

Number 7

October 2003

Market Intelligence: Making Market Research Work for Microfinance

The commercial success of leading microfinance institutions (MFIs) has attracted potent competition. At the same time, microfinance clients are becoming increasingly sophisticated. Both trends require that MFIs better understand their clients' evolving needs and preferences. While some MFIs in competitive markets have anticipated these trends, many have been caught unprepared and are only beginning to add *market intelligence*¹ to their core competencies.

Marketing Needs of MFIs

In response to this changing environment, MFIs in much of Latin America and Africa are expanding their *marketing* efforts to better satisfy customer needs. As illustrated in the Text Box 1, MFIs currently have a wide range of marketing needs, including the need to:

- Attract customers, often in the face of competition
- Strengthen loyalty of and retain customers, especially profitable ones
- Build brand awareness and image
- Refine existing products and introduce new ones
- Improve customer service and product delivery
- Develop sustainable competitive strategies and strengthen positioning
- Penetrate new markets and deepen reach in existing ones

To address these marketing needs, ACCION International has worked with a number of MFIs in Latin America and Africa to collect, analyze and apply market information. In so doing, ACCION has developed a body of knowledge and experience in the use of market information to strengthen MFIs – which we refer to as market intelligence.

This InSight publication is intended to guide readers through the processes necessary to implement a successful market intelligence program at an MFI. It highlights the activities and tools that ACCION has developed in each phase of the market intelligence process. It also walks the reader through two ACCION technical assistance projects, one in Latin America and the other in Africa, to better demonstrate how these market intelligence tools have been applied in the field.

¹ Italicized terms are defined in the glossary at the end of this document.

Text Box 1: Examples of Market Intelligence Needs from the ACCION Network

BancoSol, once the uncontested leader of the Bolivian microfinance market, has faced particularly strong competition, forcing it to reassess its relationship to its customers and improve its service levels. BancoSol has undertaken a series of qualitative and quantitative market research initiatives focused initially on understanding the causes of client *desertion*, and then on developing targeted strategies to retain its customers and attract new ones. **Mibanca**, an MFI in Peru, has quadrupled the size of its marketing staff and budget to make more serious inroads into savings mobilization, given how critical image and branding are in successfully attracting deposits.

For similar reasons, **UMU**, ACCION's partner in Uganda, is also stepping up its marketing effort to strengthen its image to mobilize savings and improve its positioning in an already crowded microfinance market. In Haiti, **SOGESOL** has undertaken quantitative and qualitative market research to gauge the level of satisfaction among its customers in an effort to preempt competition. Motivated by similar desires, **Compartamos**, ACCION's Mexican partner, undertook a nationwide market research effort to explore new products to fulfill the unmet financial needs of its existing clients, uncovering in the process key improvements for its existing portfolio of products.

Market Intelligence vs. Market Research

Market intelligence is the ability of an MFI to:

- Collect market data in a systematic and objective fashion
- Analyze and interpret this information
- Apply it in order to develop strategic recommendations and action plans

The last point differentiates this concept from *market research*, which refers to the information gathering portion of the larger market intelligence process. The market-intelligent MFI is able to:

- Determine what kind of marketing or market research tool is most appropriate to solve the problem it is facing
- Implement the right tools appropriately to ensure high quality, reliable results
- Integrate the results of the research to derive effective strategies

Process: The Guide to Market Intelligence

The market intelligence process addresses a current gap in the microfinance market. While there are good tools available for market research, the ability of microfinance institutions to use these tools and, more important, apply the results in a way that truly enhances operations, has been limited. Nearly three-quarters of ACCION's partners had undertaken some kind of market research effort by 2000, although the outcome of most of the initiatives was limited to interesting presentations or reports distributed to the board of directors. In very few cases were the research results disseminated throughout the institution, and thus they were not incorporated into business operations. Too often, market research was an isolated endeavor that produced provocative results that never materialized into concrete action.

To address this issue of follow-through, so critical to success in market research, ACCION developed a systematic approach designed to take an MFI through the entire process of a marketing activity – from design to implementation and application. The Market Intelligence Process is summarized below and elaborated further on the following pages.

Phase I: Definition and Preparation. Clarify the motivation and the objectives of the proposed market investigation through internal dialogue and secondary market research. In this phase, the most important information comes from staff interviews, conducted to get a field perspective on client preferences,

competitors, the effectiveness of processes, bottlenecks, and/or the MFI's image. Also key are interviews ACCION's market intelligence team conducts with senior management to understand their perspective on the problem and their vision for the institution. These interviews not only provide excellent information; they also build the buy-in critical for successful implementation of the market research results. Based on the information gleaned, a team is assembled from different areas of the MFI and senior management to design the parameters of the market research and approve the budget. At this point, a staff person from the Marketing or Research and Development area assumes the role of Team Leader responsible for the overall project, including managing the process and the different players. Because the marketing function has not achieved the level of authority necessary for successful follow-through at most MFIs, ACCION works very closely with this Team Leader to build his or her credibility with senior management.

Phase II: Design and Planning. Design the study by defining the method (quantitative vs. qualitative), the technique (focus group, interviews, mystery shoppers etc.), and the sample (the number and profile of people to be investigated). The most important issue in this phase is deciding how much – if any – of the market research will be outsourced to specialized marketing firms and how much will be undertaken by those responsible for marketing or research and development within the institution. Assessing the MFI's technical capabilities in this regard is key because poorly designed samples or inaccurately chosen methodology can doom the meaningful application of market research results.

