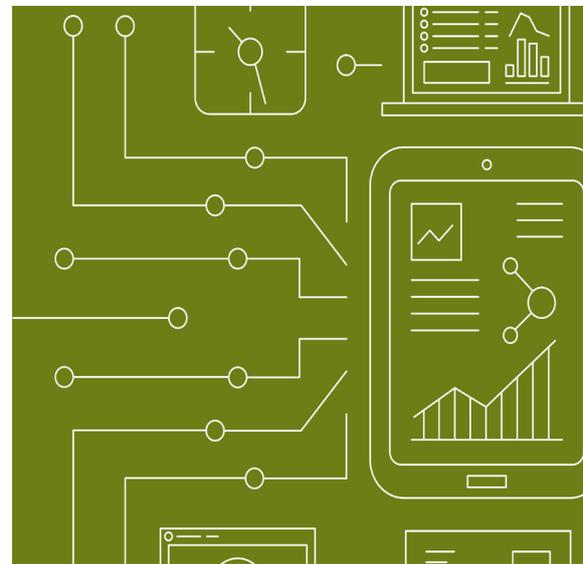




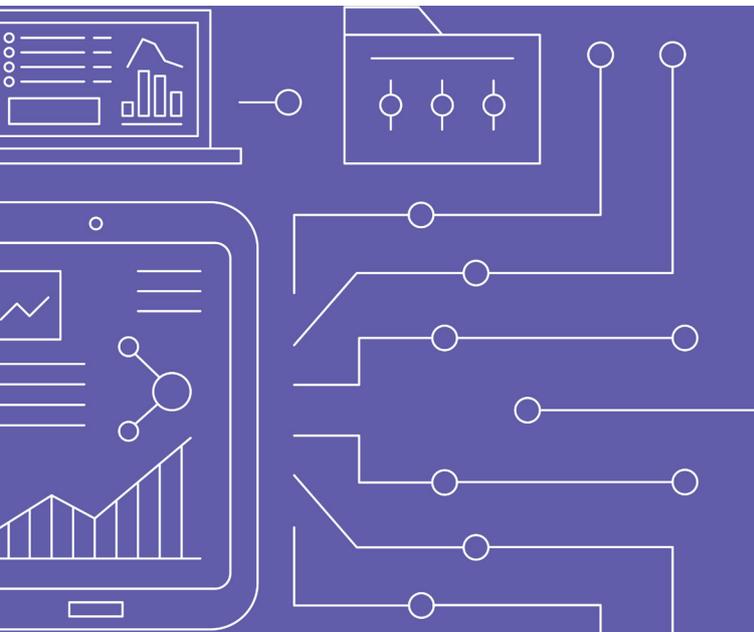
**MICROFINANCE CENTRE**



# HOW TO RESEARCH YOUR CLIENTS' DIGITAL READINESS



## A PRACTICAL GUIDE FOR MFIS





# ABOUT THIS GUIDE

THIS PRACTICAL GUIDE FOR MFIS HELPS FINANCIAL PROVIDERS UNDERSTAND THE LEVEL AND SCOPE OF THEIR CLIENTS' READINESS TO USE VARIOUS ASPECTS OF DIGITALISATION: FROM DIGITAL PROMOTION AND COMMUNICATION TO AN ONLINE LENDING PROCESS.

THIS GUIDE IS BASED ON THE REAL-LIFE EXPERIENCE OF FAER IFN (ROMANIA), AN MFC MEMBER THAT PILOTED THIS WITH THE MFC. THIS GUIDE ALSO DRAWS ON THE EXPERIENCE OF TWO OTHER MEMBERS: EKI (BOSNA AND HERZEGOVINA) AND HOPE FOR UKRAINE.

THE GUIDE WAS DEVELOPED WITH FINANCIAL SUPPORT OF THE EUROPEAN UNION PROGRAMME FOR EMPLOYMENT AND SOCIAL INNOVATION (EASI) 2014–2020. FOR FURTHER INFORMATION, VISIT: [HTTP://EC.EUROPA.EU/SOCIAL/EASI](http://ec.europa.eu/social/easi).

