

Value co-creation for service delivery innovations in emerging markets

Esi A. Elliot.
Suffolk University

Aron Darmody
Suffolk University

Pelin Bicen
Suffolk University

ABSTRACT

Aku Blankson, the marketing manager of the Summit Bank in Ghana, has embarked on a marketing drive with her team that involves a rethinking of the Summit bank's non-existing relationship with its surrounding microenterprise (ME) communities. New business and marketing strategy aimed to reach out to the ME communities in Ghana and foster the development and introduction of mobile technology service delivery innovations focused on mobile payments. This was not an easy task. ME communities were grossly neglected by the financial sector due to their unstructured nature and unprosperous façade, lack of institutional capability and knowledge in financial management practices, and susceptible nature to market failures. MEs were used to operate in informal markets which made it difficult for banks to approach to them. Rather than focus solely on the risks, as many traditional banks had done, Aku and her team set about study the opportunities MEs might provide. The case aims to uncover the strategic thinking of Aku Blankson as she and the Patriot branch staff engaged in value co-creation with the microenterprise customers to evolve service delivery innovations focused on mobile payments across value chains. It portrays the challenges of crafting marketing strategy to reach out to non-traditional markets with creative marketing solutions in an emerging market.

Keywords: Emerging markets, co-creation, service innovation, marketing strategy, non-traditional markets, microenterprise, service dominant logic

Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

INTRODUCTION

Aku Blankson's goal was far from being reached. She was the newly appointed marketing manager at the recently opened Summit bank in the affluent Patriot neighborhood, the first, and as yet only, Summit bank branch in Ghana. She faced a daunting six-month sales target of 80 million cedis (equivalent to US\$20 million) that had to be met for the branch to break-even. However, initial business had been slow and the high sales target was a long way off. As she surveyed the market she identified two potentially lucrative customer groups. First, were the elite customers in the affluent locality, but they preferred to bank with established financial services companies with renowned brand names. Summit bank did not yet have strong brand equity, and customer turnover in the banking industry had traditionally been quite low. The second, potential customer group was entrepreneurial microenterprises (MEs), a diverse group of small businesses and entrepreneurs who tended to not utilize banks. MEs were businesses that had 0 to 9 employees (Abor and Quartey, 2010). It was in this latter group that she sensed there was an opportunity. Aku reasoned that if Summit could understand MEs and provide services they needed then that could be a great opportunity for business performance enhancement for both the bank and the MEs. The potential rewards for Summit Bank were high: they could reach out to a hitherto unreached segment, obtain first mover advantages within this new segment, and innovate to serve the MEs' unique needs. What however would be the rewards for the MEs? What could the bank offer to attract them?

From a traditional banking standpoint MEs were considered higher risk customers. As such, few financial services firms reached out to them. Characteristics of MEs can be listed as being clustered and unstructured; having unclear management structures; lacking institutional capability; exhibiting poor financial management practices such as failing to keep up-to-date sales and expenditures records; being susceptible to market failures; and many operations being in "informal markets." Rather than focus solely on the risks, as many traditional banks had done, Aku and her team set about study the opportunities MEs might provide. Contrary to popular belief, the MEs were not poor. Aku and the team, many of whom personally knew MEs, had done their research and knew that they were often cash rich. Another prevailing belief in the banking system was that MEs avoided lodging their money in banks because they did not trust financial institutions. In reality, while there may have been a grain of truth in this, also banks had not reached out to try to understand these business operators, nor had they tailored their products to meet their specific needs. As their discussions progressed the team drafted three things that they believed would guide their decision-making and planning regarding capturing the ME market:

- 1) How do MEs conduct business?
- 2) What do they need to help operating their businesses?
- 3) What do they need to develop their businesses?

Aku sat down with her team to assess the potential of MEs and to figure out if Summit Bank could create value propositions that would appeal to these potential customers. There were a few murmurings of discontent among the team as they were aware of some of the challenges that reaching these customers could pose. Yet Aku was up for the

challenge; what better way to achieve the sales targets than to move into unexploited markets and to develop new service delivery innovations, she reasoned.

