

Cultivating a Data-Driven Marketing Approach to Small Business Lending

CUSTOMER NEEDS

THE CLIENT



Obtaining the capital needed to grow and create jobs is a major challenge for small businesses. Some are forced to turn to expensive lending products, which can negatively impact the financial health of the business owner and the business. As a Community Development Financial Institution (CDFI) and small business lender, [Community Reinvestment Fund, USA \(CRF\)](#) develops products and services for these small businesses, increasing the flow of capital to historically underinvested communities across the country.

THE CHALLENGE

CRF recently developed [Connect2Capital](#), an online marketplace that leverages a simple, user-friendly pre-qualification process – typically used by for-profit online lenders – to match un- and underbanked small businesses with CRF’s network of responsible lenders. Connect2Capital bases its matches on the fit between the small business owner’s needs and the lender’s eligibility requirements. Because CDFIs traditionally source customers through referrals from for-profit lenders and mainstream financial institutions, Connect2Capital is revolutionizing the process by enabling these mission-driven lenders to reach small business owners directly. This helps reduce their customer acquisition costs and

expands their reach to individuals who have not even applied at traditional lenders.

CRF believed there was an opportunity for highly targeted marketing strategies that could reach this segment of customers. To develop the compelling brand and messaging strategy required to realize this vision, it needed to better understand the lives of small business owners, their mindsets, and their aspirations. CRF wanted to validate its hypotheses about these important questions, and then use them as the basis of a brand and messaging strategy that it could implement nationally via the Connect2Capital marketplace.

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Very few organizations in the CDFI landscape are thinking about how to reach businesses with direct marketing strategies. This opened up a new way for CDFIs to do business. We think there is enormous opportunity and a mission obligation to reach those businesses that are bypassing the banking industry altogether.”

Patrick Davis,
Vice President, Program
Strategy and Development,
Community Reinvestment Fund,
USA

CFSI'S APPROACH

With generous funding from the MetLife Foundation, CRF solicited proposals from more than 10 marketing agencies to assist with this initiative. The organization selected IDEO.org, a human-centered design firm that focuses on designing products, services, and experiences to improve the lives of people in poor and vulnerable communities. However, they quickly realized that the endeavor's broad scope would require strong analytical capabilities to define, size, and categorize the underserved small business market, and to provide insights for targeting them.

IDEO.org knew that CFSI's consultants had significant expertise quantifying and characterizing underserved markets using secondary research methodologies, most notably in the Financially Underserved Market Size Study. **The design firm felt that CFSI's knowledge of relevant data sources and data analysis skills would enable IDEO.org and CRF to develop an innovative and efficient approach to meet CRF's objectives.**

CRF was already familiar with CFSI's work and viewed CFSI as a leader in the consumer space. IDEO.org's recommendation exposed CRF to CFSI's expertise in the small business space and the strategic importance that CFSI places on small business financial health.

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We felt like there was a gap in terms of deep knowledge of data sets and the ability to manipulate the data in a way that would generate insights.”

Patrick Davis



CFSI drew upon more than 20 existing public datasets and research reports, most notably the U.S. Government's Annual Survey of Entrepreneurs and the Federal Reserve's Small Business Credit Survey, to learn about the underserved small business market and identify key attributes, such as:

- **Overall market size (number), segmented by number of employees, annual revenue, industry, and years in business**
- **Owner demographics (race, ethnicity, gender, immigrant, education)**
- **Credit product usage**
- **Technology use**
- **Influencers and resources for small business owners used**

Based on this research, the team arrived at a shared definition of an “underserved” small business. Using this definition, supplemented

by data on low-to-moderate income (LMI) communities, the team sized the market and identified counties with high concentrations of underserved small businesses. This analysis enabled IDEO.org and CRF to prioritize communities in which to conduct qualitative research into the lives and struggles of underserved small business owners. IDEO.org spent time with lenders and small business owners in these communities, understanding their wants, fears, frustrations, and aspirations, and then distilling these learnings into succinct insights. Throughout this qualitative process, CFSI provided quantitative feedback on the emerging insights. From these two sources of insights, IDEO.org created 10 brand concepts, which it tested with a small sample of small business owners and subsequently A/B tested on Facebook. The results of these prototypes informed the final messaging and Connect2Capital's brand elements.

OUTCOMES

In addition to the brand positioning IDEO.org developed, CFSI's quantitative analysis provided important insights and practical tools to support the direct-to-business marketing strategy:



1

CFSI's market sizing validated CRF's assumptions that there are significant numbers of underserved small businesses, that they have substantial unmet credit demand, that many of the borrowers with credit needs could not be reached through the industry standard referral model, and that awareness of the CDFI funding option needs to increase.

2

Beyond simply validating CRF's hypotheses, **the analysis provided inputs that are critical to developing a direct marketing strategy**, such as the characteristics and locations of underserved small businesses.

CFSI delivered its tools and datasets to CRF as a resource for its marketing team to use as they continue to test and learn from marketing efforts.

The model enables them to target specific industries and geographies, armed with insights about the makeup of the underserved small businesses within them so that they can produce compelling campaigns.

Perhaps even more importantly, the project provided CRF and, by extension, the CDFI community with a new conceptual framing for how they can use data to direct their marketing strategies.

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An indirect outcome was a replicable research-driven approach to reach target audiences that will stick with CRF for a long time. We are constantly developing new campaigns, and as we think about Connect2Capital, we see this as differentiating. We are socializing this data-driven approach with the rest of the industry.”

Patrick Davis

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