



FIELD
at the Aspen Institute

THE PROMISE OF SHARED PLATFORMS FOR THE MICROENTERPRISE INDUSTRY:

Lessons for Platform Funders

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Acknowledgments

This research into the role of shared platforms for the micro and small business development industries has been several years in the making, and there are many who have contributed time, insights, and resources. We would like to begin by thanking the Sam's Club Giving Program and Northwest Area Foundation for their generous financial support and for their willingness to invest in this exploratory research.

More than twenty organizations that have been involved in developing or supporting the deployment of shared platforms participated in interviews and hosted us for site visits. These organizations are listed in the appendix to this report. We would like to thank each of the individuals who gave their time and shared their experiences with us.

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Overview

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

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

These include:

- LiftFund’s Microloan Management System (MMS), a comprehensive, online system for loan origination;
- Association for Enterprise Opportunity’s TILT Forward, an online portal that (among other services) connects microenterprise organizations to potential loan clients;
- MicroMentor, an online program that matches small business mentors with entrepreneurs aspiring to grow;

- Mission Asset Fund’s social loan platform that originates and services loans for Lending Circle participants; and
- FIELD’s microTracker, an online data portal and set of tools that support the collection and use of standardized performance metrics across the microenterprise field.

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

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

Across these three papers, six critical lessons emerge:

1. Platforms, while enabled by technology, are not primarily about technology. They are about business processes, business strategies, and organizational mission.
2. Decisions about funding, developing, or using platforms must be grounded in choices about strategy, mission, and business model.
3. Organizations considering using a platform need to recognize that capturing value from the platform will require significant organizational change.
4. Practitioners seeking to develop and sell platforms to other practitioners need to understand that selling a platform is a fundamentally different business than delivering credit or business assistance to entrepreneurs, and that successfully operating that new business requires different skills, a different business model, and often a different culture.
5. Developers of platforms need to focus first on potential customer needs, the value proposition, and the market size.
6. Funders need to push potential platform users to consider their business strategy and contemplate using platforms for areas of the organization that are not core to their value proposition and mission.

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

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

What is a shared platform?

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

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

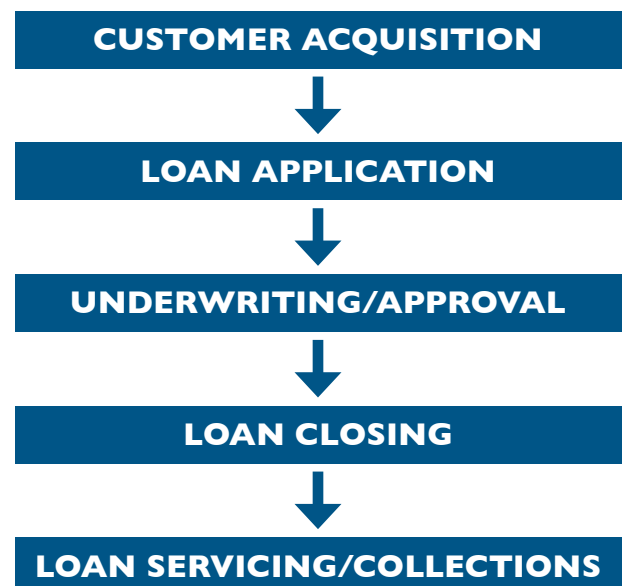
Software as a Service

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

smaller banks and credit unions, as well as CDFIs and microlenders. In other instances, nonprofits in the field are building their own platforms, making them available to other organizations.

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

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



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

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

Marketplace Platforms

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

Lessons

Lesson 1: *Platforms have the potential to significantly increase the efficiency, scale, and impact of the field. Consider this as part of your grant-making strategy.*

Although the experience base with platforms is still young, we conclude from our research that shared platforms have strong potential to enable the microenterprise and small business development fields to scale and strengthen their work. Therefore, we encourage funders interested in building these fields to consider two distinct funding strategies:

- Investing in the development and roll-out of platforms themselves; and
- Investing in the capacity of microenterprise development organizations and small business organizations to successfully migrate onto platforms.

Investment in shared platforms should be done in a considered manner. Our research has yielded insights that we think will be valuable in helping to shape investment strategies. Below we present lessons about investments into the platforms themselves and then lessons about investments to promote the use of platforms.

