

Marketing to MSMEs

To be able to access the MSME and educate them about the product offering may not be easy. The financial institutions need to utilize creative ways of reaching them

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Recently I had the privilege of handling a daylong session on marketing and brand building for a very young financial services company VERITAS- based out of India.. It was extremely gratifying to see the youth exuberance addressing the goldmine opportunity that is present in this sector.. This article provides a peek into some aspects of marketing to that segment.

The MSME sector in India is very big. Based on the last census conducted, the figures projected by Ministry of MSME for the year 2011-12 are 44.7 million units, employing 101 million people

with gross output exceeding Rs. 18.3 trillion. Out of this, the registered MSME segment comprises of just 1.54 million units ! And in many cases (especially for the unregistered/ unorganised), it is not easy to borrow from banks as the banking institutions have a set of strict rules especially when lending to smaller unorganized players, MSME s . While we know of a long list of defaulters in the borrowing category of organized/ big clients, the same cannot be said about the medium/ smaller borrowers. Since these maybe relatively unknown set of individuals/ entities, their default behavior is probably not as visible as the rest.

However given the size of the unorganized MSMEs in India, how can financial lending organisations make themselves more attractive? There is definitely a huge need to be fulfilled but the offering has to cater to that need. Muthoot financial group has done this somewhat successfully – and there maybe lessons for other players to follow.

First is the segmentation of the market. MSMEs come in all shapes and sizes. They range from the local kiranas to paan/beedi shops to electrical shops to car mechanics (and many many more..). Once registered in MSME, and having a registration, called Entrepreneur Memorandum-II, it allows you to have this MSME registration infinitely. There is no need to renew it. They stand to get a list of advantages from the Government including benefits like patent fee subsidy, protection against default etc..

Segmenting these enterprises will help the financial institutions assess which maybe worthy enough to chase or follow up.. Availing of criteria like size, how much of media or physical access they have , what are the information sources (since these belong to largely unorganised sectors) to measure their potential- will go a long way in establishing their credit worthiness for the financial institutions.

Once the attractiveness of the target segment has been identified , the next step is to come up with a relevant offering.. Here it is a combination of a product and service.

An important aspect of the product is the sheer portfolio presence. Given that trust plays a very important role in this sector, it is unlikely that this target customer will approach different companies for different financial needs.. So it is critical to offer a portolio of products..As I am

writing this, Muthoot finance offers a bouquet comprising insurance, education, forex, money transfer gold loan cashless, digital housing finance, travel, insurance, gold coin and wealth management services!! Obviously there is a reason for catering to the customer through every potential need- in this sector, familiarity goes a long way in building loyalty..

In delivering the offering, a lot of innovation has to take place by changing the collateral laws and improving financial literacy. For the latter, media reach is critical..

To be able to access the MSME and educate them about the product offering may not be easy. Many of these customers live in either media inaccessible areas, or are caught up in their daily living so much that they do not have time to see traditional television or even use their mobile devices for entertainment. (imagine a tea shop owner or a local kirana owner who is probably at his shop premises the whole day..) The financial institutions need to utilize creative ways of reaching them – eg local street plays, celebrities recommendation , local ambassador etc. Bajaj Finserv- another leading player in this category did a very successful campaign centred around the end consumer and used 'Building Confidence' as a platform to connect with the users. Muthoot itself recently used Amitabh Bacchhan as its ambassador in order to widen its impact with customers.

The next aspect is investment in technology.. With the Government's push towards digital and the prowess of consumers in mobile devices becoming commonplace, financial lending institutions in this area are keeping up with that trend. Whether it is loan sanction process that gets done with a palmtop/ ipad or checking status/ sifting across information to ensure better decision making, the sales men are technology enabled.

Organisations have woken up to the importance of building a unique brand DNA for themselves in this space. It is a highly cluttered space with major players like Manappuram Finance, Shriram City, Muthoot Fincorp, Kosamattam, Reliance Capital, Bajaj Finserv- to name a few. Apart from trust and credibility, parameters like flexibility, range, personalized service are gaining ground. Talking with Silicon valley allies like Amazon, Microsoft to build future possibilities is another trend.

The best Financial institutions are those that add value to the business that the MSMEs are doing already..in ways that they themselves could not have imagined.. help become partners in their business..without replacing the solutions they have invested in ..Success belongs to those who address the above aspects of designing a range of relevant products offerings, reaching customers sharply, being at the leading edge of technology and invest long term in brand building..

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