Making the Connection: Neighborhood Development Center, Inc.

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The Neighborhood Development Center, Inc. Case Study documents program efforts to assist low-income entrepreneurs gain access to lucrative or previously inaccessible markets. Improving access to markets is critical to achieving business growth, and an ongoing challenge for self-employed microentrepreneurs. Programs search constantly for successful access to market strategies. This case profiles the Neighborhood Development Center, Inc. (NDC) of St. Paul, Minnesota and its efforts to develop an in-house marketing team. This case study is part of the Aspen Institute’s Access to Markets (ATM) Learning Assessment. The ATM Learning Assessment is supported by the Charles Stewart Mott Foundation, in conjunction with its grants to seven practitioner organizations to pilot ATM approaches.

NDC is first a community economic development organization. Targeting residents of low-income neighborhoods, it seeks to launch and expand their neighborhood businesses. As part of a broad vision of community economic development, NDC targets neighborhood entrepreneurs who will become visible role models in their community, realizing that a deteriorated neighborhood must be revitalized, in part, by its own residents. Its program has three elements: business training, business financing and business growth services. NDC, in partnership with 14 community development corporations and ethnic associations, delivers training in 12 inner city neighborhoods of St. Paul and Minneapolis. It extends business loans to a wide range of people, primarily alumni of its business training programs. In addition, NDC supports business growth through incubators and substantial technical assistance to its graduates and borrowers, including accounting, legal and marketing services. These are often provided pro bono or at greatly reduced rates.

In 1998, NDC identified a need to add professional marketing services to its mix. Rather than use outside professionals, the program decided to develop an in-house marketing team to identify markets and innovative strategies to access them. Its goal was to maintain the high effectiveness of technical assistance services while finding more cost-effective delivery channels. In launching its marketing efforts, NDC chose to test two variations of what it calls “cluster marketing,” enabling it to serve multiple clients with one concerted effort. Yet, it also realized the necessity of providing one-on-one marketing consultations to individual clients. Its strategies were as follows:
• Market-based cluster development: NDC staff organized selected clusters of firms in the same or similar industry, or of firms selling to the same or similar customers. Staff then marketed the clusters to organizations supportive of inner city economic development (e.g. governments, local foundations, non-profits) and to corporations seeking minority supplier contracts. In 1998 and 1999, NDC organized and marketed three clusters of firms, ones in 1) office services and products, 2) wedding-related services, and 3) gifts to corporate buyers. On behalf of each cluster of related businesses, NDC became a marketing agent, organizing mass mailings, making sales presentations and attending trade shows to generate leads that would be referred to cluster participants. Individual business owners were responsible for following up on these leads and paying a commission on each sale to NDC. This group-based delivery mechanism was designed to achieve greater cost efficiencies in the provision of technical assistance and to provide access to new customers for cluster firms.

• Geographic and thematic cluster development: This strategy evolved from NDC’s commitment to a new retail business incubator, the Cooperativa Mercado Central. The Mercado is an indoor, retail, South Minneapolis mini-mall that is now home to 43 Latino-owned businesses. As one of four partners developing the Mercado, NDC assumed responsibility for marketing the mall in preparation for its Grand Opening in July 1999. In this role, NDC staff helped to identify the right mix of businesses for the Mercado, developed distinct strategies to attract both Latino and Anglo shoppers, designed the “look” for the entire space and launched a massive, multi-media publicity campaign. The Mercado Central represented a thematic and geographic cluster of businesses; NDC’s marketing efforts generated visibility and customers for 43 distinct businesses. However, beginning in early 2000, NDC’s focus shifted to marketing services for individual business tenants in the Mercado.

• One-on-one consulting services in marketing: To support cluster marketing strategies, NDC Marketing introduced low-cost, manageable promotional techniques and marketing plans to a wide range of clients through its one-to-one consulting program. This strategy grew in significance during the evolution of its marketing efforts.

The unique service mix tested by NDC provides an oppor-
tunity to compare different approaches in a similar environment. Some have been more effective than others. Moreover, staff has remained flexible, learning from experience and responding effectively to changing needs and new opportunities.

NDC’s marketing-related achievements in business growth and in community revitalization are detailed in subsequent sections of this case study. Briefly, they include:

- The successful planning, marketing and launching of the Mercado, a new retail incubator providing a home for 43 Latino-owned businesses;
- Converting a rundown warehouse to house the Mercado, subsequently sparking additional business investment in a once dilapidated neighborhood;
- Cost-effective delivery of marketing services in the Mercado cluster, both by marketing the Mercado as a single entity and by targeted, quality services delivery to individual businesses within the Mercado;
- Development of a tool kit of effective marketing plans and low-cost, simple marketing tactics that microentrepreneurs can easily implement themselves; and
- The successful marriage of effective marketing plans with its community development goal of enhanced community service and awareness.

Both the Mercado “cluster” and the one-on-one consulting services have been effective, producing positive outcomes. The marketing of the Mercado has achieved the highest impact with the greatest cost-effectiveness – providing quality, high-impact technical assistance to 43 firms.

Yet, ongoing challenges for NDC’s marketing strategies are also significant. One-on-one consulting remains expensive to provide, and NDC is trying to improve cost-effectiveness through better time management and “stepped” services that quickly focus limited resources on the firms with highest potential for growth. NDC also has struggled in growing the clusters that target specific buyers. Challenges have included the limitations of NDC’s role as marketing agent, the mismatch between the capacity of NDC graduates and buyer expectations, and the internal execution of the three market-based clusters, simultaneous with the launch of the Mercado.
One of NDC’s overall organizational strengths is its emphasis on quality and professionalism in technical assistance that supports businesses once their doors are open. NDC provides marketing, as well as legal and accounting assistance, in an effort to increase a firm’s ability to access the market. NDC’s client mix of microenterprises and small businesses contributes to the quality of its technical assistance services and to the ability of microentrepreneurs to learn from other firms. According to program data, NDC’s 403 training graduates who started businesses created an average of 3.5 jobs per firm.

NDC’s long-term commitment to support its graduate businesses, combined with its ability to constantly review and revise its strategy, has made NDC an effective organization. Staff consistently asks the hard questions about how to improve quality and cost effectiveness of services and service delivery. Furthermore, NDC has tracked excellent cost and revenue data to help staff assess strategy effectiveness and to compare marketing approaches. Celia’s Kitchen is an example of NDC’s deep commitment to its client’s long-term success, and to the effectiveness of its “low cost/high return” and community-oriented marketing strategies.

Celia’s Kitchen

Although residents of north Minneapolis since the 1960s, Lester Jameson and his sister, Lila Milton, were raised in Louisiana where Lila learned soul food cooking from her mother, Celia. In 1992, the siblings started cooking for neighborhood festivals, but the arduous set-up and breakdown of their equipment led Lester to think about a restaurant. Motivated by the opportunity to borrow money from NDC, he enrolled in the organization’s 16-week business training course in 1994. That year, Lester opened a take-out operation that he called “Wings of Soul,” one of the first soul food restaurants in Minneapolis. Lester cooked the wings; Lila prepared her delicious gumbo twice a week, while maintaining her full-time job as a hospital-admitting clerk. The success of Wings of Soul inspired Lester to expand to an eat-in restaurant. Lester convinced Lila to quit her job at the hospital to run the kitchen. They found a space in a non-descript strip mall that they renovated extensively and in 1996, Celia’s Kitchen opened its doors.

Sharing a parking lot with a grocery store, a “dollar deals” store, a laundromat, and a beauty salon, Celia’s Kitchen stands out with its crisp, taut green awning and big white lettering. In addition to

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1The names of individuals and businesses have been changed throughout the case study to protect the confidentiality of the people interviewed.
serving award-winning soul food, the owners have made their restaurant into a vibrant community space. A weekly radio broadcast on African American issues is held and recorded there. From Celia’s Kitchen, the program has teleconferenced with South Africa; it has given voice to community members who objected to the loss of a black judge who was not re-appointed; it provides a venue for debates between local political candidates. The community loves it and the senior citizens that attend often stay to eat lunch. When the local high school girls’ basketball team won the state championship, Celia’s Kitchen gave them a celebration banquet. Wednesday is poetry night, when customers are invited to read their poems at a microphone.

Although responsible for a relatively small percentage of the total financing, NDC has played a large role in the Kitchen’s survival during its first four years. When Lester and Lila spent more than anticipated on renovations to secure their operating license, NDC helped them squeeze the budget to find more cash. When cash flow dwindled because of employee theft and poor restaurant management techniques, NDC performed an assessment to identify service quality issues, identifying a decline in lunch customers because of slow service. Based on NDC’s recommendations, the owners changed from a sit-down restaurant to cafeteria style for the lunch meal to increase the number of customers served during the busy lunch hour. Cash flow problems eased and business increased.

NDC also called in accounting, marketing and legal assistance. The marketing team worked with Lester to identify marketing ideas that fit with his philosophy of combining business with community service. NDC recommended ways to boost revenue by positioning Celia’s as a community space. These ideas included the “poetry night” once a week; monthly meetings on African-American issues; a birthday club offering free desserts on customers’ birthdays; Black History Quiz Night with food discounts offered as prizes for the winners; Black High School “Bowl” and church fundraisers that donate a percentage of receipts to participating churches. In sum, NDC used its comprehensive technical assistance strategy, delivered by its in-house marketing team, to keep Celia’s up and running and “serving” the community – in more ways than one.

This publication will describe NDC’s program and services, its original vision for adding market access services to its mix, and the evo-
ution of its vision based on practical experience and implementation. The case is organized to detail accomplishments, challenges and lessons learned as follows:

- Section II describes the inner city neighborhoods where NDC works, tracing their evolution to multi-ethnic enclaves.
- Section III provides an overview of NDC’s overall program and its original strategy for helping clients improve their access to markets.
- Section IV traces the evolution of these strategies as NDC staff implemented them, highlighting the success of the Mercado Central and the increasing importance of one-on-one technical assistance.
- Section V details program achievements, exploring the reasons behind the success and failure of each strategy.
- Section VI discusses the lessons the NDC experience offers to those interested in enhancing microentrepreneurs’ access to markets, and identifies the challenges that NDC continues to face.
II. CONTEXT: NDC’s TARGET NEIGHBORHOODS & ENTREPRENEURS

NDC works in 12 low-income, Twin Cities neighborhoods that have average household incomes of less than 80 percent of the area median income. To combat the disinvestment, unemployment and poverty in these communities, NDC empowers local entrepreneurs to be catalysts for development, investment and jobs; to inspire their peers by pursuing their dreams; and to create community spaces to strengthen ethnic and cultural ties. NDC provides three critical inputs: the training to help residents go into business, the financing and technical assistance to get them started, and the follow-up support and services to support business growth. While NDC provides the financing and ongoing business support services directly, it relies on partnerships with 14 community- and ethnic-based organizations to deliver training to a wide range of potential entrepreneurs. From the program’s inception in 1992 through 2000, NDC trained 1,441 individuals through its neighborhood-based training programs; 403 of those alumni started businesses.

