

MARKET RESEARCH FOR SME FINANCE



By Anne Marie
Van Swinderen

> INTRODUCTION

Many Financial Institutions (FIs) that serve the smaller business (SME) segment of the market are not doing so very effectively and need to better familiarise themselves with the financing needs and priorities of this group of clients. Even those FIs that have worked in this part of the market for a long time, often make the error of assuming that SMEs needs are all the same and/ or their needs are not very different from those of corporate clients. SMEs are a “mixed bag” and consequently their needs can be extremely diverse.

Most FIs have not segmented their SME portfolio sufficiently to understand better the different types

of smaller businesses they have as customers and how they as an FI can help these smaller businesses to grow. Good market research can help break down the myths and assumptions that surround SMEs and increase the FIs’ knowledge about the circumstances of SMEs and the exact dynamics of their demand for financial services. This is critical if FIs are to maintain and grow their SME book and stay competitive in what is an increasingly competitive part of the financial services market place.

This Technical Note (TN) is not about market research per se, as this is a large and well documented topic area. Instead the discussion will focus on market research within the frame of financial services to the SME market in Kenya and primarily the banks servicing this market.

The TN should be read in conjunction with several other related GrowthCap TNs where undertaking SME market research is an integral part of the activity discussed, for example the TNs on segmentation and value proposition, new product development and data mining.

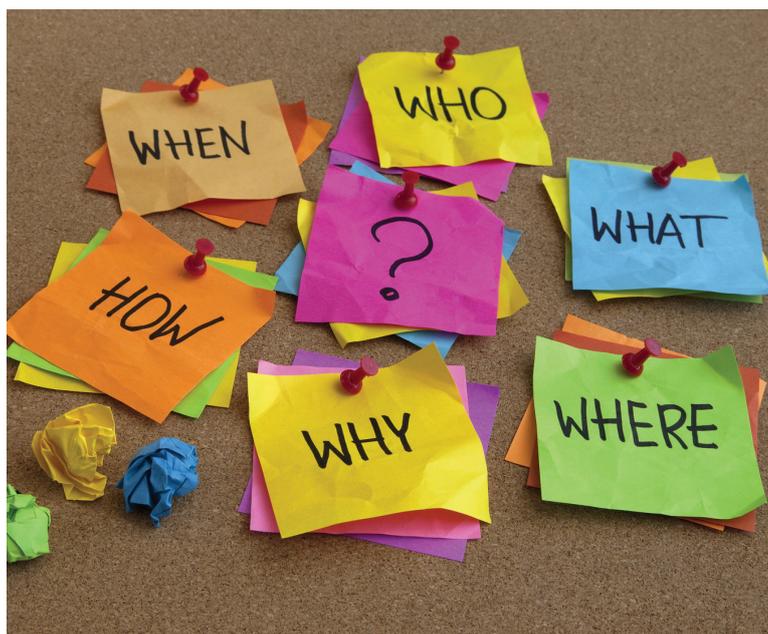
About GrowthCap

Over the past few years FSDK has been at the forefront of SME banking development through conducting market assessments and studies in areas such as trade finance and SME equity funds, as well as supporting development of the credit reference bureau. Through its partnerships with its Action Research Partners (ARPs), FSDK’s GrowthCap initiative is supporting adoption of SME best practices by individual financialservice providers.

This paper is part of a series of Technical Notes and Resource kits that are being developed out of work with the ARPs. These provide detailed information about the best practices and are intended for use by financial service providers and those supporting such institutions which are entering the SME market.

Abstract

This Technical Note discusses about approaches and methods for market research on SME clients as well as how to plan and implement successful market research. Implementing SME market research can assist financial institutions to better understand the diverse group of SME clients, may help them serve the various types of clients better and develop appropriate financial products.



Market research aims to answer the 5 W questions: Where, What, When, Who and Why.

> WHAT IS SME MARKET RESEARCH?

