



2013 OPPORTUNITY FINANCE NETWORK
ANNUAL CONFERENCE
PHILADELPHIA, PA • OCT. 15-18, 2013

Scaling Up Microfinance Customer Acquisition and Market Research Mentored Working Groups

Ginger McNally, Opportunity Finance Network
Tammy Halevy, Association for Enterprise Opportunity

Thursday, October 17, 2013

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Ginger McNally, Opportunity Finance Network

SCALING UP MICROFINANCE



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Scaling Up Microfinance Task Order

- ★ Offered by OFN through funding by the CDFI Fund, Scaling Up Microfinance is designed to expand the capacity of CDFIs that specialize in microfinance through training and technical assistance focused on:
 - Decreasing costs,
 - Exploring new products,
 - Building human capital, and
 - Improving business models

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Scaling Up Microfinance

Goal

- ★ To enhance Microfinance CDFIs' exposure to best practices in the field as well as tools with which to analyze their own business practices and determine appropriate strategies to scale.

Success

- ★ Each microfinance organization will identify, and begin to implement, at least one new initiative to facilitate scaling operations.

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Mentored Working Groups

- ★ Eight groups led by industry experts held conference calls from May to November on microfinance topics including:
 - Collections
 - **Customer Acquisition**
 - Loan Fund and Credit Union Collaboration
 - **Market Research**
 - New Product Development
 - Underwriting
- ★ These calls provided organizations with industry knowledge, resources and tools, collaboration opportunities, and next steps to support scaling up microfinance in their organizations.

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Sarah Marshall, North Side Community Federal Credit Union

CUSTOMER ACQUISITION OVERVIEW

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Objective

- ★ To increase awareness of a range of marketing strategies and tactics to increase customer acquisition and retention
- ★ To be exposed to a framework and tools to develop a customer acquisition plan
- ★ To share customer acquisition experiences with other CDFIs

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Topics

- ★ Understanding the Customer Landscape and Stages of Customer Experience
- ★ Crafting an Effective Customer Acquisition Strategy
- ★ Traditional and High Tech Channels and Marketing Tactics
- ★ Shared Customer Acquisition Plans

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The Challenge for Microfinance Organizations

- ★ Poor awareness: lack of familiarity with the organization.
- ★ Poor understanding: potential clients may not fully understand what the organization does
- ★ Low activation rates: customers may not have a need to borrow
- ★ Low retention rates: may not have a good reason to continue with the organization once immediate need is filled.

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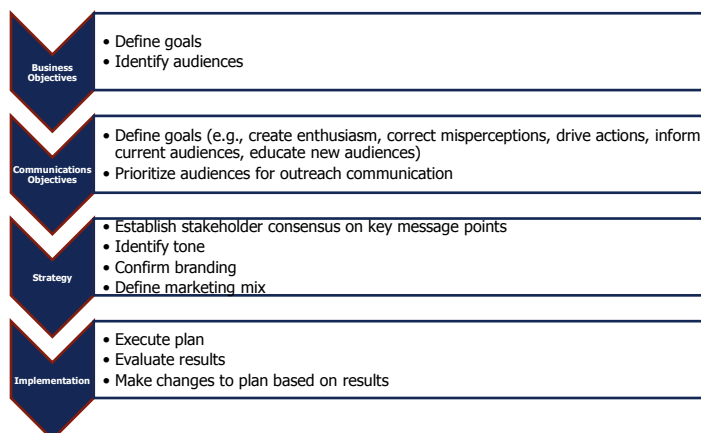
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From: Marketing for Microfinance – A Woman's World Banking Publication

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Understanding The Customer



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Who/What/What

★ Simple exercise:

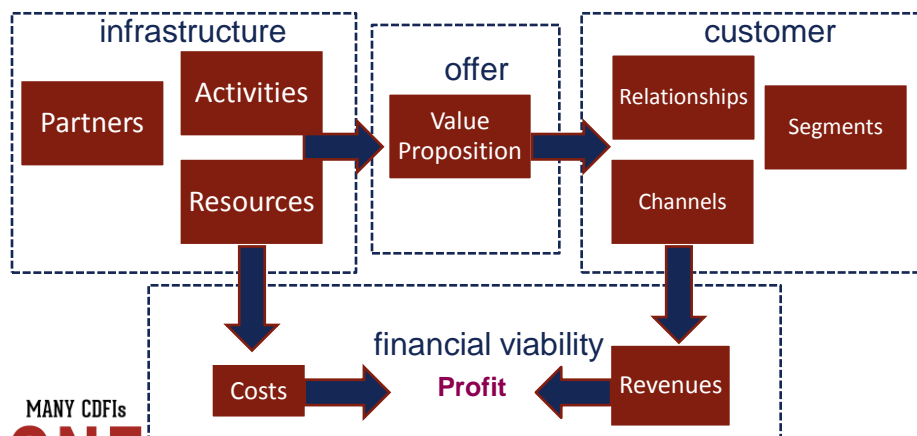
1. Who are our customers?
2. What do they think of us?
3. What do we want them to think of us?

