

ATTRACTING THE UNBANKED

PRELIMINARY GUIDELINES FOR MAXIMIZING
EXISTING INFRASTRUCTURE THROUGH SERVING
UNTAPPED MARKETS

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GLOSSARY

Current clients	People who currently have a loan from the MFI (in this case, Inicjatywa Mikro (IM)).
Customer group(s)	For this study, customers were defined as people who have had some interaction with the MFI (IM). There were three categories (or groups) of customers: current clients, former or ex-clients and rejected applicants.
Customer market	The customer market consists of all potential customers or buyers for the products of the MFI.
Ex-clients	People who were customers of IM in the past.
Market segment	A smaller, sub-group of homogenous customers within the overall customer market who can be distinguished by similar needs, value expectations or other characteristics.
Provider-excluded	People who want financial services but have been denied access by financial service providers.
Rejected clients/applicants	People who applied to be customers of IM but were rejected for a reason.
Self-excluded	People who for their own reasons, do not access financial services.
Target group	Customer groups that the MFI has identified as attractive and which they will target with outreach or marketing strategies.
Unbanked	People who do not access financial services.
Unserved	See Unbanked.
Untapped market	Those who do not access the financial services of IM.

I. INTRODUCTION

Increasing outreach to the ‘unserved’ is a current priority among many microfinance experts and donors. To date this discourse has largely focused on determining how best to deliver financial services to those without access: low income households living in rural and/or remote areas. Factors such as low population density, weak infrastructure or lack of regular cash flow have meant that the provision of financial services to this market has often been costly and as a result limited.

However, banking the ‘unbanked’ is not only about those living beyond the reach of existing microfinance institutions (MFIs). It is also about those who live within access of one or more MFIs. Indeed, both the share of the borrower’s wallet and the share of the market within such areas are often lower than anticipated. Evidence from India and Peru indicates that microfinance debt as a percentage of all household debt is often around 30% (Chen and Snodgrass, 2001; Dunn and Arbuckle, 2001). In Bangladesh where microfinance services are widely available, Rutherford (2002) found that among all households surveyed over the course of a year microfinance transactions do not exceed more than 15% of household financial transactions.

Another dimension of this limited market share for microfinance can be related to who is actually served by microfinance services. Research has demonstrated that the range of clients currently using microfinance services is limited, concentrated in a population that ranges from 40% below to just above the poverty line (Sebstad and Cohen, 2001). This leaves a large population, both above and below this band, that is largely unserved. At the same time, there are many within this band that do not access financial services. They include those that self-exclude, including those who previously used MFI services but now choose not to, and those who have been rejected by financial service providers.

This group of ‘unbanked,’ people who have access to but do not avail themselves of microfinance services, can be a significant untapped market for many MFIs. In Uganda, Wright and Rippey (2003) found that:

- About a third of their total research sample, predominantly economically active individuals, had never used a financial institution;
- 45%¹ of their sample had not used a bank or MFI account in the past year;
- 26% of the ‘unbanked’ sub-sample had used a financial institution previously, but more than one year before the time of interview.

¹ n=827

A survey of microentrepreneurs in Ecuador found that only 16% of those with access to microfinance services did in fact use them. Furthermore, among those that did not, over 50% did not want a loan (Magill and Meyer, 2005).

Surveys have suggested that those who self-exclude are not necessarily very different from those who do decide to access microfinance services. Anecdotal evidence gained from informal interviews in Uganda suggests that people self-exclude for a wide range of reasons, such as:

- A lack of knowledge of the microfinance services available;
- Miscomprehension about microfinance services;
- Available products ill-suited to a person's needs;
- Reluctance or no reason to take on debt; or
- Too poor to borrow from an MFI (Wright and Rippey, 2003).

The 'unbanked' present a significant opportunity for those MFIs who can discover how to market the MFI's services to this unserved population. In many cases, attracting the 'unbanked' will fulfill an MFI's mission. For all MFIs, attracting the 'unbanked' makes good business sense. It enables MFIs to maximize their existing infrastructure and improve efficiencies by more fully using staff and other resources. This can be more cost-effective than opening new branches.

This paper presents preliminary guidelines² that can be used by an MFI to develop the 'unbanked' market. While recognizing the importance of word of mouth as a valuable vehicle for bringing in new clients, this paper argues that attracting the 'unbanked' calls for a broader strategy. This is an issue that has been largely unaddressed within the microfinance industry. Thus the guidelines are preliminary and primarily focused on credit. Adding more products would have increased the complexity of the discussion that seems inappropriate in light of the exploratory nature of this activity. The objective is to offer an MFI step-by-step guidance as they seek to increase the number of clients served per branch by marketing directly to the 'unbanked.' The paper is divided into five sections. The first addresses the objective of the guidelines, the conceptual framework underpinning this work, and the research methods used in the development of the guidelines. The next section outlines the five components of the guidelines. The third section discusses each step in detail, focusing on how to gather and analyze the key data for each task. Each of the steps is illustrated with findings from Inicjatywa Mikro (IM), a Polish MFI that partnered with the Microfinance Centre (MFC) to test the guidelines. Information is included on the potential pitfalls that should be avoided when undertaking this research. The concluding section of the paper illustrates how IM used the information generated to tap into new markets about which it was unaware and that are currently 'unbanked.'

² Development of the guidelines was supported by a grant from the JP Morgan/Chase foundation.

I.A. BACKGROUND

The guidelines were developed by Microfinance Opportunities (MFO) (www.microfinanceopportunities.org) in partnership with the Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC) (www.mfc.org.pl). MFC has been actively involved in action-research projects with dozen of MFIs from the region that resulted in practice-based solutions allowing maturing MFIs to better understand and serve their markets.³ The guidelines were tested with one of MFC's partners in Poland, Inicjatywa Mikro (www.Inicjatywamikro.pl). Lessons learned from the pilot test were integrated into the guidelines to ensure that they would be well grounded and could be readily used by microfinance institutions.⁴

Inicjatywa Mikro (IM) was established in 1996 as an Opportunity International partner. It provides micro-enterprise credit to both start-ups and existing businesses in the southern region of Poland. IM is small with only 900 active borrowers. Its product offering is limited to working capital loans. According to its managers, IM's limited growth reflects its own insufficient usage of current market intelligence. This is all the more surprising since IM has a client-focused organizational culture and a rich client database, which can be used to inform the development of marketing strategies. The managers at IM engaged in the project hoping that testing the proposed process and tools to attract the 'unbanked' might help them address this weakness. The assumption was that if these guidelines worked for them it would significantly expand IM's market opportunities. IM therefore provided a very good laboratory for developing and testing the guidelines.

³ See www.mfc.org.pl/research for more information.

⁴ The MFO and MFC team is very grateful to the staff of Inicjatywa Mikro for their commitment and availability to test the draft guidelines.

I.B. OBJECTIVE

Although the ‘unbanked’ within an MFI’s catchment area represent a potential opportunity for microfinance institutions, little is known about them and there are few tools or guidance available to microfinance institutions wishing to identify this ‘unbanked’ segment. The Banking the Unbanked project was developed to address this gap.

This paper presents the results of the first stage of a larger Banking the Unbanked project.⁵ The objective of this phase was to develop a protocol or guidelines which would enable MFIs to identify and better understand the ‘unbanked’ within their catchment area and to develop strategies for attracting new clients who want microfinance services but who do not now access them. As microfinance institutions adopt more market-led strategies and find themselves operating in increasingly competitive markets, the need for strategies that will enable them to attract new clients and to more deeply penetrate existing markets assumes greater importance. Only a few MFIs are like XacBank in Mongolia which aggressively went after new customers as if they were in a highly competitive market as soon as they opened their doors (McGuinness, 2006). For the majority of microfinance institutions, the dominant approach to market development has been ‘open the doors and the clients will come’ (Cohen and Wright, 2003). In the new microfinance climate, a more proactive approach is needed. This calls for the design and implementation of strategic marketing plans, a new activity for many MFIs.

This paper addresses two components of a marketing strategy, presenting step-by-step practical guidelines intended to assist microfinance providers to:

- Identify the ‘unbanked’ in their catchment area; and
- Develop outreach strategies for attracting new segments of clients (including re-attracting former clients).

A secondary goal is to provide a low-cost instrument that can be implemented using current MFI resources without significant new investments in data collection.

The primary audience for these guidelines is MFIs who are well established in their markets. Operating in crowded markets, they are keenly aware of the need to make adjustments to their services and product lines that will enable them to maintain or grow their market share by attracting new customers. These guidelines assume a client-focus is already part of their organizational culture and practice. For such MFIs, attracting the ‘unbanked’ is about delivering better value to consumers so they will not only access the available services but also become loyal, long-term customers of the MFI.

⁵ Banking the Unbanked is intended to be a multi-stage project which will: develop a protocol to identify and understand the unbanked; refine the protocol and test it at a few MFIs; develop a training module to disseminate the methods for undertaking research on the unbanked; and convene a meeting of partner MFIs to address the question of strategies for attracting the unbanked to financial services. The entire project will be documented in a synthesis paper or toolkit.