NDC’s target communities are also characterized by significant ethnic diversity. Two decades ago, these neighborhoods were predominately white and European, with small African-American and American Indian populations. They have rapidly evolved into distinct and vibrant ethnic enclaves. In addition to the African-American community, NDC works within four ethnic communities: Latino, Hmong, Somali, and American Indian. These are home to many small-scale entrepreneurs – often home-based, who have little or no formal business training and face daunting barriers, including language skills, lack of education, cultural differences and poor or no credit histories. One of NDC’s goals is to help these latent entrepreneurs open formal businesses and storefronts that can contribute to the commercial revitalization of these neighborhoods.

NDC partners with 14 community- and ethnic-based organizations to recruit participants for and host NDC’s business training classes. These community partnerships have helped NDC tailor its curricula to meet the needs of distinct audiences. For example, it offers training sessions in Spanish and Hmong. These neighborhood-based trainings also support NDC’s goal of strengthening community; the sessions bring people together in their own environment, where they feel more comfortable, and foster community awareness, communication and opportunities. More than 75 percent of NDC alumni are persons of color; 48 percent are women. The 403 alumni businesses have created

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2From NDC’s 1999 Annual Report.
an average of 3.5 jobs each and have an average annual payroll of $56,000, though staff estimates that median jobs and payrolls are lower.

Since NDC provides ongoing financing and business growth services to all graduates of its training programs, its clients include startups, established microenterprises and a few small businesses. While some firms have five or more employees, owner-operators who do not delegate management decisions or functions run the great majority. Employees are hired for simple labor, rather than management or sales-related tasks. While a handful of larger firms pull up the average number of employees, an estimated median is generally one or two employees. This client mix allows NDC to provide its microentrepreneurs slightly different and more professional services, and to link them with the more experienced small businesses. In the Mercado, for example, the combination of existing and start-up firms has been essential to the success of the incubator, blending more financially stable tenants with higher-risk start-ups. The customer traffic and name recognition of those existing businesses also has helped the financial success of the smaller and start-up microenterprises.

NDC’s work in its target neighborhoods has unleashed significant entrepreneurial talent and led to many opportunities. The concept of the Cooperativa Mercado Central, for example, was born in conversations among graduates from NDC’s Spanish-language training programs. Most of the 43 cooperative members in the Mercado are NDC alumni. NDC is also exploring the potential for a Somali-style market that would create a similar thematic and geographic cluster of firms, large enough to attract shoppers from across the Twin Cities.
III. Original Program Design and Rationale

The Neighborhood Development Center was founded in 1992 as a non-profit affiliate of the Western Initiatives for Neighborhood Development (WIND), a community development corporation (CDC) subsidiary of Western Bank. Family owned, and operating in the same St. Paul location for more than 85 years, Western Bank has a strong record of accomplishment as a community lender. Inspired by Shorebank in Chicago, it established WIND to fill a gap to foster economic development in low-income neighborhoods and strengthen community organizations. Mihailo (Mike) Temali, founder and current executive director of NDC, had assisted various CDCs to undertake economic development planning and commercial revitalization projects. Nonetheless, he felt constrained by the traditional CDC role. Temali used WIND-NDC to get more directly involved in building an innovative approach to business development in inner city neighborhoods.

In establishing NDC, Temali was inspired by a study of a St. Paul community that identified a significant percentage of residents who reported operating some kind of business from their home. Furthermore, 25 percent of these claimed that, with access to the necessary resources, they would like to establish their business outside of the home. Temali believed that bringing these small businesses “out of the woodwork” and onto the street would revitalize blighted inner city neighborhoods. By serving as role models, creating jobs, and getting involved in their communities, these business owners could help reverse economic decline. Additionally, NDC hoped to foster latent entrepreneurial spirit in the African American community to mitigate the growing ethnic tensions brewing because of proliferating Asian businesses.

The NDC Program

The Neighborhood Development Center is a community-based, non-profit organization that works in the inner cities of St. Paul and Minneapolis helping emerging entrepreneurs build successful businesses that serve their communities, and helping community groups build stronger neighborhood economies.

NDC is first a community economic development organization. It targets residents of low-income neighborhoods; seeking to develop storefront businesses and grow those firms into stable, long-term “residents” of the community. Furthermore, it targets entrepreneurs who will become visible role models in their community in the belief that deteriorated neighborhoods must be revitalized in part by its own residents.

*NDC’s mission statement.
NDC’s approach combines elements of domestic and international microenterprise programs with those of CDCs. Like many microenterprise programs, NDC combines training, lending and technical assistance. However, it offers these services in an unusual partnership with neighborhood based community organizations. This enables it to achieve significant outreach in numerous grass roots communities across the Twin Cities area. In addition, NDC has taken an active role in technical assistance services that support business growth, including retail business incubators that provide affordable retail space, visibility and services to their small business tenants.

**An NDC Partner**

The Hamline-Midway Coalition (HMC) is a CDC serving an older white neighborhood that is in transition to an ethnically diverse one. As a CDC, its traditional focus is on commercial real estate development, community infrastructure and community organizing to clean up the neighborhood (e.g. shut down houses of prostitution, gun shops, etc.). According to Director Dave Gagne, HMC has neither the budget nor the time to sponsor business training for microentrepreneurs on its own. Yet, he is eager to get more minority-owned businesses on the street; he wants alternatives to the three pawnshops “taking residents’ family assets.” NDC provided the tools and help.

In addition to recruiting and screening participants for the NDC training, Gagne has to schedule the class in light of other community demands; for example, in his neighborhood, Wednesday is church night. He then attends all classes, notes participants’ business ideas and “watches” their personal lives knowing many will have to work through personal barriers in order to achieve business success. NDC cannot do these things.

Of HMC’s 40 graduates of NDC training to date, 27 have started businesses. In addition, graduates in this neighborhood have established a barter network through which they exchange services with each other.

The NDC program starts with training – a 16-week course offered in conjunction with NDC’s partners, 12 different community development corporations and two ethnic associations. These partners
are responsible for recruiting and screening participants, hiring a trainer from a slate of candidates identified by NDC, and providing a venue for the classes, refreshments, a graduation ceremony and any follow up with participants deemed necessary. NDC pays program costs (full cost per participant is $550, of which the participant is charged $50), works with trainers on their curriculum, and provides a range of financial and technical services to those who go on to establish a business. The courses, with seven to 10 participants, are held in each of 12 neighborhoods twice a year.

The absence of a standardized curriculum gives the trainers the flexibility to adapt their classes to each group’s level, language and culture. However, the goal is for each participant to write a business plan by the end of the first eight weeks. The remaining weeks of the 16-week course are devoted to individual consultations on each participant’s business plan. This might entail assistance with negotiating leases, obtaining a license, setting up a bookkeeping system or other details that the entrepreneur must undertake to translate his plan into a business.

From inception in 1992 through the year 2000, NDC has trained 1,441 people. Seventy-seven percent completed the entire 16-week course. NDC trains an average of 240 people a year in 12 different neighborhoods. In addition, it trains the American Indian, Somali, Hmong and Latino communities in their own languages where appropriate. Training these ethnic communities also incorporates important information about local business practices as well as the banking and legal systems. Since 1993, 403 (28 percent) of NDC’s alumni have started businesses. Of those businesses, 250 (62 percent) are full time, 128 are part time or seasonal, and 25 are start-ups.

Ten percent of the graduates take loans ranging from $500 to $10,000 from NDC’s Neighborhood Entrepreneur Loan Program. While the majority of NDC’s loan capital is invested in graduates, two additional loan funds – the Small Business Loan Fund and the Special Outreach Loan Fund – lend to other established businesses in inner city neighborhoods. In 2000, NDC made 32 loans to 25 businesses, with an average loan size per borrower of $12,426. Since opening its doors, NDC has made 132 loans averaging $22,793 in size. As of

### NDC Alumni

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<tr>
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</table>
December 31, 2000, NDC had loan capital of $1.5 million and an outstanding loan portfolio of $871,480.

It is important to note that although NDC has lent about $3 million since its inception, lending and “growing” the loan portfolio are not its primary business activities. It is more aggressive about identifying potential inner city entrepreneurs and providing the support to start a business. Temali describes this approach using a metaphor of a pipeline. It draws in many candidates for training; lends to some along the way, and provides a wide range of technical assistance towards the end to ensure that these new businesses survive.

Technical assistance is a major component of NDC’s program. Knowing the challenges and pitfalls of starting a business, NDC stays with its entrepreneurs, often building long-term relationships. To provide the specific and concrete assistance entrepreneurs need, NDC uses staff as well as management consultants and a network of professional volunteers, who provide pro bono legal and accounting services. In 1999, NDC clients received over 2,200 hours of technical assistance.

NDC also operates three business incubators as part of its business growth strategy: the Midtown Business Center opened in 1997 and houses 12 small businesses; a kitchen incubator launched in 1998 serves 10 entrepreneurs at any one time, and the Mercado Central which opened in 1999. The majority of

Mercado Central – Facts and Features
- 43 businesses
- 27 start-ups (25 still in operation)
- 86 jobs created (56 jobs + 30 business owners working daily)
- Mix of eateries, grocery stores, vendors of Latin music, clothing, books and crafts
- Vendor cooperative
- Total sales of $1.9 million in first 12 months of operation
NDC’s incubator tenants are graduates of its business training. The most recent project, the Mercado, is an indoor mini-mall in a dilapidated neighborhood in South Minneapolis, home to 43 Latino businesses. (Many graduated from NDC’s Spanish language training classes between 1996 and 1998.) It provides retail businesses with an attractive location, relatively low overhead costs, group marketing opportunities and access to pro-bono technical assistance. This effort involved organizing the Latino community, renovating a run-down two-story building, forming a vendor cooperative to plan and eventually manage the Mercado, and recruiting the right mix of businesses as tenants. It was undertaken by a partnership of four non-profits – a faith-based coalition, a Community Development Corporation (CDC), a real estate developer, and NDC.4

Opened in July 1999, the Mercado tenant businesses include business expansions and start-ups that range from restaurants, to small vendor stalls selling dresses and accessories for the traditional Latin “quinceñera” (a girl’s 15th birthday). A year later, it is a bustling locale, a community gathering place, a destination for Latino and Anglo families, a great lunch spot for local workers, and most importantly, a hand up to emerging immigrant entrepreneurs offering visibility, better access to customers, services, and peer support. It is clearly an asset to the burgeoning Latino community.