SUMMIT BANK

Summit Bank was a well-known Nigerian bank brand (at the time one of the largest banks in Nigeria) making their first foray into the Ghanaian market. In Nigeria the primary target segments were middle- and high-income customers. Among these they were a well-known and -respected brand known mostly for convenience, trust and friendship. Summit bank had decided not to directly compete with the multinational banks who were targeting the local corporates, but rather focus on the prosperous small and medium enterprises (SMEs) and offer select loans to them; these prospects tended to be larger, more stable and more organized than the MEs. Summit prided itself on providing personal service, with staff often getting to know customers personally, and sometimes even building friendships. Summit bank branches were typically located within two miles of each other. Additionally, the relationship managers of Summit bank were available to their customers during and outside banking hours and were highly responsive to meet any and every service delivery request. They would go to customers' homes or offices to open accounts for them, deliver their check books the next day, take deposits and deliver cash of any amount and send thank you and other text messages. Mobile banking innovations supplemented these personal services that were provided at no extra cost to the customer. These included several alerts – alerts were provided to the customer every time a deposit was received or transfers from the account was made. These served as detailed accounting records for the business customer and were very much valued. Electronic banking services were provided at no cost to the ME customer and were highly valued for trade transactions. These included export repatriation notification, shipping document batching, receipt of assessment report, letter of credit establishment and bills and other document monitoring. These services saved substantial time and money and provided convenience to the customer. However, there was room to delight the customer even further by providing further service delivery innovations to the business processes. For example, specificity in the timing of cash flow transfers and receipts and foreign exchange management could save the customer substantial money. However, in Ghana the brand identity of Summit bank was considered a clean slate, with management given a flexible remit to pursue different market opportunities.

Summit Bank invested heavily in two things, people and technology. It was their policy to hire 'high-potential' staff, train them well, and empower them to be flexible and responsive as they 'delight' customer. In Ghana for instance they hired highly qualified graduates with extensive business skills and experiences. Aku came from a business background with a degree in Banking and Finance and an MBA in International Business. Her team was similarly well qualified. This included Victor Manu with an MBA in Finance, Stephen Safo with an MBA in Marketing, Mable Dartey with an MBA in Marketing, and several others. Between them they had decades of business experience and were looking forward to bringing this to their new roles at Summit. Another pillar of Summit's banking operations was the heavy investment in technological platforms. These investments were intended to drive innovation in its chosen markets as they specifically tailored services to their variety of customers' needs.

REACHING OUT TO MICROENTERPRISE CUSTOMERS

The entrepreneurial neighborhood community called Shama was a densely populated, lower income neighborhood close to the Patriot branch. Set on undulating terrain, Shama was home to the Shama Market with its array of MEs that Aku wanted to target. The market was a vibrant and colorful place, always full of people and constantly abuzz with life and businesses operating from early morning till late at night. Within this market were seemingly countless traders, forever wheeling and dealing with customers and with one another in myriad ways: there were roadside traders, mom and pop stores, importers, exporters, distributors, craftsmen, and more (as indicated in Table 1 in Appendix) all interacting within loose clusters. Turnover of goods was often fast, market shares were often large, and many MEs were cash-rich.

This was a closely-knit collectivist society. Family ties were important, often binding families through long and extended family networks. These networks like many such societies operated within extended families, which provided business support to each other. These collectivist communities operate in highly interactive dense networks, which are relationship rich and continuously share ideas, knowledge and networks. There are continuous exchanges and make-shift arrangements within these networks to compensate for weak business infrastructures and limited resources.

The sub-chief of the microenterprise community in Shama was a driven middle-aged man named Stephen, who was eager to bring development into the community. Like in most neighborhoods in Ghana, the sub-chief was the most important and influential man in the community. Two of the central concerns for any good chief were the wellbeing and development of his community. His duty was to try to improve the lives of those under his jurisdiction. As a part of this, he is a central figure in coordinating business and social networks. He does this by holding kinship meeting and business forums on a regular basis. For him, the health of local business clusters and networks was important for the development of his community. Mable Dartey was skeptical as Aku Blankson spent several days marketing with her team in the Shama market with support from the Shama sub-chief. Why would an executive banker, fully dressed in suit under the steaming hot sun spend so much time in such shanty disorganized places? She wondered.

UNDERSTANDING MEs' BUSINESS OPERATIONS

Aku and her team set about trying to meet and talk to MEs. One of the keys to understanding MEs and their business operations lay in understanding the interactive networks in which they are embedded. A key aspect of interactive networks is the central role of social interaction and enduring relationships in the lives of MEs. Often business and personal relations are one and the same. The microenterprises are simultaneously buyers and sellers and conduct buying and selling activities alongside the receiving and granting of credit. Activities are performed within 24-hour business cycles, with limited resources, and under unstable circumstances (Viswanathan, Rosa and Ruth, 2010). Trust becomes an essential factor in such interactive networks and accompanies the empathetic exchanges. Relational trust is trust based on the dependability between the interacting parties (Lewicki and Tomlison, 2006). Deterrent-based trust occurs through the involvement of social networks that serve as a natural deterrent for opportunistic behavior that will damage

reputation (Gall and Schroder, 2006). For example in the case of Shama market, trust works when wholesalers provide goods to retailers on credit with the trust that payments would be made on due date. Additionally, one would find competitors sharing information on pricing and products and supporting each other with resources. Deterrent-based trust works when the ME would not default on obligations for fear that this would ruin his credibility with his business associates and resources ensuing from this trust may cease as a result.