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Business Model Canvas



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Alex Osterwalder and Yves Pigneur

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Crafting a Marketing Strategy

1. Define Goals
2. Choose Target Audience
3. Call to Action
4. Tactics
5. Resources, Roles and Responsibilities
6. Project Plan
7. Evaluating and Measuring Outcomes

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Marketing Tactics Template

- ★ Tactics and strategy are different! The strategy is the plan; tactics are the tools used to carry out the plan.
- ★ Determine which marketing tactics fit the specific target audience, budget, and desired outcome.
- ★ Tactics can include social media, PR, e-newsletters, loan promotions, leg work in the community, or advertising, among many other tools.

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Tristram Coffin, Alternatives Federal Credit Union

CUSTOMER SEGMENTATION



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Alternatives FCU

- ★ **Mission:** To build wealth and create economic opportunity for underserved people and communities.
- ★ **Location:** Ithaca, New York
 - Primarily Tompkins County – a rural county in the Finger Lakes region
- ★ **Year Founded:** 1979
- ★ **Asset Size:** \$84 million
- ★ **Number of Members:** 9,500
- ★ **A Sample of Products Offered:**
 - Deposits and Checking to Individuals
 - Auto and Personal Loans
 - Mortgage/Home Loans
 - Business Loans
 - Checking for Businesses
 - And more...



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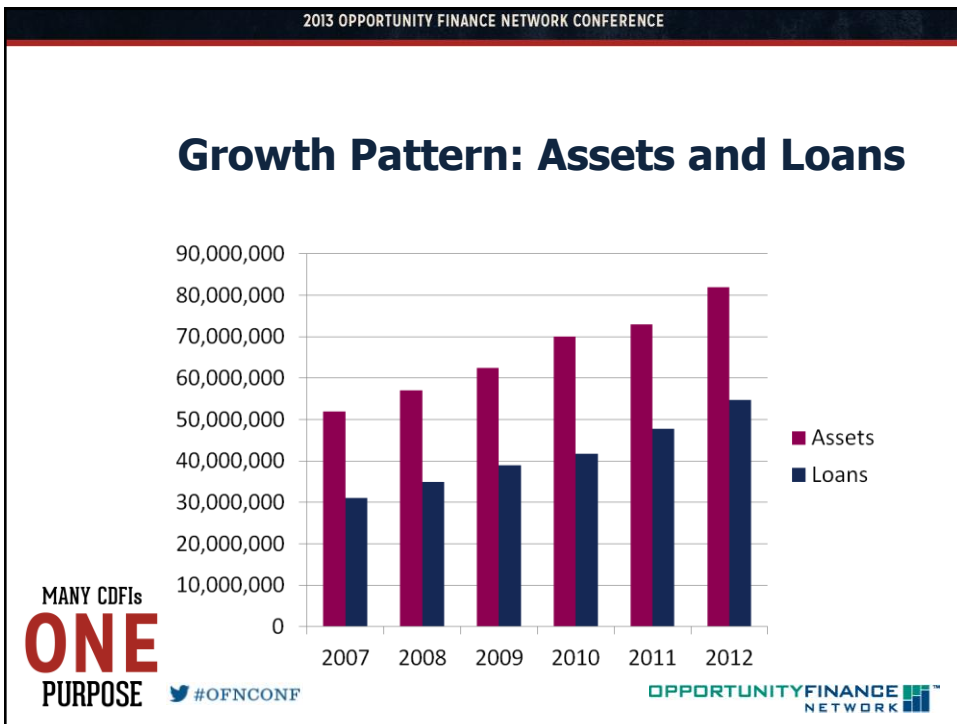
THE ALTERNATIVES CREDIT PATH

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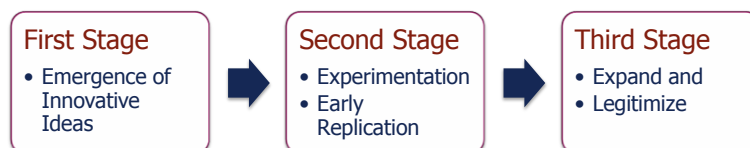
Alternatives
 FEDERAL CREDIT UNION

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What's Needed is Scale!



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Use of CDFI Capacity Building

- ★ Business Model Canvas
 - Incorporates mission-related and financial inputs
 - “Head and Heart” Credit Union
- ★ May Require two business models to meet needs of two distinct member segments
 - Core low income (74%)
 - Middle income and higher(26%)

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Existing Member Acquisition Approach

- ★ Mission as a differentiator
- ★ Customized Products and Services
- ★ Welcoming Environment
- ★ Genuine Brand

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Evolving Acquisition Strategy

- ★ Board Vision- Summer 2013
- ★ Market Research- how to replicate success in a different market?
 - Member Location, Product Usage
 - Marketplace Characteristics
 - Local Support
- ★ Financial Model Development

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John Corcoran, CommunityWorks Carolina

VALUE PROPOSITION


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Target Market

- ★ Current Clients:
 - ★ 43% African American
 - ★ 42% Caucasian
 - ★ 15% Hispanics
- ★ Subprime:
 - ★ Low income, low wealth community
 - ★ Payday Loan Customers
 - ★ Hispanic market – Represents 8.5% of Greenville's Population
 - ★ Seniors



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Value Proposition

- ★ CWC provides a unique blend of financial assistance, training, and one on one coaching to help low wealth families build savings, credit, and assets.

