

Triple Jump Advisory Services : Impact Study

Approach, Challenges and Results

MFI partner: AISol

Project 1: Improving competitive edge: strengthening marketing and diversify product offering

Project 2: Strengthening Governance Structure and Strategy

Project 3: Re-engineering procedures and implement new IT system

AISol began offering microfinance services and social development programs in 1999, mainly to rural clientele and exclusively to women of scarce resources in Chiapas, Mexico. In 2005 they implemented the Grameen village banking methodology, which has become the flagship product of AISol. In 2005 they served around 6000 clients, in 2010 more than 22.000 clients. The gross loan portfolio also increased during that timeframe from 0.9 to 6 million USD.

PARTNER SELECTION

At the end of 2008 Triple Jump Advisory Services pre-selected AISol as a potential partner because of its ability to pair a strong social mission to sustainable financial results. Our due diligence confirmed AISol's potential.

AISol's board & management team are strong and inspired with a successful cooperation and good power balance between the socially committed president of the board (and founder of the institution), a strict business oriented CFO ensuring financially sound management and a charismatic and well connected CEO, able to strike the balance and translate vision into operations.

AISol's business model adds value to local markets in the sense that they recruit and train staff from local communities, being able and committed to serve rural indigenous communities better than their competition. The turnover off clients and especially of loan officers is among the lowest of Mexico. Considering the huge HR challenge of the Mexican market, this gives AISol a competitive edge.

The key challenge for AISol, at the start of the partnership with Triple Jump Advisory Services, was to re-invent its social identity in a more professional context, pick up growth, cut costs and serve its rural niche market while lowering interest rates.

Project 1: strengthening marketing, sales and diversify product offering

THE CHALLENGES

Toward the end of 2008 competition had become fiercer and growth slowed. One problem, for example, was that the competition employed university graduated credit officers using much more assertive sales techniques and hence easily overpowered AISol loan officers coming from local communities with only a primary education. The apparent advantage of the business model (low costs, easy entrance to communities, serving social mission) turned out to have a disadvantage as well.

Not only the profile, capacity and lack of self esteem of the loan officers inhibited further growth, but the product and service offerings needed much improving as well in order to address local customer needs. Since 2005 AISol has been continuously applying the same methodology without adjusting or refining it based upon local demands. The simple one product-fits-all mentality no longer satisfied a more competitive maturing market.

THE SOLUTION

After fully diagnosing the situation, Triple Jump Advisory Services developed a solution structured into three mutually reinforcing projects:

1. Boosting the customer management and sales capacity of loan officers. A short term project was implemented to boost moral and empower the loan officers in becoming better sales agents and customer managers. To ensure ongoing, consistent sales trainings for staff, the consultants elaborated a training guide, job manuals and trained a local counterpart as a ToT approach.

2. Strengthening the marketing function of AISol. The newly appointed marketing manager was trained on the job during a series of focus group sessions. The focus groups consisted of a mix of clients and non-clients. The outcome was very insightful for AISol; it appeared that the AISol brand was one of the best-kept secrets of Chiapas. It also became clear that non-financial variables (speed, loan size, service) were considered more important by potential clients than the actual price of the product. AISol concluded that more favorable pricing would not bring anticipated growth, but more flexible and speedy delivery of services would. It also became clear that there was a potential market for individual products. The outcome of the study was used to draft a first marketing strategy that helped the new marketing manager get up to speed and further diversify AISol's product offering.

3. Diversifying products – introducing individual products. The focus group sessions confirmed the notion that more successful clients leave because their demands have outgrown AISol's product offering. They wanted faster access to larger loans with a tailored approach – already offered by the competition. Losing these clients was very costly for AISol and hence it was decided to develop an individual loan product. Initially the product was aimed at existing clients, targeting new clients in the future.

There is limited, successful experience with the introduction of individual products in the Mexican market. In fact, several MFIs have tremendously failed at launching individual products. Keeping this in mind, Triple Jump Advisory Services planned cautiously by working in 3 stages;

(i) **PLANNING** - the methodology was designed and manuals and procedures were drafted. Financial projections were made to understand potential profit margins and tune the pricing. A new business unit was established that directly reports to the CEO; profiles for the manager and loan officers to manage this product were drafted; incentive schemes designed; the new product was programmed into the MIS.

(ii) **PRODUCT TESTING** - testing was conducted at 2 agencies during a full loan cycle and used to evaluate client response and fine tune variables and manuals.

(iii) **LAUNCH** - more staff was recruited, the product launched officially and rolled out.

IMPACT

The sales training was received very positively and has a notable impact on the self esteem of the loan officers (testimony from the CEO). The marketing unit was brought up to speed and played an important role in strengthening the brand in the local market – through a variety of advertising techniques. The more systematic approach to understanding the needs and preferences of the target segment has lead to a fundamental shift within the organization: AISol has started to more intensively review their customer focus approach.

The introduction of the individual product has thus far been partially successful and has more room for growth. The product has proven itself, clients were satisfied, but the results were slower than expected due to various reasons;

- the launch in 2009 was during the peak of the economic crisis that struck Mexico right after the global financial crisis. Hence it was a difficult and risky market to launch a new product.
- the profile of the new loan officers that AISol started recruiting was comparable to the ones of its competitors; hence there was limited, qualified supply. Projection on staff recruitment needed to be scaled down, and turnover perhaps higher.

The underlying objective of strengthening marketing, sales and product offerings, was to allow AISol to get back on its prior strong growth path. The growth of gross loan portfolio evolved from 11 % in 2008 to 34 % in 2010. The Triple Jump Advisory Services projects have contributed to better and more systematic understanding of the market, AISol's ability to adjust products and service offerings accordingly and continuously exploring and reinforcing its competitive edge. AISol is currently working on fully exploiting the potential of the individual loan product.