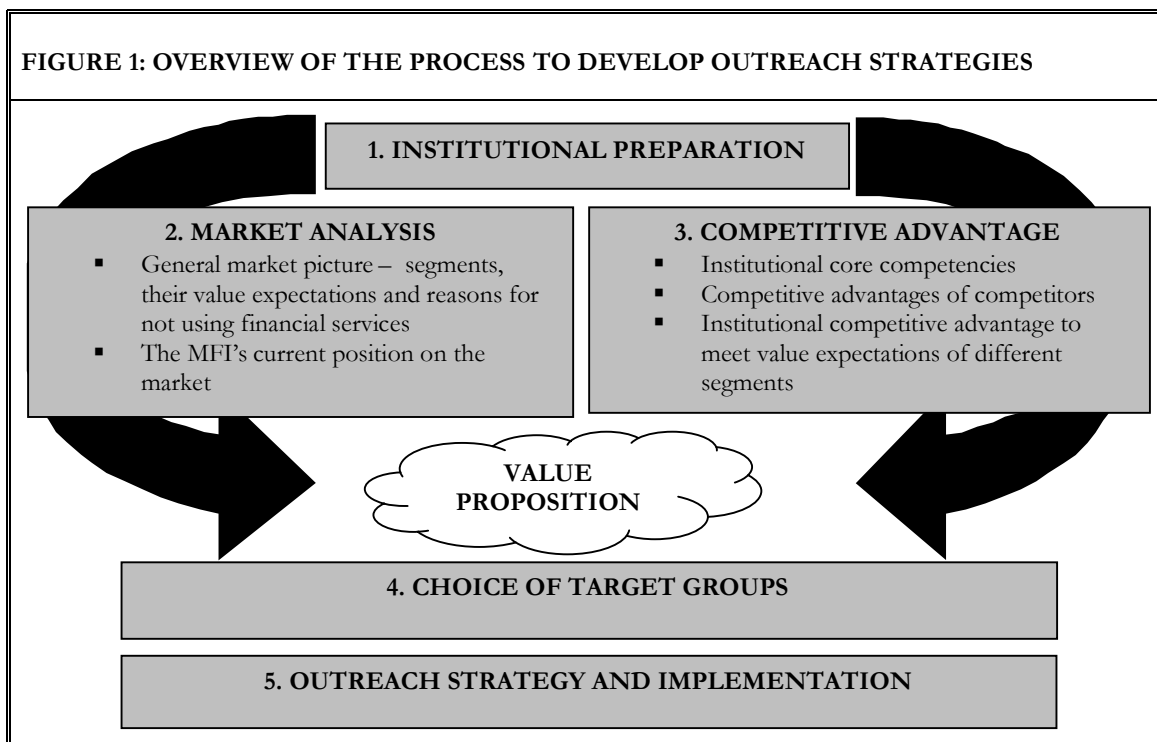
II. THE CONCEPTUAL FRAMEWORK

The proposed guidelines represent a systematic process which is intended to maximize the existing infrastructure of the organization and grow its market share, through the implementation of new marketing strategies. The process is based on market analysis techniques common to the commercial sector but rarely used by MFIs. A combination of customer segmentation and competitive advantage analysis is proposed to identify and then target specific customer groups that are the most attractive prospects for the MFI's products, given the MFI's core competencies and the competitive environment in which it operates.

Systematically following the guidelines will allow MFIs to answer the following key questions:

- Who are the MFI's current clients?
- Who are the MFI's potential clients who have access to the services but have not yet availed themselves of these services?
- Who are the MFI's former clients and how could they be attracted back into the organization?
- Who are the competitor's clients?
- Which groups of clients, who fit with the MFI's mission, should they seek to attract?
- What products, services and marketing activities are best suited to attract these clients?

Figure 1 identifies the five steps that define the conceptual framework of this study. The goal of the five steps is to develop marketing strategies to attract new customers from within the MFI's existing operating area. Each step represents a set of activities that needs to be considered by the MFI as it moves forward.



II.A. STEP 1: INSTITUTIONAL PREPARATION

Developing a new marketing strategy begins with a commitment to growth and a recognition by management that one appropriate way to achieve this goal is to increase the MFI's share of existing markets. Then the creation of an outreach innovation team and the process of building buy-in within the microfinance organization become important. The first step for the innovation team is to identify and consolidate market information that already resides in the MFI's files and MIS system.

II.B. STEP 2: CUSTOMER MARKET SEGMENTATION

Recognizing that people are different and have varying needs, market segmentation is the process of identifying smaller, homogenous customer groups within the overall market in order to better focus the organization's marketing. The first step is to separate the customers in the market for financial services into smaller groups based on specific variables or characteristics (i.e., segmentation variables). In the present context of targeting the 'unbanked,' the segmentation variables are linked to the reasons for customer exclusion or inclusion in financial services. Once discrete customer segments are identified, the demographic and other characteristics of each segment are determined. This is the segment profile. Next, the expectations of each customer segment are identified.

Once the general customer market has been segmented, the guidelines call for categorizing the MFI's current client base according to the defined market segments. After this, the 'unbanked' are categorized by market segments. This way, the size of each potential customer group in each market segment can be estimated. The last step is to perform a SWOT (Strength Weakness

Opportunity Threat) analysis on each customer segment in order to determine the relative attractiveness of each segment for the organization.

II.C. STEP 3: COMPETITIVE ADVANTAGE ANALYSIS

Not all identified segments present equally viable market opportunities for an MFI. Some may not correspond to the MFI's mission (Pawlak and Matul, 2003), and others may be too risky or costly to serve. Competitive advantage analysis provides an analytical tool for narrowing down the customer segments which were identified in Step 2, to those where the MFI judges itself to have the greatest competitive advantage. A competitive advantage corresponds to the institution's core competencies.⁶ Step 3 helps the MFI examine their core competencies as well as analyze the position of its key competitors within the market.

II.D. STEP 4: SELECTION OF THE TARGET GROUP FOR THE OUTREACH STRATEGY

The market segmentation and competitive advantage analysis undertaken in Steps 2 and 3 provide the basis for selecting the target customer groups with the greatest potential for increasing an MFI's market share while using its existing infrastructure. Results of both analyses are summarized using a simple scoring technique, which takes into account a set of customized criteria, including demand, supply and mission perspectives. This helps to focus attention on customer value expectations towards the products and services on offer and the extent to which an MFI can meet these expectations.

II.E. STEP 5: OUTREACH STRATEGY DEVELOPMENT AND IMPLEMENTATION

Once the MFI is clear about which groups of customers it wants to attract (or re-attract), new marketing strategies are defined. To succeed, all outreach innovations need to enhance the value proposition to the prospective customer. The proposed strategies are reviewed within the context of the institution's available capabilities and resources. Attention is given to the following three elements of a marketing strategy:

- Products and services – product refinement and development;
- Delivery channels – improving existing delivery channels through investments in people, processes, brand and equipment and developing new channels using new technologies and partnerships; and
- Internal processes – innovations in all the core areas (e.g. finance, operations, marketing, HR, etc.).

⁶ Prahalad C.K. and G. Hamel (1990) "An area of specialized expertise that is the result of harmonizing complex streams of technology and work activity." Harvard Business Review.

III. GUIDELINES

III.A. STEP 1: INSTITUTIONAL PREPARATION

Good institutional preparation ensures effective implementation of the guidelines. Preparing the institution involves creating the outreach innovation team and building buy-in within the organization, developing a work plan, making decisions about resource allocation, and gathering and consolidating existing market information.

III.A.1. OUTREACH TEAM AND BUY-IN

New outreach strategies often require institutional changes that affect the entire institution. As a result, it is wise to create a team which can contribute its diverse expertise in formulating and leading the outreach innovation process and thereby play a catalytic role in bringing the proposed changes to fruition within the MFI. Assuming the existence of available resources, the ideal outreach innovation team should comprise people from different departments, representing all organizational levels.⁷ At a minimum, the team should include heads of the marketing and operations departments.

The team leader or champion should be recruited from senior management. S/he will be responsible for facilitating the process and ensuring follow-through on the decisions of the team. Strong communication, leadership and analytical skills will be important for this position as the team leader is responsible for communicating with staff on an ongoing basis about the evolving innovation process. In the absence of gradual buy-in among various internal stakeholders, the outreach and innovation process can be easily slowed and run the risk of failure. Sensitive issues that need to be addressed include the rationale for new outreach strategies and staffing implications.

III.A.2. WORK PLAN DEVELOPMENT AND RESOURCE ALLOCATION

A work plan approved by top management is essential to ensuring the allocation of necessary resources. Levels of effort will also be influenced by the need to conduct primary research. If secondary sources are abundant, then the level of effort is low. Careful estimates of levels of effort also should be matched with staff capabilities. Human resource constraints further influence the time frame required for completion of the work program. In Step 5, financial resources are usually required to implement new outreach strategies. While it is often hard to precisely estimate costs in advance, it is good to recognize upfront future demands for human and financial resources.

⁷ About 4 to 7 people are ideal.

III.A.3. INFORMATION CONSOLIDATION

There has been much debate in the microfinance industry about the role of client drop-out rates as an indicator of weakness in an institution's product line and service quality (Copestake, 2002). Less attention has been given to identifying the strengths and weaknesses of current attraction rates and marketing strategies. Yet information explaining these features can provide insights that can be applied to target particular market segments that are currently 'unbanked' or are obtaining financial services from the MFI's competitors. Amassing and consolidating information on both former clients and loyal customers, from existing files and the MIS, will provide the basis for this element of strategic market development and the inputs into the next step of market segmentation.

Other useful pieces of institutional information to be consolidated include:

- The MFI's mission, vision and strategic plan;
- Current business plan;
- Target market characteristics (demographics and other information easily obtainable from MIS and staff);
- Market and client studies undertaken in the last 3-5 years;
- Information on the performance of and services offered by competitors;⁸ and
- The MFI's core institutional competencies (see Step 3 for more details).

⁸ This can be easily obtained through close monitoring of the local market and its main players. Front line staff, who have many opportunities to hear the news from clients, can be good sources of information on the competition..

III.B. STEP 2: CUSTOMER MARKET SEGMENTATION

'To look at different needs of different clients you need to segment your target market.'
(Inicjatywa Mikro branch manager)

To date, the majority of MFIs have broadly defined their target market. Most use very general categories such as 'poor women,' 'urban microentrepreneurs,' etc. However, these groups are not homogenous. Individuals at different points in their life cycles or in different occupations have differing needs for financial services. For example, micro-entrepreneurs with young children usually express higher needs for financial risk-management services, which can be used to cover the healthcare costs of children, expenses that cannot be postponed. Thus, it is desirable to divide the customer market into smaller, more homogenous groups, which have similar needs and value expectations, in order to identify and select the most promising target segments for marketing and outreach innovation strategies.

Segmenting the market can be achieved using existing information about clients, competition, and market conditions. The process of segmentation takes place in two stages:

- 1) Market research (data collection and analysis); and
- 2) Applying the findings to segment the market.

III.B.1. STEP 2-1: MARKET RESEARCH

Key Research Questions

The MFI's overall customer market can be divided into three groups: (a) the general population⁹; (b) the MFI's client groups (i.e., people who have interacted with the MFI) and (c) market opportunities represented by the difference between groups a and b, in other words, the untapped market. To segment the MFI's customer market the following questions should be addressed by the market research by group:

a) General population

- What is the current use of financial and non-financial services? By whom?
- What are the reasons that some people do not use financial services?
- What market segments, if any, are not served by the MFI? Could these segments use the MFI's products and services?
- What is the size of each potential market segment?
- What challenges do specific market segments face?

⁹ In this case, IM serves microentrepreneurs defined as entrepreneurs with 9 or fewer employees. Therefore, the overall customer market for IM consists of all microentrepreneurs in their catchment area.

b) MFI's customer groups

- What are the MFI's client groups?
- What are the institution's strengths and weaknesses when providing services to each specific market segment?
- How does the MFI's client base relate to the rest of the market for the type of services offered?

