

RECOMMENDATIONS REGARDING THE INSTITUTIONALIZATION OF MARKETING RESEARCH ACTIVITY IN ROMANIAN MICROCREDIT ORGANIZATIONS

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As they mature, microcredit organizations in Romania are becoming aware of the importance of marketing in their current activities. Although marketing interventions should be considered important on all types of markets, the reality is that micro-credit companies in Romania have a limited institutional capacity to develop and implement marketing programs. This implies that marketing efforts should be focused and marketing needs should be prioritized, according to the appropriate level of market development (developing markets, growth markets and mature markets). The paper presents the results of an exploratory marketing research study regarding the marketing activity performed by microfinance institutions in Romania. The purpose of the research was to identify courses of action to institutionalize marketing research in the current activity of the subjects analyzed. It has been our intention to give a very practical dimension to the recommendations regarding the marketing information useful for microcredit organizations and categories of marketing research needing to be conducted regularly, making them applicable within the specific Romanian environment.

Given the fact that on a national level scientific concerns about microfinance in Romania, in general or about marketing in the field of microfinance in particular are almost nonexistent, this thesis can be regarded as an innovation. This conclusion comes both from the investigation of existing literature and from the author's interviews with managers of microfinance institutions who have argued that this was the first time when Romanian academic institutions got interested in this sector. Potential beneficiaries of the results of this study are: managers of microcredit organizations interested in the development and sustainability of the institutions they manage; various national and international organizations interested in designing technical assistance programs in the areas identified as being necessary; academic institutions, interested in improving the offer of educational services in the field of microfinance; researchers, interested in developing practical tools for the development of the microfinance sector, in general; the general public, who comes in contact with an area less or not at all known until now.

Key words: marketing, marketing research, microfinance, microcredit organizations, market.

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I. Introduction

Microfinance is the solution that ensures the provision of loans and other basic financial services to entrepreneurs who have limited access to banking sector. These services allow them to take advantage of their entrepreneurship abilities by supporting the development of small businesses that generate additional income. Microfinance institutions are organized under various legal forms (microcredit organizations, non-governmental organizations, commercial banks, non-bank financial institutions, credit unions, microfinance programs etc.) and act almost similar to banks. They differ from banks through quick service and simplified lending procedures, working closely with the client and the community to which he/she belongs, focusing less on collateral and more on the potential of the business, the entrepreneur's character and his/her image in the community. While developing their activity, microcredit organizations become aware of the importance of marketing in their current activities. The next challenge is to institutionalize the process of marketing research inside the organization, in order to develop strategies in line with the market conditions and institutional characteristics.

II. Literature Review

In 1999, The United States Agency for International Development (USAID) sponsored a global study, *Marketing in Microfinance: the State of the Practice*, regarding the marketing activities practiced by various types of microfinance institutions. This study is apparently the only one of this kind that has ever been done and was made available to the public. It provides information on the state of the practice of marketing in various microfinance institutions worldwide.

On the national level, scientific concerns about the microfinance in Romania, in general or marketing in the field of microfinance, in particular, are almost non-existent. This conclusion comes both from the investigation of existing literature and from the author's interviews with managers of microfinance institutions who have argued that this was the first time when Romanian academic institutions got interested in this economic sector. This paper is an extract of the author's PhD thesis entitled *Enhancing Competitiveness in Romanian Microfinance Institutions through the Direct Use of Marketing Research Techniques*.

III. Research Methodology

The paper presents the results of an exploratory marketing research about the marketing activity performed by Romanian microfinance institutions within 2008-2009. The purpose of this research was to identify the types of marketing studies that can assist Romanian microcredit organizations in their marketing plans. The specific objectives have been:

- to identify the characteristics of marketing programs run by Romanian microfinance institutions;
- to identify the determinants (internal and external) of marketing practices.

As the research goal was to obtain accurate and plentiful information about the marketing activity practiced by microfinance institutions, the research methodology consisted of a primary source research - qualitative research - in the form of in-depth interviews conducted with persons involved in marketing from the 8 "traditional" Romanian microcredit organizations (1).