Market research is the act of investigating the demand for certain products or services or “The process of assessing the viability of a new product or service through techniques such as surveys, product testing and focus groups. Market research allows a company to discover who their target market is and what these consumers think about a product or service before it becomes available to the public.”¹

Market research tends to focus on demand, which in the case of research on SMEs could either look at 1) the current demand for financial services from existing clients e.g. who borrows what amount, from whom and 2) potential demand from existing and/or new customers e.g. which financial challenges do people have that are currently not satisfactorily attended to.

Market research aims to answer the 5 W questions: Where, What, When, Who and Why. Using these basic questions throughout a research assignment helps to focus the work as well as communicate with those using the findings generated by the research.

For many the word “research” has a rather formal or even academic connotation. In practice market research typically involves much more applied and focused research which is often termed action research. It is usually more dynamic,

¹ see <http://www.investopedia.com/terms/m/market-research.asp>

practical and undertaken over a shorter period than what is seen as more traditional academic research undertakings.

Market research for FIs evaluating SMEs can take many different forms. It can range from very informal small sample based activities undertaken for a department within a FI through to more formal large sample surveys of a FI's entire existing client portfolio. At the informal end of the market research spectrum, the activity could simply involve processing the experiences of bank staff from their day to day interactions with current clients and deducing lessons about demand i.e. lessons learned from ‘normal’ work activities and not undertaking any specific additional activities.

On the formal end of the spectrum FIs frequently hire external market research companies to conduct specific research activities such as surveys of different client groups, for example customer satisfaction surveys with existing clients or assessing the demand for a new product amongst non clients.

There is a multitude of options and combinations of market research approaches that can be used.

> WHY IS MARKET RESEARCH IMPORTANT?

The increased knowledge and understanding of SMEs that comes from market research is important for FIs if they are to provide appropriate and profitable services to this segment of the business market. The prime benefits of good quality market research in this respect are:

- Learning why some services are adopted and why some are not.
- Learning what aspects of services clients appreciate and which need improvement.
- Avoiding rolling out loss making products and reducing risks.
- Knowing and understanding how to offer a product:
 - Brand price, channel, and promotion;
 - Which segment to target;
 - What will be the decisive elements to bring about adoption and which elements will be secondary (e.g. whether price-sensitive or more speed-sensitive).
- Knowing how to best design the customer interface as well as the related ICT.

- Knowing how to make incremental change (make small adjustments to current services) to make these increasingly attractive.
- Knowing emerging trends, what is in demand and what is not, changing lifestyles, competition, attitudes, etc.
- Understanding the competitive landscape.

> TYPES OF MARKET RESEARCH

The main components that distinguish different forms of market research are:

- **Purpose** - for better understanding - such as what are the priorities for certain SME segments - or testing an idea / reaction to a proposed new product or service.
- Quantitative and qualitative approaches:
 - **Quantitative:** largely surveys - face to face, telephone and remote, primarily electronic based;
 - **Qualitative:** small group discussions - focus

groups, panels, in-depth individual interviews, expert interviews, mystery shopping (customer experience evaluation) and other qualitative methods.

- **Small/large samples** - usually smaller groups (up to 20) of clients or non-clients for qualitative approaches and larger sample (100s or 1000s) for achieving a representative sample and identifying exact projections and incidences.
- **Incremental methods versus a pre-defined methodology** where additional action research activities take place incrementally building upon the lessons from previous research.
- **Using primary or secondary data** - analysis of data that exists already or can be generated from a management information system or other bank processes versus findings from clients' and non-clients' responses surveys purposely designed to gather specific information.
- **Internal /external delivery** - internal undertaken by FI staff or self-reported as compared to an external agency undertaking surveys and or interviews, or indeed a combination of both these options.



Market research for FIs evaluating SMEs can take many different forms ranging from very informal small sample based activities to more formal large sample surveys of a FI's entire existing client portfolio.





> RESEARCHING SMES AND THEIR FINANCIAL NEEDS

Clearly there are many ways in which FIs can engage in market research to better understand their existing and or any potential new SME clients. It is not the place of this Note to discuss all of these options. However, there are some forms of research that are commonly used by banks and other FIs to explore the views and needs of smaller businesses.