Transforming NDC Vision into Reality
NDC’s goal extends beyond microbusiness development to community revitalization — “bringing business to the streets” to create visible change and encourage confidence and additional investment by neighborhood residents. Through its partnership strategy, it works in many neighborhoods to foster:

- business start-ups and expansions
- new jobs
- ethnic businesses that respond to demand for specialized products (e.g. ethnic grocery stores, Latino music and book shops, retailers specializing in ethnic cultural celebrations)
- new community spaces where residents can gather, organize and create a “voice”
- local access to new tools for economic development

These four non-profits included Interfaith Action, Project for Pride in Living, Whittier Community Development Corporation (the real estate developer) and Neighborhood Development Corporation.
With NDC alumni constituting more than half the tenants, the Mercado offers NDC an efficient way to provide technical assistance to its clients. NDC staff person, Rachel Dolan, spends 20 hours per week at the Mercado, serving as a “jack of all trades.” Fresh from several years working with a leading microfinance organization in Bolivia, Dolan knows business development, understands microenterprises and is fluent in Spanish. This makes hers a welcome face around the Mercado. Following her passion for economic community development, Dolan trains, troubleshoots, cajoles and encourages most of the Mercado tenants in diverse ways. She acts as broker, advocate and teacher; her seminar topics for groups of tenants have included employee management, bookkeeping and improving sales.

**The Marketing Strategies: The Original Rationale**

NDC’s addition of marketing to its technical services is understood best with Temali’s pipeline image. What happens closer to the end of the pipeline will have the most influence on business success or failure. Faced with the challenge of achieving successful outcomes with the highest risk entrepreneurs in the poorest neighborhoods, NDC is always looking for ways to help entrepreneurs learn after they start the business. Offering marketing expertise was the next logical challenge to address, as sales growth is an essential determinant of a business’s success. The inner city location of NDC businesses hampers market access. Their owners lack the time, skills and/or financial resources to engage in advertising, as well as the self-confidence, experience and social networks to reach beyond their own neighborhoods or ethnic communities. While these factors make marketing assistance an obvious response to clients’ acute need to increase sales, Temali was challenged by how to pay for it. He was also interested in creating a service capable of recovering some of its cost and achieving greater efficiency than one-on-one consulting provides, especially with a minimal staff. To achieve both objectives, he created an in-house marketing “agency,” a team capable of pursuing bold new strategies encompassing the identification of new markets and innovative methods to access them. Three strategies were developed:

Cluster marketing: As originally proposed to the C.S. Mott Foundation, NDC would identify “clusters” of firms that are selling to the same or similar markets. NDC would help this group of firms approach, assess, and access those target markets and customers, gaining greater economies of scale for NDC in service delivery and providing some efficiencies to a buyer that could purchase from several microenterprises
through one vehicle, NDC. It planned to promote these clusters of firms in:

1) Sympathetic markets, or those including buyers more likely to purchase from inner-city firms or microenterprises, such as NDC neighborhood partners, other community development organizations, non-profits, churches and individuals seeking to support inner city economic development.

2) Mainstream corporate markets, including large and medium-sized corporate buyers where a minority-contracting angle could be pursued, possibly through the Minnesota Minority Supplier Development Council.

3) Accessible markets, or local small business associations, property owners, or government offices that need some business services locally and may have difficulty finding local firms to provide those services.

Cluster marketing would enable NDC to serve multiple clients with one concerted effort. NDC would position itself as the marketing agent or intermediary. Its marketing team would undertake mass mailings, design flyers, attend trade shows, make sales presentations and use other sales techniques. They would generate leads, refer these potential customers to participating businesses in the cluster and charge a commission on each sale. By undertaking one coordinated mass marketing effort on behalf of a group of clients, and subsequently serving as its referral agency, NDC hoped to create greater efficiency in its provision of technical assistance.

NDC defined its cluster concept based on firms sharing common customers or markets because its alumni businesses are mostly retail and service firms that do not fall into narrow business sectors. Clusters are comprised of firms all selling to the same end-market or customers, not firms that buy and sell to each other within a related industry. They can be grouped in clusters of related businesses such as office services, including janitorial services, trash removal, toner cartridge recycling, catering, translation, photography and graphic design. A wedding cluster would include seamstresses (gowns), printers (invitations), photographers, bakers (wedding cakes), florists, wedding coordination services and travel agents. Other potential clusters include building maintenance (carpentry, painting, landscaping, lead paint removal), gifts (hand-made crafts) and food (restaurants and caterers). Each cluster, with 10-15 participating businesses, could be packaged to reach a similar target customer or marketing/distribution channel.
To promote these clusters, NDC created and marketed “brand” names – Urban Business Partners (office services) and Wedding Partners – that customers could easily identify with reliable, local products and services. NDC developed the marketing strategy, created high-quality marketing materials and garnered frequent media coverage to generate inquiries and sales leads. Individual firms could then follow-up on these leads to try to close specific transactions. NDC hand-picked the businesses invited to participate in the cluster based on their capacity to respond to leads, deliver quality products and services, and manage the resulting business growth that increased sales would bring. Over the three-year life of the project, NDC planned to engage 270 businesses and increase their annual sales by 10-20 percent.

The Mercado Central Experience: NDC’s second marketing strategy evolved from its role in creating the Mercado Central. Marketing assistance represented one of the many hats that NDC wore during the Mercado’s planning and development. NDC’s newly established marketing team essentially worked for the Mercado’s Cooperative Board, designing its overall marketing strategy and carrying out selected aspects of it.

During the Mercado’s planning stages, NDC’s marketing efforts included:

1) Launching an “Amigos of the Mercado” campaign to raise interest in and funds for the project.

2) Finding the right mix of businesses and products for the Mercado (eateries, clothing stores, crafts, groceries); NDC set out to achieve a balance of established businesses and start-ups, not only to ensure the Mercado’s commercial success, but also to provide readily available peer support to the start-ups.

3) Marketing the Mercado leading up to the grand opening celebration, radio spots on Latino and Anglo radio stations, and paper and print advertising.

4) Researching and designing the look, colors and logo for the Mercado décor to appeal to both Latino and Anglo shoppers.

5) Marketing to the targeted Anglo market – urban adventurers, school groups, socially conscious suburbanites, etc. Marketing to Latinos was the responsibility of the Mercado Board that planned cultural celebrations on important holidays such as Mother’s Day, the Day of the Dead, Children’s Day and the Mexican Day of Independence. During the years of planning, reno-
vation and recruitment, Board members regularly communicated their dream of the Mercado in their churches.

6) Developing and disseminating public relations materials.

One-on-one marketing assistance: NDC realized that the way to build the capacity of individual microentrepreneurs is to work with them individually on their specific business marketing plan. Dave Bonko, a part-time marketing consultant was brought on to provide hands-on market planning and to develop easy, low-cost marketing tactics, such as letters, cold calls, sales presentations and promotional materials. NDC staff was well aware of the need for marketing services, and demand for this component has far exceeded expectations, because of the interest level of alumni firms and the popularity of Bonko’s useful and relevant guidance. Both the cluster marketing strategy and marketing efforts on behalf of the Mercado Central reflected NDC’s goal to provide effective assistance more efficiently. The next section will trace how its original strategy evolved, and how staff adapted to both circumstances and demand.
IV. Program Evolution

NDC started its marketing program in the spring of 1998, with the receipt of the C.S. Mott Foundation award. It was initially difficult to find qualified, appropriate staff, but once in place, the new marketing team, Megan Bartlett and Dave Bonko, took little time to immerse themselves in the initiatives described earlier. Inevitably, some activities did not go as planned. The demands of the consuming Mercado Central project, rising pressure to work with individual clients, plus disappointing results of their early efforts in cluster marketing, shifted staff focus away from cluster marketing. This led to the near dormancy of the cluster strategy and the rise of a dynamic program of one-on-one assistance. This section describes this evolution.

Cluster Marketing

NDC employed different market strategies based on the distinct distribution and sales channels of each cluster, and on the capacity of the participating firms. Urban Business Partners (UBP), comprised of NDC graduates, was, at the outset, a handpicked group of 22 businesses linked by their office-related products and services. Each paid NDC a $50 fee to participate. To position UBP as a “one-stop shop” for office needs, staff developed mailing lists of 2,500 businesses, nonprofits and churches, a UBP catalog and promotional materials. Over 7,000 pieces of mail were sent out, followed by 1,700 telemarketing follow-ups.

Eight businesses participated in the “Wedding Partners” cluster, and NDC sponsored a booth at an industry trade show in March 1999, and training cluster participants to work it. It also provided participants with the Twin Cities Bridal Association’s mailing list of 1,000 names for 12 months. Using both types of exposure, it targeted the urban bride who might favor local businesses over big chain retailers.

A third “mini cluster” of craftspeople and gift retailers, with high-end, ready-to-go products participated in a corporate gift show. In addition to purchasing a booth at the show, NDC staff distributed professional materials outlining what to expect at the gift show, how to display products and how to develop a sales pitch. For a $20 fee each participant received:

• a full day at the gift show in the Urban Business Partners/NDC booth
• a lead list to use for future direct mailing
• a training workshop
• a reference manual on “Making Trade Shows Work For Your Business.”
These efforts yielded disappointing results. For example, the campaign on behalf of Urban Business Partners generated 63 inquiries, but only one sale worth $14,000. Weak sales can be attributed to circumstances and erroneous assumptions underlying the original approach:

1) The strategy was flawed by a mismatch between NDC’s vision and their alumni’s capacity, illustrated by failure of the entrepreneurs to follow-up on leads they received or mailing lists provided. The number of businesses capable of really taking advantage of NDC-generated leads and tools was much smaller than originally anticipated. NDC’s vision to serve as marketing agent, generating leads and referrals but not coaching or monitoring client follow-up was too limited. Therefore, NDC was compelled to provide assistance that was more individual. Yet, it had neither the time nor resources to do everything necessary to ensure the sale.