IV. Results of the Research

In outlining the categories of marketing research recommended to Romanian microfinance institutions, the following aspects have been taken into account:

- external environmental factors, characterized by frequent fluctuations, may favor or hinder the development of microfinance industry in a specific period of time. Therefore it is difficult to craft a long-term strategy;
- microcredit organizations have a limited institutional capacity to design and implement marketing strategies and programs (limited human, financial and information resources);
- the national microfinance market is characterized by the existence of specific regional markets in terms of stages of development: emerging markets, developing markets and mature markets. Thus, the required marketing information varies depending on the level of market development.

Marketing research for emerging markets

Emerging markets are geographical regions where microcredit programs have never existed or, if they existed, they have not obtained favorable results. In these markets, potential customers have limited knowledge (or no knowledge at all) about financial services in general, because these products and services have either never been available or, although available, have not met their real needs and possibilities. These emerging markets can be found both in rural areas (in small communes and villages) and in urban areas (various market niches among disadvantaged groups – unemployed, Roma population etc.). In many cases, these areas are isolated communities where access and communicational infrastructure is underdeveloped. The marketing objective on emerging markets is to create a market for the products. Because of their limited institutional

capacity, microcredit organizations should address the new emerging markets that have features similar to those currently underserved. The scope of marketing research in this situation is:

- external environment analysis (macro-environment and local external environment) in order to identify the factors with a positive / negative influence on the microcredit program;
- demand analysis, market segmentation, assessment of the market segments and profiling the microcredit consumer; studying the characteristics of the local consumer's financial behavior in terms of income, expenses, savings and loans;
- analysis of the microcredit product supply existing in the local environment, particularly the informal microfinance systems.

Marketing research for developing markets

Developing markets can be found in rural areas (bigger communes) and small towns (<50,000 inhabitants) that have economic potential for development. These markets are characterized by an increasing demand for microcredits, demand that is and will be met by existing or future microfinance programs. This demand comes from existing customers and potential customers who have heard of the available microcredit products and see their effect on customers who have accessed them. In many cases, there is only one microcredit supplier operating in the area. On a developing market, the microcredit organization is investing in the development of the internal systems in order to manage the demand growth. At the same time, on a growing market, the need for cash to meet the increased demand is acute. In these conditions, the purposes of the market research studies that a microcredit organization should conduct are:

- external environment analysis (macro-environment and local external environment) in order to identify the factors with a positive / negative influence on the microcredit program;
- competitive analysis and competitor monitoring in order to identify strengths and weaknesses;
- identification of the criteria used by the consumers in their choices of microfinance products and microcredit providers;
- identification of customers' perceptions on products and services offered by microfinance institution and its competitors (perceived image);
- consumers' satisfaction level concerning the products and services offered;
- identification of the reasons why some clients have delays in reimbursements;
- identification of the reasons why some customers leave the microfinance program after a while;
- social performance assessment by analyzing the impact of microcredit program on its clients, their businesses, their families and community, in general.

Marketing research for mature markets

Mature markets (developed markets) are usually found in bigger cities (> 50,000 inhabitants). In a developed market, a higher percentage of potential demand has been transformed into effective demand, the customers already using various financial services extensively. On a mature market, the microcredit organization's marketing investments are directed mainly to maintaining as much as possible the relationship with the customer. Market research studies that should be carried out by microcredit organizations operating in mature markets are:

- external environment analysis (macro-environment and local external environment) in order to identify the factors with a positive / negative influence on the microcredit program;
- competitive analysis and competitor monitoring in order to identify strengths and weaknesses;
- microfinance products' usage (the way clients use the products);
- customers' perceptions on products and services offered by microfinance institution and its competitors (perceived image);
- level of consumers' satisfaction regarding the products and services offered;
- identification of the reasons why some clients have delays in reimbursements;
- identification of the reasons why some customers leave the microfinance program after a while;

- social performance assessment by analyzing the impact of microcredit program on its clients, their businesses, their families and community, in general.

V. Conclusions and Implications

Table 1 presents the marketing information needed by Romanian microcredit organizations, according to the nature of the market in which they operate. It can be noticed that there are four areas of investigation where marketing research can be applied: macro-environment, competition, potential market and effective market (current customers and ex-customers). In addition, microcredit organizations must carry out some ad-hoc market studies in order to meet occasional needs (eg donors' needs).