5.1 TYPICAL RESEARCH APPROACHES

The table below presents an overview of the common forms of market research used when seeking to better understand the views, experiences and differing needs of varying SME segments as regards finance.

Methodology	Research Type	To tackle these type of questions
Data mining	Quantitative	Identify current client behaviour, e.g. how many clients are repeat clients, which clients more likely to be repeat clients, profile of defaulters/ correlation between certain features and good repayment. It is usually best to start this type of analysis before deciding to conduct further research.
Competition analysis	Qualitative and Quantitative	Global issues about the SME market, market trends (e.g. what type of products have growing demand), brand image (e.g. under which names are SME products available and which appeal), identifying the advantages of competitors and where there are potential gaps in the market. The feelings and emotions evoked by different financial institutions. For example, one FI may be found to be warm and welcoming while another one may be considered snobbish. Unstructured questioning can allow the researcher to explore the subconscious views of respondents and pick up issues that were not previously identified.
Capturing learning from staff client interaction	Qualitative and quantitative	An approach that should be used continuously to maximise lessons from staff knowledge and experience. Staff members can carry a lot of client knowledge in their heads. Capturing and synthesising this knowledge can give valid insights on clients for a relatively low cost. For example data captured from this group can help answer: What type of products are most attractive, what is attractive/unattractive out of the current product offerings, what is clear/unclear about current product offerings, Which features do or would clients appreciate – i.e. which client segments would appreciate which features.
Focus group discussions	Qualitative	An approach to get clients views and ideas. The discussion element of focus groups in particular offers possibilities for receiving suggestions on how to improve things. Focus Group discussions can also be used to test whether a new product idea is indeed attractive and how to increase its attractiveness, how to name it, how to offer it. It can also be used to investigate a current product offering and how to improve it as well as in the early stages of product development, for example to help identify unmet needs: An FI may judge that SMEs need various forms of receiving payments such as a credit-card, mobile wallet, internet payments, but they first need to test out this hypothesis.
Panel discussions with clients	Qualitative	This approach is quite similar to a focus group discussion, the difference being the way the group is set up. Typically there is an audience. This approach can be useful for large number of FI staff to learn quickly about experiences of clients and how services can be improved to clients. A panel discussion is usually not the first form in which a client is asked to give a contribution. They normally have taken part in a focus group discussion initially and from this it is clear what type experiences and insights that person can offer which are then explored in a more targeted panel discussion.

Methodology	Research Type	To tackle these type of questions
Client satisfaction survey	Quantitative	<p>A simple tool where each client or sample of clients can be asked a number of questions after receiving a service or after a period of time after receiving a service. There are a range of options for conducting such surveys e.g. very simply clients could be given a form to complete or more interactively clients could be asked questions by staff who have just served them. Alternatively clients could receive a survey via email or they could be interviewed by independent interviewers while in the bank or via telephone. These surveys can be any length, e.g. just 1 question rating a service or up to 50 questions asking about a range of different issues.</p> <p>The satisfaction questions are usually aggregated to come up with a satisfaction or delight index.</p> <p>Customer experience is sometimes documented through a process termed journey mapping where the researchers document the businesses' feelings while using various products or processes.</p>
Client survey	Quantitative	<p>This tool is similar to the client satisfaction survey, but focuses on a number of issues not simply satisfaction. For instance it can answer questions about "what type of clients do we have at the moment?" "How did our clients hear about us?" or "Do our clients bank with others simultaneously or not?"</p> <p>This is usually conducted periodically; say monthly, quarterly or semi-annually. It can serve to compare satisfaction levels at different times.</p>
General/non-client survey	Quantitative	<p>An approach to find out about the market in general (or about segments of the market). It can help answer any number of questions about the market, e.g. brand recognition of the FI and its products, image of the FI, what type of people use which competitor FIs and why, what would be reasons to switch FIs, what are the main considerations when they selected their current FI, level of satisfaction with current FI.</p>
Mystery shopping	Qualitative	<p>This is an approach where a trained researcher goes to the bank hall, contacts the call centre and or writes emails / letters posing as a customer. The researcher uses the experience to document service quality, response times, warmth, staff attitude and the overall bank environment. The responses are usually standardised and documented in some form of score sheet to compare performance of different branches, times, employees etc. Some FIs use this to identify and reward employees who provide star service. The process of mystery shopping involves the shoppers presenting as different scenarios to assess different processes e.g. account opening, branch service level, SME financing options etc.</p>
Brand Image survey	Qualitative and quantitative	<p>This approach can use a mix of approaches. Qualitative approaches include focus group discussions and in-depth interviews involving indirect questions. An example is a personification test where the respondent is asked to visualise the brand as a person and this image is used to better understand how the brand personality is perceived. The more quantitative approaches involve asking a sample of customers a number of scaled question relating to the brand. These types of survey help inform the brand manager when to rebrand or re-energise the brand. This survey is repeated at different times in what is referred to as brand tracking.</p>
Culture Survey	Qualitative and quantitative	<p>This approach uses a mix of approaches including mystery shopping. It is normally done when the FI is undergoing culture change.</p>
Usage and attitude survey	Qualitative and quantitative	<p>This approach uses a mix of approaches. It focuses on the 5W questions. Where, What, When, Who and Why.</p>