2) In the case of the wedding cluster, the lack of follow-up on leads stemmed from NDC’s inadequate knowledge of the target market, coupled with a mismatch between NDC’s strategy of limited assistance and clients’ capacity to take advantage of it. Customers at the bridal trade show were inquiring about services they would need 12-24 months in the future, a different customer with a different timeframe than that to which participants typically sold. Translating these leads into sales would have required an aggressive follow-up over a long period of time, taking NDC far beyond its envisioned role of creating market exposure for its clients. NDC was not prepared to assume responsibility for this type of persistent, long-term follow-up and in most cases, the business owners did not know how and/or could not wait that long for new clients.

3) In addition, NDC made overly optimistic assumptions about its potential to generate income from sales commissions. Its goal was to increase sales of participating firms by 10-20 percent, and earn income for itself by taking a 5 percent commission. NDC experienced far fewer sales than anticipated. In addition, NDC found it difficult to identify and collect even the smallest commissions.

Concurrent with cluster marketing efforts yielding uninspiring results, both Bartlett and Bonko faced competing demands for their time from the individual entrepreneurs who were borrowers of NDC’s Loan Fund, and from the upcoming opening of the Mercado Central.

**The Mercado Central**

In contrast to the clustering experiment, the Mercado Central initiative bore early fruit. In addition to providing quality retail space to
nascent entrepreneurs, the Mercado served as a marketing tool, providing its tenants with visibility and exposure to customers they could not gain by operating alone. Conversely, NDC gained significant advantage as its investment benefited 43 distinct businesses. Through its responsibility for advertising and promotion, signage and logo design, plus tenant selection, NDC played a major role in helping the Mercado emerge as a vital, urban renewal project. The Mercado represents an ethnic and geographic cluster, fitting both with NDC’s marketing strategy, and with its overall program of supporting both business development and community revitalization.

An early challenge was to identify the right mix of businesses for the Mercado. NDC believed the Mercado’s long-term success would depend on its ability to attract both Latino and Anglo shoppers. To this end, NDC sought a mix of traditional Latino retail businesses, food service and restaurants that would support daytime traffic for lunch and dinner. The Mercado Board set selection criteria requiring that tenant businesses be Latino-owned and able to invest $1,000 in Cooperativa Mercado shares. Although 75 percent of the businesses are NDC graduates, NDC and the Cooperative Board had to recruit beyond NDC alumni to bring in an existing restaurant, bakery and taqueria whose name recognition would build early customer traffic. Only one of the five restaurants was an existing business; the remaining four were start-ups. All five restaurants are take-out eateries surrounding a common area with tables and chairs. Most of them now offer catering services.

Efforts to position the Mercado as “a destination” for diners and shoppers have been key to its success. Long before the Grand Opening
in July 1999, NDC conducted a fund-raising campaign that built awareness among a sympathetic audience and provided cash for marketing. It used a major media campaign, including radio spots on mainstream and Latino stations. The Grand Opening was planned as a major cultural celebration. NDC’s attention to the look, colors and visual imagery was also extremely important. The Mercado’s shops have uniform, brightly colored, appealing signage. The marketing team feels that the payoff from investing in creating an image for the Mercado is a lesson that should translate to their other cluster marketing efforts.

The success of NDC’s energetic efforts to draw Anglo customers created some tension among Mercado tenants. Some feared that the high Anglo traffic would undermine Latino motivation to shop there; others complained that making the Mercado something of a tourist destination put their shops on museum-like display for people to look at but not to buy from. Gradually, this tension subsided as the Mercado Board organized cultural events, like Dia de la Madre and Mexican Independence Day, drawing Latino families. Over time, the Mercado has drawn the desired mix of customers. Anglos tend to be more oriented to restaurants and craft shops, while Latinos provide regular traffic at the retail stores. While the first 18 months have been successful, the long-term success of the Mercado remains to be seen.

**Recipe for Success**

Tommy’s Tacos, one of the Mercado’s most successful restaurants, originally projected monthly sales of $5,000. Soon after opening, sales soared to $14,000 and are now between $20,000-$25,000 per month. Tommy’s sister Maria, who moved from Mexico to manage the restaurant, attributes their success to vision, good service, a quality product and constant work. But she is also quick to give NDC credit for helping them focus their menu, enhance the image of their kiosk with bread basket displays and large color photographs of their menu items and price their products appropriately. When their loan from NDC came with a small fund for technical assistance, Tommy and Maria used the money to hire a designer to help them develop new menus, cards and promotional materials. They also have a coupon system that Maria estimates brings in 2-3 new customers a day.

Meeting the marketing needs of both individual businesses, and the Mercado itself, also has generated some tension. Some tenants
assume that the Mercado will do all the marketing or they expect to piggyback on the efforts of a few businesses. The more successful businesses do their own advertising and promotions. Less established businesses have to rely on NDC’s Mercado marketing materials, often asking for more services at no additional costs. In the short-term, this tension places stress on the Cooperative Board, which is sometimes called upon to respond to tenants’ unrealistic expectations and demands. In the long-term, it can undermine the success of the Mercado itself, since its success ultimately depends on healthy businesses.

While NDC’s priority in 1999 was to market the Mercado and to ensure a successful launch, its focus shifted in early 2000 to strengthening internal capacity and to providing marketing services to individual businesses. After the Mercado’s grand opening, the realities of daily operations revealed other challenges. Individually, entrepreneurs focused on getting their own businesses in shape. Together, as cooperative owners, they were preoccupied with day-to-day issues, such as installing air conditioning and hiring a new Cooperative manager. The Board, while committed and well intentioned, had limited experience in managing a large facility or in managing the demands and expectations of 43 tenants. The immediate Board priorities became clear communication with tenants to manage immediate expectations, and responding to immediate maintenance problems, like faulty air conditioning, leaving little time for long-term planning.

NDC has worked extensively with the Board to help develop communications tools, hire a building manager and develop guidelines for how the Board should operate. In late 2000, NDC transferred responsibility for marketing the Mercado to the Board, as it developed its management capacity. This has raised some strategic questions about tenant mix and the Mercado’s long-term market viability. The Mercado board has aimed its marketing activities to the local Latino community and has not taken up NDC’s outreach to a broader market. While total sales have held steady in 2001, NDC estimates that the percentage of Anglo customers has declined because of the Mercado’s marketing focus on the Latino community. This is evidenced by the recent closure of four retail businesses, oriented to Anglo customers, while retail businesses targeting Latino customers are more successful. It is too early to tell whether a narrower market base, and reduced Anglo presence in the Mercado, will affect long-term sales and viability.

**Guerilla Marketing for Individual Clients**

Individual marketing assistance was in high demand, and it, too, bore quick results. With both academic training in marketing, and experience as a small business owner, Bonko was the right person to bring dynamic marketing responses to struggling entrepreneurs. Requests came from all NDC staff, but the pressure was strongest from
program borrowers, who needed to increase sales to make their loan payments. Bonko estimates that, in 1999, he spent 60 percent of his time helping 20 clients, all NDC graduates. Of this, 90 percent was spent with NDC borrowers.

Bonko’s goal is to teach entrepreneurs how to effectively use a range of low-cost tactics that will yield a 10-fold return on their investment. He also seeks to change entrepreneurs’ perceptions about rejection in the marketplace, and to teach them to anticipate customers’ objections and be ready to respond. The process he uses includes the following series of steps:

1) Meet the entrepreneur at his place of business;
2) Discover his or her passion for the business and build trust;
3) Define and develop a profile of the target customer;
4) Identify the benefits this business offers the target customer; what benefits will beat lower prices elsewhere?
5) Review past marketing efforts, tactics, and results;
6) Research the industry on the Internet and in the library;
7) Analyze marketing opportunities – direct mail, signage, publicity, potential for wholesale, etc.

An art gallery featuring arts and crafts from the African continent received individualized marketing assistance from NDC.
8) Draft a marketing plan, incorporating flyers, postcards, coupons, community benefit events;

9) Finalize a plan of action, in light of the owner’s available funds and skills for marketing. Bonko usually helps by creating marketing materials, and coaching the entrepreneur through sales presentations.

**Marketing Tactics for Micros**

“Salon Source” is a beauty supply store that opened in September 1999. Owner Betty Simpson thought she could help her business and someone else – in this case, a little girl needing a bone marrow transplant whose case had been well-publicized. Bonko helped Betty set up three blood drives at her store to find a bone marrow match for the girl. On those days, 10 percent of sales would be donated to the girl’s family. This benefit gained significant publicity for the new store, including radio interviews, a local TV news feature and several newspaper articles.

“African Sky Originals” is an art gallery of African art and crafts from across the continent. Bonko helped the owner market his shop to companies and organizations as the source of unique items for special displays in honor of Black History month.

“Celia’s Kitchen,” already active in its north Minneapolis community, wanted to improve business on one of its slow nights. Bonko and management consultant Dale White came up with an idea for “Poet’s Night” – when, on Wednesdays, customers would be invited to read their poetry in the restaurant. The event was advertised on tent cards (available inexpensively at office supply stores and ready for printing on a home computer) placed at each table. The first night featured four poets, the second, six. One customer said, “I love to hear different people’s poems. It is like going to church for testifying. You listen and you know: Wow! I’m not alone in this.” (Quoted from the Minneapolis Star Tribune, February 23, 2000.)

Using this process with Mark Temple, whose business is recycling anti-freeze, Bonko guided him through library research to create a mailing list, helped his wife learn to use a computerized billing template, and coached him through sales presentations. For five weeks, Bonko spent an estimated 4-5 hours per week with Temple, who eventually secured a significant contract with a utility company. Although Bonko has tried to teach some of these skills in workshop settings, poor atten-
dance has deterred him from further pursuing this route.

In addition to flyers, direct mailing and other simple, low-cost marketing tactics, Bonko tries to use free, local media coverage whenever possible. This has capitalized on NDC’s encouragement of community service by its graduates, and has made NDC the first stop for local reporters looking for stories on small businesses.