For customer groups that have interacted in some way with the MFI, for example, current clients, former clients and rejected applicants, additional questions should be explored (see Figure 2 for suggested questions).

FIGURE 2: SPECIFIC AREAS OF INVESTIGATION FOR DIFFERENT CUSTOMER GROUPS.			
Key questions	Current clients	Ex-clients	Rejected clients
Demographics ¹⁰	Profile of current clients	Profile of drop-outs	Profile of rejected clients
Value of the MFI's products and services	What do the customers value?	Why did they leave?	Why were they rejected? ¹¹
Quality of service	To what extent does the MFI satisfy their needs and meet their expectations?		
Opportunities to increase attraction rates	What else do they need and expect? How do they satisfy these other needs now?	What changes within the MFI would induce them to return?	What changes would the MFI have to make to accept these people as clients?

c) Untapped market

For the population that has never used the MFI's services, that is, the untapped market, key questions to be asked are listed below. The untapped market presents the greatest potential for the MFI.

- What are the financial needs of this market segment and how are these needs currently being met?
- What financial services does the segment use?
- Why don't they use the MFIs services?

¹⁰ For example, age, sex, place of residence, poverty level, business sector, level of business development, etc. Much of this information can be obtained from MIS.

¹¹ This includes eligibility criteria and current practice (i.e. loan officer biases). This information should be available from the MFI's files.

Data Collection and Analysis

Information needs can be satisfied by drawing on two sources: secondary and primary data.

- Secondary data encompasses information that already exists: MIS reports, previously conducted research either internal or external, government statistical data, etc.
- Primary research refers to data that is gathered specifically to respond to research objectives and questions.

As a rule of thumb, researchers should start with the first option, secondary data. It is more cost-effective and provides the basis for identifying more focused research questions that must be addressed with field work. The decision tree in Annex 7, Figure 1, identifies the sequence of steps for determining primary data collection needs.

Secondary Data Analysis

Almost every MFI has secondary data available either internally or externally. Internal data can include pre-existing reports and the MIS which can provide information on client profiles, use of current services by different client segments, product profitability and other performance related data. External sources of information include the national statistical office (for demographic information), company databases (for data about use of financial services) or government research reports.

BOX 1: SECONDARY DATA SOURCES AT INICJATYWA MIKRO

Secondary data sources at IM included:

- Survey of Microentrepreneurs, conducted by CASE in 2002. The results provided information about the target market, how it can be segmented and competitors' positions.
- Two sets of Client Satisfaction Surveys conducted with IM clients in 2003 and 2004. These studies identified characteristics of IM's clients and how satisfied they were with the products of the institution.
- Focus group discussions on needs for enterprise financing and general market challenges, conducted in 2002.
- Data from the MIS on the profile of current, former and rejected clients, plus information on the drop-out rate.

Level of effort: The secondary data were collected and consolidated by an external consultant (seven person days) with help from the MIS manager and other staff (three person days).

Primary Research

When secondary sources are insufficient, primary research is recommended. The information can be obtained at two levels: from the MFI staff and from the market (see Annex 7, Figure 2).

The quickest option is to conduct interviews with the MFI staff either one-on-one or in focus groups.¹² The staff can provide a general overview of which clients are in, which clients are out and an explanation of participation rates. It is recommended to talk both to managers and field-staff in different geographic locations to obtain the most complete picture. However, the success of this method depends on the level of knowledge of the staff.

Following the consolidation and review of responses, the focus of any further primary research is narrowed. Often staff knowledge of the part of the market which is not reached by the MFI, and with whom they have not had contact, is very limited. Even where knowledge exists about this untapped market, researchers have limited ability to check its credibility against secondary research. Thus, primary research about the untapped market becomes important. It may include:

- Understanding the target market (socio-demographic and firmographic¹³ characteristics, expectations towards financial products, use of competitive products);
- Obtaining further details about current, former, rejected and untapped clients as well as reasons for dropping out, for rejecting clients and for lack of outreach to the untapped market; and
- Determining ways to segment the market.

Next, the researchers must select between quantitative and qualitative techniques. With each having a different purpose, the two methods cannot be used interchangeably. Qualitative research provides an understanding of the market (e.g. the reasons behind of self-exclusion) while the quantitative approach provides concrete numbers (how many people self-exclude).

¹² See Annex 1 for a recommended interview guide.

¹³ Firmographic data includes industry definition, industry size, financial and business metrics, and geography. (www.wiglafjournal.com/Articles/2004/2004-04-14-MarketResearch)

BOX 2: PRIMARY RESEARCH AT INICJATYWA MIKRO

Inicjatywa Mikro (IM) has undertaken market research and client monitoring efforts over the last four years that generated sufficient secondary data that adequately explained most of the research objectives as they related to current, former and rejected clients. This made it unnecessary to conduct primary research among this group. However, to confirm the credibility of the findings, it was decided to triangulate the secondary research by conducting a limited number of interviews with key operational staff (two branch managers and three loan officers).

Results of these in-depth interviews revealed that the institution lacked knowledge about their main competitor – its offerings and its positioning in the market. Thus, the Mystery Shopper technique was used. IM employees phoned the competitor to ask about the main product and its conditions.

Level of effort: Approximately three working days for the staff interviews and half a day for mystery shopper interviews and data analysis.

Qualitative and quantitative tools are covered sufficiently in other sources so the discussion here is limited ourselves general principles.¹⁴ Annex 2 provides information on the general principles of conducting quantitative and qualitative research.

A key challenge for microfinance practitioners conducting primary research is the selection of the sample respondents, especially when studying the untapped group. If the untapped sample respondents do not reflect the market segments, the research will provide misleading conclusions.¹⁵ Simple solutions to sampling the untapped market might include:

- Qualitative research – snowballing technique¹⁶ -
 - Decide on the socio-demographic characteristics of the new target group based on previous analysis.
 - Ask current clients and other informants to identify individuals from households with given characteristics.

¹⁴ For more on qualitative research see Pawlak K., and M. Matul (2003) “Improving Cost-Effectiveness of Exploratory Practitioner-Led Research: Key Factors to Consider When Selecting Tools, MFC Spotlight Note 3,” www.mfc.org.pl as well as MicroSave’s “Market Research for Microfinance” toolkit for more on focus groups, www.microsave.org, for more on participatory techniques and individual interviews see www.imp-act.org, for more on individual interviews see AIMS publications available through www.microlinks.org. For more information on quantitative techniques see “Quantitative Market Research Toolkit” prepared by MFC and MicroSave.

¹⁵ See Annex 2, Figures 1 and 2, and listed resources for further information.

¹⁶ As a general rule of thumb for each segment and each topic it is necessary to run two focus groups or conduct 4-6 individual interviews.

- Quantitative research – random walk technique¹⁷-
 - Select a specific geographic area that is typical in terms of demographics and the level of socio-economic development for the catchment area an MFI wants to target.
 - Select starting points in a given area.
 - Instruct interviewers to follow a prescribed itinerary (e.g. go straight two blocks, turn right, interview the first household on your left, etc.).

III.B.2. STEP 2-2: MARKET SEGMENTATION

To obtain robust results, the process of market segmentation involves several steps. One approach to the segmentation exercise is to structure it as a brainstorming meeting among members of the outreach innovation team.¹⁸ The meeting should start with a brief presentation of the research results in order to ensure that the segmentation be based on the market research.

Choice of Segmentation Criteria and Segmentation of the Market

The next step involves the selection of the segmentation variable or variables. One or more segmentation variables can be picked, depending on the needs and capacities of the MFI. Examples of types of variables include:

- Demographic variables, e.g. gender, age, education, etc.;
- Geographic variables, e.g. place of residence, region, etc.;
- Firmographic variables, e.g. business development status, sector, etc;
- Psychographic¹⁹ variables, e.g. risk aversion, attitudes to conducting business, approach to credit taking, etc.; and
- Behavioral variables, e.g. brand loyalty, usage level, benefits sought, etc.

¹⁷ The proposed technique refers to random sampling that is representative for the studied population. The sample required depends on the homogeneity of the population in the area. If it is homogenous, sampling 120 respondents should be sufficient to get reliable findings. If the population is not homogenous (i.e. different ethnic groups, different culture, big inequalities in well being, etc.) one needs to sample many more people (usually more than 500 respondents). Costs of the quantitative research might be lower if one knows exactly which group is to be targeted and what is the share of this group in total population. Then the interviewers may use a screening questionnaire and interview only those who meet eligibility criteria. If the total population's socio-demographic distribution is well known, one may use a technique called quota sampling, which defines exactly the distribution of key variables in the sample and helps then to weigh the dataset for the analysis to make it representative for the total population (for more information see the references provided).

¹⁸ See Annex 3 for an outline of the meeting.

¹⁹ Psychographics uses psychological, sociological and anthropological factors, self-concept and life-style to determine how the market is segmented by the propensity of groups within the market. Psychographic segmentation is used to divide buyers based on their social class, life-style and personality traits. (www.indiaonline.com/hisc/jmap.html)

Segmentation based on psychographic variables is often a better predictor of people's behavior than demographic or geographic variables, especially in less traditional societies.²⁰ Attitudes towards risk or credit have been more powerful in differentiating a few homogenous groups. Combinations of socio-demographic variables often result in a multitude of heterogeneous segments.

The institution should not only think about variables differentiating demand for its current product but also consider specific needs for future products. For example, one must consider marketing strategies that respond to a need rather than a product type; to finance a business, a client may prefer to use business credit, consumption credit or savings.

Once the array of segmentation variables is identified, the next step is to decide how many groups to distinguish within each segment. For example, place of living may be divided into different classes (village, town and city). Each defined segment should then be named and described.

²⁰ For example, in more traditional societies gender determines roles and responsibilities in the household and society, thus being a strong segmentation variable.

BOX 3: THE SEGMENTATION OF THE TARGET MARKET AT INICJATYWA MIKRO

At the brainstorming meeting on market segmentation of the target market, the consolidated research findings were presented. Participants were inspired by the psychographic segmentation that had been conducted by CASE which divided the market according to:

(1) Attitudes towards starting a business -

- People who started a business only after losing a salaried job and being unable to find a new one
- People who started a business because it was their life ambition

(2) Attitudes towards managing a business -

- People who want to grow and develop their business
- People who only want to maintain a business at a basic level

RESULTS OF PSYCHOGRAPHIC SEGMENTATION: SEGMENTS AS PERCENT OF OVERALL MARKET

Motivation for Starting Business	Attitude Towards Managing a Business	
	<i>Grow</i>	<i>Survive</i>
Ambition to have a business	26%	34%
Means to survive	9%	31%

Based on a consideration of the current market situation and institutional capacities, IM staff concluded that their market segmentation should be based on business criteria. They began by choosing easy to observe variables that enabled them to differentiate clients by their expectations about business-oriented credit products. These two variables were:

- **Amount of business experience:** 'Starters' were defined as those who have operated microenterprises for six months or less. 'Experienced' are those with more than six months experience. Starters have lower expectations about credit products than experienced business people.
- **Level of business skills:** These include market intelligence and the ability to plan their business and react to market changes. The higher the knowledge and skills the higher the expectations.

