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Accessing the American Dream: Affinity Marketing Partnership Strategies for Financial Institutions and Nonprofits
Executive Summary

Financial institutions seeking to attract new customer markets, including the underbanked, need a variety of strategies to reach the millions of consumers that are conducting their financial business outside of the traditional financial arena. A major obstacle to accessing the underbanked population has been the lack of market research and the lack of conduits to connect to underbanked consumers. The existing marketing and distribution channels that financial institutions use to reach customers are often ineffective in reaching the underbanked population; partnerships with nonprofits can help to overcome those hurdles. Affinity marketing is a promising business strategy that could help financial institutions better understand and access this market. Nonprofits understand the needs and complexities of underbanked consumers and could help financial institutions successfully navigate the new market territory.

While nonprofits such as universities and hospitals have long-established affinity relationships with financial services firms, the types of nonprofits that are the focus of this research – those with a general mission of serving lower-income communities and minorities – have not traditionally held these relationships. At the same time, there are differences among nonprofits that do serve these populations: some are social service organizations, others have a community development mission, and others are true community-based nonprofits, such as religious institutions.

This paper identifies likely affinities among underbanked consumers and explores the potential of marketing financial products to these consumers through community-based nonprofits and nonprofits that provide advocacy and social services. Insights for this paper were gleaned from market research as well as 18 in-depth interviews with representatives from national and local nonprofits focused on improving access to financial services and asset-building; national marketing firms; community development credit unions; and a regional bank involved in an affinity effort with local churches.

Across the board, interviewees contend that the following are critical to successful affinity marketing campaigns:

1. choosing the right partners,
2. establishing clearly defined objectives and responsibilities,
3. and ensuring that the partners’ goals are aligned.

Partners need to be clear and direct as to their goals, and they need to engage with other organizations who share similar or complementary goals and who are able to help meet those goals. For financial institutions, this means “shopping” among nonprofits to identify one that has complementary objectives and is likely to deliver on expectations regarding scale and profitability. Likewise, nonprofits need to find a financial partner that can deliver the products and services that meet the financial needs of its target members and deliver a sufficient compensation structure to warrant engagement.
Financial services firms and their affinity partners need to develop clear and realistic objectives and strategies. Loosely structured partnerships are likely to yield weak results, both in terms of the revenue generated and on the services and products provided to the customers. The key challenge is to structure the program so that each partner’s goals are met, sufficient revenue is generated, and the services meet the consumers’ needs. The potential benefit for each partner and the underbanked consumer is great, assuming the objectives can be aligned.

A final factor is maintaining realistic expectations with respect to timing. While there is a profit to be made in serving the underbanked population, it requires a mid- to long-term time-horizon to allow imperfections to be worked out and for consumers to learn about new financial products. Affinity marketing efforts can work if all partners set realistic timeframes, understand the true aspects of the work involved, and agree on roles and responsibilities.
Introduction

Financial institutions seeking to attract new customer markets, including the underbanked, need a variety of strategies to reach the millions of consumers that are conducting their financial business outside of the traditional financial arena. A major obstacle to accessing the underbanked population has been the lack of market research and the lack of conduits to connect to underbanked consumers. Affinity marketing is a promising business strategy that could help financial institutions better understand and access this market. Building on underbanked consumers’ affinities with community-based nonprofits, financial institutions may be able to more fully tap the underbanked consumer population. Nonprofits and other knowledgeable leaders understand the needs and complexities of underbanked consumers and could help financial institutions successfully navigate the new market territory.

Affinity marketing is a recognized marketing strategy that uses consumers’ affinities to organizations and causes to sell a spectrum of products and services, from credit cards to real estate. Affinity marketing works by appealing to commonalities among groups of consumers, such as allegiances with universities, hobbies, or mission driven organizations. Affinity groups are characterized by high levels of cohesiveness, social bonding, and some level of commitment to the central mission of the affinity group.

Affinity marketing campaigns typically involve a nonprofit, such as a university, a commercial firm, and consumers. The commercial firm develops an agreement with the nonprofit to market the product to the nonprofit’s members or constituents. When end-users accept affinity products, the nonprofit benefits by getting a small percentage of the sale or a fee associated with that product, and the commercial firm gains through its access to new customers. The endorsement by the nonprofit adds credibility to the product and commercial firm by capitalizing on the nonprofit’s established relationships with the targeted consumers. The financial return to the nonprofit helps to provide motivation for the consumers to participate in the program because doing so generates direct support for the nonprofit. And the consumers benefit by accessing a set of financial products that are tailored to meet their needs.

