CHAPTER 4 Product Development and Marketing: Meeting the Local Demand

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Product development and marketing efforts focus on meeting the local demand for savings services. Good product offerings and effective marketing will result in a successful savings mobilization program that will lead to growth in the institution.

The first step in determining how to meet client demand is to find out what clients and potential clients want in their savings services. Once that information is obtained, savings institution managers should evaluate existing products to see if they meet those demands. Various sources of information can be used to evaluate products and services, including staff observations, client complaints, market research, competitor activities, and national financial market behavior. When existing products do not meet the demand for savings services, new products are developed to fill the void. Staff training should be part of the product development process. In addition, a product manual that contains comprehensive information about all products is essential. Information about policies and procedures should also be included in the manual.

A marketing plan provides the roadmap for product development and marketing efforts. An institution's marketing plan should be goal-oriented and based on sound business principles; the plan should help the savings institution to meet its business targets in a competitive marketplace. Even a small financial institution has many marketing tools it can use in a marketing program, including sales and cross-selling, selling in the field, media advertising, point-of-sale advertising, direct marketing, and promotions.

Savings institutions define strategies to encourage current and potential clients to use all the products offered by the institution. These strategies may be based on image, quality of service, rates of return, or a combination of these and other strategies. Branching enables an institution to offer convenience to clients and to cover the widest geographical area possible on a cost-effective basis.

Managers in a savings institution should have a vision for the future. This vision is carried out through a long-term development strategy, which is broken into short-term actions that, through effective planning, work together to achieve the vision. Long-term planning, short-term planning, and marketing planning help managers to stay on track with their development strategy. Profitability planning is also necessary, since managers must be able to determine whether their savings strategy is sustainable. Institutional growth will accompany savings mobilization. Through planning, managers can manage growth without compromising quality of service.

This chapter provides guidelines for assessing the demand for financial products, product development, and developing a marketing program for savings mobilization. The chapter emphasizes the need for maintaining a high level of client service at all times, as well as the need for the institution to provide a sense of security to clients.

Existing Products: Do They Meet Client Demands?

When we buy a car, we may prefer a particular brand name, perhaps a Ford. We must also choose the model of car we want: a small car or a luxury car, for example. Once we decide on the model, we select which options we want, such as air conditioning or a stereo. In the same way that features help us to decide which consumer products to buy, they also help us to decide which financial products to buy. The features on which we base our final decision are:

- **Brand:** the name of the car's manufacturer;
- **Model:** the name that identifies a particular type of car made by that manufacturer; and
- **Options:** features that distinguish each car.

This same product structure applies to financial products offered by microfinance institutions (MFIs):

- **Brand:** the financial institution's name (reputation);
- **Model:** financial services offered by that institution (for example, savings, credit, or insurance); and

- **Options:** features that distinguish one savings product from another (for example, passbook account versus certificate of deposit).

Clients evaluate the brand strength, models offered, and options available when determining where to deposit their savings. Historically, financial institutions have not offered their clients many options. Now, however, as financial institutions face increased competition and more sophisticated clients, they have to offer models and options their clients demand, at prices they are willing to pay.

The key word is *demand*. Client demands have transformed the financial marketplace. The new reality of fierce competition and more sophisticated clients has prompted radical changes in operating models. Formerly, these models were driven by the belief that because people needed financial institutions and had limited choices, client preferences were not very important in product development. There was a time when a financial institution's trustworthiness and the financial security it represented (its brand) were all it needed to attract clients. Today, brand is one variable among many in attracting clients.

Trustworthiness and a sense of security are crucial elements to the continuing existence of any financial institution. But what happens

Evaluating product offerings. When thinking about existing financial products and services, managers and employees in a savings institution must ask themselves:

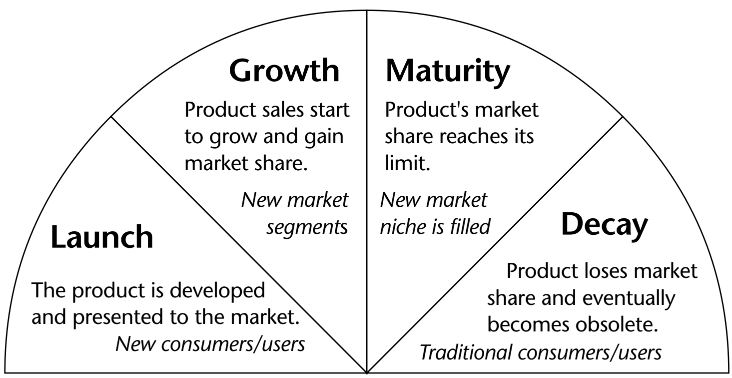
- Does our institution portray a positive, safe image?
- Do our products address client demands?
- Are our products up to date?
- Are our products attractive to existing clients?
- Are our products attractive to the broader market of potential clients?
- Are our products profitable?
- Do our products match or outperform those offered by the competition?

when several financial institutions offer the same qualities? Clients will then make their choices based on the brand, model, and options offered by the institution that best meets their financial needs. Financial institutions with a solid reputation must differentiate their models and options from the competition. Realizing this, successful savings institutions design innovative products and undertake rigorous marketing efforts.

The Product Life Cycle and Savings Products

The product life cycle is a useful model for understanding the process of product development (shown in Figure 4.1). Beginning with a product's launch and ending with its eventual decay, the model shows how all products ultimately become obsolete. The timeline for the process varies from one product to another. For example, clothing fashions have a short life cycle while housing styles have a long life cycle. For each phase of this model, specific strategies can be applied to lengthen the life of the product.

Figure 4.1 The Product Life Cycle



Evaluate existing savings products. Product development begins with an evaluation of the existing financial products and services offered by the savings institution. The next step is to determine where each product is in its product life cycle. Then, managers select the appropriate marketing strategies for existing products based on where each is in the life cycle.

Redesign existing savings products. This is a continuous strategy that will lengthen the life of savings products. It includes several actions that can be taken during the growth and maturity phases of the product life cycle:

- **Update and repackage:** Use this approach when a product reaches the maturity phase and needs to be modernized. Updating a product makes it attractive to new clients in a particular market segment, while keeping it acceptable to existing clients who are the traditional consumers of that product. Repackaging does not change the core characteristics of a product; rather, repackaging modifies a product's physical appearance to make it more attractive to more clients. An example might be the repackaging of a savings passbook. Traditional passbooks are usually visually simple. Clients who have used the passbook for many years are accustomed to this simple graphic style. Prospective clients, however, may find the style dull and unattractive, and hence, view the institution in that same way. To keep the product viable, a new passbook design is introduced. The new design is similar enough to the old design to keep the passbook attractive to existing clients, but sufficiently innovative and interesting to motivate new clients to open accounts.
- **Add options:** Add options during the maturity and decay phases of a product, especially when decay is the result of technological growth. Analysis of a demand savings account illustrates this strategy. Traditionally, the demand savings account was associated with a passbook. Technological developments and the introduction of automatic teller machines (ATMs) prompted advanced institutions to provide plastic debit cards for these accounts. Many traditional users did not like the plastic cards and continued to use their passbooks. Eventually plastic cards displaced the old passbooks entirely. This shift came about for practical reasons. Using a plastic card rather than a passbook not only allowed for the purchase of goods in shops and the use of ATMs, but it also reduced the need to withdraw money regularly—reducing

transaction costs for clients. To complement the plastic card, monthly account statements listing all transactions on the account replaced the passbook for client record keeping.

