FIELD
at the Aspen Institute

# THE PROMISE OF SHARED PLATFORMS FOR THE MICROENTERPRISE INDUSTRY:

## Lessons for Platform Users

Joyce A. Klein | Alan Okagaki | April 2017

# Acknowledgments

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# Overview

More than a decade ago, in their groundbreaking work on access to capital markets for the CDFI industry and pathways to scale in community development, Kirsten Moy, Greg Ratliff, and Alan Okagaki identified the potential role of shared platforms. Shared platforms — defined as technology-based structures that provide shared tools or services that enhance the capacity or efficiency of players in an industry — have long been used in the private sector to drive standardization and growth. Moy, Ratliff, and Okagaki profiled several platforms in the private and nonprofit sectors, and posited that platforms could be an important tool in building the scale of an industry, such as the community development industry, that was comprised largely of smaller, locally-based players.

A decade later, several players have worked to build platforms that support scale and efficiency in the microenterprise and financial capability fields. These include:

- LiftFund's Microloan Management System (MMS), a comprehensive, online system for loan origination;
- Association for Enterprise Opportunity's TILT Forward, an online portal that (among other services) connects microenterprise organizations to potential loan clients;
- MicroMentor, an online program that matches small business mentors with entrepreneurs aspiring to grow;
- Mission Asset Fund's social loan platform that originates and services loans for Lending Circle participants; and
- FIELD's microTracker, an online data portal and set of tools that support the collection and use of standardized performance metrics across the microenterprise field.

Each of these platforms addresses a key area of need or potential growth within the field. Yet some have struggled to reach the hoped-for levels of scale and utilization. As they have sought to grow the platforms, the managers of some platforms have needed to fundamentally change the business models. The developers and managers also have been challenged, in most cases, to both understand and raise the level of resources needed to finance their ongoing development and growth and to manage the integration of a very different line of business into their overall operations.

With support from Sam's Club Giving Program and Northwest Area Foundation, FIELD at the Aspen Institute researched 20 shared platforms serving microenterprise and asset building organizations. We have distilled their experience into a suite of three papers: *Lessons for Platform Users, Lessons for Platform Developers,* and *Lessons for Platform Funders.* Each is intended as a stand-alone document. Consequently, a substantial amount of common material appears in all three reports.

Across these three papers, six critical lessons emerge:

1. Platforms, while enabled by technology, are not primarily about technology. They are about business processes, business strategies, and organizational mission.

2. Decisions about funding, developing, or using platforms must be grounded in choices about strategy, mission, and business model.

3. Organizations considering using a platform need to recognize that capturing value from the platform will require significant organizational change.

4. Practitioners seeking to develop and sell platforms to other practitioners need to understand that selling a platform is a fundamentally different business than delivering credit or business assistance to entrepreneurs, and that successfully operating that new business requires different skills, a different business model, and often a different culture.

5. Developers of platforms need to focus first on potential customer needs, the value proposition, and the market size.

6. Funders need to push potential platform users to consider their business strategy and contemplate using platforms for areas of the organization that are not core to their value proposition and mission.

We conclude that shared platforms can be a valuable tool for accelerating growth and improving efficiency and productivity. But shared platforms are not a silver bullet, and their successful implementation requires serious commitment from both users and platform providers. Platforms are most effective in helping catapult a solidly-performing but mid-size microfinance organization towards excellence and larger scale. They are generally less successful working with entities that are organizationally weak or very small in scale.

This paper is organized into four sections, of which this is the first. In the next section, “What is a shared platform?” we present definitions, background information, and a typology of shared platforms appropriate to the microenterprise and asset building fields. The core findings of this paper are presented in the third section, “Lessons.” In the final section, we present short case examples of four platforms and some of the issues they faced.

# What is a shared platform?

For the purposes of this research, we define shared platforms as technology-based structures that provide shared tools or services that enhance the capacity or efficiency of players in an industry. In this sense, our definition of platforms is similar in concept to other terms used to describe tools, services, and functions accessible to multiple players in an industry – terms such as “shared infrastructure,” “shared services,” or “shared utilities.”

