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Accessing the American Dream:
Utilizing Affinity Marketing to Reach
Underbanked Populations



Executive Summary

For the 20% of U.S. households that do not have basic bank accounts, access to convenient, fairly-priced financial services is an issue. However, access is not the only reason why families are underbanked. Firms have been slow to adopt innovative marketing and distribution strategies that are specific to lower-income or underbanked populations, and products have not always been designed with these consumers' needs in mind.

As the Center for Financial Services Innovation (CFSI) and other organizations encourage financial institutions to serve the underbanked, it is important to consider how these consumers view themselves, and what marketing strategies might be most effective in reaching them. For example, affinity marketing strategies allow organizations to reach their target populations by appealing to a shared affinity. While recent research published by CFSI shows that the underbanked is a very diverse population, this report will help to address to what extent traditional affinity marketing models are applicable to underbanked segments and will explore the role of the nonprofit community in marketing and distributing financial services through affinity programming. The report will also expand on our understanding of affinity marketing and offer insight into various marketing methods that might be useful in serving underbanked markets. This report was conducted using a variety of research methods, including an extensive literature review on affinity marketing, in-depth interviews with industry leaders, and case study models of effective marketing programs for the underbanked.

Introduction

For the 20% of U.S. households that do not have basic bank accounts, access to convenient, fairly-priced financial services is an issue. However, access is not the only reason why families are underbanked. Firms have been slow to adopt innovative marketing and distribution strategies that are specific to lower-income or underbanked populations, and products have not always been designed with these consumers' needs in mind. While some non-bank firms have pushed the envelope in forming creative marketing campaigns, there is precious little market research on the underbanked population compared to other groups. Recent research published by the Center for Financial Services Innovation shows that lower-income families value convenience and liquidity and rely heavily on informal networks when purchasing financial services.¹ However, the underbanked population is very diverse. As CFSI and other market leaders encourage financial institutions to serve this market, an important question remains: How do these consumers view themselves, and is it possible for the field to utilize affinity marketing models to reach sub-groups of the underbanked population?

For example, there is ample evidence that the industry views Latinos as an affinity group. But while niche marketing along this vein is growing in the industry as a whole, it is unclear how valuable the affinity marketing proposal is to the consumer.² Many marketing professionals contend that the product offering itself--the features and price, as well as the ability to meet a specific need--is the most important aspect of any affinity relationship, regardless of the demographic of the consumer base. Affinities offer a way to distribute products and might help push consumers over the edge into choosing that product.

As markets mature, marketing strategies provide a way for companies to differentiate their products and services. More than just advertising or pricing, effective marketing strategies entail focusing on a specific target audience and determining the most effective channels through which to reach them. Affinity marketing strategies allow organizations to reach their target populations by appealing to a shared affinity. Realizing the underbanked population is very diverse, questions remain of how underbanked consumers view themselves and whether it is possible to approach the underbanked population as an affinity market. Affinity marketing can be described as follows:

Affinity marketing is highly focused cause-related marketing which bridges the divide between commercial companies and organizations, places or groups which have supporters and/or members and followers, rather than shareholders and customers. Consumers purchase from an organization, with which they currently have no relationship through the strength of their affinity towards a group to which they are linked. In affinity marketing a ready-made relationship is taken by one party and adapted for 'own use'.³

¹ Seidman, E., Hababou M and Kramer, J. 2005. *Getting to Know Underbanked Consumers: A Financial Services Analysis*. Chicago, IL: The Center for Financial Services Innovation.

² Worthington, S. 2001. Affinity credit cards: A critical review. *International Journal of Retail & Distribution Management*, 29.11/12, 485-512.

³ Horne, Suzanne and Steve Worthington. June 2002. The Relationship Rhombus: A Quadratic Relationship. *Journal of Market - Focused Management*. 5, 2; pg. 127.

