, consider having an office process transactions in batches and input when power is available. Then the transaction batches can be downloaded once or twice a day to the main system. Several institutions do this with a generator and a radio system. This minimizes the time required for either utility, but is still rather costly.

It may be good enough, if there is power but no or very poor communications, to manage the product as a stand-alone within a particular location (with transactions allowed only at that office). This is manageable but limits flexibility for customers. It is also a reversal of trends within the banking industry whereby banks are moving more and more to expanded access, rather than more restricted access. Still, this option may be a reasonable temporary solution while the institution is actively working to provide full communications access for all offices.

How should we schedule the installation of the computer system for rollout?

Once you know the installation needs from the checklist results, then you are better able to schedule the installation in an efficient and effective manner.



Clearly, electrical and communications needs must be addressed and tested prior to computer installation. The branch manager can arrange this according to guidelines from the head office. Additionally, any construction work required on the teller booth should be based on a simple design that meets the space requirements of the computer. This can also be arranged locally.

Once the infrastructure is in place and confirmed, then the head office product systems manager should go to the branch to install the hardware and software. This should coincide with the return of staff from full training on the system. The system should then be installed and fully tested by the systems staff-person. As an absolutely unbreakable rule, systems installation should be complete and fully tested at least two weeks prior to offering the product to the public.

Note that this “offering” is not necessarily the formal rollout for that branch. It is often better to offer the product without fanfare for a short time – maybe a month – before the festivities. This allows full assurance that the systems and staff are ready for larger volumes. It also prevents institutions from rolling out a product in an office prematurely simply because the rollout events have been planned and guests have been invited. Rollout in a location should never be guided by festivity plans. It can do significant long-term harm to rollout a product before the office is fully ready.

The systems technician should return to the branch for a day or two during the rollout of the product to ensure that if any problems occur there is someone there to correct the problem. This becomes more important the further away the rollout branch is from the head office.

Since we completed a pilot test, is there a need for systems acceptance testing?

New systems call for new forms and documents, and new ways of communicating to customers. It is important that the new processes and physical evidence of the system is acceptable (user friendly) to both customers and staff. Depending on how significant the difference is in the documents it may be helpful to hold focus group discussions about them at a sample of offices where you plan to introduce the product. This will provide an opportunity for staff and customers to express any concerns about customer requirements. It also provides an opportunity to correct any document problems before thousands, or even tens of thousands, of forms are produced and paid for.



Acceptance testing with customers should include checking the time it takes them to complete the form several times (to accommodate the learning curve), and their subsequent impressions. With a diverse client base such additional testing is sometimes important because of client differences. For example, the test branch may have been in a highly literate area, while some of the rollout branches may be more rural with a less literate clientele. Management should always strive to make forms as simple as possible, while collecting the information *necessary* to maintain controls.

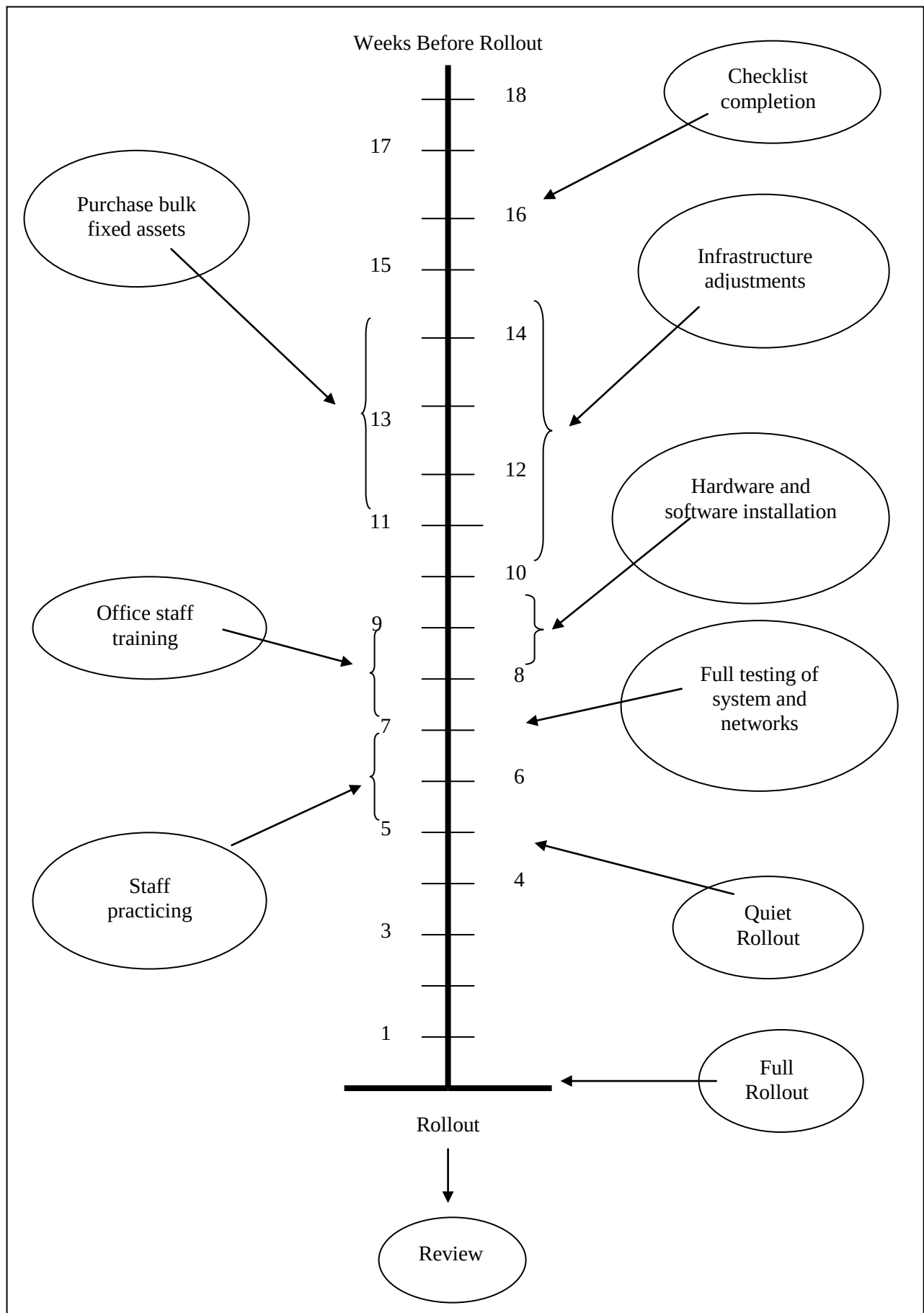
Acceptance testing is also important with staff, but the objectives are slightly different. With staff, acceptance testing helps to identify redundancies and slow steps in the processes, which waste staff time.

A Reluctance to Let Go

In one institution that was introducing a computerized system, the finance and audit departments required the teller (who managed the computerized product) to prepare day-end reports both in the old manual way and using the computerized day-end processing. The manual day-end processing was unnecessary and wasted at least an hour of the teller's time each day. In addition, because the whole office staff leaves together each day, this held up six other staff members. The unnecessary processing frustrated and angered the staff in that office.

Be willing, with a new product and new, more efficient processing, to let go of the old ways of doing things, just because this is the way it has always been done.

Structuring systems preparations Ensure that you provide enough time to acquire, install, test and train on the systems before the Rollout in each and every branch. It is often useful to develop a timeline to plan this. See Diagram VIII.1 for an example.

Diagram VIII.1: Structuring Systems Preparation

What information should we be getting from our MIS to track the progress of the new product?

For the pilot test, the MIS should have been structured in such a way that it already collects basic transactional data as well as data necessary to track fulfilment of objectives. The key issue at this point is to make sure that your MIS can track this information by office and by region. This is critical, since management needs to know the progress towards objectives of the product in all outlets. Simply grouping the results is not effective since it may hide poor performance in particular branches. Additionally, you may even need data by staff member depending on the incentive system that your institution implements.

There is some data that is frequently part of the objectives, but is not generally part of the computerized MIS system. This might be information on the time a client spends transacting on their account (an efficiency measure), or what convinced a person to open this new account (a measure of marketing effectiveness). A measure of marketing effectiveness can be programmed into the MIS as part of the account opening routine, and the system can even track the time it takes to process individual customer transactions (this is frequently done by retailers interested in saving money through better efficiency).



Tracking the time it takes a client to transact from entry to exit (a better measure of the efficiency of customer time, which has an impact on consumer decisions) may require manual intervention. For this, just as in the pilot test, the marketing or research department will need to develop a schedule for testing and either have someone go to the branch offices to track this, or train someone in the branch to conduct a sampling and convey the information to the accumulating department.

How can we get management to actually use the product data we are producing?

Many organizations have useful data that never gets used. Part of the problem is that they simply have no feedback loop structure to help guide them through obtaining, analysing, deciding on, and then implementing the decision.

The feedback loop process illustrated in *Diagram VIII.2: The Feedback Loop* shows the steps involved. These steps can be taken by anyone in the institution – given proper decision-making authority.¹³

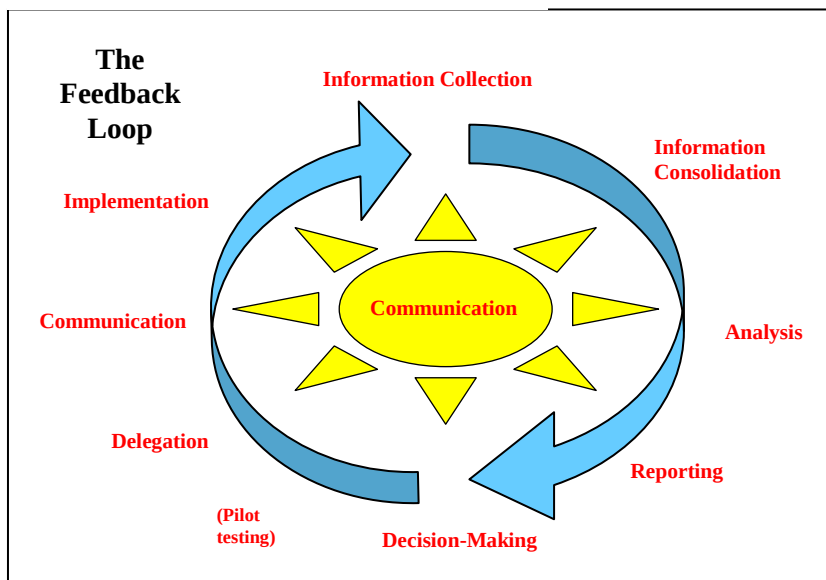
What frequently happens, however, is that information is collected but then goes nowhere, or it goes to management without proper consolidation and analysis.

The key steps here in getting management to respond will mean formally analysing the data and reporting in a structured manner to the appropriate decision-makers.¹⁴ This puts the data in front of management in a useable form, and makes it much more likely that they will respond.

