

Wisconsin Idea Undergraduate Fellowship Application

Partner Organization: Envest, Inc.
Sponsoring Faculty: Rick Brooks

***Linking developing-world entrepreneurs with investors:
Creating a marketing strategy and campaign for non-profit
microfinance investments***

Abstract

The ultimate objective of my project is to increase awareness of and support for microfinance in the developing world. My partner organization, Envest, Inc., is a newly formed non-profit dedicated to supporting existing microfinance institutions (MFIs) through North-American investments. Despite growing awareness that microfinance helps alleviate poverty in the developing world, the demand for microloans vastly exceeds the supply of available credit. Through Envest's unique loan securitization model, North-American investors can earn a return while helping to reduce poverty. Envest's business model offers the potential to link serious individual and institutional investors with MFIs for large-scale poverty relief. My project is to create a marketing strategy that combines social responsibility with competitive returns to market Envest to a primarily profit-oriented investor market segment. The project will include marketing research, networking, and consultations with financial institutions. I will develop marketing materials and presentation formats and a strategy for approaching institutional investors. I will apply my research in Envest-sponsored presentations and related regional conferences. By informing serious investors about the opportunity to meet social justice and financial goals through investments in microfinance institutions, this project would hopefully secure funds enabling more people in the developing world to gain access to microloans.

*Linking developing-world entrepreneurs with investors:
Developing a targeted marketing strategy for non-profit microfinance investments*

Introduction

The need for microfinance and international investment in developing countries became clear to me long before I understood either of those concepts. In high school, I spent several weeks living with a friend in the rural Dominican Republic, and the poverty and lack of opportunity I witnessed made me wonder what could be done to help. It was clear that the weak infrastructure was too vast a concern to be solved by charity alone. Business, jobs, and opportunity, the village residents told me, were what was lacking. It seemed that there had to be a way beyond philanthropy that people in developed countries could make a change. Little did I know, just then microfinance was surfacing as a solution to that very question.

Microfinance Background

Microfinance, as I have since learned, represents a crucial path towards global poverty alleviation. By making small, reputable loans available to entrepreneurs who otherwise do not have access to traditional bank loans, microfinance enables individuals to become self-sufficient and improve the quality of life for their families. Microfinance also offers a safe alternative to predatory moneylenders, who lend at exorbitantly high rates. As the benefits of microfinance have become globally recognized, microfinance institutions, or MFIs, have become increasingly prevalent and effective at relieving poverty worldwide. However, the demand for loans vastly exceeds the supply of available credit, and the lack of capital means deserving people seeking loans are often turned away empty-handed. Although microfinance institutions can offer strong returns and reliable repayment, the microfinance concept is so new to the mainstream financial arena that few individual or institutional investors in the US are aware

"Once the poor can release their energy and creativity, poverty will disappear very quickly."

*-Muhumad Yunus,
microfinance pioneer and
recipient of the 2006
Nobel Peace Prize*

that they can help alleviate poverty in the developing world while still making a respectable return. In short, a microfinance infrastructure with a solid business model exists, but there is a tremendous need to link MFIs with the international investment community.

About Invest

Invest, a newly-formed non-profit organization in Madison, aims to help meet the need for microfinance loan credit by facilitating individual and institutional investments in microfinance institutions. Invest gives investors the opportunity to enable entrepreneurs to become self-sufficient and to promote sustainable economic development in the developing world while earning a return on their investment. Invest is also pioneering an environmental approach to microfinance through an innovative screening process; by supporting microfinance endeavors with minimal environmental impact, Invest provides an incentive for alternatives to the slash-and-burn agricultural methods common in the developing world. While Invest will begin working with MFIs in Nicaragua, it aims to expand to countries across Latin America, Asia, and Africa to make the greatest possible increase of loan availability worldwide. If Invest succeeds in attracting the interest of investors, it could ultimately help make financial services available to hundreds of thousands of people worldwide.

Personal Background and Experience with Invest

I became interested in sustainable investment through a UW business class with Tom Eggert, where I learned about the growing SRI (socially responsible investment) movement's effort to promote social and environmental stewardship. The following summer of 2006, I did a research internship with Portfolio 21, an environmentally screened mutual fund, and I was inspired to continue learning about the progressive SRI movement. That fall, I decided to attend the SRI in the Rockies conference, the premier annual gathering of socially responsible investment organizations and companies. Since I had no organizational affiliation at the time, I was able to attend on my own through a significant student discount and was amazed at the wealth of learning and networking opportunities the conference offered.

My involvement with Envest, Inc. began in October of last year as a class project in another sustainable business class, also taught by Tom Eggert. I have spent the last several months learning as much as I can about microfinance, Envest's business plan and goals, and meeting with the founder and board of directors. As Envest is still in its earliest stages, I have been fortunate to have the opportunity to participate in the initial stages of marketing, and I was excited to create the Envest logo, business cards, and first brochure draft. However, those efforts only scratch the surface of the marketing effort needed to educate investors on the benefits of microfinance, inspiring the need for a more in-depth project.

Project Goal

The underlying goal of this project is to increase availability of financial services in the developing world by raising investor awareness and support. For my project, I would develop a marketing strategy for Envest's non-profit microfinance investments. Marketing this unique type of investment carries some additional challenges, for it has a unique combination of social and environmental values, international development and poverty alleviation goals, and the ability to offer competitive returns. Likewise, the marketing strategy for Envest must be the pioneer the expression of this distinctive balance of benefits, for it is clear that this particular approach is unprecedented in the US. Ultimately, the more people that understand microfinance well enough to support the movement, the greater the number of people in the developing world who can pull themselves out of poverty and achieve self-sufficiency.