Industry experts have defined a “taxonomy” to classify affinity groups.⁴ The classifications are not mutually exclusive and affinity groups can fall under multiple classifications. Few have considered how the following types of affinity classifications might apply to the underbanked market:

- (1) **Professionally-based** groups, whose source of affinity is group affiliation.
- (2) **Socially-based** groups, where the source of affinity is derived from common interests, enjoyment of leisure activities and socially-centered motives.
- (3) **Value-centered** groups, who share a common cause, ideology or value system. Examples would be political parties, environmental groups and charities.
- (4) **Demographic-based** groups, such as alumni associations; regional, city or town residents and age related groups such as the over 50s.
- (5) **Marketing-generated** groups, which can be rooted in any of the above categories, but whose defining distinction is that the affinity is conceived and generated by the marketing company, or product or service provider and does not rely on an existing data base of members/ supporters, nor on an endorsement from the affinity group.


This report will help to address to what extent traditional affinity marketing models are applicable to the lower-income and underbanked segments and will explore the role of the nonprofit community in marketing and distributing financial services through affinity programming. The report will also expand on our understanding of affinity marketing and offer insight into various marketing methods that might be useful in serving underbanked markets. This report was conducted using a variety of research methods, including an extensive literature review on affinity marketing, in-depth interviews with industry leaders, and case study models of effective marketing programs for the underbanked.

Segmenting the Underbanked Market

In the financial sector and beyond, segmenting a market is a valuable exercise, and one way to segment markets is along affinity groups. The underbanked population presents a tremendous opportunity for financial institutions, yet it is remarkably diverse and is not likely to harbor a strong affinity with being low-income or underbanked. To date, most discussions about the financial services practices of low- and moderate-income consumers have proceeded as if these consumers fit neatly into two mutually exclusive categories, the banked and the unbanked. But the reality is that most low- and moderate-income households rely on a patchwork of financial services provided by both bank and non-bank institutions.⁵ Because low-income consumers are not a homogeneous group, a one-size-fits-all strategy in marketing and product development for low- and moderate-income consumers runs the risk of appealing to no one in particular. The trick is to figure out which subsets of this diverse group have enough commonalities and shared product needs to make the affinity marketing play effective.

⁴ Macchiette, B. and Roy, A. 1993. “Affinity Marketing: What is it and How Does it Work?” *Journal of Product and Brand Management*. Vol. 2, No. 1, pp.55-56.

⁵ Seidman *et al* 2005.



Currently there are few examples of financial institutions with innovative affinity marketing programs designed for the underbanked, despite increased spending by unbanked Americans on financial products, and the relatively low-cost opportunity of marketing existing products.⁶ Some of the most innovative examples of affinity marketing in this space come from credit card issuers that have increasingly targeted underbanked U.S. consumers with prepaid debit card offers.⁷ There are also examples of banks and insurance companies effectively marketing to Latino immigrants or residents of Latin America.

Industry leaders contend that appropriate affinities among the underbanked include a connection to being "working class," a dedication to community religious life, and cultural affinities based on aspirational messages of "making it" financially. These categories do not necessarily fit easily into the traditional framework of affinity marketing, and yet they offer important insight into how to market to this diverse group of consumers that does not necessarily view itself as a singular segment.

Most consumers will not feel an affinity to being "underbanked" or even "low-income." In fact, according to industry leaders, many consumers in this market segment identify with marketing messages that focus on prosperity, financial security, and celebrity status. At the same time, some demographics of underbanked consumers have reported that the concept of the American Dream, the Ownership Society, and "mainstream financial services" do not appeal to them at all, so aspirational messages will not be as effective with this subgroup as messages related to financial stability.⁸ It is clear that the underbanked are a diverse population with different relationships and experiences with financial services. Marketing professionals contend that in order to reach this population, the most important first step is to understand consumers' concerns and develop a product that specifically addresses that need. Further research would help to uncover specific affinities within subpopulations of the underbanked that are homogenous and large enough to ultimately provide sustainable opportunities for financial institutions and their affinity partners. It is also important to consider whether or not these affinities are strong enough to speak to consumers above and beyond the attractiveness of the product design.

⁶ Business Wire. 12 April 2005. "New Study by Global Advertising Strategies Shows that Banks Don't Understand How to Reach Unbanked Americans; Unparalleled Growth Opportunity for Financial Institutions."