¹³ For a detailed presentation of the feedback loop and how it can improve responses to customer and institutional issues, see the *MicroSave* document: “The Feedback Loop: A Process for Enhancing Responsiveness to Clients”, by Michael J. McCord, April 2002. It is available at www.MicroSave.net under the *MicroSave* Studies\Synthesis Papers.

¹⁴ The reporting on issues should include a statement of the issue, a comment on why this is significant, a recommendation, and a brief implementation plan. This should be provided in a document no more than two pages in length.

Diagram VIII.2: The Feedback Loop



How do we address system backups?

Every institution working with computerised systems needs a backup policy to manage its data history and as an integral part of its disaster recovery plan. At the very least, this calls for a daily backup of all data files held on site and a weekly backup of files held off site. A system backup (inclusive of applications) should be kept at both the branch offices and institutional headquarters, and this should be updated at least once a quarter or whenever there is a change to the software.

A backup plan should also include options for replacement of computer hardware in case of significant difficulties. Very large MFIs may consider contracting another firm with excess capacity to act as a backup system in case the head office's mainframe is damaged. This is not likely to be networked, but at least data could be processed.

The plan should even consider what would happen if a field office computer goes down. Often institutions will maintain an extra computer to replace a damaged field computer quickly rather than waiting for the technician to arrive.

We have a large set of manuals covering our systems. Are these really necessary?

A typical organization with computerised systems will often have at least four sets of manuals covering four sets of needs.

Although the Systems Manual, because of its detailed focus on the mechanics of the computerised systems, usually remains a unitary document, many organisations will synthesise the others into a single manual for more efficient access and thus better likelihood of usage.

Table VIII.2: Systems Manuals

Systems Manual	The Systems Manual is a detailed document that outlines the processes within the computerised system. It is usually written for other programmers and is used to codify the concepts and processes that the original programmer used in the development of the system. Most of us will never use a systems manual.
Users Manual	Although it is sometimes hard to tell, the Users Manual is written for the person who will operate the computerised system on a periodic or day-to-day basis. It tells the user how to process the different transactions and processes within the system.
Procedures Manual	The Procedures Manual is written for staff and outlines the processes (manual and computerised) that staff are to follow in the performance of their duties. There may, therefore, be different procedures manuals for different staff addressing their particular responsibilities. These are not system-specific although they would likely include steps drawn directly from the Users Manual for parts of some processes.
Policy Manual	The Policy Manual is a document that defines the rules of the institution. It tells <i>what</i> must (and must not) be done, while the Procedures Manual and Users Manual may tell <i>how</i> it is to be done.

As an example, an institution's manual set should include a statement on data backup that incorporates parts of all three manual objectives as follows:

An Example of Merged Manuals – The Case of Backups

All branches are to conduct a complete backup of all data base files on a daily basis and store them in a fireproof safe overnight (this is the policy).

In doing this the branch teller supervisor will, after the closing of the day by all tellers, will insert a diskette into the branch server and process the end of day backup (part of the procedures).

To process the end of day backup, key your password into the sign-on screen and then press number 7 ("Process Daily Backup") from the main menu. Insert the diskette and press "1" when it is inserted. The system will then ask if this is a monthly or daily backup. Press "1" or "2" as appropriate (these are Users Manual type directions and should include a diagram of the screens that are referenced).

When this is complete, the file is to be given to the branch manager who will then place it in the appropriate slot in the backup file holder in the fireproof safe (this completes the procedures manual information).

Making sure our systems are set up and running properly is not easy, is it?

No, it is not easy. But making sure your systems are running efficiently will make the rest of the new product rollout go that much more smoothly. If you have planned properly, and assessed the particular situation in each rollout branch, your Rollout Team can avoid many pitfalls caused by poor systems management.

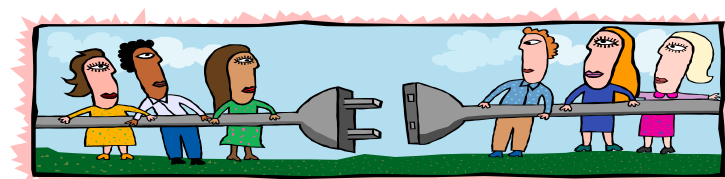
Systems Check List: Have you . . .

- ☐ Installed all needed computer hardware and software systems in all branches?
- ☐ Connected all computer systems to an electrical protection system protector or back UPS)? (surge
- ☐ Installed and tested all the hardware and software that you require to manage the new product?
- ☐ Made sure that all appropriate staff-persons are well trained and comfortable with the new computer system?
- ☐ Distributed manual backup procedure for your computerized transaction processing?
- ☐ Assigned comprehensive account numbers and transaction codes?
- ☐ Developed a backup system for electronic data or security system for your manual data?



Step 9. Staff Training

Recruitment and training



Human resource issues are among the most critical determinants of a successful rollout. Yes, rollout requires proper training of the implementing staff, but the human resource issues are much broader than simply training. The

formal and informal incentive structures throughout the institution need to be aligned so that all staff sees a benefit in the new product. At the same time, all implementing and non-implementing staff needs to be guided to work as a team for the benefit of the institution, rather than being set up as internal competitors, at least within a branch.

Creating Antagonism

In one institution, a modern technology savings product was introduced into a branch where all other transactions used old technology. In training the staff, three people were trained on the product (teller, branch manager, and regional marketing officer) and then it was launched.

At first, transaction volume was slow and the teller simply sat in the transactions window and did little while the other staff-members were variably busy. No effort was made to teach the other staff about the product.

This system created very serious animosity among the staff for several reasons:

- The “new technology” teller had a very easy workload while the others felt they were overworked.
- The “old technology” staff saw themselves potentially without a job as the more efficient product eventually took over all the business.
- The “old technology” staff was not trained on the new product and they felt left out (this exacerbated their concerns about losing their jobs).
- There was no communication to the whole staff about the place of this new product in the product mix and the institution’s plans for the future. This allowed people to imagine the worst for themselves.

This led to serious resentments within the “old technology” staff who made every effort to sabotage the new product. The result was extremely slow growth. When several small changes were made including basic training for all staff, placement of brochures in the lobby, an effort to bring the staff together as team, and the periodic rotation of the “new technology” teller with the others, it was reported that product growth doubled in less than a month by the number of customers that they had previously managed to gather in five months.

Training, branch incentives, and a teamwork spirit together can all have a highly positive impact on the rollout of a new product.

How can we evaluate the effectiveness of the pilot test training?

The pilot test training should have been assessed while the training was being done and the results included as part of the Hand-over Package. Thus, the institution should have a reasonably clear curriculum for training during rollout. If this was not done during Pilot Testing, then the training department will need to go back and reassess based on quantitative and qualitative research.



The quantitative research should look at volumes and types of errors over time during the pilot test. It should also include an assessment of transaction times (front and back office) over time. These will help to show where there were difficulties in implementing the product. It is important that these assessments are presented using a timeline that shows procedural or system adjustments so that changes related to these are considered along with any process issues over time. Training issues related to adjustments in process should also be included in the curriculum.

Qualitative research, using a focus group method, should be conducted with the staff (all test branch staff) to discuss strengths and weaknesses of the training and to glean areas and issues that should be included in rollout training based on personal lessons learned during the pilot test.

How can we use the lessons learned from the pilot test to improve the rollout training?

The lessons learned should be included in the curriculum as noted above. However, two highly effective means of improving the quality of training include the following:

- Have the pilot test main teller conduct some of the training. He/she can discuss the processes, procedures, and issues from first hand experience. This will have an important positive impact on the trainees.
- Have some or all of the intensive training in or near the pilot test branch so that trainees can see the customers, the transaction processing, and branch-related back office activities. They can also see how the pilot test branch markets the product.

Some institutions argue that a teller cannot teach a manager about anything. They claim that the manager will simply ignore the efforts of the teller. This is unfortunate, since the front line teller who transacts the business of the account and works directly with the customers is best placed to provide insights that would benefit *all* staff of rollout branches, including management. A less effective alternative is to have the branch manager of the test branch provide this training

Remember, also, that training will not be solely based on a computerised system. Many institutions still use manual systems and even those with computerised systems will need to train on a backup process so that operations do not grind to a halt every time the power goes out. Staff must also be trained on how to process manually if there is a need.

Most of our staff-persons have never used a computer before. How can we train them to process these transactions?

This is a common problem with MFIs, especially those that are modernising their manual systems. Clearly this situation requires that basic training on computer operation and care is provided. Such training will likely add one or two days to your intensive product training.



This should be done at the beginning so that trainees are able to use

what they have learned in practicing product transactions. This is best done using a vetted computer trainer (be careful – there are many “computer trainers” out there but few *good* computer trainers).

The institution should make sure that the training includes the basics of computing (operating the hardware and the fundamentals of the institution’s core software systems, such as MS Word and Excel), and basic care of the machine (start up and shut down routines, covering when not in use, the use of a UPS, cleaning schedules, and others).

Should we train the staff in-house, or hire out for the rollout training?

This depends on the structure and capacity of the training department. What is important is that the training is consistent and evolves based on lessons learned along the way. This can best be done with a strong in-house training department in collaboration with someone from the Pilot Test Branch. An additional benefit is that the capacity of the MFI’s training staff will be further developed, rather than that of someone else’s staff.

If your institution decides to hire out for training, note that this can be very expensive since virtually all staff will require training (at one of two levels), and that good training almost always benefits from follow-up activities. Therefore, your institution will have to plan on having the trainer return.

An institution may mix their methods. For example, a firm might be hired to develop the curriculum and training materials that the MFI staff will use in training the staff. Or, an outside firm could be hired to train staff on computer use, and the rest of the training is developed in-house. There are many iterations of the training scenario, but the keys are consistency and a positive evolution based on lessons learned from operations and prior trainings.

If we use a phased approach to rollout, how can we efficiently train the staff?

There are at least two levels of training that are necessary with a new product:

- The intensive training that the front line staff and their supervisors will get (since they will initially offer the product), and
- The basic training that the rest of the staff will receive.

Often the intensive training will take three to five days depending on the complexity of the product operations and the need for basic computer training. This intensive training is best done off site and should include at least two, and better three tellers per rollout branch as well as one supervisor who will oversee the teller activities. It may be appropriate to have the office manager at this training also.



Why off site? When intensive training is done away from the office, distractions are limited and all participants can concentrate on the training itself. Choose a pleasant site away from the office where staff can enjoy a change of venue and routine. This, too, can reinforce positive feelings about the new product.

It is most efficient and least costly if your institution can train the staff of three or four branches at the same time. As an example, all offices scheduled for quiet rollout between two and eight weeks from the training period should be trained at once. But don’t try to train all branches at once. If branch staff is trained but will not roll out their product until more than two months later, it is likely that their training will be substantially diluted by time and retraining will be required.

At this intensive training there should be a short section just for supervisors and office managers where tools for supervision of the new product are discussed. These managers must understand the controls for the product before even one account is opened, to limit the risk to the institution.