A second defining characteristic is the overwhelming dominance of oral communication, both within this society but also in their business operations. Because of the dominance of oral communication cellphones have long been fundamental tools business operations in Ghana, with the Shama market MEs no exception. From their launch cellphones were popular as they easily fit into preexisting forms of communication and of conducting business. As cellphones evolved and developed, so too did the ways there were used by MEs. As Aku and her team researched MEs they discovered that MEs use their phones to send and receive a wide variety of payments, mostly cash, from customers, middlemen and government agencies, while making payments to wholesalers, employees, landlords and service providers (Kendall, Schiff and Smadja, 2013). There are several agents that support these payments with the most popular transactions being airtime top-up, person-to-person (P2P) transfer, bill payment, bulk payment and merchant payment with purchase of insurance and repayment of credit products being negligible. Most of the microenterprises were consumers and suppliers at the same time and therefore possessed the ability to engender demand for their products, which had a high turnover rate. With few overheads, their businesses were highly profitable. Furthermore, since their business practices were mostly informal it was easy to underrate their opportunity structures. Business success in the interactive networks was made possible by inter-dependence on each other's platforms in the value chains.

In a traditional business sense MEs were thought to have low marketplace literacy, yet they often exhibited great intelligence in coordinating their businesses and adapting to the market dynamics. The interactive networks in the Shama market were resourceful in the ways they came up with new product, pricing and distribution strategies to meet the needs of the markets. They were adept at makeshift arrangements and adaptable to market changes. Since they operated in tight-knit business clusters, they supported each other with things such as stock, finance, information and other resources. Since their business practices were mostly informal it was easy to underrate their opportunity structures. Yet for what they did well within these clusters there was much that they struggled with.

As a result of the interactive networks, local and cultural factors played a key role in the diffusion of the mobile banking applications used for business or financial technology. The characteristic of the networks relevant for diffusion is that they act as infrastructure and therefore have a special role in society (Hadden and Lenert, 1995).

PRIMARY DATA

Asamoah is a trader in the Shama business community whose core business is the purchase and distribution of garments. When asked by members of the team what bank offerings he needed, he found it difficult to articulate. Instead, they conversed about his business where he went into great detail about his business, how it operates, and some of the challenges he faces. Asamoah's business involves selling textiles and wholesale items for

interior decoration. Asamoah jointly owns this business with his brother and sister who have diversified into other businesses such as construction and sales of other household items. However, Asamoah has no formal business or marketing plans in place; instead a lot of his business is off-the-cuff where he reacts to opportunities he perceives. He keeps no written, systematized records; for instance, stock is received on a rolling basis and often the only records being kept are the mental ones he makes of what comes in. His shop floor is disorganized, with inconsistent stock deliveries only heightening this problem. He has no formalized system of keeping accounts, so the limited books he keeps are disorganized. Also, while often flush with cash, this is rarely the result of careful cashflow planning so there are times when funds can be dangerously low. Finally, although he imports some of his stock, as these are international transactions outside his close business networks they tend to be more cumbersome and complicated for him. In his conversation he spoke both of the inherently precarious nature of his business:

Every day you need money because selling textiles involves a lot of money and this year the textile companies have increased the prices four times and they would increase it again this year so if you don't have money you can't survive.

Yet in spite of these challenges, ever the entrepreneur, Asamoah also articulated ideas for future growth, ranging from conducting more international trade to moving into real estate.

Somuah is another microenterprise prospect operating in the Sharma community market. He operates a pharmaceutical retail shop and stocks up his shelves by obtaining supplier credit from his suppliers, who had recently jacked up their prices. To remain profitable, Somuah opened up a new shop in a downtown location to sell vehicle parts. When asked why is not focusing on his current business to expand it, he indicates:

The business is good but right now the problem is that I do not have enough of the pharmaceutical products and so customers stop patronizing my shop. I have already started the transport business but I do not have an account for it. I sell Toyota parts and then Nissan, big trucks – such as Mercedes, Dove, Man diesel and so on. This time the business has gone down a bit. The problem is that this time there is no money. Now there are many competitors. The only thing is that we need help from the banks.