⁷ NPR: Day to Day. 11 January 2005. "Profile: Bank Marketing Programs to Court Low-Income Customers Who Have Not Been Using the Banking System."

⁸ Illinois ACORN Survey of Families in Lower-Income Chicago Neighborhoods. Findings accessed at Illinois Asset Building Group Member Meeting, November 29, 2005.

A Context for Affinity Marketing: What is it and how did it develop?

With increasing competition paralleled by growing attention for corporate social responsibility plans, some companies are increasing awareness among their consumer base, and ideally gaining or retaining customers, by choosing and supporting a cause that matches the company's philosophy and audience.⁹ Affinity marketing is one way to do this. Affinity marketing typically goes a step further than the general concept of niche marketing as affinity groups are often characterized by a higher level of cohesiveness, social bonding, and some level of commitment to the central mission of the affinity group. According to standard-setting affinity marketing research, affinity marketing is distinguished by three main features:

- *third-party endorsement* from a nonprofit adds credibility to the product sales message by capitalizing on a pre-established relationship with the group in question
- *shared usage incentive* provides motivation for consumers to participate in the program as it relates to the group's common mission and benefits the nonprofit through the donation of a percentage of sales
- *enhancement package* provides a tailored set of inducements relating to the needs of group members.¹⁰

Mass marketing approaches of the past have largely been replaced by more targeted niche strategies as marketers face increasing pressure to deliver more efficient results.¹¹ Affinity marketing is a logical extension of this more relationship-focused marketing as it involves "collaborative marketing activity between brands, comprising an exchange between two or more like-minded companies in order to acquire or retain customers."¹² Most often these relationships are triadic, involving a nonprofit, a private sector organization, and consumers. Affinity marketing relies on the hope that complementary brands can appeal to a broader audience than either brand alone.

Affinity marketing originated in the credit card industry with programs designed to appeal to customers' feelings of affinity with groups like universities, clubs, social welfare agencies and other mission-driven organizations. When a customer accepts a credit card with the name of the affinity group, the organization benefits by getting a small percentage of the sales charged on the card.¹³ Some sources cite American Express as establishing the first affinity credit card in support of the renovation of the Statue of Liberty in the early 1980s. Since that time, affinity marketing, particularly in the credit card industry, has grown substantially, with leading company MBNA now endorsed by more than 5,000 membership organizations in the United States, United Kingdom, Ireland, and Canada.¹⁴

⁹ Edwards, Dave. 17 February 2004. Nonprofit Strategies Column. *The Tribune*, San Luis Obispo, Calif. Knight Ridder/Tribune Business News.

¹⁰ Macchiette and Roy 1993.

¹¹ Worthington, S. 2001. "Affinity Credit Cards: A Critical Review," *International Journal of Retail and Distribution Management*. 29.11/12, pp. 485-512.

¹² Greenyer, Andrew. Oct-Dec 2004. Affinity marketing - A step in the right direction? *Interactive Marketing London*. Vol. 6, Iss. 2, 141-150

¹³ Emigh, Jacqueline. 27 September 1999. Affinity Marketing – Definition. *Computerworld*. no. 39, p.64.

¹⁴ BCG Publications, 2002. Note that MBNA is now owned by Bank of America.

The central theme of affinity marketing is to use group affiliation as a means of generating a "strong and credible promotional program" that is tailored to individuals within a group.¹⁵ By entering an affinity relationship, commercial organizations gain access to a new potential customer base, hopefully leading to increased sales for their product or service. The nonprofit affinity partner also gains access to a broader consumer base and ideally raises awareness of its mission, as well as unrestricted funding to enable the organization to serve its mission. Affinity relationships tend to be instigated by the commercial organization in the partnership, and early affinity partnerships were with social service or environmental charities. But increasingly, the affinity partner has expanded to include more profit-oriented associations that can still capitalize on the affinity felt by a large population.¹⁶

Within the five groups described in the taxonomy on page four, affinity strength or level of participation can vary, and affinity partners are wise to pay attention to the implications of stronger or weaker affinities. *Active* level affinity can be loosely defined by social bonding among members, participation in group activities, and responsiveness to group offers or solicitations. Alternatively, *passive* affinity is defined along the lines of paying dues, or internalizing group standards. The difficulty in applying the affinity marketing model to the underbanked lies in figuring out what types of groups or services fit into these active and passive affinity definitions. Moreover, as many affinity programs have focused on reaching out to middle and upper-income consumers who wish to indirectly support charities through affinity products, our understanding of the rigid definition of affinity marketing might need to become more flexible in order to reach the underbanked.