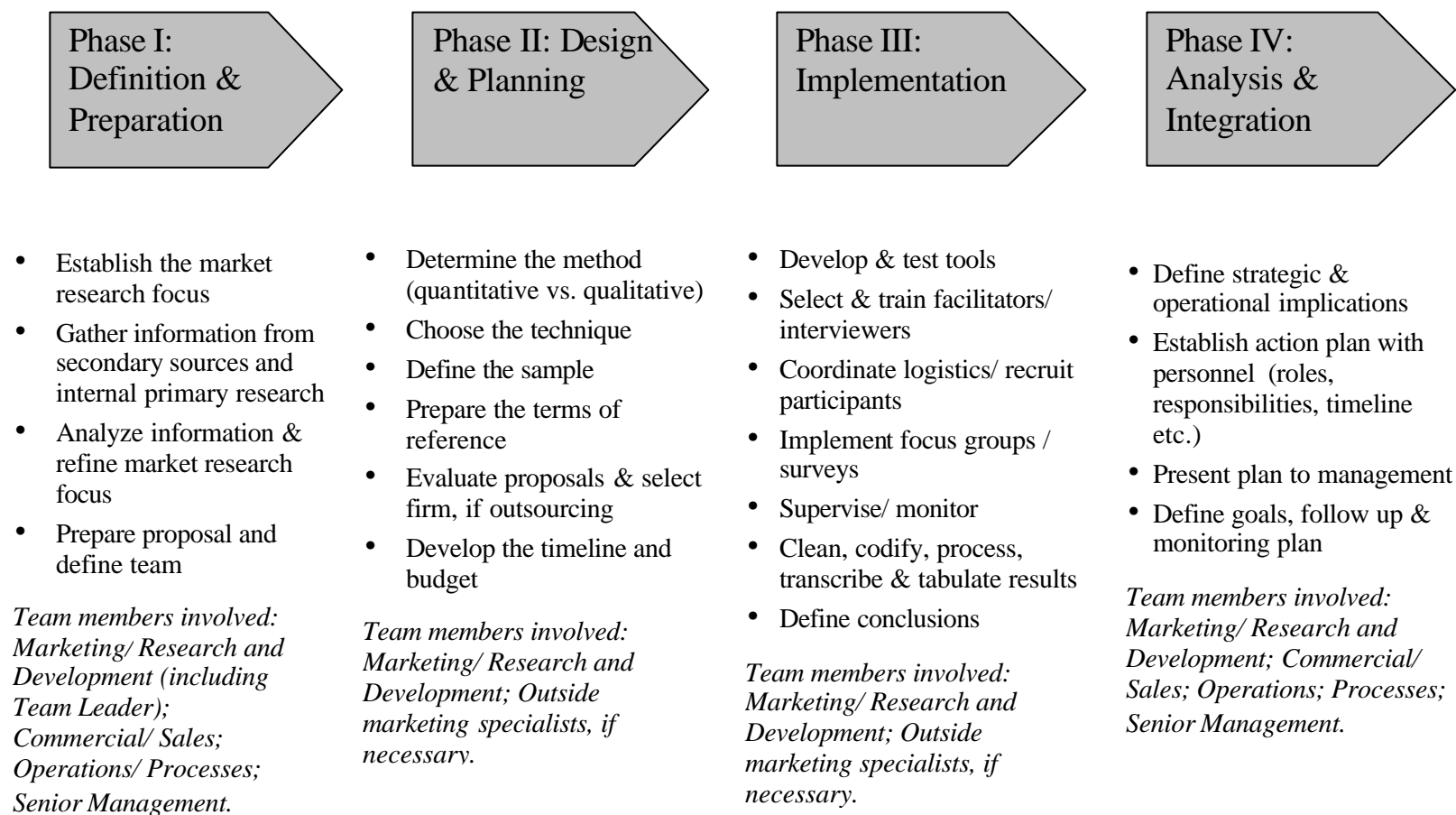
Phase III: Implementation. Carry out the market research, including the coordination of all the logistics and development of necessary tools, such as surveys, focus group guides, participatory exercises. This phase differs depending on whether the research is qualitative or quantitative, the level of effort and budget required, and the type of synthesis necessary, etc. The main pitfalls at this stage are in the logistical and operational details of the implementation – such as confirming the presence of focus group participants and verifying completion of the sample. The marketing and research and development staff is typically responsible for the activities in this phase, although staff in the commercial area may help in client recruitment or other tasks.

Phase IV: Analysis and Action Plan. Synthesize and digest the market research results to help determine the strategic and operational implications, which in turn become the core of the action plan. Here the process moves beyond the marketing and research and development area to a broader, multi-functional task force that will collectively analyze and interpret the results. In this phase, the involvement of commercial staff from the front line as well as back office operational and process people is key to carrying out a successful action plan. Senior management is also actively involved in this phase to obtain the approval and acceptance that prioritizes the implementation of the action plan.

The Market Intelligence Process contains systematic steps – from the definition of the research objectives to the implementation of an action plan based on a methodical analysis of the results – that are broken down into clearly defined activities and practical tasks. Just as successful surgery depends on the initial diagnosis and post-op physical therapy, the planning and follow-through before and after a market research study are critical components of the Market Intelligence Process.