Project 2: Strengthening Governance Structure and Strategy

THE CHALLENGES

Although growth gradually picked up, more was needed to ensure that AISol did not lose market share by other more commercial players. AISol needed to strengthen its competitive edge but in order to do so would also need to decentralize its operations and speed up and professionalize its internal procedures. AISol decided to transform from A.C. (*Asocacion Civil* = CSO) to SOFOM (Non Bank Financial Institution). The status of SOFOM is interesting from a fiscal point of view and creates the opportunity to attract investors. The Microfinance program had outgrown the board and they requested TA support to professionalize the governance structure, roles and responsibilities and to help allow AISol open up to equity investors without losing its own identity.

THE SOLUTION

The transition from A.C. to SOFOM provided an excellent opportunity to promote positive fundamental changes that AISol needed in order to maintain its position in the market. The fact that the board itself requested support indicated that the board had trust in TJAS and was committed to making impactful changes.

The first step was to support AISol in redrafting its overarching strategy. It allowed board and management to identify, make and implement fundamental decisions in a systematic manner. Preparatory discussions with board and management led to the conclusion that the financial and non-financial services offered by AISol would have to be separated into two different entities and hence two strategy plans required. The strategy development started with scrutinizing the market (trends in demand and supply, focus groups meetings, questionnaires and interviews with field staff) and the organization itself. The outcome of the studies fed into a series of preparatory and decision making workshops with staff, senior management and board. A 'Balanced Scorecard' was used to structure the presentations, discussions, decision making and ensure that strategy was consistently translated into action plans. On a parallel track a separate workshop was organized with the existing board to reflect on its current and future role.

IMPACT

One of the key challenges for AISol was to reinvent its social identity in a more professional context. The results of the strategy development and the reflective exercises with the board were positive. In short:

- The non-financial and financial services were split into respectively the A.C. and SOFOM structures whereby part of the profits from the SOFOM are now reinvested in the social projects of the A.C.. This split allows both entities to focus on its core business, while any improvements in the SOFOM will directly benefit the A.C.
- The board distances itself from the SOFOM and appointed a new, more professional board with independent experts for the SOFOM.
- The new strategy of AISol SOFOM aspires great, but realistic ambitions. A résumé:
 - AISol will compete in the maturing market on; 1. Service delivery (speed and closeness) and 2. Costs (interest rates will drop significantly over time);
 - AISol is further decentralizing operations, making procedures more efficient and response time faster;
 - Implement a new infrastructure with branches and satellite offices allowing AISol to work closer to clients at lower costs;
 - Articulation of their competitive edge will allow AISol to grow its portfolio, while controlling costs and hence bringing down operational costs;
 - This will allow AISol to bring down interest rates and start competing on costs as well, providing a more social product than its competitors, while re-investing profits in asset growth and social projects;
 - The back office (IT, risk management) will be professionalized to sustain growth and remain in control.

Project 3: Re-engineering procedures and implement new IT system

THE CHALLENGES

The strategic plan reconfirmed AISol's interest to reinvent its social mission in a more professional context. Crucial elements - in the short term – were the re-engineering of its procedures, developing and rolling out the new infrastructure and selecting and implementing an IT system that sustains the implementation of the strategy for the future. At a more fundamental level, these actions implied a very fundamental shift from an NGO mentality where management is centered around slower-paced, personal relationships to a much more disciplined and professional organization that employs standardized working procedures, information and results.

THE SOLUTION

Triple Jump Advisory Services supported AISol in the following manner:

1. Reengineering procedures. The first step was to support AISol with structuring the pilot established to test out the new infrastructure. Procedures were mapped out and improved. Roles and responsibilities were clarified. The work on the ground confirmed not only the need to make procedures more efficient, but also to improve compliance of existing procedures, i.e. more discipline.

2. Select and implement a new IT system. Prior to the transformation from A.C. to SOFOM Triple Jump Advisory Services had supported AISol with some modifications to its outdated IT system to make it possible to transfer the portfolio from the A.C. to the SOFOM. The resulting patchwork system worked reasonably well for the transition, but was not able to support further growth. In order to support AISol in selecting the most adequate software, Triple Jump Advisory Services conducted a business requirements analysis, using the results of the process mapping work for the reengineering. The outcome was used to elaborate a Request for Proposal that was distributed among top vendors that were known to provide decent services in Mexico. A selection committee evaluated all offers and selected the best. Triple Jump Advisory Services is currently supporting the negotiation.

3. Next Steps - **Support the implementation of the IT system and the new procedures.** The implementation of the IT and new procedures will be considered a drastic change for all of AISol. Hence, Triple Jump Advisory Services has designed a project employing best practices for change management to support the organisation.

IMPACT

Currently, the procedures have been redrafted and approved by the board. A preferred MIS system has been selected and negotiations are ongoing.

Conclusion

The key challenge for AISol is to re-invent its social identity in a more professional context and pick up growth, cut costs, serve its rural niche market while bringing down interest rates. Although work remains, significant steps have been taken. The more professional approach to the market, the new strategy and organizational set up, leaner and meaner operations supported with a more professional IT system are all steps in the right direction. Since working with Triple Jump Advisory Services, AISol has managed to grow its client base from 17,742 in 2008 to 22,313 in 2010, with a GLP increase from 3.5 million USD to almost 6 million USD.

As the CEO expressed “Triple Jump Advisory Services have helped us improve, but especially speed up decision making. Triple Jump Advisory Services have saved years of our precious time”.