Parties Involved

In a typical affinity marketing example, a financial services company has an existing relationship with a consumer and is able to sell her a service due to her affinity with the cause supported by the financial services company's nonprofit affinity partner. Other possible parties include marketers such as Visa and MasterCard and other affiliated companies that offer cross-sell opportunities or related rewards programs. However, there is limited evidence of either of these types of partners affecting the fundamental economics of the affinity relationship.¹⁷ The best affinity partners are those who can realize the benefits of enhanced consumer communication channels without actually competing for the customer. Ideally, affinity partners are able to cooperate and compete simultaneously.¹⁸ In the most effective partnerships, neither party dilutes the customer's attention or trust for the other organization.

The banking industry is desirable to nonprofits as an affinity partner because of its high-volume customer base and regular communication channels with account holders. On average, the industry sends out 16 customer communications, including statements and customer service letters, per account holder per year.¹⁹ Affinity partners thus have opportunities to communicate via this channel. But industry leaders contend that in successful affinity marketing or co-

¹⁵ Macchiette and Roy, 1993.

¹⁶ Horne, Suzanne and Steve Worthington. June 2005. The Relationship Rhombus: A Quadratic Relationship. *Journal of Market - Focused Management*. 5, 2; pg. 127.

¹⁷ Horne and Worthington 2002 .

¹⁸ Worthington 2001.

¹⁹ Greenyer, Andrew. Oct-Dec 2004. Affinity marketing - A step in the right direction? *Interactive Marketing London*. Vol. 6, Iss. 2, 141-150.

branding relationships, a variety of strategies to touch the customer might be effective. For example, some companies rely on introductions to customers from the dominant financial institution partner in order to cross-sell products, such as multi-line insurance, because it is assumed that the customer has a positive relationship with that institution. In other cases, the parties recognize that the customer's affinity might not be with a bank, but rather with community or faith-based institutions, and introductions and customer ownership might then flow in the opposite direction. This aspect of consumer outreach is especially important to consider when structuring an affinity marketing strategy to reach an underbanked population that might be mistrustful of financial services companies.

Overall, affinity partners must engage in due diligence to ensure a good match. Key points to consider include scale and relevance of communication channels. Commercial companies enter into affinity partnerships in part with the hope that consumers' trust in the nonprofit affinity partner will encourage further trust of their own commercial organization. Because the financial institution tends to continue to 'own' the customer relationship in practice - based primarily on their ongoing contact with and access to the customer - the affinity partner must have a high degree of trust in its partner. At the same time, the credibility of the nonprofit partner and its ability to market to its base is a critical component in any affinity program's success. Finding the right partner during the due diligence process reduces many of the risks associated with affinity partnerships and leads to a more trusting, long term relationship.

Economics of Affinity Relationships

The purpose of affinity marketing for the company offering the product is to offer the for-profit partner new ways to reach potential customers. If it works correctly, affinity marketing creates a win-win situation. Nonprofits should benefit from unrestricted incentive donations and non-dues related fees, as affinity relationships usually include a revenue-sharing component. It is important to note, however, that nonprofits can be motivated by factors beyond revenue--including member loyalty and program differentiation. Consumers benefit from their positive feelings of donating to their affinity group, but hopefully, most importantly, from accessing a needed product that was previously unavailable. And commercial organizations take advantage of a cost-efficient way of reaching new customers, through the strength of their affinity and the communication channels formed through the relationship.²⁰

But in order for commercial companies to be appropriately incited to commit to innovative affinity marketing programs, affinity marketing must be more than a low-cost way to reach new audiences--it must provide an appropriate level of scale. Although affinity marketing programs are still relatively new, spending as a percentage of marketing budgets has increased across the last five years.²¹ As another example of the growth of affinity marketing from a credit card standpoint, it was estimated in 2001 that approximately 20% of US credit cards issued were affinity cards. Also, in recent years, a growing number of card holders carry affinity cards "in front of purse or wallet."²²

²⁰ Worthington, 2001.