The basic training for the rest of the staff is best provided at the rollout branch office just prior to the quiet rollout. This will focus not only on the mechanics of the product but also marketing and cross-selling skills for the product. The benefit statement and FAQs can be discussed and role-plays and other techniques should be used. This is also the time when any branch-based incentive systems should be discussed and clarified.

Team building activities are important in such training so that the whole office is working towards the same objectives. This training could be conducted in one to one and a half days on the weekend before the quiet rollout.



How do we keep the new and old product staff working together on the new product?

One of the best ways to get people working together is to create a structure that benefits the whole group. Group- or branch-based incentives can help to do this. Just because one teller in a branch might be directly offering and servicing the product does not mean that others in the office are not involved in the growth of the product. These other staff members have an important role in conveying a positive message about the new product and helping customers to see its benefits.



To get everyone working together there must be group-based objectives that everyone can work towards. These can be drawn directly from the objectives of the branch and would most likely include growth in numbers of new accounts. The whole branch can work on this.

Management commitment is also required in getting the staff behind a new product. When staff sees that the management is serious, they will often rally behind them to achieve mutual goals.

The Branch Team

One branch manager held a full staff meeting to discuss a product that was on its way to that branch for rollout. He noted to the staff that the only way their institution would survive is for this new product to gain general acceptance within their market. He explained that all the staff was reliant on the success of this product for their future work.

This manager then taught his staff how to sell the product, and during down times sent them out into the community to actively market it. He had all his tellers trained in the operation of the product and then rotated the tellers, with each offering the product for a week at a time. He prepared the Inquiries Desk to actively push the new product, and put a marketing person in the lobby to assist customers in opening the new account.

These efforts paid off well. The branch added new accounts at rates well above projections, and the staff were quite obviously working as a team to support the new product.

Do we need to offer incentives for staff to market this new product?

Incentives help in getting staff to work towards the success of a new product. These incentives can be monetary, in-kind, or even simply the feeling of success.

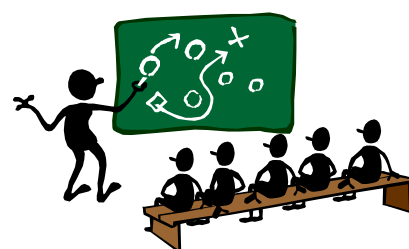
Many institutions now manage monetary incentive schemes for their front-line staff. In these cases, a similar scheme needs to be provided for the new product. After all, no one will want to leave a system of monetary incentives to work on a new product unless there are similar incentives. It is important that incentive schemes (for the new and old products) are equitable so staff are not antagonistic towards each other because of perceived injustices within the schemes.

Again, these should be mixed with a branch incentive for the new product also. If all staff is offered incentives based on the number of new accounts they acquire in a period, they are unlikely to funnel new clients to the new product and thus lose their commission. Therefore it is important that there is some sort of structure that conveys benefits to those who guide customers to the new accounts.

What kinds of incentives can be used other than monetary ones?

In-kind incentives may be as simple as a small party for staff to celebrate sales goals coupled with the understanding by management that the staff is motivated by the need to ultimately protect their jobs.

Some institutions create competitions between branches or regions, and victory can be a strong incentive to work hard to make a product work.



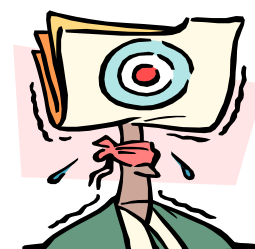
Incentives, properly developed and managed, can help to grease the wheels of progress for a new account. For more on staff incentive schemes see *MicroSave's* Developing Staff Incentive Schemes Toolkit – available on *MicroSave's* website www.MicroSave.net under the Toolkits section.

Change Management

This product will cause much institutional change. How do we address the “change management” issues?

Products that are significantly more advanced technologically than their predecessor or partner products will elicit an especially strong reaction amongst staff concerned about their own futures. Such products often:

- Introduce front line computers to an institution (thus requiring a skill that many lack);
- Transact much more efficiently (thus potentially making some staff redundant); and
- Elevate some staff members to manage the new product (these staff members are often seen as the ones who are now “safe”, which leaves a perception that the jobs of others are “at risk”).



These issues can create severe anxiety within an institution.

Carter McNamara has correctly noted: “Typically, there are strong resistances to change and people are often afraid of the unknown.”¹⁵ Successful change must therefore involve efforts to keep staff aware of the reasons for and objectives of change, and allow them as much input as possible to the details.

¹⁵ Carter McNamara, Basic Context for Organizational Change <http://www.mapnp.org/library/mgmnt/orgchnge.htm#anchor494556>

Of course, successful change must involve top management, including the board and chief executive. Communications about the change should be frequent with all members of the organisation. To sustain change, the structures of the organisation itself should be modified, including strategic plans, policies, and procedures. This change in the structures of the organisation typically involves a process of “unfreezing,” “change,” and “re-freezing.”¹⁶

What is the best approach to address resistance among staff to these new changes?



The best approach is through increased and sustained communication and education. A plan should be developed and communicated.

It is sometimes argued that management doesn't want to communicate a plan that might not be final, or that may change before the product is rolled out.

Plans do sometimes change. That's fine, but this should not alter the need for communication with staff. Communicate that the plan has changed and why. Forums should be held for organisation members to share their ideas for the plan, and as a place there they can express their concerns and frustrations as well.¹⁷

The guidelines in the next box may be helpful to MFI managers with change management issues due to new products.

General Guidelines for Management on Organization-Wide Change (by Carter McNamara)

(Basic Context for Organizational Change <http://www.mapnp.org/library/mgmt/orgchnge.htm#anchor494556>)

1. Widely communicate the potential need for change. Communicate what you're doing about it. Communicate what was done and how it worked out.
2. Get as much feedback as is practical from employees, including what they think are the problems and what should be done to resolve them. If possible, work with a team of employees to manage the change. [The new product rollout team can be helpful here.]
3. Know why you are making the change. What goal(s) do you hope to accomplish?
4. Delegate decisions to employees as much as possible. This includes granting them the authority and responsibility to get the job done. As much as possible, let them decide how to do the project.
5. The process won't be an "aha!" It will take longer than you think.
6. Keep perspective. Keep focused on meeting the needs of your customer or clients.
7. Don't seek to control change, but rather to expect it, understand it, and manage it.
8. Include closure in the plan. Acknowledge and celebrate your accomplishments.

And a few more from Linda Rogerson

(<http://www.lyncs.com/12prin.html> from Twelve Principles for Managing Change)

1. A clearly defined vision of the end result enables people to define the most efficient path for accomplishing the results.
2. The more input people have into defining the changes that will affect their work, the more they will take ownership for the results.
3. To change the individual, change the system.

¹⁶ Ibid

¹⁷ Ibid

These suggestions are very helpful. I am beginning to understand what is required for successful change management.

Good. It is clear that the keys to successful change management include a clear vision, education, and participation of staff in the change.

All of these factors were clear in the case of “The Branch Team” in the above box. This manager had a clear vision: “This product is the future of the bank, and we will be the best of all branches.” To this end, he:

1. Educated and trained his staff on the reasons for the new product, and
2. Sought participation from staff in strategising about how their branch would manage this new account.



The result was a team approach with staff excited about change.

Are there other resources our new rollout team can consult?

Yes. *MicroSave* has available the course outline for “Institutional Culture Change” by Aclaim Africa Ltd, Trainers and Consultants with *MicroSave* (Version 2.1, 05 July 2000). This is available on their web site at www.MicroSave.net.

Training Check List: Have you . . .

- ☐ Assessed the appropriateness of the pilot test training so that it can be adopted for the rollout training?
- ☐ Decided whether training is going to be in-house or hired out?
- ☐ Trained staff how to use computers, in case of computer based operations?
- ☐ Have you trained all staff in the rollout branches about the features of the product and how to market it to potential clients?
- ☐ Made sure that both new and old staff will work together on the new product?
- ☐ Worked out the incentives for staff to market the new product?
- ☐ Addressed the “change management” issues?

Step 10. Marketing

Developing a marketing plan

Marketing and (particularly) advertising during the pilot test was localised and soft. This was necessary because of the very nature of the test: it could be halted or changed at any time and only focused on a limited geographic area with efforts not to let information go beyond that market area, so as to limit problems for other offices.

Now that the test is complete and the company is ready to unleash the product, marketing must be re-addressed in order to focus on a much larger market without geographic limits.

In the Hand-over Package there should have been an assessment of the effectiveness of the marketing strategies used during the pilot test as well as suggestions for rollout marketing.

Do we need a new marketing plan?

Remember that one of the keys to successful rollout is effective marketing. Without effective marketing, the product will likely go nowhere. Because it is so critical to success, it is highly recommended that an institution planning to roll out a new product develop a detailed marketing plan that covers all aspects of marketing *before* the first rollout, including marketing effectiveness tools that will be used continuously throughout the product's life cycle. See *MicroSave's* "Product Marketing Strategy Toolkit" for details on how to research, develop and structure a Marketing Plan.

MicroSave's Product Marketing Strategy Toolkit

The Product Marketing Strategy includes the development and differentiation of products. It is a process of continually and systematically assessing needs of the market and its different segments to support product development and innovation that caters for those needs in the most feasible and profitable manner. Selling products is made considerably easier when approached in a systematic manner. There is a relatively straight-forward method for preparing the key messages for a product marketing strategy that is built on taglines, ultimate selling propositions and benefit statements. An MFI's sales strategy will depend on its products and its target market. These will dictate the balance between pull-and-push based strategies to selling the products.

This toolkit covers:

1. Definition of Marketing and its Role
2. Examining the Product – What Do Customers Want?
3. Benefit Statements/Unique Selling Proposition
4. Product Brands and Tag Lines
5. Exaggeration and Expectations
6. Positioning
7. Market Segments
8. Customer Service
9. Marketing Plans

Rollout marketing plan

The rollout marketing plan does not need to be long and tedious, though it should include enough details to guide the Marketing Department and inform others of the marketing expectations. An appropriate format for a marketing plan for a product rollout might look like *Example X.1: A Marketing Plan Format*.



Example X.1: A Marketing Plan Format

- I. Assessment of market
 - a. Background:
 1. Macro-Environmental Analysis
 2. Micro-Environmental Analysis
 3. Institutional Self-analysis
 - b. Conclusions and Key Assumptions
- II. Product Marketing Goal and Objectives
 - a. Statement of the Marketing Goal – This is the major outcome of the marketing activities regarding this product.
 - b. Marketing Objectives for the New Product – a sample format for this part of the exercise is shown below.
 1. Overall Objective – this should be directly from the overall product objectives
 2. Primary Objectives – these are major objectives that are necessary to achieve the Overall Objective.
 3. Sub-objectives for every primary objective – these support the primary objectives

SAMPLE NEW PRODUCT MARKETING OBJECTIVES WORKSHEET							
Objective Level	Objective	Responsibility	Begin Date	End Date	Satisfaction indicator	Budget	Completed?
Overall Objective	Generate \$xxx in new deposits from this account in 2 years						
Primary Objective -	Attract yyy number of accounts						
Sub-Objective	Each branch to increase total number of accounts by ww%						
Sub Objective	Maintain 80% minimum new customers opening new account						
Secondary Objective	Maintain minimum average overall per account balance of \$zzz						
Sub-Objective	Attract at least 75% low level employed to open account						
Tertiary Objective	Maintain at least 75% account approval rating on the product by branch						
Sub-Objective	Develop an assessment tool to identify customer satisfaction by M1						
Sub Objective	Maintain better than 70% receipt of results by branch each month by the 15th.						