# WHY DO YOU NEED TO RESEARCH YOUR CLIENTS ON THEIR DIGITAL READINESS?

Time and again, we are told: “Know your client!” Yet in our experience, one thing that MFIs don’t know about their clients is whether or not they are ready to use digital finance tools. MFIs tell us: “Our clients do not use the internet” while in fact the number people using internet is continually on the rise. They might not be using email, but they do use social media and communication tools on a daily basis. If more and more clients are online, the MFIs should be online too.

The following guide presents the process and tools for researching microfinance clients’ digital readiness. It is built around the following steps:

**GOALS: WHAT DO YOU WANT DIGITALISATION TO DO FOR YOUR BUSINESS?**

**OBJECTIVES: WHAT DO YOU NEED TO KNOW ABOUT YOUR CLIENTS?**

**SAMPLE: WHICH CLIENTS SHOULD YOU RESEARCH?**

**METHODOLOGY: HOW SHOULD YOU CONDUCT YOUR RESEARCH?**

**LOGISTICS: HOW CAN YOU GET IT DONE?**



# RESEARCH MANUAL

## GOALS: WHAT DO YOU WANT DIGITALISATION TO DO FOR YOUR BUSINESS?

Start your research with one key question: What business improvements do you want to create through digitalisation? This section will help you to clarify the actions that would improve your business.

### SCENARIO 1: EVERYTHING IS WELL WITH YOUR BUSINESS AND YOU WANT TO LEVERAGE THE POWER OF THE INTERNET TO EXPAND AND IMPROVE YOUR BUSINESS.

Ask yourself whether you want to:

- Attract more of new clients using on-line channels of communication
- Communicate with existing clients using online channels
- Digitalise your lending process (either fully or elements of it), and if so, why?
- Speed up the lending process
- Increase staff efficiency
- Achieve something else, and if so what?

Depending on the objective you define, you will need to ask your clients and potential clients different sets of questions.

### SCENARIO 1 EXAMPLE

Your clients and potential clients are online. You can reach out to them using the internet, however you need to understand where they are online (which web and social media sites they use) and what they do there. The first issue is easier: once you identify where they are, you can make your presence known there. The second is more tricky: to make your communication effective, you need to know not just where they are online, but what they are doing there. For example, your potential clients might use social media for entertainment, but if they want to have a rest after hard day of work, the last thing they want to see is a banner reminding them they have liquidity issues. Although clients might talk about the importance of face-to-face contact with your front office staff, it might also be true that they increasingly use internet to save time. So, it might be that they love to have coffee with their loan officer, but hate visiting the branch office to submit copies of documents. Insights such as these are an opportunity to increase your efficiency and to improve your customer experience.

## SCENARIO 2 EXAMPLE

It's a common problem: MFIs start digitalising their customer experience by developing costly apps that few clients decide to use in the end. Or: MFIs decide to move their application process online, and they end up receiving (and rejecting) many applications from people outside their target group.

## SCENARIO #2: YOU ARE IMPLEMENTING A SOLUTION THAT DOES NOT WORK

Your MFI might be in the middle of a digitalisation project when you realise that clients aren't willing (or able) to use your solution. You've invested quite some money into it, and so far the return on your investment is nothing (or even negative). In this case, you might want to understand the reasons behind.

Start by defining the problem. Have you:

- Implemented a digital solution to attract more customers, but it does not work?
- Implemented a digital solution to improve the customer experience, and few clients use it?
- Created an application that no one uses?
- Created a digital solution that attracts people from outside your target group?
- If you want to improve your solution, you need to understand what is difficult or discouraging for clients who try to use it.

# OBJECTIVES: WHAT DO YOU NEED TO KNOW ABOUT YOUR CLIENTS?

Once you are clear on your goal, it's time to figure out what type of information you need to know about your clients or potential clients to help you reach that goal. The MFC has created a holistic research framework you can use to assess your microfinance clients' digital readiness.