Marketing Tactics: Media Coverage as Free Advertising

Lionel Martin has worked as an oven operator at the Hearty Bread Company for 14 years. But from the time he was 9, Lionel has dreamed of owning his own business and now at 37, that dream is coming true with his first commercially produced batch of Martin’s Gourmet Barbecue Sauce, a product he developed in his kitchen at home. This product, Lionel claims, cannot fail because it is part of him. Well before receiving the first cases of sauce from his co-packer, Lionel wrote publicity material, including musical ditties, for sales presentations and radio advertisements. He made his costume for in-store demonstrations. When his product shipment finally arrived, he was eager to shop it around to specialty food stores and sought help from Bonko. Together, they developed the product’s selling points, anticipated store managers’ objections to yet another homemade barbecue sauce competing for shelf space with many others, and carefully chose words for the sales pitch. Bonko suggested securing local media coverage as “free advertising,” capitalizing on Lionel’s exuberant personality, high energy and persistence. Between October 2000 and March 2001, Lionel secured 10 publicity opportunities in local newspaper, television and radio that would have cost more than $26,000 in comparable advertising space or minutes. Sales reached $12,000 in the first eight months of operation. Determined to succeed, Lionel’s goal is a future when Martin’s Gourmet Barbecue Sauce – all five varieties – would be written up in Ebony magazine, and he would be in a position to give back to his community by supporting youth programs.

Accessing corporate buyers: Another ongoing strategy has been to market NDC alumni to corporations through their diversity buyers or minority contracting departments. With NDC providing free access to the “real deal” – a quality product by inner city, minority entrepreneurs – Bonko was initially optimistic about this market. Staff attempted to
access corporate markets both directly and via the Minnesota Minority Suppliers Development Council (MMSDC), an organization that certifies minority-owned businesses and links them to corporate buyers looking for minority-owned businesses as suppliers.

To participate, the minority business owner must complete a lengthy, complex certification process. The corporate buyer pays an annual subscription fee of $1,000 - $5,000 for a directory of these MMSDC certified businesses. While serving as an efficient one-stop shop for corporate minority contractors, MMSDC’s high barriers to certification attract larger and better-established businesses than those with which NDC works. NDC’s clients are unlikely to meet those standards and do not have the capacity to handle larger contracts. To gain access to minority contracting officers, Bonko has written letters to corporations, attended a conference of the Minnesota Minority Supplier Development Council (MMSDC) and participated in a Governor’s Task Force on Minority Businesses. While these efforts yielded several interviews with corporations (e.g. Norwest/Wells, Honeywell), they have not led to any sales. This experience has highlighted the potential mismatch between the minority supplier market of larger firms and microentrepreneurs.
V. Program Achievements

Overall, NDC’s willingness to take risks in helping its training graduates has led to innovative types of market assistance and new delivery channels to increase efficiency and cost-effectiveness. The cluster marketing strategy has yielded lessons that will help NDC further sharpen its efforts to provide market access to microenterprises in a cost-effective way. (See Section VI, Lessons and Challenges.) The Mercado Central has been a highly successful strategy both for business development and neighborhood revitalization. Targeting 43 businesses, all in one location with similar target customers, also has provided a cost method for assisting individual businesses. One-on-one marketing assistance has grown into a critical piece of NDC’s ongoing support, providing clients with marketing plans and practical tools that can be used with limited resources.

While NDC has achieved many of its original goals, circumstances have led to changes in planned execution. In 1999, the launch of the Mercado dominated the marketing staff’s agenda, leaving less time for cluster marketing. In addition, the need for targeted assistance to individual business owners was greater among NDC borrowers than originally forecast. Accordingly, program achievements are concentrated in the Mercado effort and in one-on-one technical assistance. NDC’s principle achievements with its multiple marketing efforts are highlighted in the box below and explained in detail in this section.

Increasing Access to Markets — A Summary of NDC Achievements

- 27 start-up businesses launched in the Mercado and significant growth for established entrepreneurs who moved there (only four business failures in the first 18 months of operation);
- 88 jobs created among Mercado businesses, including 56 paid employees and 32 owner-operators working on a day-to-day basis;
- The development and execution of tailored marketing plans for 25 clients;
- Successful marketing of the Mercado retail incubator for 43 Latino businesses, laying the foundation for a geographic and thematic cluster and an ethnic shopping destination for Latinos and Anglos;
- Positioning NDC as a publicity/public relations firm with access to many Twin Cities media contacts that could provide NDC businesses and the Mercado with free media coverage and publicity;
- Implementing good management information tools to track costs, revenues and outcomes associated with each marketing strategy, helping NDC staff assess, revise and re-evaluate program outcomes and methods;
- Training in and technical assistance with low-cost, effective marketing strategies and tools for microenterprises.
The revenues and costs associated with each of these strategies is presented in Appendix A, and the Actual to Budget Comparison for the Mott ATM grant is in Appendix B.

**Cluster Marketing**

While the primary goal of the cluster marketing strategy was to increase clients’ access to new markets, two goals informed its design: 1) to facilitate access to new markets more efficiently than one-on-one assistance; and 2) to use NDC’s role as a “marketing agency” to generate commissions of 10 percent of sales to offset the costs of providing services. NDC successfully organized three clusters since the inception of the Mott Foundation grant (March 1, 1998) and faithfully carried out the intermediary role it proscribed for itself. It produced excellent educational and marketing tools, including brochures, catalogues and written guidelines for trade show participation, plus mass mailings for each cluster. These activities generated significant contacts and leads. However, client sales and related commissions fell significantly short of original targets.

*Urban Business Partners cluster*: NDC created a directory with a one-page advertisement for each business. NDC served as the contact for any inquiries and referred the lead to the relevant member business. Inquiries for a service or product offered by more than one member were sent to all, to give the buyer a choice. The first sale, a $14,000 contract for a waste removal business, happened quickly, but no subsequent sales were made. In 1999, NDC organized the *Wedding Partners* cluster, produced a high-quality brochure highlighting eight firms and trained members to work a trade show. That year, it also helped three firms participate in the Minnesota Corporate Gift Show as a way to access new buyers for their gift items.

Despite these efforts, sales commissions from the cluster marketing effort fell far short of projected earnings of $18,000 in Year 1, $50,000 in Year 2, and $93,000 in Year 3. NDC staff believes that firms were not able or willing to follow-up quickly on referrals. In addition, NDC’s program design did not include the kind of follow-up with the clients that experience taught them was necessary.

<table>
<thead>
<tr>
<th>Clusters Revenue</th>
<th>Year 1 (3/1/98 - 2/28/99)</th>
<th>Year 2 (3/1/99 - 2/28/00)</th>
<th>Year 3 (3/1/00 - 2/28/01)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Commissions and Participation Fees (Grant Year of 3/1 - 2/28)</td>
<td>$18,000</td>
<td>$50,000</td>
<td>$93,000</td>
</tr>
<tr>
<td>Actual Commissions and Participation Fees (Calendar Year)</td>
<td>$1,082</td>
<td>$200</td>
<td>$0 (no clusters launched)</td>
</tr>
</tbody>
</table>
**An Urban Business Partners Success Story**

Run by a husband and wife team, United Refuse Management had 26 customers five years ago. With no other employees, the husband drove the one truck and she managed the office and sales. They focused on monthly contracts for trash collection and dumpsters for one-time clean-ups. After joining the Urban Business Partners (UBP) cluster in 1998, the company secured one large contract for $14,000, several smaller contracts for one-time waste dumpster hauling, and some very good leads. Sales in 1999 reached $250,000 with two large contracts of $35,000 and $40,000 per year. Sales in 2000 are expected to reach $350,000. URM now has five trucks, 35 dumpsters and 2.5 full-time equivalent employees as extra drivers. The owners believe that the UBP cluster provided them with access to good leads and new customers for relatively little cost. They are wary of spending on marketing, because it is easy to spend money without results. NDC also helped them decide that flyers and the Yellow Pages were good investments, and to be more strategic in their marketing by focusing on repeat customers (e.g. banks who repossess and clean out houses). What is the biggest challenge in managing this growth? First, “keeping our priorities straight” and spending money where it will yield cash return on investment rather than sit in excess materials or unused dumpsters. Secondly, managing the monthly break-even cash flow and sales level in a seasonal business. NDC helped them find an accountant who is teaching the wife how to keep monthly books on their new computer and how to smooth their cash expenses to match revenue streams.

**Mercado Central**

The Cooperativa Mercado Central has been a success for its member businesses, for the neighborhood in which it is located, and for the broader Latino community. NDC’s official role in the launch and management of the Mercado Central was to market it as a shopping destination for both Latinos and Anglos. This process began in 1998, accelerating and expanding through the Grand Opening in July 1999. Accomplishments with the Mercado include:

1) Creation of a successful Latino shopping destination in Minneapolis: The Mercado has successfully attracted Latino and Anglo customers and become a successful retail location. The cooperative has 43
member businesses and four other tenants, who rent directly from the building owner. In the first five months of operation, gross sales for the 34 Mercado businesses were $902,000, and for calendar year 2000, gross sales were $3.5 million. Mercado businesses paid an estimated $100,000 in state and local sales taxes in the first year of operation.

2) Launch of 27 start-up businesses: More than 60 percent of the original tenants were start-up businesses; 13 were business expansions, adding a second location in the Mercado; and three were transplants from another location. In the first 18 months, four start-ups have closed and been replaced by new ones. An additional seven have moved out of the Mercado (but are still operating). These have been replaced with two new start-ups and two expansion businesses, with the remaining three locations to be filled by June 2001. The businesses are primarily retail (27) and service (13), with one wholesaler, a tortilla maker. Nearly all firms are owner-operated and managed. Approximately 50 percent are sole proprietorships.

3) Significant growth of Mercado-based businesses: Many Mercado businesses have grown significantly, becoming “anchor tenants” and even expanding to second locations near the Mercado. Total sales\(^5\) in the five months of 1999 were $900,000. Total sales in the full year 2000 reached $3.5 million. For example, all five restaurants (one expansion business and four start-ups) now provide catering outside the Mercado. As shown in Table 2, two tenants have added second locations and three more are planning the same.

4) Creation of 88 jobs: Based on a survey of tenant firms, the Mercado businesses have created over 56 jobs as of August 2000, in addition to 32 owner-operators working full time at the Mercado. Approximately half of the 56 jobs are paid jobs held by family members, and the remainder are non-family employees. Many businesses also use family members as unpaid labor. Few offer benefits to employees.

