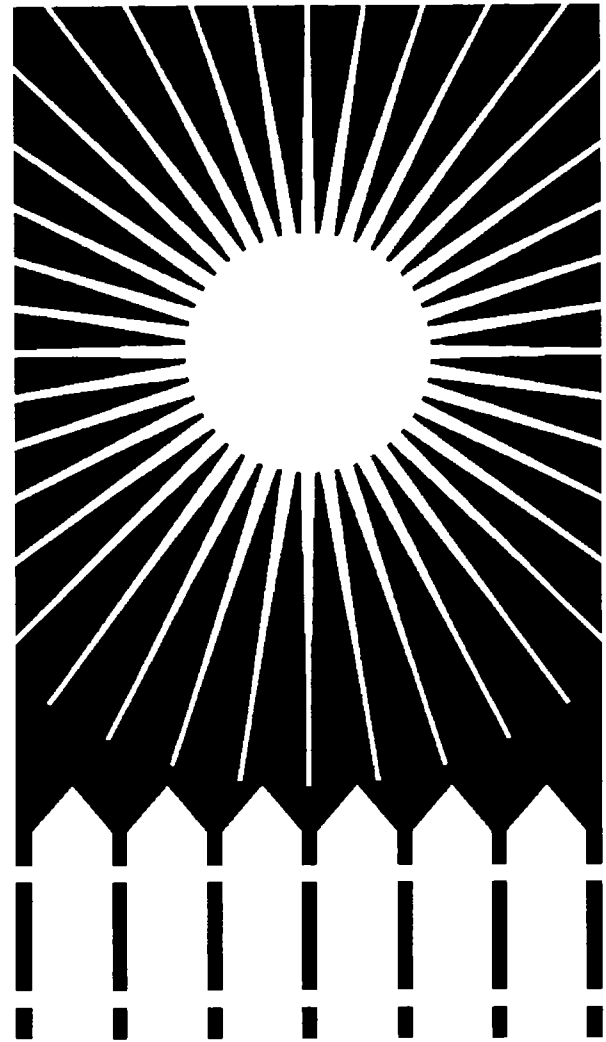


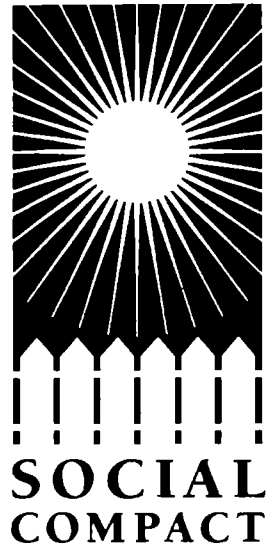
CLINTON LIBRARY PHOTOCOPY



**SOCIAL
COMPACT**

Emerging Neighborhood Markets Initiative

A Social Compact initiative sponsored by
State Farm, The Ford Foundation,
The MacArthur Foundation and The Fannie Mae Foundation
in consultation with Shorebank.



Mission:
**Promoting
Business
Investment in
Undervalued
Markets**

1

Social Compact Board of Directors Includes Senior Officers of America's Major Financial Institutions (1990-1999)

- Richard Syron, *American Stock Exchange*
- Donald Boudreau, *Chase Manhattan*
- Lawrence Toal, *Dime Bancorp, Inc.*
- Barry Zigas, *Fannie Mae*
- James Faulstich, *Federal Home Loan Bank of Seattle, former President*
- Larry Lindsey, *Federal Reserve Board of Governors, former member*
- Preston Martin, *Federal Reserve System, former vice chairman*
- Leland Brendsel, *Freddie Mac*
- Rick Crabtree, *Nationwide Insurance*
- Roger Haughton, *PMI Mortgage Insurance*
- Paul Bognanno, *Principal Financial*
- Arthur Ryan, *Prudential*
- Roger Joslin, *State Farm*
- Mike Ryan, *Wachovia Bank*

2

- Social Compact is a coalition of diverse corporate executives who have joined forces to promote business leadership for and investment in lower-income communities. The goal: strong neighborhoods in which to do business.

Social Compact Awards



"These award winners represent the future of doing business in America's lower-income communities."
— Steve Forbes

"Social Compact is demonstrating that you can do well economically in America and still do good socially in America."
— Former Senator Bill Bradley



Photos by MH Photography

3

Neighborhood Laboratories of Success



Photo by Matt Pokempner

5

Social Compact Awards

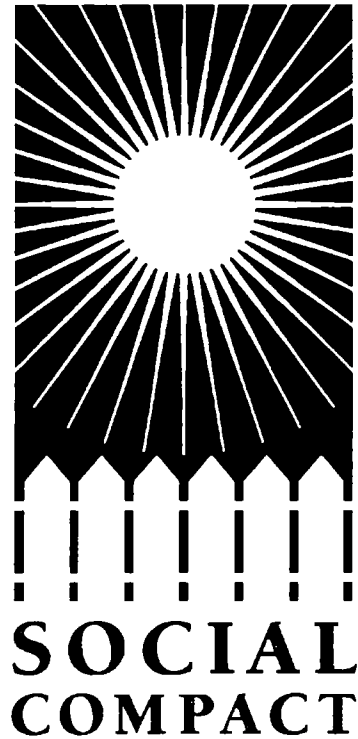


Photo by Linda Beniet

"Today we are celebrating the achievement of partnerships of people who made things happen in their communities."
— Alan Greenspan, Chairman,
Board of Governors of the Federal Reserve System

4

- Social Compact is primarily known for its awards program recognizing business leaders and their partnership models of success. Award-winning partnerships receive major grants to further the nonprofit partners' work, and partnership leaders are the focus of a national program of recognition.
- We have had the privilege of the support of major national leaders such as Federal Reserve Chairman Alan Greenspan and the other federal financial regulatory leaders.
- ◀ Moving beyond the Beltway, Social Compact has had the chance to equip scores of congressional, administration, corporate and media leaders (including Steve Forbes, Laura Tyson, CNN and *The National Journal*) with a highly pragmatic partnership perspective as to what really works for neighborhoods.



Emerging Neighborhood Markets Initiative

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The MacArthur Foundation and
The Fannie Mae Foundation

6

In the course of these neighborhood site visits, as we set out to define the impact that these had partnerships changing neighborhood conditions, we found that almost all of the data we had to work with focused on community weaknesses rather than market strengths. Yet, as you drive through these communities, you see successful inner-city market pioneers: Payless ShoeSource, McDonald's, Radio Shack ... We were convinced that these industry leaders were not using poverty data to assess market opportunity.

Relatedly, while the community development industry has been very successful in addressing the housing piece, repeatedly you find a general absence of the commercial services that are critical to the long-term viability and competitiveness of the community.

It was this recognition of the need for an alternative set of business-oriented data -- that could help attract a second wave of commercial activity -- that inspired us to launch the Emerging Neighborhood Markets Initiative.

Emerging *Neighborhood* Markets at Home Instead of Abroad



7

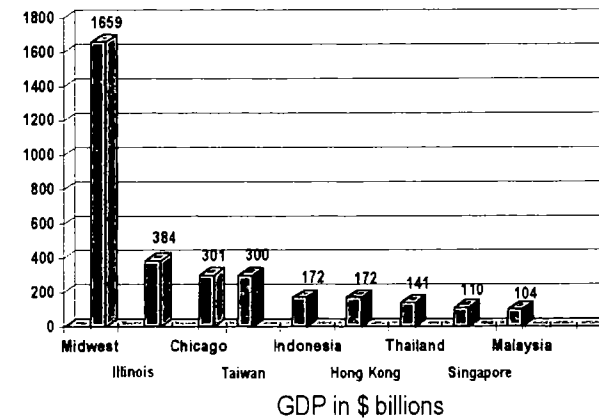
Many of the Issues Are the Same

It's about:

- How you measure risk and opportunity
- Who you partner with to achieve success
- Supporting local institutions that help assure long-term market strength

9

Market Opportunity



1997 figures source: Standard & Poor's DRI

8

- Our thesis was this: there are emerging market opportunities at home as well as abroad.
- Keep in mind that when we first unveiled this work in May 1997, the Asian and Latin American markets had not yet crashed.
- And while Hong Kong is 15 hours away, Chicago has an emerging neighborhood market only 15 minutes away!