- **Improve product delivery:** Implement this strategy during any phase of a financial product's life cycle to improve the quality of service delivered by the institution. Technological advances generally lead to higher quality services. Staff training and incentives will also improve product delivery. Remodeling branch offices will please existing clients and attract new ones. All operations that a savings institution engages in while doing business can be adjusted to improve product delivery. Such improvements can have significant impact in attracting new clients and reinforcing the loyalty of current clients.

Discontinue a savings product. Discontinue a savings product when it becomes obsolete. A product is obsolete when it has been replaced by other options in the financial market that simplify transactions or better serve client demands. In the product life cycle model, obsolescence is the final phase during decay. At this point, only a few clients use the product; however, those clients may represent an important market segment. If the product is replaced, they might move their savings to another financial institution. This possibility must be factored into the decision to discontinue a product that has reached this final stage.

Develop new savings products. New demands and new patterns of financial behavior often arise. New financial products are designed and launched into the market to meet these evolving demands through the process of new product development. New product development is discussed later in this chapter.

Define the Market, Differentiate Market Niches

The financial market, especially the microfinance market, is not a uniform collection of people who will be satisfied with whatever products and services financial institutions offer. Market research conducted in a number of countries has disproved this old perception and given way to a new vision. The new vision defines the financial marketplace as a complex structure of groups and niches of financial product users who have varying demands and preferences. The first step in serving this segmented market is to identify clients based on how they use financial products.

Non-savers or first-time savers. This group has little or no formal financial experience. It can be difficult to persuade prospective clients from this group to open savings accounts because they are accustomed to saving in cash and in alternative forms. Because these clients lack experience entrusting their savings to a financial institution, they will most likely seek liquid products with low minimum balances. First-time savers are usually motivated to start saving in an institution by a need for security and a desire to avoid the risks inherent to saving in cash or alternative forms. First-time savers generally remain loyal to the savings institution as long as the institution remains secure and provides convenient services.

Experienced savers or net savers. Members of this group have formal financial experience and may have established accounts with significant balances in other savings institutions. They are familiar with handling savings accounts. Many are comfortable using ATMs, and some may use plastic debit cards to make purchases. Their principal

Changing existing perceptions. Individuals may have mistaken perceptions about the differences and similarities between credit unions and other financial institutions. Credit unions are perceived by many as lending institutions rather than as savings institutions. It is not surprising, then, that some members will look to their credit unions for loans while saving their money elsewhere. Where members do not automatically associate their credit unions with savings, the institutions must offer higher rates on savings, develop targeted products, and vigorously market these products. Credit-only MFIs will face similar challenges when starting savings programs, as they too will have to change existing perceptions of their institutions. The examples and case studies presented in other chapters of this book demonstrate that it is possible to make this transition.

concerns are security and convenience, but members in this group will also consider rates of return when choosing savings products. Their brand loyalty is constant if their objective is to prepare for emergencies or to save for the future. If they are motivated by the desire to make money on their savings, they will be loyal as long as the return paid by the institution is the highest in the local market.

Sources of Information

All products and services must be evaluated regularly to identify their limitations and determine the need for changes. Product development is based on the defined demands of current and potential users. The information needed to identify these demands comes from various sources: staff observations, client complaints, market research, competitor activities, and national financial market behavior.

Staff Observations

The staff understands problems associated with an institution's products and services in two ways:

1. Staff members have direct contact with clients and receive direct feedback on the products.
2. Staff members are able to see and evaluate problems associated with the savings products because they know how the products function at the operational level.

An open system to collect and process employee suggestions and complaints should be part of an institution's standard operating procedures. Since information obtained from staff represents a small sample, market research must be performed to confirm observations noted by the staff.

Client Complaints

A savings institution should have a process that allows clients to formally convey their complaints and suggestions. Accessible suggestion boxes are effective mechanisms to solicit client input. Once the information is collected, it should be evaluated carefully to identify strengths and weaknesses, and indicate where more research and development are needed. Information collected from clients can only be used as a general indicator. Unless every client complaint pertains to one particular issue, which should prompt immediate action on that issue, the number of samples gathered will be too small to provide the basis for informed decisions. The indicators collected from client comments need to be verified by market research before managers can reach solid conclusions and determine appropriate responses.

A three-part form can be created for processing complaints. When the complaint is received, the first part of the form is completed. A copy is given to the client and another copy is given to the head of the department noted in the complaint. The department manager must then investigate the complaint, complete the second part of the form, and return it to the manager in charge of addressing client complaints. The complaint manager decides on a course of action to satisfy the client and completes the third part of the form. Then the client complaint is resolved. The completed form is saved, so the institution can generate statistics about the particular issue and the staff associated with it. These statistics reflect the seriousness of the problem and the impact on business. They also identify the staff members who accumulate complaints, allowing managers to take action as necessary.

Market Research

Market research provides useful information about the demands of clients in the local market. Market studies can be designed to determine the validity of an issue brought to light by staff observations or client complaints. Market research also provides information needed to design new products or adjust existing products.

Table 4.1 lists often-used market research tools. Tools such as surveys and focus groups provide insights into the competitive position of products and the reputation of the institution. Surveys are closed, quantitative tools distributed to a significant sample of interviewees. The significant sample size methodology ensures the statistical validity of the information. Focus groups are not as statistically precise as surveys due to the smaller samples and the open, qualitative nature of the methodology; however, they provide insights that quantitative methods cannot produce. Other research tools include pilot testing and in-depth interviews. The most effective market research combines tools so that both quantitative and qualitative information is obtained with a high level of statistical confidence.

Successful marketing requires concrete research to detect trends

Table 4.1 Market Research Tools

Tool	Advantages	Disadvantages
SURVEYS Surveys are the most frequently used tools in market research. They are usually conducted via questionnaires that are distributed to a sample population representing a particular statistical universe (e.g., clients, women, or married people).	• Surveys have a high level of confidence because they involve a significant number of interviewees. • Surveys use a tested questionnaire that is completed by each member of the sample population.	• Surveys are expensive because several people have to get involved in fieldwork, supervision, and processing of information. • Surveys work on a closed basis; survey questions are predetermined by the questionnaire and the interviewer cannot ask any questions except those prescribed by the questionnaire so that the statistical quality is preserved.
FOCUS GROUPS Focus groups provide researchers with qualitative insights. They usually involve small groups of about ten to 15 participants and a discussion leader who explores the issues using set guidelines. Sessions are recorded and evaluated afterward. The tool fosters freedom of opinion and allows the group leader to explore the issues. Their main uses are to design surveys and to evaluate product concepts and advertising campaigns. Focus groups can include a set of surveys that are distributed to the group participants who, after completing the surveys, discuss the issues of each survey.	• Focus groups take into account the qualitative element of participants' demands and perceptions. • The participants devote time to discussing the issues. • The group leader can explore new and interesting leads that detail possible solutions or ways to improve products. • If a mixed technique is used (surveys and discussion) more representative information will be obtained. • Focus groups cost less to run than administering surveys. • The results are obtained and processed faster than those of a survey.	• The samples are small. Even if the researcher is running several focus groups, the level of statistical confidence in results is low. • It is difficult to assemble the groups and frequently sessions are suspended for lack of a quorum. • Unless a mixed technique is used (surveys and discussion), the level of confidence is not high, and the conclusions may have to be validated with a survey.

and to respond to them; therefore, a savings institution must have a budget for market research. The marketing manager must combine the research tools in such a way as to generate the needed information as often as necessary, while remaining within the budget constraints of the marketing plan. This means that each research project must be carefully designed to produce information that will be valuable in evaluating existing products and developing new ones.