TABLE 1: THE MFC DIGITAL READINESS RESEARCH FRAMEWORK

TOPIC	AREAS TO EXPLORE
Digital footprint	<ul style="list-style-type: none"> <li>• Time spent on internet, preferred sites, platforms and social media</li> <li>• Use of social media, use of other functions – news portals, search engines, e-commerce platforms, comparators, calculators, videos, blogs, groups, etc.</li> <li>• Use of mobile apps</li> </ul>
Digital capability	<ul style="list-style-type: none"> <li>• Installing smartphone apps</li> <li>• Changing software settings</li> <li>• Uploading/downloading internet content</li> <li>• Making payments online</li> <li>• Communicating online (email, sending documents)</li> </ul>
Digital preference	<ul style="list-style-type: none"> <li>• Preference for personal contact vs. distance communication (when, how, and through which means)</li> <li>• Clients' concerns: transaction security, identity theft, brand trust</li> <li>• Preference for channels and tools to interact with the financial institution</li> </ul>
Value added	<ul style="list-style-type: none"> <li>• Clients' perception of benefits of digital services (e.g. saving time, accessing opportunities, saving money)</li> </ul>

### WHERE CAN YOU START? SAMPLE QUESTIONS TO ASK YOURSELF...

Let's imagine that your MFI works with farmers. You want to reach out to new farmers using online channels. The first thing you want to know is: how much do farmers use the internet? How often? What sites, platforms, media do they use and why? What are the possible websites where you can buy banner space? Where can you post your article? Which social media sites should you have your MFI profile in?

## START WITH WHAT'S ALREADY THERE

There is a lot of research out there that is conducted by companies who make a living from analysing internet data. Search online for reports and analysis that will give you numbers about your target population and their internet practices. Make sure the source of your data is trustworthy, powered by information coming from trusted and recognised partners. To do this, check out the experience of the organisation behind the data: what is the scope of data analysed by the organisation? How big is their market in the country and outside the country? Which organisations rely on their services?

We suggest that you visit [www.datareportal.com](http://www.datareportal.com), a rich country-specific portal. Below is the list of most recent reports for countries in the MFC region:

Albania	Greece	
Armenia	Hungary	
Belarus	Ireland	
Belgium	Italy	The Netherlands
Bosnia and Herzegovina	Kosovo	Poland
Bulgaria	Macedonia	Romania
Croatia	Moldova	Serbia
France	Montenegro	Spain
Germany	Norway	Ukraine
		United Kingdom

Brainstorm all the questions you would like to answer about your clients. The answers you find should help you design your best solution. Be creative! Think outside the box! Brainstorm open and detailed questions.

For example: instead of asking “Do you use Facebook?” (which is a closed, yes/no question) ask: “How do you use Facebook?” The you can follow up with detailed questions such as: “What Facebook groups are you part of? Which of these are you an active member? Which Facebook profiles do you follow? Which companies on Facebook do you follow? Why? What posts do you usually share? Which posts do you give your ‘likes’ to?”

## TRY TO UNDERSTAND THE REAL ISSUES

Step back and look at your digitalisation goal from a broader perspective: each client has their own unique pathway that starts with onboarding and goes through applying, disbursement, and finally repayment. What do you need to know about all these potential pathways to better understand the possible strategy to achieve your goal? To get a full picture, you’ll need to ask more than one question. The best idea usually is born as a result of brainstorming many different (and often unique ideas). Follow up your questions with other questions to get at the detail, such as:

- Why do clients...
- What do clients...
- How do clients...
- Where do clients...
- How often do clients...

## RESEARCH QUESTION SCENARIOS

We have developed and tested a few potential scenarios for various problems. Use these scenarios if you want to understand:

- How your clients use the internet: what sites and what for? (See page 9)
- What do clients think about interacting with your MFI online (See page 10)
- What barriers clients might have to interacting with your MFI online (See page 11)
- What your clients' preferences are regarding online lending (See page 12)
- What your clients' preferences are regarding your existing digital solution (See page 11)
- What additional services you can offer your clients online (See page 13)

# SAMPLE: WHICH CLIENTS SHOULD YOU RESEARCH?

Let's start with some good news: collecting meaningful answers to your research questions doesn't mean you need to survey 500 clients. If they represent your target group, a mere 6–8 clients can give you the insights needed to help you to move improve or expand your services.