²¹ Greenyer 2004.

²² Worthington 2001.

At the same time, nonprofits need to understand the economics of the relationships as well. Large nonprofit associations might have much more capacity to market new products through existing distribution channels, while smaller groups might find the economics of marketing and distributing products--especially financial products--to be expensive and time-consuming. Using the affinity credit card as the most developed example of affinity marketing, a financial institution offering an affinity credit card to the members or supporters of a specific cause pays an initial fee per card to the affinity partner, as well as an ongoing turnover payment. The key difference between affinity or co-branded credit cards and generic bank cards are the two types of payments made to the affinity partner: the initial donation at the time of card acquisition and the ongoing turnover donations, made up of a small percentage of the amount charged on the card.²³

Pros and Cons of Affinity Relationships

Beyond the satisfaction that consumers feel when a portion of their spending is donated to the charity of their choice, the key advantage to the affinity partnership is the revenue stream that results for both the financial institution and the nonprofit. Other benefits to the financial institution or commercial partner include the "halo effect" that stems from associating a brand with social responsibility, which may increase brand awareness, result in a competitive advantage, and even result in more involved and loyal consumers.²⁴ Affinity partnerships may also help financial institutions gain access to a niche market.²⁵ Further, for-profit partners can use the affinity product to build a more in-depth consumer relationship through other marketing efforts.

Nonprofit affinity partners benefit from the large customer databases and frequent customer communication of their financial partners. Affinity products can give nonprofits enhanced loyalty, a higher profile and a constant brand reminder for hard-to-retain audiences.²⁶ This partner may also benefit from direct support from the commercial organization, for example for community event sponsorship. Ideally, the relationship provides increased awareness, better opportunities for communication, and membership recruitment benefits.²⁷

Although affinity partnerships may seem like an easy win-win for all parties involved, there are challenges. The issues raised by affinity relationships range from customer relationship ownership to how much space to allocate each partner's brand on a credit card. Nonprofit

²³ The structure and timing of these payments are designed to encourage the affinity partner to co-market the credit card to their own affinity customer base, and to encourage ongoing usage of the card once issued. Similarly, the percentage of spending being donated to the nonprofit incents consumers to maximize the use of their card, and increase the dollar amount of their donations. The ongoing turnover fee is taken out of the interchange fee that credit card issuers offer to financial institutions. Credit card issuers collect this interchange fee from merchants, who pay a discount fee to accept issuers' cards. Interchange fees are defined as "the fee that retail merchants pay the issuing bank in order to receive payment for each retail transaction in which the issuing bank's card is used as a method of payment." Interchange fees tend to range from 1%-2% of transaction volume. See *Electronic Payments International*. July 27, 2005. "Major US retailers take on Visa."

²⁴ See Machiette and Roy, 1993 and Mandell, Nancy R. 2 Sept 2003. Do Business With Affinity Groups And Come Closer to Success. *Bank Investment Consultant New York*. Vol. 11, Iss. 9, p. 33-38.

²⁵ Edwards, Dave. 17 February 2004. Nonprofit Strategies Column. *The Tribune*, San Luis Obispo, CA. Knight Ridder/Tribune Business News.

²⁶ Greenyer 2004.

²⁷ *Charity Times*. 1 May 2004. Spotlight – Affinity Marketing.

partners also face reputational risk, which can be affected by poor service or even unethical behavior by their financial partner.²⁸ And for-profits, which rely on the effective marketing and distribution networks of the affinity partner, might suffer if nonprofits have limited or unsophisticated outreach strategies.