To help the MFIs implement these steps, each phase of the process is accompanied by practical tools, such as surveys, checklists, sample recruitment letters, terms of reference and worksheets for evaluating market research firms. These tools have been applied in a variety of institutions in Latin America and Africa and help the team carry out the activities of each phase of the Process. Figure 1 depicts the Market Intelligence Process.

Figure 1: ACCION's Market Intelligence Process



Source: Systematic Guide to Market Intelligence, ACCION International

Examples From the Field

This section provides two examples of the many field applications that ACCION has undertaken, one in Africa and the other Latin America. The first case involves an African MFI² looking to expand its market share, both by deepening its reach to existing clients and attracting new ones. The second case involves a Latin American MFI which was disappointed in its ability to mobilize savings. Both MFIs had developed a variety of products and wanted the market research to help determine which had the greatest growth opportunity. ACCION's application of its Market Intelligence Process aimed to define concrete steps each institution could undertake to enhance and expand its operations.

Phase I: Diagnosing the Problem and Clarifying Objectives

Tools: Data Mining, Staff Interviews, Market Research Focus

Phase I of the process began by using *data mining* techniques to analyze the MFIs' deposit products to get a clearer diagnosis of the problem. This assessment of the client databases involved analyzing the correlation between certain product variables, such as account balance, with client characteristics (geography, length of relationship with the institution, number of products they use) to determine trends in usage. For example, at both institutions, data mining revealed that savings mobilization was heavily concentrated in the capital city and that the majority of borrowers maintained very low balances in the deposit accounts established specifically for the purposes of loan disbursement.

At the African MFI, data mining revealed client retention problems in a specific branch, so the staff were interviewed to determine the reasons and develop possible remedies for the high desertion rate. Staff interviews suggested that dissatisfaction at this particular branch was due to difficulties withdrawing savings and poor customer service in general.

For the Latin American MFI, a review of the database by product revealed that the MFI's problem was concentrated on two products. The institution was doing very well with its liquid savings account, so attention focused on increasing and diversifying the MFI's base of fixed term deposit holders and expanding its ROSCA-like product³, aimed at attracting informal savings deposits.

The secondary market research also involved reviewing other industry reports that describe different competitors and market conditions. Insights from field staff and previous market studies helped establish hypotheses regarding the different research questions. ACCION assisted the management of both MFIs to summarize this initial secondary research into a format known as the "Market Research Focus," shown in Table 1.

² Note: The names of these MFIs have been withheld and the numbers have been disguised to respect the competitive nature of the results.

³ Rotating savings and credit associations (ROSCAs) are informal institutions in which members contribute a regular amount of money each week or month, and take turns collecting the pooled amount at fixed intervals.

Table 1: Market Research Focus

| | African MFI | Latin American MFI |
|-------------------|--|--|
| Motives | <ul style="list-style-type: none"> - Justify growth assumptions and prioritize new areas for expansion - Refine existing products and potentially develop new ones | <ul style="list-style-type: none"> - Address customer satisfaction, given the competitive nature of market - Explore potential of additional funding from deposit products |
| Objectives | <ul style="list-style-type: none"> - Reliable demand estimates - Understanding of competitive positioning of the MFI - Measurement of customer satisfaction | <ul style="list-style-type: none"> - Savings mobilization strategies by region - Product refinement and development |
| Hypotheses | <ul style="list-style-type: none"> - Untapped market opportunities exist - MFI has strong loyalty among its customers but is not generally well-known in the market | <ul style="list-style-type: none"> - Savings dominated by commercial and savings banks and cooperatives - Customers are not well informed about the MFI's offering |

The market research focus was used to obtain budget approval for the design and implementation of the market study. Though seemingly simple, this step is absolutely imperative to ensure that the right research is done and that top management understands and buys into that research.

Phase II: Designing the Market Research Study

Tools: Method Matrix, Choosing Techniques, Designing the Sample

In the second phase of the process, the teams defined the parameters of the market research study, including method (quantitative vs. qualitative), technique (how the research will be conducted), and sample (the profile and number of people to be researched).

Method: Quantitative vs. Qualitative

As with most of the market research ACCION has carried out, each of these institutions employed a mix of quantitative and qualitative tools based on the information desired and the degree of accuracy sought. (See the Text Box 2.)

Both studies began with qualitative research because the underlying cause of the client behavior (drop out, lack of demand) was unknown. In the African study, qualitative market research was used first to determine why certain clients did not renew their loans. Similarly, in the Latin American case, the team used qualitative methods to determine why clients lacked interest in certain products. The techniques used were *open focus groups, participatory exercises* and *in-depth interviews*.

The qualitative research was followed by quantitative surveys to validate the initial findings, especially regarding some product ideas that had surfaced in the focus groups. The quantitative research was needed to determine the degree of interest in and market potential of these new ideas. In both cases, the MFIs wanted more precise information than qualitative research could provide in order to determine a wise level of investment in product development and refinement.

It is important to point out that although the same questions were investigated in the qualitative research at the African and Latin American MFIs, the quantitative research provided deeper and more reliable positioning information. This is due to the subjectivity of group dynamics found in qualitative research, including: (1) a thought leader or dominant participant who may sway the

discussion in one direction or off topic; (2) “tendencies” that reflect the perspective of the subgroup of the market that has been invited to participate; (3) biases of the moderator, who may filter out some ideas and emphasize others, often subconsciously, based on his or her individual perspective.