*Midwest: Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin.

Challenging the “Old” Paradigm

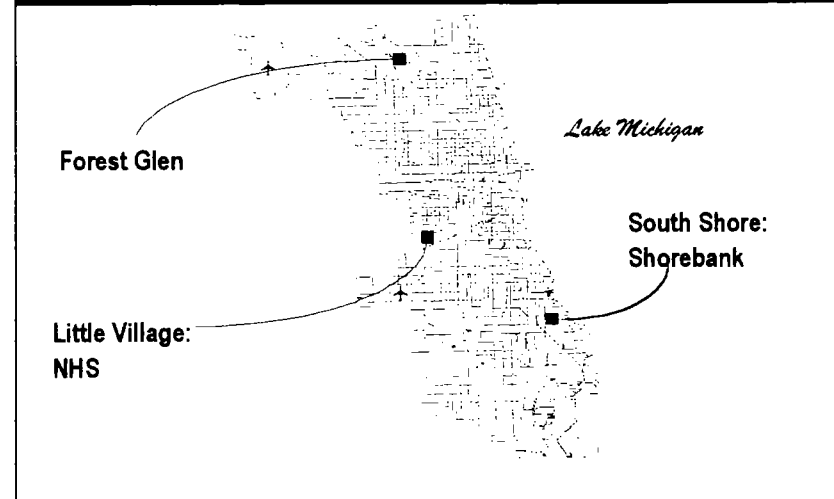
- Poverty Deficiencies vs. Market Strengths
- Corporate Citizenship vs. Top-line Growth
- Federal Data vs. Market Information

11

As we look at three neighborhood markets in Chicago, we aim to challenge some old paradigms and offer some new models. We are going to:

- Shift the lens from poverty deficiencies to market strengths.
- Focus on the way corporations are approaching these markets by reaching beyond the “good corporate citizen” paradigm to the genuine market opportunity.
- And in this, the information age, look at the new role for government – transforming government data into market information.

Three Local Neighborhood Markets



12

- Now let's drill down to three local neighborhood markets. Little Village and South Shore have been the focus of 25+ years of market development efforts by two of the nation's premier neighborhood development entrepreneurs:
 - Neighborhood Housing Services of Chicago working in the Mexican American neighborhood of Little Village on the west side; and
 - Shorebank working in the African American neighborhood of South Shore on the south side.
- As an offset to these two redeveloping communities, we will also look at Forest Glen, the highest-income neighborhood in the city on the upper north side.

The Neighborhood Market Drill Down

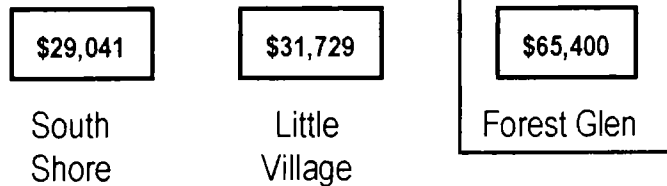
A Social Compact initiative sponsored by State Farm,
The Ford Foundation and The MacArthur Foundation
and The Fannie Mae Foundation.

10

- What we are introducing today is a significant expansion on our work that challenged a number of paradigms and builds out a new model for understanding the strengths of neighborhood micro-markets.

Perceived Neighborhood Market Buying Power

Median Household Income



Source: 1990 Census adjusted to 1998 dollars using the CPI

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- Concentrating on reported federal income data can be a misleading indicator of the strength of the neighborhood. Looking at the median income is NOT an accurate measure in understanding the potential of inner-city markets.

**Note: Chicago median household income is \$32,876. U.S. median household income is \$37,570. All numbers are from 1990 census, adjusted to 1998 dollars using the CPI.*

Concentrated Retail Spending Power*



*dollars/acre

Source: Claritas 1997 data, Shorebank analysis.

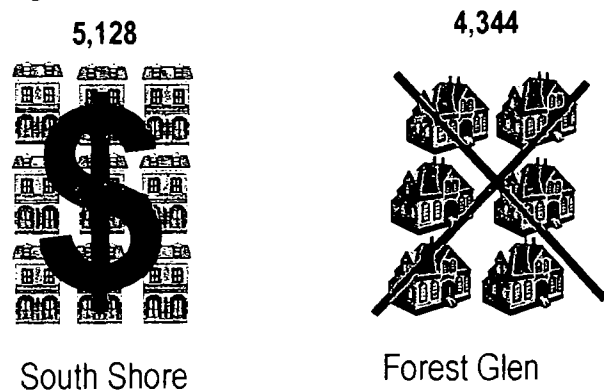
14

- When looked at in terms of concentrated consumer spending power, on a per-acre basis, Forest Glen has about half the spending power of South Shore or Little Village.

Source: Claritas Analysis of household spending patterns by reported income level
 * Households per acre: Little Village, 13.0; South Shore, 11.7; Forest Glen, 3.33.
 Number of acres: Little Village, 972.83; South Shore, 1579.56; Forest Glen, 2,043.95 (source: 1990 Census).

Household Income Distribution

Which neighborhood has more households with incomes > \$50,000?

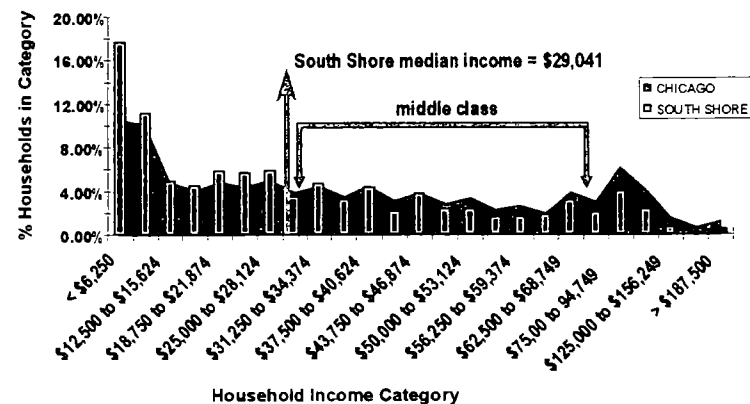


Source: 1990 Census adjusted to 1998 dollars using the CPI.

15

- Likewise, household income distribution data reveal neighborhood spending power masked by median income statistics.

Income Profile: South Shore vs. Chicago

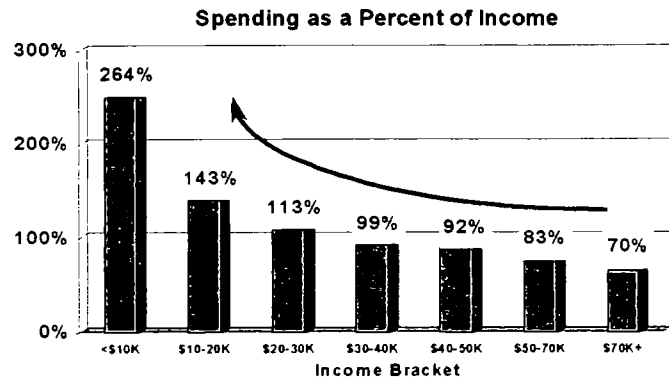


Source: Shorebank/Social Compact Income Profiling
1990 Census data adjusted to 1998 dollars using the CPI

16

- Looking at the median income is NOT a good way to understand the potential of inner-city markets. South Shore has more low-income residents and fewer high-income residents than the city as a whole — which means a lower median income. Nevertheless, the neighborhood has a solid middle/working class, just like the rest of the city.
- The front-end tail belies the fact that 20% of the households in a “low-income” community earn more than \$50,000.