Your client sample must be homogeneous (meaning that all clients are similar to each other) and distinct (they're different from other target groups of clients).

To define your sample, think in segments. For instance:

- Urban microentrepreneurs with loans over €10,000
- Farmers with loans below €10,000
- All clients older than 40
- Women business owners
- Loyal clients (beyond the third cycle)
- Other

If you want to understand trends for all types of your target groups, interview as many groups of as many clients segments as you can.

## TOP TIPS

Remember, you'll find key differences between different types of clients in the same target group (e.g. female traders) depending on whether they:

- Have big loans or small loans
- Are urban or rural clients
- Are men or women
- Are first time or loyal clients

# METHODOLOGY: HOW SHOULD YOU CONDUCT YOUR RESEARCH?

Modern product and service design relies on agile research methods that collect ongoing feedback from a smaller sample of clients but more often, in a less-formal way than we might see in typical academic research. We recommend two methods:

## INDIVIDUAL INTERVIEWS

Individual client interviews can help you explore what they do online, and how. Specifically, they can help you understand:

- How your clients use the internet: what sites and what for? (See page 9)
- What your clients' preferences are regarding your existing digital solution (See page 11)
- What additional services you can offer your clients online (See page 13)

## GROUP INTERVIEWS

Group interviews (also called Focus Group Discussions) can help you explore clients' attitudes. Specifically, they can help you understand:

- What do clients think about interacting with your MFI online (See page 10)
- What barriers clients might have to interacting with your MFI online (See page 11)
- What your clients' preferences are regarding online lending (See page 12)

If you have no experience in conducting focus group discussions, we recommend that you stick to individual interviews.

# LOGISTICS: HOW CAN YOU GET IT DONE?

Conducting research should help you collect as much unbiased and rich feedback from your clients as possible. Plan ahead to ensure clients feel safe accepted with their opinions, knowledge, habits and practices (in opposite to being judged or assessed), are willing to spend time with you and share their opinions openly. Here are some tips on how to conduct the interviews with clients:

## INDIVIDUAL INTERVIEWS

1. Prepare your interview guide: Select the questions you will ask (feel free to use the questions listed in this guide).
2. Test your interview guide: Ask a colleague or a trusted client to test the questions with you. Make sure the interview takes no more than two hours.
3. Record the interviews (and get client consent to do so) or ask a colleague take notes.
4. Prepare a list of clients you'll ring to arrange the interview: For each of one client you want to interview, you need to at least three candidates to fill the spot.
5. Arrange gifts: It is a good idea to reward clients for spending time with you. Prepare gifts or a cash rewards (valued around €20).
6. Memorise your questions: This will help you stay focused on the clients instead of following the interview guide.

## GROUP INTERVIEWS

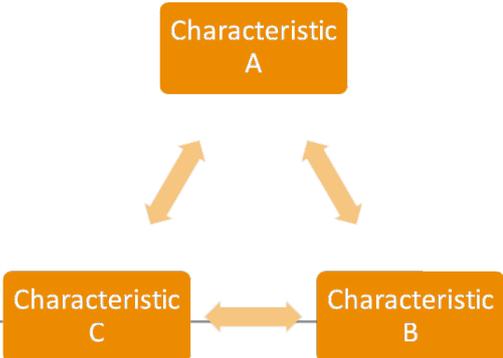
1. Prepare your interview guide: Select the questions you will ask (feel free to use the questions listed in this guide).
2. Test your interview guide: Ask a colleague or a trusted client to test the questions with you. Make sure the interview takes no more than two hours.
3. Record the interviews (and get client consent to do so) or ask a colleague take notes.
4. Secure a comfortable and quiet room where you can meet with clients without interruption and clients feel their participation and opinions are confidential.
5. Prepare a list of clients you'll ring to arrange the interview: For each of one client you want to interview, you need to at least five candidates to fill the spot.
6. Schedule the date and time of the focus group. Ensure clients can arrange transport on the day.
7. Arrange gifts: It is a good idea to reward clients for spending time with you. Prepare gifts or a cash rewards (valued around €20).
8. Memorise your questions: This will help you stay focused on the clients instead of following the interview guide.
9. Review tips and tricks for running a focus group discussion. If you've never done one before, stick with individual interviews.