After exchanges with the ME prospects, it should not have been surprising to Aku and her team why very few banks wanted to reach out to microenterprise prospects and had few service delivery innovations for them. However, Aku was further motivated to spend more time with the microenterprises to uncover their unique needs. She reckoned that if Patriot branch had to meet the huge sales targets, there was the need to be more market driven. Have an in-depth understanding of the customer needs by getting close and more embedded in their activities. This involved a change of mindset to become more responsive to these microenterprises and perceive their needs as opportunities for new service delivery innovations to meet these needs.

THE IDEALISM OF AKU BLANKSON

Aku was quite convinced that financial success could be achieved by relating to this microenterprise community in a benevolent way. Ingraining social good is *essential* for organizational success in subsistence marketplaces (Viswanathan, Gao and Chaturvedi, 2009). In these entrepreneurial communities there were mostly traders and also schools, churches, community organizations, craftsmen, exporters, importers, wholesalers, retailers, distributors, and several other industries. Every one of these industries would need an adapted mobile banking service delivery innovation. Her approach would have to drill down in-depth, to get to know the players and understand their unique needs in order to serve them better; while the entrepreneurs too would learn from the bank, obtain ideas, and improve their networks. What an opportunity, she thought to embark upon a social enterprise strategy – enabling the bank to do well by doing good. Despite her idealism however, Aku was wondering where exactly to start from.

BUILDING ON EARLY SUCCESS – WHERE TO NEXT?

As she sat and wondered about her next steps Aku was torn. This early success had not come without complications. For one, she was feeling pressures from others in the organization. The branch operations manager, Peter Ashanti was a prudent man. He was always one to ensure that all risk eventualities were adequately covered and that the books kept by the branch were beyond reproach. He was generally supportive of Aku's marketing initiatives and eager to help her to succeed. However, in spite of the initial successes with ME customers, Patrick knew they still carried higher risks than more 'traditional' bank customers. She wanted to heed Patrick's caution yet also take advantage of the market opportunities she saw. She wondered how this situation might be turned into an opportunity.

Not only did Summit bank know the ME businesses, but, more importantly, the bank employees knew the ME customers intimately. They were so close that they visited them almost every day. Customers were discussed as if they were members of their own families. Indeed, many branch staff now had such close relationships with microenterprise customers that they even visited them in their homes and attended their events such as family weddings and funerals. Strong personal bonds had been forged and some trust had been developed. However, how could this initial trust be maintained when circumstances made it likely that the bank would soon be viewed by the microenterprises as opportunistic because they were not growing at the same rate?

Aku's initial idea had been clear and simple: for the bank to reach out to ME customers as they would reach out to members of their own families. Good business success had come to the bank, but only limited success to the MEs. But this success was an important start, especially for a segment of customers who had never engaged with banks before now. She and her team knew that mutual success was in their grasp. They knew that they could nurture growth and continued financial health and success for the ME customers but the question was how?

Appendix:**Table 1: Examples of Value Co-creation with ME Market Segments for Mobile Banking Service Delivery Innovations by Summit Bank**

TYPE OF BUSINESS	SERVICE DELIVERY INNOVATIONS
Schools	Direct deposits of fees into schools' bank accounts.
Churches	Payment of tithes, donations etc.
Hospitals and clinics	Hospital bill payment
Pharmacies/Chemists	payments for deliveries
Retailers	Convenient payment for goods and services
Wholesalers	Extend business networks
Importers	Easy transfer of money around West Africa
Exporters	High frequency money transfers enabled
Clearing agents	person-to-person payments
Construction	Convenient purchases
Farmers	Remote cash transactions
Fisheries	Remote cash transactions
Distributors	retail payments and payments for virtual content
Service companies	Transaction notification services
Restaurants	Easy receipt and transfer of funds
Hotels	Easy receipt and transfer of funds
Spare part dealers	Easy receipt and transfer of funds
Second hand clothing	Easy receipt and transfer of funds
Craftsmen/Artisans	Pay for services and receive payments
Departmental stores	Send and receive small advertisements for selling and buying stuff
Microfinance companies	Transferring money in geographically remote areas
Mobile phone dealers	Ability to sell airtime credit
Recreational facilities	new forms of information delivery and exchange
Second-hand car dealers	providing payments, remittances, funds transfer
Transport owners	providing payments, remittances, funds transfer
Network marketers	providing payments, remittances, funds transfer
Manufacturers	new forms of information delivery and exchange
Internet cafes	Wireless services
Florists and decorators	Mobile usage airtime purchases
Supermarkets	Easy receipt and transfer of funds
Hotels	Extend business networks
Social clubs	Data transfer (mobile banking, market information system)
Grocery and provision shops	providing payments, remittances or transferring funds
Hawkers	providing payments, remittances, funds transfer
Media and Entertainment	Promoting Participatory Communications Processes.
Petrol stations	Electronic payment for gas and oil