**BOX 3: THE SEGMENTATION OF THE TARGET MARKET AT INICJATYWA MIKRO
(CONTINUED)**

CHOICE OF SEGMENTATION CRITERIA AND SEGMENTING THE MARKET			
Amount of Experience	Level of Business Skills		
	<i>Low</i>	<i>Medium</i>	<i>High</i>
<i>Experienced</i>	Survivalists (50%)	Potential Winners (30%)	VIPs (5%)
<i>Starters</i>	Helpless Starters (10-15%)	Active Starters (5%)	

- **Helpless Starters** (10-15%): These are microentrepreneurs who started businesses within the last six months, have limited business skills (do not have business plans, do not know how to deal with clients, have limited ability to react to market changes). Most often these entrepreneurs started a business following the loss of a salaried job.
- **Active Starters** (5%): These are microentrepreneurs who started businesses within the last six months, have business skills (plan business development, actively looking for clients, medium to high ability to react to market changes). These entrepreneurs started a business to realize their ambitions.
- **Survivalists** (50%): These are microentrepreneurs who have been operating businesses for more than six months and lack business skills. They have very limited abilities to react to market demand and thus do not have loyal clients, cannot plan long-term activities, and have limited ability to react to market changes or calamities.
- **Potential Winners** (30%): These are microentrepreneurs who have been operating businesses for more than six months and have basic business skills. Thus, they have a limited number of loyal clients, can plan in the short and medium terms, can react to market calamities but cannot react to small changes.
- **VIPs** (5%): These are microentrepreneurs who have been operating businesses for more than six months and have advanced business skills. They have loyal clients. They can plan long-term activities, and foresee market changes and react to them.

Profile the Segments

Profiling the defined segments provides the basis for developing the outreach/marketing strategies. A necessary step, it involves identifying the characteristics of these new segments.²¹ Profiling should be done with variables that are easy to observe and measure. This will make the segments easier to identify, and therefore more useful in the future. For example, 'Survivalist' clients can be characterized by age, education, household economic status, etc.

BOX 4: PROFILING THE SURVIVALIST SEGMENT AT INICJATYWA MIKRO

Descriptive Category	Survivalist Characteristics
Socio-demographic variables (age, sex, residency)	Majority are middle-aged Both women and men Most live in cities and towns
Firmographic variables (employment, turnover, income)	Seasonal employers Low turnover No clear distinction between the enterprise and household finances
Sources of external financing	Family (main source of financing) Microfinance institutions Private lenders

Analyze Value Expectations of Each Segment

With a clear profile of each segment, the next step is to identify customer expectations towards financial products for each segment. For example, do people in a specific group expect us to provide credit or training? What are their expectations towards speed of credit delivery, price, etc.? Product expectations should be analyzed from the point of view of clients, not the institution's capacities to deliver them. For example, if a customer wants to obtain a loan within three hours, include this expectation in the matrix rather than regard it as unrealistic. Institutions and their environment can change, too.

²¹ It is important not to confuse segmentation variables and profiling characteristics. Segmentation variables are used to divide the market up into smaller, homogenous groups of customers. A profiling variable provides information about the socio-demographic profile of a segment.

BOX 5: EXPECTATIONS IN SEGMENTS AT INICJATYWA MIKRO

Based on market analyses and anecdotal knowledge, core expectations of each segment towards credit providers were identified.

Segment	Expectations about credit providers
Helpless Starters	Opportunity to get credit (simple documentation, lack of credit history)
Active Starters	Eligibility for credit (lack of credit history) Short processing time (they want their idea to come to life quickly)
Survivalists	Opportunity to get credit (lack of credit history) Processing time (otherwise they may go bankrupt) Close personal relations with loan officer (they want to discuss their problems)
Potential Winners	Simple documentation required Processing time Close personal relations with loan officer (they want to discuss their problems)
VIPs	Bigger loan size (they make large investments) Low price (they have the chance to negotiate it) Flexible collateral (they have assets to pledge) Credible brand (they do not want to waste their time checking out an institution and they care about prestige)

Structure the Customer Groups by Segment

In the next step, the MFIs current client portfolio is mapped onto the market segments (see Box 6 below). In this way, it is possible to know how many clients exist in different segments. This helps the MFI to diagnose its current situation and puts the segmentation into practice.

The large untapped market remains to be mapped. With a focus on the 'unbanked,' it can appear that the financial services market can be divided into two broad groups: the 'unbanked' and current users of financial services. However, by looking at the reasons for which people remain 'unbanked,' this large, untapped market can be divided into more meaningful categories.

Generally, the 'unbanked' can be divided into two broad categories: those who exclude themselves from financial services (i.e., the self-excluded) and those who have been deemed

**FIGURE 3: TOTAL MARKET FOR MICROENTERPRISE LOANS BY CUSTOMER GROUPS:
THE CASE OF INICJATYWA MIKRO**



ineligible and thus rejected by financial service providers (provider-excluded) (see Figure 4). The self-excluders include both those who have not accessed financial services as well as those that have and have subsequently chosen to drop-out.

FIGURE 4: CATEGORIES OF THE ‘UNBANKED’ (MARKET SEGMENTATION BASED ON ACCESS TO AND USE OF FINANCIAL SERVICES)			
		Does the financial provider exclude people?	
		<i>YES, exclude:</i>	<i>NO, do not exclude:</i>
Does the individual customer avoid using financial services?	<i>YES, Avoid:</i>	mutual separation	self-excluded
	<i>NO, Use:</i>	provider-excluded	financial inclusion -current customers of MFI

Adapted from Wendy Olson, ‘Financial Exclusion and Social Integration in Sri Lanka’

For each of the two categories, the main reasons for the lack of use of financial services can be identified. Marketing specialists differentiate among groups of self-excluders in terms of:

- Low awareness: potential clients are not familiar with the MFI and they don’t think of the MFI when they need a loan;
- Low understanding of available products and services: potential clients have heard of the MFI but don’t fully understand what it does and what it offers;
- Low utilization: potential clients know of the MFI, knows what it offers but do not have a good reason to borrow from the MFI.

Stimulating demand among each of these three groups requires a different marketing strategy (see Figure 5).

FIGURE 5: MARKETING STRATEGIES BY CATEGORY OF THE SELF-EXCLUDED	
Reasons for Being ‘Unbanked’	Objective of Attraction Strategy
Low Awareness	Need to build awareness so that the customer thinks of the MFI’s offering when in need of a financial service
Low Understanding	Need to build understanding of product offering and how they compare to other options.
Low Utilization	Show customers the emotional benefits of the product so that they decide to borrow from the MFI.

Among the provider-excluded group the reasons for lack of access lie with policies of eligibility and procedures of the institution. Among MFIs that use targeting based on asset ownership, the prospective client may not be poor enough (Wright and Dondo). Among institutions that state that they have open access, clients may be screened out for insufficient cash flow. Product and delivery channel features also lead MFIs to screen out potential clients.

In theory, both the self-excluded and the provider-excluded constitute a potential market for MFIs and other financial institutions. Targeting and then attracting the self-excluded and the provider-excluded will allow an MFI to greatly increase its share of the customer market.

BOX 6: MAPPING CUSTOMER GROUPS TO MARKET SEGMENTS AT INICJATYWA MIKRO					
DISTRIBUTION OF CUSTOMER GROUP MEMBERS BY SEGMENT					
Segment: Group:	Helpless Starters	Active Starters	Survivalists	Potential Winners	VIPs
<i>Current Clients (n=900)</i>	10-15%	5%	25-30%	50%	Less than 5% (declining)
<i>Ex-Clients (n=500)</i>	20%	10%	30%	30%	Around 10%
<i>Rejected Clients (n=200)</i>	30% (business too risky)	--	70% (business plans too risky)	--	--
<i>'Unbanked' in MFI's operating area (n=50 000)*</i>	10-15% (growing)	5%	25-30% (growing)	50% (declining)	5%
<i>* Excluding those using the competition.</i>					

Once the customer groups (current, former and rejected) are divided up among the segments, the attractiveness of each customer segment from the point of view of the MFI is examined. As part of this analysis, the reasons for not reaching some segments are also explored. The following categories of reasons are used as a guide in this analysis:

- *Needs* – The product may not satisfy some needs, i.e. clients may take a working capital loan even when they actually they need a consumption-smoothing loan.
- *Product preferences* – Some of the product terms and conditions might not be sufficiently adapted to the needs of the target group.
- *Lack of information* – Promotion and positioning failures.
- *Physical access* – The delivery model is not efficient enough (this includes people, process, and physical evidence).
- *Price* – Customers may not be able to afford the products and those who have the capacity to pay for the product may feel that the price is too high. Price also includes transaction costs such as time spent in group meetings.
- *Financial literacy* – Customers may not have sufficient knowledge or skills to effectively use the financial product.
- *General attitude* – potential clients may have difficulty seeing the value of the product due to ways of behaving, social norms, and trust in financial providers, etc.
- *External reasons*

BOX 7: REASONS THAT EX-CLIENTS LEFT INICJATYWA MIKRO – BY SEGMENT				
Helpless Starters	Active Starters	Survivalists	Potential Winners	VIPs
Discontinued their business Left to join the competition (due to price) Lack of collateral Low level of business education (do not know how to use more credit)	Discontinued their business Left to join the competition (mostly banks due to lower prices and wider range of products) Lack of collateral Do not need more credit	Discontinued their business or business failing Left to join the competition (mostly other MFIs due to collateral requirements) Lack of collateral Delinquency problems	Left to join the competition (due to lower prices and loan size) Collateral requirements are too strict Do not need more credit	Left to join the competition (mostly banks due to lower prices and wider range of products) Collateral requirements are too strict Loan size (they require large amounts to invest)

BOX 8: REASONS INICJATYWA MIKRO DOES NOT REACH THE ‘UNBANKED’ - BY SEGMENT				
Helpless Starters	Active Starters	Survivalists	Potential Winners	VIPs
Poor communications Lack of guarantors Negative perception of loans (how to apply, how to use them) Number and complexity of formalities Unattractive product (attributes unsuitable) Loan period too short	Poor communications Price Inflexible collateral requirements Product parameters (lack of advice, lack of deposits, etc.)	Poor communications Lack of guarantors Unattractive product (attributes unsuitable – of lower importance)	Poor communications Inflexible collateral requirements Negative attitude towards loans (‘I will manage on my own’) Number of formalities Unattractive product (lack of appealing attributes – of lower importance)	Poor communications Loan size Inflexible collateral requirements Product parameters (lack of advice, deposits, etc.) Poor perception of IM brand

Conduct a SWOT for Each Segment

After the attractiveness of each segment has been analyzed, a SWOT analysis for each segment clarifies its attractiveness for the MFI:

- What does it mean for the MFI to serve a specific segment?
- What are the MFI's strengths and weaknesses?
- What are the opportunities and threats to the MFI if they serve this segment?

