

Community Investments Vol 15, Issue 3 Serving Untapped Markets

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Immigrant, unbanked, underserved, emerging, untapped: labels used to identify different segments of a large potential market. Are there any real distinctions, and if so, what are they? If the diversity of the terms is any indication, these potential customers may be as difficult to label as they are to serve. We try to define these markets and how to serve them in this issue of *Community Investments* because untapped markets can be significant to the business capacity of the banking industry and perhaps the economy overall.

In identifying a potential market, labeling may be the easiest part. The hard part is getting beyond the label to a quantitative value of the return on

investment for pursuing a new market. Labeling should be thought of as the first step and perhaps the most critical step towards clarifying the appropriate strategies, partners, products and services.

Following are a few definitions intended to distinguish the labels and clarify their nuance.

Unbanked: a consumer without an active checking or savings account

Underserved: a consumer with a checking or savings account who may be ready for more sophisticated products such as an investment account or a credit account

Emerging: potential candidates for significant financial commitments such as homeownership or small business loans

Immigrant: underserved, unbanked or emerging customers that are not native born and may be unresponsive to mainstream outreach or marketing efforts

Untapped: the revenue potential associated with any of the above market niches

"In the Search for New Customers, Start Here," James Ballentine asserts that immigrants, or newly arriving Americans, are increasing at a rate of 3,000 every day. His article outlines a six-step process for attracting new immigrants or working with existing minority populations. This article is excerpted from a handbook entitled, "Reaching the Immigrant Market: Creating Homeownership Opportunities for New Americans," which describes successful strategies for working with immigrant communities.

Step five of the above-mentioned process talks about the need to tailor effective products. Ronald Rawson illustrates this step in his article, "The Keys to the Kingdom of Financial Empowerment for the Unbanked," which describes an innovative partnership that is enabling migrant workers in

California's Central Valley to safely and economically handle their financial transactions.

While language and national origin are neat ways to categorize and target potential immigrant customers, the task becomes far less clear cut with a category such as the unbanked. Perhaps the single most significant barrier to serving the unbanked is finding them. Three stories illustrate the value of grassroots outreach and community involvement for overcoming this obstacle. In his article, "Providing a Headstart with CRA," Brian Scrip provides a compelling and innovative example of how to make connections with low-income populations and how to begin a dialogue about financial service needs.

Connecting with a local site that provides volunteer income tax assistance (VITA) is another way to find the unbanked. Every year, the Internal Revenue Service trains volunteers to prepare basic tax returns for low-income individuals. In addition to helping poor taxpayers keep more money in their pockets, this service saves many of these taxpayers from the scourge of predatory "rapid refunds." There is a national effort underway to create relationships with local financial institutions to open accounts for the many unbanked customers who otherwise rely on check cashers or pawn shops to cash their tax refund. Ana Marie Argilagos's article, "Reclaiming Native American Tax Dollars," will help you learn more about the VITA effort in Native American communities and beyond.

Supporting community-based financial institutions is yet another mechanism to ensure that consumers who want bank accounts but do not have access for various reasons are served. Notwithstanding the convenience and ubiquitousness of electronic banking platforms such as ATMS, the lack of a local financial institution may deter some consumers from opening an account. Other consumers may be shut out due to past transgressions. Increasingly, community-based financial institutions—such as People's

Community Partnership Federal Credit Union in Oakland, California—are opening their doors to address these concerns in low-income neighborhoods across the country. Maeve Elise Brown discusses the process of creating "A Credit Union from the Ground Up" and the positive impact it is having for the area's unbanked.

Underserved and emerging consumers present a different set of complications beyond just locating them. Issues such as the modest amount of money they may have to invest or desire to borrow and the high cost of providing these products to them is a challenge for traditional banks. Intermediaries and innovative products such as those described in "Investing for Social Good and Investing For 'The Little Guy'," offer solutions.

In "Investing for Social Good," Kerwin Tesdell and his associate Charity Shumway provide an update on how the community development venture capital industry is helping emerging entrepreneurs capitalize their businesses and share details about the first investment made by Central Fund, CDVCA's own fund. Developing a small business is one way that individuals seek to build assets, another is portfolio investing. "In Investing For 'The Little Guy,'" Mark Maruyama introduces us to a new approach that is helping small dollar investors afford a piece of the pie.

Somewhere among these stories may be just the idea you need to serve a special niche in your geography. Each of these articles offers something that can be adapted or adopted to realize the potential of untapped markets.