While nonprofits such as universities and hospitals have long-established affinity relationships with financial services firms, the types of nonprofits that are the focus of this research typically do not. These nonprofits, whether national or local in their scope, typically have a community-based or minority-focused mission. They often provide a variety of services, including job training, financial education, social services, and public-policy advocacy at the local, state or federal levels.¹

This paper and its predecessor, Accessing the American Dream: Utilizing Affinity Marketing to Reach Underbanked Populations, explore the potential of affinity marketing to underbanked consumers. Accessing the American Dream, released in January 2006, explains affinity marketing and how it could be employed to reach underbanked consumers. Expanding on that research, this paper takes a closer look at affinities among the underbanked population and examines the potential of using underbanked consumers’ affinities with community-based

¹ For the purpose of this paper, all references to nonprofits will refer to those nonprofits that have a community-based or minority-focused mission, unless specified otherwise.
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nonprofits to market and deliver financial services to them. The existing marketing and distribution channels that financial institutions use to reach customers are often ineffective in reaching the underbanked population; partnerships with nonprofits can help to overcome those hurdles.

Affinity marketing programs could expand on existing partnerships between financial services companies and nonprofits, as many large financial institutions already have compensatory relationships with a variety of nonprofits. Some have their own corporate foundations while others make contributions to nonprofits in accordance with the Community Reinvestment Act (CRA). Still others provide in-kind contributions or sponsor charity events. However, most of these financial institutions have not made the leap to working with these same nonprofits to structure new affinity programs to reach underbanked markets, even though they might have affinity relationships with nonprofits, such as universities, which reach a higher-income bracket.

In considering the potential of affinity marketing to reach underbanked consumers, it is important to realize the underbanked population is a large and heterogeneous population. The Survey of Income Program Participation estimates that 22 million U.S. households are unbanked, while other estimates place the number of underbanked families at an additional 22 million. Like the population at large, underbanked consumers are remarkably diverse and are unlikely to harbor affinities with being lower-income or underbanked. In fact, many underbanked consumers identify with marketing messages that focus on prosperity, financial security, and celebrity status. Others are drawn to messages related to homeownership. It is worthwhile to probe whether there are affinities to build upon among subpopulations of the underbanked market and whether those subpopulations are large enough to provide sustainable opportunities for financial providers and their nonprofit partners in pursuing this marketing strategy.

It is also important to understand that success in marketing financial products to underbanked consumers is contingent on offering products and services that address consumers’ needs. A successful affinity marketing campaign is no different; it too will depend on marketing products and services that appeal to and can be used by consumers. Financial institutions and their partners should not rely solely on the affinity marketing relationship, but also conduct market research to further refine and tailor products to the targeted consumers.

While affinity marketing targeted at underbanked consumers is a relatively new strategy, there have been some efforts by financial institutions to utilize underbanked consumers’ affinities to churches, Hispanic organizations, and community development credit unions. Other potential affinities of underbanked consumers have been recognized, including affinities among ethnic groups and recent immigrants. To the extent that national nonprofits’ reach into the underbanked market can be aggregated, these organizations could hold significant potential for helping financial institutions reach large numbers of underbanked consumers.

This paper identifies likely affinities among underbanked consumers and explores the potential of marketing financial products to these consumers through nonprofits. Insights for this paper were gleaned from market research as well as 18 in-depth interviews with representatives from national and local nonprofits focused on improving access to financial services and asset-

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building; national marketing firms; community development credit unions; and a regional bank involved in an affinity effort with local churches.

**Why Affinity Marketing?**

When thinking about the underbanked market, those financial services providers that have reached out to the segment have often focused on messaging that appeals to the transactional needs of those consumers. However, few, if any, consumers think of themselves as “underbanked.” There is value in assessing the identity issues and affinities held within the underbanked population in order to enable financial services firms to proactively market products to these potential customers through aspirational messaging that mirrors the strategies firms use to reach higher-income households.\(^3\) Though affinity marketing to underbanked consumers is a relatively new approach, there have been efforts by a few financial institutions and national and local nonprofits to utilize underbanked and lower-income consumers’ affinities to churches as well as affinities among ethnic groups and recent immigrants. While some of these groupings may not meet a strict definition of an affinity in that they do not necessarily meet one of the five classifications of affinity groups, they do meet the affinity concept in that they suggest group cohesion around which an effective marketing campaign could be established.\(^4\)

Depending on the agreement between the nonprofit and the financial institution in an affinity marketing program, the nonprofit could receive a financial return for promoting the financial product, as is the case in a typical affinity marketing campaign. The benefit to the financial institution could be substantial depending in part on the type, size and reach of the nonprofit and the commitment and resources the institution brings to the effort. The larger the nonprofit and the wider the nonprofit’s reach, the more demand could be aggregated and the more cost effective it would be to reach consumers. As with most scaleable projects, greater volume would help to drive down costs, spread risk, and hasten a strong financial return. Larger nonprofits, particularly those with an extensive affiliate network, could have greater capacity to market products and services. Similar benefits could accrue to financial institutions under a scenario where smaller nonprofits band together and, through the use of a common affinity marketing message, form the equivalent of a larger organization.