- III. Core Marketing Strategies – These are the implement-able strategies that will get the institution to achieve the objectives from Step II. A strategy should be developed for each objective and sub-objective.
 - a. Brand Name, Taglines, Ultimate Selling Proposition, Benefit Statement and Positioning Statement (all of which should have been tested and refined during the pilot-test)
 - b. Target Market Segments - Identify primary and secondary target markets (if secondary is significant):
 1. Why were these markets selected
 2. What marketing tools/sales strategies are most effective for each target market
- IV. Key Product Policies – outlining the product policies arranged by the “8 Ps” of marketing (see below) to assist staff market the product in a uniform, cohesive and comprehensive manner.
- V. Objectives, Strategies and Activities - It is necessary to develop specific strategies for each objective and sub-objective to satisfy the quantitative objective within the timeframe provided. These strategies should make use of the tools noted in Part III.
 - a. Marketing Activity Matrix – describing the marketing activities to be undertaken in head office and each branch during each month of the year.
 - b. Advertising and Promotion Schedule – A schedule should be developed to coordinate advertising and promotion activities with launchings and other opportunities. Note that the table seeks information on the impact of each effort. It is important to track the effectiveness of each marketing effort.

Advertising and Promotion Schedule Sample										
Location	Brief Objective	Medium	Tool	Frequency	Start date	Duration	Cost	Responsible	Completed?	Impact
Branch 1	Attract coffee harvest payments	Radio	Local language ad about how product secures your money	3X per day	XX/CC/0Z	2 weeks	\$TTT	Mr. PPP		
Branch 2	Initial new product introduction		Road show	5 times	YY/DD/0Z	3 days	\$RRR	Ms. YYY		
Branches 1&2	General long term information	Posters	How the product satisfies your needs	Continuous			\$QQ	Mr. PPP		

- C. Monitoring Techniques – As with the rest of management, if you do not monitor marketing, you cannot manage it adequately. The objectives will need to be monitored likely on a monthly basis. Usually the objectives should be further divided by branch and month for ease of tracking.

- VI. Budget – The budget should include the cost of all activities of the marketing department with regards to the new product. Linked with the monitoring techniques, this should allow the MFI to conduct cost benefit analyses for different marketing activities.

Should the plan address the short or long term?

The marketing plan should address the period from before the first rollout through a period significantly beyond the final rollout. A reasonable period would be about one to two years. After this, a new plan should be implemented.

This requires the Marketing Department to plan for marketing in the introduction and growth phases of the product life cycle. Each of these phases will require a somewhat different strategy with “introduction” focused on getting the word out about the product. “Growth stage” marketing will need to be more refined, focusing on the benefits of the product to individuals in the market and aiming to attract the market actors who tend to wait until they are sure of the product. These people will need to be convinced that the product is working successfully and actually does result in benefits.

Having a longer-term plan also forces the marketing staff to think about how marketing will be refreshed. Over time, the marketing needs enhancements and adjustments to keep the messages fresh and interesting, as well as special messages focusing on particular opportunities.

How does the Rollout Marketing Plan relate to our institution’s Strategic Marketing Plan?

The marketing plan for this new product is a sub-plan to the Strategic Marketing Plan. This means that its assessment of the market should be essentially the same and the overall objectives should be directly related to the institution’s overall Strategic Marketing Plan. Within the Strategic Marketing Plan, the whole marketing strategy for all products are integrated since its focus is on a marketing approach to satisfy the institution’s overall goals.

Within the integrated marketing strategy contained in the Strategic Marketing Plan, each product should have a separate marketing plan that draws from institutional marketing objectives. In larger institutions, a particular marketing manager may focus all his/her attention on a single product while making sure that product marketing activities fit into the integrated plan. An institution with an established marketing department and several significant products should consider have a focused marketing manager for this product as rollout is approached.

Involving all the staff in marketing – Branch Marketing Plans

In many organisations, marketing is viewed as a separate department with responsibilities to sell the products. Marketing is not a department - it is your business! It is essential that all staff members in the branch are actively involved in the marketing of the MFI and its products ... particularly during the rollout of a new product. Everyone, from the security guard to the branch manager will have an important roll to play – never leave marketing to the marketing officer!

It will be important that Head Office give the branch staff the tools to optimise their performance as they market the new product. This will involve:

- » Training on marketing product (see section ?)
- » Carefully crafted and tested Frequently Asked Questions guides
- » Well designed brochures
- » Other point of sale marketing materials: banners, posters etc.
- » Head Office coordinated public relations, advertising etc. campaigns

MicroSave has developed the Branch Marketing Plan template below, to encourage the branch staff to plan their own marketing efforts as well as outline the support that they expect/require from the Head Office-based Marketing Department. Tailor this for each of your branches to optimise the involvement of all staff in the marketing efforts as part of the rollout.

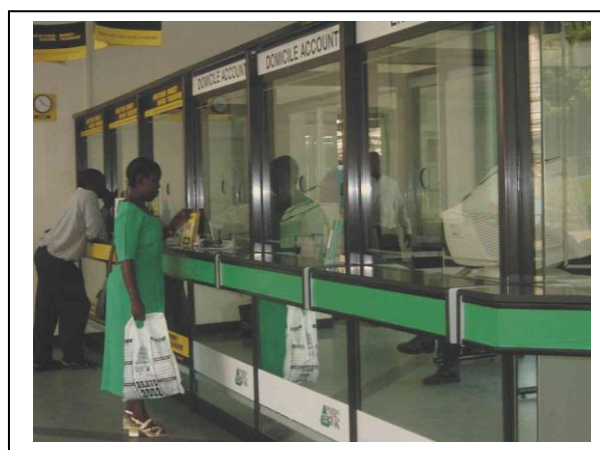
With all the publicity and promotion surrounding the rollout, the MFI will need to look carefully at its “visibles” – the way that the branch and staff appears – that will form lasting impressions in the clients’ minds. It is important to review the physical appearance of the branch before the rollout and ask whether it fits the corporate identity of the MFI and the image that it wishes to present. Does it need a new coat of paint? Are all the posters and other point sales materials neatly presented, and providing a clear, consistent series of messages about the MFI and its products? (see *MicroSave’s* Marketing Review and Physical Infrastructure Review checklists – Appendices ?? and ?? to help with this)

Because of the effort and investment that goes into rolling out a new product many MFIs use this opportunity to spruce-up or even remodel branches in order to maximise the impact of the publicity and promotion that goes into the rollout.

From:



To:



Example X.2 Branch Marketing Plan

Branch Marketing Plan _____ Branch

Product Targets for the Branch in next 12 months:

# of new FAST accounts:		# of new <i>Accumulator</i> accounts:		# of working capital loans:	
Net FAST deposits:		Net <i>Accumulator</i> deposits:		Working capital PAR > 30:	

Activities:	<i>Personal Selling:</i> Teller Window Cross Selling	<i>Personal Selling:</i> Banking Hall/Field- based Cross Selling	<i>Personal Selling:</i> at Public Events (specify)	<i>Personal Selling:</i> to Companies (specify)	<i>Public Relations:</i> Presentations/ Activities at Local Events (specify)	<i>Advertising:</i> Point of Sale	<i>Advertising:</i> Local Site/Channel Identification	<i>Sales Promotion:</i> Local offers/ incentives
Responsible:								
Loan Officer 1								
Loan Officer 2								
Loan Officer 3								
Loan Officer 4								
Teller 1								
Teller 2								
Teller 3								
Teller 4								
Enquiries Desk Officer								
Marketing Officer								
Assistant Manager								
Branch Manager								
Cleaner								
Security Guard								
HO Marketing Officer 1								
HO Marketing Officer 2								
HO Marketing Manager								

Head Office Marketing Support for the above:

Nationwide Public Relations	
Nationwide Advertising	
Nationwide Sales Promotion	
Collateral: Business cards, signage etc.	
FAQ sheets	
Brochures	
Posters	
Assist in organizing launch activities.	
Other	

How do we determine the appropriate marketing tools for this product?

Marketing tools are an important part of any marketing plan, but can prove rather complicated for institutions with a large network and diverse customer base.

Factors Affecting the Choice of Marketing Tools

The Target Market: What are the problems of the market that this product will satisfy? What is the literacy level of potential clients? What is their income level? Where do they normally turn for information? Are there any language issues?

Marketing Objectives: Market niche? Slow or fast take-up? High or low volumes? Location of customers (rural or urban)?

The Product Message: How is it most effectively conveyed?

Tool options: Does the option effectively take the message to the target market? What options do potential customers use to get information?

Cost: Is it within the budget? Is it reasonable? Once tracked, is the cost per customer within a reasonable range?

Timing and Current Economic Conditions: Are clients able to use the new product given the economic environment (is limiting marketing efforts a better approach)? Is there a market opportunity brought on by current economic conditions (as would be a savings product aimed at coffee farmers during the harvest when coffee prices worldwide are peaking)?

Competition: What tools are your competition using to market their products? Usually one would want to be unique in their marketing efforts. How aggressive are they?

Culture: Are there cultural issues that make one tool better than another? Is it best to use one language over another? Might product endorsements by particular community leaders assist in marketing?

Marketing tools need to generate interest in potential customers. When customers' needs, perceptions, and level of sophistication are different within a particular target group, the promotion of that product must in some way address the key issues for all of them.

There are a number of factors that affect an institution's choice of marketing tools. These are outlined in the previous box, and all should be considered carefully.

Remember, the method used must get potential customers to know your product is there and understand how it can benefit them. It should also reflect an institution's consideration of the factors noted in the box.

What about the marketing/sales strategy?

As noted above, an MFI's marketing/sales strategy will depend on the product and its target market. These will dictate the balance between pull- and push-based strategies to selling the products.