Income is **NOT** an Accurate Indicator of Spending Power



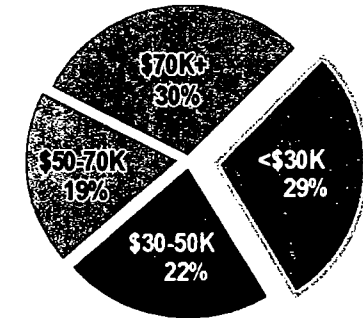
Source: 1997 Consumer Expenditure Survey Department of Commerce

17

- “Reported” income is a misleading indicator of spending power — as the 1997 Consumer Expenditure Survey shows — particularly in lower-income neighborhoods.
- People with reported incomes at \$30,000 and below spend more than their incomes.
- How can this be? One reason is that the cash economy is now estimated to exceed \$1.5 trillion. That’s 20% of the GDP and growing faster than our “official” economy.
- This is not about drugs and prostitution. It is about the home improvement industry, auto repairs, after school and child care, tutoring and music lessons. It is a huge part of our economy and it is simply ignored.

Total Expenditures by Income

Income	Consumer Spending
<\$ 30K	\$ 898 Billion
\$ 30-50K	\$ 681 Billion
\$ 50-70K	\$ 578 Billion
\$ 70K+	\$ 910 Billion

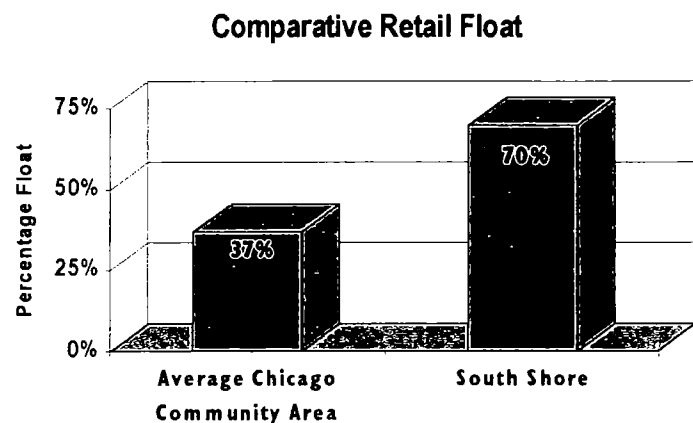


*Source: 1997 Consumer Expenditure Survey

18

- Taking these expenditure patterns into account, almost a third of overall consumer expenditures in this country are made by households with reported annual incomes of less than \$30,000 – that is equivalent to the share of expenditures made by the highest income segment.
- \$898 billion is spent by the lowest-income households. Simply stated, this is a very large business opportunity!

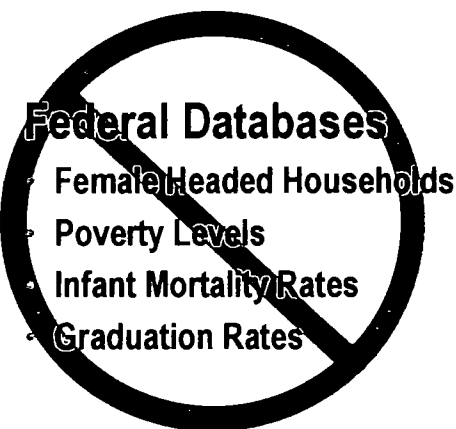
Leakage, Lost Sales and Income Circulation



19

- Another indicator of the untapped market opportunity, in some neighborhoods, is the amount of lost sales or income that moves out of the neighborhood because of the untapped and underdeveloped market opportunity.
- The bad news for residents is that this market is being significantly underserved; the good news for businesses is that there is very little competition.

Analyzing Emerging Markets *Statistics that Don't Work*



20

- With consumer density, untapped buying power and reduced competition, why are these emerging neighborhood markets largely underdeveloped?
- Let's be candid. The traditional view of lower-income communities is built on negative stereotypes, reinforced by traditional poverty and deficiency-based indicators.
- Our federal poverty programs have had the perverse effect of motivating local communities to define themselves in terms of weakness: the worse a community looks, the more federal assistance it can access. These negative portraits ultimately impact not only how public and private sector decision-makers view inner-city areas, but also how the residents themselves view and define their communities.

What Drives the Data?

**It's not about qualifying
for federal programs.**

**It's about attracting
private investment.**

**It's about helping people
build wealth.**

21

- Rather than celebrating and promoting the negatives, we think there should be a supplemental paradigm that focuses on market strengths.
- Rather than promoting community weaknesses, we think there should be a supplemental focus on market strengths.
- Against this backdrop we ask, "What should drive the data?" Not qualifying for federal programs, but rather attracting private investment.

It's About Market Opportunity

Industry leaders with broad market expertise, unique proprietary databases and/or track records of success in emerging neighborhood markets.

- | | |
|-----------------------------------|-----------------------------|
| • Ameritech | • Delray Farms |
| • Applebee's | • Harris Bank |
| • Bank of America | • Home Depot |
| • Chicago Association of Realtors | • PMI Mortgage Insurance |
| • Commonwealth Edison | • Principal Financial Group |
| | • State Farm |
| | • Walgreens |

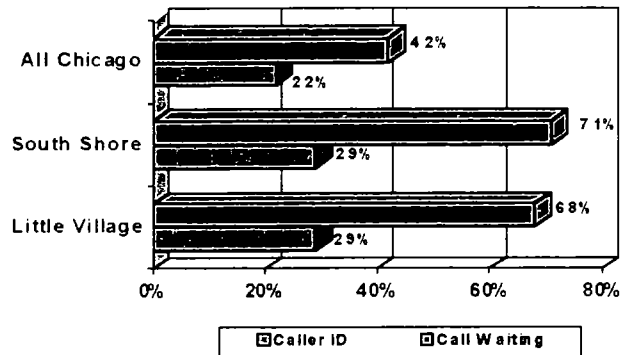
22

- Social Compact is mobilizing a team of diverse business leaders to create a new lens through which to view inner-city markets. A lens that is built on dependable business data aimed at assessing the market strengths and business attributes of inner-city communities at the micro-market building block level: the neighborhood.
- Unique to this effort and fundamental to its success is its cross-industry nature, the active involvement of senior corporate officers, and the resulting pragmatism and business-based reality that guides the initiative. In short, "It's all about business."
- Let's take a look at some of these partner companies' experiences in emerging neighborhood markets.

A Focus on Market Opportunity

Ameritech

Market Penetration, Selected Services



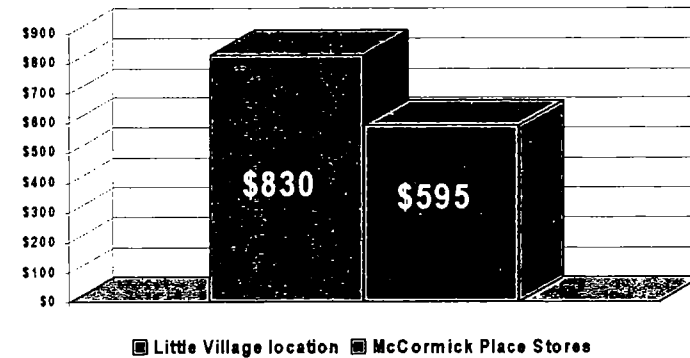
23

- Ameritech's success evidences the niche market opportunity and disposable income in these Emerging Neighborhood Markets.

Interface Cellular Communications Ameritech Distributor

Sales per Square Foot

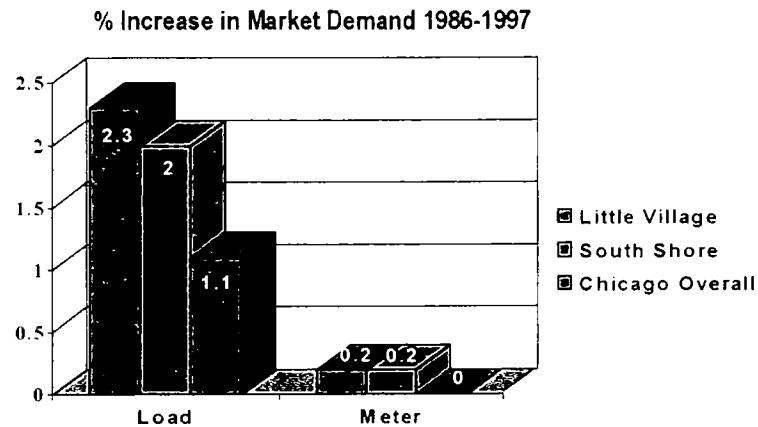
Little Village Store Outperforms McCormick Place Stores by 39% in 1998



24

- Lower-income neighborhood residents are willing to spend more than the average consumer on optimum cable entertainment and/or additional phone services.
- Delray Farms, with its inner-city urban strategy, has a similar approach — but in the fresh produce business. It knows its customers may not go out as often to restaurants, but they regularly will spend more on high-end foods for special meals at home.