Lessons Regarding Investment into Shared Platforms

Lesson 2: *In considering an investment into a platform, look beyond the problems it seeks to solve and the technologies it will use. Place strong emphasis on the extent to which the platform developer understands the business issues involved in creating and “selling” a platform.*

Platforms can be utilized to address many of the challenges and inefficiencies faced by the microenterprise and small business development fields. Any investment into a platform must, of course, begin with the issue or challenge the platform seeks to address. But there is also a set of business issues and decisions that must be addressed for a platform to find sufficient and sustained uptake.¹ Navigating these business issues successfully will be particularly challenging for organizations whose primary focus has been providing direct client services, rather than developing products and services for other organizations.

Funders that are considering investments in shared platforms should ask and assess answers to the following questions of their potential grantees or investees:

- What is the specific value proposition for the platform? In other words, what are the customer problems that the platform seeks to address, and how do the solutions it offers relate to specific tasks and needs in the day-to-day lives of the staff who will use the platform?

¹ See the companion paper on “Lessons for Platform Developers” for a discussion of the business issues facing platform operators.

- What is the structure of the potential market? Who do you see as your early adopters? Is there a sufficiently large middle tier of the market that has sufficient resources and staff capacity to pay for and support the successful use of your platform? If not, what is your financial model, and how will you achieve sufficient impact?
- How will you structure and staff your marketing, sales, and customer service functions? What do you believe will be your initial and your strongest market channels?
- How are you planning to handle the initial and ongoing development of the technology aspects of your platform? What are the staffing requirements for this work that you envision in the short and long term?
- What are the basic elements of your financial model, in terms of both costs and revenues?

Prospective grantees may not have all the answers to these questions when they first approach you, especially if they are in the earliest stages of seeking seed funding. However, the process of exploring these questions will help funders to make informed (and avoid potentially redundant) investments, and will also force potential investees to consider issues that will be central to their long-term success.

Lesson 3: *The structure and characteristics of the microenterprise industry present market challenges to growth.*

The CDFI and microenterprise and small business development market is a challenging customer base because it is dominated by many small players with limited capacity and vision for growth. While there are

many opportunities for platforms and technology to increase efficiency, most players' ability and willingness to adopt platforms are challenged by their relatively low levels of resources and capacity and the fact that they have already developed ways to complete the functions that a platform offers. The early experiences of platform operators suggest the following:

- The organizations that are most likely to elect to use and remain with a platform are those with a strong leadership orientation toward change and growth.
- Midsize organizations appear to be the most likely and able to adopt platforms. They have the necessary staff capacity and volume to generate efficiencies from the platform, yet lack sufficient resources and capacity to build their own solutions.

The challenge within the US microenterprise field is that the number of organizations that fit this profile is not large. Data from FIELD's US Microenterprise Census indicate the microenterprise development industry has a few high-performers, a slightly larger set of mid-tier programs, and a much larger number of very small organizations. Of the 77 organizations reporting at least one microfinance loan originated in 2014, 43 percent made 20 or fewer loans, and another 29 percent originated between 21 and 50 loans. Thus, nearly three-quarters of microfinance organizations averaged four loans per month or less. A similar pattern exists when examining organization staff size. Roughly two-thirds of microenterprise organizations had a staff size of four persons or less. Given their budget and staffing levels and the nature of current funding for the field, it seems unlikely that many microenterprise development organizations have sufficient resources and the drive to grow that are prerequisites to successful migration to a shared platform.

The fact that microenterprise organizations have very few staff, who therefore play multiple roles, and are highly vertically integrated also seems to inhibit the choice to use platforms. For these organizations, a platform may introduce some efficiencies, but it also may not fully replace the full set of roles played by a single staff person, enabling the organization to eliminate that role entirely. Thus, migrating to a platform may not reduce staffing costs. Even if the platform did enable an organization to reconfigure its staff to improve efficiency, some microenterprise development organizations are uncomfortable or unsuccessful in making these changes if they require eliminating or making significant changes in the roles of existing staff.

While larger microenterprise development organizations, particularly larger microlenders, tend to have more experience with outsourcing, they constitute a relatively small market. Also, the largest and most sophisticated organizations have a level of resources and capacity that enables them to build their own systems or to partner with for-profit players with superior technology capacities. For example, the four members of the Accion US Network are currently working to build their loan origination platform, as is the Intersect Fund.

Lesson 4: *Recognize the long-term nature of investing in technology and the particular challenges of maintaining and funding technology in the nonprofit, mission-based sector. Fund accordingly.*

Developing effective technology solutions is not a quick or one-time process. Platforms must be refined and strengthened over time as user needs change and are better understood and as technology evolves. Platform developers will likely function on longer timelines

than grantmakers are used to, and they will need ongoing injections of capital to maintain and improve their platforms.