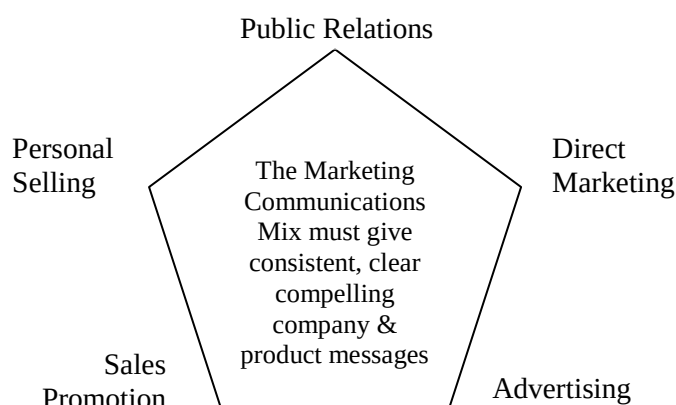
A **pull-based** strategy uses big spend on advertising and promotion to increase demand. This pulls the customers to demand the product on the basis of:

- » Advertising
- » Public relations
- » Sales promotions
- » Direct marketing

A **push-based** strategy uses a sales force to push the product through the following channels:

- » Personal selling
- » Direct marketing

The options in striking the balance between these strategies is often known as the “Marketing Communications Mix” can be shown graphically as follows:



There are numerous tools that marketers use to sell products. Just a few of these are:

Personal Selling	Direct Marketing	Public Relations	Advertising	Promotion
Sales teams visiting markets, companies etc.	Targeted press advertising	Press releases/ coverage	Posters	Product rate reductions
Cross-selling to existing clients	Radio – direct response	Speeches at functions/events	Brochures	Lotteries
Letters to clients	Direct mail	Special events	Signage	Give-aways
Enquiries Desks	Telephone marketing	Written materials – Annual Reports/ newsletters etc.	Radio	Road shows
Kiosk marketing	Road shows	Endorsements	Newspapers	Competitions
	Kiosk marketing	Sponsorship	Road shows	
		Public service activities	Tapes in branches	

Remember to measure the effectiveness of these different tools – capture the source of in-coming clients’ information on the product on application forms etc. or base the assessment on the product sales over time before/during/after the campaign.

	Cost Ksh.	# of Clients	Cost per Client
Radio	750,000	2,503	299.64
Posters	20,000	126	158.73
Billboards	100,000	345	289.86
Brochures	50,000	245	204.08
Personal Selling	250,000	1,759	142.13
Road Show	455,000	2,540	179.13
Telephone Marketing	200,000	1,105	181.00

The marketing/sales strategies must provide consistent, clear, compelling message. They should also be backed with careful attention to the quality of customer service; the table below provides some guidelines:

Preliminary Evaluation: Factors that might affect the level of Customer Service¹⁸

Customer Service Parameter	Current Situation	Ideal / Target.
Speed of service – Transaction Time Deposits	2.5 minutes	2 minutes
Speed of service – Transaction Time Withdrawals	3.5 minutes	2.5 minutes
Efficiency – Customer time in banking hall	8 minutes	6 minutes
Reliability of service - Transaction error rate	1.24%	0.75%
Opening hours	8.30am-3.30pm	8.30am-4.00pm
Is queuing system optimized?	Roped and orderly	Roped and orderly
Are transaction forms easy to use?	Yes – except no carbon backing	As is – carbonate paper too expensive
Are processes optimal?	To be reviewed using process mapping	
Are the staff knowledgeable? – Quarterly product knowledge assessment score	Institution-wide: 76% (Note: significant variance between branches)	Institution-wide: 85% Target: Mwepa, Ssemoge & Nandi branches
How customer responsive are the staff? – Modified ServQual score	84%	90%
Are the staff friendly? - Modified ServQual score	87%	90%
Is the appearance of the staff professional? – Modified ServQual score	93%	90%
Is the appearance of the branch professional? – Modified ServQual score	85%	90%
Is the banking environment pleasant? – Modified ServQual score	75%	90%
Is there confidentiality of client's information? – Modified ServQual score	85%	90%
How secure is the service delivery environment?	Bank's security standards	Bank's security standards

Customer service is essential and will drive a very significant proportion of sales of the MFIs' products. Studies worldwide have consistently shown that “word of mouth” is the most prevalent, powerful and persuasive driver low-income customers' behaviour and their choice of financial service provider. See *MicroSave's* toolkit on “Optimising Customer Services for Microfinance Institutions” for more on this key area.

¹⁸ Some of these will be reflected in the rollout objectives.

Choosing the marketing communications mix

Choosing between these different approaches to marketing depends on the factors outlined in the “**Factors Affecting the Choice of Marketing Tools**” box. However, when rolling out a new product these factors have to be modified by the decision the MFI has made on the “quiet” v. “public” rollout and the “nationwide launch”. During the quiet rollout, the MFI will focus more on personal and direct selling with some in-branch or “point of sale” marketing materials. During the public rollout, advertising and public relations will play a greater part in the marketing communications mix. This mix will then change when and if, upon completion of the rollout to all the branches, the MFI chooses to do a nationwide launch in an attempt to generate a high level of publicity and awareness amongst its potential market.

In addition, different products require different types of marketing communications. For example, more complex financial products will require a greater emphasis on personal selling to allow greater opportunities for the customer to ask questions and develop full knowledge of the products. Conversely simple products that are already well-established and well known in the market will require less explanation and may be more effectively sold through basic advertising.

How do we address cannibalisation of our other products?

You can’t. But remember that cannibalisation, the depletion of one product in favor of another within the same institution, is not necessarily a negative thing (at least when it comes to financial products). What determines the benefit or detriment is the level of efficiency of operations of the new product versus that of the old, or cannibalised, product. Where you have a new product that is significantly more efficient, as in a computerised product versus a manual product, cannibalisation can have a very positive effect in moving clients from a time consuming, expensive product to a cheaper more efficient product. Simply the transfer of significant numbers of the old accounts to the new has the potential to dramatically improve the institution’s profitability.

However, where the two products are essentially equivalent in terms of efficiency and costs, then cannibalisation effectively wastes the efforts of staff and can obscure the real impact of the new product. In this case, an effort needs to be made to attract new customers to the institution. Thus, marketing needs to focus on new customers with benefits specifically focused on them.

At the same time that special promotions are made to attract new customers to the new account, marketing programs might also be run to hold customers onto the old type account, such as raffles, balance maintenance awards, or longevity premiums. In addition, promotional posters and such could be primarily focused and placed externally to the office to have a lesser impact on current customers.

How do the “8 P’s” relate to roll out?

The eight “P’s” of marketing are critical with any product and are no less so in rollout. As a reminder, the eight “P’s” of marketing are¹⁹:

¹⁹ “Market Research and Client-Responsive Product Development” by Graham A.N. Wright, *MicroSave*, 2000

Table X.1: The Eight “Ps” of Marketing

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, transaction costs, statement/ledger fees, loan fees, prepayment penalties, prompt payment incentives, transaction costs, and other discounts.
Promotion	Includes advertising, public relations, direct marketing, publicity, and all aspects of sales communication.
Place	Refers to distribution and making sure that the product/service is available where and when it is wanted. This includes such options as outreach workers or agents, mobile bankers, ATMs, working with the informal sector financial services etc.
Positioning	This 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 the perception of the product that is important here.
Physical Evidence	Includes the presentation of the product: how the branch physically looks, whether it is tidy or dirty, newly painted or decaying, the appearance of the brochures, posters and passbooks etc.
People	Includes how the clients are treated by the people involved in delivering the product, (i.e. the staff of the MFI). Are they treated with the courtesy and attention befitting a customer? Are they made to feel welcome? etc. In addition, good internal communications and feedback mechanisms are vital to consistently providing good customer service.
Process	Includes the way in which, or the system through which, the product is delivered: how the transaction is processed and documented, the queues/waiting involved, the forms to be filled, etc.

All of these issues should have been addressed during the Pilot Test phase, in fact, much of the reason for the pilot test is to get these issues “right” before rollout.

It would be extremely helpful in the rollout marketing efforts to have each rollout branch reviewed in terms of these “eight P’s.” Have branch managers review this with their staff, and this can help them to identify the strengths as well as the weaknesses of their branch relative to the product. This will help them to develop a plan to upgrade where necessary and possible. Much of the focus here will be on areas that they can address more easily in the branch offices including: people, physical evidence, promotion, place, and to some extent process.

What about the rollout itself?

We recommend three levels of rollout.

The first level is the “quiet” rollout. Here, a branch office begins to offer the product with no fanfare and little marketing. This provides an opportunity to test staff and systems with a limited number of real customers. This has the benefit of minimising problems that might occur within the office regarding systems and procedures for the new product and, just as importantly, allows staff to develop confidence in offering the product before large volumes of customers arrive. This period should last between one and two weeks, but no more than a month unless there are serious problems.



Another benefit of a “quiet” rollout can be that pent-up demand for the product may be addressed in a quieter, more controlled manner.

The second level is the “public” rollout. Here, there is fanfare, maybe even speeches, a marketing surge, and the expectations of receiving many new clients. All systems and staff will have been tested off- and on-line, and the office should be fully prepared.

The “public” rollout builds momentum for the product and will often take advantage of several marketing tools, and especially the promotional tools among them. This is a time to make sure that everyone in the target market within the catchment area are aware of your product. Often this will be done through parades, cars with speakers driving through the area, speeches at the office, maybe drinks or other goodies for potential customers. It is a important event for the branch. It needs to give all potential customers a great feeling about your institution and its new product.

The third level is the “nationwide launch” of the new product. This can be done product is up and running successfully in all the MFI’s branches. It will involve a large launch in the main city of the MFI’s operating area and will seek to maximise publicity through the media. At this stage the focus is primarily on “pull” marketing: advertising, public relations, sales promotions and direct marketing.

In this launch the MFI is looking to build is brand and corporate image as well as publicise the product. This event requires a great deal of planning preparation to optimise the “splash” and impact! Prominent and respected personalities will attend and talk at the function, and satisfied customers will also be asked to speak about the MFI and its products. The national media (newspapers, radio and TV) will be invited, entertained and given press briefing packs including photographs and carefully written descriptions of the MFI and its products. The MFI will often place advertisements in the media in order to facilitate appropriately positive coverage. The MFI will also often run competitions with prizes for correct answers about the institution and its products – through newspapers and phone-in programmes on the radio.

Marketing Check List: Have you . . .

- ☐ Made an assessment of the market, both the internal and external market.
- ☐ Come up with a statement of the Marketing Goal.
- ☐ Come up with the marketing objectives for the new product.
- ☐ Identified the target market segments.
- ☐ Come up with Marketing Strategies to assist your organisation achieve the marketing objectives.
- ☐ Developed a Marketing Activity Matrix describing the marketing activities to be undertaken in each of the branch during each month of the year.
- ☐ Developed an Advertising and Promotion Schedule.
- ☐ Developed Monitoring /evaluation techniques to assess the effectiveness of different components of the Marketing.
- ☐ Developed a budget for Marketing Activities.

Step 11. Launch Day Activities

After all the hard work the product should be ready for launch! The Rollout team should have by now agreed on type of rollout – quiet, public or national, as discussed in the previous section. The type of rollout should be matched with appropriate Launch Day activities.

Launch day considerations!

While the team may be ready to launch, keep the following in mind.