# PROPOSED RESEARCH QUESTIONS

## DIGITAL FOOTPRINT: HOW DO MY CLIENTS USE THE INTERNET, AND WHAT DO THEY USE IT FOR?

MAIN QUESTION	FOLLOW-UP QUESTIONS
How often do you use the internet?	
How do you access the internet?	Why is that the case? What do you like about this? What do you dislike about this?
What devices (smartphone, tablet, laptop) do you use to access the internet and for what kind of activities?	What device for what kind of activities? Why is that the case?
How affordable is the internet in this country?	
What do you use the internet for?	What are your favourite platforms, websites, and apps? What do you use them for? How often do you use them? Which do you use most often and why? How much time do you spend on using them?
How do you use the internet to get information you need?	What kind of information do you use the internet to find? Where do you usually look for it? How often do you look for information? What do you like about your sources of information? What do you dislike?
How do you use the internet for learning?	What do you learn using the internet? Why is that the case? What sources do you use to learn? Why do you use those (and not others)? What do you like about those sources? What do you dislike?
How do you use the internet for communication?	Who do you communicate with and how? Which apps do you use to communicate? How do you use internet to communicate with shops? With your bank? How do you use internet to communicate with the government?
How do you use internet for entertainment?	What type of entertainment do you use? Why this type? Which sources (web pages, apps) do you use for entertainment? Why these sources and not others? What do you like about these sources? What do you dislike?

# DIGITAL PREFERENCES: WHAT DO MY CLIENTS THINK ABOUT INTERACTING WITH MY MFI ONLINE?

MAIN QUESTION	FOLLOW-UP QUESTIONS
<p>How do you use the internet in relation to finance?  <i>Once participants start to share their own experiences, you may ask them to show you how they actually use the services (on their mobile or computers provided)</i></p>	<p>How do you search for information about access to finance online? What platforms, websites and apps do you use? When do they use them? What for? How do you use them?            How often do you use them? How much time do you spend using them? What do you like and dislike about them? How do you access these services? What devices do you use to access these services? How did you find out about these services? What makes you prefer doing it online instead of face-to-face?</p>
<p>What is your experience with using our website and/or Facebook profile?</p>	<p>When was the last time you visited it? What did you visit it for? What do you like and dislike about it?</p>
<p>Collage exercise: <i>Use a selection of magazines, including ones devoted to digitalisation. Provide people with scissors.</i>            Imagine a financial institution with an ideal online service. Design the advertisement or illustration that would convince you to use it. <i>Ask people to work in 2–3 groups. Listen and record their insights.</i></p>	<p>Why did you choose these pictures? What do these pictures mean? What do they say about this institution?</p>
<p>Based on the previous exercise: ask groups to identify three key characteristics of a good financial institution that provides services online. Write ideas on coloured cards.</p>	<p><i>The cards will be used in the next exercise.</i></p>
<p>What are the brands of online financial services you know? <i>Write down answers on colour cards, one name per card.</i>            Where on the pyramid of the three most important characteristics would you place each of the brands? Why? <i>Carefully record all group discussions, and what they disagree about.</i></p>	

# DIGITAL PREFERENCES: WHAT BARRIERS DO MY CLIENTS FACE TO INTERACTING WITH MY MFI ONLINE?

MAIN QUESTION	FOLLOW-UP QUESTIONS
What is your opinion about security of online transactions?	What gives you a sense of security, what does not? Why? (Think about security in terms of financial transactions, personal data and purchases)
What are the risks of using online financial services?	What are some examples of people who have had trouble using online financial services?
What are the general risks of using the internet?	What are some examples of people who have had trouble from using the internet?