5.2 KEY STEPS TO DESIGNING ANY MARKET RESEARCH

The key steps involved in designing and undertaking any market research include the following:

- I. Identify the purpose for the market research;
- II. Identify the main themes to be addressed by the research;
- III. Identify the hypotheses / assumptions that need to be tested;
- IV. Agree on the methods/approaches that will be used to address the above;
- V. Formulate the questions to respondents or use MIS data / other secondary data sources to test your assumptions;
- VI. Identify which tools are needed in order to gather the data needed to answer these the questions (this is often a mixture of tools, e.g. surveys with non-clients or clients, in-depth interviews with a few typical clients, focus groups etc);
- VII. Design each of the tools in detail;
- VIII. Develop guidelines for the implementation of the tools and deliver training to those who will be implementing the tools;
- IX. Design data processing of the results from the tools (it is important to do this before actually rolling out the research, because the data processing design helps define what is the core data needed and what is unnecessary data collection);
- X. Establish the implementation plan: time-line, team composition, Terms of Reference and conditions (the latter being particularly important when external firms are used), responsibilities/ task division, time-dedication per team-member, deliverables, deadlines for deliverables).

Within this list the 3 three factors for consideration are:

- **Purpose** - what are you trying to find out? For example what is the gap in the FI's understanding of demand and why would this knowledge improve the FI's effectiveness?
- **Assumptions** - what assumptions can you make about what you are researching? What do you already know and what do you not know? For example what is assumed to be the demand for products and services and why.

- **Target audience** - who do you want or need to be talking with to answer these questions? Which SMEs do you need to be talking with? Do you need to be talking to anyone else, e.g. members of staff dealing with these customers?

5.3 REACHING THE TARGET AUDIENCE AND ASKING THE RIGHT QUESTIONS

Typically an FI will have a large number different types of questions it wants answered. Market research often requires a combination of methods to capture data that will be able to answer all the questions adequately.

Questions asked that are formulated appropriately are important to making a market research exercise successful. Usually a mix of both open questions (what do you feel is your greatest business challenge at the moment?) and closed questions (how many years have you been trading?) are used in market research. Open questions, as the name suggests, are good at helping people open up and start exploring a topic. Closed questions are needed when you want clear facts or want data that can be rated, counted and compared.

It is important that senior staff are involved in devising questions in any market research as they will bring their valuable insight into how client and potential client businesses can be approached, how best to pose questions, (especially those concerning sensitive information) and how they are likely to respond to questions.

A large list of questions should be avoided in any research approach as there is a danger that your research will suffer from a lack of focus. Nor should the market research questions be formulated too narrowly as this may result in tunnel vision for the research and important opportunities or issues may be missed.

It is important to distinguish between questions at the organizational level, i.e. the questions the FI wants to be answered, and the questions that will be posed directly to respondents (users and potential users of the financial services).