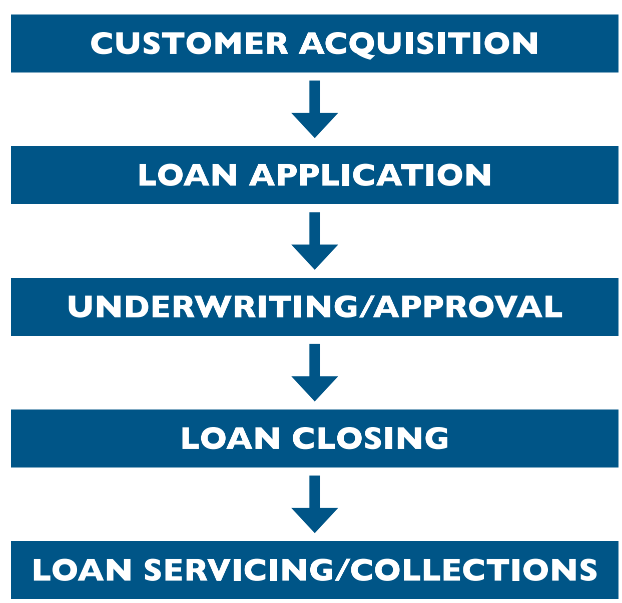
For-profit and nonprofit businesses have used shared or outsourced services for many years to reduce costs or increase their capacity and efficiency. However, in recent years, advances in technologies (particularly cloud computing) and the emergence of new business models have shifted the model of outsourced or shared services in fundamental ways, so that they can be operated as platforms rather than simply as independent firms. The two central new business models that have opened the door for new platforms are the “software as a service” and the “marketplace” business models.

## *Software as a Service*

The advent of the software as a service (SaaS) business model has had critical implications for scale and innovation in the microenterprise and nonprofit sectors. The model makes it possible for organizations that have developed strength in the delivery of a product or process to make systems and expertise easily and broadly available. Rather than purchasing hardware and software needed to support a particular function, a customer can access the software through a web-based interface, typically paying on a subscription or use basis. Some for-profit companies, such as Cloud Lending and Mirador, offer cloud-based business lending platforms to smaller banks and credit unions, as well as CDFIs and microlenders. In other instances, nonprofits in the field are building their own platforms, making them available to other organizations.

In the microenterprise field, we found three different types of SaaS platforms.

- **Platforms that support the existing core lending functions** associated with a microfinance or small business lender. The fundamental purpose of core lending platforms is to help business lenders run their existing lending operations more efficiently or at larger scale. These lending operations are built around five functions: 1) finding potential customers (borrowers); 2) soliciting and receiving a complete loan application package; 3) underwriting and approving or denying the loan request; 4) closing the loan; and 5) servicing loans in its portfolio. These functions are executed sequentially as shown in this value chain.



Examples of core lending platforms include LiftFund's Microloan Management System, Community Reinvestment Fund's SPARK, Accion Network's platform for its four US affiliates, and for-profit platform operators such as Mirador and Cloud Lending. Each of these platforms performs at least one of these core lending functions. At present, none of them will do all five, but some are building additional or related value components or tools that address other elements of the lending value chain.

- **Platforms that enable organizations to "add on" new products or services.** Instead of "making" this additional product, the customer organization "buys" the product and the servicing of the product from the platform. These platforms allow an organization to deliver a new product or service at a lower cost, by providing tools, training, systems, or other infrastructure. Examples of product and service delivery platforms include the Mission Asset Fund's social loan platform, The Financial Clinic's Change Machine platform, the AEO TiltForward partnership with OnDeck (through which it enables CDFIs to license OnDeck's origination platform), and Businessadvisor.org. The critical point is that in most instances the products delivered by these platforms are, in fact, "add on." They *augment* or *supplement* the customer organization's existing suite of services.
- **Platforms that support ancillary organizational functions,** rather than the direct delivery of products and services. These include platforms that support capital raising or the collection and use of data. Several of these platforms are built to support the CDFI industry more broadly, but they also have some applicability or utility for microfinance organizations. Examples of such platforms include CapNexus, Aeris, and microTracker.org.

### *Marketplace Platforms*

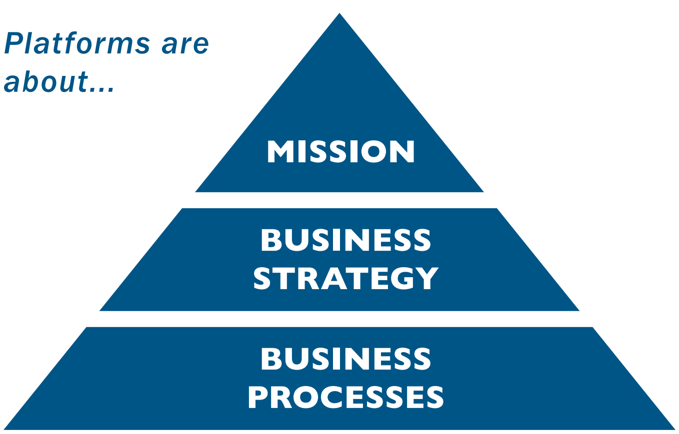
Marketplace business models create value by facilitating exchanges between two or more interdependent groups, usually consumers and producers. In contrast to SaaS, marketplace businesses do not themselves make products or deliver services to customers. Rather, they provide the venue in which exchange between buyers and sellers can take place. EBay, dating websites (e.g., Match.com), and crowdfunding websites such as Kickstarter are examples of a marketplace business. In the microenterprise world, at least one microfinance lender, Kiva U.S. (formerly Kiva Zip) has adopted this business model. Kiva U.S. is platform through which entrepreneurs can find financing for their businesses, typically provided by multiple individuals, not by traditional lenders. Similarly, MicroMentor and BusinessAdvising.org — two leading organizations that match entrepreneurs to experienced business experts — both operate on marketplace business models. Microfinance organizations are also partnering with marketplace platforms. In these arrangements, such as the AEO–Tilt Forward partnership with OnDeck, and Opportunity Fund's partnership with Lending Club, the microfinance organizations are attempting to utilize the platform lenders' technological capabilities (in customer acquisition, underwriting, etc.) to expand market reach or product offerings. Consequently, we interviewed several marketplace platforms as part of our research so that their experiences could inform our work.

