

development of untapped markets

challenge:

Suburban markets are saturated while demand for goods and services is unmet in inner city and rural markets. How can you secure a competitive edge in selling to this expanding, new customer base?

solution:

Low-income communities and minority populations comprise the fastest growing customer base in the country. Community organizations offer improved access to lucrative untapped markets.

Placing Harbor Bank ATMs in Stop, Shop and Save markets was a natural union ... The ATMs helped bring in customers and the machines helped reduce the shortage of banking facilities in West Baltimore.

JOSEPH HASKINS JR.
CHAIRMAN AND CEO
THE HARBOR BANK OF MARYLAND

Confronted with today's competitive business environment, companies are accelerating their push into foreign markets. But, according to research conducted by the nonprofit Initiative for a Competitive Inner City (ICIC), there are substantial, untapped markets very close at hand: the densely populated inner cities of America. They offer businesses highly concentrated buying power and the opportunity to develop new ideas and products for specialized markets. The unmet demand in these areas ranges from 25 percent to 60 percent.

Research shows that inner-city residents have preferences that are common to all consumers: they want quality goods and services, branded offerings, competitive prices, and quality customer service. And they have the dollars to back up their preferences. According to ICIC, "conservatively, inner-city consumers constitute \$85 billion in annual retail buying power – far more than the entire country of Mexico."

Businesses are discovering that untapped communities – rural, as well as inner city areas – can be a profitable source of revenue. Many of these companies collaborate with community organizations and nonprofit brokers to gain access to these substantial, untapped markets and to engage in new product development. See pages 32-37 for resources and contact information.

CORPORATE MODEL:	Finding New Investment Opportunities
1 CORPORATION:	Merrill Lynch
COMMUNITY ORGANIZATION:	Initiative for a Competitive Inner City (ICIC)
ACTIVITY:	Investing in Inner Cities

Merrill Lynch, one of the world's largest financial management companies, is looking for new investments in an unusual place: America's inner cities. To find them, Merrill Lynch partnered with the Initiative for a Competitive Inner City (ICIC), one of the premier organizations for thought leadership on inner city economic development, to help find and invest in inner-city businesses and markets. ICIC's research shows that America's inner cities are home to 500,000 enterprises and millions of jobs. Further proof of the economic vitality of inner cities can be found in the ICIC-Inc. Magazine Inner City 100. The Inner City 100, which is published annually by Inc. magazine, is a listing of one hundred fast growing inner city businesses; Inner-city businesses that are serving regional, national, and international markets, generating valuable new jobs, and making an incalculable difference in their communities. With the help of ICIC, Merrill Lynch has come to understand that there are valuable, viable businesses poised for sustainable growth in inner cities. With its network of over 15,000 financial advisors nationwide, Merrill Lynch is benefiting from ICIC's deep knowledge of inner-city success and sharing newly identified success stories with the nonprofit organization. In the words of Michael E. Porter, Chairman, Founder and CEO of ICIC, "Merrill Lynch's commitment is a milestone for inner city economic development."

CORPORATE MODEL:	Using Technology for Competitive Advantage
2 CORPORATION:	Bank of America
COMMUNITY ORGANIZATION:	Various
ACTIVITY:	SafeSend

Mexican immigrants in the United States wire more than \$9 billion per year home to relatives and typically pay up to 10% of the wired amount in fees. In response to that market need, Bank of America created the SafeSend program. SafeSend allows holders of checking accounts or credit cards to set up separate accounts for transferring funds, with personal codes to allow access via ATM, phone, or online for a flat fee. "Financial services technology has enabled this win-win," said Leticia Aguilar, Los Angeles based Consumer Banking Executive for Bank of America. "Technology enables Bank of America to provide the service at price lower than the competition's. Individuals now not only have more choices of products and services, but a relationship with a bank helps people begin building savings and establish credit records." One of the keys to the program's success is Bank of America phasing in acceptance of matricula consular cards (identification issued by the Mexican government) as identification for opening accounts. Competition among domestic and foreign banks for this market is intensifying. Wells Fargo, U.S. Bancorp, and Banco del Ahorro Nacional Servicios Financieros, a government-backed Mexican bank are currently vying for market share. In addition to providing new products and services like SafeSend, Bank of America has quadrupled its budget for advertising to minority consumers to \$40 million.