Quantitative analysis erases this subjectivity and allows for objective, statistical analysis to identify tendencies and trends, rather than the observations of the facilitator. Moreover, the quantitative results permit an additional analysis of positioning by examining responses by market segment (e.g., socio-economic class, geography, institutional affiliation, gender or age). For example, many of the more established socio-economic classes said they would not currently consider depositing their savings in the MFI, but almost two-thirds indicated that this was because of a lack of knowledge rather than a negative image. This distinction did not surface as starkly in the focus groups as it did in the quantitative research, and it gave the MFI some ground from which to work. This was an important finding, as it is much easier to create a new image from tabula rasa than it is to change a negative image to a positive one.

Text Box 2: Leveraging Quantitative & Qualitative Research

Market intelligence requires a multi-faceted toolkit to respond to the broad range of MFI needs. Qualitative research is critical to identify underlying causes of consumer actions. Almost every market study ACCION has undertaken involves some qualitative tool, including focus groups, *mystery shoppers* and in-depth interviews. Quantitative research, in contrast, is used to measure how representative these results are or whether they are characteristic of a certain market segment. Quantitative research also allows the user to know how intensely these attitudes or opinions are felt in the marketplace as a whole, thus making it a key tool in measuring demand. Quantitative surveys provide more rigorous information on the degree and consistency of the qualitative research.

For example, for one MFI to understand the causes of desertion, it conducted focus groups to identify why clients were not renewing loans. It then undertook a quantitative segmentation and image survey to determine which clients were leaving and which were the most promising clients. The resulting “Exclusive Client” program included dedicated tellers and preferential loan terms to retain existing clients and motivate loyalty in new ones. To tailor these resource-intensive services, it was critical to quantify the depth of loyalty of these preferred clients and to determine exactly what products and service attributes they valued most. The precision of the quantitative tools helped justify the investment and maximized its leverage in improving client loyalty.

Quantitative research allows the MFI to draw conclusions with a specified degree of certainty. Qualitative results are at best anecdotal even when many focus groups are conducted because the sampling techniques are not random and especially because the interpretive process is subjective. ACCION’s experience working through a variety of quantitative studies – from simple surveys to more sophisticated statistical analyses – has demonstrated how valuable a complement they can be to qualitative research. The table below demonstrates the strengths and limitations of each method.

Table 2: Qualitative vs. Quantitative Research

| Method Matrix | Qualitative Research | Quantitative Research |
|-----------------------------|---|---|
| Objective | In-depth understanding of consumers’ attitudes and behavior | Measure the extent of the attitudes |
| Confidence Level | Explorative, anecdotal | Conclusive, with a specified degree of certainty |
| Techniques | Unstructured or semi-structured | Structured |
| Participants | Small and homogeneous groups | Samples with a statistical representation of the population |
| Results | Words and descriptions | Codified results, compiled as statistics |
| Training/Preparation | Understanding objectives of the study | - Consistency and precision of questions used - Statistical analysis |
| Strengths | - In-depth exploration of questions - Better understanding of underlying behaviors - Usually can implement with staff | - Conclusive; results can be inferred to the rest of the population - Better for costly investment, since it measures degree and frequency of behaviors |
| Weaknesses | - Subjective. Bias can be introduced in the execution and analysis of results - Not conclusive; the results cannot be inferred to the population | - Potential for bias on the form and the questionnaire - Can be costly and time consuming - Usually implemented by an outside marketing research firm |

Sampling

Sampling is one of the most important elements of market research, based on a fundamental axiom: garbage in, garbage out. Sampling techniques that are biased or improperly administered result in useless data. It is critical to emphasize the importance of good sampling for qualitative as well as quantitative market research. For example, at one Latin American MFI, branch managers recruited the focus group participants. All the clients who participated in the focus groups – even the deserters – had nothing but compliments for the MFI⁴. This kind of bias is very common because focus group participants want to express their gratitude for being invited to share their opinion and for receiving an incentive such as food that is usually offered⁵, or they want to ingratiate themselves with the branch staff.

Quantitative vs. qualitative methods imply radically different sampling techniques. Qualitative market research by its nature requires homogeneous samples whereby each group includes participants with similar profiles. Quantitative research, on the other hand, demands representative samples to draw conclusions from the results. In both cases, participants are selected at random in accordance with the profile defined in order to minimize bias.

For the African MFI, the qualitative market research involved separate groups of active and former clients. The qualitative market research in the Latin American case divided the focus groups by institutional affiliation (e.g., clients of the MFI vs. clients of banks) and by product type (e.g., those who had liquid savings account vs. fixed term deposits). The sample also assembled groups from middle- and upper-income segments to see if they could be enticed to hold their term deposits in a microfinance institution rather than a bank. These clients were in separate groups to ensure that less educated, poorer participants were not influenced or intimidated in their responses.

For the quantitative surveys in both countries, a representative sample was used based on the target market each institution wanted to investigate. For the African MFI, the target market included microentrepreneurs over the age of 18 who owned a business with a fixed address within the survey area. In this survey, it was not a requirement that the interviewee had taken out a loan because one of the objectives of the *questionnaire* was to estimate effective demand – including among non-clients. For the Latin American MFI, the sample was defined by institutional affiliation and socio-economic level, according to national statistics kept by the banking authorities and the census bureau, respectively. The Latin American MFI included a disproportionate number of its own clients in the sample to make sure that it had a minimum number of results from which to draw conclusions about satisfaction levels⁶. In both cases, the sample was weighted geographically based on national demographic data.