Table 4.1 continued Market Research Tools

Tool	Advantages	Disadvantages
PILOT AND TEST MARKET TRIALS Trials are useful for testing changes to existing or new products on a limited and controlled scale, to evaluate operational aspects and client acceptance.	• Avoids costly mistakes of a product being put into production and later having problems. • Maintains a controlled environment in which to observe the product conditions and correct any abnormalities. • Reduces the costs of making adjustments.	• It takes time, so the product will take longer to reach the market. • The cost will be added to the product development costs.
IN-DEPTH INTERVIEWS This research tool consists of a sampling of people who fit the profile of the desired members. An expert interviews participants following a set script. This technique is useful to explore general aspects of collective behavior.	• Due to the number of samples and the use of a set script, the level of confidence is high and tendencies are readily observable. • Detailed information is collected. • The interviewer is a trained professional; this ensures higher quality than when regular survey interviewers are used. • When the same professional who conducted the interviews processes the results, significant information about the market is acquired.	• Its high cost is prohibitive for many institutions. • It is time consuming. • Results will depend on the quality of the professional in charge.

Competitor Activities

Financial markets are subject to constant changes and adjustments that stem from the actions and reactions of competitors. When a financial institution launches a new product or revises an existing one, it prompts a response from its competitors. The competition must be monitored continuously if a savings institution is to respond quickly to changes in the local market. Monitoring the competition is more an intelligence gathering activity than a market research activity. Monitoring ranges from collecting the competitions' advertisements to hiring "mystery clients" to visiting competitors' offices in search of information.

National Financial Market Behavior

Central banks offer statistics, both current and historical, on the behavior of financial markets and regulated financial institutions. This information may also be accessed through the Bank for International Settlements (www.bis.org/cbanks.htm) and the U.S. Federal Deposit Insurance Corporation (FDIC) (www.fdic.gov). The *MicroBanking Bulletin* provides statistical information for MFIs worldwide (www.microbanking-mbb.org). Accessing this information, via either the Internet or buying the printed publications, is part of researching market trends. This information can help managers to understand changing global patterns that must be considered when adjusting existing products or developing new ones. It will also alert them to new regulations that could affect their operating procedures.

Savings products are designed to meet the demands of clients. Unsatisfied clients will look for other options in the marketplace and take their business elsewhere. Prospective clients must be persuaded to bring their business to the savings institution. This is achieved by offering innovative and targeted products that are well managed.

The New Product Development Process

A new savings product must go through a series of developmental stages. First, the market must be researched to determine if there is sufficient demand. Second, a concept must be designed and tested, internally and then externally. Finally, the product is launched.

Determining if There is Sufficient Demand

Because developing and launching a new savings product can be costly, the financial institution must ensure that the new product is justified. In some cases, adjustments to existing products can fulfill a perceived need for a new product. All avenues for adapting an existing product to meet unfilled demand should be explored before a new product is developed. Given the high cost of developing and launching new products, and considering the risk involved (the new product may not be successful), it is important to confirm the need for the new product through market research.

Designing and Testing the Concept

Once the institution has identified a need and determined that no existing product meets that need, a new product concept must be formally defined. This includes a description of the envisioned product or service and guidelines on how it will function. This concept must then be validated in the market through qualitative market research (such as focus groups or in-depth interviews).

The internal development process should generate a prototype of the financial product. This may require assigning development modules to each operational area of the institution. The following departments may be involved:

- **Product development** designs the prototype.
- **Marketing** creates and tests the packaging, symbol, and brand.
- **Management Information Systems (MIS)** develops software to manage the product.
- **Legal affairs** draws up the contracts associated with the product.
- **Accounting** sets up the product's accounts.
- **Internal auditing** develops internal controls related to the product.
- **Savings and loans** establishes the operating policies and procedures.

Once a prototype has been designed, it is pilot tested to identify and remove any design flaws. Initial testing of the prototype can be done using the staff of the savings institution. This takes about one month to complete. Then the prototype should be tested with a group of clients in a controlled market. This involves promoting the product in one of the institution's branch offices or in a targeted market, and conducting follow-up market research with the test group. Test marketing of this nature is necessary to (1) see if the product is viable and attractive to clients, and (2) correct flaws in the prototype that can only be identified in the real market. This kind of pilot testing takes about three to four months to complete. If the tests are successful, the new product is ready to be launched in the marketplace.

New Product Launch

Marketing new products requires an aggressive approach. A significant launch effort must be carried out to provide the new product with enough momentum to bring it to the attention of potential users. This may require a mass media campaign. The campaign targets current and potential clients who seek savings services. New product awareness can also be enhanced through promotions such as instant prizes or raffles. In the long run, the performance of a new product will depend on the awareness and motivation generated by the launch.

New products mean new information for the staff of an institution. Staff members should be trained on the launch campaign to know what messages clients will receive so they can reinforce them when clients visit the institution. Staff should also be trained on the new products so that they will be able to respond to client questions. Strategies for cross-selling new products to current clients should be devised as part of the launch process and shared with staff.

Bundling and Packaging of Products

Every new financial product is related to the other products and services offered by the institution. Each product can be considered a "module" that can be combined with other modules to create an appealing bundle or package. A package of modules can be tailored to the exact demands of each client or potential client. The ability to sell and cross-sell new products to clients will depend largely on how the design of one product complements the other products. When products are designed to be modular, links should be created between them in the management information system so that staff can immediately recognize which products might be attractive to clients. This will enable staff to answer client questions more effectively and better determine which products meet client demands. No single financial product can meet all the needs of a client. The objective should be to address a particular set of needs with a corresponding set of products.

The Product Manual

The product manual must be compiled and maintained as part of the process of product development. A product manual is a collection of information about each product offered by the institution. The first step in creating the product manual is to develop a standardized format to describe each existing product or service. This format is then used for all new products. The manual contains all the information, strategies, and changes made to each product. It should have one chapter for each product. Each chapter should include:

- An **introduction** that explains why the financial product was developed, what it offers, and the category into which the product is classified (savings, loan, or insurance).
- A **general description** of the product to explain its purpose, its advantages, and how it addresses client demands.
- A **detailed description**, listing the core characteristics and the steps for administering the product.

The Detailed Description

The detailed description of each product should include information on all aspects of administering the product.

Contracts and rules. Financial products are governed by laws, regulations, and the legal environment of the contracts signed by clients and the financial institution. Copies of regulations and samples of contracts should be filed in the product manual.

Forms, processes, and procedures. Samples of all account forms should be stored in the corresponding chapter of the product manual. Good governance requires that all procedures be documented and reviewed regularly so that everyone conducts them in the same way. To promote understanding, flow charts of the main processes related to the product should be included. These should be revised whenever changes are made to the product.

Packaging. The physical components of savings products are those tangible items that are touched and handled by users, such as passbooks, coupon books, or plastic cards. Financial products themselves are intangibles; they have no physical presence. It is important that the physical components are standardized and packaged attractively. The clients own these items; the items should instill a sense of pride and security in the clients. Samples of these items should be included in the corresponding product chapter.

Maintaining the product manual. The product manual is a formal document that must be maintained as part of product development and management. It should be updated when changes are made to a product. The old material should be retained in a separate archive to keep a record of the evolution of each product.

A hard copy product manual can be maintained in a three-ring binder with indexed dividers separating each chapter (each product). Every time a modification is made to the financial product, old pages can be taken out and new pages inserted to reflect the change. A revised table of contents should be added to the binder with a new version number and date. This allows staff to quickly identify the most recent updates.