Utilizing a nonprofit’s credibility would help the financial institution to build trust among the underbanked population. Nonprofits provide important services to lower-income consumers – from helping identify employment opportunities, to providing low-cost daycare, to helping rebuild homes after a natural disaster. The essential services they provide give them considerable credibility with the people they serve. Moreover, some nonprofits focus specifically on providing access to financial services and are very knowledgeable about their constituents’ financial needs. A nonprofit with an extensive membership base could offer a financial institution a particularly effective partnership because the members have, by definition, a strong affinity with

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\(^3\) For more information regarding the pros and cons of affinity marketing, see Jacob, K. and Stewart, A., 2006. *Accessing the American Dream: Utilizing Affinity Marketing to Reach Underbanked Populations.* Chicago, IL: The Center for Financial Services Innovation.

\(^4\) Marketing experts define affinity groups as falling under one or more of the following categories: professionally-based, socially-based, value-centered, demographic-based, and marketing-generated groups. For more information, see Jacob and Stewart 2006.
the nonprofit, and the organization has experience in helping its members navigate financial matters.

On the consumer side, affinity programs have the potential to offer underbanked consumers new ways to access financial products and services through a credible, trustworthy organization, while also giving them satisfaction in knowing that a portion of their spending is benefiting the nonprofit. And, affinity marketing could be especially important in helping the portion of the underbanked who are mistrustful of financial institutions or who have had negative associations with them in the past.

Finally, affinity marketing could complement the efforts of thousands of local and national nonprofits that are working to connect the underbanked to safe and cost-effective financial products, as well as generate needed financial support for the nonprofits overall efforts.

Potential Affinities of Underbanked Consumers

In traditional affinity marketing campaigns, the affinity relationship is entirely dependent on a consumer’s relationship with a specific organization. In the concept of affinity marketing utilized here, broader demographic affinities, such as race, ethnicity, and religious affiliation, are used to reach consumers through nonprofit organizations that already provide services to those consumers. Below we describe specific opportunities around which an affinity marketing campaign could be built.\(^5\)

Affinities Within Religious Institutions

Anecdotal experience shows that churches and other religious institutions could be useful venues to reach underbanked consumers. For the church-going underbanked population, in addition to offering a place for worship, churches are a routinely visited, respected sanctuary where members can learn about job fairs, community services, and social service programs in addition to worshipping. In the same vein, churches could serve as effective vehicles for disseminating information about financial resources to underbanked populations. Additionally, some churches with higher-income congregations have charitable missions to serve lower-income populations; financial institutions might form affinity partnerships with these religious institutions as well.

Industry experts suggest that churches are particularly influential on the churchgoing segment of the lower-income population, particularly among African Americans and Hispanics. Churches and other religious institutions represent millions of people who when examined in the aggregate suggest tremendous buying power. According to a 2004 Gallup poll, 45% of Americans attend church or synagogue “at least once a week” or “almost every week”, including 55% of African-Americans, 51% of Hispanics and 44% of whites. Moreover, among African-

\(^5\) Three financial institutions and nonprofits interviewed for this paper have begun to examine and in some cases employ affinity marketing as a strategy to reach underbanked and lower-income consumers with financial services. Moreover, in previous research, we also studied affinity marketing models related to unions and the workplace. For more on these models see Jacob and Stewart 2006.
Americans and Hispanics, church attendance increases with age.\(^6\) For financial institutions interested in reaching certain segments of the underbanked population, churches could help to market beneficial financial products and lend a strong level of credibility to the financial institution.

Two interviewees, First Charter Bank and Zion United Community Credit Union, are partnering with churches to deliver financial services through approaches that lack the traditional revenue sharing agreements but are similar to affinity marketing campaigns. For example, the $4.2 billion North Carolina-based First Charter Bank became involved with 27 churches a few years ago to gain greater access to the African-American community and improve the community’s financial literacy rates. The bank signed a covenant with the churches to help meet the financial service needs of the community. In developing its marketing approach, the bank notes that building trust and credibility takes time. To build that trust, bank representatives including the president, community banking and marketing representatives, spend time at the church making presentations, meeting congregation members with a goal of familiarizing potential customers with the bank and its staff. The Executive Vice President and Marketing Director noted that to “capture consumers’ hearts as well as their minds” requires ensuring there are products that meet consumers’ demand, along with having sufficient credibility with consumers to deliver those products and services.