REFERENCES

- Abor, J. & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 39(6), 215-228.
- Gall, R. G., & Schroder, B. (2006). Agricultural producer cooperatives as strategic alliances. *International Food and Agribusiness Management Review*, 9(4), 26-44.
- Hadden, S. G., & Lenert, E. (1995). Telecommunications networks are not VCRs: The public nature of new information technologies for universal service. *Media, Culture & Society*, 17(1), 121-140.
- Dineen, B. R., Lewicki, R. J., & Tomlinson, E. C. (2006). Supervisory guidance and behavioral integrity: relationships with employee citizenship and deviant behavior. *Journal of Applied Psychology*, 91(3), 622.
- Kendall, J., Schiff, R. & Smadja, E. (2013). Sub-Saharan Africa: A major potential revenue opportunity for digital payments. *Available at SSRN 2298244*.
- Vargo, S. L., & Lusch, R. F. (2004). Evolving To a New Dominant Logic For Marketing. *Journal of Marketing*, 1-17.
- Viswanathan, M., Seth, A., Gau, R., & Chaturvedi, A. (2009). Ingraining product-relevant social good into business processes in subsistence marketplaces: The sustainable market orientation. *Journal of Macromarketing*, 29(4), 406-425.
- Viswanathan, M., Rosa, J. A., & Ruth, J. A. (2010). Exchanges in marketing systems: The case of subsistence consumer-merchants in Chennai, India. *Journal of Marketing*, 74(3), 1-17

TEACHING NOTES

Value Co-Creation For Service Delivery Innovations in Emerging Markets

CASE SYNOPSIS

Aku Blankson has embarked on a marketing drive that involves a rethinking of the Summit bank's non-existing relationship with its surrounding microenterprise communities. This new marketing strategy has fostered the cocreation of mobile technology service delivery innovations focused on mobile payments (refer to Table 1 in Appendix).

Due to the substantial spend to set up the flagship branch of about \$2 million, Summit bank had set stretching sales target for the Patriot branch to break even within six months and start making profit. This marketing drive was a difficult task for the Patriot branch staff, who found it difficult to attract new customers in the elite neighborhood who were skeptical of a new local bank. Aku Blankson came up with the idea to target the neighboring microenterprise communities who were grossly neglected by the financial sector due to their unstructured nature and unprosperous façade.

The case aims to uncover the strategic thinking of Aku Blankson as she and the Patriot branch staff engaged in value co-creation with the microenterprise customers to evolve service delivery innovations focused on mobile payments across value chains. First, Aku Blankson had to segment the microenterprise markets, starting with the Shama microenterprise community. Next, she and her staff had to meet with the microenterprises to co-create new service delivery innovations for each market segment.

The success of value co-creation between the Patriot branch and the Sharma microenterprise community would rest on successfully addressing two key challenges: 1) How do you co-create service delivery innovations for mobile payment financial technologies that transforms communities with weak business infrastructures? 2) How do you leverage socio-cultural factors within value chains in the emerging market communities for service delivery innovations?

PEDAGOGICAL OBJECTIVES

The case discusses value co-creation between financial services firms and microenterprise communities for service delivery innovations focused on mobile payments. Since mobile technology in emerging markets is a fairly new phenomenon, its organizational and strategic implications have not been systematically studied. This case fills the void by examining the strategic implications of mobile technology in a microenterprise community in an emerging market, Ghana. Case adopts the 'Value-Focused Thinking' (Keeney, 1992) approach to identify values of mobile technology to this microenterprise community, as well as relationships among those values. As 'Value-Focused Thinking' is fundamentally about deciding what is important and how to achieve it, it helps to reveal the 'black box' of how the deployment of mobile technology strategically leads to the marketing success of the Patriot branch of Summit bank.

APPROPRIATE USES

The case can be used for both an undergraduate and graduate course focused on the following areas: value co-creation, services marketing, social enterprise, social innovation, business to business marketing, international/global marketing. Additionally, the case can be used for executive education programs focused on these areas.