One concern specific to the nonprofit affinity partner is relationship dilution with their constituency base. It is possible that rather than enhancing the relationship between the consumer and their affinity group, the introduction of a financial partner can actually diminish the relationship, either through dilution of trust, or simply through the introduction of a third party to a two-party relationship.²⁹ If the nonprofit is the original 'owner' of the relationship, the organization should ensure that it is gaining more through enhanced communication channels than it is giving up in exclusive access to its constituency base.

Finally, it is essential to note the challenge of the value of the affinity relationship from the consumer perspective. More research is needed to understand how much value consumers place on the affinity relationship. Indeed, some industry leaders contend that consumers of all income levels who own affinity products are mostly interested in the features of the product (the rewards, ease of use and overall cost) than in the affinity that is offered and marketed. So an important first step is to consider what it is that the consumer base is lacking and develop a product to meet that need that is unavailable through channels other than the affinity model. At this point in time, it is unclear whether lower-income or underbanked populations would be more or less inclined to value affinities over price sensitivity or product features.

Affinity Marketing Examples Relevant to the Underbanked

Though affinity marketing has yet to reach deep into the underbanked market, there are examples of successful and innovative affinity and niche marketing strategies, the lessons from which may be applied to efforts to reach the underbanked market. A few detailed examples of marketing programs that specifically include messages that appeal to underbanked markets are included in case study format below.

²⁸ *Charity Times* 2004.

²⁹ Worthington 2001.

Labor Affinities: Promoting the DEBUT™ Card

Innovative Navigational Strategies, Inc. (INS), headquartered in Arizona, is a multi-million dollar bank consulting firm with offices in five states. INS, in conjunction with PrimePoint Systems, LLC (a prepaid solution processor and provider), has developed a prepaid card for thousands of individuals, including membership groups such as unions. The card, which was market tested for three years and is issued by Meta Bank, includes a rewards program at many retailers around the country from more than 1,500 large “Big Box” retailers to gas stations. The “reward” functions as cash back onto the prepaid debit card. A portion of fees generated by the cards can go back into the cardholder or his/her group or association, based on program setup.

The initial load of the card must be at least \$10 in order to get an embossed MasterCard. Cardholders (or group or association members) pay a \$5.95 monthly fee, with no POS credit purchase fees and no customer service fees. ATM fees apply, as normally charged by the ATM/debit networks. Direct deposits are free, while all other reload types cost a flat \$3. If a discount program is developed, cardholders have the option of using an online budgeting calculator that determines the cash-back benefit of a given purchase—for example, \$100 worth of groceries.

The American Union DEBUT Debit MasterCard® Card (“UUMBA DEBUT™ card”)—as it is branded—was launched in December 2005 and is endorsed by the United Union Member Benefits Association (UUMBA), the only benefits program officially supported by the majority of U.S. unions. The card can be accessed only by participating union members online or through local union offices. While the affinity associated with this product is being part of the working class or a member of a particular union, in general the cards are marketed as being convenient for people who don’t want a brick and mortar account and are looking for the convenience of a prepaid product. According to INS, as many as 40% of union members might not qualify for bank accounts or traditional credit cards, and this product offers a solution to underbanked workers that appeals to the affinity of being a union member.

This is the real sell of the card—members receive rewards through the cash back program at the same time that they find a low-cost way to support their unions. Another appeal of the program is that both local and national union chapters benefit from the revenue sharing model. Many union benefit programs stem from either the local or the national levels, and individual union members might be caught somewhere in between. With this product, union members can help out their local union at the same time that they express affinity with UUMBA and the national union movement. While all cards are branded as the UUMBA DEBUT™ card, rather than as a particular union’s card, PrimePoint Systems (which serves as the program manager and processor) can differentiate among different groups through the cards themselves. So, for example, a participating local store could offer discounts or special deals only to teachers in the local union.

The business model and negotiations behind the UUMBA DEBUT™ card provide an interesting look into these types of programs. In this situation, INS does not fund the plastic—the union does. In order for revenue sharing to begin, cardholders must use their cards—inactive cards do not generate revenue for the union. Moreover, UUMBA is offering both a Visa credit card and a MasterCard prepaid product, as union leadership did not want to show preference for one

association over the other. In order to develop such a model, it is important to consider the nonprofit partner's capacity to understand financial services products and the rules and regulations associated with these products. The startup cost for such a program can exceed \$250,000, according to INS. Some nonprofits might have difficulty in getting their members to support a monthly fee which has to be charged to maintain the instrument.