Because of the importance of sampling, it is crucial that marketing staff within the MFI gain

⁴ When budgets do not allow the use of independent third parties (be they students or market research firms) to recruit participants, an MFI can reduce bias by either using headquarters staff who have limited contact with clients or having the personnel of one branch recruit participants from areas covered by neighboring branches.

⁵ Phillip Kotler, Marketing Management seminar, Mexico City, Mexico. April 2003.

⁶ Any question that has less than 30 responses is statistically invalid, therefore samples of any particular population (e.g. clients of a particular institution or from a given area) must be defined to meet this minimum.

some capacity in this area. ACCION has tools and specialized staff to support the definitions of samples, especially in the case of quantitative market research. ACCION typically works jointly with the MFI or an outside specialist to design the market research until the MFI feels comfortable undertaking the activity on its own.

Phase III: Implementation

Tools: Focus Groups Guides, Participatory Exercises, Dramatizations, In-depth Interviews, Statistical Surveys

Phase III, implementation of the market research, is the phase of the market intelligence process on which most people focus (although the other phases are equally as important to success). It includes designing the instruments (focus group guides, survey questionnaires, etc.), training the facilitators and interviewers, recruiting participants and transcribing and tabulating the results. Monitoring and supervision during implementation are very important to ensure quality control and successful interpretation, especially for elements of the market research executed by third parties.

The most important decision to be made during the implementation phase is whether the investigation will be conducted entirely “in-house” or contracted in full or in part to a specialized third party. ACCION typically employs local marketing firms to more efficiently divide responsibilities and outsource activities that would be too costly for the institution to internalize. ACCION has developed relationships with local marketing firms so that the partner institution can have on-going support, both in qualitative and quantitative research. Nonetheless, ACCION also attempts to build in-house capacity so that the MFI can undertake qualitative research on its own. A comparison of the advantages and disadvantages of the two approaches is described in Table 3.

Table 3: Comparison of Implementation Options

| | “In-House” | Contract Out |
|----------------------|---|--|
| Advantages | <ul style="list-style-type: none"> - Allows the MFI staff who understand and care about the sector to run the process - Builds skill-set of and provides experience for MFI staff - Allows MFI to internalize issues raised and lessons learned - Generates more appropriate and relevant conclusions because MFI staff are often better equipped and more familiar with the market | <ul style="list-style-type: none"> - Offers specialized expert ise and a professional, structured process - Provides objectivity, especially in cases of high customer dissatisfaction - Brings significant resources (infrastructure, skilled staff) and experience to the process - Saves the MFI time - Will result in analyzed data and a report ready for presentation |
| Disadvantages | <ul style="list-style-type: none"> - Requires special skills to <ul style="list-style-type: none"> * moderate focus group discussions * develop/administer questionnaires * analyze data effectively - Diverts staff time from other duties - Results in bias, as staff come with preconceptions | <ul style="list-style-type: none"> - Most market research companies lack understanding of the MFI sector - MFIs are often “low value” clients and thus neglected or given poor service by the market research company - Good market research firms are expensive |

For quantitative studies, ACCION almost always partners with a local firm because the level of field effort required to administer questionnaires is intensive and the statistical analysis is sophisticated. For qualitative work, ACCION often outsources to a firm that will recruit

participants (which maintains objectivity) and provide a room to facilitate taping and transcription of the focus groups. Sometimes the market research firm supports the analysis and conclusion of the results. Table 4 summarizes how ACCION usually divides the work between the external marketing firm and the MFI undertaking the research.

Table 4: Division of Responsibility

| MFI/ ACCION | Market Research Firm |
|---|---|
| Develop and test tools | Coordinate logistics and recruit participants |
| Select and train facilitators/ interviewers | Implement surveys |
| Implement focus groups | Clean, codify, process, transcribe and tabulate results |
| Supervise and monitor the process | |
| Define conclusions | |

In the Africa case, the investigation was done in part by the institution and in part by a market research firm. In the Latin American case, a market research firm implemented the study with support from ACCION, especially in designing the tools.

Qualitative Research

The most commonly used qualitative research method is focus groups. In the exploratory stages of market research, the “open” or “general” focus group method is appropriate, particularly when there is limited understanding of a topic or there are sensitive issues which people might not feel comfortable discussing openly, such as money transfers and remittances. The moderator uses a focus group guide to outline the topics and manage the session. The other focus group techniques ACCION has applied – including *dramatizations* and participatory research exercises – involve a more structured approach where the parameters of the discussion are outlined in advance. ACCION has trained MFI staff in the use of these focus group techniques as well as other qualitative research tools, including mystery shoppers and in-depth interviews.

The Latin American and African MFIs decided to use different focus group techniques, so ACCION helped both design focus group guides, which explored the following three issues:

- Patterns of behavior among potential customers (savings habits, uses of credit, etc.)
- Preferences in terms of products and services (why they choose to save in certain institutions, ranking of attributes, etc.)
- Components of customer satisfaction

The African MFI used a local church to set up a quiet location independent from the branch offices to conduct the focus groups. The Latin American MFI used the room provided by the marketing agency, with two-way mirrors and recording devices, to allow the branch and headquarters staff to hear the clients’ opinions directly. Headquarters staff of the African MFI recruited participants for the qualitative research, while the Latin American MFI employed the marketing agency, which in both cases also handled recruitment for the quantitative market research via their trained interviewers.