5) Neighborhood revitalization and change: The Mercado has generated a critical mass of daily and weekend customer traffic, benefiting all tenant businesses. It also physically has revitalized an old building and attracted additional business investment. At the Grand Opening, the buildings surrounding the Mercado were abandoned and shuttered. Eighteen months later, signs of economic vitality are beginning to emerge: Mercado businesses are expanding and outside investors have purchased two buildings adjacent to the Mercado.

\(^5\)Although there are 43 tenants in the Mercado, only 34 of them are full Cooperative members and only those are required to provide regular financial reporting to NDC as part of their lease. All sales and jobs figures are for those 34 firms unless otherwise noted.
### Table 2: Mercado Businesses, NDC Assistance & Growth

<table>
<thead>
<tr>
<th>Business</th>
<th>Description</th>
<th>NDC Assistance</th>
<th>Current Business Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tommy’s Tacos</td>
<td>Start-up restaurant established by brother and sister</td>
<td>• Financial management (cash flow, using financial statements)</td>
<td>• Monthly sales have grown from $14,414 in August 1999 (right after opening) to $25,941 in June 2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Menu and restaurant design</td>
<td>• Working with NDC on expansion plans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Product pricing and cost analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Loan from NDC loan fund plus a grant to hire designer for new menus, materials</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Monthly sales have grown from $14,414 in August 1999 (right after opening) to $25,941 in June 2000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Working with NDC on expansion plans</td>
<td></td>
</tr>
<tr>
<td>Casa Nueva</td>
<td>Start-up restaurant</td>
<td>• Financial management (cash flow, accounting)</td>
<td>• Monthly sales have increased from $19,000 in August 1999 to $29,000 in June 2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Helped them secure loans from NDC and a bank</td>
<td>• Working with NDC on expansion plans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Menu consulting</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pro bono legal assistance</td>
<td></td>
</tr>
<tr>
<td>Comparos</td>
<td>Home-based catering that formalized as a restaurant in the Mercado</td>
<td>• Financial management</td>
<td>• Monthly sales have grown modestly from $4,775 in August 1999 to $6,395 in June 2000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Operations assessment to identify challenges and issues</td>
<td>• Owner may choose to return to part time, home-based</td>
</tr>
<tr>
<td>Siesta Cafe</td>
<td>Business start-up</td>
<td>• Financial management help (accounting, insurance, taxes)</td>
<td>• Demand for tamales from restaurants led to wholesale business</td>
</tr>
<tr>
<td></td>
<td>Coffee shop in Mercado</td>
<td>• Wholesaling licensing requirements</td>
<td>• Coffee shop is retail location</td>
</tr>
<tr>
<td></td>
<td>(formerly sold tamales from a cooler outside a church)</td>
<td>• Lease vs. purchase analysis for expansion into commercial kitchen</td>
<td>• Renting commercial kitchen for tamale production (2 blocks from Mercado)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Marketing (flyers, logos, business cards)</td>
<td>• Annual sales $220,000 in 2000 ($18,350 per month)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pro bono legal assistance to incorporate before expansion</td>
<td>• Grew from 2 to 6 employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Monthly sales have grown modestly from $4,775 in August 1999 to $6,395 in June 2000</td>
<td></td>
</tr>
<tr>
<td>Creaciones Martina</td>
<td>Retail start-up (clothing, gifts for Latino events)</td>
<td>• Financial management</td>
<td>• Demand for tamales from restaurants led to wholesale business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Taxes and sales tax reporting</td>
<td>• Coffee shop is retail location</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expansion evaluation and lease vs. buy analysis</td>
<td>• Renting commercial kitchen for tamale production (2 blocks from Mercado)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Marketing (flyers, logos, business cards)</td>
<td>• Annual sales $220,000 in 2000 ($18,350 per month)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pro bono legal assistance to incorporate before expansion</td>
<td>• Grew from 2 to 6 employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Monthly sales in 2000 increased from $5,000 to $20,000 (opened second location when sales hit $10,000 per month in Mercado)</td>
<td></td>
</tr>
<tr>
<td>Cortez Inc.</td>
<td>Start-up tortilla manufacturer</td>
<td>• Financial management (cash flow, taxes)</td>
<td>• Sales have reached $29,500 per month</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Licensing help (Dept. of Agriculture, city wholesalers license)</td>
<td>• Grew from 2 to 9 employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Logo, packaging design</td>
<td>• Reviewing expansion plans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pricing analysis (wholesale vs. retail)</td>
<td>• Won NDC’s Entrepreneur of the Year Award in Spring 2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Secured Dept. of Agriculture approval on tortilla machine</td>
<td></td>
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<td></td>
<td></td>
<td>• Helped secure bank and city financing for tortilla equipment</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Employment counseling and linkages to payroll and accounting services</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Monthly sales have grown from $19,000 in August 1999 to $29,000 in June 2000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Working with NDC on expansion plans</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Demand for tamales from restaurants led to wholesale business</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Coffee shop is retail location</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Renting commercial kitchen for tamale production (2 blocks from Mercado)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Annual sales $220,000 in 2000 ($18,350 per month)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Grew from 2 to 6 employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reviewing expansion plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Won NDC’s Entrepreneur of the Year Award in Spring 2001</td>
<td></td>
</tr>
</tbody>
</table>
6) Cost-effective delivery of marketing services to individual businesses: NDC’s delivery of technical assistance services to tenants in the Mercado cluster was more cost-effective than the other two strategies for several reasons:

- NDC’s close relationship with these businesses allowed NDC to tailor services to meet specific issues, such as cash flow, insurance, taxes, display and merchandizing, and restaurant operations.

- Some technical assistance could be delivered via group workshops, at less cost to NDC with minimal loss in effectiveness. Mercado workshops have been well attended, perhaps because the information is focused on specific issues all tenants face. NDC has conducted workshops in paying taxes, financial accounting, boosting sales, and merchandising and display.

- NDC set expectations early on by requiring tenants to use DOME books or Quicken for accounting, and to provide monthly financial reporting, offering workshops to help them get started.

- Close physical proximity made time management efficient.

Mercado Success Factors:

Get the right tenant mix, including:

- a balance of start-ups and expansion (name recognition, less risk)
- good restaurants that draw lunch and dinner traffic that can benefit other businesses
- businesses with low cost-structures and high cash-flow

Use screening criteria to identify viable cooperative members including:

- a good business plan and financial projections
- at least 51 percent Latino owned
- able to invest $1,000 in Cooperative shares
- understanding of coop member responsibilities

The financial performance of the Mercado is difficult to measure. NDC did not project any revenue, and costs are difficult to separate from NDC’s role in the design and launch of the project. Grant support
for the entire project came from the Mott grant, as well as other grant sources, local foundations, corporations and individuals. NDC was not responsible for building improvements or other large investments. According to staff, the total cost of building purchase, rehab and build-outs was about $2.5 million. Since the 1999 opening, NDC has spent an additional $30,000 for staff time on Mercado development (66 percent) and technical assistance to individual businesses (33 percent). In addition, other Mercado partners paid short-term consultants to address specific needs.

**One-on-one Marketing Assistance**

Recognizing that real learning occurs once clients are actually running their businesses, NDC has always emphasized the critical role of ongoing technical assistance to its graduates. The Mott Access to Markets demonstration enabled NDC to add professional marketing assistance to its other legal, managerial and accounting services. Accomplishments for the one-to-one marketing strategy include:

1) Providing “street-smart” marketing tactics appropriate to microenterprises: NDC recognized the need for low-cost, low-skill marketing tactics from someone who can relate well to microentrepreneurs. Dave Bonko offers small firms practical, easily implemented ideas for letters, flyers, posters and postcards that can be produced quickly and inexpensively. He helps clients develop simple marketing plans, composed of action-oriented steps (e.g. flyers, sales calls, sales pitches, promotional tools), and coaches them through the process of implementation. The demand for his services suggests that it is highly valued among firms.

2) Providing in-depth marketing assistance to nearly 25 clients in 1999: NDC’s marketing expert worked closely with 25 firms in 1999, in addition to extensive time on the Mercado launch in the first two quarters of the year. Of those, about 50 percent were NDC borrowers in crisis (needing immediate assistance) and 50 percent were NDC graduates looking to expand and grow. In contrast, the cluster marketing strategy served 22 firms in three clusters with more limited results. While 25 firms is a relatively small percentage of NDC’s customer base, the one-on-one consulting delivered quality services and is thought to have been more effective in changing client behavior. NDC did not track sales growth for firms that completed marketing plans.
3) Leveraging NDC’s ability to secure free publicity and advertising for microenterprises: NDC has developed relationships with many Twin Cities media contacts, including major newspapers and Ventures magazine, to secure media coverage as free advertising for NDC clients individually and the Mercado as a whole. Small business reporters often call NDC looking for a specific type of business or story, and NDC refers them to one of its own graduates. In addition, nearly all NDC staff has been profiled in Ventures magazine, a local publication for small business. NDC has been reluctant to draw attention, however, in the future may try to secure coverage of clusters of NDC graduates, rather than just individual firms.

NDC’s efforts to help its alumni microenterprises reach new markets are impressive. Some strategies were more cost-effective than others, based on the cost and revenue data for NDC and the sales of client businesses. From less successful strategies, the organization has learned valuable lessons that will inform future actions. These are shared in the next section.
VI. LESSONS AND CHALLENGES

NDC has drawn several conclusions about what has worked, what has not and how programs can be refined to meet their objectives. Part of NDC’s success lies in staff’s ability to reflect critically on its work and revise its action plans accordingly. This section summarizes the lessons learned by NDC mid-way through the Mott Access to Markets grant, the remaining challenges and NDC’s plans for moving forward in each marketing strategy.

NDC’s continuing challenge is to balance efficient and cost-effective service delivery with high-impact assistance tailored to individual businesses. NDC is committed to providing its clients with high quality, professional technical assistance. The challenge is how to reduce the cost of investment with the number of firms that benefit. Both cluster-based marketing and the Mercado, as a thematic cluster, provide some efficiencies of scale in helping microenterprises to access new markets. Of the two, the Mercado has been more successful, partly because of the larger investment of staff time and energy, and the economies of scale in serving 43 firms sharing similar concerns. The Mercado benefited 43 firms, more than double the number of firms in the other two strategies. However, it required significant investment to establish, well beyond the capacity of most microenterprise organizations.

Reflecting on their difficulties in implementing this strategy, NDC’s marketing team identified the following lessons and conclusions.