On the other hand, unions have extensive expertise in managing a variety of complex benefits for members, and they also have close ties to members and regular communication channels with them. In this model, unions are also responsible for motivating people to use cards and marketing the benefit to members. INS, along with PrimePoint Systems, is working together with UUMBA to provide seminars and other educational materials to union members to explain the benefits of the card and how to use it. Because the program has just recently been rolled out, it is impossible to quantify the program's success. However, this model is a prime example of how to reach a subset of underbanked consumers using an affinity marketing strategy.

An International Insurance Example: Aon's Bundled Insurance Program Marketed through Utility Companies

Aon Corporation, a global risk management, insurance brokerage and management consulting firm, has 500 offices in more than 120 countries. Aon's affinity practice operates in 28 countries. Seven years ago, Aon purchased an insurance brokerage company in Sao Paulo, Brazil, which offered auto insurance through car dealers and had a desire to enter the affinity business.

Aon partnered with a Brazilian utility company to offer insurance with electrical damage and accidental death and dismemberment (AD&D) coverage. The program was successfully marketed to utility customers with their monthly utility bills. However, the Brazilian government initiated a new recourse plan to help consumers deal with losses associated with common blackouts and electrical surges. So, the unique selling point of electrical damage coverage was taken away. Aon turned to consumer research and direct market testing to develop the next generation of insurance -- a new bundled product of AD&D, unemployment and home assist services. Protection that keeps paying the utility bill if you became disabled or unemployed proved to be just as successful. The utility company is compensated for endorsing the program with their brand and providing access to customers. The program has expanded to about 20 utility companies and has sold over 4 million policies today.

While this example might not translate directly to the U.S. market, the marketing and distribution lessons learned here are very instructive for companies attempting to reach the American underbanked market. Consumers in Brazil were most interested with ease of the process—having an insurance offer come directly with their utility bill made it easy to apply. Also, Aon considered very carefully what insurance needs people were looking for—what did people care about? What was their fear of loss? They developed the product and reached out to a partner who could provide the brand, customer base and distribution. The utility company had important affinity partner qualities—wide recognition and incredible reach. According to Aon representatives, insurance is a very broad and elusive product category, and people often don't relate to it. Thus, the marketing message needs to be tangible and specific. Rather than saying, if something happens to you, your family will be taken care of, the company's marketing message said: if you die or become unemployed, your utility bills will be paid and your family will have electricity. This message resonated with the target population.

Niche Marketing for Latinos: El Banco de Nuestra Comunidad

Founded in 2001, El Banco de Nuestra Comunidad, a division of SunTrust Bank, offers a comprehensive approach to newly arrived, unassimilated, immigrant Latino customers, whom it hopes to continue to serve as they assimilate into American life. Its branch environment appeals to them with vibrant colors, Latin music, a children's play area, and native Spanish-speaking employees. El Banco offers a suite of services, ranging from check cashing and deposit accounts to remittances, prepaid products, and ITIN (Individual Taxpayer Identification Number) mortgages. Reflecting the preferences and practices of its customers, its revenue model depends more on service fees than a traditional bank, with only 10% from overdraft and interest fees.

El Banco does all of its marketing in-house, and their focus is to build partnerships with schools, churches and small businesses in the community using financial literacy and community outreach to market their services. The message that El Banco uses to reach its customers is that, you are in this country, you are working--where is the safest place to keep your money? While El Banco's customers typically have misperceptions and/or negative opinion of banks, from a marketing standpoint the company recognizes that Latinos have specific goals that can be enabled by a banking relationship. In order to help its customers reach their financial goals, El Banco focuses on the aspirations of the working class community. A common theme for their customers is to build a better life—here or in their home country.