TEACHING THE CASE

There are two perspectives that the students should consider in this answer: that of Summit Bank and also the microenterprise owners. For this, we suggest the instructor divide a whiteboard down the middle, and on the left side write “Benefits sought by Summit Bank” and on the right side “Benefits sought by Microenterprise Customers.”

1. Value Co-creation of service delivery innovations between Financial Services Firms and Microenterprises to meet the needs of individual Microenterprise Customers

Shama market could be categorized as an informal economy. The informal economy is defined as “the diversified set of economic activities, enterprises, jobs, and workers that are not regulated or protected by the state (Chen, 2008).” Without state regulation in informal economies tax collection is difficult, wage regulations are often nonexistent, and safety regulations are either not in place or not enforced. As well as a lack of state control, informal economies also lack other institutions that characterize formal, including banks. From the narration of the microenterprises in the Shama market, we realize that the MEs operating in these informal markets were operating in unregulated and competitive markets with family ownership and very small scale operations. They relied mainly on available resources and were labor intensive with low income, little access to financial services and very little job security. Aku Blankson perceived that an adapted marketing strategy will work to successfully market to the MEs operating in these informal markets.

Many traditional banks avoid dealing with businesses in the informal economy as they are seen as unstable, lack a business plan, have no credit rating, and have informal business structures that include no formal accounting system. Previously the informal economy was referred to as ‘informal sectors’, but by referring to it as an ‘informal economy’ highlights it a) exists across sectors, but also b) that any economy ought to be considered on a continuum, with the informal to the formal at the two end points, and thus there is interdependence between the two sides. In many emerging economies, there are thriving informal economies, with Ghana being no exception.

To successfully reach out to the ME’s a marketing strategy would have to involve the innovation of new product-services that would meet their unique needs. Financed in part by funds from her own pocket, Aku Blankson organized a forum for the Shama community microenterprises. This forum was organized with assistance from the community chief, a hugely influential figure for ME owners. At the forum, Aku and her staff came across less like bank staff formally presenting *to* the microenterprises, but instead as friends discussing *with* them. They spoke passionately about how the bank wanted to be a friend that would understand and meet their unique needs. A chord was struck with the mention of needs, and the microenterprise owners began to open up and share the various things the bank could do

to help them make money, save them money, protect their money, create efficiencies, and provide them with convenience.

Benefits sought by Microenterprises include:

- A bank that will help them to make more money
- A bank with whom they feel they have a strong relationship – people they can trust, and therefore a bank they can trust.
- A bank that will help them to manage their money and their accounts
- A bank that will help them to better organize and keep on top of cash flows and accounts.
- A bank that will help facilitate smoother transactions with customers, trading partners, and clients
- A bank that trusts and respects them, listens to their concerns, and will help them to grow their businesses
- A bank that will reduce complications in business transactions.

2. Value Co-creation of service delivery innovations between Financial Services Firms and Microenterprises to meet the needs of Microenterprise Value Chains

Summit Bank can use the information they have on hand about the MEs' value chains to map out their value chain needs, from sourcing, to order taking, to delivery and payments. Not only does the bank have information about individual MEs, but they also have information about how they professionally interconnect. This process of mapping can highlight opportunities for new mobile banking applications to simplify and expedite operations and allow for greater efficiencies in trade between members of the value chain. With the increased trust already built, this could be designed as a collaborative process wherein the bank can harness the native capability, local intelligence and local market information held by the MEs.

Aku charted a new course by reaching out to a new group of consumers – nonbanking microenterprise customers. In so doing, she avoided the hypercompetitive markets that were the congested traditional banking market. She reasoned that Summit Bank had no brand equity to appeal to 'traditional' banking customers who were unwilling to deposit their money with a newcomer to the Ghanaian marketplace. The staff of the Patriot branch began to further analyze ME customer needs. Some were needs that the ME customers had requested specifically, while others again were more implicit. The first was the need for improved access to market information in terms of price, demand and supply to improve the sale of goods. Mobile banking innovations could be used by ME customers to explore new markets, techniques and processes for marketing of customer products and services. Access to more information could also improve access to institutions dealing with different aspects of resource dealing, including administrative and legal dealings such as land records. Summit Bank got to know more and more about the ME customers, their businesses, the competitive landscape, and their business networks, and this information was internally shared among bank staff. Every day, Summit bank was becoming more and more respected by the microenterprises. Microenterprise customers were pleased that the bank

was showing increased interest in their wellbeing, thus strengthening their relationship with the bank. These same customers were recommending Summit Bank to other members of their value chains and business networks.