ACCION either trained the facilitators or moderated the focus group directly, using a variety of participatory techniques. In addition to the well-known participatory research exercises developed

by MicroSave-Africa⁷, such as the Priority Attribute Ranking⁸, ACCION used a number of other techniques such as in-depth interviews and dramatizations. To probe more deeply into sensitive or complex issues, in-depth interviews with the targeted participants are conducted on both a one-on-one basis and in small groups. Dramatization is a role-playing exercise where the focus group participants dramatize a situation – such as customer service received in an MFI vs. service received in a formal financial institution – based on actual experience, observation or perception. These customer impressions are critical elements to defining the key components of brand image and positioning, but quantitative techniques are required to verify how representative these impressions may be.

Misleading Figures

Implementing high quality quantitative research requires some qualitative investigation to identify underlying causes of behavior, clarify terminology and refine concepts. Qualitative research should not be used to quantify the degree or frequency of these observed behaviors. It is misleading to use statistics and averages to summarize the results of qualitative market research. Qualitative research by its nature is not representative of the population at large. Thus, to say that 80 percent of focus group participants responded in a specific way is a measure of frequency but it does not necessarily reflect a tendency representative of the population. Qualitative research provides hypotheses and opinions that can inform decision-making, but it should be used with the knowledge that it is, at best, an educated guess.

Qualitative research can help narrow product options the MFI might be considering. For example, the participants in the Latin American focus group rejected the MFI's idea of having a direct debit of loan payments from their savings account, because they wanted control over their deposits. The market research revealed that because historically there had been incidences of government-controlled limits on withdrawals during macroeconomic crises, people were very apprehensive about any proposal related to externally imposed regulation of accounts.

Quantitative Research

Quantitative research uses statistical surveys to measure the degree and frequency of the behaviors identified in the focus groups. Questions investigated include market share per institution, degree of satisfaction with different MFI services, relative interest in new product ideas, deposit and withdrawal frequency, promotional awareness and influence (e.g., radio, billboards, flyers, personal recommendation), and the critical factors in establishing the institution's competitive positioning. Each topic has a corresponding "battery" or group of survey questions on which the interviewers are trained. Supervisors perform spot checks and follow up with a random sample of survey participants to assure quality control. Once enough questionnaires have been completed in accordance with the sample, they are collected, codified, and processed for analysis.

⁷ MicroSave-Africa is a joint effort of SUM/UNDP Africa and DFID, charged with promoting secure, high-quality savings for poor people.

⁸ Priority Attribute Ranking is a method for finding out what participants view as the key elements or attributes in financial services and how relatively important each is. *PRA Toolkit Handbook, MicroSave-Africa, June 2002.*

Certain tools build on the priority ranking methods used in the qualitative research, to tease out what clients most value. Three commonly used quantitative measures allow statistical analysis of what is most important to clients, all of which ACCION used in the two quantitative surveys in Africa and Latin America.

- **Top of mind** measures the first unaided answer the respondent offers. For example, when asked what the most important consideration in taking out a loan, a respondent may answer interest rate as their “top of mind” response.
- **Total number of mentions** measures the number of times a particular response is given. Using the same example, while interest rate may be the *first* response, usually other factors, such as fast service, are mentioned more frequently, and thus would have a greater “total number of mentions.”
- **“Top 2” ranking** uses a valuation system so that the respondent can identify which factors are (1) most important; (2) very important; (3) somewhat important; (4) not very important; (5) unimportant. The percentage of respondents classifying the factor as “most important” or “very important” is equal to its “top 2” ranking.

For the African MFI, the quantitative research clarified the positioning of the institution, which had very high “top of mind” awareness but whose “total number of mentions” was on par with the competition. Further quantitative image analysis uncovered that although there was great demand for its products, its lack of market recognition was hindering its sales efforts. For the Latin American MFI, the market research affirmed a well-known fact in savings mobilization: the most important factor for microentrepreneurs in choosing where to deposit their savings is the security and soundness of the institution. Though this leading attribute – security and soundness – confirmed the findings of the qualitative market research, the quantitative analysis uncovered interesting insights with respect to the secondary attributes. Interest rate scored high in top of mind and total mentions, but ranked much lower in overall importance to the clients. The surprise result was that friendly treatment was the second most important consideration for depositors.

Table 5: Example of a Quantitative Priority Ranking

| Attribute | Top of Mind | Total # of mentions | “Top 2” Ranking by importance |
|----------------------------|-------------|---------------------|-------------------------------|
| Secure/trustworthy/solvent | 1 (53%) | 1 (74%) | 1 (68%) |
| Friendly treatment | 6 (5%) | 4 (26%) | 2 (63%) |
| Fast service | 4 (6%) | 5 (25%) | 3 (62%) |
| Years of experience | 3 (7%) | 2 (30%) | 4 (60%) |
| Access to credit | 5 (6%) | 6 (18%) | 5 (59%) |
| Interest rate | 2 (10%) | 3 (30%) | 6 (57%) |
| Information | 9 (2%) | 8 (10%) | 7 (56%) |
| Hours of operation | 13 (1%) | 11 (6%) | 8 (48%) |
| Number of branches | 7 (2%) | 7 (11%) | 9 (47%) |

Note: In each column, the figure on the right is the percentage of people who ranked the attribute, according to the method described in each column level. The figure on the left is the rank, from most frequent to lowest percentage.