- (1) During this (and any other event) make sure that you **do not oversell the product**. Tell people what it will do for them. Do not exaggerate. Do not embellish. Do not lie. Customers remember what you say, and will punish your institution if it proves untrue. You should know from prototype development and certainly from the pilot test if the product is so insufficient that you can only sell it by lying about it, and that should have been addressed way before rollout.



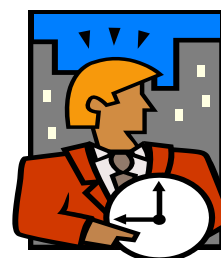
“Buy One Get One Free?”

One institution rolled out a new computerised savings product in one of its smaller city branches. This was their first rollout branch and marketing efforts were very strong. During the speech officially rolling out the product, the Chief Executive noted that with this new savings product, customers would be able to receive loans. (even though the MFI had no legal authority to lend at that time.)

Several months later, growth was still very slow. There were many reasons for the slow growth but among them was the consistent complaint that the CEO had lied to people. Potential customers noted that when a few of them opened accounts, they could not get loans. This was a very sore point for people and clearly carried a large negative impact.



- (2) The **final timing of the launch must be based on the level of preparedness** in the rollout office. Only being fully prepared will provide a requisite level of comfort that the rollout will proceed reasonably smoothly. Certainly, there can be synergies in overlapping rollouts with other events that may draw a crowd within the target market. However, this can result in disaster if the office is unprepared.



- (3) **Focus the rollout on the target market.** Rollouts can be expensive. Avoid inefficient investments by aiming all rollout activities in such a way that they get to your intended market.²⁰ Common and reasonable examples might include the acquisition of payroll accounts for low-income employees. The market may be low-income, but it would be prudent to have some of the rollout focused on employers who may guide their staff to your account. If you can make a clear argument that the group does have, and is likely to use, influence on your target market, then the investment may be worthwhile. However, this takes careful consideration and justification.

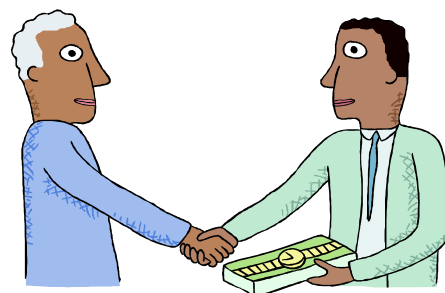
The Case of the “Important” Visitor

One institution had serious problems with its software all the way through the pilot testing phase of a new computer-based account. Even when the product was approved for rollout it was done without the system working properly.

They planned a major rollout (without a quiet launch) in their first rollout branch and invited international guests to attend. The unreliable system concerned some on the team, and there was significant debate among them concerning postponement of the rollout until the system was deemed reliable. The fact that the international guest was coming took the argument and the product was rolled out as planned, unreliable processes or not.

This was compounded by further rollouts in two additional branches, both driven by a desire to couple the rollout with an unrelated event. After four systems installations, all initially unreliable and all which quickly became different as different problems were repaired in different branches, the institution finally halted further rollouts until a review and assessment of the software was conducted.

The institution eventually decided to scrap the in-house developed software and move on to another, better proven software system. This is a case where the software issues should have been comprehensively addressed before approval, and the product should never have been rolled out until that was done. Rolling out, especially to satisfy a visitor or coordination with another event, simply quadrupled the problem. Unreliable systems at rollout can have a significant impact on keeping potential customers as mere potential while competitors move ahead.



²⁰ MFIs can and should track the efficiency of rollout and other marketing activities through the use of a simple calculation of cost per direct account by marketing activity. This would simply be: $CPA_{MA} = \text{Full cost of a particular marketing activity} / \text{the number of accounts opened because of it}$. Thus, if a rollout cost US\$5000 and 500 people opened accounts because of it, the $CPA_L = \text{US\$10}$. Of course, there can be a cumulative impact of marketing activities, and there may be other benefits such as creating an improved attitude about your institution that are not factored here. However, this can be a good basic barometer of the efficiency of the comparative efficiency of roll-out.

What do we do on the launch day?

- Ensure the frontline staff are ready and do offer services relating to the product on time
- Ensure that the customer care team is well prepared and equipped to handle all types of enquiries
- Conduct timing of transactions: account opening, deposits, withdrawals etc.
- Ensure management participation and support to frontline and customer service staff
- Check staff knowledge of systems and record any problems that arise
- IT support officer to be on standby to support front and back operations
- Ensure the branch staff members have good access to top management for the purpose of effecting a change in policy if a new situation warranting such an action arises. For example it may be necessary to waive a charge or fee or to capture extra information, e.g. next of kin details, which has hitherto been overlooked during the pilot testing
- Prepared to photograph the launch, and conduct interviews with staff and clients for the purpose of press releases etc.
- Ensure the system is storing in a easily retrievable way roll out quantitative and qualitative product review data and where not possible, that it is being manually compiled. Where the customers' input is needed ensure that appropriate arrangements have been put in place to capture the data. The data should allow you to assess:
 - » Data accuracy and performance of the system
 - » Growth of product e.g. number of accounts, costs associated with offering the product
 - » Cannibalisation: The number of clients shifting from an existing product to the new product. Note that cannibalisation can be positive or negative
 - » Customer satisfaction, complaints and suggestions.

Launch Check List: Have you . . .

- ☐ Ensured that you are really ready to launch the product?
- ☐ Ensured that staff feel adequately trained and confident enough to deliver the product?
- ☐ Ensured that the messages delivered during the launch do not oversell the product?
- ☐ Ensured that standby IT and management staff are ready and able to take necessary action if problems arise?
- ☐ Ensured that appropriate press are invited and supplied with profession press-packs containing photographs, brochures and a press release?
- ☐ Checked the data collection and storage systems are working as planned?

Step 12. Assessing the Rollout

Rollout preparation is done, the product is rolled out in all appropriate offices, customers are choosing your product and using it, the post-rollout issues have been worked out, the product has fully moved to its home department, and the new product development world seems calm again.



Oh, if that were only true. As with every other development process in a financial business, rollout needs further assessment.

In many ways, the rollout is simply the detailed process of implementation in Diagram VIII.2: The Feedback Loop, included in Section VIII on Systems. This loop then moves towards more information collection and the cycle continues.

Continuous assessment

There are several types of continuing assessment that are needed in relation to the new product (as well as other products and procedures). These are listed in Table XII.1: Continuing Assessment.

Table XII.1: Continuing Assessment

Analysis of:	Why:	By Whom:	How Often:
Systems (computerized)	To confirm data accuracy and proper performance of the systems	- Internal auditor - External auditor	- Within 2 months of rollout at each branch. - Annually by sampling
Policies and Procedures (documents)	To confirm validity of policies and procedures to the evolution of controlled efficiency and effectiveness of the product operations	Manager of product home department (issues are often noted by audit)	- Six and twelve months after rollout to second office (first after the pilot test branch), - then annually two months before audit.
Policies and Procedures (adherence)	To confirm that controls are adhered to in a consistent manner throughout the institution.	- Internal and External Audit (formally), - Supervisory Staff (informally and continually)	- External audit annually. - Internal audit every rollout office six months after launch, then part of routine audits. - Supervisors review continually.
Product Satisfaction	To confirm client satisfaction with product	Research Department, (or staff trained in qualitative and quantitative research methods, a consultant)	- Within six months of launch institutionally for the product, and then - As part of the regular research schedule.
Competitive Position	To understand the product's positioning in the market relative to competitors (formal and informal where appropriate). An institution cannot expect competitors to stand still and thus they must understand what the competition is doing relative to their products.	- Marketing or - Research Department or - Consultant	Quarterly

Analysis of:	Why:	By Whom:	How Often:
Profitability	To make sure the product is moving towards / improving in profitability	• Finance	• Monthly, by branch, region, and institution
Product Objectives	To confirm progress towards objective satisfaction	• Branch managers, • Regional managers, • Manager of product home department	• Monthly, by branch, region, and institution
Institutional Assessment	To identify and track the impact on staffing, system capacity and physical infrastructure as a result of the new product	• Manager of product home department • Finance, • Human Resources	• Quarterly for the first year then • Semi-annually after that.

These assessment types seem familiar.

They should. Most of these assessment types are basic to any institution.

What is different is the timing and focus of the different types of assessment. Some are required soon after rollout at the individual rollout branches (to ensure continued integrity of the system and procedures).

Others are specifically assessed after six months because, for example, procedures tend to be rather flexible in the beginning. As a large pool of people start operating the product and find difficulties, they will test (often informally) small adjustments to improve efficiency or convenience. These adjustments need to be reviewed and either rejected, or accepted and entered into the Procedures and Policy Manuals.

What options do we have when we assess the product and find deficiencies once the product is rolled out?

It is relatively easy during the pilot test to determine whether or not a product works, and to conclude from the evidence that unless changes are made that are unpalatable to the institution (for reasons of profitability, strategic plan divergence, or even legal issues) the product must be cancelled. At this point distribution is limited and the fallout from such a decision is not seriously detrimental to the institution. Once the product is rolled out, the stakes are much higher. This is why pilot testing is so very important.

However, if an institution finds that a product it has rolled out does not satisfy institutional and/or customer objectives, the options are basically some form of product adjustment or product replacement. Only in very limited cases would an institution drop a product early in its life cycle.

The decision to drop a product would be based on an assessment of the cost to drop it. Any costs borne by customers will need to be reimbursed by the MFI, and transaction costs for a transfer to a replacement account would also have to be borne by the MFI. This is all in addition to the staff costs of such adjustments. The cost of lost goodwill is often irrecoverable. These are among the reasons why properly completing the pilot test is so important.

Still, if the cost and the impact on customers is minimal, the MFI may choose to eliminate a new product.

What do we do if the product is not working, and it is too expensive to drop the product?



In this case, an institution is frequently left with a single option – product adjustment.

With data from several offices during or after rollout, the MFI should have a good idea of where the problem lies (customer demand, institutional efficiency, or other). From here a research plan is developed to gain further details about the problem. This may be qualitative or quantitative customer or staff research, it may be a more detailed allocation of costs, or efficiency studies, among others.

The task here is to generally identify where and why the projections were off so significantly, since the projection presumably showed a profitable, high demand product. From there, management needs to understand the reasoning behind the large discrepancy, which is usually an assumption problem.

Finally, the institution will need to assess its ability to match the assumption (with better marketing, or small adjustments to the product like a fee reduction for a price-sensitive product).

If it does not seem possible to match the assumption, then the institution must work with the other variables to obtain a workable compromise that satisfies the deficiencies. Unfortunately, this adjusted product must now be moved back to the pilot test phase for testing before rollout of the adjusted product can proceed.

Can we adjust the product once it is rolled out?

Certainly new products are likely to be adjusted in some small ways after rollout. Often this is through minor adjustments to policies, procedures, or systems, and usually these adjustments are imperceptible or positive to customers through increased efficiency or improved processes.