Good results can be obtained by defining themes to be investigated, formulating assumptions or "hypotheses" about demand features. Then and only then formulate the questions for the research participants in line with these assumptions. An example of part of a market research assumptions matrix is displayed overleaf:

Theme	Assumptions	Direct questions	Where to obtain information
Financial literacy/ awareness about financial products	Many SMEs are not aware of invoice discounting or factoring and do not realise that their invoices for delivered goods could serve as collateral for short-term credit.	<ul style="list-style-type: none"> Do you know what factoring or invoice discounting is? Do you sometimes have a confirmed invoice but still have to wait for payment? Would you be interested in using these invoices to obtain credit? 	<ul style="list-style-type: none"> SMEs that sell to larger, established buyers who can serve as anchor for invoice discounting/factoring. Following the contacts of a value-chain can be a good approach to find relevant SMEs.
	SMEs have seldom heard of “lease back” as a financial product, which leads to SMEs missing out on accessing liquidity or investment funds.	<ul style="list-style-type: none"> Do you use any machines or equipment for your business? Is this equipment owned by you, or do you have credit on it, or is it leased? (if owned) Does this equipment have resell value and how much? (if yes) Are you aware that you could sell this item to a financial institution to raise capital? Then you could lease it back from the financial institution. 	<ul style="list-style-type: none"> SMEs that are in manufacturing and use machines (including bakeries, garments, etc) and SMEs that have transport activities with motorised vehicles.

5.3 CONDUCTING THE RESEARCH

Effective implementation depends on having a clear and realistic implementation plan. In the case of an external party executing the market research, the FI needs to go through a procurement process to identify the best proposal and subsequently carefully monitor its implementation. In most market research the FI’s internal staff is responsible at least for part of the implementation. It is important to assign a supervisor for such activities who can ensure that all contributors (both internal and external) deliver according to the plan.

As mentioned earlier it is important that each aspect of conducting any market research exercise has a clear and transparent purpose. To help with this it is useful before the research begins to bring together all of those involved for a briefing session and if they need it some training in order to conduct the research effectively. In this way, all involved in market research data collection have a clear picture of the overall plan and purpose, they know how their contribution fits in the overall picture and they are equipped with the knowledge and skills to fulfill their role.

Good communication within the team and from the team to the staff throughout the implementation period is critical for ensuring positive effective market research outcomes. If senior staff members are periodically informed about progress and the type of activities taking place, then they will be primed to expect the market research results and this makes it more likely that the results will be communicated across the organisation and will benefit senior decision making.

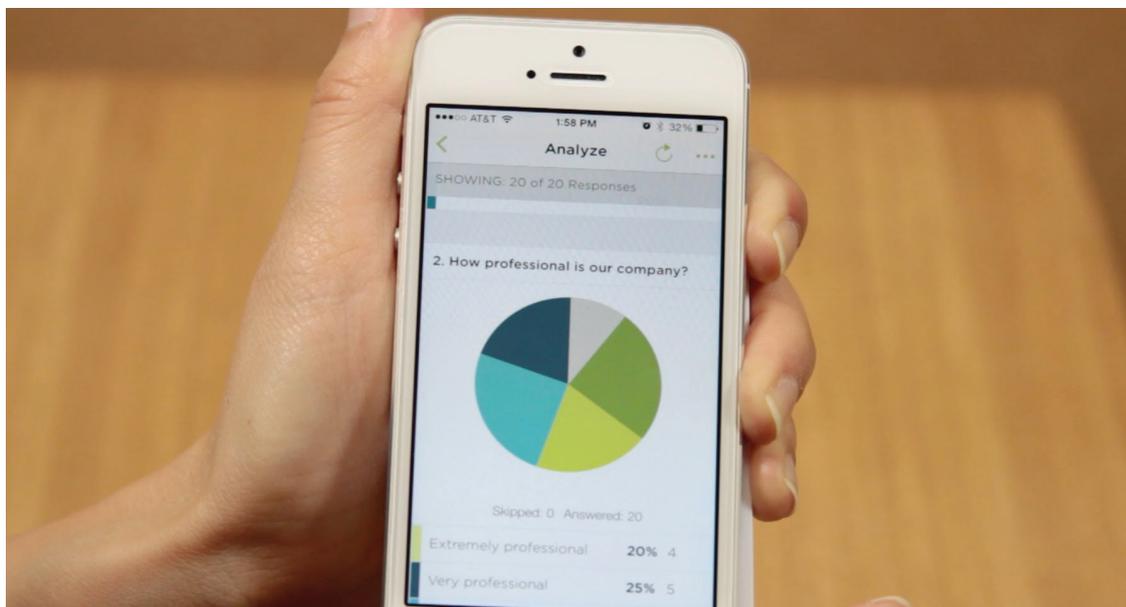
Technology supports effective market research implementation