Marketing and promotion. Each savings product requires a unique marketing effort, working under the umbrella of the institutional brand and within the marketing plan. Samples of advertisements, storyboards of television spots, texts of radio spots, brochures, posters, and so on should be filed with the product description. This file becomes a valuable reference for future marketing campaigns.

Profit and loss simulation models. Because all financial products must be profitable over the long run, simulation models should be designed and implemented to review the profit and loss situation. This analysis is particularly useful when changes in costs or income occur. Where possible, the information generated by the simulation models should be stored on computer CD-ROMs or disks so that simulations can be run when variables change.

The product manual should be designated as the primary location for all product information. The product manual is the foundation for effective product management; it supports marketing efforts, serves to train staff, and documents procedures to manage products efficiently.

The Essential Marketing Tools

To provide savings services in a sustainable manner, institutions have to broaden their outreach to attract clients of varying income levels. Savers in the local market need to know about the products available to them so that they can make informed choices about where to place their funds. Through marketing, an institution raises awareness about its products. Having developed products through a systematic process of evaluation, and having established systems for managing those products, a savings institution then employs marketing tools to penetrate the local market.

Sales and Cross-selling

Through active sales (attracting new clients) and cross-selling (offering new services to existing clients) an MFI can promote its savings products and increase its market share. The direct contact between the staff members and potential clients (sales) and existing clients (cross-selling) is critical in savings mobilization. The most frequent sales contact in savings institutions between the staff and clients is over-the-counter sales. During this contact, potential and current clients make important financial decisions, including whether to place their savings in the institution. Good client service establishes a rapport and trust between the employees and the clients. If a staff member mishandles an encounter with a client, all product development and marketing efforts are wasted. Staff must be well trained to conduct transactions and inspire confidence in clients.

Selling in the Field

Another environment for offering savings products is the potential client's home or workplace. Selling the idea that saving with a particular institution is more advantageous while in the potential client's own territory is not easy. Selling in the field is particularly challenging because:

- There may be several institutions covering the field with their business officers and salespeople.
- Potential clients may resist listening to the salesperson because they are accustomed to using a financial institution's physical facilities for this type of business.
- Savings products are intangibles. Point-of-sale (POS) advertising in the branches facilitates over-the-counter sales. In the field, however, POS support is not available.
- The field salesperson does not have access to his or her colleagues for quick information.

Despite these challenges, field sales can be profitable for a savings institution and provide a competitive advantage in a competitive market. Not all institutions have the resources to reach potential clients in their homes or workplaces. For an institution that competes on quality of service, field sales can decrease the initial transaction costs for savers.

Media Advertising

Advertising is one component of a successful marketing program. Advertising sends an appealing message or set of messages using the mass media. Electronic advertising (via television or radio) and print advertising (via newspapers, magazines, and billboards) can be expensive because of production, broadcasting, or circulation costs. Therefore, it is critical to ensure that the resources spent on advertising buy high-quality, targeted messages. Four criteria for effective communication are:

1. **Recall:** The advertising message should be clear enough that its viewers or listeners can remember the point of the message. If this does not happen, the message either does not appeal to the target audience or is too complicated to understand.
2. **Comprehension:** The message should be clear so that both current and potential clients understand the offering. In many cases, advertising is too obscure for easy comprehension; obscure messages will not prompt savers to act.
3. **Credibility:** The message should be sincere, and not seem too good to be true. Savers want to be able to trust in the institution that holds their money. If the message does not convey a sense of trustworthiness, the target audience will ignore it and existing savers may react negatively to it.
4. **Motivation:** The message should motivate people to visit the institution to find out more information or to use a new product.

Advertising has one fundamental objective: to encourage people to become interested in the message and to act. The action should be a visit to the institution's offices, either to find out more information about the products and services offered or to open an account. If this does not happen in significant numbers, the advertising campaign has not been effective and the institution needs to conduct further market research to find out why the message does not motivate savers to act.

At the same time, not all savings products are large enough to justify use of mass media. For example, using the mass media to market fixed-term deposits increases the marketing costs unnecessarily, since this market segment is limited and does not tend to respond to mass advertising. The decision to use mass media should reflect (1) the type of savings product being offered, and (2) the institution's ability to reach the target market for those products. If the target market is limited and can be reached using direct marketing tools, then the use of mass media is not justified because other tools would be more cost-effective.

Media Mix. In addition to a creative effort that addresses the content of the advertising message, there needs to be a media effort that determines the best media mix to communicate the message. The marketing staff should develop a price-value media plan that will cover the target markets. The media mix should take into account: the existing institutional image, the geographical presence of the institution, the structure and unique characteristics of the local market, the relationship between the products and their targets, and the communications strategy needed for each product.

The marketing staff can work with professional advertisers to combine the mass media elements to ensure the greatest presence at the lowest cost. Each medium has its strengths and shortcomings.

- **Television** is often the principal medium used in large advertising campaigns. Television combines image, sound, color, and movement. The television message is usually short and is not controlled by the viewer (that is, the viewer cannot decide when or where to view a television advertisement). Viewers recall about 70 percent of a television message, higher than for any other advertising vehicle. Television advertising, however, may be too expensive for many MFIs.
- **Radio** is an inexpensive medium that enables the savings institution to broadcast frequently, making its message a constant presence in the target market. Listeners do not control when or how often the message will be broadcast, but they should hear it at various times throughout their days. Marketing campaigns in MFIs are often developed

using only radio spots, but the absence of an image (picture or graphic) can be a serious drawback to their effectiveness. Where television is too expensive, an effective strategy combines radio with newspaper or outdoor advertising (billboards).

- **Newspapers and magazines** (print media) provide color and images. They are the only media controlled by the audience. Readers read at their own speed and only what interests them. Readers can also tear out an advertisement and use it for future reference. Printed media allow the savings institution to include detailed information that cannot be included in other media advertising. There are several drawbacks to print media, however. The per-person cost of reaching the target market is high, even given the number of readers for each publication (usually newspapers are read by two to three readers, while magazines can have up to ten). Members of the target audience have to be able to read in order to understand and act on the message. Savings institutions should conduct market research to analyze the reading capacity of the target audience before advertising in print media. Additionally, printed advertisements may compete for space with other ads on the same page, increasing the challenge of attracting readers' attention.

Point-of-sale Advertising

Point-of-sale (POS) advertising uses the physical space in the institution's offices to communicate with current and potential clients. POS advertising includes retail displays, such as countertop brochure racks, wall banners, and unusual three-dimensional objects that draw clients' attention to a particular message. More sophisticated resources include video monitors and interactive kiosks. These resources have two purposes: (1) they give clients something to look at (a distraction) while they wait to make transactions, and (2) they provide information about the financial products and services offered by the institution.

- A presentation shown on a **video monitor** provides constant information to clients and visitors, and requires almost no attention once it is in place. A presentation can last up to ten minutes and can be programmed to repeat automatically. The initial investment in equipment may be costly, but maintenance costs will be low. Once the investment has been made, the savings institution can create several presentations at little additional cost to convey different messages.

- An **interactive kiosk** is a personal computer with a touch-screen monitor and software that makes it easy for clients and visitors to select menus and options. Clients can review information that is of interest to them in a comfortable environment. Like video monitors, interactive kiosks require a significant investment in equipment and software at the outset, but are inexpensive to maintain. If the savings institution has a website, the interactive kiosk can familiarize clients with the site and provide instructions on how to use it.
- **Posters and acrylic displays** are affordable mediums for POS advertising. Letter-sized posters that are placed in acrylic bases can be printed on a simple ink jet printer. Even where posters and displays are printed commercially, advances in printing technology have lowered costs for small orders.
- **Window exhibits and banners** sell the savings institution's products and services to clients, visitors, and people passing by on the street. Creative staff members can produce them inexpensively with paint, posters, and other art materials.