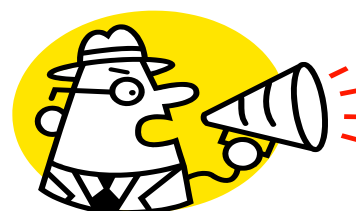
Larger adjustments – new restrictions, increases to fees, and reductions to income – will have a potentially serious detrimental impact on customers, and thus the product.

A reasonable approach to such a problem is to make the adjustments apply to new customers only. Allow the old customers to retain the product features they were offered either indefinitely, or for a certain period of time.

What are some of the key issues to remember if we have to adjust the product in a way that affects customers?

The key issues in such changes include:

- ✓ Communicate with the customers about what you are doing so they understand.
- ✓ Always comply with contracted agreements with customers (for example, you cannot change the interest rate on a fixed deposit or the repayment structure on a loan).

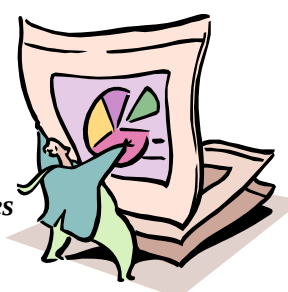


However, adjustments can be made, even to contracted agreements given agreement from both parties, if the net adjustment provides a *positive impact* on the customer. Indeed such adjustments provide useful opportunities for promotion activities.

One strategy employed by MFIs to avoid negative impacts on customers is to price the new product at a premium and then drop prices as real data show that costs are more than covered and they can give some back. Few customers will argue that they do not want a reduction in their costs!

How frequently do we need to report on the new product?

As a general rule, management of the new product's home department should receive summary progress reports at least monthly while the product is being rolled out at the different branches, and for six months thereafter. If there are significant problems, this timeframe will need to be expanded. Essentially, the



monthly reporting to management on this product is to provide time for it to be implemented throughout the system, and then stabilize. After that, quarterly reporting by product against objectives and plans should be sufficient.

All managers are different in what level of detail they expect from such reports. However, generally it is best to provide a summary of actual progress against projections and objectives. Report any trends over actual to projected for three months and then percentage achievement for another three months to give managers a quick understanding of these trends. Do not report office by office. Report data for the whole institution.

From here, report on areas of significant (greater than 20%) deviation from plans and objectives, and other major issues that have been identified during the period. Any results of special studies should also be summarised with main points only. Try to keep the report to one page, but no more than two.

The information on the summarised report may spark an interest by the manager in learning more details about particular issues. These details must be available, but should not be given to the manager unless requested.

Though managers may like to look at detailed information, they are much more likely to read documents that are very short. Make your points in the short report and have the details available.

How do we get management to respond to the reports?



Generally, there are two types of reports: those that inform (discussed directly above), and those that seek decisions.

When you are just passing on information for the sake knowledge and general monitoring, follow the summary report suggestions above.

If you are looking for decisions, this type of reporting is not sufficient.

To get decisions from management you need to develop a report that is one to two pages at the most. This report should address the following issues:

- ✓ A statement of the issue (with details)
- ✓ A recommendation (that addresses the issue)
- ✓ Comments on the anticipated impact of the recommendations (in terms of customers and the institution)
- ✓ A draft implementation plan.

A short report presented this format is much more likely to get a response than simply reporting on data. Even if the manager does not approve the recommendation or the implementation, at least they have something that is well thought out to work with.

Often the hardest part of any decision is developing the process and gathering the thoughts. With this format it is already done and the decision-making process is thus much further down the road. In fact, a decision is much more likely.

A detailed discussion and example of the reporting format taken from the *MicroSave* document *The Feedback Loop: A Process for Enhancing Responsiveness to Clients* is provided in Appendix 2.

Do we really need to do more customer research on the product?

It used to be that most MFIs were convinced that customers loved their product since new customers kept coming and the old ones did not close accounts at too fast a pace. Those days are gone. In today's competitive MFI markets, the leading, thriving MFIs are consistently interested in what their customers think of their products.

MFIs should have access to research capacity, whether from among their staff or through external consultants. There should be a research schedule and someone internal to coordinate the research findings. It has been found that institutions that have a focal person to oversee the research process and consolidate and analyse the results are much more effective at responding to customers than those that do not have such a position within their institution.²¹

In general, each product should be assessed for customer satisfaction once per year. New products should be assessed in this manner about six months after rollout to all branches and then follow the normal customer research schedule.

Assessing the rollout Check List: Have you . . .

- ☐ Prepared assessment guides for the IT systems?
- ☐ Prepared internal audit routines to assess the adequacy of documentation and the adherence to policies and procedures?
- ☐ Prepared a research plan to assess client satisfaction with the product?
- ☐ Scheduled implementation of competition analysis matrix and financial landscape analysis²²?
- ☐ Prepared mystery shopping guides?
- ☐ Put product costing systems in place to assess the profitability of the new product?
- ☐ Put data collection systems in place to assess performance against the product objectives?
- ☐ Scheduled periodic institutional assessment reviews to examine the effects of the new product on staff, systems capacity and physical infrastructure?
- ☐ Set up reporting routines to ensure an effective feedback loop to report on and respond to issues that arise?

²¹ The Feedback Loop: A Process for Enhancing Responsiveness to Clients. Michael J. McCord, *MicroSave*, April 2002. It is available at www.MicroSave.net.

²² See *MicroSave*'s "Market Research for MicroFinance" toolkit for description of these instruments.

Appendix 1: Critical Path Analysis

(with Gantt and PERT Charts)²³

Critical Path Analysis is an extremely effective method of analysing a complex project. It helps you to calculate the minimum length of time in which the project can be completed, and which activities should be prioritised to complete by that date.

Where a job has to be completed on time, critical path analysis helps you to focus on the essential activities to which attention and resources should be devoted. It gives an effective basis for the scheduling and monitoring of progress.

Sequential and parallel activities

The essential concept behind Critical Path Analysis is that some plan activities are dependent on other activities being completed first. For example, you should not start building a bridge unless you have designed it first!

These dependent activities need to be completed in a sequence, with each activity being more-or-less completed before the next activity can begin. Dependent activities are also called 'sequential' activities.

Other activities are not dependent on completion of any other tasks, or may be done at any time before or after a particular stage is reached. These are non-dependent or 'parallel' tasks.

Method

The process of carrying out a critical path analysis is shown below:

1. List all activities in plan

Show the earliest start date, estimated duration and whether the tasks are parallel or sequential. If the tasks are sequential, show what they depend on. This will show a task list like the one below (simplified custom-written computer installation):

NB: Start week shows purely when resources become available. Whether a task is parallel or sequential depends largely on context.

	Task	Start Week	Duration	Sequential or Parallel	Notes
1	High level analysis	1	5 days	Sequential	
2	Selection of hardware platform	1	1 day	Sequential	Dependent on 1
3	Installation and commissioning of hardware	3	2 weeks	Parallel	Dependent on 2, any time after.
4	Detailed analysis of core modules	1	2 weeks	Sequential	Dependent on 1
5	Detailed analysis of supporting utilities	1	2 weeks	Sequential	Dependent on 4
6	Programming of core modules	4	3 weeks	Sequential	Dependent on 4
7	Programming of supporting modules	4	3 weeks	Sequential	Dependent on 5
8	Quality assurance of core modules	5	1 week	Sequential	Dependent on 6
9	Quality assurance of supporting modules	5	1 week	Sequential	Dependent on 7
10	Core module training	7	1 day	Parallel	Dependent on 6, any time after
11	Development of accounting reporting	6	1 week	Parallel	Dependent on 5, any time after
12	Development of management reporting	6	1 week	Parallel	Dependent on 5,

²³ Copied directly from www.Mindtools.com/critpath.html

					any time after
13	Development of management analysis	6	2 weeks		Dependent on 5, any time after
14	Detailed training	7	1 week	Sequential	Dependent on 1 – 13
15	Documentation	4	2 weeks	Parallel	

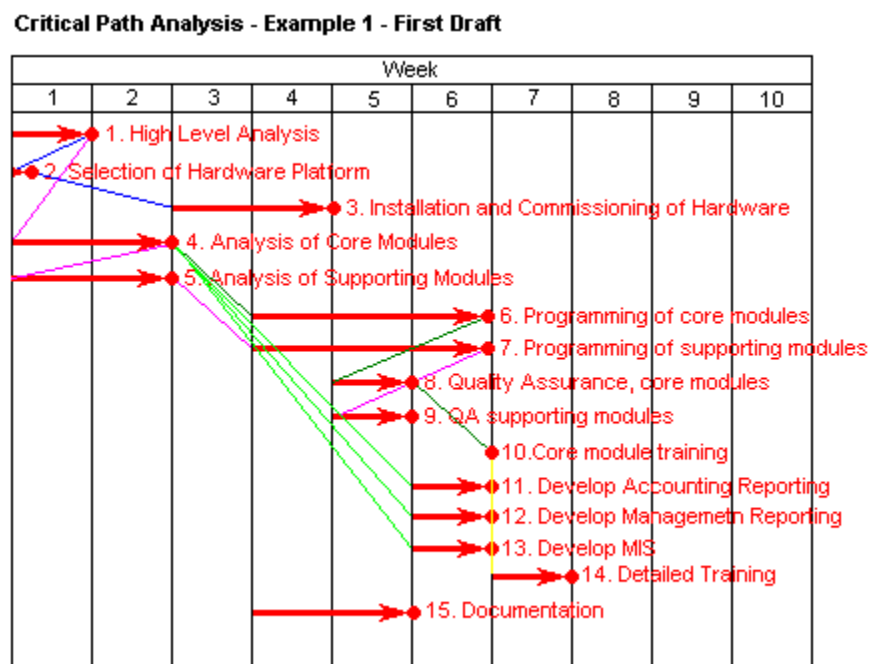
2. Head up graph paper with the days or weeks through to task completion

3. Plot the tasks on the graph paper

Start on the earliest start dates, and mark on the duration. Show the tasks as arrows, and the ends of tasks with dots. Above the tasks arrows, mark the time taken to complete the task. Do not worry about task scheduling yet - all we are doing is setting up the first draft of the analysis.

Once you have plotted the tasks, plot in lines to show dependencies.

This will produce an untidy draft analysis like the one below:



4. Schedule Activities

Take the draft analysis, and use it to schedule the actions in the plan, in such a way that sequential actions are carried out in the required sequence. Parallel actions should be scheduled so that they do not interfere with sequential actions on the critical path, if possible.

While scheduling, bear in mind the resources you have available, and allow some slack time in the schedule for hold-ups, over-runs, failures in delivery, etc.