The SWOT analysis sums up the knowledge so far.²² The table below presents results of the SWOT analysis for the Survivalist segment obtained during the brainstorming meeting at IM.

BOX 9: SWOT ANALYSIS OF SURVIVALISTS AT INICJATYWA MIKRO	
Threats: Risk of delinquency and over indebtedness Low level of business education (they do not know how to plan, how to deal with clients) Chance they will close the business if a good salaried job is provided Demanding attitude (they expect special treatment because of their situation) Resistant to business advice	Opportunities: Potential to move to Potential Winner group, if they obtain relevant assistance Fulfill social mission Promise for high loyalty level (they are grateful to obtain a credit)
Weaknesses of IM's product: Collateral (they are not able to find guarantors) Short loan periods may make it difficult for this group to repay	Strengths of IM's product: Credit easily available (low requirements for business plans and credit history) Processing time (excluding time of searching guarantors) Large loan size given collateral/guarantor requirements Simple procedures Face-to-face contact with staff

²² Annex 3 presents the questions to be addressed in conducting a SWOT effectively for each segment.

III.C. STEP 3: COMPETITIVE ADVANTAGE ANALYSIS

A company that is more profitable than its competitors²³ is one that exploits some form of advantage. A competitive advantage is usually reflected in an institution's core competencies.²⁴ Any attempt to win over the competitor's clients must offer something that is deemed valuable by the target group over an extended period of time.

The next step in defining the focus on particular market segments calls for identifying the sources of the MFI's competitive advantage vis-à-vis its competitors. This involves three activities:

1. Identify the MFI's core competencies.
2. Identify the competitive advantages of the MFI's competitors.
3. Focus in on the MFI's competitive advantage in particular customer market segments.

In a market-led MFI, the first two activities may already have been undertaken. The third activity builds upon the segmentation results as well as the SWOT analysis. Bringing these three elements together permits the identification of the MFI's competitive advantage in specific customer segments.

Competitive advantage analysis provides an analytical tool for narrowing down the focus of the new outreach strategy²⁵ to the segments where the MFI judges itself to have the greatest advantage over its competitors. The analysis can be undertaken in three stages as described below.

III.C.1. IDENTIFY THE MFI'S COMPETITIVE ADVANTAGE

- What are the market expectations towards the MFI's products and services?
- What are the MFIs core competencies?
- What can the MFI offer to the target market?
- What is the MFI's competitive advantage?

III.C.2. IDENTIFY THE ADVANTAGES OF THE MFI'S COMPETITION

- Who are the MFI's competitors?
- What do they offer to the market?
- What is their competitive advantage?

²³ Competitors are defined as other companies selling similar products or their substitutes to the same clients.

²⁴ A core competency is "an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity." Prahalad C.K., Hamel G. (Harvard Business Review, 1990)

²⁵ The term outreach strategy implies a strategy combining products, delivery channels and internal processes. Marketing strategy is just one of the internal processes.

III.C.3. IDENTIFY COMPETITIVE ADVANTAGES THAT SHOULD BE OFFERED TO SPECIFIC CUSTOMER SEGMENTS

- What do specific customer segments care about?
- What will make a client from segment A come and stay with the institution?
- What are the most important expectations?

BOX 10: TIPS FOR ANALYZING COMPETITIVE ADVANTAGE

- Use results of market analysis.
- When analyzing to what extent market expectations are met, consider product parameters (are clients satisfied with price, loan period, etc.) as well as other more intangible aspects like brand attributes (are they satisfied with the image of the institution, etc.).
- Avoid wishful-thinking – focus on what is offered instead of what could be offered.
- Focus on market demand not supply – don't answer the question 'is it offered,' but 'what is expected.'
- Focus on one most distinctive and sustainable competence – don't try to do everything.
- Build discussions around the core product. It will identify both direct (offering similar products) and indirect (satisfying the same needs) competition.²⁶
- Define the general target market expectations as a warm-up.²⁷ Then focus on expectations of each segment.
- Focus on the most important product attributes.

The competitive advantage analysis at IM (see Box 11) revealed that the VIP segment is the most profitable customer segment. However, with its current institutional capacities IM would lose these customers to the competition (credit unions and banks), and as a result they concluded that they could not afford to serve this customer segment.

²⁶ See the product layers in Annex 5.

²⁷ One cannot reply to all market needs, only to specific expectations in a desired segment.

BOX 11: COMPETITIVE ADVANTAGE ANALYSIS AT IM

The IM working team developed a list of product and service attributes valued by the market:

- | | |
|---|-----------------------|
| ▪ price | ▪ lack of bureaucracy |
| ▪ flexible collateral | ▪ brand |
| ▪ credit eligibility (lack of credit history and documentation) | ▪ individual loan |
| ▪ processing time | ▪ loan size |

The next step in the analysis was to compare the position of IM and its competitors against these parameters. IM staff focused on only those competitors who offer business loans or consumption loans which were being used for business purposes. The table below presents the competitive advantages of different market players who serve microentrepreneurs. Lastly, expectations of each customer segment were added to the table. Based on this, IM learned that it is best positioned to serve the Survivalist and Helpless Starter segments. The staff also came to the conclusion that if some changes were introduced in their program, there would be a chance of attracting the Potential Winner customer segment.

Product Attribute	Financial Institutions Which Have a Competitive Advantage in the Specific Product Attribute	Customer Segment Which Have Expectations of Specific Product Attributes
<i>Price</i>	Government Loan Funds	VIPs
<i>Flexible Collateral</i>	Government Loan Funds, NGO MFI B	
<i>Credit Eligibility</i>	IM	Active Starters, Survivalists, Helpless Starters
<i>Processing Time</i>	NGO MFI A	Active Starters, Potential Winners
<i>Lack of Bureaucracy</i>	NGO MFI A, NGO MFI B	Potential Winners
<i>Brand</i>	Credit Unions, Banks	VIPs
<i>Individual Loans</i>	Banks	VIPs
<i>Loan Size</i>	Banks	VIPs

III.D. STEP 4: TARGET SEGMENT SELECTION

The next step permits the identification of the target segments among the ‘unbanked’ which might be the focus of a new outreach strategy. Again, the primary proposed approach is a brainstorming meeting to guide the institution through the three stages of selecting the best segments for the new outreach strategy.²⁸

III.D.1. IDENTIFICATION OF SELECTION CRITERIA

Priority should be given to segments that would require low-cost outreach strategies. The premise is that a low-cost investment may generate higher returns (financial and social) over a longer period of time. Initial criteria to guide the selection include:

- The demand side should focus attention on the size of a market segment and the willingness of potential clients to use and pay for the MFI's services (determined by attitudes, financial literacy, capacities to pay, etc., which refers us back to reasons for exclusion as presented in Figure 5 and in a more detailed manner on page 24).
- On the supply or institutional side the focus is on the possibility of attracting a client (cost and competitive advantage), and retaining a client (risk, competitive risk, level of tolerance for institutional weaknesses).
- The social objective of the MFI (is this an opportunity to fulfill its mission?).

The final set of criteria will depend on institutional and market factors. For instance, in a highly competitive market, an MFI may decide to give more weight to criteria describing competitiveness (supply factors).

III.D.2. SCORE AND SELECT THE PRIORITY SEGMENTS

Each customer market segment is scored according to these criteria. Caution is recommended: no segment should be declared a winner before comparing all the alternatives. If the suggestion is made early on that one group is more attractive than another, this can readily bias staff towards preferring some groups and quickly neglecting others. It is important to draw heavily on the market analyses and competitive advantages.

The goal is for the analysis to narrow the number of priority segments until only one is left. Some MFIs may prefer to select two segments, based on a desire to diversify the institution's portfolio risk. It is important to take into consideration not only the potential market size of a target group but also the feasibility of reaching the group cost-effectively and on a sufficient scale (see Box 12).

²⁸ See Annex 6 for a guide to run the meeting.

BOX 12: SCORING AND SELECTION OF CUSTOMER SEGMENTS AT IM

The scoring exercise used a 6-point scale: 0 was the minimum (i.e., there is no possibility to attract the group at all); 5 was the maximum (i.e., there is a very high possibility of attracting the group). To explore long-term business opportunities, demand and supply considerations were taken into account. The impact of the segment on the MFI's social objective (i.e., the possibility of realizing the MFIs mission) was scored using a binary scale.

Selection criterion	Helpless starters	Active starters	Survivalists	Potential winners	VIPs
<i>Demand</i>					
Segment size	3	1	4	3	1
Willingness to use and pay	1	2	4	2	2
<i>Supply</i>					
Potential to attract	2	3	3	3	1
Potential to retain	3	1	4	2	1
Total score	9	7	15	10	5
Opportunity to realize social mission	1	1	1	0	0

As a result, IM decided to target two segments: Survivalists (to secure long-term growth) and Potential Winners (to mitigate short-term risks). The first segment ensures the fulfillment IM's social mission while the second segment contributes to IM's financial viability.

III.D.3. SELECT THE CUSTOMER GROUPS TO REACH THE TARGETED SEGMENTS

The last stage is to decide which groups within the MFI's portfolio of clients are the best bets for growing the share of the target segment.

This requires analyzing and deciding for each target segment whether to:

- Strengthen the position among current clients;
- Re-attract drop out clients;
- Re-attract rejected applicants; or
- Attract untapped clients.

Again this means revisiting the findings of the institutional assessment, the market analysis and competitive advantage analysis in order to decide on possible strategies to attract and retain the customers in this group. Consideration should be given to how this will benefit the MFI.