Point-of-sale advertising is an important marketing tool that MFIs can use to attract savings deposits from both current and potential clients.

Direct Marketing

Direct marketing includes activities in which the institution comes in direct contact with current and potential clients in its zone of influence. The zone of influence is the area within a one-mile radius of the savings institution office or branch. Direct marketing activities include telemarketing, faxing, hanging overhead street banners, and distributing fliers. Direct marketing is designed to attract traffic in and around the office or branch and should supplement mass advertising efforts and promotions.

Promotions

Promotions are marketing activities designed to produce specific short-term results. Promotional techniques can be implemented in several ways.

- **Traffic-building promotions** draw potential clients into the offices to get more information about the institution and its offerings. Promotions can be as simple as setting out jars filled with coins, having clients and visitors guess the number of coins in the jar, and awarding a prize for the winning guess. If there is more than one correct guess, the prize is raffled among the correct guessers. Often, the prize is the jar of coins itself. When potential clients visit the office, the staff should be prepared to answer all of their questions and sell the savings products to them.
- The savings institution can offer **instant prizes** to provide incentives for clients to open certain types of accounts. For example, clients opening a new passbook account spin a wheel of fortune to win the prize indicated on the wheel. This type of promotion can also serve as a traffic builder for potential clients, with visitors receiving instant awards for coming in the door.
- A **two-for-the-price-of-one promotion** gives clients who open two accounts, such as passbook and fixed-term accounts, better rates for a limited period. This will not only attract new deposits, but it will also stimulate clients who would probably open only liquid accounts to open less liquid accounts as well.
- The savings institution can hire short-term workers to **leaflet—**to hand out fliers and promotional items. These workers should be uniformed, with a professional appearance. They should also be trained so that they can explain the advantages of the institution's products and services as they hand out the items. This tactic attracts new clients. A car with a megaphone and a tape recorder that plays music and messages may accompany the leafleters to attract people's attention.

- **Raffles** are widely used as a promotional technique. Raffles are attractive to clients because they tend to offer better prizes than those offered in the instant prize promotions. For the institution, raffles require an infrastructure for offering coupons, organizing the drawing, and validating the winner. In small towns, prizewinners and prizes can be paraded through town to reach a larger audience and have a lasting impact on the community. A word of caution, raffles become less effective with repeated use. They may produce dramatic short-term results, but can be less effective than other techniques over the long term.

There are many ways for an MFI to promote its savings products. Each institution must evaluate the local market and its own resources to determine which mechanisms are most appropriate. A successful marketing program will combine various marketing tools. All advertising and promotions should be reviewed frequently to maintain their freshness and evaluate their effectiveness.

Client Relations

Microfinance institutions must provide high-quality service to attract savers. Client relations are critical to providing high-quality service. The client relations challenge involves establishing policies that define how the institution will deal with clients, developing a client-first attitude among all staff, sensitizing staff to client needs, and training staff to respond to clients.

Training

Staff training is essential to good client relations. It is important that staff members behave appropriately during all client contacts. First, staff members must be courteous and polite at all times. Second, they must be knowledgeable about the products and services offered by the institution. Third, they should know about marketing programs so they are prepared to answer questions. A lack of staff knowledge about services and programs can hurt the savings institution. In addition to training, staff members should have access to product and service information whenever they need it; the product manual provides this kind of information. Staff training should not be a one-time event, but a continuing process.

Distance Training. Training is expensive, especially if staff members are located throughout several offices. One practical approach to training scattered employees is distance training. Distance training can be accomplished by installing training materials on the institution's computer system. This type of training is relatively inexpensive, especially when compared to bringing all employees together for classes. Distance training enables the institution to have its entire staff take courses simultaneously.

A savings institution can use distance training to train its staff in procedures, products and services, and client service. Distance training has several advantages:

- It is uniform, which ensures that all staff receive consistent and accurate information.
- It can be administered to several employees in several offices of the institution at one time.
- It can be configured as a graduated series, taking employees through a series of steps, from the introductory level to an advanced level.
- It is inexpensive, does not require transporting employees or the use of special trainers, and is easy to produce, update, and distribute.

Computer training can be made available before and after office hours, or scheduled for slower times during the workday. The course has to have a narrow focus so the trainees can complete it in two to four hours (one hour per week for two to four weeks). This training strategy requires that the branch manager or a department supervisor act as training coordinator, scheduling staff training according to a master plan developed by the human resources department.

Using Computers to Improve Client Service

Savings institutions can install and use client relationship management (CRM) software to improve client service. In the beginning a simple database is sufficient. Staff members make notes in the computer database about client requests, needs, and status. They then use that information to offer products that best meet client needs. This process of information storage, retrieval, and use is called data mining. The data reside in a data warehouse, either in simple databases or in specialized programs, for staff to consult when serving clients. A good data warehouse contains detailed information about existing clients as well as about the potential client population, competitor institutions, and past marketing campaign responses.

The first step is to define what data will be required, then capture it systematically and store it for later access. Managers and marketing staff need to have a clear idea of the information they require to support the institution's long-range goals. What information is needed to retain clients and increase the institution's market share? Questions to be answered include:

- What information is needed to determine marketing and financial strategies?
- What information is needed to be more competitive?
- What does the institution need to know about its clients?
- What does the institution need to know about its competitors?
- Which marketing strategies are most effective?
- Which clients should the savings products target?

Effective data mining requires constant data collection and systemization. Staff members enter the information as they gather it. For instance, a loan application gives information about employer, income, size of household, and so on. The staff member can enter the information between meetings with clients. Both managers and staff should view data gathering as an ongoing process. For efficient data gathering to occur, the software should be programmed to tell the employee what information is missing. Employees should be trained to gather this data without being intrusive. Once the routine practice of data collection is established with the staff, collecting information is easy and automatic.

Data querying is the process of retrieving information from the data warehouse. Once the information is warehoused and reports have been designed, staff can make queries for marketing and sales. Query results can be exported to a computer spreadsheet program. This will facilitate analysis and manipulation of the information in search of links, trends, and other strategic elements.

The CRM software should act as a workflow tool, in addition to providing an information database. This means the system should display automatic reminders to staff members when they make contact with a client. The system should be able to tell employees what services the client may need based on the information collected about that person. It should also remind employees to collect the missing information about clients needed to complete their client profiles.

Community Relations

Particularly in the microfinance arena, the relationship between the institution and its clients is a life-long one. Current clients belong to a community from which the institution draws new clients. Most new clients go to financial institutions based on third-party referrals. As a result, new client growth will depend largely on how the institution is perceived in the community. In the case of a credit union, this perception is even more critical because members are both owners of the credit union and members of the community. Credit union members usually live in the community where the institution is located; in many cases, the credit union was created by the community itself to serve unmet demands for financial services. The same is true for other MFIs, although owners and stockholders may live outside of the community.

There are many ways that a savings institution can foster and strengthen community relations. Some imply direct costs, such as sponsorships of local sports teams or events. In other instances, the institution's executives or directors participate in community events. A savings institution must establish a stable, positive presence in the local market.

Define a Strategy to Penetrate the Market

Having evaluated existing savings products against the demands of the local market and developed new products as necessary, managers must define a strategy to market the savings products. Promotional strategies to attract these savings may be based on image, quality of service, rates of return, or direct marketing.