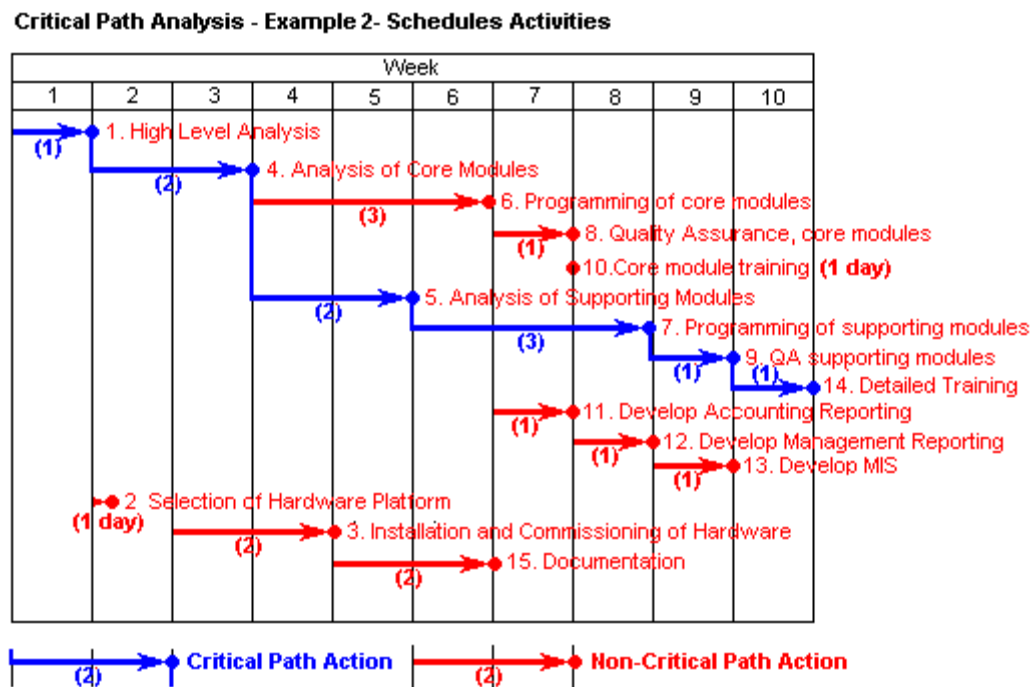
Presenting the Analysis

The final stage in this process is to prepare a clean final copy of the analysis. This should combine the draft analysis (see above) with your scheduling and analysis of resources to show when you anticipate that jobs should start and finish.

There are two formats for this clean copy. The choice of the most effective form of presentation comes down to the circumstances of the analysis and personal taste.

1. Gantt Charts

A redrawn and scheduled version of the analysis above is shown below, in the format of a *modified* Gantt chart:



Here time is marked out in columns across the chart, with individual tasks represented as arrows terminating at dots. The length and positions of the arrows show the start date and duration of the tasks.

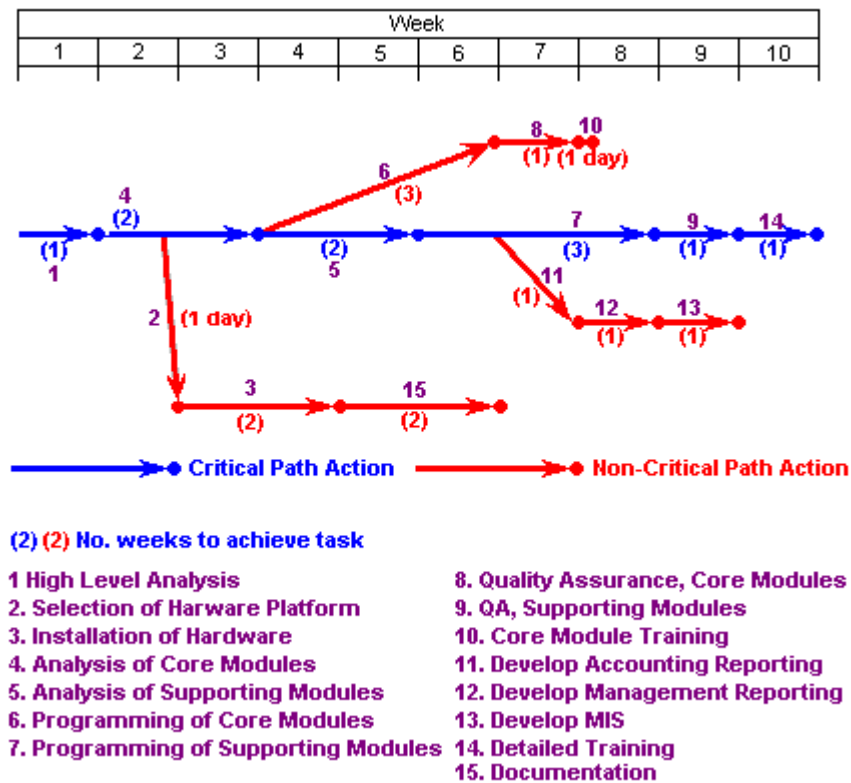
You may prefer to show tasks in pure Gantt format, as solid bars rather than arrows terminating in dots. Similarly, you may prefer not to show the linkages between related tasks - this is a matter of personal taste and personal convention.

The *Critical Path* is the longest sequence of dependent activities that lead to the completion of the plan. Any delay of a stage in the critical path will delay completion of the whole plan unless future sequential activities are speeded up.

2. PERT Charts

PERT stands for Programme Evaluation and Review Technique. Here circles represent completion of tasks, with linking lines showing the time taken to achieve the tasks. The critical path for the project is shown as the horizontal series of tasks.

Note that in the diagram below we are using dotted lines to link completed tasks back to the appropriate stages of the critical path. These lines serve to tidy the diagram and do not represent tasks to be carried out. This diagram shows our example critical path analysis in PERT format:

Critical Path Analysis - Example 2- Analysis in PERT format

Carrying out the example critical path analysis above shows us:

- That if all goes well the project can be completed in 10 weeks
- That if we want to complete the task as rapidly as possible, we need:
 - ✓ 1 analyst for the first 5 weeks
 - ✓ 1 programmer for 6 weeks starting week 4
 - ✓ 1 programmer for 3 weeks starting week 6
 - ✓ Quality assurance for weeks 7 and 9
 - ✓ Hardware to be installed by the end of week 7
- That the critical path is the path for development and installation of supporting modules
- That hardware installation is a low priority task as long as it is completed by the end of week 7

Summary

Critical Path Analysis is an effective and powerful method of assessing:

- ✓ Tasks which must be carried out
- ✓ Where parallel activity can be carried out
- ✓ The shortest time in which a project can be completed
- ✓ Resources needed to achieve a project
- ✓ The sequence of activities, scheduling, and timings involved
- ✓ Task priorities
- ✓ etc.

An effective critical path analysis can make the difference between success and failure on complex projects, and can be an effective tool for assessing the importance of problems faced during the implementation of the plan.

Appendix 2: A Format for Reporting

When Decisions are Desired²⁴

Reporting has at least four important roles:

- It formalises information for the move to the next institutional level
- It helps management and staff in their thinking process to ensure clarity of the issues
- It acts as a “decision trail” for understanding why a significant decision was made
- It provides an easy mechanism to inform others of the decision, because this step documents the thought process and justification for the decision to help others understand



When the issue moves on to the next phase of the Feedback Loop it should have been well thought out in such a way that decision-making is facilitated and the need to go back through the loop is minimised.

There are four areas that should be addressed for each issue requiring decision-making. Remember; the reporting phase is the last step before decision-making and therefore must fully inform the decision-maker. Thus, a reporting format has been developed to assist in this process. Consistently using this format will greatly facilitate the decision-making process in the institution. The format is as follows:

1. **A Statement of the Issue:** This statement identifies the source of the information (to show its significance), what the issue is (a school fees savings account), and why it is important (it is good for all parties). It gives the proposer a chance to explain what the issue is and why it is important enough to be considered for a management decision. For example:

“Based on PRA and FGD research conducted at all the branches, customers are overwhelmingly asking for a school fees savings account. Because there appears to be so much demand, it is believed that there could be significant benefits from such a product to both the institution and the clients.”

2. **The Recommendation:** This section details the potential solution. It should be directly related to the issue, and should satisfy the needs of all parties. For example:

“We should test a school fees savings account that acts like a fixed deposit account with the ability to deposit at will but not withdraw funds until school fees are due (i.e., the maturity date). Rather than paying conventional interest on the account, there would be a significant completion bonus that would incentivise complete savings. The accounts department will create a new set of related accounts to manage and track the product. Where possible the school fees will be paid directly to the school on behalf of the client to further save them the need to wait in line (and reducing the line in our lobby at school fees time).”

The recommendation defines the product (in this case) and describes how it should work (at least in terms of the front office). Back office details are often addressed after the decision is made unless these are significant in terms of costs or capacity. In this case there are confirmed additional account types available on the MIS system, as well as the ability to manage specialty incentive interest. The new account would create little additional work for the department.

²⁴ “The Feedback Loop: A Process for Enhancing Responsiveness to Clients”, Michael J. McCord, *MicroSave*, April 2002. It is available at www.MicroSave.net.

- 3. Comments on the Impact of the Recommendation:** This section discusses the analysis of the change on the institution and clients so that the potential benefits and problems are clear. Summarized information from the analysis stage would go here. This will include how the *clients will benefit*:

“It will facilitate their saving for school fees and reduce their stress around that time.”

And, *what problems they might encounter*:

“They might not be able to save regularly thus leaving them short for paying the school fees, and because payments were not complete, they would not earn interest on what they did save.”

The assessment of the impact on the institution is also critical. This should include at least a *cash flow assessment*:

“The finance department has completed the projection models and has shown that the cash generated can be invested in treasury bills during over the short period.”

And *profitability*:

“The T-Bill investments should provide an average return of 8% while the total bonus cost should be limited to about 2% of total deposits (because those who do not complete the savings do not get the bonus), while operations costs will be limited to 2%. This combination should provide a net return to the MFI of 4% on these deposits.”

Finally, *capacity* must also be addressed:

“A combined assessment by operations and finance management showed that even given growth projections of current products, it is expected that we could open 1,000 of these accounts without the need for additional unplanned staff. This assessment also demonstrates that the computer systems can easily add another account type and that the institution has more than enough staffing and systems capacity for this new account.”

This section might also include a note on any *key assumptions* that were used in this assessment:

“It was assumed that the new MIS system will be installed and fully tested before the test of this product begins, and that interest rates remain relatively constant through the development and testing period.”

- 4. Implementation Plan:** This section should outline the next steps for the product. On significant new or altered products, processes, or policies, it is likely that the next step would be prototype testing and then pilot testing.

“This product will follow the pilot testing process outline in the *MicroSave* document “A Toolkit for Planning, Conducting, and Monitoring Pilot-Tests for MFIs – Savings Products.”

It is not intended that the formal report should be a long, droning research paper, but rather it should be kept brief and focused, like a newspaper article, and the writer should strive to keep it as close to one page as possible. It **should never** be over two pages. Additionally, in many cases a formal written report may not even be necessary. With *easy decisions* on *limited impact* issues, it may be sufficient simply to make an argument to management that includes the four points.