Table no. 1 - Marketing information needed by Romanian microcredit organizations, according to the nature of the market in which they operate

Emerging Markets	Developing (growing) markets	Developed (mature) markets
<ul style="list-style-type: none"> • Macro-environment Potential market: market segments and local demand for microcredits • Potential market: local supply of microcredits (especially informal supply) 	<ul style="list-style-type: none"> • Macro-environment • Competitive environment • Clients: profile and segments • Clients: criteria used in selection of products / suppliers • Clients: perceptions on products and services offered by institution and competitors • Clients: level of satisfaction for products and services • Clients: reasons of delays in reimbursements • Ex-clients: profile and reasons of leaving the program • Effective market (clients) and potential markets: social performance and impact of the program 	<ul style="list-style-type: none"> • Macro-environment • Competitive environment • Clients: profile and segments • Clients: usage of microcredits • Clients: criteria used in selection of products / suppliers • Clients: perceptions on products and services offered by institution and competitors • Clients: level of satisfaction for products and services • Clients: reasons of delays in reimbursements • Ex-clients: profile and reasons of leaving the program • Effective market (clients) and potential markets: social performance and impact of the program

Source: developed by author

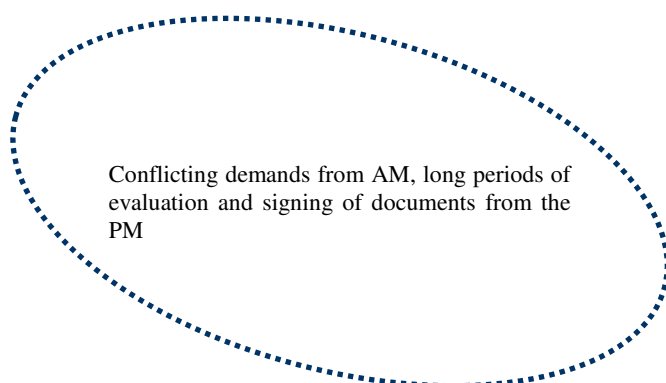
The analysis of the marketing information identified as necessary and its positioning according to its availability in the institution as well as its usefulness to the organization provides an overview of the priorities in terms of market research studies to be implemented. Table 2 presents a general model of an **availability-utility analysis** for microfinance institutions, noting that this analysis should be customized from institution to institution and from branch to branch.

Table no. 2 – Marketing information, according to its availability and utility

Areas of investigation	Information needed	Availability (2)	Utility (3)
Macro-environment	State and evolution of macro-environment factors	5	5
Competition	Analysis and monitoring of formal and informal competition	3	5
Potential market	Demand for similar products on other markets	1	5
	Demand for new products on other markets	2	2
Effective market (clients and ex-clients)	Monitoring the loan portfolio and portfolio of clients	4	5
	Demand for new products on current markets	3	4
	Clients' satisfaction and loyalty	2	5
	Reasons for delays in reimbursements	5	5
	Reasons for leaving the program	1	4
	Criteria used in selection of products / suppliers	2	4
	Perceptions on products and services offered by institution and competitors	3	3
Ad-hoc studies	Social performance and impact of the microcredit program	4	4

Source: developed by author

The types of market research studies needed by microcredit organizations can be prioritized by placing on a chart the information presented in the above table (Figure 1).