A. Cluster-Based Marketing

Lessons learned include:

1) A single sector or cluster focus allows better depth and quality of marketing services. NDC’s success in marketing the Mercado as a thematic cluster indicates the value of the cluster concept. In-depth knowledge of the local marketplace for Latino businesses enabled NDC to carefully execute image marketing and publicity, as well as screen the businesses that would be participating. NDC had success with both retail and manufacturing businesses in the Mercado. In contrast, implementing three “clusters” instead of one, resulted in less substantial and one-time interventions that yielded unsatisfying results. Staff had to juggle competing demands from other NDC activities, further reducing focus and time commitment to cluster marketing.
2) The market opportunity must be a realistic match with the capacity of firms. NDC over-estimated the capacity of cluster participants to successfully act on those market opportunities, as evidenced by the lack of sales. NDC realized that firms needed three things: good market information and preparation, access and market connections, and post-access selling and closing skills. The latter was a critical piece of the puzzle, but was not built into the cluster strategy. That support was provided as one-on-one consulting services, but not provided to cluster participants in a coordinated strategy.

3) The marketing agent role is likely to work best with better-performing firms. High-performing microenterprises have capacity to take advantage of sales leads on their own. While NDC’s cluster marketing concept is a great idea for efficient service delivery, it is likely to benefit only a small percentage of NDC graduates.

4) For microenterprises, a cluster-based marketing strategy needs a strong capacity-building component. The ability to take advantage of new market access cannot be assumed. In NDC’s experience, the first cluster (office services) suffered from participants’ failure to follow up on leads referred by NDC. Participating firms needed to have the ability and commitment to deliver quality service to customers, and to build a good reputation for Urban Business Partners as a whole. While the original UBP firms were handpicked to share a target customer group, staff now realizes that firms also need to have the internal capacity and commitment to deliver quality customer service.

5) The original vision of matching NDC graduates to corporate buyers was optimistic. While the participants in the initial clusters were handpicked, NDC staff believes it should have segmented the cluster marketing strategy to fit the capacities and market opportunities for specific groups of firms (e.g. top performers, near top performers, good performers, etc.).

6) An umbrella marketing name or identity can benefit multiple firms. NDC marketing efforts created a quality image for the whole indoor mall, which then benefited individual businesses. Similarly, NDC staff believes it now leverages Urban Business Partners as more of a market “brand” or umbrella, capable of enhancing the image of participating firms, especially among buyers familiar with NDC and the support it provides to neighborhood businesses.
Going forward, the challenges for cluster-based marketing include:

1) Better matching of entrepreneurial capacity with the type of marketing services. The mix of cluster-based marketing services needs to be tailored to the capacity of the clients. Those with more capacity are more able to take advantage of market access and new opportunities; those with less capacity need more help in all three steps of the process, not just market access. NDC plans to try clusters with a stronger capacity-building element.

2) Balancing the need for capacity building with cost-effective service delivery. While the cluster approach is a cost-effective delivery concept, the breadth and depth of the marketing assistance needed by microenterprises is usually high. To improve cost-effectiveness, programs need to develop screening techniques to identify the firms with the highest chance of success, allowing them to focus their limited and costly resources on those entrepreneurs. NDC used microfinance’s “stepped lending” as an analogy: providing basic, lower cost services to all firms and narrowing the number of firms receiving intensive services.

B. The Mercado

While technically an incubator, the Mercado also has functioned as a thematic cluster of Latino businesses. Mostly retail and service businesses, the Mercado does include five restaurants, which have acted as a mini-cluster. As noted earlier, NDC’s initial role was marketing for the Mercado as a whole, evolving to include assistance to individual businesses, as well as advising the cooperative’s board on start-up and operational challenges. NDC’s success with the Mercado holds several lessons about effective marketing strategies, incubator management and the design and launch of a cooperative.

Specific lessons include:

1) Advance marketing and market positioning before Opening Day were critical to success. NDC invested significant time and resources into defining the Mercado’s message and appeal to Latino and Anglo markets. The advertising campaigns used Latino radio stations and public radio spots, as well as print mailings in the surrounding neighborhoods to generate lunchtime traffic for the restaurants.

2) Thoughtful attention to image and visual appeal kept customers returning to the Mercado. NDC chose the colors, signage and layout of the stores in the Mercado to be stylish and attractive, generating
strong crossover appeal to the Anglo lunch crowd, as well as to Latino shoppers. The image of commercial success started right away and benefits all tenants in the Mercado.

3) The tenant mix of expansion and start-up businesses reduced risk to NDC and to the incubator. NDC consciously recruited a mix of expansion businesses and start-ups, recruiting some existing Latino businesses on the strength of their existing reputation and customer base. With greater likelihood of success, these experienced entrepreneurs reduced financial risk to the entire cooperative, and modeled management behavior and marketing techniques for first-timers.

4) Screening criteria for Mercado tenants improved chances of success. To be accepted in the Mercado, each business had to have a business plan with financial projections, a bank account and $1,000 to invest in shares of the cooperative. These criteria screened out those who were not willing to make a commitment to the cooperative and those not prepared for growth. In addition, all cooperative members had to agree to prepare monthly financials using Quick Books (computer-based) or Dome Books (paper). NDC’s training to help tenants set up their accounting systems has allowed it to track performance of the Mercado as a whole, to identify individual businesses with technical assistance needs, and to monitor community impact (sales, jobs, taxes paid).

5) Board training and consistent communication with cooperative members needed to be early priorities. NDC initially underestimated the challenge of building a management structure for the cooperative. Lack of clarity on the roles and expectations of individual members, versus the cooperative, led to some confusion and unrealistic expectations. The Board members were under strain as they tried to create a management structure for the cooperative and launch their businesses at the same time. NDC and the Board now know that clear and consistent communication about what the cooperative does and what members should do is very important.

6) Quality technical assistance can be provided cost-effectively to a geographic and thematic cluster of firms. As described under Program Accomplishments, NDC has marketed the Mercado as a whole, benefiting all tenants who then see higher customer traffic. Rachel Dolan also has encouraged cooperative members to use a Mercado tag line in their advertising, so that
individual marketing efforts benefit the Mercado and all its tenants. NDC estimates spending about $10,000 on staff time for technical assistance to 34 Mercado businesses, a low cost per firm that provided impressive results with several firms.

NDC staff also believed that the effective partnership among the four non-profit organizations has been a strong factor in the Mercado’s success. The staff of those organizations already trusted each other, recognized that each had a specific area of expertise, and could define each organization’s responsibilities clearly.

While the Mercado had a very successful start, it also faces challenges. Many similar development ventures that began successfully, as did the Mercado, ultimately failed. It will be difficult for the Mercado to retain the initial enthusiasm of customers and sustain the venture over time. NDC staff identified several challenges facing a retail incubator like the Mercado:

1) Strengthening management and governance of the Mercado. NDC has helped the Board define its role, clarify its responsibilities and grow into an effective management entity. The ongoing challenge is to create a strong culture of Board governance that survives the initial leadership. The self-interests among tenants and the Mercado itself are not always aligned. Sustainable systems for conflict management will be a key of the Mercado’s success, and of other cooperatively managed incubators. While the Board has assumed all responsibilities for operations and marketing, it may choose to contract for services from one of the four nonprofits to reduce the Board’s workload and improve quality.

2) Continued marketing to the most viable customer segments. NDC initially promoted the Mercado as an appealing shopping destination for Anglos, as well as Latinos, to increase the number of customers coming through the incubator. The Mercado Board has focused its marketing efforts on the Latino community, in a belief that those customers will be long-term, repeat business. While Latino-focused businesses have been successful under the Board’s marketing effort, it is too soon to know whether this will be a viable, long-term customer base for the Mercado.

3) Finding subsidy for ongoing, strategic investment in the Mercado and its businesses. While the Mercado operates at about break-even (monthly costs average $15,000, and total rental income is $17,000), the Mercado has little financial cushion for special projects or marketing initiatives. NDC has realized that the Mercado needs
additional subsidy for marketing programs, Board development and training, and individual business development. To date, these activities have been paid through staff time. NDC staff believes these should be ongoing investments to ensure the Mercado’s long-term success and its continued role in community and business development.

C. One-on-one Marketing Assistance

Lessons from NDC’s one-on-one marketing assistance program include:

1) Marketing assistance has the greatest affect on entrepreneurs when offered by someone with marketing experience and credibility with small firms. NDC realized that a staff generalist could not provide marketing help for its graduates. Dave Bonko brings to his job a dynamic combination of commercial marketing experience, small business ownership, street-smart practicality and the temperament to work with NDC graduates. He emphasizes practical and inexpensive marketing plans that business owners with little time and budget can execute quickly and easily. In addition, he has the interpersonal skills to motivate business owners to try new things and determine whether a marketing approach is yielding results.

2) Microentrepreneurs can use low-cost marketing tools and tactics with good results. Using postcards for mailings, flyers, the Yellow Pages and other simple, inexpensive techniques, several NDC graduates have successfully increased their sales and profitability. Bonko’s focus on practical, easy, and inexpensive marketing plans has yielded results for a wide range of small firms, and is very compatible with their reluctance to pay for the “fuzzy” expense of marketing.

3) One-on-one consulting may be the most effective delivery channel for technical assistance to microenterprises. Although NDC’s cluster-based marketing was born from the search for more efficient delivery mechanisms, strong demand for one-to-one assistance continues. This demand comes from loan officers worried about the status of their loans, and from business owners themselves. While some marketing services can be delivered more efficiently through workshops, Bonko’s attempts to offer marketing seminars have been poorly attended. Most firms need hands-on help to develop and implement a marketing plan. Therefore, while new delivery strategies might reduce clients’ dependence on one-to-one consulting, NDC cannot replace it entirely.
Despite the power of placing affordable marketing skills in entrepreneurs’ hands, this approach has limitations – specifically, NDC’s resources and expertise. Challenges for improving cost-effectiveness of the consulting strategy include:

1) Meeting demand for services: Almost everyone wants the kind of hands-on marketing help that Bonko can provide. Although he has not said no to anyone yet, demand for service will outstrip the supply. Already, NDC alumni complain of the delays in getting the marketing attention they need. When programs try to expand to meet the demand, their ability to attract experienced, capable providers is a constraint.

2) Paying for services: NDC does not currently charge fees for its one-on-one consulting services, so they must be grant funded. While many organizations charge nominal fees on a sliding scale, a handful charge fees that reflect the costs of providing the services. A tiered system of fees (perhaps increasing over time so that firms can test the cost-benefit of a specific type of technical assistance) has benefits, because fees generate some revenues to offset costs; they screen out those entrepreneurs less committed to business growth; and entrepreneurs may be more eager to heed recommendations that they pay for.