Promotion Based on Image

Institutions will have to draw from a broad market to build the level of deposits required to (1) provide savings services to low-income clients

Growing the savings base. There are four ways for an institution to grow its savings base:

1. Attract new savers.
2. Persuade savers to put more money into their accounts.
3. Convince savers to use additional savings products.
4. Reduce the number of savings account closings.

on a sustainable basis, and (2) fund a growing loan portfolio. In addition to targeting new savers and first-time savers, savings institutions have to attract net savers from other institutions. Promotions based on image (brand) are the least expensive and most efficient strategy to mobilize savings from both groups.

To compete in the savings market, an institution must project an image of professionalism, safety, and security. Many characteristics define a savings institution's public image, including: mission, vision, number of years in the market, past performance, quality of client relations, physical presence, size, existing client base, local market characteristics, and existing advertising presence. Institutions hoping to attract deposits should include the following elements in their marketing strategies:

- Appealing names;
- Modern logos or symbols;
- Well-trained, capable, and efficient staff;
- Standardized facilities and uniforms;
- A planned advertising effort to reinforce the brand; and
- Attractive facilities.

The appearance of a savings institution's physical structure is extremely important. The institution's building should be constructed with ample windows that allow for views of the surrounding setting and let in natural light. The facility should present a welcoming appearance to visitors. The building should present an attractive façade and have professional signage. Security measures, such as guards, should be clearly visible. Interior spaces should be clean and in good condition, presenting a solid, professional appearance. The service areas should make efficient use of space, particularly in smaller institutions, so that clients feel comfortable coming to the building.

Reinforcing the brand. Managers in a savings institution must consider the broader appeal of its name, logo, and physical presentation. An appealing brand is a great asset to an institution. A good brand conveys a sense of the core business, emphasizing the unique strengths of the institution.

Appealing names. In many countries, the names of credit unions and other MFIs are associated in some way with the original promoters, such as religious institutions or companies. If these institutions are open to the general public or if they will eventually be open to the public, such affiliated names can be counterproductive. For example, if a religious reference is used in naming an MFI, potential clients may think that only members of that particular faith can become clients. Company names, especially if the company is well known, can also be limiting in attracting new clients. Using geographical references in the name of an institution can interfere with future growth beyond the home region.

Attractive logos. An institution's brand—or reputation—is communicated by its logo. Older institutions often have traditional-looking logos and resist changing them. Outdated logos have several characteristics that discourage potential clients. These logos usually consist of a seal, a lot of text, and little color. This type of logo conveys a conservative attitude and behavior. It also connotes traditional values and systems. This may attract older clients, but discourage younger clients. Savings institutions should have logos that will be attractive to savers of all ages and income groups.

When branding an institution, focus groups should be used to identify names and logo designs that would be attractive to a wide range of potential clients. The savings institution will invest heavily to promote its brand in the local market. The continuous process of building a brand image means that it is important for the institution to choose an attractive name and logo at the outset, as a change may devalue the brand image. The criteria that apply to designing and branding products also apply to selecting a name and logo.

Uniformity of presence. Savings institutions may expand through branch offices as they grow and serve larger markets. To reinforce the image of professionalism, safety, and security, it is necessary to maintain a uniform appearance for all buildings. Branch offices should use the same name and signage on the building façade as the main office. Colors and interior design elements (such as teller windows, work surfaces, and office dividers) should be standardized. A uniform presence sends a clear message to clients and potential clients that they can expect consistent quality of service from various points of service.

The image acts as a launching platform for the institution's savings products. Savers want to feel that a professional and secure institution will care for their deposits. If an institution does not have an appealing and trustworthy image, it will have a difficult time attracting savers.

Promotion Based on Quality of Service

The best promotional strategy for savings mobilization is to associate the products with high-quality client service. When competition is based on service, clients become aware of and accustomed to high-quality service. They compare this level of service with that of other financial institutions where they may do business. The comparison reinforces the loyalty of clients of the most service-oriented institution. This reinforcement is continuous and builds over time, giving this marketing strategy a long-term effect. It also opens a wider gap between those institutions that offer high-quality service and those that do not. Clients who are satisfied with the service and treatment provided by the staff of the institution will not move their money for a small difference in interest rates. High-quality service generally includes three aspects: speed, response, and convenience.

Speed. Most savings products require clients to visit the institution frequently to make deposits and withdrawals. Clients want to spend as little time as possible transacting business. Good service saves clients time and effort. It also lowers the transaction costs to the institution. Long waits in lines, not enough tellers, excessive bureaucracy, and bad treatment by the staff are failings common to many financial institutions. If these inconveniences are not addressed and controlled, clients receive a low quality of service and are likely to avoid or stop saving in the institution.

Response. Clients are entitled to accurate responses to their questions and timely solutions to problems. Clients constantly need information, such as the balance of an account or the status of a loan application. Requests for information may be made in person or by telephone, e-mail, post, or fax. Regardless of how they communicate, clients expect complete replies in a reasonable amount of time.

Clients do not always expect immediate solutions to problems, but they do expect their financial institution to keep them informed during the resolution process. Information is an important component of providing high-quality service, yet many MFI managers delay giving clients information about a problem until it is resolved. If clients are not informed about the process of resolving problems, they may feel that the financial institution does not see their problems as serious matters. Research has shown that one of the principal client complaints about financial institutions is a lack of information sharing.

Convenience. Clients want to be able to access financial products in as many ways as possible, as quickly as possible. They want to be able to use the branch offices of an institution, especially if these branches are near homes and workplaces. ATMs and service windows in retail stores are service elements that facilitate client transactions. Savers want access to their deposits and MFIs must respond to this demand for convenience in order to attract savers.

When managers are confident that their savings institution offers speed, response, and convenience, they can market this high quality of service to distinguish their institutions and their savings products from the competition.

Promotion Based on Rates of Return

Another strategy for selling savings products is to promote the unique characteristics of the products. In most cases, interest rates are not the primary reason a client selects a particular savings institution. Generally, savers select an institution based on their assessment of the security and convenience offered. Nevertheless, many financial institutions try to compensate for a lack of soundness by offering high rates of return. Not only does this strategy increase the cost of using the funds deposited, but it may also undermine confidence in the institution. From experience, people know that failed financial institutions have usually paid excessive interest rates on savings. (The only way such institutions can survive for as long as they do is to increase liquidity. To attract the new funds in a short period of time, they must offer unrealistically attractive rates.) Managers should offer rates that are competitive in the market, but not unnecessarily high, which can make the difference between profit and loss.

Alternatively, clients making term deposits look for the best combination of rate, term, and liquidity. Such clients have little loyalty to the institution and may move their money to another institution for as little as a half-point more on the rate of return. As a result, interest rates are important in marketing fixed-term deposits.

Strategy related to rates-versus-terms competition is complex and expensive. It is difficult to implement because doing so depends on several conditions:

- The institution must stay up to date on daily market rates offered by banks and other financial institutions.
- The staff that handles fixed-term deposits must know how to negotiate in such a way to ensure that an attractive rate is paid, but that the rate is not too high relative to the amount and term. Well-trained financial officers are needed because rate-based negotiations are complex.
- The behavior of market rates must be taken into account constantly since the term of the deposit should be defined according to rate expectations. For example, if fixed-term deposit rates tend to rise, the savings institution sets longer terms to try to keep the cost of the money low. If market rates for fixed-term deposits are falling, the institution sets shorter terms to avoid paying higher costs for money than the market demands.

The costs of promoting fixed-term deposits based on interest rates can vary due to these factors. Rate-based promotions should not be used for passbook accounts and other demand products, since users of these products are more concerned with security and convenience than with rates of return.