Although First Charter Bank does not have an explicit revenue-sharing agreement with the churches as there would be in a traditional affinity marketing campaign, the bank does provide financial support for the churches’ community empowerment financial fairs and a number of other expenses as part of the covenant agreement. The churches, with approximately 30,000 congregants in total, present a spectrum of potential customers on both the consumer and small business side. And while the effort is only a few years old, the bank is satisfied with the level of business that has been generated as a result of the partnership, and it continues to welcome new customers through the effort.

The $4 million Zion United Community Credit Union was created initially in 1959 to be the financial services provider for the Zion Baptist Church in Denver, Colorado. Today, it operates as a financial services provider for multiple churches throughout Denver. After deciding to pursue churches and church members in order to gain access to new deposits, the community development credit union is doing business with over a dozen churches and approximately 1,400 members, many of whom were reached through the church-based campaign.

The credit union was able to get an endorsement from a number of church ministers, who agreed to open credit union accounts and market the institution’s services by wearing lapel pins with the credit union emblem. It uses a variety of marketing strategies to reach churchgoers and other potential members, including messages about how the credit union can help teach children about finances and workshops on home buying and personal finances. It also partners with local nonprofits, such as Catholic Charities, to reach more customers. This example points to the potential in using a community’s affinity to its religious institutions as a way to tap new customers.

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Both of these financial institutions conduct outreach to church members by making presentations after services or through ministry meetings and placing ads in church bulletins. In addition, both offer modified financial products to benefit the customers, including discounted consumer loans, reduced mortgage fees and financial education. The companies have also coded deposit accounts for tracking purposes to quantify the number of accounts generated through the church relationship. Finally, both institutions provide banking services to the churches themselves, including contribution management and investments. This is an essential component of their campaigns for financial and public relations purposes. Finally, it is important to consider that credit unions are created by individuals who come together around a common bond or goal. By their nature they are likely to engender a level of affinity among their members. Thus, they may be especially well-positioned to build and maintain a strong customer base among underbanked consumers and build on the intrinsic affinity credit union members have to market their products and services.

**Affinities Within Racial and Ethnic Groups**

The experiences of some financial institutions and nonprofits suggest that racial and ethnic groups and the organizations that represent them could be groups to target for affinity marketing campaigns. Marketing firms have long recognized the effectiveness of tailoring the messages and marketing strategies to appeal to consumers’ ethnic and racial identities. Given the data showing the expected growth among ethnic groups and the high underbanked ratio among some of these groups, affinity marketing by ethnic or racial group makes financial sense for institutions looking to pursue the underbanked consumer market. Hispanics, for example, currently comprise 13% of the U.S. population and are expected to reach 18% by 2025. Currently, 34% of Hispanics and 46% of African Americans born in the U.S. are unbanked; nonwhite families in general are four times as likely as whites to be unbanked.

<table>
<thead>
<tr>
<th>Race</th>
<th>% Unbanked, U.S. Born by Race</th>
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<tbody>
<tr>
<td>White</td>
<td>14%</td>
</tr>
<tr>
<td>Black</td>
<td>46%</td>
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<tr>
<td>Hispanic</td>
<td>34%</td>
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<tr>
<td>Other Race</td>
<td>34%</td>
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<td>Total</td>
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As financial institutions operate in an increasingly competitive market space, these unsaturated markets offer a potential solution for mainstream institutions seeking to gain new customers. At the same time, the industry is seeing an increase in niche-based firms that are seeking to tap a specific demographic in the underbanked population. For example, in March of this year the founder and former CEO of Black Entertainment Television, Robert L. Johnson, purchased a Florida savings and loan, with plans to use it to target African-American and unbanked customers with a range of financial services.

For financial institutions looking to pursue underbanked ethnic groups, there are many local and national nonprofits that represent a range of ethnic groups, possessing strong credibility in their respective communities, which could be effective in helping to deliver products at a large scale. Marketing experts contend that consumers are most comfortable conducting their business with organizations that understand their culture and community. Organizations whose mission is focused on a particular racial or ethnic group may provide financial institutions a leg-up in penetrating that market.

An example of an effective marketing campaign that has focused on ethnic segments involves the Consumer Federation of America (CFA), a national nonprofit consumer organization. CFA has been working with the Hispanic and African-American communities, nationally and locally, for over two years to promote their national savings campaign, America Saves, with participating financial institutions. This effort has led to the creation of Hispanic America Saves and Black America Saves, in conjunction with Black Entertainment Television. As part of the initiatives, the Consumer Federation of America has made a point of building strong relationships with Hispanic and African-American leaders from large, mainstream media firms and other large organizations to bridge cultural differences and develop strategies to encourage savings among lower-income constituents. Those relationships have formed the basis on which the trust and credibility for the savings campaign has been established. Today, there are over 53,000 participants in America Saves nationwide.