# DIGITAL PREFERENCES: WHAT DO CLIENTS THINK ABOUT OUR EXISTING DIGITAL SOLUTION?

MAIN QUESTION	FOLLOW-UP QUESTIONS
Show the graphic promoting YOUR DIGITAL SOLUTION and ask: How much do you know about OUR DIGITAL SOLUTION?	
<b>For users:</b> How have you been using it?	How did you learn about it? Why did you decide to use it? How have you been using it? What do you like and dislike about it? In what situation would you use it?
<b>For users:</b> Please show me how you use it. <i>Pay attention to unexpected ways of using YOUR SOLUTION, obstacles, etc.</i>	

<p><b>For non-users:</b> Looking at the graphic, what do you think it is designed for?</p>	<p>What would be the benefits of using it? What kind of functionalities do you think it has?</p>
<p><b>For non-users:</b> Please try to use it now and describe your experience (opinion, reaction, thoughts) as you do. <i>Please do not guide the user; you want to observe how they find it, install it, and use it without interference.</i></p>	<p>How do you like it? How user-friendly is it? What is easy about it, and what is difficult? How helpful is it? How would you like to use it? When? In what circumstances would you use it? Who would you recommend should use it? Why?</p>
<p><i>Give participants the visual material with the explanation on how to use YOUR DIGITAL SOLUTION. If needed, test with the interviewee the usefulness of these instructions.</i></p>	<p>What is your first impression when you see these instructions? How helpful are they? What would need to change to make them more user-friendly? When/how would you like to be informed about it?</p>

## VALUE ADDED: WHAT ARE MY CLIENTS' PREFERENCES REGARDING ONLINE LENDING?

MAIN QUESTION	FOLLOW-UP QUESTIONS
<p>Imagine you want to take a loan. Describe in detailed the steps of the process you would follow (starting with the thought "I think I need to borrow some money" until you have repaid your last instalment). Please list these steps on colour cards, one step per card. <i>Ask each person to do this individually before getting into groups. Ask people to consider the whole lending process: inquiring about loan conditions, preparing the application, signing the contract, etc. Once everyone is finished, ask them to put the process together. If some people follow different paths than others, include their pathway as one of alternatives.</i></p>	<p>Which process steps are easy for you? Why? Which process steps are painful? Why? Which process steps take the most time for you? Why?</p>
<p>At each of these steps, how would you like to communicate with the financial institution? Why this way? What are pros and cons?</p>	<p>Ask the following questions for EACH step of the process:</p> <ul style="list-style-type: none"> <li>• What are the advantages of doing this step online? What are the disadvantages?</li> <li>• What are the advantages of doing this step face-to-face? What are the disadvantages?</li> </ul>

# VALUE ADDED: WHAT ADDITIONAL SERVICES CAN WE OFFER OUR CLIENTS ONLINE?

MAIN QUESTION	FOLLOW-UP QUESTIONS
What are the key challenges of your business these days?	What are the problems? What would help to improve your business?
What is most boring and/or tiresome aspect of your business?	Why is that the case? What if this task could be automated online?
How do you use the internet for your business?	What do you use it for? Why is that the case? What do you like and dislike about this? How often do you use it? What apps/platforms do you use? When? What else would you like to do online?
What and how do you purchase online? (for business use)	Why do you buy online? In what circumstances do you buy online? What platforms do you use? What is the price range? How often do you buy online?
What are the examples of good online service for your business?	What are these services like in terms of content? What are these services like in terms of functionality? How did you learn to use these services?
What are some good examples of web pages related to finance?	What are their characteristics? Please list all characteristics that come to mind and sort them in order from most important to least important. Explain your list.



**MICROFINANCE CENTRE**

**THE MICROFINANCE CENTRE IS A SOCIAL FINANCE NETWORK THAT PROMOTES FAIRNESS, INCLUSION, EQUALITY AND RESPONSIBLE SERVICE.**

We unite 113 organisations (including 77 microfinance institutions) across 36 countries of Europe, Central Asia and beyond, who together deliver responsible microfinance services to almost 2,000,000 low-income clients. Our mission is to empower individuals and sustain communities through innovative social finance and microfinance.

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