# Lessons

Lesson 1: *Although shared platforms are powered by technology, decisions about whether to use them are not primarily about technology. Rather, they are about mission, business strategy, and business processes.*

Because platforms deliver much of their value through the application and use of technology, organizations that want to realize their benefits typically focus on the features of the technology as they assess the value of a platform. However, a key lesson to be drawn from the platforms researched for this project is that the choice to migrate to a platform and which platform(s) to use should not be driven by the desire to adopt the newest or most exciting available technology. Rather, decisions about platforms should be based on an analysis of an organization's mission and its business strategy, as well as the related improvements in business processes that will be required to implement a strategy that can yield greater mission impact.

***Platforms are about...***

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What does this mean for organizations that want to realize the value of platforms and new technology? They must start by ensuring that the organization is clear about how it wants to strengthen its mission impact, how its business strategy accomplishes that mission, and how elements of its strategy deliver value to its customers. Organizations can then utilize platforms as tools that help them to advance their strategies, for example by adding new products, expanding their capacity, or improving efficiency.

For example, some micro and small business lenders are focused on achieving mission impact through scale, reaching many customers. For one of these organizations, its strategy could be to try to compete with or offer an alternative to high-cost short-term business lenders, or to serve large numbers of business owners who have been declined by banks. In this case, the organization may benefit from a platform that seeks to automate and improve the referral connections between banks or online lenders and CDFIs.[1] Other lenders, however, may have a strategy to dig deep to serve a target demographic or geography. If these target customers are unlikely to approach a bank in search of business capital, then bank referrals may not be the organization's best customer acquisition strategy, and so that type of platform may not be useful.

[1] Both AEO (through its Project CUE) and Community Reinvestment Fund are working on platforms designed to provide CDFIs with referrals from banks.

> Lesson 2: *Core lending platforms can greatly improve the productivity, efficiency, and rigor of a CDFI's lending operation. However, those gains generally require accepting a certain level of process standardization.*

The potential value of core lending platforms to microlending organizations is four-fold. The first value relates to finding potential borrowers; platforms can be used to provide seamless connections to market channels, such as online leads or bank referrals. Second, platforms can provide tools for automating steps in the loan origination process, thus reducing transaction costs while speeding up turn-around times for borrowers. Third, core lending platforms often have an impact in strengthening the client organization's compliance and risk management systems and discipline. Fourth, the data collected by these platforms can be used to build risk models that will predict the probability that a loan applicant will successfully repay.

Almost by definition, shared platforms imply a base level of standardization. Shared platforms gain their power by leveraging economies of scale, doing the same task in the same way repeatedly. Systems and processes can then be built to repeat the task at large volume in fast, cost-efficient ways. However, the CDFI industry is largely comprised of small organizations each offering its own products underwritten and delivered in its own idiosyncratic way. In fact, one of the underlying cultural values of the CDFI industry is customization of products and services to local needs. Through much of the industry, there is both an absence of and bias against standardization.

Nevertheless, certain loan products common to CDFIs lend themselves to platforms because regulatory compliance and reporting requirements externally enforce standardization. Two prominent examples are home mortgage lending and Small Business Administration 7(a) small business lending, such as the Community Advantage program. The regulatory and compliance burdens for these products are sufficiently large that outsourcing to a platform is the only reasonable alternative for many organizations. Consequently, one can find examples of successful platforms built around these loan products.

Fahe, a network of approximately 50 housing organizations primarily located in Central Appalachia, services loans for 36 organizations with a total portfolio of approximately 7,000 home mortgages. Fahe made investments in technology far beyond the reach of small nonprofit housing organizations and can service loans at much less cost and with greater discipline and rigor. Fahe's competitive advantage over other mortgage servicing companies is its skill in working with low-to-moderate income homeowners and in servicing complex loan packages that bundle subsidies with conventional FHA or USDA mortgages.