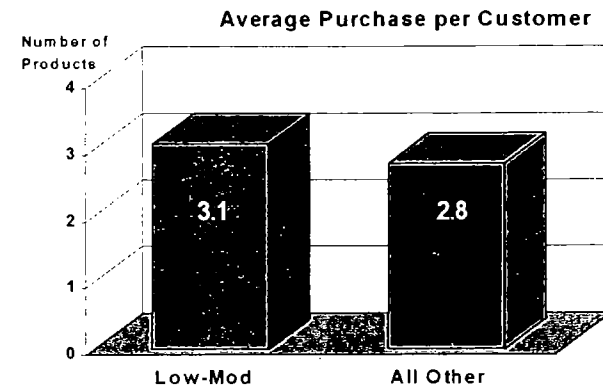
Commonwealth Edison



25

- For Commonwealth Edison, market demand in the Little Village and South Shore markets has outpaced those of Chicago overall 2 to 1 in the past decade. They are also sharing disconnect and hook-up data which we are analyzing as a further indication of neighborhood stability.

Harris Bank

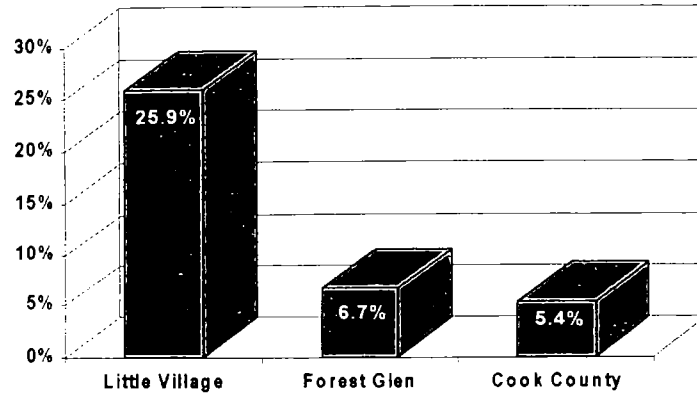


26

- Harris Bank has noted success in its neighborhood-based retail banking approach. In lower-income neighborhoods, each customer purchases significantly more services.

State Farm

Percentage Homeowner Policy Increase
1992-1997

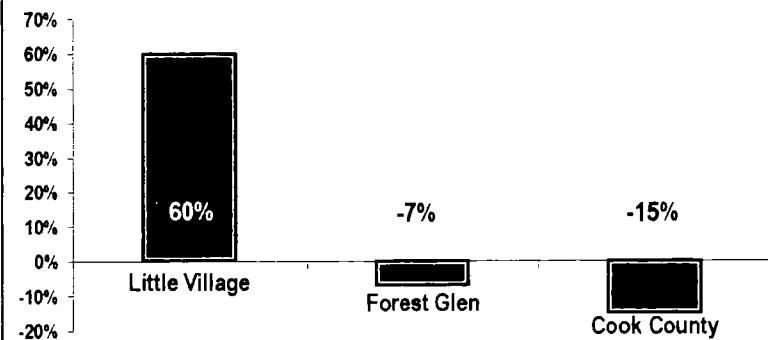


27

- State Farm, one of America's top insurers, has achieved expanded penetration in inner-city markets thanks to effective partnerships with neighborhood development groups.

State Farm

Commercial Growth
Percentage Change in Commercial Multi-peril Policies 1992-1997



28

Analyzing Emerging Markets *The Business Perspective*



29

- Our goal is not only to offset the negative poverty lens, but also to respond to the absence of dependable data, forecasting models and market analysis tools to support investment decisions in the inner-city marketplace.
- With this goal of a new business lens, we interviewed each of these business leaders — our early partners — to understand the three core variables they use in their market expansion decisions.
- Three consistent core market drivers emerged from our discussions: buying power, stability/growth and risk.

Market Assessment Framework

Combines Innovative Uses of:



30

- We looked at the traditional indicators and data sets that misrepresent inner-city markets.
- While suburban market models are constantly refined and updated by some of the most sophisticated market analysis firms in the country, the inner-city market has not been the focus of similar analysis.
- This leaves companies, and even the market analysis firms, with data sets and models that shortchange the inner city's market opportunity.

Market Indicators

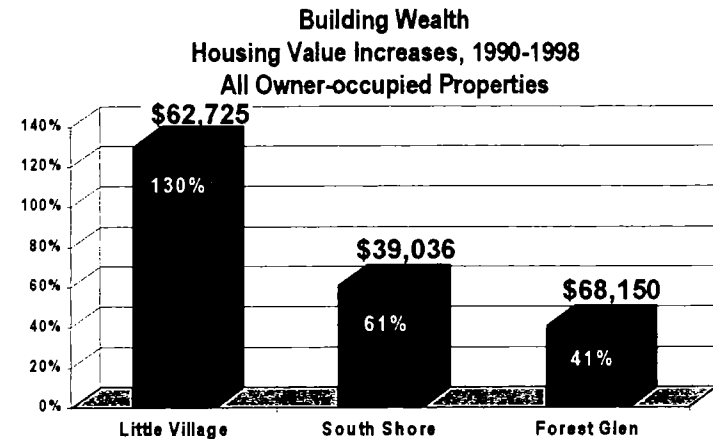
Buying Power

Buying Power Indicators	Traditional: Census Upgrades of:	Supplemental Innovative Resources
Household Income	Median income	Expenditure patterns Income distribution patterns
Housing Values	Median value	Realtor data
Density	Population	Local alderman, Utilities
Wealth Creation		Refinance activity
Retail Activity		Commercial lease rates Retail sales per square foot Business growth

31

- Census upgrades of median household income or housing values substantially under-represent market buying power.

Equity Growth

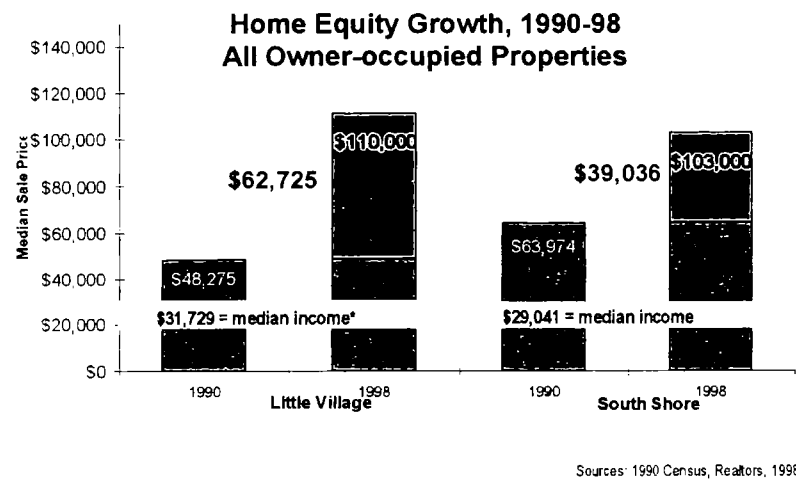


Sources: 1990 Census, Realtors, 1998

32

- Neighborhood development partners' and strategic business partners' impact is evidenced by changes in market values in the communities where they have worked. Looking at both single-family and multi-family stock, there have been dramatic increases in appreciation over the past five years, particularly relative to the city as a whole.