Technological developments have meant that market research activities have become increasingly cost effective to undertake. Technology not only lowers the cost of actually collecting data, but also access to analytical software and processing capacity of computers has meant that data can be analysed more easily and more value can be extracted from the same data. A major development is that market research can now be done in digital format which overcomes virtually all the drawbacks of paper-based surveys. Paper-based surveys require manual inputting of the data (with risk of loss of data and errors) and are prone to inconsistent or incomplete data capture, for example a question that was supposed to be asked was skipped. Also paper-based surveys can only have straightforward scripting while digital surveys with very sophisticated streaming can capture very rich data. In addition, digital surveys can provide instant data access, automated reporting and geographic information capture to show where each questionnaire was administered.

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Online survey programmes help the user to develop questions and provide options on how these questions can be asked.



Software for market research

There is a range of cost effective and accessible software packages which enable organisations to conduct market research themselves. The two main forms of software are: computer and/or web-based and smart-phone or tablet based.

There are various web-based survey development software programmes which make it very easy to design and conduct different forms of electronic surveys. Survey Monkey², one of the most well known programmes, helps the user to develop questions and provides options on how these questions can be asked – single-answer multiple choice, multi-selection multiple choice, scales (e.g. rating a product on a scale of 1 to 5), grid questions and open-ended questions. The survey can then be sent via email to respondents, who can easily answer the survey online via a web-link. The software then processes all responses and the information can be downloaded from the Survey Monkey server in different formats. While Survey Monkey and other such software make designing electronic surveys easier they do not guarantee responses to your surveys. The widespread use of electronic surveys means that they can have very low response rates. If large percentages of your selected respondents fail to respond then this can bias the results of your survey as those who do respond cannot be assumed to be representative for all the respondents that were approached.

There is a number of smart-phone based survey software packages available, most of which provide the ability to do

² <https://www.surveymonkey.com/>

computer assisted personal interviews (CAPI). These packages have additional cost implications, because you need to hire interviewers or dedicate staff time to actually conduct the interviews. Moreover, this software is not as straightforward to use as Survey Monkey and therefore requires some investment both skill and time wise to work out how to script the questions and prepare the survey. The big advantage of these CAPI type tools over Survey Monkey type software is that you or your interviewers have more control over the resulting respondents and the quality of the data collected. In the experience of the author, some organisations have started from scratch with CAPI market research tools and achieved good levels of market research and competence in use of the data within just six months.

5.4 ANALYSING RESEARCH FINDINGS

Data analysis packages

Traditionally large data has been analysed using database software packages which require people to develop specialist skills to use them. Examples of these include Microsoft's ACCESS software and IBM's SPSS statistics software. However over the past years, standard computer programmes like Microsoft Excel have developed to such an extent, that a great deal of basic data analysis can be done within this Programme. With a crash-course of just 2 to 3 hours, staff can be taught to undertake basic data processing and data analysis work. Only the most advanced and complex correlations will require the more sophisticated programmes. Excel can also be scripted and

deliver graphs for data collected through most methods of basic market research.

Qualitative data processing

Traditionally, qualitative data by the nature of its richness and complexity, can become unwieldy very quickly and by comparison with quantitative data is very time-consuming to process manually. An open-ended question with just 20 responses will easily take a couple of hours to turn into useful and manageable information. The level of skills required for processing qualitative information is also higher and the skills tend to require more practice than quantitative skills in order to produce meaningful and consistent information.