The quantitative market research also helped define the relative share of the MFI’s primary competitors with respect to savings mobilization. Not surprisingly, commercial and savings banks

dominated the savings market in the country. However, the quantitative market research revealed that locally, coverage was less concentrated, creating strategic opportunities the MFI could exploit in specific cities.

The quantitative research surprisingly invalidated some of the initial findings from the qualitative research. For example, in the Latin American focus groups, the participants expressed interest in checks written in behalf of third parties (i.e., vendors). However, the quantitative research rejected this, even in the capital city. The quantitative research also revealed that the preference for denomination in local currency was not representative of the population as a whole as there was a much greater demand for hard-currency deposits – even for liquid accounts. Thus, the quantitative research revealed that not all ideas surfaced during the focus group conversations could be a guide to action.

Phase IV: Analysis and Integration: From Research Result to Action

Tools: Basic Statistical Analysis, Conjoint Analysis

The most important phase of the market research is the final one: analyzing the research results and integrating them into the MFI’s strategy and operations. The market intelligence team presents the strategic and operational implications of the market research results to a multi-functional team drawn from different areas of the institution. Together, this team helps define the plan of action – including who will help define roles, responsibilities, timeline, etc. – to present to senior management. Depending on the scale of the investigation, all department heads are invited to the presentation so the senior management team can become a working group to define goals and steps for following up and monitoring results. The depth of strategic analysis and overall quality of presentation are critical to engage senior management so that they will in turn prioritize the action plan throughout the institution.

Many of the market research results are tied to product development and refinement, but typically the investigation uncovers other components of the MFI marketing strategy that need developing. In competitive markets, ACCION has helped develop positioning strategies that clarified the MFI’s image and solidified its standing vis-à-vis the competition. ACCION has also integrated market research into the design and development of promotional campaigns to solidify the MFI’s brand. Below are more detailed examples of how the market research results were integrated into the strategy and operations of the two MFIs in Latin America and Africa.

Competitive Positioning

To assist MFIs in making important decisions about their competitive positioning, ACCION uses a number of quantitative approaches. In the Latin American survey, respondents indicated how strongly they associated different product attributes with specific institutions, including both banks and MFIs. ACCION then used *conjoint analysis*, a statistical tool that analyzes different combinations of product features to determine the relative importance of each feature in the client’s purchasing decision. Conjoint analysis is based on the fact that relative values of attributes considered jointly can better be measured than when considered in isolation. It is a non-biased, quantitative depiction of customer attitudes toward specific products and services⁹.

⁹ Although ACCION conducts similar “attribute comparisons” in the qualitative research, one can only get reliable positioning statistics through quantitative research such as conjoint analysis of binary correlations.

Through conjoint analysis, the Latin American MFI found that efficiency, speed of service and friendliness were highly valued by its customer base and, more important, not strongly associated with either that institution or its competitors. Using these statistical findings, the ACCION team helped the MFI position itself as the customer-focused savings provider by implementing product enhancements and improving the speed and quality of product delivery.

Image and Branding

In the African MFI, the presentation of the research results was made to both operations and research personnel, both of whom would be involved in applying the findings. The most important message was that a lack of brand recognition was having a negative effect on demand. They therefore worked with a design firm to re-vamp their logo and undertake a design make-over of all their branches for a standardized, high-quality image. They are also investing in building their in-house marketing capacity as they prepare to launch an open access savings program (whose attributes were defined through the market research process).

In the Latin American MFI, actions planned as a result of the market research also focused on a new image campaign, along with important refinements of existing products and operations. Among the insights provided by the market research were the importance of security and fiscal soundness when deciding where to save, and the relatively strong position commercial and savings banks had in these particular attributes. The market research also revealed that staff lacked awareness of interest rates offered on their own savings products despite the importance of interest rates in the minds of potential clients. Finally, the quantitative market research revealed a competitive opportunity for the MFI to position itself as the customer-friendly, service-oriented savings provider, focusing on support and speed.

Like its African counterpart, the Latin American MFI decided to build up its internal marketing capacity and image in preparation for a more serious savings mobilization campaign. This image improvement involved upgrading its branches to include a formal waiting area for clients. It also entailed a clear differentiation of functions among the branch staff to provide a staff member dedicated to answering customer queries, supplying and helping fill out proper forms, managing branch queues and assuring quality service. A dedicated customer service representative was thought to be an important part of the MFI's new competitive strategy. The MFI's image improvement also included a redesign of the external façade of the branches, professionally painted with bolder colors, and prominently displaying the logo and the institution's name. A notice was hung inside the branches explaining that the institution was regulated by the country's banking authorities to generate confidence in the MFI's soundness. Finally, the importance of speed and service confirmed in the quantitative research convinced the MFI to invest in a systems overhaul, increasing the speed of connection between branches, and allowing product refinements not supported by the existing MIS.