Managers in a savings institution must select the most appropriate strategy for their specific conditions. The three strategies offer different benefits, and may be best used in combination. The marketing tools presented earlier in this chapter are employed as components of the larger strategy to penetrate the market. A savings institution must have a clear strategy in place to mobilize increased levels of savings.

Branching

One of the greatest limitations of financial institutions is the way funds must be deposited into savings accounts. There are no real substitutes for over-the-counter cash deposits and withdrawals. In some places, clients can deposit checks by mail, but in most countries checking accounts are limited and the mail service is inefficient. ATMs and deposit kiosks can facilitate deposits, but even where they are feasible, deposits are usually limited to checks because clients will not risk placing cash deposits in these machines. Savings institutions that want to expand their outreach do so through branching. Managers in a savings institution determine how many and what types of branches they need to cover a certain area on a cost-effective basis.

The objective of a branching strategy is to cover the widest geographical area possible. Different markets will require different levels of service. An effective and profitable branching strategy is to determine the type of clients and transactions that each branch will handle, and then open the appropriate type of branch that will satisfy the demands of the local market.

Branching can be as simple as setting up a window in a local market, or as complex as setting up a full-service regional office to which other branches report. The first step in branching is for managers to find out about the legal requirements in their country for establishing branch offices. The next step is to determine the size and set-up of the branch. Branching strategies consider geographical coverage, local demand, and institutional capacity. Branches can be categorized as follows:

- **First-level service window:** With one employee, this type of branch offers only teller transactions. It is usually found in local markets, department stores, and grocery stores. This may also be an extended-hours service window attached to a larger branch. The service window reports to a second-level service center, or to the home office.
- **Second-level service center:** This type of branch offers more services than the service window. Clients can make transactions, open accounts, apply for loans, and obtain

information about products and services. The service center has three employees: a teller, a loan officer, and a guard. The loan officer also handles information requests and opens accounts. This multi-purpose officer usually has the managerial authority in the branch. This type of branch can accept loan requests and approve small loans. It must send loan documents to the next branch level or to the main office for processing and it cannot approve large loans. The service center is usually about 50 square meters (450 square feet) in size. It reports to a third-level full-service branch.

- **Third-level full-service branch:** This type of branch is the smallest type of full-service branch. Typically, full-service branches use a minimum of 200 square meters (1,800 square feet) and at least five and a half employees: branch manager, teller, information and account opening officer, loan officer, guard, and a part-time maintenance employee. This branch may support a nearby service window or service center. The full-service branch reports to the fourth-level regional office.
- **Fourth-level regional office:** This type of branch offers full services to clients and manages the activities of first, second, and third-level branches within its geographic region. This office has between 12 and 20 employees, including a regional manager, several loan officers, tellers, and guards, and a full-time maintenance employee. The regional office reports to the main office.
- **Fifth-level main office:** The main office usually has the greatest number of employees. The main office provides full service to clients, manages the regional offices, and oversees activities in the lower-level branches. All other branch levels ultimately report to the main office.

Service windows should be more numerous than service centers, which should be more numerous than full-service branches. Regional offices are few, and there is only one main, or headquarters, office. In this way, geographical coverage is extended, and costs are kept under control. ATMs, deposit kiosks, and interactive kiosks that allow access to account information and payment options are also considered elements of branching.

Within one institution, there are savings mobilization-oriented branches and loan disbursement-oriented branches. Within the branching framework, the loan-oriented branches pay fees to the savings-oriented branches to have access to their funds, which are mobilized to make loans. The cost of the money paid by the loan-oriented branches is considered income for the savings-oriented branches.

Planning

Managers in a savings institution should have a vision for the future and a long-term development strategy to reach that vision. The long-term development strategy is broken down into short-term strategic actions that, through effective planning, work together to achieve the broader vision.

Long-term Planning

Planning for the future means managers must think about how the institution will adapt savings products in a continually changing environment. A long-term perspective can incorporate many variables and yield important insights:

- **Banking technology:** The tendency to migrate to plastic money (using a magnetic strip or an "intelligent" chip) is inevitable. Every year an increasing number of financial transactions take place in the home or workplace.
- **Access to a global banking network:** Financial institutions are becoming global. Globalization implies that international standards must be considered and introduced along with new products (for example, BIN in debit and credit cards, ABA routing numbers, and three-digit verification in debit and credit cards).
- **Development phases:** Long-term planning requires phased strategies. Each long-term strategy should be broken into manageable phases. Results should be measured on a regular basis, with established performance targets.

Projecting the long-term evolution of the financial market is closely related to new product development, since changing patterns of collective behavior affect how new products are received in the market. Research conducted on national financial market behavior will help managers to better understand market trends.

Short-term Planning

On a short-term basis, planning efforts must consider: existing infrastructure and organizational development, financial resources for investment in infrastructure, and product adjustment and evolution.

Existing infrastructure and organizational development. The planning process must consider the infrastructure needed to manage savings products and services. This includes physical facilities, technology, and human resources, all combined to produce optimal performance. As markets evolve, the organization must adapt to ensure its continued stability and profitability.

Financial resources for investment in infrastructure. Changing times and evolving markets require investment in new infrastructure. When the time comes to invest, resources must be available. The healthiest way to provide for future investment in infrastructure is to create reserves. When the provisions for infrastructure investments are taken as expenses, the cost of delivering the financial products remains unaffected.

Product adjustment and evolution. Products under development and existing products must be evaluated continuously to determine if they are affected by changing market conditions. Products should (1) address client demands, and (2) maintain the profitability of the institution. Based on the results of this constant evaluation, adjustments should be made throughout the product life cycle to keep products attractive.

All short-term planning should be considered within the framework of the institution's long-term development plan. Coordination of short-term strategies and long-term strategies helps to avoid costly mistakes or redundancies.

Marketing Planning

When planning for marketing programs, managers should keep in mind their long-term strategic plan for the institution. The strategic plan sets the goals for the organization; marketing is a vehicle for meeting those goals. There are three steps to marketing planning: goal setting, budgeting, and follow-up and control.

Goal-setting. Goal-setting for savings mobilization begins by analyzing past activity (at least three years) of each savings product. This allows the institution to project realistic goals for the coming year. Projections should include seasonal fluctuations. The savings institution can expect its savings portfolio to increase or decrease depending on the rates it offers. Business planning software allows the institution to experiment with various combinations of rates, income, and expenses to create an annual plan. Growth targets should take into account the anticipated increase in savings mobilized as a result of marketing efforts, such as promotions, new product launches, sales, and cross sales.

Once managers have defined the goals and business plan for the year, they can work with the marketing department to develop an annual marketing plan. The marketing plan should be broken down into detailed activities. Each activity should be listed with the information about who is responsible for implementation, when it should occur, and what the deliverable or outcome should be.

Budgeting. The first step in budgeting is to define the cost of each activity included in the marketing plan. Budgeting will help managers to determine if the marketing plan is feasible. If the plan is not financially feasible, managers should reorganize activities and priorities until they devise an achievable marketing plan. A strict monthly accounting of marketing costs and benefits should be kept to monitor implementation of the plan.

An important aspect of the budgeting process is cost reduction. If the savings institution cannot afford to carry out its entire marketing plan, managers should eliminate certain activities rather than cut the budgets of all activities. Severe cost reductions can lead to ineffective marketing activities with poor results. It is better to fully fund some activities and eliminate others or defer them to the following year, so that the activities implemented are effective. Managers should work with the marketing department to evaluate the effects of cutting marketing activities from the budget.