*Affinities Within Immigrant Groups*

Recent immigrants to the United States share a number of common experiences, regardless of their ethnicity or country of origin that suggest a potential affinity, distinct from affinities generated by ethnic or racial groupings. Overcoming language barriers, developing social and professional networks, and addressing employment challenges are a few of the hurdles often experienced by new immigrants. These commonalities help to form the basis of an affinity among immigrants. A number of nonprofit organizations are helping immigrants make the transition to the U.S. through job training, English language classes and housing assistance programs. These nonprofits could be effective partners for financial institutions looking to tap the estimated one-third of immigrants who are underbanked.
Financial institutions are competing to tap the potential of this greatly expanding market, which is illustrated by the recent research and press focused on the buying-potential of immigrants. One study by Global Advertising Strategies found that spending by unbanked immigrants and ethnic minorities is expected to increase by 94% in the next four years. Moreover, it is estimated that Hispanic purchasing power in the U.S. will jump 89% between 2000 and 2007, from $491 billion to $926 billion, while that of Asian-Americans will rise 78%, from $255 billion to $455 billion.

There are a number of financial institutions that are turning their attention to immigrant markets, including the Latino Community Credit Union in Charlotte, North Carolina. The $31 million credit union is one of the fastest growing credit unions in the country with 43,000 members. It was the first financial institution in the state of North Carolina to focus on providing economic development and social services to the Latino community. The credit union provides a variety of financial services to meet the range of recent immigrants’ financial services needs. For instance, after recognizing that a large number of customers were wiring money out of the country, the credit union offered members a less expensive way to wire funds. The credit union also began helping immigrants access federal tax identification numbers and open interest-bearing savings accounts after seeing that undocumented immigrants needed assistance to apply for the federal tax ID numbers.

Although the Latino Community Credit Union is not engaged in a traditional affinity marketing campaign with specific nonprofit organizations, many of the learnings from this approach apply. For instance, the CEO cites their focused efforts to make immigrants feel welcome as one of the reasons for their success. The fact that the credit union was established by people who were themselves recent immigrants has helped to overcome some of the reservations that new immigrants sometimes have with financial institutions.

Immigrant-focused affinity campaigns are more likely to achieve success if the affinity partners understand and respond to the new immigrant’s needs and partner with community groups that understand those needs. And while it may take time to build trust and achieve profitability with the immigrant market, the effort to develop relationships with these customers through an affinity marketing campaign could bear out as consumers become long-term customers and graduate to higher-yielding financial products. Finally, as financial institutions today are very focused on reaching immigrant markets to tap new areas of growth, the learnings achieved from focused marketing campaigns for these groups could yield insights into how to reach other underbanked populations through affinity messaging and product development.

Issues for Further Consideration

In contemplating affinity marketing partnerships with nonprofits, leaders in the field note that there are important factors to consider regarding the different ways the partnership could be structured; the way fees and revenue are shared; the capacity of the different partners; and potential internal constraints of the nonprofits. These considerations, including their potential challenges, are described below.

**Structure of Affinity Marketing Campaigns and Nonprofit Size**

Nonprofit leaders attest that their prominent roles and socially-responsible missions are likely to appeal to consumers. This positive association could appeal to financial institutions, which stand to benefit from the associative credibility of working with a nationally-recognized philanthropic organization. But in order for affinity marketing campaigns to be sustainable, financial institutions must achieve some level of scale and reach into the marketplace. This can be a challenge when working with smaller, community-based nonprofits. However, large, respected national nonprofits might possess enough credibility and name recognition with their members to increase the likelihood of an affinity marketing campaign’s success. The large nonprofit’s credibility, in combination with its potential reach into the underbanked consumer market, could make national nonprofits ideal partners for a national financial institution looking to access this market through an affinity marketing campaign. The far-reaching networks, technical capabilities, and communication systems of some large nonprofits are already in place and could be utilized quickly to undertake an affinity campaign. To this end, large nonprofits with affiliates throughout the country are probably best-positioned to partner with large financial institutions.