However there are now software packages such as NVivo ATLAS.ti, NUD-IST and open source QDA that can help a researcher browse through, order and analyse qualitative data, responses to open-ended questions, audio responses and even videos. These packages can provide accurate summaries of key themes, words or topics from qualitative data. They can give you frequencies, word counts, cross-tabulate different responses from different segments and provide summary tables. Such packages make it faster for the researcher to combine information from the discussion transcripts. There is also a wide range of tools and software packages for social media analytics which review comments on social media that can be captured, analysed and even responded to very quickly.

> THE COMMON PITFALLS IN SME MARKET

To be effective and meaningful any market research exercise needs to have a clear purpose: to use appropriate and well designed research methodologies suited to the target group being researched and ensure that all data collection and analysis is undertaken to a high standard. Poor quality market research can lead to FIs drawing wrong conclusions - rejecting products or delivery improvements that could have been very useful and profitable and vice versa. Sub-standard market research may also lead an FI to adapt or introduce products that really have little value and could cost the institution time, money and credibility in the market place.

Poor market research can occur for many reasons but some of the most common problems experienced by FIs undertaking SME research are as follows:

6.1 LACK OF A CLEAR PURPOSE AND PLAN FOR THE RESEARCH

It is seldom useful to undertake research based on a general feeling that the FI needs to 'know more about the market'. This is too general and leads to ineffective research and a waste of resources. It is critical that an FI has a clear plan for why they want what information from whom and what they will do with this information once it is collected.

6.2 A POOR BRIEF FOR THE RESEARCH

A clear plan needs to be translated into a clear research brief especially if someone external to the organisation is being contracted to do the research. If the client does not give a proper research brief to those who are carrying out the research the data collected may not serve any purpose. It is the task of the market-research expert to carefully guide the client to formulate a clear brief and to manage their expectations.

The quality of the market research results also strongly depends on the briefing of research assistants and enumerators. If the researcher fails to fully brief the research assistants or data analysts, the data reliability may be severely challenged.



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6.3 NOT FIRST CHECKING EXISTING DATA

Before undertaking any new data collection it is important to check that such information doesn't already exist within the institution. Often FIs have useful client information sitting in their files and MIS systems but are not aware of or able to access and use this data in a meaningful way. Senior level staff members often ask for more and different data to be collected without having checked that they don't already have this data – albeit sometimes in another department. The result is that FIs have a large amount of data that is not analysed and translated into useful management information and new market research data collection merely adds to this stock.

6.4 POOR RESEARCH DESIGN

Another factor leading to low quality market research is that the research design is inadequate. For example:

Poorly worded and delivered questions: The research may be based on a survey with leading questions. E.g. when asking "Would you like to have access to a mobile wallet that is completely free of charge?" many people are likely to answer "yes". This question leads people with the comment 'free of charge' and people will tend to say yes. Such a question doesn't give you a realistic picture of whether people will adopt this product especially if there are other factors involved such as if they find the process to open such an account complicated and time-consuming. In general, it is very difficult to get market indications about the potential adoption of new products, particularly if they are drastically different from the existing offer. Getting such information requires a number of different

questions that are carefully designed in what they ask and how they are asked.

Poor sampling and unrepresentative respondents:

Doing market research with SMEs is extremely difficult as they seldom have time and often do not see any value for their business in answering questions. This is particularly so if the questions are not addressing any specific problems that their business is facing at the time. So attracting enough SMEs and enough of the particular type of SMEs you want to question is always a challenge.

One solution used is to pay SMEs for participating. However this can lead to bias –skewing the respondents to those SMEs that can be "bought" to complete a survey or participate in a focus group discussion. SMEs that are sensitive to this type of payment are likely to be SMEs that are less occupied hence probably less profitable and successful. Owners of thriving and expanding SMEs would need a far higher financial compensation or feel that participating would benefit their business in some way to justify the time spent as a market research respondent. It is better to try and incentivise participants in other ways e.g. by providing an advisory programme in exchange for participation or a trade exchange with other SMEs – essentially business development opportunities for the SMEs.