Because El Banco focuses its initial outreach efforts on new unbanked immigrants, its primary competitors are non-bank companies such as check cashers, and its marketing strategy is to promote convenience and price to complete basic transactions—like a fast-food restaurant. While El Banco uses some targeted Latino media to reach current and potential customers, the company primarily relies on its community partnerships and the affinities that their customers feel with local churches and businesses to bring in new customers through word of mouth referrals.

El Banco has expanded rapidly in its four years of operation. Its first two branches in metropolitan Atlanta achieved profitability on fee income alone in under a year. Based on that early success, El Banco expanded to twelve branches in Atlanta and the surrounding communities. On average, new branches achieve profitability in ten months, due in part to relatively low initial capital investment (less than \$200,000) and quick revenue flow from fee income. Today, El Banco has more than 16,000 customers, including 8,000 bank account holders. Total assets are approximately \$50 million. Having begun offering loans in March of 2004, El Banco now holds 300 ITIN loans as well as hundreds of consumer loans. Moreover, its marketing efforts appear to have taken effect, as visit frequency per customer continues to grow. El Banco's continuing growth shows that even newly arrived Latinos can become valuable customers for traditional financial institutions – if the institution expands its idea of what traditional financial services products and marketing look like.

Lessons Learned

Overall, affinity marketing provides a potential win-win-win situation for the for-profit and nonprofit partners and for end-use consumers. However, to maximize the potential benefits and minimize the potential risks, each affinity partner must undertake the relationship based on trust, long-term commitment, a long-term horizon between both parties; and information (often sensitive data) exchanged between both parties.³⁰

Clarity of objectives have helped to generate successful affinity partnerships where the key is the common audience the organizations hope to reach. But a common audience is just one aspect of success. Affinity partners must also be careful that communication channels match. For example, a nonprofit organization that reaches its geographically dispersed members via direct mail may not be best suited to partner with a financial services firm working purely through its in-store branch network.³¹ Analysts expect that in the future, the affinity market will become increasingly competitive as providers continue to identify it as a profitable niche. When considering an affinity partner, industry experts suggest considering the following criteria:³²

- Fit between the culture, values and objectives of the two organizations
- Reputation and customer orientation of the card provider
- Adherence by the commercial partner to the charity's ethics
- Value and inclusiveness of the partnership to the supporter base
- Capacity for marketing support and increased response volumes
- Potential to generate appropriate level of return on investment³

At the same time, trust, marketing, and communication will not lead to program success if the product has not been tailored correctly to meet the desired market niche. In the case of the underbanked, this is especially crucial. As these consumers have been left out of the marketplace or continue to be uninspired by the products offered in the financial services sector, affinity partners must conceive of products that appeal to consumers' interest in security, liquidity, and ease of access and use.

Finally, there are few examples of affinity marketing programs that have been used to specifically reach out to underbanked populations. As the industry begins to focus on the various segments of the underbanked population, new ways of thinking about what an "affinity" is must be considered. Aspiring to the American dream, desiring to be a part of the larger financial system, and appealing to consumers' interests in and relationships with sports and religious organizations are all possible "affinities" that might help to reach an underserved market segment. But companies also need to band together with affinity partners to think beyond these terms and find the most creative and effective ways to proactively market products and services to this population.

³⁰ Worthington, 2001.

³¹ Greenyer, 2004.

³² *Charity Times*, 2004.

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The Center for Financial Services Innovation (CFSI) assists the financial services industry to identify, develop, and implement innovative ways of delivering asset-building opportunities to the underbanked market that are profitable for both company and customer.

CFSI, an affiliate of ShoreBank Corporation with support from the Ford Foundation, was founded in 2004 to encourage the financial services industry's efforts to serve un- and underbanked consumers. The Center provides funding for innovative solutions, a meeting place for interested parties, resources for testing products and services, and identifies, develops and distributes authoritative information on how to respond to the needs of the underbanked profitably and responsibly. Banks, credit unions, technology vendors, alternative service providers, consumer advocates, and policy makers all can find support here to forge the new relationships, products, and strategies that will transform industry practice and people's lives. For more on CFSI, visit www.cfsinnovation.com.

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