BOX 13: PRIORITIZATION OF CUSTOMER GROUPS BY TARGET MARKET SEGMENTS AT IM

Market Segment: Customer group:	<i>Survivalists</i>	<i>Potential Winners</i>
<i>Current Clients</i>	++ (of lower priority: these clients are relatively easy to retain)	++ (of high priority: these clients bring big profits although they are prone to leave)
<i>Ex-Clients</i>	++ (of lower priority: IM should rather introduce cosmetic changes to re-attract this group)	-- (they leave for the competition: a large investment would be needed to re-attract them)
<i>Rejected Clients</i>	-- (risk too high: the group is very small so investment would cost more than potential returns)	-- (there are no such clients in this group)
<i>Untapped Clients</i>	++ (of highest priority: it is possible to reach them with current product and such clients may become loyal)	++ (of lower priority: attracting this group may require a large investment)

As a result of this analysis IM decided to 1) increase market share of the Survivalist segment through reaching out to untapped markets and 2) increase numbers of Potential Winners segments in their portfolio through new retention strategies.

III.E. STEP 5: OUTREACH STRATEGY DEVELOPMENT AND IMPLEMENTATION

Having a clear idea of which group of consumers to attract (or re-attract) facilitates a process of development and implementation of new outreach strategies. The outreach innovation needs to enhance the value proposition to the customer. Therefore, the process to develop the new outreach strategy is based on the value expectations of the selected segments and customer groups. The ideas for marketing strategies are considered in relation to the institution's available capabilities and resources. It is of utmost importance to test the first concept of the new marketing strategy once it is developed. This limits the risk of losing money during the implementation phase.

STEPS

- Brainstorming of possible outreach strategies
- Selecting the most promising strategies and estimating resources needed
- Analyzing institutional capabilities
- Finalizing the outreach strategy
- Testing the strategy
- Refining the strategy and implementing it

The above steps follow the same process as the development of a new product.²⁹ As much has been written already on new product development, the discussion below focuses on only two elements that are important from the outreach strategy perspective: elements of outreach innovation and of capability analysis.

III.E.1. OUTREACH INNOVATION

The new low-cost outreach strategy can be constructed using a combination of the elements outlined in Figure 6.

²⁹ See www.microsave.com for useful resources regarding product development for microfinance.

FIGURE 6: ELEMENTS OF NEW OUTREACH STRATEGIES

<p>Products And Services</p> <ul style="list-style-type: none"> ▪ Customization of existing products for specific market segments (product, price) ▪ New financial product development ▪ Non-financial services development (financial education, business development services) 	<p>Delivery Channels</p> <ul style="list-style-type: none"> ▪ Improving existing channels (people, processes and physical evidence) ▪ Developing new channels through partnerships and technology solutions
<p>Internal Processes</p> <p><i>Operations</i> – e.g. standardization areas vs. high-touch areas (personalization of the offer)</p> <p><i>Finance</i> – e.g. new price performance (total customer profitability, cross-selling and cross-subsidizing, diversifying revenue sources (e.g. fee based))</p> <p><i>Marketing</i> – e.g. promotion, branding, positioning</p> <p><i>HR</i> – e.g. staff incentives, organizational culture</p> <p><i>Audit</i> – e.g. new audit tools</p> <p><i>MIS</i> – new performance monitoring systems</p> <p><i>Other internal policies and procedures</i></p>	

It is important to note that whenever something is changed in the products, services, or delivery channels, internal processes will need realigning. On the other hand, a change in internal processes (e.g. new incentives for staff) does not necessarily require changes in products, services or delivery channels. Moreover, one can imagine a strategy to deliver existing products in a new way (without changing actual product parameters). Last but not least, products and delivery models can be more readily copied by the competition than internal processes. Competitive advantage usually arises from the institutional competencies rooted in internal processes.

BOX 14: NEW OUTREACH STRATEGIES AT IM

Preliminary decisions taken by IM regarding outreach strategies to attract the ‘unbanked’ are summarized in the table below:

<p>Grow the share of the Survivalist segment through reaching out to the untapped market</p>	<p>Align staff incentives – give higher weight to attraction of enterprises with lower revenue.</p> <p>Design business development package to be administered by loan officers (to be tested in one branch next year).</p> <p>Train staff in customer service focusing on building good relationships with ‘less entrepreneurial’ clients.</p> <p>Promote IM services targeting the Survivalist market around the tagline ‘we will help you to manage your business.’</p> <p>Refine some product attributes: increase loan period and increase up-front fee (to include advisory services).</p>
<p>Increase number of Potential Winners in the portfolio through new retention strategies</p>	<p>Align staff incentives – give higher weight to retention of enterprises with higher revenue.</p> <p>Train staff in building relationships with ‘more entrepreneurial’ clients.</p> <p>If the two measures above do not work, include a VIP package for the Potential Winners group.</p>

III.E.2. CAPABILITY ANALYSIS

A preliminary list of resources (financial, human, physical) needed to test and launch each strategy should be developed. A simple analysis of the ability to implement one or several outreach strategies should be conducted. This analysis has two levels: internal and external.

INTERNAL ANALYSIS	EXTERNAL ANALYSIS
<ul style="list-style-type: none">■ What are the institution's strengths and weaknesses in implementing this strategy?■ Does the institution have the necessary resources (investment, re-allocation)?■ Which skills and resources need to be developed internally?■ How will this influence the institution's cost efficiency in the short, medium, long run?■ Map out the new processes.	<ul style="list-style-type: none">■ Who can help us? What are the benefits to our partner? What are the threats and opportunities of such a partnership?³⁰■ What are the available technological solutions that we can buy? How much do these cost? What are threats and opportunities of using the new technology?■ Are there any external factors (political, economic, or social) that can undermine the strategy?■ How do the institution's capabilities and costs stack up against those of other MFIs? Will competitors be able to copy the strategy in the short-term and more efficiently?

³⁰ External analysis may allow the identification of possible partners to innovate with technologies and products which are either beyond institutional possibilities because of lack of human and money resources or legal constraints (lack of possibility to offer some products). Inicjatywa Mikro wanted to seek partners for two reasons. Firstly, they wanted to make their marketing communication more efficient in a costly manner. Secondly, they wanted to meet some market expectations they could not meet at their current level of institutional capacities (i.e. clients expected fast access to money through plastic cards).

IV. LESSONS LEARNED AT IM

IV.A. OPERATIONAL CONSIDERATIONS

The guidelines offer a sequential set of tasks and tools for identifying the ‘unbanked’ in an MFI’s catchment area and for defining a marketing strategy that can be used to increase rates of customer attraction. Integral to defining these guidelines has been the requirement that they be low-cost and easy to use preferably, by in-house MFI staff who will manage the process. Thus, attention has been paid to minimizing staff time. This affects both marketing staff in large organizations, and staff in smaller organizations who may find themselves tasked with implementing a marketing strategy in addition to their regular work responsibilities.

Levels of effort for implementing the guidelines will be influenced by the institution’s degree of client orientation, the availability of pre-existing market information (Cohen, 2002), clarity of current organizational strategy, and the budget available for developing and implementing an outreach strategy.³¹ The pilot test with IM offers a rough estimate of the average level of effort to complete all five steps. At IM, the outreach team, composed of six senior and two junior staff persons, worked over a four-month period in order to incorporate the project activities into their busy schedules. Figure 7 provides an estimation of the number of person days needed to complete the five steps. Just over 40% of the time was allocated to senior staff. This meant that senior staff devoted less than two days per month to the outreach strategy development activities.

FIGURE 7: LEVEL OF EFFORT NECESSARY TO DEVELOP A STRATEGY TO ATTRACT THE ‘UNBANKED’ (PERSON DAYS)

	Preparatory work		Meetings		Total
	<i>Junior staff</i>	<i>Senior staff</i>	<i>Junior staff</i>	<i>Senior staff</i>	
Institutional preparation	6	2	0	2	10
Market analysis – secondary data	5	1	1	2	9
Market analysis – primary research	8	3	1	2	14
Market analysis – segmentation	2	1	4	6	13
Competitive advantage analysis	1	1	2	4	8
Choice of target group	1	1	2	4	8
Outreach strategy development	NA ³²	NA	NA	NA	NA
Sub-Total	23	9	10	20	
Total	32		30		62

³¹ The estimations do not include the outreach strategy implementation costs.

³² NA indicates that the number of days required for this step will depend on the organization carrying out the exercise.

IV.B. RESULTS AT IM

For many MFI's to reach untapped markets there is a need to overcome internal and external challenges. To overcome weaknesses on the demand side, MFIs need to adopt marketing innovations. For weaknesses within the institution, MFIs need to look for supply innovations. On the demand side, IM identified Survivalists and Potential Winners as attractive market segments. They then found that within these two market segments, the 'unbanked,' current clients and ex-clients groups presented the greatest potential for growing their market share. See Figure 8 below for a summary of outputs of the outreach development process at IM.

On the supply side, IM identified several areas for improvement. In terms of products and services, they identified the provision of business development services and a refinement of existing products as strategies to attract Survivalists. To attract the Potential Winners segment, they decided to create a VIP package. To improve delivery channels, IM will emphasize staff training in customer service and in building long-term relationships with the customers in both the Survivalist and Potential Winner segments. In order to support the changes in the products and services and in the delivery channels, IM realized that they needed to align staff incentives with their new goals. They also identified the need for a new promotion campaign.

While it is still too early to talk about the impacts of the planned changes on IM's business, staff report that the outreach development process was very useful. This holistic process allowed IM to link the market and institutional issues into one coherent strategic plan that promises to serve the untapped markets in a cost-effective manner while growing IM's business.

FIGURE 8: SUMMARY OF OUTREACH STRATEGY DEVELOPMENT AT IM						
Process		<i>Helpless starters</i>	<i>Active starters</i>	<i>Survivalists</i>	<i>Potential Winners</i>	<i>VIPs</i>
<i>Reasons for not using financial services</i>	Low awareness	+	+	+	+	+
	Low understanding	+				
	Low utilization	+		+	+	
	Failure to meet needs	+	+			
	Unaffordable		+			
	Failure to give attractive access	+	+	+	+	+
<i>Segment selection criteria from the institutional perspective</i>	Demand (loan size and willingness to pay)	+		++	+	
	Supply (opportunity to attract and retain)	+	+	++	+	
	Opportunity to realize social mission	+	+	+		
Final selection				+	+	
<i>Current customer groups that can be used to reach out to the target segments</i>				Untapped (plus current clients and ex-clients)	Current clients (plus untapped clients)	
<i>Outreach strategies</i>	Products and services			Business development services Refinement of product attributes	(if necessary) VIP package	
	Delivery channels			Staff training in customer service & building long-term relationships	Staff training in building relationships.	
	Internal processes			Aligning staff incentives (attraction) New promotion campaign	Aligning staff incentives (retention)	

V. CONCLUSION

The large share of people who remain ‘unbanked’ in most of the financial markets in developing countries offers financial institutions an opportunity to build market share while maximizing the use of existing infrastructure. The experience at IM demonstrated that there is a need to take an in-depth look at the market in order to identify windows of opportunity that are cost-effective to exploit. Scale is clearly an issue. Therefore it is important to target the untapped market as well as competitor’s customers. Additionally, these guidelines show practitioners that the outreach strategy development process cannot be successful without market segmentation. This is particularly true when it comes to developing strategies for attracting the ‘unbanked.’ This is because different groups opt out of the market for different reasons.