Project Process

Throughout my project, I will be working with Envest founder Jon Bishop and UW faculty members Rick Brooks and Thomas Eggert, both of who have had experience working with business, social justice and environmental projects. To begin my project in the summer of 2007, I will first examine public relations and marketing materials published by non-profit organizations, traditional financial institutions, and socially responsible investment companies to identify differences in their approaches and target market segments. With this research, I would then formulate a strategic way to

express Envest's values, mission and innovative business approach throughout all printed and digital materials. To learn the needs of individual investors, I will meet with local social investors and financial planners. I will apply that research as I develop the public relations and marketing materials for Envest.

In the early part of fall of 2007, I will work to identify potential investors, including institutional investors such as mutual funds. I would research the process involved in approaching institutional investors, such as requirements for eligibility in a mutual fund and the financial factors that would be most important and attractive to institutional investors. In this research process, I would meet with representatives of investment firms, particularly those involved in socially responsible investing, to determine specific product requirements and identify potential Envest partners.

All of the above efforts would lead up to attending the SRI in the Rockies conference in New Mexico in November of 2007. This conference offers an excellent opportunity to identify and collaborate with potential Envest partners and to increase Envest's visibility in the socially responsible investment community. As I attended last year as a unaffiliated student, I not only witnessed the array of opportunities to meet with and learn from leaders in the field, but I also feel confident that I can apply my familiarity with the format and key people to learn the most possible.

By the end of the semester, I will have compiled all the information and industry data gathered throughout the project into the content and format for complete, customizable presentations and packets for potential institutional or individual investor groups. I will also have compiled presentation "packages" featuring PowerPoint, references to the website materials I created, and printed materials to educate viewers about microfinance and advocate for fiduciary support of this empowering movement. Finally, by the end of December 2007, I will have executed at least one trial information/marketing presentation using my materials and will have assisted in at least one other presentation by another Envest representative to ensure that the materials created are flexible enough to respond to the needs of different types of investors. I will also seek out opportunities to present on microfinance at any regional conferences related to social justice, international development or socially responsible investment.

Project Applications and Results

By the end of December 2007, my goal is to have developed a marketing strategy with well-developed, customizable public relations and advertising materials including brochures, website content, investor details packet and information for Envest representatives. In addition, I will apply my research for Envest-sponsored information sessions and, if possible, at any related regional conferences.

Marketing and product development efforts will be crucial for building international backing for microfinance. I believe the greatest hope for securing microfinance investments would be a creative, carefully constructed marketing approach that showcases the mutual benefits that microfinance investments offer to the global financial community. My hope is that due to my work with Envest, I will help secure funds for microfinance through increased individual and institutional investor awareness.

Personal Project Benefits

Working with Envest on this project will be a tremendous opportunity for me to develop business and investment knowledge and learn marketing and public relations skills. I plan to continue working with investments in microfinance in my future career; ideally, I would love to continue to work with Envest. I am personally thrilled to be working with an organization that so closely shares my own values and desire to make a large-scale, positive impact through a business approach. My work with Envest also provides a great opportunity for me to practice Spanish. As a functionally fluent speaker of Spanish who has completed the UW's Spanish grammar sequence, I am glad to be able to apply that background in my communications with Envest representatives in Central America. Above all, I would feel genuinely fulfilled to know that my efforts are helping to build a sustainable financial infrastructure in the developing world.

"I already know how to fish. I just need a loan to buy a small boat and net."

–Common microfinance version of the of the "teach a man to fish" proverb

Project Budget

<u>Student Project Budget</u>	<u>\$2500</u>
Student Project Budget	

SRI in the Rockies Investment Conference*

Investment Conference Admittance	\$300
Air Travel	\$200
Accommodations*	\$300

* I will use the conference's online system to find a roommate for sharing costs

Ground Transportation	\$50
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*Any funds left over from this estimate will be added to the budget for printing and materials

Local and regional Travel for meetings, conferences (200 miles at 39 cents per mile)	\$78
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Personal Stipend	\$1572
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<u>Community Agency Stipend</u>	<u>\$1000</u>
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Printing Materials & Expenses

Brochures	\$450
Investor Details Packets/other	\$250

Website Development costs	\$400
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(Website will use content and design elements from project research)

Budget Justification:

Personal Stipend: Throughout my involvement with Envest I have kept a detailed log of my hours to better estimate the time required for future projects. As of the beginning of November, 2006, I have dedicated approximately 200 hours volunteering with Envest. Based on this past pattern, I can assume that the overall time required to accomplish my project would be at least 350 hours, putting the stipend at only about \$4.60 per hour. Thus, while the personal stipend comprises a large percentage of the requested funds, this is due to the particularly time-intensive nature of the project.

SRI in the Rockies Conference: While the SRI in the Rockies Conference makes up a significant portion of the requested funds, I am actually contributing approximately \$200 of my own funds due the particularly expensive nature of the event. Because the conference is designed to cater to financial representatives, it takes place at particularly high-end hotels, causing the high accommodations costs. I recognize that this conference makes up a significant portion of requested project funds; this is partly because the majority of the other materials needed, such as desktop and web publishing materials, have already been made available to me through Envest. The event will be a crucial means to fine tune my marketing approach and make connections with other organizations, but Envest's start-up budget would otherwise be unable to cover this invaluable opportunity.

* These estimates are based on past expenses and exploratory phone calls. Any extra funds will be channeled towards Envest printing expenses.