For many years, Community Reinvestment Fund (CRF) has offered SBA 7(a) loan origination services for partner organizations that lacked the infrastructure, processes, and staff expertise to originate 7(a) loans cost-efficiently. Like home mortgage lending, SBA 7(a) loans have a high degree of standardization and compliance burden. Until 2014, CRF provided the service through old-style referrals: telephone follow-up calls to interested borrowers with no automation. In 2015, CRF launched SPARK, an automated platform for receiving and processing 7(a) loans that builds upon the back-end platform CRF had already built for its own needs. Potential customers can access SPARK directly through CRF's website or through the websites of partner organizations. The transition from a partner website to SPARK is seamless and invisible. In effect, SPARK allows the partner organization to "white label" the 7(a) loan product, making it appear as though it is part of its own brand.

Thus, in home mortgage and SBA lending, externally-imposed compliance requirements force standardization. The compliance burden also raises the entry barriers for organizations that wish to deliver those products. The compliance requirements have the effect of creating greater market demand for Fahe's and CRF's platforms. However, microenterprise lending does not have regulatory and compliance burdens of this nature. There is no external driver for standardization and less market demand for shared platforms.

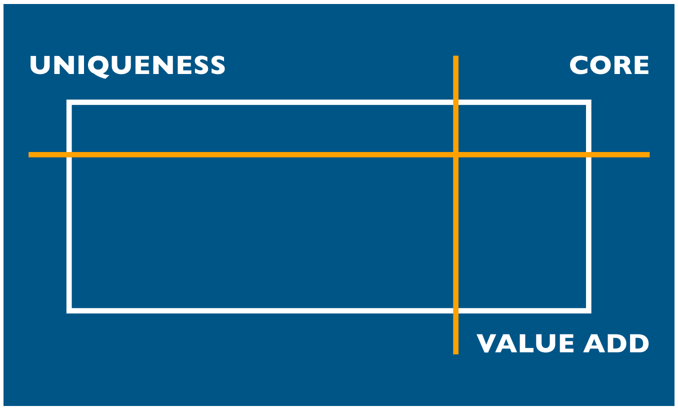
Lesson 3: *Potential platform users should identify which of their practices and processes are both highly value-added and unique in terms of the value they provide to their customers. They should not consider platforms for these functions, but consider them for everything else.*

Decisions about platforms come down to developing a clear understanding of where an organization truly adds value to its customers through particular tasks or processes. The things that are hardest to standardize — or should not be standardized at all — are those processes that are both unique and add much more value to customers than the alternatives. For all other tasks and processes, organizations should be considering how platforms can help them to become more efficient or effective and therefore to achieve their mission.

For example, there are many ways to organize an application form to get the information needed for a lending decision. Some ways are confusing and not user-friendly, but there are also many ways to do it well. None of those ways adds more value than a different, but still good, way of organizing the application. Thus, this is an area where standardization to another organizations practices may be well worth doing, if it enables the organization to achieve efficiencies.

From our experience in the CDFI industry, our sense is that one of the key ways that small business lenders add value is in analyzing and structuring loans so that they best meet customer needs and delivering business advice during the loan application and review process. On the other hand, the value of CDFI services is often lessened by the process of collecting information and documents during the loan review process, which often takes a long time and is frustrating to the customer. Each organization will need to determine where it truly delivers the greatest value to customers relative to other alternatives. However, it is generally the case that there are relatively few aspects of any business's processes that are both unique and value added to its customers. In all other cases, using a platform or technology that supports and improves those processes can create efficiencies that enable an organization to serve more customers or to do more of what is really adding value to customers.

### *Where and how do you uniquely add value?*

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Lesson 4: *Moving onto a platform is a disruptive to a client organization, requiring changes in staffing, roles, and organizational culture, and diverting resources from other core activities. Successful use of a platform requires that users effectively manage an organizational change process.*

Using a new platform or implementing a new technology involves driving change within an organization to adopt the new tasks or processes it offers. Team members will need to work and behave in new ways. Their jobs may change, and the organization may need to create new roles and eliminate others.

In the end, the value that an organization derives from a platform or technology will depend not only on choosing the right one, but in successfully managing the change process. Our research uncovered examples of organizations that had migrated onto platforms, but that were not able to change staff behaviors or eliminate existing processes. As a result, loans were underwritten twice: once through the platform and once through the organization's previous processes. In these instances, the underwriting process took longer, and the organizations chose to leave the platform. The lesson here is that an organization's leadership should consider in advance of migrating to a platform whether it has the ability and willingness to manage the change that will result.

