



**EMERGING
MARKETS, INC.**

CONNECTING REGIONAL ECONOMIES
WITH LOW-INCOME NEIGHBORHOODS

Contents: Overview

What is Emerging Markets, Inc.?

EMERGING MARKETS, INC. is a consulting firm that assists major banks, insurance agents, securities dealers, mutual fund vendors, and other financial institutions to pursue business opportunities in low-income geographic areas of Los Angeles.

Its team of researchers, economists, marketing experts, and organizational development specialists maintain an in-depth familiarity with under-served communities throughout Los Angeles and are grounded in decades of working relationships within them.

What is an emerging market?

Until quite recently, the term “emerging markets” has been used mainly to refer to third world economies in Asia, Africa, and Latin America. These economies are seen as “emerging” to the extent that corporations in the developed world can identify potential for expanding their markets within them. Today, the term has been applied to populations within American cities that have been marginalized from regional economies, but which hold untapped economic potential.

Why do emerging markets matter?

Today, no business can afford to ignore low-income neighborhoods in its market areas:

- *research demonstrates that consumer demand and financial resources in such neighborhoods have been grossly underestimated, undervalued, and untapped;*
- *as financial institutions saturate their current markets, and competition for customers intensifies, those corporations that successfully serve these markets will have the advantage;*
- *low-income neighborhoods are home to the majority of Latinos in Los Angeles, who represent the largest number of future clients of any ethnic group;*
- *many such neighborhoods have been designated as empowerment zones or offer other underutilized public benefits to outside investors;*
- *advocacy groups, like the Greenlining Institute, have drawn public attention, scrutiny, and pressure to financial institutions and corporations that fail to serve these markets; and*
- *more and more corporations have made public commitments to “do the right thing” in low-income communities and now face the challenge of standing by these commitments.*

What are the challenges to reaching underserved communities?

Tapping into the economic assets of these communities requires addressing a range of market imperfections:

- *many neighborhoods have no depository institutions and are therefore geographically isolated from much needed financial services;*
- *underground financial services such as check-cashing outlets, rent-to-own stores, pawn shops, and auto title shops establish themselves in the neighborhoods;*
- *histories of redlining and other forms of discrimination have resulted in widespread mistrust of banks among many underserved populations;*
- *recent immigrant groups often originate from countries where the financial services industry is neither secure nor reliable, breeding suspicion of banks;*
- *conventional market research fails to measure the density of economic power in low-income communities, or to provide accurate information about opportunities for successful investments;*
- *mainstream financial products and services are often poorly designed for low-income residents, who cannot meet stringent underwriting requirements; and*
- *advertising and marketing strategies frequently fail to customize their messages to the market segments found in low-income neighborhoods.*

What is a neighborhood delivery system?

Our approach to addressing these challenges involves the notion of a “neighborhood delivery system.” The scale of most institutions in our lives makes it very hard to make connections. The corner grocery store has been replaced by the supermarket. Neighborhood stores have been replaced by regional Wal-Marts.

Reaching these markets requires the formation of a lightweight configuration of community-based organizations, informal associations, and natural helping networks. Once in place, this network can play multiple roles related to popular education, marketing, and product delivery for all banks.

Homeowners associations, block clubs, and parent associations can tap into vast numbers of prospective homebuyers. Merchant associations, business improvement districts, trade groups, and emerging chambers of commerce comprise hundreds of business leaders. Local nonprofit agencies, athletic leagues, training centers, and mentoring programs produce promising future employees.

A system like this can engage thousands in education and counseling around financial literacy, personal banking, tax preparation, and retirement planning. They can help increase customer preference, improve employee morale, promote brand identity, strengthen corporate culture, build goodwill, and test innovations. In some cases, nonprofits can be trained to assume deposit processing and account maintenance functions.

Why work at the neighborhood scale?

Operating within contained geographic areas allows decision maker to:

- *embed themselves in local particularities;*
- *focus on saturation of information and product placement;*
- *explore the interdependencies of different strategies;*
- *exploit cross-selling opportunities;*
- *test innovative ideas while minimizing overall risk; and*
- *achieve short-term, measurable outcomes that would be impossible at a large scale.*

Why do you need a partner?

Major financial institutions possess tremendous organizational strengths: a capacity for the strategic management of capital; teams of retail and investment bankers; institutional credibility and prestige; the ability to employ large numbers of people; and a network of branches dispersed across the region.

But when it comes to performing effectively in underserved neighborhoods, they often lack some core competencies: many do not have branches in the areas; their staffing structures include no mechanism for large-scale resident outreach and education; and their size inherently limits their ability to operate at the localized, block-by-block level required for community development. Emerging Markets, Inc. can help to perform these roles.

How can we help you?

The team at Emerging Markets, Inc. can help you to frame and carry out a comprehensive array of strategies like these within one or more specific neighborhoods:

- *gather nontraditional market intelligence and customize products and services to local markets through extensive on-the-ground resident research;*
 - *establish business relations with inner city companies by entering into joint ventures or customer-supplier relationships with pre-screened local firms;*
 - *educate residents about the benefits of the financial services sector through neighborhood nonprofits, social service agencies, and community associations;*
 - *partner with local job training centers to employ local residents, and upgrade the skills of your employees who may already live in the neighborhood;*
 - *redirect your corporate philanthropy toward economic development efforts that align with wider corporate objectives;*
 - *work with local government agencies to strengthen things like zoning, permitting, inspection, and approvals and remove barriers to investment;*
 - *help churches to pool resources, aggregate deposits, and combine transactions in order to achieve economies of scale and spread fixed costs over a larger base;*
- and
- *set up evaluation systems that allow you to track increases in transactions or growth in market share within these neighborhoods.*

We can also staff internal management teams and interdepartmental working groups within your corporation, training them to operate effectively in these neighborhoods.

Contact us today for a free consultation. Don't miss the vast opportunities that you have yet to tap in the Los Angeles region.



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