The Patriot branch staff did not get complacent. The team visited their microenterprise customers in the Shama community regularly and fostered improved networking, both within existing networks in the community and within the much wider entrepreneurial community. They soon spread their marketing activities to seven other neighboring entrepreneurial communities. The ability to build new social networks at the community level brought business performance enhancement to the bank as well as customers. Reducing the cost and processing time for receipts and payments through mobile banking innovations had a positive impact on the microenterprise business owners as they spent less time away and less money on transport. Of course, an expanded customer base from the social networks of the closely-knit entrepreneurial families also enhanced branch sales. Mobile banking innovation value propositions that were designed to meet the specific needs of microenterprise customers who conducted almost all of their business on mobile devices. With this, Summit Bank differentiated themselves from the other banks and reached out to the new customers with their customer-centered mobile innovations.

The bank's holistic approach was to consider the customer's customer as their customer, thereby making it easier to help their bank customer. Additionally, by knowing the customers' customers then they too could become customers of the bank. In short, they were going to be part of the customer's business and their networks. To be able to embark on such aggressive marketing strategies, there was the need to segment the amorphous market to uncover the unique needs of each market segment and use this to create innovative service delivery innovations.

The discussion can open a conversation on some of the service delivery innovations that can be developed for the microenterprises value chain through mobile payment technology. Aku and her team set to work on segmenting the market to better meet the needs of the microenterprise value chains (as indicated in Appendix)

3. Value Co-creation of service delivery innovations to meet the needs of microenterprise communities

Meeting the needs of microenterprise communities involved the adoption of a social enterprise strategy, that is, adopting a mission to create and sustain social value (not just private value) (e.g. Dart, 2004)

With the ideas, inimitable knowledge and specific market needs shared by the entrepreneurs, the forum organized for microenterprises in the Shama market was deemed a success. The very next day, Mr. Sam, a prosperous entrepreneur, visited the branch and deposited the equivalent of fifty thousand dollars. Several other microenterprise owners soon followed, all making their own deposits. Other members in their networks were made aware of the bank, and they too came rushing in. Cash and sales management services were made immediately available to the microenterprises. This involved Summit Bank collecting MEs' daily sales, providing real time notification of inflows and outflows, and organizing their books for them in the form of bank statements. The microenterprises were excited about using the mobile banking innovations such as deposit notification and others they could innovate to meet their unique needs. These initial successes got Aku and her staff

thinking of what new mobile banking services they could innovate in tandem with the IT department. Technological innovations in mobile banking were fast revolutionizing the industry. However, these innovations had not been sufficiently adapted to the microenterprises unique needs (See Table 1).

4. Benefits to the Financial Services Firms from Value Co-creation for Service Delivery Innovations

Such innovations would involve the provision of savings schemes, short-term loans, and extended communication among a wider community of microenterprises. A second step entailed Summit Bank becoming valued partners in many facets of the microenterprises' businesses to assist them in many business functions. They would be able to take charge of the microenterprises' daily sales, purchases, imports, exports and a range of financial transactions to ensure these were properly managed, and ideally increased.

Benefits sought by Summit Bank

An example of some answers that the students can provide should include:

- Customers who deposit more money
- Customers who are more profitable (question – how can they become more profitable; how can Summit Bank help MEs become more profitable?)
- Customers who will do more business *existing* business with the bank
- Customers who will do want to do more *new* business with the bank
- Customers who will attract other customers to the bank:
 - Others in their families
 - Others in their social circles
 - Others in their value chains
- Customers becoming “better bank customers”
 - Customers who keep up-to-date accounts
 - Customers who pay their debts on time
 - Customers who receive monies owed on time
- Greater efficiencies in customer transactions
- More and better customer data

5. Preparation Questions

1) How can value co-creation be a collaboration that results in equitable growth?

Students should connect the benefits sought by the bank with those sought by the microenterprise customers. Once the students have generated ideas, the instructor can ask them the specifics of how the needs of the bank and the needs of the MEs intersect, and more importantly how the new value propositions is developed.

2) *What are the next steps Aku Blankson can take to ensure this mutual benefit?*

The case is designed to have the students suggest what Aku and her team did, which included:

Summit Bank can take an advisory role in interactions with microenterprise customers. The branch staff can leverage the trust already built to counsel the microenterprises on best practices, and to advise on what the bank expected of them. This could be done in a fashion that allows for an open exchange of ideas. Advice and training can be offered in terms of helping to manage the MEs' accounts, helping MEs to instigate longer-term planning, helping the MEs to manage cash flows, helping the MEs to pay bills on time, and helping the MEs to learn about best marketing and strategic planning practices.