Too narrow market research: In some cases the FIs pursue too limited or too narrow a market research approach that is based purely on what they see as the problems or opportunities from the FI's perspective. For example a FI may have one question in mind (e.g. would our clients appreciate more flexibility in loan repayment and are they prepared to pay a higher fee for this). They may very well get a straight answer to this one question, but they will potentially miss the opportunity to find out whether this is seen as an important issue for the SMEs and whether there may be a number of other services that could have had more significant benefit for both the SMEs and the FI.

6.5 POOR ANALYSIS OF THE FINDINGS

Extracting meaning from market research data and converting this into useful management information for making relevant strategic and operational recommendations requires high analytical skills and practical, customer orientation. It is not uncommon for an FI to have commissioned good market research from an external market research company and then not know what to do with the findings.

There are so many examples of market research reports, particularly if they are comprehensive, just being ignored, left in a drawer with no follow up. Different factors may play a role here.

- **Lack of skills.** Staff may simply not have the skills and the experience to translate the findings into concrete, practical change in the FIs.
- **Analysis not prioritised.** Staff receiving the report may have too much time-pressure and day-to-day responsibilities which prevent them from acting on the new intelligence immediately and then the report is forgotten.
- **Whose role is it to act on findings?** Another typical situation is that those receiving the report do not have enough seniority within the FI to make a decision or cannot successfully bring any important findings to the attention of those who are in a position to do so. In such cases the research gets ignored and 'gut feelings' and 'personal preferences' of senior staff may determine which new products and services are developed or dropped.

6.6 INADEQUATE DATA

Too often organisations' senior management rely on findings from market research data undertaken a long time ago or they over-emphasise the findings from small-scale sample collection activity that is not representative of the client group they are considering. Often FIs think that market research involves a large-scale and all-encompassing activity which is daunting and hence rarely gets done or is a one off exercise where the data soon becomes out of date. Effective market research tends to involve smaller more regular exercises which build on each other to provide an ongoing and thorough view of what needs to be examined. Good market research is a continuous process where dynamically new questions are asked and new but small, manageable market research activities are implemented on a regular basis.

6.7 USING ANSWERS AND NOT INSIGHTS

Many times the end-user customer may not understand what they are being asked about, especially if the questions are asking about a completely new product or processes where the interviewee is not clear about what is being asked about. In such cases taking decisions based exclusively on the feedback to a simple question may be misleading. Sometimes research can indicate that a product will not work while subsequently the product turns out to have huge success in the market. For example in a research for introduction of ATMs in Kenya the



conclusion was that there was no market for ATM services. Many FI users could not fathom how one could get money from a hole in the wall. They also perceived a high risk of losing money. Once these concerns were explored and resolved then ATMs have become very popular in Kenya.

> A CHECKLIST FOR SME MARKET RESEARCH

When working with an FI looking at undertaking research to find out more about their SME customers, looking for new SME customers and or testing out ideas for new SME products and services there are a number of things to ask about before the market research can start.

- Check Purpose - what exactly do they want to know? For effective market research you need focused questions and a clear target group to ask these questions to.
- What information do they already have within their systems that could answer the questions they want to ask? A good first step is to audit their existing MIS and data mining capability.
- Do the target group and the type of questions you want to ask them require large scale survey work or more of a small focus group research approach or a mix of these and or other approaches?

The ATM success story in Kenya: Sometimes research can indicate that a product will not work while subsequently the product turns out to have huge success in the market.

A number of questions need to be answered before the research exercise can start.



- Is this an internal or external exercise? Are there skills and time available for staff to do this or does an external market research company need to be engaged to undertake the work? What are the pros and cons of each for the particular problem being researched?
- How to best create 'buy in' and a sense of urgency across the organisation and support for the market research?
- How to communicate during the course of the research about progress and interim findings?
- What is the process for considering the findings of any research? Who will ensure they are discussed and acted upon internally?
- What are the resources (financial and otherwise) and timeframe for the overall exercise?

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The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA), Agence Française de Développement (AFD) and the Bill and Melinda Gates Foundation.