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Brand Promise

- ★ "Providing You the Tools to Build Your Financial Future"
 - Promote Savings
 - Create a Source of Financial Credit
 - Improve Credit Scores
 - Access to Financial Education Programs
 - Budgeting
 - Spending
 - Credit
 - Reduce Debt
 - Gain Positive Credit History

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Differentiating Tools

- ★ Payday Advances
- ★ Long Term Solutions
- ★ Financial Wellness Checkup
- ★ Customized Products
- ★ Personal Service and Education
- ★ Social Mission
- ★ Building Relationships
- ★ Flexibility



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Marketing Tools

- ★ Factors:
 - Membership Goal: 1,350 Members by Year 3
- ★ Tools for Reaching Our Target Market:
 - Referral Program
 - Social Media
 - Promotional Incentives – Competitions / Prizes
 - Savings Opportunities – Coupons & Partnerships
 - Education – Seminars and Group Consultations

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0-3 Year Outlook

Year 3: 1,350 Member Goal

Augment Social Media

Year 2: 1,150 Member Goal

Incentive Programs

Education / Seminars

Competitions / Prizes

Referral Program

Newsletter / Coupons

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Year 1: 750 Member Goal

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Tammy Halevy, Association for Enterprise Opportunity

MARKET RESEARCH

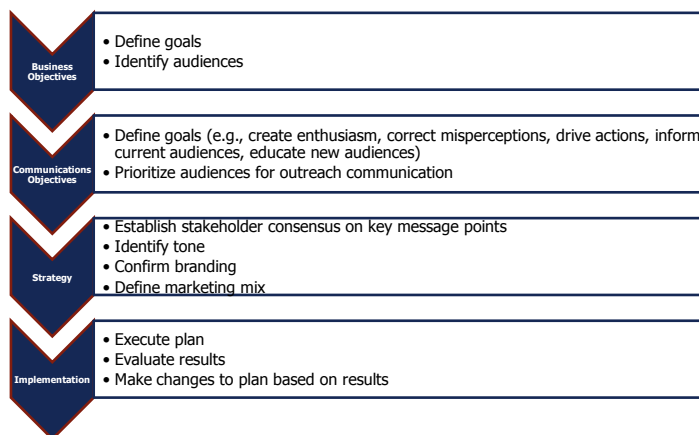
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How can market research contribute to high-impact customer acquisition strategies?

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Multiple Marketing Strategy Frameworks Available



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- ★ But how do you know that your customer acquisition strategy is the "right" one?
- ★ And how do you know that you are creating the "right" customer experience for the "right" target markets?

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Enter Market Research!



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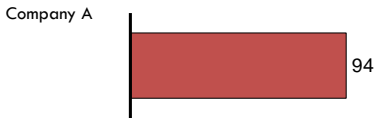


Market Research is NOT Just Crunching Numbers (But Numbers Help)

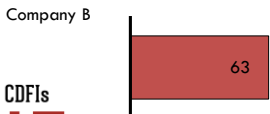
Quantitative research:
Market sizing, surveys, data mining

Qualitative research:
Provide insights into what shapes aspirations, needs, mindsets/beliefs, and behaviors

Top 2 box score
Percent



"Clients did not understand the implications of missing a loan repayment on their credit scores and their pocketbooks"



"Client experience was uneven depending on who they talked to and when"

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Easier Said Than Done: CDFIs are Resource Constrained



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Lots of Low-Cost Ways to Generate Insights



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Emerging Take-Aways: Market Research MWG

1. Market research can be a dedicated project and part of everything you do
2. Data can take many forms and the availability (or absence) of data should inform market research approaches
3. All market research does not require complete accuracy and a large budget: Use market research techniques to generate insights into how you could acquire new customers or better serve the ones you have

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Scaling Up Microfinance Fall Webinar Series

- ★ **New Product Development**
– *Ashvin Prakash and Brenton Peck, CFSI*
- ★ **Underwriting to Scale**
– *Leslie Hoffman and Luz Gomez, FIELD at the Aspen Institute*
- ★ **Customer Acquisition-Reaching and Retaining Your Customers**
– *Ginger McNally, OFN and Maria Semple, The Prospect Finder*
- ★ **Loan Fund and Credit Union Collaborations**
– *Seth Julyan, OFN and Melanie Stern, The Federation*
- ★ **The Role of Market Research in Scaling Microfinance**
– *Tammy Halevy, AEO*

- Oct 24
- Nov 1
- Nov 8
- Nov 11
- Nov 21

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