

# Expanding CDFI Coverage in Underserved Areas

## Understanding Your Target Market

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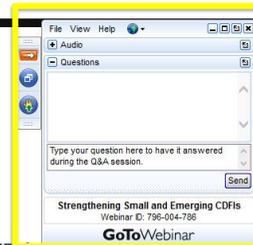


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## GoToWebinar

### CDFI Fund's Capacity Building Initiative

- The Capacity Building Initiative will greatly expand technical assistance and training opportunities for Community Development Financial Institutions (CDFIs) nationwide and significantly boost the ability of CDFIs to deliver financial products and services to underserved communities.
- Industry-wide training will target key issues currently affecting CDFIs and the communities they serve.



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## What is the *Expanding CDFI Coverage in Underserved Areas Initiative*?

- The series will provide specialized training and technical assistance to certified and emerging Community Development Financial Institutions (CDFIs) seeking to expand their reach into underserved communities that currently lack a CDFI presence.
- The workshops include content that is applicable to all CDFI organizational structures, including loan funds, credit unions, banks, and venture capital funds.



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## Training Partners



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## About the Training Partners

- **Community Development Bankers Association (CDBA)** is a national trade association of the community development bank sector. CDBA is the voice and champion of banks and thrifts with a mission of serving low and moderate income communities.
- **Community Development Venture Capital Alliance (CDVCA)** is a network of community development venture capital funds, which provide equity capital to growth businesses in low-income communities to create good jobs, productive wealth, and entrepreneurial capacity.
- **National Federation of Community Development Credit Unions (NFCDCU)** is a national association for community development credit unions providing capital, advocacy, technical assistance, training to support innovative services for low-income consumers.
- **Opportunity Finance Network (OFN)** is a leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America.



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## Presenter



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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; and,
  - 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:

Example:

- Understand current customers 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:

Example:

- Attract potential customers 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

Product Categories by CDFI Type	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

Market by CDFI Type	Credit Unions	Banks	Loan Funds	Venture Capital Funds
<b>Who is Served?</b>				
Individual	✓	✓	✓	
Business	✓	✓	✓	✓
Nonprofit/community facilities	✓	✓	✓	✓
<b>Size of Market</b>				
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;
- Automated Clearing House (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;
  - Conduct field research;
  - Perform analysis; and,
  - Prepare 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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## Expanding CDFI Coverage in Underserved Areas Webinar Series

- Upcoming topics include:
  - Expansion Strategies for Growth, Part Two: Technology, People, Culture, and Leading Organizational Change
    - Tuesday, November 17<sup>th</sup> at 2pm ET
  - Marketing Strategy, Tactics, and Storytelling
    - Tuesday, December 8<sup>th</sup> at 2pm ET
  - Understanding CDFI Impact
    - Tuesday, January 12<sup>th</sup> at 2pm ET



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