Product Refinement

Based on the market research, the Latin American MFI also made important adjustments to its product portfolio. With respect to its liquid savings account, the Latin American MFI decided to lower the introductory interest rate and offer more flexibility in terms of number of deposits and withdrawals. The MFI also added ancillary features such as a passbook, so the clients could monitor their accounts. Given the powerful "top of mind" impact of interest rates, the MFI

planned promotional campaigns to attract new depositors and reward larger minimum balances with graduated increases in interest rates. For the ROSCA-like product, they decided to tie deposit cycles to specific expenses such as school fees or holiday campaigns and create a programmed savings account. The promotion of this product focused on lottery components, which market research revealed to be popular. ACCION helped develop a new pricing scheme for all of the deposit products to create coherence, minimize *cannibalization* and ensure that the interest rate reflected the relative cost of managing the different products.

The African MFI also refined its savings product based on the market research results. This account prioritizes withdrawal flexibility over pricing, since it is clear from the market research that hassle-free liquidity and physical access to funds is what the target market prioritizes. In addition, the market research gave rise to new product ideas, as participants expressed a strong interest in home improvement loans and school fee savings programs. Part of the African MFI's action plan is to develop these two product prototypes and integrate them into their marketing and competitive strategies.

Conclusions

The market intelligence process goes beyond market research. It emphasizes “getting the question right” from the beginning and moving from the research results to vigorous action. The keys to its successful implementation have been:

- Systematic, step-by-step process
- Committed resources, both staff and budget
- Team formation, including trained staff and leader to maintain quality and momentum
- Buy-in from senior management
- Technical expertise
- Appropriate use of both qualitative and quantitative tools
- Building in-house capacity to interpret and apply market information

The step-by-step approach helps break down a complex process so it is understandable and manageable for different levels of institutional development. Moreover, ACCION's results-focused process helps engage staff and management in market intelligence gathering as it ties directly to issues important to them: improving product design, enhancing customer satisfaction, increasing client growth, deepening outreach and competing successfully. In this way, market intelligence can help an MFI meet the challenges of its own success and evolve with its clients.

Glossary

Cannibalization – the degree to which the introduction of a new product diverts sales from the same company’s existing product. In other words, revenue is shifted from one product to another, rather than new revenue being created.

Conjoint analysis – a popular marketing method that enables determination of how customers value different levels of product attributes, by analyzing a subset of the possible combinations of product features to determine the relative importance of each feature in the purchasing decision.

Data Mining (also called database marketing) – analysis of information available within a company’s database, as well as any external information, to gain knowledge about customers, including their habits, preferences and buying patterns.

Desertion – the decision of the client not to continue using the services of a particular institution, typically caused by dissatisfaction with the products, preference for a competitive offering, or desire to take a break from financial services.

Dramatization – a role-playing exercise where focus group participants or interviewees dramatize a situation, such as customer service received in an MFI, based on actual experience, observation or perception.

In-depth interviews – one-on-one feedback sessions to explore topics in a more profound way than within a focus group. One common type of interview used in microfinance is the **exit survey** conducted with clients that have decided to leave the institution. Another technique is the **intercept** interview in which the researcher stops (or “intercepts”) people in outdoor markets or busy street corners.

Market Intelligence – information about the market that has been collected in an objective fashion, analyzed, interpreted, and used to formulate strategic actions. The Market Intelligence Process is the process of moving from data collection to action.

Market research – systematic collection of information about clients or potential clients, based on clearly defined objectives, for the purposes of decision making

Marketing – a management discipline and an organizational function responsible for understanding and influencing the target market so that prospective customers desire and prefer the institution’s offer over that of the competition. The goal of marketing is to satisfy customer needs and preferences through products and services, including how they are priced, delivered, and positioned.

Mystery shoppers – (also known as secret or ghost shopping) is a research method whereby people posing as regular customers anonymously visit and/or contact a place of business (e.g., a branch) to assess customer service, product quality, employee performance, cleanliness and/or overall experience.

Open or General Focus Groups – best known and most widely used form of qualitative research where small groups of people, in various target groups of interest, are brought together with a facilitator for one to two hours to discuss a topic.

Participatory Exercises (also known as *Participatory Rapid Appraisal* or PRA) – a technique developed by social scientists to gather information in a way that is more client-focused by involving participants in interactive games and exercises. PRA has been extensively applied to microfinance by MicroSave-Africa.

Questionnaire – a list of questions administered one-on-one by an interviewer as part of a quantitative survey to generate reliable conclusions (to specific degrees of confidence).

This *InSight* was written by Monica Brand, senior director of marketing and product development at ACCION International.

ACCION International's *InSight* series is designed to share the results of our work with the microfinance community as quickly and efficiently as possible. The series highlights practical applications, policy viewpoints and ongoing research of ACCION. To download other editions of *InSight* free-of-charge, please visit www.accion.org/insight.

Other titles in ACCION's *InSight* series include:

- InSight 1: ACCION Poverty Assessment Framework (*available in English and Spanish*)
- InSight 2: Economic Profile for 15 MicroKing Clients in Zimbabwe
- InSight 3: Making Microfinance Transparent: ACCION Policy Paper on Transparency
- InSight 4: Building the Homes of the Poor: Housing Improvement Lending at Mibanco
- InSight 5: Poverty Outreach Findings: Mibanco, Peru (*available in English and Spanish*)
- InSight 6: The Service Company Model: A New Strategy for Commercial Banks in Microfinance (*available in English and Spanish*)
- InSight 8: ACCION Poverty Outreach Findings: SOGESOL, Haiti