Indeed, the experience at IM has demonstrated that in order to reach untapped markets there is a need for MFIs to adopt marketing innovations to overcome weaknesses on the demand side and supply innovations to tackle weaknesses within the institution. The mix of demand and supply factors that keep large numbers of people ‘unbanked’ include:

Demand Side (consumer-related):

- Low awareness (information issue, e.g. consumers do not know what the financial market offers)
- Low understanding (financial literacy issue, e.g. consumers do not know how to use a savings account)
- Low utilization (attitude issue, e.g. consumers are afraid of debt)

Supply Side (provider-related):

- Failure to meet consumer needs (core product parameters issue, e.g. credit package does not meet the needs for advisory services)
- Failure to provide affordable access (price-cost issues, e.g. the current delivery model is too costly)
- Failure to give attractive access (actual/augmented product issues, e.g. the number of guarantors required is too high, loan period is too short)

The experience at IM shows clearly how these guidelines have helped IM staff to convert existing market intelligence into a useful set of cost-effective outreach strategies. Most surprisingly, IM had not considered the Survivalists segment before as they had been overestimating the challenges in attracting them. Analysis showed IM that this is the largest customer group in the market, that they have the competitive edge for serving this segment, and that cost-effective means were available to attract this group. The first feedback from the field suggests that a significant new market opportunity has been unveiled for IM.

This paper summarizes the first phase of the Banking the Unbanked project, the purpose of which was to develop preliminary guidelines to help MFIs identify and understand the ‘unbanked’ market. As such this was an exploratory exercise and the guidelines should be considered a work in progress. The next steps of the project are to refine and test this protocol at other MFIs and to develop a training module to disseminate the methods for undertaking research on the ‘unbanked.’

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ANNEXES

ANNEX 1: A GUIDE TO IN-DEPTH INTERVIEW WITH THE STAFF

The tool should be unstructured in order to allow the interviewer to reach out to those who are knowledgeable and to not intimidate others. Staff should be informed about the general content of the interview beforehand in order to allow people to reflect on the issues to be raised.

The target market	
How would you describe the target market for the institution?	<i>Moderator: probe for socio-demographic and firmographic characteristics</i>
What characteristics best differentiate the target market? What are the characteristics that cause the market to prefer different financial service providers?	<i>Moderator: probe what are the specific expectations associated with segments</i>
How can you describe these segments?	<i>Moderator: probe for socio-demographic and firmographic characteristics</i>
What challenges do the target clientele face?	<i>Moderator: probe about differences across segments</i>
What is the current use of financial and non-financial services?	<i>Moderator: probe about differences across segments</i>
Current client	
<i>Moderator: start with a definition of current client</i>	
Who is the current client?	<i>Moderator: probe about distribution of segments and socio-demographic characteristics</i>
What are institutional strengths / What do clients like?	<i>Moderator: probe about differences among segments</i>
What are institutional weaknesses / What do clients dislike?	<i>Moderator: probe about differences among segments</i>
Ex-client	
<i>Moderator: start with a definition of an ex-client</i>	
Who is the ex-client?	<i>Moderator: probe about distribution of segments and socio-demographic characteristics</i>
Why do they leave?	<i>Moderator: probe about differences across segments</i>
How likely are they to come back?	<i>Moderator: probe about differences across segments</i>
Rejected client	
<i>Moderator: start with a definition of a rejected client</i>	
Who are the rejected clients?	<i>Moderator: probe about distribution of segments and socio-demographic characteristics</i>
Why are they rejected?	<i>Moderator: probe about differences across segments</i>
Untapped market	
<i>Moderator: start with a definition of the untapped market</i>	

Who is the untapped client?	<i>Moderator: probe about distribution of segments and socio-demographic characteristics</i>
Why does the institution fail to reach them?	<i>Moderator: probe about differences across segments</i>
Competition³³	
Who is the competition?	<i>Moderator: probe about differences across segments</i>
What are the strengths and weaknesses of the competition?	<i>Moderator: probe about differences across segments</i>

³³ These results will be used during determining competitive advantage

ANNEX 2: GENERAL PRINCIPLES FOR QUALITATIVE AND QUANTITATIVE RESEARCH

Qualitative research is usually carried out using focus group discussions or individual in-depth interviews. Figure 1 presents some basic principles of running focus group discussions in the context of microfinance.

FIGURE 1: PRINCIPLES FOR CONDUCTING QUALITATIVE RESEARCH	
Done internally	If possible, exploratory research should be done by MFI staff because benefits usually go beyond collecting the data and extend to staff development and buy-in of the product development process. The internal research design process should be participatory.
Limited scope	It is sufficient to run 8 to 16 focus groups in 3 to 4 different locations. The number of groups or individual interviews depends on the complexity of the research issue and homogeneity of the target segment that is being researched. The more complex the issue, the more sub-segments (gender, business type, etc.) need to be run. The number of research activities should be kept to a necessary minimum, balancing research objectives with logistical burden and staff opportunity costs. If possible, research locations should be easily accessible and not too far apart. Research activities should be frequent but planned so that there is enough time for on-site data analysis.
Narrowing scope using secondary data	Using a wide range of pre-existing information sources allows one to narrow the information needs for primary research making it more focused and cost-effective (see Box 4). A clear distinction has to be made between critical and less relevant information.
Careful sampling linked to segmentation	The exploratory research should be run on already-defined target segments, and not on the entire population. Usually, the insights gained through the feasibility study help to define the main target segment and some potential criteria for more detailed segmentation. An accurate sampling plan is key to the success of qualitative research. The locations should be selected carefully. It is recommended to select average units of analysis, both regarding respondents and locations. This helps to get a reliable picture of the community.
Mix of techniques	Using a mix of qualitative techniques is highly recommended as it enriches the analysis and provides an opportunity for triangulation.
Immediate analysis	The full analysis of the data should be done just after the fieldwork; the results should be presented immediately to the product development team, and product concept development should follow at once. This ensures urgency and that the concept will be developed using all that was gained during the research.

Quantitative market research is a systematic collection and analysis of information related to the market. It is conducted for business purposes and provides decision makers with numbers. The base for the quantitative research can be either secondary (already existing data) or primary data (data gathered for the given purpose). The advantage of quantitative research is that the findings can be extrapolated to the entire population if the sample selection is done correctly.

Quantitative research uses structured questionnaires administered face-to-face by enumerators, who do not have to have very strong skills in interviewing. In the case of qualitative research, researchers need to have stronger interviewing and analysis skills. Figure 2 presents basic principles for running quantitative research.

FIGURE 2: PRINCIPLES FOR CONDUCTING QUANTITATIVE RESEARCH.	
Sampling is critical	The purpose of quantitative research is to find representative results. Therefore, sampling is the most important element of quantitative research. The sample should reflect the diversity of the units of analysis and their distribution in the studied population. For example, you need be sure that structure of those interviewed (in different branches, by socio-demographic criteria) is the same as in the total client portfolio. Sampling non-clients is much more difficult and specialist help may be needed.
Reasonable sample size	If you study your clients, you do not have to work with large samples. Usually, samples ranging from 90 to 180 clients are large enough to get credible results. However, if you want to do multi-dimensional segmentation, you would need to increase the sample size in order to have at least 60 people in each segment.
Done externally but conceptualized internally	It is highly recommended to outsource quantitative research, especially when it concerns non-client studies. Usually the costs of outsourcing data collection and interviewing are lower than the opportunity costs of using in-house staff. Additionally, contrary to qualitative research, your staff do not really learn very much while conducting structured interviews (only aggregated results are useful). While data collection and analysis can be easily outsourced, the conceptualization of the research and questionnaire should be a collaborative effort between the MFI and the external research firm. You need to communicate clearly your needs to be sure that you get useful information.
Focused questionnaires	Limit the number of questions in the questionnaire and keep them focused on the main issues. The fewer the questions, the better the data quality. But do not neglect to include socio-demographic and psychographic variables that will make the results of analysis much more useful.
Follow the process step by step	In the case of quantitative research you need to follow the research process step by step. It is much harder to correct mistakes from previous phases in subsequent phases as the quantitative research is more structured than qualitative research.

The process of quantitative research differs depending on the type of data used (primary vs. secondary), since in the case of secondary data it is possible to skip some phases. The table below presents quantitative research steps.

FIGURE 3: STEPS IN QUANTITATIVE RESEARCH.

Step	Description	Type of data used	
		<i>Primary</i>	<i>Secondary</i>
Setting research objectives /problems	During this stage the business problem is broken down into more specific questions allowing for the planning of the research project.	+	+
Research approach	Once research problems are identified it is necessary to decide whether there is a need to combine the quantitative research with qualitative and what kind of data should be used (primary vs. secondary).	+	+
Methodology	Once you decide on the primary research, you need to determine the research methodology (how the research will be conducted) and decide on sampling.	+	--
Designing questionnaire	In this stage research problems are translated into a tool/s (questionnaire) whose design is driven by several principles.	+	--
Setting standards and pre-testing the questionnaire	Tools that allow for the checking of the quality level of the questionnaire and for assuring high-quality data.	+	--
Data collection	There are several techniques enabling cost-effective data collection.	+	--
Data analysis	This stage is driven by research objectives. Typically, researchers are tempted to conduct a very sophisticated analysis while even the simple ones may provide the variety of information to support decisions.	+	+
Reporting and using results	The results should be presented in a user-friendly form that depends on the audience. They should be disseminated within the institution so that decisions are taken	+	+

ANNEX 3: A GUIDE TO RUN MARKET SEGMENTATION BRAINSTORMING MEETING

Objectives:

To identify of segmentation variable(s).

To Conduct segmentation of the target market and description of segments.

Participants:

The outreach innovation team and the Executive Director.

Stages:

Present research results.

Identify the best segmentation variable.

Brainstorm what variable(s) best differentiate the market for services you provide and why.

Use the presented research results.

