

Reflection 26. Focus

Don't try to be everything to everyone!

There are always market leading financial service providers, universal banks, that provide a wide range of services to a large customer base, across retail, commercial, bancassurance, and investment banking. However, by definition, most financial institutions are not market leaders though they aspire to become a top tier financial institution.

The lesson from the financial sector especially resulting from the digital finance and fintech revolution is focus, don't try to be everything to everyone. Equity Bank grew from a laser focus on the common Kenyan, developing a suite of services in retail finance, and to support SMEs; only later did it diversify.

Centenary Bank in Uganda and K-Rep Bank in Kenya tried to move into mainstream corporate banking, much earlier, this move had limited success, in my view because of where the institutions were positioned in their markets at that time. Sidiya Bank (formerly K-Rep Bank) now has a stronger and evolving focus in SME banking, a logical step up from their microfinance roots.

So why focus: The competitive environment has fundamentally changed. Digital finance has multiple impacts, it is facilitating disintermediation – competition from new financial service providers and fintechs. It is further enabling leading financial service providers to move into segments they earlier had avoided.

So, how should financial institutions respond?

My answer is focus. Learn from fintechs, and the digital finance revolution. Use digital technology, new approaches, and people, build on your relationships with customers to focus, to mean more to your market than other financial service providers.

Developing focus is a process. Elements of this process are described in the series of lessons blogs. The process I would apply is as follows:

1. Make who you are matter: Examine who you are as an institution and make it count. Build customers in segments that matter to you.
2. Build a strategy: Build a strategy based around strategic alignment and the principle of focus. Identify and resource the capacities that need to be developed.
3. Build core capacity: To understand your customers, to build your brand.
4. Understand your customers: Understand the needs of customers in your target segments and focus on them.
5. Review your products: Review the mix of your products and services, refine, remove from the existing product range. Identify gaps the product mix.

6. Brand your brand: Build the brand of your financial institution, through a multi-channel approach.
7. Develop new services: Develop new products and services which focus on the needs of your target market. Develop partnerships within supply chains, value chains, and within technology service providers to deliver lifestyle solutions based on your understanding of the needs of your customers.
8. Communicate and market: Continuously communicate your relevance to your market.

First Principles consulting can help you focus, build capacity, and ideate and develop new products and services.

If this reflection speaks to you... speak to me so that we can inspire change, together.

David Cracknell

Additional reflections in this series can be downloaded from www.firstprinciplesinfinance.com