Lesson 5: *Platforms that perform core lending functions can be harder for organizations to implement and are more likely to engender resistance from staff.*

Our research indicated that the greatest change and disruption will result when a platform relates to an organization's core products and services. In the examples researched, there were more significant challenges with core lending platforms than for platforms that enabled organizations to offer a new product or to support an ancillary function. Organizations that are considering the use of a platform to support their core lending functions should invest time in considering the following issues:

First, begin with an internal assessment that links business processes to strategy and mission. The assessment should consider the following questions: What is the "fit" between our processes and organizational mission and strategy? How efficient are our current processes? How strong is the fit between our technology and our people processes? Community Reinvestment Fund, for example, offers its "JumpStart" consultation service for organizations that wish to utilize its SPARK loan origination platform. JumpStart is based on a detailed, step-by-step mapping of the client's business processes combined with a one-day or two-day site visit and interviews. Through JumpStart, CRF works collaboratively with its client to identify strengths and weaknesses of the client's current system and to articulate the future system that best serves its needs and aspirations. JumpStart then creates the roadmap for getting to that future system. Through the JumpStart service, CRF can help organizations to find ways to:

- Improve loan operation productivity;
- Reduce loan origination time;
- Fund more underserved businesses; and
- Create a scalable operation.

Second, use the above internal assessment to create a scope of work, request for proposals, or a specifications sheet, which define exactly what the organization is seeking to do or develop using a platform and can be used to solicit bids from vendors, identify platforms that meet fit your needs, or evaluate options. Make decision whether to use a platform.

Third, recognize that implementation of the platform will involve several steps, potentially including:

- Technology integration or synchronization;
- Data migration;
- Staff training and on-boarding with the platform;
- Process changes;
- Staff or organizational structural changes;
- Change management; and
- On-going refinement.

Fourth, understand that although most micro and small business lenders that have achieved significant increases in scale and reductions in loan processing time have done so using technology and technology platforms, there is a threshold scale of transactions (approximately 100 loans per year) that is necessary for the move to a shared core lending platform to make sense. For organizations that are not already disbursing that level of loans, or whose mission and strategy is not based on achieving that volume of loans, it may make more sense to focus on less technology-reliant process improvements that can yield efficiencies at lower costs.

Lesson 6: *Platforms that "add on" a new supplemental product or service rather than displace existing core functions can be implemented with less disruption and thus can be easier to adopt.*

Because platforms that add on a supplemental product or provide ancillary services typically affect fewer staff or relate to processes that are less deeply entrenched, the change process is easier to navigate.

We found several examples of platforms that could add significant value to a CDFI, microfinance, or asset building organization:

- Pacific Community Venture's Business Advising platforms match entrepreneurs to experienced business persons who can provide advice and coaching support. The platforms are not substitutes for the support that business consultants or loan officers provide, but can provide additional technical resources, especially for businesses with more specialized problems.

- Mission Asset Fund's Lending Circles platform enables nonprofit organizations to offer a zero-interest small dollar loan to help participants build credit and meet immediate financial needs. Participants take an online financial training class before joining a Lending Circle comprised of six to ten people. Participants can have their own goals for the money they borrow, such as paying off debt or paying for tuition. Since Mission Asset Fund advances the capital and services the loan, the social service agency can provide a loan product without having to build up lending-related staff capacity or technology systems. As of February 2017, MAF was working with 52 nonprofit partners across the country.

- Change Machine is a shared platform built and operated by The Financial Clinic, an asset-building organization based in New York. The platform supports organizations that offer financial coaching services. Change Machine contains tools and resources for financial coaches, management and reporting tools for program managers, and access to a virtual learning community for practitioners that helps coaches stay informed about best practices in a rapidly-changing field. In February 2017, Change Machine was being used by 929 financial coaches and social service practitioners from 99 organizations.

- Credit Builders Alliance (CBA) offers a "platform" that enables mission-oriented lenders to report their clients' payment performance to the major credit bureaus. Through the training, licensing agreements, and support provided by CBA, lenders whose portfolios are not sufficiently large can report to the bureaus. Reporting provides benefits to their clients, who can build their credit, and to the lenders by providing stronger incentives for borrower repayment and access to data on the benefits associated with their loans. CBA also offers housing organizations the ability to report rental payments as a means of building the credit of their residents. As of February 2017, 185 organizations were reporting loan data through Credit Builders Alliance.

Lesson 7: *When investigating a platform, pay close attention to the training and support the vendor will give you in learning how to use the platform. Ask about the vendor's process for resolving technical "glitches" and making improvements based on customer feedback.*

There is always a learning curve in moving onto a platform and organizations doing so will invariably encounter problems and difficulties. High quality and technical support is essential. Several platform vendors we researched were strongly committed to receiving and resolving customer problems with the application. Such vendors would compile customer complaints and periodically rollout updates to the platform that fixed those problems. Alternatively, some vendors will work individually with their clients to customize solutions for their needs. At the other extreme, some platforms — such as some private sector vendors with large numbers of customers — are much less responsive to individual customers.