The platform developers interviewed for this research have, in large part, found it challenging to raise the capital they need to build and expand use of their platforms. The issues they have faced include:

- A level of risk aversion among funders, who have seen “failures” or a lack of uptake with previous attempts to build platforms;
- Difficulty in raising multi-year or sustained funding, which makes it challenging to plan for and finance ongoing development of the platform and to respond to user feedback regarding potential improvements;
- Challenges securing adequate funding to retain staff with the relevant technology expertise; and
- The categorization of technology investments as administrative expenses, which are then subject to overhead limits placed by funders and investors.

It is obvious that for-profit technology firms and the financial technology sector have made far greater strides in applying technology to the delivery of products and services because of their ability to raise sufficient and supportive capital. To the extent that funders can modify their grantmaking and investment approaches to support the capital needs of nonprofit platform developers, the nonprofit field will see greater success in the application of technology to its work.

Lesson 5: *Understand that the uptake, impact, and financial self-sufficiency of platforms may not go hand-in-hand.*

Given the challenges that platform developers face in raising capital and the structure of the nonprofit user market, platform developers are often faced with a choice between developing a fully self-sufficient financial model and achieving greater uptake and impact of their platforms. For example, onboarding new users may require that the platform operator invest significant resources in building the capacity of organizations. Among the platforms that have received the greatest uptake are Mission Asset Fund’s social loan platform and Credit Builder Alliance’s credit reporting platform. Their success lies, in part, in the fact that MAF and CBA have both succeeded in raising funds to support the costs that organizations incur in coming onto their platforms.² Similarly, some of the growth in the use of LiftFund’s Microloan Management System platform has resulted because of CAMEO’s capacity-building efforts for its members interested in using the platform.

Funders interested in advancing the role of platforms in building the microenterprise and small business fields should balance the value of greater reach of the platform against the achievement of a self-sufficient financial model.

² It is also important to note that the MAF platform is a product delivery platform, and the CBA platform an “ancillary” platform, rather than a core lending platforms. As we note earlier in the report, our research also revealed that core lending platforms face some of the greatest challenges with uptake.

Lesson 6: *In addition to funding the development of the platform itself, consider funding incentives to early and middle adopters.*

Funders have a unique role in moving organizations to new behaviors and practices. Funders investing in platforms should also consider investments that provide incentives or support to organizations that might be early and middle adopters of platforms. Of course, any such incentives should be applied so that they are provided to organizations that have a realistic chance of integrating a platform successfully into their operations. The section below identifies lessons for funders considering investments in platform users.

Lessons Regarding Investment to Promote Platform Use

Lesson 7: *Funders interested in the efficiency and growth of the field and their investees and grantees should create incentives and support for their investees or grantees to use platforms. Typically, the best platforms will be those that support functions that are not unique to their value-add to their customers.*

Funders play a unique role in driving practice – organizations take note of and respond to issues raised by and requirements of their funders. Thus, funders have a key role to play in the uptake of platforms. As discussed in the above lessons for platform users, however, organizations’ decisions to go on a platform or implement new technology should be based in considerations of mission and strategy and will differ across organizations. Therefore, simply providing a funding incentive for organizations to go on

a platform will be counterproductive. As funders craft incentives and funding strategies, they should consider additional lessons below.

Lesson 8: *Encourage and fund organizations to identify what is core to their mission and strategy and what is unique to their value-add and to understand and consider platforms for anything that is non-core.*

Decisions regarding platforms must be rooted in an analysis and shared understanding of mission, strategy, and processes. Although microenterprise and small business organizations are beginning to apply skills of business model and value proposition design and analysis to their work,³ few have developed strong expertise in doing so, and many lack the staff bandwidth. Funders can play a role in enabling and prompting organizations to make informed and proactive choices regarding platforms and technology by funding this type of work.

Organizations considering a platform can benefit from an objective, upfront assessment of its core processes, including: 1) the “fit” between processes and organizational mission and strategy; 2) the efficiency of those processes; and 3) the fit between technology and people processes. Community Reinvestment Fund, for example, offers JumpStart, a consultation service for organizations that wish to utilize its SPARK loan origination platform. JumpStart is based on a detailed, step-by-step mapping of the client’s business processes combined with a one-day

³ The Opportunity Finance Network’s Scaling Microfinance Capacity Building Initiative, Business Plan for Growth, and Small Business Financing Initiative included training components focused on these issues. In addition, FIELD assisted organizations that participated in its Asset Building through Credit Program to move through a process of defining their business models. Finally, CRF offers its JumpStart product that helps organizations to assess their lending processes, and offers an on-demand webinar that outlines how small business lenders can optimize their loan process.