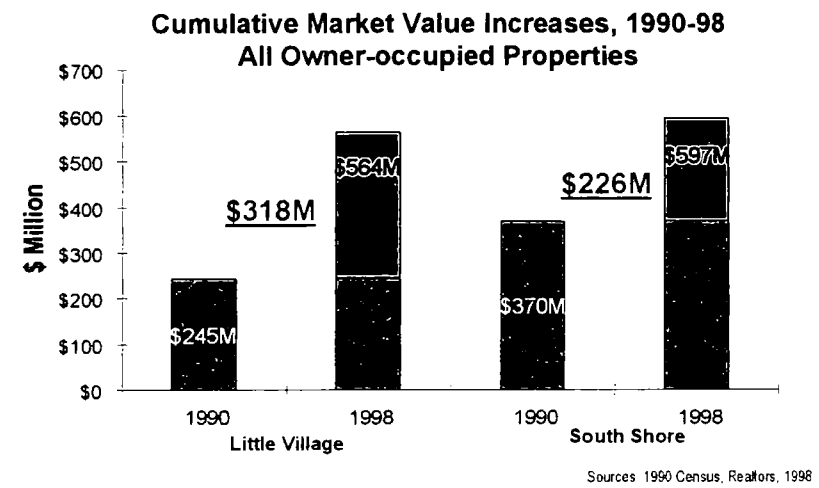
Equity Growth



33

- This level of property value growth is particularly significant given the incomes of families living in these two communities. Looking at the single-family stock, this level of appreciation represents a major form of wealth formation equivalent to approximately 200% of the median annual household income for families in Little Village and 125% of the median annual household income for families in South Shore.

Equity Growth

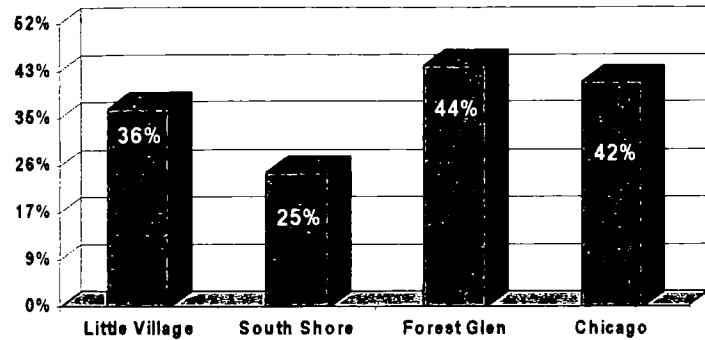


34

- If you look at the combined equity formation in each of these communities, you can see that there is a major capital formation story hidden behind poverty data.
- This is new wealth that many families in Little Village leverage to send their kids to college or start a new business.

Leveraging the Equity Opportunity

Refinances as a Percent of Owner-occupied Units
1992-1997

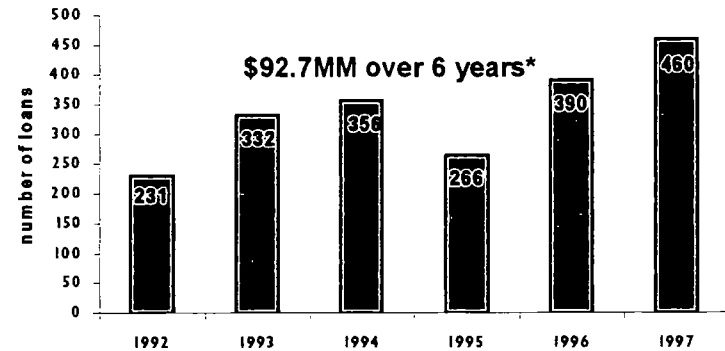


Source: Woodstock Institute

35

Leveraging the Equity Opportunity

Little Village Home Improvement Loans/ Refinances
1992-1997



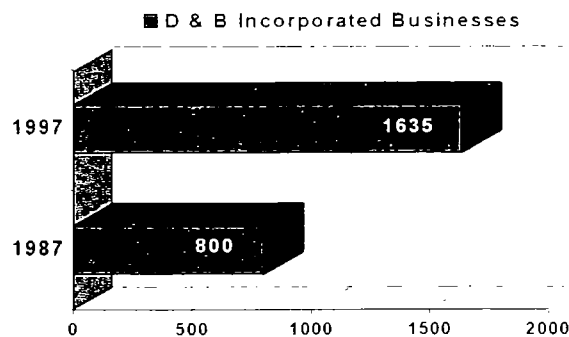
\$92.7MM over 6 years*

* adjusted to 1997 dollars using the CPI.
Source: Woodstock Institute

36

Business Growth

Business Growth in Little Village

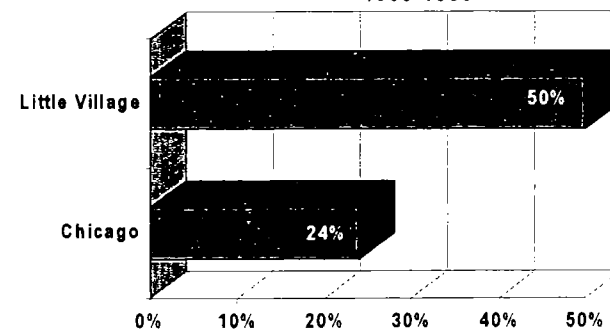


Source: Dun & Bradstreet

37

Business Growth

Below the Radar
Growth in Assumed Name Registrations
1990-1996



Source: Cook County Clerk

38

Market Indicators

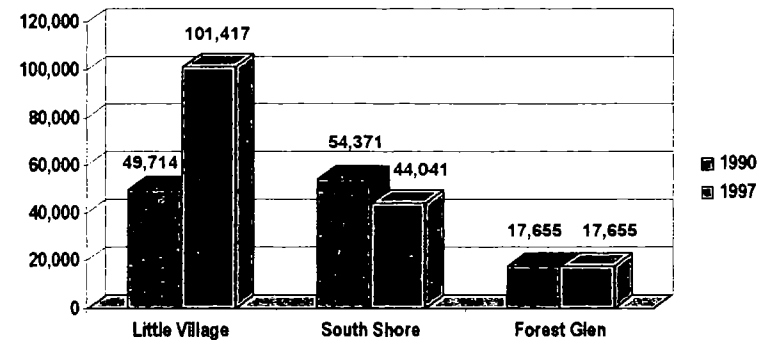
Stability/Growth

Stability/Growth Indicators	Traditional: Census Upgrades of:	Supplemental Innovative Resources
Population Definition	Population Ethnicity changes Household formation Age distribution	Phone/utility hook-up and disconnect patterns Water usage Street-based market analysis Consumers per acre School data
Homeownership Rates	Owner occupancy	Tax assessor data
Investment		Building permits

39

- Additionally, wealth creation and analysis of local retail activity are also excellent indicators of market strength.

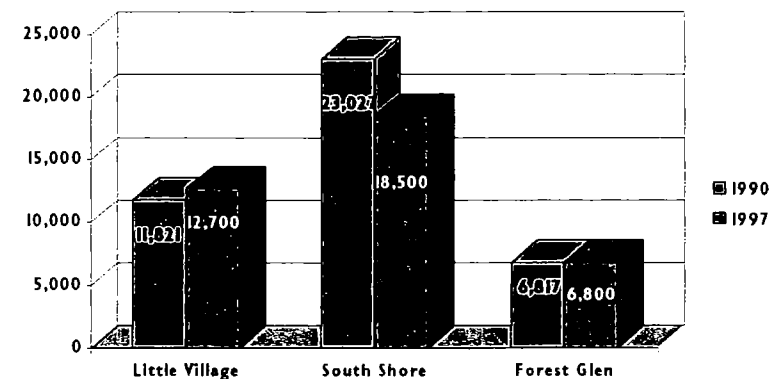
Population Growth



Source: 1990 figures- 1990 Census
1997 figures- Clantas 1997 data

40

Housing Units*

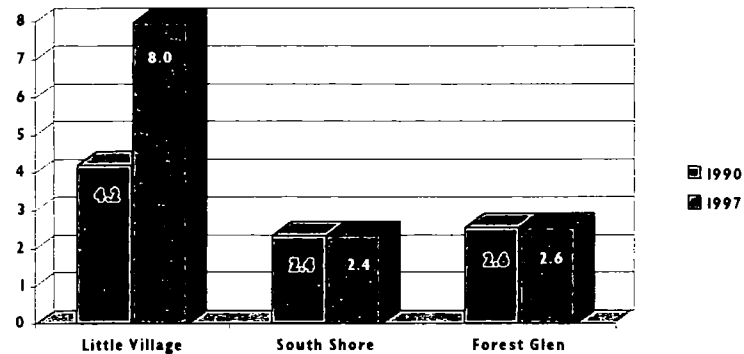


*occupied housing units

Source: 1990 figures- 1990 Census 1997 figures- analysis of 1990 Census, Clantas 1997 data and street-based market analysis