3) Increasing cost-effectiveness by strategic investment of NDC staff time: As noted above, NDC is considering applying the “stepped loans” principle to its marketing services. It would offer firms smaller investments of staff time until they can demonstrate their capacity and desire to pursue new marketing opportunities. This would allow NDC to focus its marketing investments in the most capable firms and, according to Mike Temali, “perhaps address the longtime and vexing issue of non-responsiveness by entrepreneurs.”

4) Developing incentives and resources to reduce staff’s role in implementation of marketing strategies: Like many microenterprise organizations, NDC staff often spends significant time on the actual production of marketing materials (flyers, sales letters, logos, etc.). While this hands-on assistance may initially have high teaching value for a client, it is not a sustainable role for NDC as it limits the number of clients it can serve.
The experiences of the Neighborhood Development Center are rich in the ways they inform the emerging themes of the Mott Foundation’s Access to Markets Demonstration. NDC’s willingness to try a variety of methods and to reflect critically on its attempts has made the organization a valuable partner in the ATM Learning Assessment.

Among the themes emerging from NDC and overall ATM experience is the concept of “market readiness.” This concept refers to program operators’ need to be ever cognizant of the current capacity of microenterprises to deliver a product, service or both to a higher-value market. Nearly all of the ATM programs, including NDC, launched market access efforts that focused on making that vital connection between the end consumer and the microentrepreneur. Yet each program has learned that there is a need to step back and offer (typically customized, one-on-one) assistance to ensure that the microentrepreneurs’ products or services met regulatory guidelines, were able to be produced at the appropriate volume and/or delivered cost-effectively, and were packaged attractively for the target market.

The screening and targeting of growth-oriented microbusinesses, which also leads a program to serve a mix of both microenterprises and small businesses, is another emerging ATM theme. The NDC experience indicates that this is a positive development for the microbusinesses. The first ATM case study, on the Appalachian Center for Economic Networks (ACEnet), describes a related approach whereby the organization decided to identify and work with those business owners who have a desire to grow and were a potential source of job creation. The third ATM case study, that of the Appalmade project of People Incorporated of Southwest Virginia, will describe a fascinating project that exclusively targets individuals with very limited income-generating opportunities and who are generally not growth-oriented in the same way as many of the NDC and ACEnet businesses.

NDC staff notes one of its major lessons, and one shared by other ATM programs: Focusing on a sector, be it a market-based sector, industry-based, geographic or thematic sector, seems more effective than trying to offer ATM services in a variety of sectors. Relationship building within an industry and keeping abreast of market trends are both critical and time-intensive. Spreading that staff time across multiple sectors may not yield the same results as a focused approach.
In contrast, the depth and breadth of NDC’s collaboration uniquely affect NDC’s market access demonstration with other nonprofits in Minneapolis - St. Paul. The Mercado is an excellent example of what can be accomplished through institutional partnerships structured toward a cohesive set of goals. Leveraging its funding through partnerships enables NDC to offer a more comprehensive package to Mercado businesses. Access to physical spaces, such as the kitchen incubator of ACEnet’s Food Ventures or the retail space offered by Appalmade in Southwest Virginia, is emerging as one of the potential ingredients of strong ATM initiatives. It will be interesting to compare the access to physical market outlets with the increasingly common strategy of providing microenterprises virtual outlets via the Internet.

NDC is also affected by its urban location, in terms of the challenges of language and cultural diversity of its clientele, but also in terms of the absence of challenges faced by rural ATM programs (i.e. difficult geographic barriers and lack of available qualified staff). NDC’s marketing team has business experience, academic training in marketing, multilingual skills and multicultural experience. It is also a testament to NDC that staff turnover has remained relatively low. While one member of the marketing team left the organization two years into the three-year demonstration, the documentation provided by the departing staff person, the continued energy and continuity provided by remaining members of the team, and the overall organizational support enabled the NDC experiment to thrive despite a staff change. As we have seen from other innovation projects, and particularly ones that are based on market and client relationships, staff turnover can destroy an innovation midstream.

Finally, and in keeping with the fact that successful ATM programs engage in constant reflection and refinement, NDC staff members show themselves to be devoted to this principle. They perceived their work as a demonstration and a learning effort, displaying a willingness to innovate, implement, reflect and improve. By sharing its setbacks as readily as its many successes, NDC contributes to the greater learning about market access strategies for businesses while refining its own services to disadvantaged microentrepreneurs.
Appendices
VIII. APPENDIX A

NDC Access to Markets Program
Income and Expenses by Marketing Strategy for First
Two Years of Program
### Appendix A

#### Expenses:

<table>
<thead>
<tr>
<th></th>
<th>1/1/98-12/31/98</th>
<th>1/1/99-12/31/99</th>
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<tbody>
<tr>
<td><strong>Personnel (salary &amp; fringe)</strong></td>
<td>$ 9,796</td>
<td>$ 12,568</td>
</tr>
<tr>
<td><strong>Staff training and conferences (AEO)</strong></td>
<td>$ 269</td>
<td>$ 15</td>
</tr>
<tr>
<td><strong>Consulting expense</strong></td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Graphics, printing, postage (clusters, directory)</strong></td>
<td>$ —</td>
<td>$ 4,311</td>
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<tr>
<td><strong>Advertising</strong></td>
<td>$ —</td>
<td>$ 2,803</td>
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<tr>
<td><strong>Memberships</strong></td>
<td>$ —</td>
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</tr>
<tr>
<td><strong>Equipment</strong></td>
<td>$ 81</td>
<td>$ 81</td>
</tr>
<tr>
<td><strong>Subscriptions/mailing lists</strong></td>
<td>$ 609</td>
<td>$ 609</td>
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<tr>
<td><strong>Trade Shows (wedding, corporate gift, etc.)</strong></td>
<td>$ 498</td>
<td>$ 498</td>
</tr>
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<td><strong>Telemarketing, mailing lists</strong></td>
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<td><strong>Web site development &amp; marketing</strong></td>
<td>$ 95</td>
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<tr>
<td><strong>Misc. (in 2000, incl. contract TA)</strong></td>
<td>$ 38</td>
<td>$ 38</td>
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<td><strong>Indirect cost allocation (5% from NDC parent)</strong></td>
<td>$ —</td>
<td>$ —</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 9,796</td>
<td>$ 22,514</td>
</tr>
<tr>
<td><strong>% of total program expense</strong></td>
<td>26%</td>
<td>59%</td>
</tr>
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</table>

#### Income:

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<tr>
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<th>1/1/99-12/31/99</th>
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<tbody>
<tr>
<td><strong>Foundation support (Mott starting 3/1/98)</strong></td>
<td>$ 50,000</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Government support</strong></td>
<td>$ 12,500</td>
<td>$ 12,500</td>
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<tr>
<td><strong>Earned income:</strong></td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>-Cluster participation fees</td>
<td>$ 980</td>
<td>$ 980</td>
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<tr>
<td>-Commission from cluster marketing sales</td>
<td>$ —</td>
<td>$ 102</td>
</tr>
<tr>
<td>-Reimbursement for expenses</td>
<td>$ —</td>
<td>$ 328</td>
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<tr>
<td><strong>Total Income</strong></td>
<td>$ 12,500</td>
<td>$ 51,082</td>
</tr>
<tr>
<td><strong>% of total program income</strong></td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$ 2,704</td>
<td>$ 28,568</td>
</tr>
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</table>

### Total Expenses

- **Total Expenses:** $ 9,796 $ 22,514 $ 6,065 $ 38,375 $ 8,139 $ 32,813 $ 18,331 $ 59,283
- **% of total program expense:** 26% 59% 16% 100% 14% 55% 31% 100%

### Total Income

- **Total Income:** $ 12,500 $ 51,082 $ 328 $ 63,910 $ 12,500 $ 40,394 $ (18,331) $ (6,389)
- **% of total program income:** 20% 80% 1% 100% 24% 76% 0% 100%
### IX. Appendix B

**NDC Access to Markets Program**

**Comparison to Budget Actual* **

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year 1: 3/1/98 - 2/28/99</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mott Foundation</td>
<td>$50,000</td>
<td>$50,000</td>
<td>—</td>
</tr>
<tr>
<td>Other Grant Support</td>
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<td>—</td>
<td>$(35,338)</td>
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<tr>
<td>Earned Income</td>
<td>$17,800</td>
<td>$1,310</td>
<td>$(16,490)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$103,138</td>
<td>$51,310</td>
<td>$(51,828)</td>
</tr>
<tr>
<td>Expenses</td>
<td>$103,138</td>
<td>$50,197</td>
<td>$(52,941)</td>
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<tr>
<td><strong>Year 2: 3/1/99 - 2/28/00</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mott Foundation</td>
<td>$40,000</td>
<td>$30,000</td>
<td>$(10,000)</td>
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<tr>
<td>Other Grant Support</td>
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<td>$(32,427)</td>
</tr>
<tr>
<td>Earned Income</td>
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<td>$200</td>
<td>$(50,404)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$123,031</td>
<td>$30,200</td>
<td>$(92,831)</td>
</tr>
<tr>
<td>Expenses</td>
<td>$123,031</td>
<td>$50,197</td>
<td>$(72,834)</td>
</tr>
<tr>
<td><strong>Year 3: 3/1/00 - 2/28/01</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Mott Foundation</td>
<td>$30,000</td>
<td>$30,000</td>
<td>—</td>
</tr>
<tr>
<td>Other Grant Support</td>
<td>$27,091</td>
<td>$4,424</td>
<td>$(22,667)</td>
</tr>
<tr>
<td>Earned Income</td>
<td>$93,738</td>
<td>$279</td>
<td>$(93,459)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$150,829</td>
<td>$34,703</td>
<td>$(116,126)</td>
</tr>
<tr>
<td>Expenses</td>
<td>$103,138</td>
<td>$41,160</td>
<td>$(61,978)</td>
</tr>
</tbody>
</table>

*Original budget compared to Actuals from NDC Accounting Department for Years 2 and 3
Additional copies of this report can be purchased for $10 each. Also available: Access to Markets Case Study No. 1, Making the Connection: Appalachian Center for Economic Networks (ACEnet). To order, contact FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, by calling the Publications Hotline at 401-820-5338.

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