For instance, a large nonprofit with local chapters could tap its financial and mission-driven ties to the local chapters to promote and support marketing efforts. Given the connection that many large nonprofits have with their audiences through regional and local offices, national nonprofits could help financial institutions develop products to be marketed through the local chapters and disseminate the products widely. In working with a national nonprofit, the financial institution would benefit from dealing with one organization, as opposed to many organizations that are likely to have a variety of preferences and needs. Engaging only one nonprofit would also simplify the income arrangement between the partners.
In considering the differences between partnering with national versus local nonprofits, large financial institutions are likely to prefer to partner with well-recognized, national nonprofits to conduct a direct, streamlined, efficient affinity campaign. Partnering with one national nonprofit could help to avoid the challenges that would arise in working with multiple partners, including differing and possibly competing objectives, increased administrative costs, and variations in capability among the partners, which could lead to weaker market penetration. By working with one national nonprofit with considerable reach and capacity, administrative burdens could be reduced and the benefits would likely accrue more quickly. Alternatively, large national nonprofits have some of the same constraints as large corporations. The hierarchies and long decision-making processes inherent in some of these organizations can hinder the innovation needed to achieve a successful partnership with a financial institution.

However, many national nonprofits have tenuous ties to and control over their local chapters, making this model challenging for some organizations. Limited ability to direct local chapters could stymie a large-scale affinity effort. Thus, another potential approach to affinity marketing could be a pooled or collaborative approach with more than one nonprofit. This would enable financial institutions to tap the expertise of local or smaller nonprofits without compromising the need for scale to achieve sustainability. Under this structure, a financial institution would partner with one or more nonprofits to develop a product or suite of products to market to the nonprofits’ members. Partners would need to reach agreement on the products to be offered, the division of the fees and revenue generated from the products, and the marketing used to reach consumers. A possible scenario under the pooled approach could have the financial institution...
working with all of the organizations to develop the product offering, while working with one of the organizations to create the outreach materials, and another to canvas the target consumers.

An example of a collaborative affinity campaign involving multiple nonprofits is a pilot project to deliver prepaid debit cards to underbanked, low-wage workers. In 2006, The Center for Financial Services Innovation provided funding to the Center for Community Change and Community Financial Resources (CCC and CFR) to join in partnership with three national workers center networks, which represent a total of 137 local workers centers, in order to develop transactional financial services. A group of eight local workers centers from across those three networks were selected for the pilot. The local centers will receive technical training and support to market and deliver the financial products developed in conjunction with a provider of prepaid card services. The local centers will have primary responsibility for marketing the products to their clients. In return, the centers will receive income through a revenue sharing agreement with the financial services provider and CFR.¹²

Another factor is whether and to what extent underbanked consumers’ affinities with local chapters or affiliates of a national organization can be transferred to the national organization.

¹² This model is somewhat different from a more traditional affinity marketing example in the sense that there is not a large-scale bank or other financial services provider in the picture, as is often the case.
This question is pertinent for national nonprofits with significant national recognition (enough to garner the interest of a large financial institution) but little local recognition. For example, the Executive Director of the Center for Economic Progress, a national nonprofit that administers a nationwide asset-building coalition with hundreds of local partners, noted that while his organization and its coalition have credibility and recognition among national financial institutions, it is not necessarily recognized by people using the coalition’s services. Clients needing tax assistance do not necessarily have any affinity to the Center or the Coalition. So while the national organization is actively serving the underbanked population and has the attention of national financial institutions, the extent to which it could mount an effective affinity campaign will, in large part, depend on the extent to which the affinity the underbanked consumers feel can be aggregated up to his organization.

On the other hand, the consensus among industry experts suggests that the extent to which affinities with local nonprofits can translate to a national organization depends on the strength of the local organization’s credibility and experience within the community. If a local nonprofit is well regarded among its members, it may not matter that the name of the national organization is unknown. The affinity that is felt by people using the nonprofit’s local services could be enough to compensate for the lack of familiarity with the national organization.

**Revenue Sharing Agreements**

In any affinity marketing campaign, the compensation structure is a critical component. Establishing a revenue sharing agreement that enables the nonprofit partner to successfully market – and in some cases deliver – the financial products to customers is essential to effectively capturing market share. At the same time, financial institutions need to achieve a level of profit that enables the partnership to be successful in the long term. All parties should be mindful of short-term versus mid- to long-term considerations, including upfront costs, programmatic adjustments, and anticipated volume growth.

Many large financial institutions already have compensatory relationships with a variety of nonprofits that strive to reach the underbanked. Some have their own corporate foundations while others make contributions to nonprofits in accordance with the Community Reinvestment Act (CRA). Still others provide in-kind contributions or sponsor charity events. For some nonprofits with membership bases, these types of grants are rare. However, for others, such as for those with a community development mission, grants from financial institutions are common but present issues related to perceived conflicts of interest as these same organizations disagree with the practices of certain financial institutions or do not want to appear to favor a specific firm.

Although it may seem that the compensation issue would be complicated further if the nonprofit is already receiving grant funds from the financial institution, it is likely that compensation for the affinity work will remain separate from the grant support. As with traditional affinity marketing compensation, where these outlays typically fall under the financial institution’s cost of doing business, the affinity marketing costs are unlikely to affect the grant support that a nonprofit receives from the institution. If there is an expectation that grant support will diminish as the income stream is generated, ideally it would not occur until after sufficient time to see that the
program is established and running smoothly, otherwise it could inadvertently counter the overarching goals of the affinity campaign.

