

Expanding CDFI Coverage in Underserved Areas

Using Market Analysis for Expansion

Expansion by Existing CDFIs
Kansas City, MO

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Overview

- Market analysis:
 - Why do a market analysis?
 - When should your organization do a market analysis?
- Steps for a successful market analysis:
 - Research goals and objectives
 - Target market scope
 - Research design and methodology
 - Concrete timelines and budget
 - Market research report and implementation



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Market Analysis

Why do a Market Analysis?

- Understand the evolving demand for loans, investments and/or financial services
- Test your assumptions
- Anticipate changes in the market
- Assess competitors and/or collaborators
- Identify new opportunities or strategies
- Develop, refine, improve your messaging
- *Evolve, adapt, grow!*



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Market Analysis

When should your organization do a market analysis?

- Forming a new or affiliated CDFI
- Developing new products and services
- Implementing new delivery systems (mobile/online)
- Expanding to new markets
- Developing a marketing campaign
- As a regular part of your strategic planning!



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Steps for a Successful Market Analysis

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Define Research Goals and Objectives

(a) Market Research Goals

(b) Market Research Objectives

2

Select Target Market Scope

(a) Identify Business Lines for Market Analysis

(b) Identify Scope of Market

3

Develop Research Design and Methodology

4

Establish Concrete Timelines and Budget

5

Market Research Report and Implementation



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1a) Market Research Goal

Define what you want to learn

- What loans, investments or services will be sought?
- Who else provides this, to whom, under what terms?
- What is your target market currently using?
- How do they access (or want to access) service?
- What is their capacity to be successful with products?
- Where's the gap?



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1b) Market Research Objectives

Define specific research objectives

- Understanding current users of the CDFI
 - How do the current offerings match their needs?
 - How are needs evolving?
 - Why have they chosen the CDFI?
 - When (and for what) do they not choose the CDFI?
 - *What do they value most?*



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1b) Market Research Objectives

Define specific research objectives

- Attracting potential users of the CDFI
 - What products are currently used? How satisfied are they?
 - What have they tried to access from CDFIs or others?
 - What obstacles are confronted?



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2a) Identify Business Lines for Market Analysis

Community Development:	Credit Unions	Banks	Loan Funds	Venture Capital Funds
Retail banking	✓	✓		
Consumer lending	✓	✓		
Home mortgages	✓	✓	✓	
Small business	✓	✓	✓	✓
Commercial real estate	✓	✓	✓	✓
Affordable housing	✓	✓	✓	
Community facilities financing	✓	✓	✓	
Equity investments			✓	✓



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2b) Identify Scope of Market

Community Development:	Credit Unions	Banks	Loan Funds	Venture Capital Funds
Who is Served?				
Individual	✓	✓	✓	
Business	✓	✓	✓	✓
Nonprofit/community facilities	✓	✓	✓	✓
Size of Market				
Local	✓	✓	✓	
Regional	✓	✓	✓	✓
National			✓	✓



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3) Research Design and Methodology

- Articulate research questions
- Select data collection method
 - Quantitative: Clear idea of what you want to measure and seek to do so “objectively”
 - External secondary data
 - Existing institutional data
 - Primary data collection through surveys
 - Qualitative: Exploratory in nature enabling you to dig into issues, understand perceptions and motivations, test ideas, search for problems or opportunities



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3) Research Design and Methodology

Quantitative Data Sources for CDFIs:

- PolicyMap: income, housing, employment, education, lending, quality of life indicators and much more
- CDFI CIMS3 mapping program
 - Certified CDFIs have a map and list of the census tracts in their approved CDFI Target Market.
 - Organizations that are not yet certified can still register on the CDFI system and map their members and loans to see the eligibility of their target market.



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3) Research Design and Methodology

More Quantitative Data Sources for CDFIs:

- Mapping Internal Data: Geocode member/borrowers to see how distributed through the target market.
- ACH records
- Internal credit report and score data
- Modeled data for consumer analytics



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3) Research Design and Methodology

Qualitative Data Sources and Approaches for CDFIs:

- In-depth interviews with borrowers
- Focus Groups
- Stakeholder interviews
 - Internal stakeholders: loan officers, collections, marketing\outreach team
 - External stakeholders: community partners, public officials, media
- Town hall/Annual Meetings of Members
- Social Media



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4) Establish Concrete Timelines and Budgets

- Develop Timeline for Collecting and Analyzing Information
 - Review and compile secondary data
 - Design primary data collection instruments
 - Field Research
 - Analysis
 - Reporting
- Develop Research Budget including external and internal costs



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5) Market Research Report and Implementation

- Review and Analyze Findings
 - Preliminary report and review
 - What patterns and trends are emerging?
 - Circulate and review preliminary report internally before completing research phase
 - Compare information against research goals – what's missing?
 - Board\Stakeholder Input
 - Finalize Report



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5) Market Research Report and Implementation

- Incorporate Research into Operations
 - Compare final report with CDFI products, services
 - High level comparison of CDFI profile with peer CDFIs
 - Deep dive operational review (Emerging Market Review) to determine how CDFI operations align with findings from market research
 - Consider pathways or alignment of products and services to help members\customers to progress and CDFI to thrive
- Implementation
 - Incorporate into strategic planning and direction-setting
 - Develop tracking tools to determine how customer is guided internally through pathway



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Questions?



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