Scaling Up Microfinance
Customer Acquisition and Market Research
Mentored Working Groups

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

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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

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.
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.

Sarah Marshall, North Side Community Federal Credit Union

CUSTOMER ACQUISITION OVERVIEW
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

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
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.

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

Understanding The Customer

- Define goals
- Identify audiences
- Define goals (e.g., create enthusiasm, correct misperceptions, drive actions, inform current audiences, educate new audiences)
- Prioritize audiences for outreach communication
- Establish stakeholder consensus on key message points
- Identify tone
- Confirm branding
- Define marketing mix
- Execute plan
- Evaluate results
- Make changes to plan based on results
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?

Business Model Canvas

- Infrastructure
  - Partners
  - Activities
  - Resources

- Customer
  - Value Proposition
  - Channels
  - Relationships
  - Segments

- Financial viability
  - Profit
  - Revenues
  - Costs
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

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.
CUSTOMER SEGMENTATION

Tristram Coffin, Alternatives Federal Credit Union

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...
Growth Pattern: Assets and Loans

- **Assets**
- **Loans**
What’s Needed is Scale!

First Stage
• Emergence of Innovative Ideas

Second Stage
• Experimentation
• Early Replication

Third Stage
• Expand and
• Legitimize

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%)
**Existing Member Acquisition Approach**

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

**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
John Corcoran, CommunityWorks Carolina

VALUE PROPOSITION

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
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.

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
Differentiating Tools

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

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
0-3 Year Outlook

**Year 1: 750 Member Goal**

- Referral Program
- Newsletter / Coupons
- Education / Seminars
- Competitions / Prizes
- Incentive Programs
- Augment Social Media

**Year 2: 1,150 Member Goal**

**Year 3: 1,350 Member Goal**

MARKET RESEARCH

Tammy Halevy, Association for Enterprise Opportunity
How can market research contribute to high-impact customer acquisition strategies?

Multiple Marketing Strategy Frameworks Available

- Define goals
- Identify audiences
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- Prioritize audiences for outreach communication
- Establish stakeholder consensus on key message points
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- Define marketing mix
- Execute plan
- Evaluate results
- Make changes to plan based on results
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?

Enter Market Research!
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**

- **Company A:** 94
- **Company B:** 63

"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”

Easier Said Than Done: CDFIs are Resource Constrained

- Identify Target Markets
- Refine Existing Offers and Create New Products
- Size and Assess the Addressable Market
- Feedback on the Offer
- Model the Economics of the Offer
Lots of Low-Cost Ways to Generate Insights

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
Scaling Up Microfinance
Fall Webinar Series

- **New Product Development**
  - Ashvin Prakash and Brenton Peck, CFSI
  - Oct 24

- **Underwriting to Scale**
  - Leslie Hoffman and Luz Gomez, FIELD at the Aspen Institute
  - Nov 1

- **Customer Acquisition - Reaching and Retaining Your Customers**
  - Ginger McNally, OFN and Maria Semple, The Prospect Finder
  - Nov 8

- **Loan Fund and Credit Union Collaborations**
  - Seth Julyan, OFN and Melanie Stern, The Federation
  - Nov 11

- **The Role of Market Research in Scaling Microfinance**
  - Tammy Halevy, AEO
  - Nov 21