There are several ways that revenue sharing agreements might be structured. The workers centers pilot developed by CCC and CFR offers a look into a few potential revenue sharing models. Though still in the formative stage, CFR has begun to craft its revenue share agreement with the local nonprofits involved in the initiative and a prepaid card processor. In one model, CFR would receive a percentage share of the monthly fee that is assessed on an active card. Then, CFR would negotiate with the local nonprofits that are acting as distributors on how that monthly revenue would be distributed. The model also allows the local nonprofit to charge one-time set up fees and onsite reload fees for new cards, providing additional income streams for the nonprofit. CFR is also considering a revenue sharing model that would distribute a percentage of gross net profit to the different players involved. In order to craft these agreements, CFR took into consideration the estimated average amount of per card annual revenue and negotiated with the participating card processor in order to ensure that the nonprofit would receive half of that estimated revenue. As more nonprofits begin to enter into similar affinity relationships with financial services providers, the parties will be able to look to past experiences in order to establish revenue sharing models that work for both sides.

Nonprofit Capacity and Commitment

Nonprofits could play a number of key roles in affinity marketing campaigns, from helping financial institutions develop the product, to conducting outreach and product marketing, to providing financial education and helping customers apply for financial services. Some nonprofits are already helping to deliver financial products on behalf of their financial institution partners. For example, local financial counselors of the National Council of La Raza pre-qualify borrowers on behalf of the financial partner. In addition, AARP provides a range of financial services to its constituents.

National nonprofits could be especially useful in ensuring that local organizations have the technical assistance and resources to market financial products. For financial institutions, a strong relationship between the national nonprofit and its affiliates could lead to quick campaign implementation. However, while the capacity of the nonprofit will be a key ingredient in an effective affinity campaign, the nonprofit’s capacity will not be the sole determinant in the campaign’s success. Financial institutions have a central role. Market research, consumer data, and product analysis are necessary inputs, and these areas are not necessarily within a nonprofit’s core competencies. While the nonprofit could help to inform these analyses, financial institutions should consider using their marketing and product development capacities to create a product or product mix that appeals to the underbanked consumers and markets. For example, Our Money Place, a partnership between a credit union, nonprofit and check cashier in Baltimore, MD, utilized the strengths and resources of the three partners to create a neighborhood-based financial service center. The nonprofit utilized focus groups, community meetings, and academic research to conduct an extensive evaluation of the community’s needs.

13 In this case, “active cards” are cards that hold balances.
needs. The credit union and the check casher utilized those insights to develop products and services.  

Some nonprofits have product expertise and specific marketing staff, while others excel at promoting a mission-driven message that appeals to members’ social needs. When nonprofits play to their strengths, it can be a huge benefit to the financial institution and the campaign’s ultimate goals. On the other hand, some nonprofits are not effective product developers or marketers, and their primary contribution will be their reach into the community and knowledge of community needs. Just as universities are not expected to become financial services experts in order to enter into an affinity relationship, community-based and social service nonprofits cannot realistically veer too far from their core missions for the sake of these relationships. However, one of the real benefits of utilizing community-based nonprofits in affinity marketing is their willingness to use “high-touch” techniques to reach their client base. Identifying the target market and bringing all the available resources to bear will put the affinity campaign in the best possible position for success.

Industry leaders suggest that prior to assuming any role in the affinity effort, nonprofits and their partners (including the local affiliates) should assess whether there is sufficient capacity and commitment throughout the organization to perform the different roles, especially given future expectations of increased volume. These partnerships, as one interviewee stated, require more than a position of “no harm, no foul.” In some cases, there may not be sufficient capacity, and changes will be necessary to expand existing capacity or bring new resources in the project. For some, it could require hiring new staff. In other cases, it could mean retraining existing staff. New communications and tracking systems may also be necessary to develop, market, and distribute the product in a timely and effective way.

Another relevant consideration for a nonprofit that has multiple financial institution supporters outside of the affinity marketing effort is the issue of marketing one supporter’s products over the others. This issue may be especially pertinent for large, national organizations with many financial partners and sponsors who may want the positive publicity and association with the nonprofit.  

One strategy to address this potential problem would be to work with multiple financial partners to offer different products. For example, one financial provider might offer an affinity mortgage product, while another offers an affinity credit card. Another strategy could be for one financial partner to offer affinity cards in one geographic area, while the other targets another area. Moreover, to avoid conflicts of interest, such as those that arise when members of a congregation who are in the financial services business attempt to market and sell products through the church venue, religious institutions in particular should pay close attention to what financial products they endorse.

