For **large banks** small is now gold

By Mwangi Wanjumbi

While driving around the estates particularly in Nairobi's Eastlands, you cannot fail to note upcoming branches of financial institutions particularly of the mainstream banks even in incomplete buildings. It appears they have woken up to the realization that "the customer is King and the reason for existence of any business" as reads an adage of the Total Quality Management (TQM).

This knowledge though appears not to have been in the domain of these mainstream banks until recently. They are now quick on implementing expansionist policies, targeting particularly small business customers both in urban and rural areas.

It is worth noting these mainstream banks had previously abandoned a certain segment of its customers whom they are now fighting vehemently to reclaim. Sadly, most of those customers had been acquired by the SME banks following the abandonment.

These mainstream banks decamped to the city and major towns sometimes back when the whole country faced hash economic realities. In fact, the banking sector of the rural economy was left in the hands of the SME banks and co-operative societies. Should these SME banks not be given credit for not tiring or shying away from serving the then financially handicapped agricultural sector? Like good entrepreneurs, these banks patiently nursed the rural economy until it was back on track.

Honestly, this rural economy can be viewed as a human being, who was once healthy and vibrant (in the 80's); got sick in the 90's and was admitted in a general hospital ward. Towards the late 90's and early in the millennium (2000's) patient economy got into ICU, only to come out in the last few years. The patient is now almost cured, released from hospital and is slowly but surely getting back to normalcy.

Meanwhile, the mainstream banks were too impatient with patient economy. They had lost hope of the patient's recovery and thought that the death was soon coming. They closed branch after branch in quick succession citing restructuring and re-organization as the strategy. More specifically, this is termed as survival strategy. It involves liquidation or disposal of assets and facilities. It also includes retrenchment of staff.

The majority of banks took cover in Nairobi and the major towns where commercial activities continued maintaining the critical but stable situation of the economy. Or was the strategy to harvest from treasury bills whose interest rate had skyrocketed?

In the meantime, the customers of the closed branches were either hulled into other far off branches or just abandoned with little or no notice. It can be imagined the now migrating banks putting notices all around stating something like, "We are sorry customers, we are profit oriented. Indeed, what is important to us is the bottom-line which is not sustainable in this branch any more. Consequently, we have no choice but to close shop. Please

check with the enquiries counter where your account has been transferred," read the imaginary notices.

The SME banks meanwhile, acquired those assets left behind and subsequently some of the staff that were laid off. They at the same time effortlessly acquired bagfuls of customers who were not amused by the activities of the mainstream banks. Certainly, the SME banks had a field-day entrenching themselves at will. Did you ever know that these banks and financial institutions were also customers of the mainstream banks?

The newly acquired customers experienced the semblance of being kings, in their new banks. It did not matter the Customers' status in life. It is understood that they were listened to and cared for. They were indeed nursed until patient economy started showing signs of recovery. Just to confirm this, this writer witnessed a salaried customer walk into the office of an SME Bank Manager, borrow 800 shillings against his next salary, and off he went smiling broadly. It appears that all that mattered is embracing banking as a routine and not ones financial might.

By the time the SME Banks made an impact in the city, they had already bagged all the customers in the rural areas and towns. They were now threatening to take over the banking industry not only in the capital city, but also other major towns. They made the mainstream banks to panic and apparently, they are in that state up to now.

These banks did not have the slightest idea that the SME banks had by now entrenched themselves and acquired what is in business terms known as the competitive advantage. Today, the SME banks have the muscle to continually enable them focus on the customers earlier on rubbished by the mainstream banks.

How are the mainstream banks responding? We are now witnessing a race in this sector. These large banks are racing to reclaim the earlier foothold in the now recovered rural economy. They are back on track with the expansionist policy of market development. It is matched with product development destined to the earlier untouchable customer. Like bi harusi (Kiswahili for bride), the customer is being enticed with all sorts of goodies at least for now. The individual or small business customer is finally being recognized as king by the mainstream banks.

In business terms we normally talk of fast mover advantages and disadvantages. Businesses setting up in a new area experience disadvantages of creating this market. They spend heavily in creating awareness through advertising and other means of promotion. They have to justify why customers have to abandon the existing products for the new ones on offer. The advantages occur when the business starts flourishing.

Those left behind take a long time to ever make any impact in the market. These advantages and disadvantages are the reasons the mainstream banks are racing towards re-establishing themselves in the rural economy once more. They have to reclaim the king at all costs.

Remember that these banks first moved into the rural economy when the going was good and reaped all the benefits. When benefits reduced, they called it quits and abandoned the then ailing kings. The SME banks meanwhile saw this gap and moved fast to fill it. With patience like is required of SMART entrepreneurs, they have eventually acquired their niche. The customer could now be asking the returning mainstream banks questions, like what brings you back? Can you justify why you require a hearing? Will you be here to stay this time? What is it that is new that we are not getting from Equity, K-Rep, Faulu and Family bank among others?

Those are not easy questions indeed, but the returning mainstream banks have to give satisfactory answers. The process of re-establishing the rural branches entails heavy costs in terms of both acquiring customers and investing in facilities. With clear focus, this could have been avoided. These banks should not have rubbished the rural sector initially, but instead left behind agencies or downsized branches.

This would have been less costly compared to re-introducing themselves anew; reinforcing an old adage that 'nobody ever regrets when going, much as when coming back'. The mainstream banks are on the receiving end at least for now.

A customer focused business should grow and struggle with its customers both in good and bad times. Develop as many products as possible targeting each customer irrespective of his or her means. Embrace a mix of business strategies and not just one or two which may lead only to short-term business perspectives.

Meanwhile, the corporate business which was previously the main target of mainstream banks keeps on downsizing each time technology improves. That leaves the banks with no option but to continue developing products that will uplift the small business to "the missing middle," then to new corporate entities and finally regionally if not multinationally as the key to continuity. Above all, the entire banking industry must participate in developing the small businesses holistically if it is going to maintain its own growth.