Identify what classes should be distinguished within variable(s) and why. Describe them.

Segmentation:

Brainstorm and reach consensus what segments may be distinguished from the point of view of classification variable(s) you chose.

FIGURE 1: PROFILING THE SEGMENTS			
Describe segments from the point of view of:	<i>Segment A</i>	<i>Segment B</i>	<i>Segment C</i>
Basic descriptive variables (demographic, geographic, firmographic)			
Stability ³⁴			
Expectations towards the product			
Attitude towards the product (i.e. how people from this segment treat credit, level of financial education, willingness to take the product)			
Challenges			
Current use of financial and non-financial services			
Threats in the segment (consider: business skills, expected loyalty level, risk related to repayment, attitudes, social mission fulfillment, political, economic, social and technological factors, etc.)			
Opportunities in the segment (consider: business skills, expected loyalty level, risk related to repayment, attitudes, social mission fulfillment, political, economic, social and technological factors, etc.)			
Institutional strengths (what do they expect and we can offer them)			
Institutional weaknesses (what do they expect and we cannot offer them)			
Analyze ex clients in this segment (why do they leave).			
Analyze untapped clients in this segment (why don't you reach them).			

³⁴ How possible it is that a status of a segment member will change (i.e. it will be classified into the higher/lower group).

FIGURE 2: CONDUCTING SWOT ANALYSIS		
Area	Questions	Tips
Institutional capacities	What are my strengths in this segment? What can I offer?	Analyze strengths and weaknesses consider what the segments expects from you. Take into account reasons for dropping out and reasons for not reaching the segment.
	What are my weaknesses in this segment? What I cannot offer?	Analyze ONLY aspects that are important for clients (no matter if current or potential), otherwise costs bringing virtual benefits may go up.
External conditions	What are opportunities in this segment? What can make this group attractive?	Try to find some latent needs – analyze segment characteristics, i.e. level of financial and business education.
	What are threats in this segment? What can make this group not attractive?	Consider such factors as competition, political and economical aspects. Determine your risk and return on investment through analyzing attitudes towards credit, loyalty level, etc.

ANNEX 4: IDENTIFICATION OF THE COMPETITIVE ADVANTAGE

Objectives:

- To recall the expectations in segments.
- To identify competitive advantage.
- To recognize advantages of the competition.

Participants:

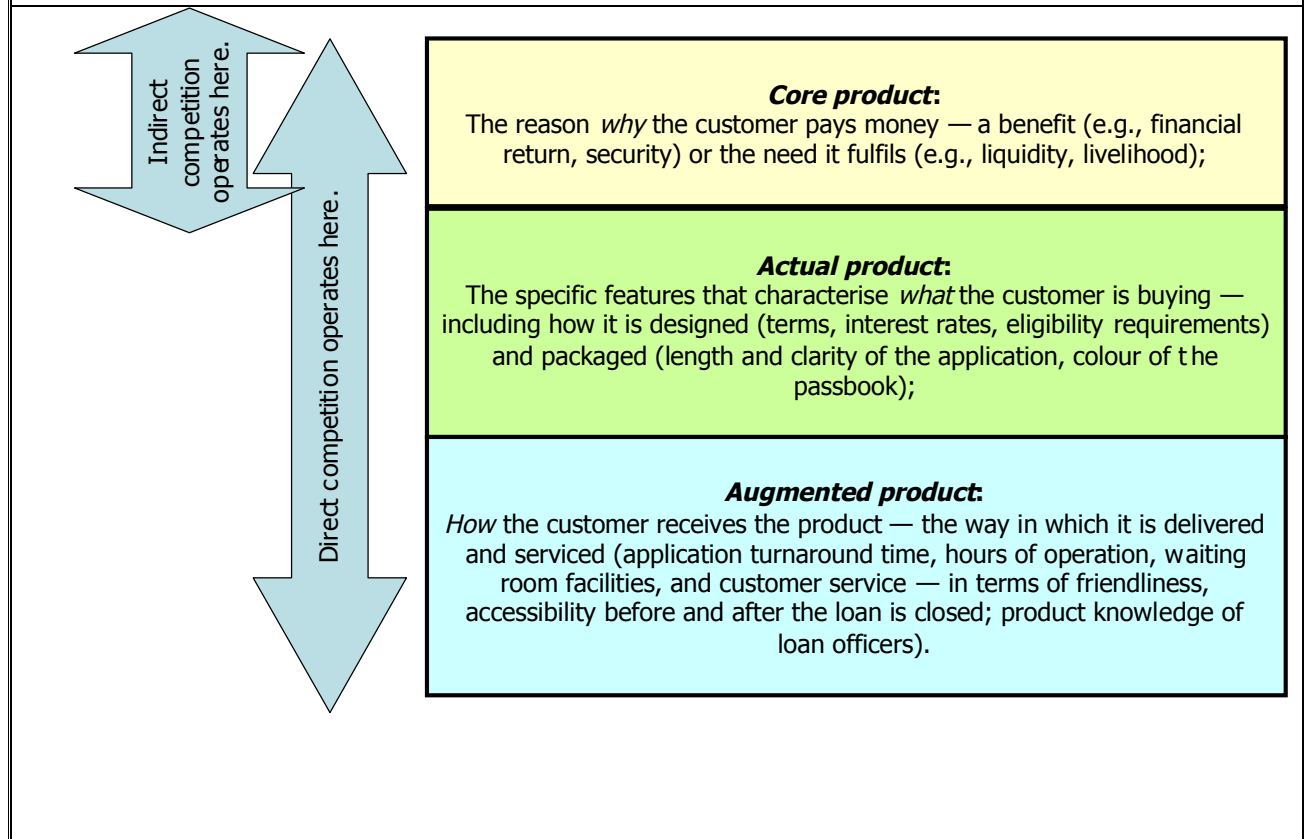
The working team and the Executive Director

Stages:

- Identify your competitive advantage.
- List different aspects market (product and brand) can care about.
- Which of them is your core competence? What can you offer to the target market?
- Identify the final version of the competitive advantage.
- Identify the competitive advantages of other players.
- Come back to the research analysis. Who is your competitor?
- For each institution, identify what it offers to the market.
- Identify the expectations of segments.
- Come back to the description of segments and identify for each segment what they really care about. List the most important attributes for each segment.

ANNEX 5: PRODUCT LAYERS

FIGURE 1: PRODUCT LAYERS



ANNEX 6: A GUIDE TO RUN A MEETING TO SELECT THE TARGET SEGMENT(S)

Objectives:

To identify priority segment(s).

To identify the penetration group in which segment should be reached.

To identify information needed and research methodology.

Participants:

The working team and the Executive Director

Stages:

Identify priority segments.

FIGURE 1: IDENTIFICATION OF PRIORITY SEGMENTS			
Area	Segment A	Segment B	Segment C
For each criteria score each group separately from 0 to 5: 0 means that there is not a possibility of attracting the group at all (e.g., negative opinion); 5 means that there is a very high possibility of attracting the group (e.g., positive opinion). Reach consensus within group giving arguments for your choice.			
<i>Segment size</i>			
<i>Willingness to use and pay</i>			
<i>Possibility to attract the client (cost and attractiveness of competitive advantage)</i>			
<i>Possibility of retaining the client (risk, loyalty level, competitive risk, tolerance for your weaknesses)</i>			
<i>Attractiveness from the social perspective</i>			
Sum up points for each group			

Based on a score for each group, discuss which one(s) is/are most attractive. Choose one (two if you have come up with 4 segments and more).

Priority segment vs. customer group

Identify where to reach this segment. Discuss costs (including possibilities to reach a group) and benefits (including expected return on investment).

FIGURE 2: PRIORITY SEGMENT VS. CUSTOMER GROUP	
Customer group	Priority segment
Current clients	Should this segment be reached in this group? Why?
Drop out clients	Should this segment be reached in this group? Why?
Rejected clients	Should this segment be reached in this group? Why?
Untapped clients	Should this segment be reached in this group? Why?

Decide which group is of highest priority.

ANNEX 7: DATA COLLECTION AND ANALYSIS DECISION TREES

FIGURE 1: USE OF SECONDARY AND PRIMARY DATA

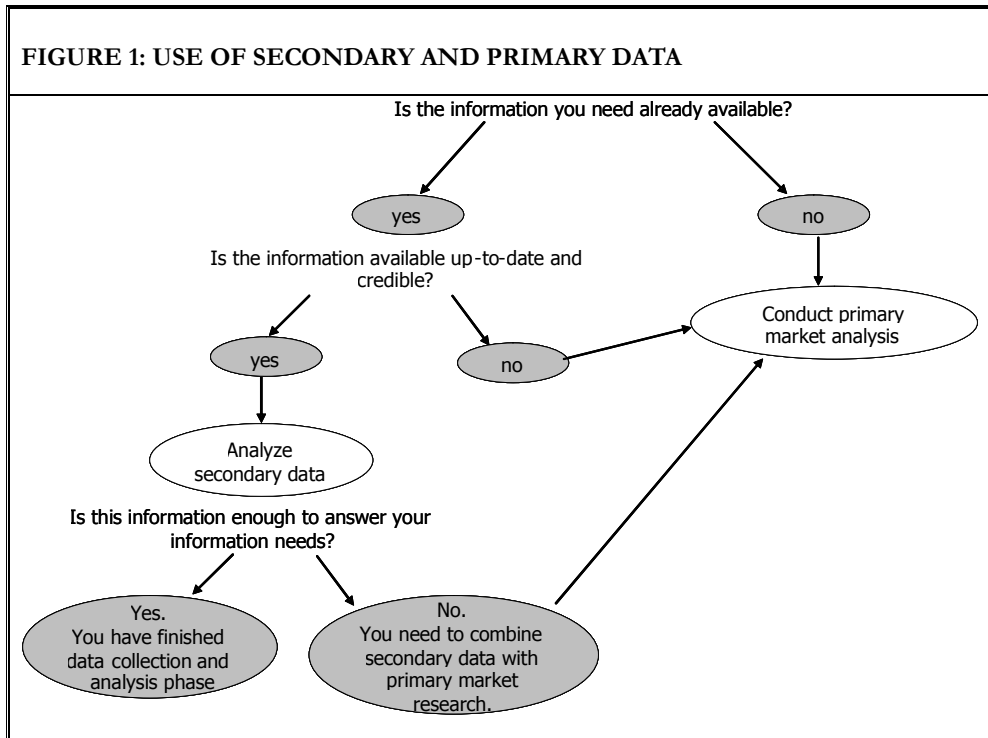


FIGURE 2: CONDUCTING PRIMARY RESEARCH