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14 In July 2006, A&B Check Cashing shut down and the other two partners are contemplating how to best continue to provide check cashing services through Our Money Place.  
15 For example, large unions have historically been very careful not to appear to favor any large outside corporation, and an affinity marketing campaign focused on reaching workers through union affiliation might run into this problem. See Jacob and Stewart 2006 for additional insights into utilizing unions in affinity marketing campaigns for the underbanked.
**Ethnic and Racial Sensitivities**

While affinity partnerships with national nonprofits may present a useful new approach to reaching millions of underbanked consumers, there are sensitivities to consider when targeting ethnic groups for affinity marketing campaigns -- from some consumers’ lack of experience with the financial sector, to cultural norms that may adversely affect consumers’ participation, to past discrimination within the financial institution sector that could affect underbanked consumers’ trust in the industry today. Nonprofit leaders say they have had mixed success when trying to reach out to people along ethnic lines. For financial products in particular, some nonprofits contend that past discrimination by banks against African Americans and messages (intentional or not) that suggest people of color are not welcome directly affect the ability of financial providers to reach underbanked consumers. Overcoming these challenges and bridging cultural divides can take time; nevertheless, a commitment of time and effort could mean significant benefits for the financial institution, the partners, and the consumers.

**Summary Insights**

In a broadened concept of affinity marketing to the underbanked, nonprofits could play an important role in helping institutions understand underbanked consumers, guide the creation of financial products targeted at underbanked consumers, market the products, and in some cases, help to deliver the financial products. The following summarizes the main insights garnered from industry leaders on this topic:

- **Financial institutions that are interesting in tapping underserved households need new strategies to segment the large underbanked market.** The rise in the number of financial institutions that are designing new initiatives to pursue the underbanked consumer market illustrates the recent realization of this market’s potential. Marketing firms are receiving inquiries from financial services providers on the scope and depth of immigrant markets, the market demand of different ethnicities, and the messages that resonate most strongly with underbanked consumers. As financial institutions continue to seek data to better understand this market’s potential, strategies are needed to efficiently and effectively connect financial institutions to underbanked consumers.

- **Affinity marketing through nonprofits may offer a useful strategy for financial institutions looking to access this market and for nonprofits looking to deliver financial services to their clients.** Financial institutions need approaches to connect to underbanked consumers. Nonprofits are seeking tools to help their members. Affinity marketing partnerships could help each partner achieve its goals, and also benefit underbanked consumers through the availability of financial products. While being underbanked is not an affinity in and of itself, segments of the population respond to affinity messaging that has traditionally been reserved for reaching upper-income groups.

- **Potential underbanked affinities include churches and organizations that represent ethnicities and immigrant groups.** While there may be others, the affinities in this paper were suggested by almost all of the leaders interviewed. Marketing firms
have long held the position that targeting messages to different ethnicities and racial groups can be an effective way to reach consumers. Data also illustrate the huge potential of the ethnic underbanked population. Nonprofits that represent ethnicities and immigrant groups may hold the key to accessing these market segments, while religious institutions offer a “captive audience” that access these institutions on a regular basis for a variety of services.

- **A variety of factors should be considered before embarking on an affinity marketing campaign.** A successful affinity campaign, whether traditional or one of those suggested here, require adequate thought and preparation and an ongoing commitment to the endeavor. This includes considering the size and type of the nonprofit(s) partner, how the revenue or fee structure will be developed, the capacity and commitment of each partner, and any internal constraints the partners may face. Similarly, choosing the appropriate partners given the campaign’s goals, establishing clearly defined objectives and responsibilities, ensuring that the partners’ goals are aligned, and setting realistic expectations and time frames are all essential for attaining success.

**Conclusion**

As financial institutions and nonprofits gain interest in working together to reach the underbanked, more work will be needed to understand what specific models and strategies are most effective in reaching this population. The research and interviews to date show that this marketing approach offers customer generation potential for financial institutions, as they utilize the strengths of organizations that are already in the community. Further research would be helpful to more fully understand the strengths of the affinities identified in this paper and better understand underbanked consumers’ perspective on affinity marketing. Moreover, as potential partners consider this approach, it would be helpful to further delve into issues related to customer “stickiness” and cross-selling opportunities achieved through affinity marketing.

There is a real opportunity to utilize the knowledge and connections that the nonprofit field already has with underbanked consumers to help financial services companies reach the millions of underbanked consumers who represent an untapped market. Uncovering the prospects by digging deeper to understand what it takes – in the short- and long-term – to build an effective affinity marketing campaign could be helpful to the financial industry as it seeks to access this vast and unrealized market.
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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