41

Household Size

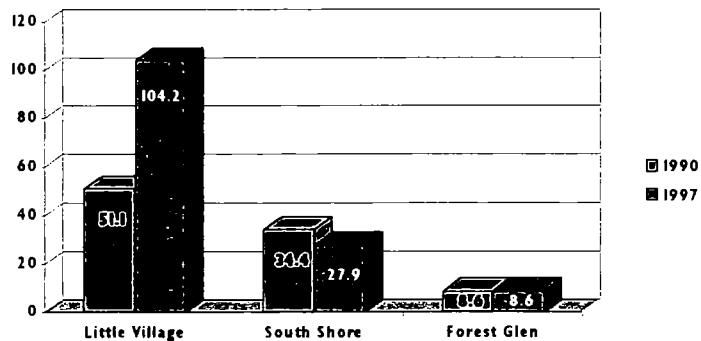


Source: 1990 figures- 1990 Census. 1997 figures- analysis of 1990 Census, Claritas 1997 data and street-based market analysis

42

Consumers per Acre - Density

1990 - 1997

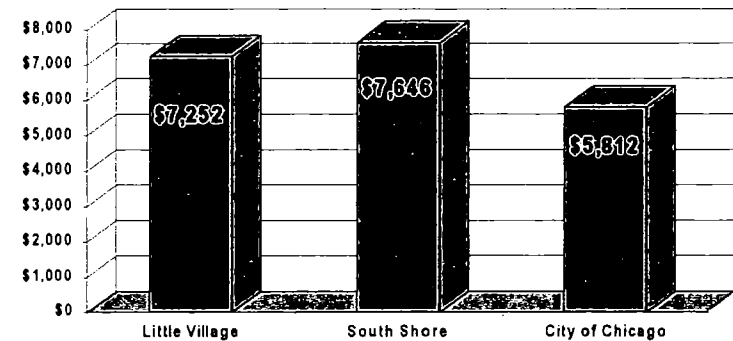


Source: 1990 figures- 1990 Census. 1997 figures- analysis of 1990 Census, Claritas 1997 data and street-based market analysis

43

Building Permit Activity

Expenditures Per Acre for Reported Projects Under \$50,000
January 1993- April 1999



Source: City of Chicago Building Permit Data, Social Compact Analysis with Joseph Ferrie, Associate Professor, Economics Dept, Northwestern University

44

- Building permits are an added indicator of market confidence, disposal income and ,in this instance, household growth.

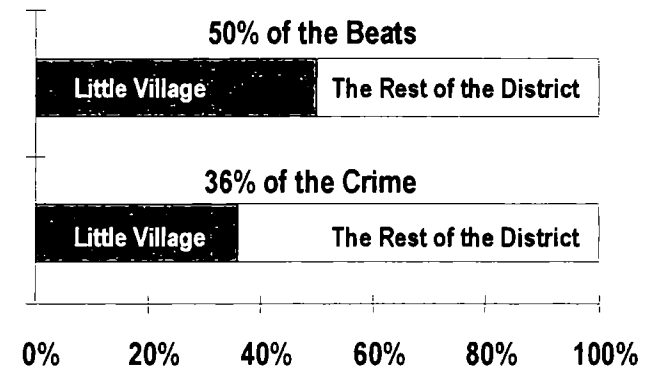
Market Indicators *Risk*

Security Indicators	Traditional: census upgrades:	Supplemental Innovative Resources
Criminal Activity	Police district uniform crime reporting	Fire and police violent crime data by beat Insurance company loss experience (fire vs theft)
		Credit Performance

45

- Police beat data is far more refined and insightful than district data. Even on a beat level, data is skewed by the inclusion of gang activity, which is highly localized and isolated at a block level. Our takeaway: to understand inner-city markets, you need to know what is happening at the micro-market building block level.

Crime by Beat



Source: Police Department

46

- While Little Village represents 50% of the beats in the district, only 36% of the crime was concentrated here.

Expanded Profile Neighborhood Context: Little Village

	Traditional	Supplemental Innovative Resources
Buying Power	Median housing value 1990 Census upgrades: \$45,275	Realtors 1998 ¹ : \$111,000
	Median household income 1990 Census upgrades ² : \$31,729	Concentrated Retail Spending Power³ \$39,652 per household
		Wealth Creation Median property value appreciation ⁴ : \$62,725 Average home equity loan size ⁵ : \$45,553
Growth	Population 1990 Census: 49,714	Claritas 1997: 101,417
	Household Size 1990 Census: 4.2	Social Compact analysis ⁶ : 8.0
Risk	District composed of 8 beats.	Four Little Village beats comprise 50% of district = 36% of crimes

47

- The profile you get is a function of the questions asked and the measures used. Our goal is to expand the profile by employing supplemental indicators and business-focused data.
- Drilling down to a neighborhood context, the profile of Little Village is dramatically expanded when you look beyond the traditional indicators and data.

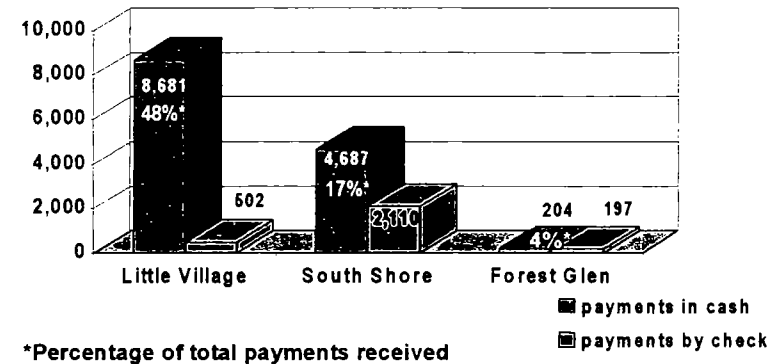
Notes:

1. Median sales price for properties sold in 1998.
2. Adjusted to 1998 dollars using the CPI.
3. Analysis of Claritas Retail Expenditure figures, see slide 14.
4. Median property value appreciation 1990-98. Data Sources: 1990 Census, Realtors 1998. See slide 33.
5. Average size of refinance and home equity loan 1992-1997. Data source: Woodstock Institute. See slide 36.
6. Analysis of 1990 Census, Claritas 1997, D&B 1996, and street-based market analysis. See slide 42.

Commonwealth Edison

Payments Received at Payment Centers/Authorized Agents

30-day period ending April 27, 1999

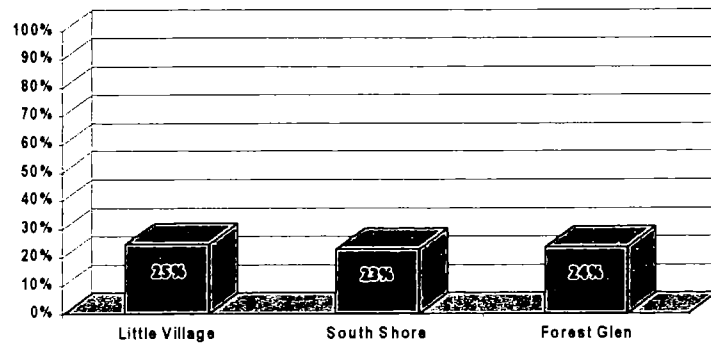


48

- If there was any question that a cash economy was at play, Commonwealth Edison's bill payment experience is a demonstration of its existence.

PMI Mortgage Insurance

Average Mortgage-to-Income Ratio for PMI's Customers

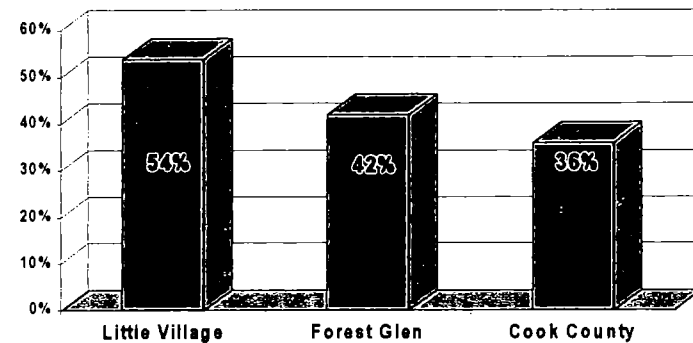


49

- PMI's debt-to-income ratio reflects averages surprisingly similar to Forest Glen and serves as an added indicator of disposable income potential.

