Microfinance institutions (MFI) today are faced with increasing competition, slowing growth rates, client desertion, and this has led to the recognition MFIs need to be more client led. An important driving force behind the move to be more client driven is the MFI’s goal of sustainability and profitability. This brief addresses how a marketing program can address these concerns.

Major Elements in a Marketing Program

MFI marketing can be defined as an analytical tool to study and know the client. Marketing encompasses demand and consumer analysis, market segmentation, competitive analysis, position strategy, and promotion. There are seven principal components of a marketing program:

1. Market research and analysis, which provides a big picture of the overall market;
2. Competitive analysis, which informs MFIs about competitors and how they measure up in terms of products offered, clients reached, etc.;
3. Customer behavior analysis, which allows MFIs to refine existing products or develop new ones based on customer preference;
4. Strategic planning and positioning, which incorporates all of the above information into an overall approach that determines what kinds of products will be offered, where they will be offered, and how they will be differentiated from other products;
5. Product analysis and differentiation, which builds on the customer behavior analysis to evaluate which products and services can be delivered to clients effectively and profitably;
6. Promotion and outreach communications, which introduces new products to clients, and raises client awareness about the institution; and
7. Marketing plan, which presents a roadmap for the MFI to understand its current position and to identify where it wants to be and how to get there.

Factors that Determine a Marketing Strategy

Two factors frame the overall level of development of the marketing program in MFIs: the nature of the market and the nature of the institution.

The Markets: Markets fall into three main categories: new markets, which are characterized by few or limited available financial services; developing markets, where there is increased demand and MFIs are not yet meeting demand fully; and developed markets, where financial services are readily
available to the population, competition is developing, and MFIs need to concentrate on improving effectiveness and market positioning.

**Nature of the Institution**: Several factors relating to the nature of the institution affect the marketing strategy, including institution type, resources available, and the mission of the organization. Commercial institutions tend to have more developed marketing programs, as do institutions that are more developed or mature.

Further, MFI marketing programs tend to be one of three types: elementary marketing programs define a target market and promote a single product; intermediate programs address issues of client satisfaction and profitability in addition to the basics covered by elementary programs; and advanced programs address locating the “right” clients and determining an appropriate mix of products.

**Organizing the Marketing Effort**

The marketing effort involves five aspect:

- **Marketing Plan**—The strategic plan presents targets for increased outreach as well as plans for achieving these goals;
- **Staffing**—The staffing plan identifies market analysts and strategic planners as well as field officers and customer contacts;
- **Information Flow**—Marketing findings are transmitted to management, and management replies with product decisions or policy initiatives based on these findings;
- **Costing**—Costing plans involve budgeting for advertising and market research; and
- **Internal Preparation**—This activity involves establishing lines of communication between marketing and management as well as the establishment of a reward/bonus system.

**Key Lessons About Marketing**

This paper concludes with a few key lessons learned about marketing in MFIs. These include:

- Marketing is about knowing your client, your competitor, and your business environment. An MFI should closely monitor client needs and market conditions to become attuned with changing demand and to stay one step ahead of the competition.
- MFIs should be proactive in collecting and analyzing marketing information but should tailor their efforts according to the institution’s strategic objective, institutional capacity, and available financial resources.
- As the front-line contact with the client, loan officers are usually the primary source of market information in an MFI. Making sure that they are well suited to the task is critical for the overall success of the institution.
- Market analysis is most important in completely new markets and relatively saturated markets. In developing markets, demand is great enough to generate the profits that obscure other problems that marketing programs can solve.
- Marketing should be an integrated function within an MFI, where everyone from senior management to loan officers has an important role to play. This is especially true for those MFIs with limited resources that do not have a separate marketing department or dedicated marketing team.