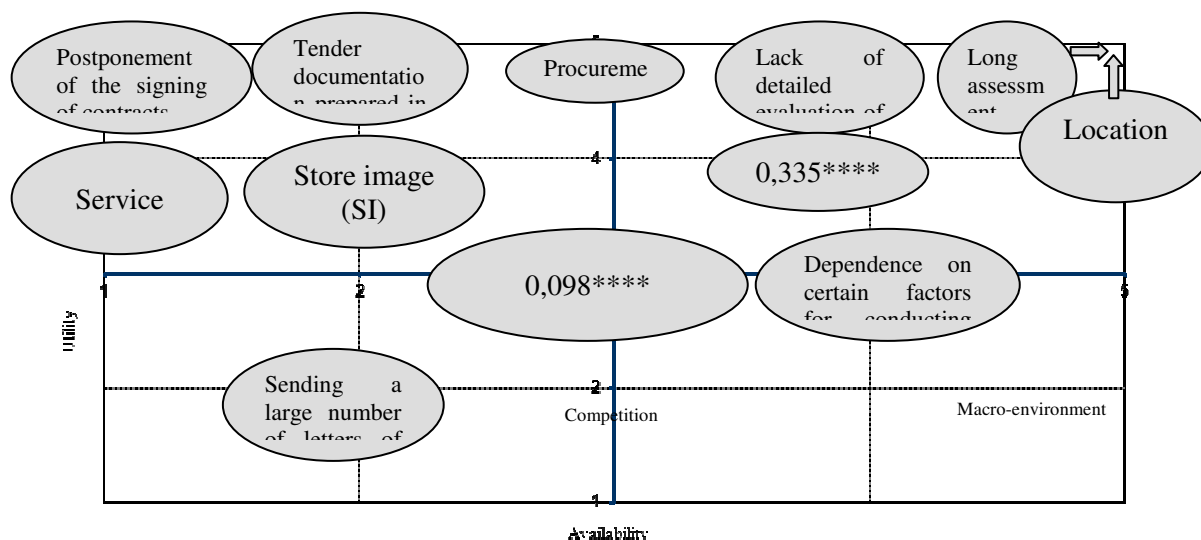


Fig. no. 1 - Prioritization of market research studies required by Romanian microfinance companies, according to their utility and availability of marketing information (source: developed by author)

Thus, four areas corresponding to the four quadrants of Figure 1 can be seen:

- **area to be developed:** includes the category of information that is not available, but is important for achieving short and medium term goals. To obtain this information, microcredit organizations can perform various market research studies: Demand assessment for similar products on other markets, customers' satisfaction and loyalty studies, competitive analysis, identification of reasons why clients are leaving the program, analysis of criteria used by customers when selecting the products and suppliers, research on perception of micro products and micro-credit providers;
- **area to be consolidated:** includes the category of information that are useful to the microcredit organizations and are largely available. In this case, marketing research activity should be strengthened, in terms of: continuous monitoring of clients and loan portfolio, monitoring of macro-environment factors, monitoring of loan repayment behavior, ongoing assessment of social performance and generating ideas for new products on existing markets;
- **area to be abandoned:** the marketing research area in which the microcredit organization should stop investing, as the information already exists but is not useful for achieving short and medium term goals;
- **useless area:** includes the category of information that do not deserve any attention, being both unavailable and unnecessary for the microcredit organizations (demand for new products in other markets).

Prioritizing the marketing information useful and market research studies needed to be conducted is absolutely necessary, due to limited institutional capacity of most microfinance institutions (especially in terms of financial and human resources). In conclusion, using marketing research in order to understand the external environment, the markets and the customers and developing products and services that meet consumer demand, has an undeniable benefit on the microfinance institution. Depending on its institutional capacity and characteristics of the market, each microcredit organization should identify the appropriate techniques, the situations in which they can be used, their level of complexity and the sources of information that can be used in marketing research.

VI. Notes

(1) Romanian microfinance institutions subjects of these marketing research are: ROMCOM IFN S.A. – Oradea, INTEGRA IFN S.A. – Oradea, Capa Finance IFN S.A. – Cluj Napoca, Opportunity Microcredit România IFN S.A. – Târgu Mureș, Centrul pentru Dezvoltare Economică – București, FAER IFN S.A. – Reghin, LAM IFN S.A. – Ilieni, MicroImo IFN S.A. – Cluj Napoca.

(2) Availability refers to the existence of complex information of high quality. Measurement scale is from 1 to 5, where 1 = information not available, 2 = few information available, 3 = information partially available, 4 = much information available, 5 = fully available information.

(3) Utility refers to the way information supports the short and medium term strategy and interests of the microcredit organization. Measurement scale is from 1 to 5, where 1 = useless information, 2 = information less useful, 3 = average utility information, 4 = useful information, 5 = extremely useful information.

VII. Bibliografy

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