State Farm

Life Insurance Policy Growth
1992-1997

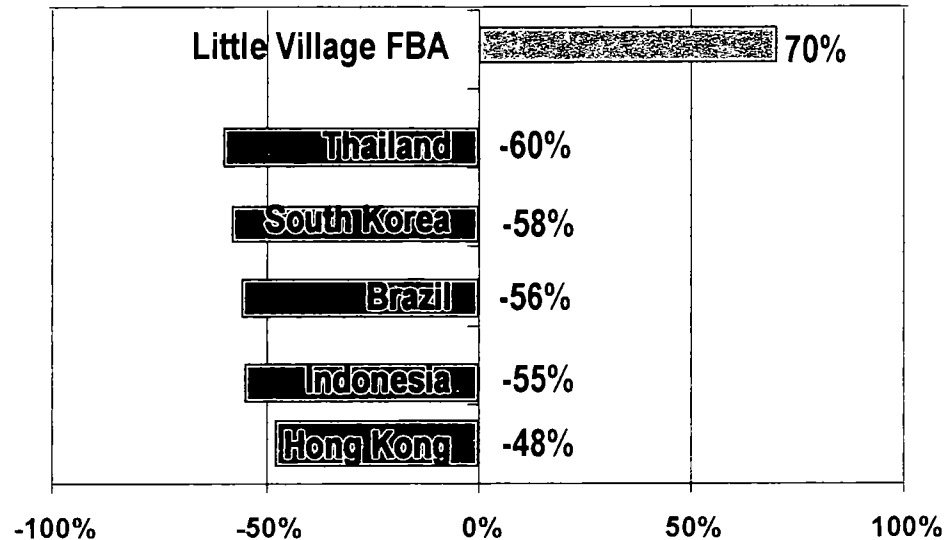


50

- Life insurance policy growth is another reinforcing data set regarding market growth, household formation and disposable income.

The American Emerging *Neighborhood* Market Investment Opportunity

One year ending September 1998



Source: International data — Datastream/ICV (July 1, 1997 - Sept. 7, 1998).
FBA (First Bank of the Americas) — Bank of America

51

- A year ago, Bank of America could have invested \$250,000 in emerging markets abroad or in an emerging market at home. The bank chose to invest in a local start-up community-based financial services institution, the First Bank of the Americas. Instead of the quick “no” response that the bank would have given this investor proposal two years ago, the decision was approached with a new framework of analysis that turned into a “yes” response. The performance thus far has been excellent: share prices have appreciated by 70 percent!
- The bank was able to make the right decision by viewing the investment through a new lens and basing the evaluation on new data that supported a sound assessment of risk and opportunity. The bank also had the right business partner: one who understood the market and one who could provide responsive products and services.

The Emerging Neighborhood Markets Initiative

Creating a new lens for measuring
risk and opportunity

Identifying the right
strategic business partners

52

This is what The Emerging Neighborhood Markets Initiative is all about:

- creating a framework for measuring risk and opportunity
- identifying the roles strategic market partners can play to help businesses successfully enter and grow in these markets

Assembled Resources and Talents



FannieMae



THE FORD FOUNDATION



SOCIAL
COMPACT



THE JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION

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- The challenge is transforming a great idea into a real strategy and assembling the resources and talents to execute the strategy in a highly professional manner.
- Under the leadership of State Farm and Bank of America, Social Compact has successfully enlisted the participation of three of the premier philanthropic forces in the community economic development world: The Ford Foundation, The John D. and Catherine T. MacArthur Foundation and The Fannie Mae Foundation.
- State Farm provided a challenge grant of \$400,000 that was then matched by the Ford and MacArthur Foundations. Bill Goodyear, then Chairman of Bank of America Illinois, guided initial foundation presentations and enlisted the Chicago leadership team.

Observations On The Emerging Neighborhood Markets Initiative

"This is groundbreaking work. And if it can be done anywhere, it will be done in Chicago with this kind of corporate leadership."

— **Richard M. Daley**, Mayor, The City of Chicago

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In launching this pioneering work in Chicago, we were driven by:

- A strong local corporate leadership team.
- Excellent mayoral leadership. In addition to Mayor Daley's support for the Initiative, his approach to inner-city development was key: creating a climate and infrastructure that attracts and supports private investment versus relying on the federal government to come up with programs that will "fix" cities.

Execution

- It's all about business: mobilizing the expertise, data and disciplines of business
- Creating a highly localized, replicable model for assessing inner-city market strength
- Focusing on the micro-market, neighborhood building block

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The defining characteristics of Social Compact's work are three-fold.

- **It is all about business:** It is driven by business leaders. It is built on the pragmatism and reality of business. In short, it is about marshalling the leadership, expertise and disciplines of business for what we view as the new business of neighborhood economic development
- **Creating a replicable model:** The goal is a highly-localized, replicable model for measuring the market strengths of redeveloping neighborhoods and expanded roles for neighborhood development organizations as strategic business partners.
- **The neighborhood building block:** This work drills down to the micro-market building block — distinct neighborhoods that have been the focus of neighborhood development partnerships.

Program Elements

Business Expertise
and Strategic
Corporate/Community
Alliances

Creating a new framework for assessing
the business strength of inner-city markets
built on:

Business
Data

Market Analysis
Model

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There are three core program elements.

- A corporate leadership team of diverse brand industry leaders who will guide this work, providing the core data, expertise and market insights.
- A new framework for assessing markets — composed of indicators and market measures utilized by diverse industries to assess market opportunity as well as new data sets built on proprietary data and innovative application of public sector data.
- New benchmarks of community development impact focused on market change responsive to business and models for strategic business alliances.

Market Demand

- | | |
|-------------------|-------------------------|
| • Baltimore, MD | • Indianapolis, IN |
| • Boston, MA | • Louisville, KY |
| • Cleveland, OH | • New Haven, CT |
| • Columbus, OH | • New Orleans, LA |
| • Dade County, FL | • New York, NY |
| • Dallas, TX | • Pittsburgh, PA |
| • Denver, CO | • Research Triangle, NC |
| • Detroit, MI | • San Antonio, TX |
| • Erie, PA | • Scottsdale, AZ |
| • Gary, IN | • Salt Lake City, UT |
| • Houston, TX | • Twin Cities, MN |

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- We have received expressions of interest from across the country. Mayors want this new lens applied to their communities and they want the data. But this is time-intensive, gritty work. We are creating a model in Chicago that will have value in cities across the country.

Target Industries

CAPITAL / WEALTH CREATION

- Financial Services

REAL ESTATE DEVELOPMENT

UTILITIES

TECHNOLOGY

RETAIL • Bread and Butter Commercial Services

- Restaurants

- Value Retailers

ENTERTAINMENT

JOB CREATION

- Distribution Center

- Backroom Offices

OFFICE SUPPORT

INFORMATION

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The range of target industries reflects the spectrum of community economic development impacts being furthered by diverse industry segments. Examples include:

- Asset formation/access to capital: financial services industries
- Essential commercial services: utilities, insurance
- Core commercial infrastructure:
“the bread and butter” commercial services, e.g., grocery, dry cleaner, video, fast food
- Community competitiveness: technology
- Entrepreneurial opportunity: franchise models
- Small business support services
- Job creation: backroom offices, distribution centers

The Corporate Role

- Experience

- Data

- Insights

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The types of involvement we are seeking from companies include leadership, experience, data and insights. Specifically we are enlisting companies to:

- Help us understand their respective business fundamentals
- Enlist additional relevant companies
- Profile the learnings of the early market pioneers
- Help understand key indicators and predictors of market opportunity and their performance
- Identify additional indicators that would help businesses assess inner-city markets
- Identify proprietary data sets that would contribute to a new business-oriented data profile of the target markets
- Define key barriers to market entry and/or success



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- In this highly competitive environment, Social Compact is a neutral catalyst: mobilizing diverse industries, understanding their unique corporate self-interests, and creating the opportunities for cooperation that can lead to stronger neighborhood markets and individual business success in inner-city markets.
- Bottom line, the initiative offers a short window to create a network of relationships and information of genuine value to businesses and to redeveloping communities. This is intense, path-breaking work. It is also highly organic: its success is predicated upon the leadership, ownership and expertise of diverse industry partners.
- The challenge and the opportunity is engaging the right leaders.
- The goal is sustainable business investments and sustainable neighborhood markets.