Lesson 8: *If implementation of a platform is successful, it may cause spillover effects. Organizations migrating to new platforms or technologies should be cognizant of and plan for these effects.*

Organizations that are successful in using platforms or technologies to scale their activities will likely create new challenges for their operations. For example, lenders that are successful in using a platform to open a pipeline of new referrals may face challenges in processing and underwriting those loans. Or, if successful in converting new applications into originations, they may experience significant challenges if their risk management, servicing, and collections processes are not sufficiently built out. The experience of the microlending field in the US includes multiple examples of organizations that experienced significant challenges with portfolio quality after achieving significant growth in originations. The lesson here is that as organizations consider technologies and platforms, they should think ahead to what success might bring. Identifying potential spillover effects may inform choices of which platforms or technologies to embrace and when. It can also inform planning regarding the development and acquisition of new staffing, policies, and board expertise.

# Case Examples

### *LiftFund Microloan Management System (MMS)*

LiftFund originally developed the MMS platform for its own needs. In 2008, it began offering the platform to outside organizations. The first users were industry leaders who acutely needed a platform like MMS to grow their production, either because the platform offered an online loan application, because its underwriting services could supplement a customer's in-house capacity, or both. The latter feature was important to some organizations whose application volume grew more rapidly than the capacity of their internal underwriting staffs; they could turn to LiftFund for support until they could hire and train new staff. As LiftFund reached out to more organizations, it encountered challenges at two ends of the customer-size spectrum. It found that lenders with the largest portfolios wanted to build their own systems, which could be customized to their own processes and needs. At the other end of the spectrum, some existing customers who were lending at lower volumes were less willing or able to adapt their processes to the MMS platform and therefore did not fully realize its benefits. Thus in 2012 and 2013, facing the attrition of some customers and lower-than-expected levels of utilization among others, LiftFund created a strategic plan for MMS and assessed the market.

With the help of consultants with expertise in the CDFI small business lending sector and financial analysis, LiftFund segmented its market into three buckets: 1) CDFIs that are still emerging and not ready for a platform; 2) CDFIs that have reached some maturity, but are not committed to growth; and 3) CDFIs that are eager to grow and intent upon doing so. LiftFund also discovered that its pricing structure was hurting smaller customers while not helping the larger ones, not incentivizing customers to grow their lending. Realizing the realities of the market, LiftFund now focuses on supporting organizations on the platform to systematize their processes and on diversifying the use of MMS, instead of seeking to attract a substantially higher number of new users. At the core of this strategy is the recognition that the goal of MMS is not simply to provide technology, but to combine access to technology with expertise that is essential for organizations seeking to improve their lending processes. LiftFund also revised its pricing structure, so that as customers do more volume on MMS, they move up to a higher payment tier. LiftFund believes this approach will enable MMS to move closer to self-sufficiency.

As part of its revised strategy, LiftFund acquires new customers through word-of-mouth and careful vetting. Initial conversations with customers focus on a set of questions that enable LiftFund to understand: 1) the organization's operations and growth objectives; 2) whether it is ready for MMS; 3) if not, what steps it needs to take to become platform-ready; and 4) whether it aspires to do that work with sufficient intensity. With an ever-hanging market and as technology has become more democratized, MMS has upgraded the MMS system and integrated automation as part of its commitment to serving the customers who see documentation and speed of processing as key barriers. However, it continues to find that some CDFIs are still hesitant to take the chance on the technology and process changes that come with the use of MMS and the use of data (rather than loan committees) to drive their credit decisions.

## *AssetPlatform*

In 2007, the Aspen Institute Economic Opportunities Program noted that more and more nonprofits were getting into financial counseling, including many social service agencies. Many of the financial counselors were not well-prepared and quality was highly uneven. Market research suggested that some 15,000 – 20,000 nonprofits were doing some form of asset-building counseling. Given that scale, it would seem that a shared platform that made training, tools, and other resources available to counselors would have had a large and ready market.

EOP was able to raise funding from philanthropic sources and launched a platform for asset building counselors, AssetPlatform. Much of the content was innovative and well-received. The site had several state-of-the-art, simulation-based training tools whereby counselors could practice and be coached on delivering certain services in an interactive, virtual environment. A cartoon-like, interactive map on buying cars helped counselors show their clients a prudent decision-making process when applying for a car loan. Many practitioners printed out a simple chart that compared terms and attributes of different debit cards and pinned it to their wall.

Nevertheless, AssetPlatform did not reach the desired level of take-up. One of the major flaws turned out to be the difficulties users had in finding the information they needed. One user described the Asset Platform to be like a great thrift store: “great stuff but you had to look hard to find it.” The site lacked a good introduction and navigation tools. At its launch, the AssetPlatform did not have sufficient content. Later, it had too much content, cluttering the ease with which users could locate the particular information they needed to solve an immediate problem.

Two lessons emerged from the AssetPlatform experiment. First, the platform’s designers lacked a detailed understanding of asset building counselors and their organizations. As Kirsten Moy, EOP’s director, said,

> “None of us were counselors. We should have had day-to-day counselors in the design process. We would have seen how chaotic their lives were, how little bandwidth they had to learn new stuff. When people have days and lives like that, they aren’t going to search for better ways to do things.”