Follow-up and control. The effectiveness of a marketing plan must be measured regularly to determine (1) if the activities are being implemented, and (2) what the savings institution has gained in the way of additional sales, savings, or new clients. In other words, managers need to evaluate how the marketing plan helps the institution reach its strategic goals. If the marketing plan is not meeting its goals or furthering the strategic goals of the institution, managers must work with the marketing department to assess the reasons for this and adjust the marketing plan as appropriate.

Profitability Planning

All products must be profitable in a self-sustaining institution, even those that target the poorest economic sectors. Each product adds to or deducts from the financial health of the institution. Readers should keep in mind that no new financial product is immediately profitable. Each new product requires time to reach a break-even point for two reasons:

1. The product must achieve a profitable volume of accounts or level of operations; and
2. It must recoup the cost of launching it.

Developing a break-even model. There are two ways to determine the financial results related to savings mobilization and lending portfolio growth:

1. Calculate the break-even point. Determine the fixed costs, define the financial costs and income, and then determine

Breaking even on youth savings. Youth savings presents the most extreme case of time required to reach the break-even point. Youth accounts usually have low balances, pay low interest rates, and have few transactions. The margins on these accounts are very small. However, when the owner of the account reaches the legal age of client status (usually 18 years old), he or she may transfer the account into another product that does generate income for the institution. In this case, the product may have taken 20 years to reach the break-even point, but it does become profitable. Meanwhile, maintaining the product has engendered brand loyalty in the account holder and maybe in his or her parents. It may also create new business in other areas if the client, now an adult, uses additional products and services offered by the institution.

the level of activity required to reach the break-even point at anticipated rates. Subtract the actual portfolio from the required portfolio balance. The difference will provide the short-term targets for savings mobilization and lending.

2. Analyze the profit and loss for a given level of the portfolio's balance, for both savings mobilization and lending. This method of analysis will yield the approximate break-even point.

Developing a break-even point model is essential to understand what the numbers reflect and to arrive at achievable goals for both savings and lending.

Measuring Profitability. There are two ways to measure profitability:

1. Prepare a statement of balances on hand (such as issuing a financial statement), or
2. Prepare an analysis of profit or loss (time series analysis).

The time series analysis will provide a better analysis than a statement of balances on hand as to whether a product breaks even. The eventual profit or loss will depend on the volume of accounts, loans, or operations growth over time. A time series analysis enables managers to determine when the product will reach the break-even point. With this information, managers can set achievable targets in their short-term strategies and maintain realistic goals over the long term.

Managing Growth

As a financial institution grows, its quality of service will decline unless the institution focuses on maintaining the level of quality through staff training and use of technology. Financial institutions must grow to produce significant profit. Managing this growth will depend on the efficient use of the installed capacity.

A simple example clarifies the issue: An employee in a financial institution waits on clients and the public in a new branch. Over the course of several months, perhaps years, the employee will serve a growing number of clients. Waiting on clients will progressively occupy more of the employee's time. Initially, the employee may have to attend to other tasks, but the time devoted to these other tasks will diminish as the employee devotes himself or herself to the main task of attending to client needs. The employee's capacity is reached when he or she has to handle the maximum number of clients possible without making those clients wait an excessive amount of time. If no other employees are hired to serve clients, the quality of service will decrease, no matter how much effort the employee makes. Client waiting time will increase, and unconsciously the employee will try to accelerate interactions with clients to cope with the mounting pressure. The installed capacity, in this case the employee, is less expensive to maintain because it has reached its limit. If another employee is hired, the cost of both employees for every client contact will rise because two are now doing the same work that was done by the first employee. Each employee is working at half his or her capacity, but both are receiving a full salary. Initially, there are not enough clients to occupy both employees full time, so the cycle begins again. Other tasks are assigned to both employees to fill their working hours.

Traditionally, financial institutions have coped with this issue by waiting for the workload to exceed the limits of their workers' capacity before hiring new staff. Waiting to hire more staff is a risk, however, because the point at which the quality of service begins to deteriorate is not always clear. Another way to cope with the problem is to be flexible in the use of staff time. Other employees whose main job is not attending to clients can serve as a reserve during peak business hours. The administrative work normally done by these employees can wait; savers cannot and will not wait. The issue is how to manage the situation created by the limits of installed capacity without diminishing client service.

Financial institutions can maintain high-quality client service while growing in several ways:

- Automating information management and other processes;
- Training staff to spend less time transacting business (staff should be trained to keep contact time to a minimum);
- Continually training staff members in client relations, and training them to be friendly and courteous at all times;
- Determining the maximum workload that each employee can handle before quality of service is affected (this maintains the optimal cost of each employee for the longest possible time); and
- Finding the balance between marginal costs and future growth provisions, in terms of equipment and installations.

If an institution mounts an effective savings mobilization program with innovative products and effective marketing, it will increase the number of clients and the volume of funds coming in and going out. Maintaining high-quality service will be challenging, but it is essential to continued growth in savings.

Conclusion

Good product offerings and effective marketing are the cornerstones of a successful savings mobilization program. While it is necessary, it is no longer sufficient for institutions to present an image of trustworthiness and security to attract savings. Once they establish solid brands (reputations), MFIs must offer the products and services that clients demand in order to attract their savings.

The first step in product development is to evaluate existing products. Managers in a savings institution must ask themselves if their products address client demands. The product life cycle model—launch, growth, maturity, and decay—is a useful framework for evaluating existing products. Each phase of the model has particular strategies that can be applied to lengthen the life of the product. Various sources of information can be used to evaluate existing products. They include client complaints, staff observations, market research, competitor activities, and national financial market behavior.

If managers determine that the existing savings products do not meet client demands, then they should initiate the new product development process. New product development requires market research to determine if there is sufficient demand to support the product; designing and testing of a new concept to refine the product; and promoting the new product.

Products must be well managed. The basis for effective product management is the product manual. The product manual maintains detailed information in a standardized format about every product or service offered by the institution. Each section of the manual should include a general description and a detailed description of the product. The detailed description should include information on contracts and rules; forms, processes, and procedures; packaging; marketing and promotion; and profit and loss simulation models.

Marketing is the next step. The essential marketing tools include sales and cross-selling, selling in the field, media advertising, point-of-sale advertising, direct marketing and promotions. Each institution must evaluate the local market and its own resources to determine which marketing tools and strategies will be most effective.

Different promotional strategies may be employed to penetrate the local market. Savings institutions may decide to promote their products and services based on image, product differentiation, or quality of service. The three strategies offer different strengths; managers may implement them in some combination. A focus on good client relations provides a foundation for other marketing strategies. Staff training and use of client relations management (CRM) systems promote high-quality client services.

Institutions can cover a large geographic area in a cost-effective manner through using branches. There are five levels of branches: service windows, service centers, full-service branches, regional offices, and the main office. Each branch provides a different level of service, depending on the demands of the local market. Branching strategies should consider geographical coverage, local demand, and institutional capacity.

Effective planning enables managers to fit marketing and savings mobilization programs within the broader goals of the institution. Long-term planning provides the overarching vision of the institution. Short-term planning considers existing infrastructure and organizational development; financial resources for investment; and product adjustment and evolution. Marketing planning, which includes goal setting, budgeting, and follow-up, supports the short-term and long-term goals of the institution. Profitability should be considered in all levels of planning. As the savings program grows, managers will need to actively manage the growth of the institution to ensure that the quality of service is not compromised.

Savings product development and marketing is a continuous process in a financial institution. An institution should have a core group of products that meet basic savings demands of the local market. In order for an institution to remain competitive, it must constantly evaluate these products to ensure that they continue to meet the demands of an evolving financial marketplace. All savings products—existing and new—should be marketed using well-developed tools and according to well-defined promotional strategies.