A key element for students to discuss and to draw out through discussion is the emphasis on trust-based relationships in the case study.

Aku knew that this trust MEs had that the bank was a partner who acted in their best interests was essential to maintain the relationships they had, and to develop them further through new initiatives.

- Close relationships were key to doing business in ME value chains. These close relationships included elements of social bonds with the extended networks, trust, and friendships.
- It was vitally important for Aku and the team at Summit Bank to be able to build close relationships with the microenterprise customers. These were founded on trust that had been built up. One of the key differences between emerging markets, including countries such as Ghana and the more developed markets that tend to get more heavily researched, is that marketplace exchanges in emerging markets are often based more on relationships than on transactions (Viswanathan et al., 2010).
Trust is the firm's willingness to risk involvement and vulnerability in the relationship with the partner, in which responsibility is vested in the partner to act on the firm's own behalf in the belief that the decision will produce positive outcomes or not produce negative outcomes for the firm (Andaleeb, 1992).
- A key early relationship built was with the sub-chief of the microenterprise community. The societal structure is such that the Chief of the entrepreneurial communities were elected to oversee community development to which the activities of the microenterprises were central. Had Aku not reached out to the chief and brokered a meeting, it is highly unlikely that she and her team could have met so many microenterprise customers face-to-face. The blessing of the Chief was instrumental in their being open to hearing what Summit Bank had to say, and made it more likely they would trust what was presented. Without this initial trust being engendered, Summit Bank would have struggled to acquire the MEs as customers.
- Another important set of relationships to consider in this case is the family relationships. It is important to consider the challenge these present to the microenterprise customers' efforts to operate and grow their businesses. These family ties are an essential sociocultural element about which Summit Bank remained continually cognizant.

- Instructor can also discuss the role of relational trust and the strength of institutions in conducting business in different markets such that in developed economies (e.g., EU, USA, Japan) markets are built on institutions and strength of institutions signals the strength of markets compared to relational, personal based business conduct of emerging economies.

6. How has relationship-building impacted collaborations for value co-creation in this case?

Aku and her team knew that it was not simple for a financial services firm to position itself as a microenterprise's partner, or vice versa. They are very different enterprises, with often-incompatible cultures. However, the first steps laid out in the case showed that this could be achieved if the banks listened to these customers, developed close bonds of trust with them, and designed value propositions specifically around their inimitable needs based on how they conducted business. To move to the next phase Aku and her team did two things:

- 1) As part of their marketing drive, the Patriot branch staff reached out to the MEs to institute shared training. These were designed to be part training session, part storytelling platforms, as bank staff invited microenterprise owners to share their stories. They were amazed to hear what the entrepreneurs had to say. The MEs laid down the whole trajectory of their daily lives, and articulated their yearnings to compete both locally and in international markets. The branch staff shared their own stories and expressed these same yearnings and personal and professional goals. These stories helped to foster greater mutual understanding, and were the bedrock of more trust being built. Within these sessions the branch staff also took the opportunity to counsel the microenterprises on best practices, and to advise what the bank expected of them. Many of the hindrances ME growth and greater profitability came from their entrenched ways of doing business. In advising and educating the MEs the bank staff helped them to eliminate many of these bad practices. These were framed as means for the MEs to improve operations and to become more competitive and profitable if they did. These initiatives included training on business and accounting practices and service delivery innovations tailored to the unique needs of the microenterprises
- 2) The second step Summit Bank took was to collaborate with the myriad MEs to collaboratively map out the ME value chain needs, from sourcing, to order-taking, to delivery and payments. Through this they leveraged the knowledge, ideas and networks of MEs, and designed value propositions that allowed smooth trade across these value chains.

Overall, Summit Bank cemented their position as significant player in the competitive banking market and many of the MEs went on to greater success as a result of Summit Bank's guidance and assistance.

REFERENCES

- Andaleeb, S. S. (1992). The trust concept: research issues for channels of distribution. *Research in marketing*, 11(1), 1-34.
- Dart, R. (2004). The legitimacy of social enterprise. *Nonprofit management and leadership*, 14(4), 411-424.
- Chen, M. (2008). Informality and social protection: Theories and realities. *IDS bulletin*, 39(2), 18-27.
- Viswanathan, M., Sridharan, S., & Ritchie, R. (2010). Understanding consumption and entrepreneurship in marketplaces. *Journal of Business Research*, 63(6), 570-581.