Second, while EOP had sufficient funding to launch the platform, it lacked the resources to continue its development and refinement into a robust, user-friendly platform. EOP recognized the platform’s deficiencies but did not have the funding to do the necessary corrections and continuous improvement. In July 2014 the Aspen Institute transferred the platform to Seedco, which has since redesigned it. The later platforms that have been successful have built the cost of improvement and upgrades into their budgets and have been able to fundraise accordingly.

## *MicroMentor*

MicroMentor is an online platform that helps entrepreneurs to receive free business advice and support from experienced mentors. As originally conceived, the platform would be a tool to enable entrepreneurs to access specialized, often industry-specific business advice that could not be provided by microenterprise program staff who typically provided more general business support. Initially conceived and developed in 2001 by FIELD at the Aspen Institute, the original version, dubbed “MicroMentor 1.0,” was built around a Microsoft Access database. While the site never reached large volumes, FIELD had enough success with the site to validate the concept.

Recognizing that FIELD was not well-positioned to host and support MicroMentor, FIELD transferred MicroMentor to Mercy Corps in 2006.

Mercy Corps found that the MicroMentor 1.0 platform was not very robust and shut the site down for a period of time to make improvements, automating certain functions and integrating it with Salesforce. From 2007 to 2009, Mercy Corps worked with its technology development partner to clearly define what MicroMentor 2.0 should be and to raise funds for those improvements.

MicroMentor 2.0 launched in 2009. MicroMentor 1.0 had been built before the era of social media (LinkedIn, Facebook) and had obsolete systems to protect privacy. MicroMentor 2.0 rectified those deficiencies. A second phase of MicroMentor added more group functionality for partner organizations plus a Q&A section for the site's users. In the final year of MicroMentor 1.0, the platform made several hundred matches of entrepreneur to mentor. With MicroMentor 2.0, the match rate increased to between 800 and 1000 and stayed at that level for more than two years.

MicroMentor 3.0, launched in 2012, did not add many new features but brought an improved visual design of the platform and simplified navigation. MicroMentor experienced a significant initial boost in scale, which then plateaued at around 1,500 matches per year.

MicroMentor moved onto version 4.0 in 2015. Prior versions of MicroMentor had been based on "matching flow," whereby entrepreneurs created requests that acted like advertising, and mentors would make offers from which entrepreneur would select. MicroMentor 4.0 replaced matching flow with a process like LinkedIn, in which a more organic conversation could take place. In the first full year of MicroMentor 4.0, the platform hit nearly 3,000 matches. Currently, MicroMentor averages 10,000 connections a year.

Thus, MicroMentor's experience has shown that growth in volume happens in tandem with leaps in the functionality of the platform. MicroMentor cites this phenomenon as its biggest lesson learned. The next iteration for MicroMentor will be to provide a deeper array of mentoring services to entrepreneurs and mentors. MicroMentor will also make the technology available to more enterprise level clients such as large Fortune 500 companies, entrepreneur organizations, and public sector institutions, building on its success with companies, such as Hewlett Packard Enterprise, S&P Global, and PIMCO, and government organizations, such as the State of New York and the US State Department's African Women's Entrepreneurship Program.

### *Change Machine*

Change Machine is a web-based financial coaching platform built and operated by The Financial Clinic, a New York nonprofit that builds the financial security of working poor. Change Machine provides a repository of tools and resources and a virtual learning community for financial coaching practitioners. Its value proposition is that it provides a tested approach and set of tools to support financial coaching and enables practitioners to stay informed about best practices and current trends in the constantly growing field of financial coaching. The platform itself has four parts:

- LEARN is an interactive training platform that enables financial coaches to build their knowledge and skills. The curriculum is based on Change Machine's six-part framework for financial security, which has been peer reviewed by field leaders and used by financial coaches in the field for over eight years. The curriculum is self-paced, and the Change Machine platform also offers tools to enable managers and supervisors to track their coaches' progress through the curriculum.

- COACH provides financial coaches with a set of tipsheets and interactive tools that help support conversations with customers and measure their progress. COACH features an action plan that can be customized during the coaching process for each client and includes a calendar of future meetings. It provides a dashboard through which coaches can monitor progress, reward clients for achievement, and use gamified elements to show how various actions can lead to more rapid progress. It also includes more than 100 customizable and printable tools.

- SHARE is a virtual learning network through which coaches can learn about innovative ideas, find relevant content, and ask experienced financial coaches questions through a social network of professionals and practitioners. Members can post questions and generally receive answers within 24 hours. Users can also create and join specialized groups that relate to specific client populations (e.g., Victims of Domestic Violence, Foster Care) or geographies.

- MANAGE provides the management information and data systems that support the ability of the organizations that use Change Machine to track, report, and learn about their financial coaching work. Supervisors and managers can track information on client demographics, progress, and outcomes, and generate reports for internal use and external reporting. The portal can generate 150 pre-programmed reports; users can select among these to create and use the reports that are most useful to them.