THE BUSINESS OF AMERICA'S EMERGING NEIGHBORHOOD MARKETS



Emerging Neighborhood Markets Initiative: A business-driven initiative that is creating the competitive knowledge and strategic business alliances to support business investment and entrepreneurial opportunities in inner-city markets.

Background

Spearheaded by Social Compact, the Emerging Neighborhood Markets Initiative has been quietly under development for the past year in two Chicago pilot markets. With the leadership of Bank of America Illinois, key corporate partners have included Allstate Insurance Company, Chicago Association of Realtors, Commonwealth Edison, Delray Farms, Dominick's, Harris Bank and Principal Residential Mortgage.

A longstanding leader in Social Compact, State Farm has joined forces with the Ford Foundation and the John D. and Catherine T. MacArthur Foundation to provide the financial resources necessary to transform the early pioneering work into a new model for assessing inner-city communities, measuring market strengths, and attracting private investment in the future of America's emerging neighborhood markets.

For years, corporate America has been focused on emerging markets overseas, when we have emerging markets in our own backyard. America's inner-city neighborhoods are markets with tremendous unrecognized consumer spending power that is highly concentrated and subject to very little competition. This represents a major business opportunity. According to Roger Joslin, Chairman of State Farm Fire & Casualty and lead corporate sponsor of the work, "Our goal is to challenge the negative stereotypes and change the lens through which we view inner-city markets."

The two-year initiative will result in a new, locally adaptable model with two core elements:

- a new approach to profiling inner-city markets based on dependable business data, diverse business indicators of market strength, and the expertise of the successful early market pioneers
- new strategic alliances between businesses and neighborhood development organizations that can help businesses enter and achieve competitive strength in these niche markets

Emerging Neighborhood Markets Chair, Bill Goodyear, President of Private Client Services at the new Bank of America Corporation noted, "The key to rebuilding communities is attracting private investment vs. public assistance. This is about helping families build wealth vs. qualifying for subsidies. We aim to shift the focus from community deficiencies to market strengths and opportunities."

According to Lynn Reilly Whiteside, Chief Executive of Social Compact, the organization spearheading the Emerging Neighborhood Markets Initiative, "What we are doing is creating the competitive market knowledge and strategic business alliances that will help companies achieve market success. This is not about philanthropy, tax credits or compliance programs. It's about helping companies pursue genuine market opportunities."

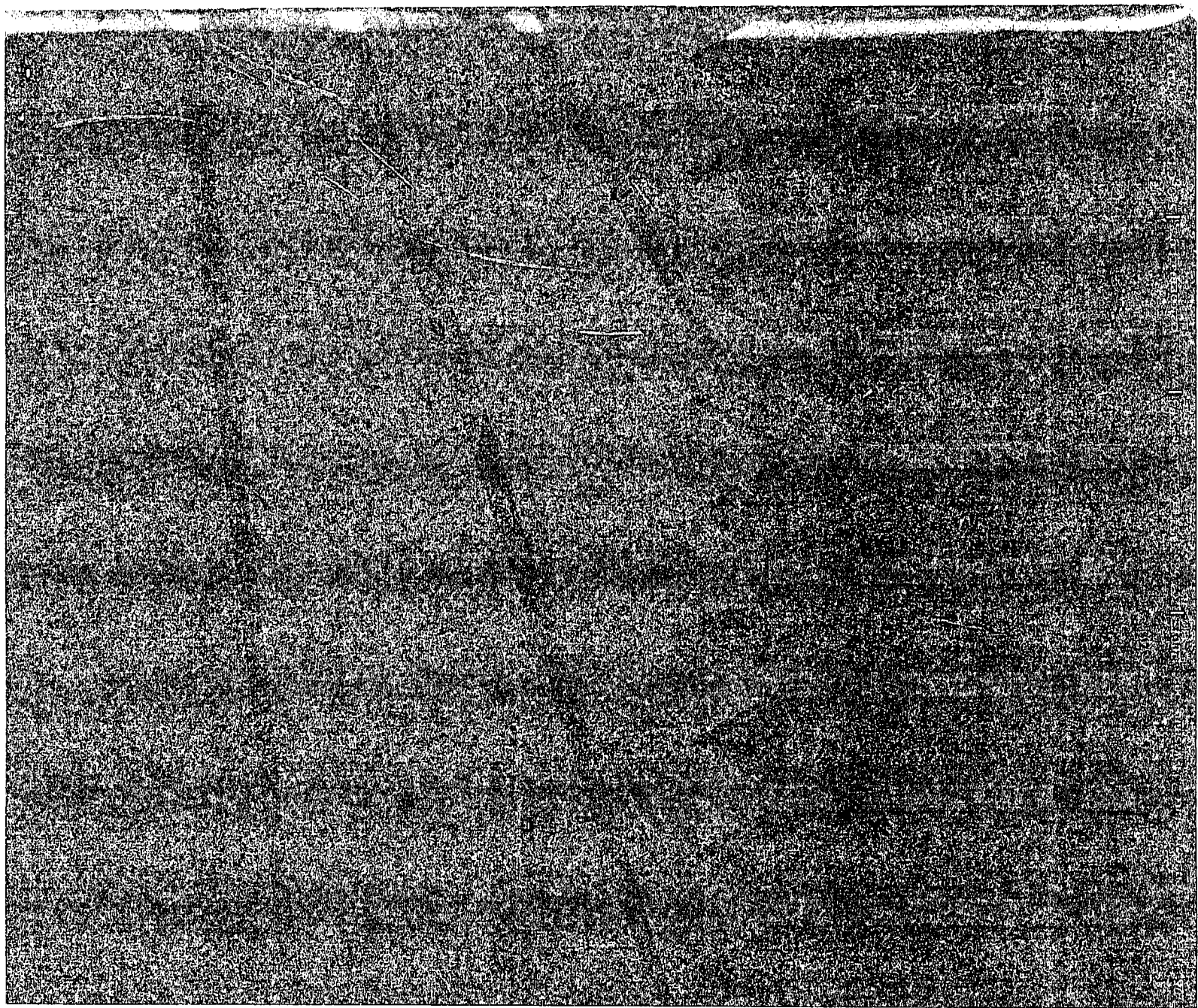
Emerging Neighborhood Markets drills down to the micro-market building block — neighborhoods — and is a hands-on approach to market development that incorporates the hard realities and disciplines of business.

While in its early stages, the innovative business indicators and data being assembled dramatically challenge traditional stereotypes of inner-city markets. For example, household density and expenditure patterns have demonstrated that more than one third of overall consumer expenditures in the country are by households with incomes less than \$30,000 in "reported" income. \$890 billion is being spent by the lowest-income households.

Concentrated spending power, income distribution patterns, consumer expenditures by income level, the hidden economy, and wealth formation combine to reflect tremendous untapped market opportunity. And the successes of early market pioneers such as Allstate, Ameritech and Bank of America demonstrate solid business opportunity.

Unique to the Emerging Markets Neighborhood Initiative and fundamental to its success are its cross-industry nature, the active involvement of senior corporate officers and the resulting pragmatism and business-based reality that guide the initiative. In short, it's all about business: the new business of emerging neighborhood markets.

Social Compact is a national coalition of financial services industry executives who have joined forces to stimulate business leadership for and investment in lower-income communities. Contact: Lynn Reilly Whiteside, Chief Executive • Social Compact • 5225 Wisconsin Ave., N.W., Suite 204, Washington, D.C. 20015 • 202/686-5161 • Fax 202/686-5593.



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