The Financial Clinic offers Change Machine on a subscription (or software as a service) basis. Pricing is customized to users' needs, but typically users pay: $9 per month per user for access only to the SHARE community, $59 per month per COACH user for frontline staff meeting with customers, and $129 per manager or funder user for access to account administration and reporting. The Financial Clinic has an internal technical support team and utilizes an external technology vendor for building out new features, customization to user needs, and system maintenance. As of February 2017, Change Machine had 929 users, including financial coaches and social service practitioners, from 99 organizations.

# Appendix

## *Platforms Researched*

The platforms researched for this paper include the following:

| ORGANIZATION | PLATFORM | TYPE OF PLATFORM | FUNCTIONS/COMMENTS |
|---|---|---|---|
| **Association for Enterprise Opportunity (AEO)** | Tilt Forward | SaaS: Core Lending, Add-on Product/Services | • License and distribute products and services to MFIs<br>• Capital raising; capital sharing with MFIs<br>• Lead Acquisition/Screening/Channel to Capital Provider |
| **AEO** | Project Cue | SaaS: Core Lending | • Provide "warm" referrals from banks to CDFI small business lenders |
| **Accion US Network** | Accion Modernization Project (AMP) | SaaS: Core Lending | • New technology platform that enables cost reductions/ reduces bottlenecks in the lending process<br>• For Accion US Network members only |
| **Community Reinvestment Fund** | SPARK | SaaS: Core Lending or Add-on Product/Service | • Comprehensive platform for originating SBA 7(a) loans<br>• Can be customized to other types of small business lending |
| **Credit Builders Alliance** | CBA Reporter, CBA Business Reporter | Add-on Service or Ancillary Function | • Enables and provides support for low-to-medium volume business lenders to report borrower payment histories to credit reporting agencies |
| **EARN** | Savings by Design | SaaS: Add-on Product/ Service or Ancillary Functions | • Tools to increase effectiveness of matched savings programs |
| **Fahe** | Just Choice | SaaS: Core Lending or Add-on Product/Service | • Deliver home mortgage products through partner relationships with CDFIs, CDCs, other nonprofits<br>• Fannie Mae seller/servicer; Sell loans to JP Morgan Chase |
| **Fahe** | Loan Servicing | SaaS: Core Lending | • Loan servicing for home mortgages<br>• Customers include CDFIs, state/local housing entities<br>• Specialize in mortgage packages with subsidy sources |
| **The Financial Clinic** | Change Machine | SaaS: Add-on Product/ Service | • Web-based financial coaching platform<br>• Provides a tested approach and tools to help asset building organizations perform financial coaching functions<br>• Program management and reporting functions |
| **Kiva** | Kiva U.S. (formerly Kiva Zip) | Marketplace | • Matchmaking: borrowers to lenders/investors<br>• Max loan of $10,000<br>• Sourcing through website, partners, volunteer "fellows" |
| **Kiva** | Kiva.org | Marketplace; Ancillary service | • Matches individuals interested providing loans to entrepreneurs across the globe with microfinance institutions (MFIs)<br>• Provides MFIs a tool to raise additional capital<br>• No longer working with MFIs in the US; only operating the marketplace model linking entrepreneurs directly with individual lenders |
| **LiftFund** | Microloan Management System (MMS) | SaaS: Core Lending | • Complete lending and portfolio management platform<br>• Online loan application, underwriting, document upload and storage, decision-making, closing documents, loan servicing, risk management |

| ORGANIZATION | PLATFORM | TYPE OF PLATFORM | FUNCTIONS/COMMENTS |
|---|---|---|---|
| **MicroMentor** | MicroMentor | Marketplace | • Match businesses with mentors<br>• Large-scale governmental and corporate partnerships; customizable for user branding but franchise-like arrangement<br>• International |
| **Mission Asset Fund** | Lending Circles | SaaS: Add-on Product/ Services | • Franchises Lending Circle program to local entities<br>• Provides technical assistance to set up and run program, access to platform, standards, loan servicing |
| **Opportunity Fund** | Partnership with Lending Club | Partnership with marketplace lender | • Lead acquisition; take declines from Lending Club<br>• Seamless online experience for borrower (not referral) |
| **Pacific Community Ventures** | Business Advising | Marketplace | • Match businesses who need assistance on specific business issues with advisors<br>• Leads acquired through website and through partners (government agencies, chambers, CDFIs) |
| **REDF** | REDFworkshop.org | Add-On Services; Ancillary Functions | • Tool suite for employment social enterprises<br>• Learning resources<br>• Social network, shared learning for members |

## For more information

To learn more about microenterprise in the United States, visit fieldus.org or aspeninstitute.org.

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THE ASPEN INSTITUTE

The Aspen Institute
One Dupont Circle, NW, Suite 700
Washington, DC 20036

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