or two-day site visit and interviews. Through JumpStart, CRF works collaboratively with its client to identify strengths and weaknesses of the client’s current system and to articulate the future system that best serves its needs and aspirations. JumpStart then creates the roadmap for getting to that future system. Through JumpStart, CRF can help organizations to find ways to:

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

Lesson 9: *Do not just fund the acquisition of the technology. Also provide support for the change process that will be required to implement it effectively.*

Successful implementation of a platform requires that organizations use the new technology in ways that capture its value. Doing so will entail change within the organization, and managing change requires leadership and resources. The types of time and resources involve time in both designing new tools and processes and in educating employees about change and how to manage it successfully. For example, Accion New Mexico was an early user of LiftFund’s Microloan Management System.⁴ The organization recognized early in the process of implementing the platform that the roles of its loan officers would need to change to realize the efficiencies of the platform. It approached one of its funders for support to hire a human resources consultant who could craft new job descriptions and salary and incentive plans for its loan officers and support the organization as it went through the process of moving to the newly-designed roles.

⁴ Accion New Mexico has since expanded its footprint, and is now Accion New Mexico • Arizona • Colorado • Nevada • Texas. The organization no longer uses the MMS platform, and is part of an effort by the Accion US Network to build a shared core loan origination platform for the four network members.

Lesson 10: *There can be efficiencies, cost-savings, and shared learning if multiple organizations can be onboarded to a platform together in a cohort. Networks and membership associations can play a role in this area.*

It is easy for funders and CDFIs to underestimate the time and difficulty of migrating onto a platform. The training and technical assistance costs of onboarding to a platform are substantial. These costs can be reduced if several organizations are onboarded together as a cohort. Furthermore, the cohort can be managed as a shared learning group, which can help organizations gain more value from the platform more quickly.

The California Association of Microenterprise Organizations has successfully brought seven microfinance organizations onto LiftFund's MMS platform utilizing a group approach. A case study of CAMEO's work on the MMS system can be found at the end of this report. Credit Builders Alliance was created to enable nonprofit lenders that lacked the scale to report individually to the major credit reporting agencies to come together to do so through a centralized entity. And the National Federal for Community Development Credit Unions is working with five of its member organizations to beta test the use of Community Reinvestment Fund's Spark platform in a credit union environment.

Lesson 11: *Platforms that perform core lending functions can be harder for customer organizations to implement and are more likely to engender resistance from staff. Platforms that "add on" a new supplemental product or service rather than displace existing core functions can be implemented with less disruption and thus, can be easier to sell.*

Core lending platforms require a base level of standardization. Shared platforms gain their power by leveraging economies of scale, doing the same task in the same way repeatedly. Systems and processes can then be built to repeat the task at large volume in fast, cost-efficient ways. But if each potential customer has a different product or requires the task to be done in a different way, then processes cannot be standardized and there are no economies of scale. Without standardization, the potential volume of customers is insufficient to justify the launch, growth, and expansion of a platform.

The CDFI industry is largely comprised of small organizations each offering their own products underwritten and delivered in their own idiosyncratic ways. In fact, one of the underlying cultural values of the industry is customization of products and services to local needs. Through much of the industry, there is both an absence of standardization and a bias against standardization. In large part this is due to the lack of clarity on the part of CDFI management as to where their organizations uniquely add value to their customers. As noted above, this is one area where funders can play a role in moving CDFIs toward the appropriate use of platforms.

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

- Pacific Community Venture’s Business Advising platforms match entrepreneurs to experienced business persons who can provide advice and coaching support. The platforms are not substitutes for the support that business consultants or loan officers provide, but can provide additional technical resources, especially for businesses with more specialized problems.
- Mission Asset Fund’s Lending Circles platform enables nonprofit organizations to offer a zero-interest small dollar loan to help participants build credit and meet immediate financial needs. Participants take an online financial training class before joining a Lending Circle comprised of six to ten people. Participants can have their own goals for the money they borrow, such as paying off debt or paying for tuition. Since Mission Asset Fund advances the capital and services the loan, the social service agency can provide a loan product without having to build up lending-related staff capacity or technology systems. As of February 2017, MAF was working with 52 nonprofit partners across the country.
- Change Machine is a shared platform built and operated by The Financial Clinic, an asset-building organization based in New York. The platform supports organizations that offer financial coaching services. Change Machine contains tools and resources for financial coaches, management and reporting tools for program managers, and access to a virtual learning community for practitioners that helps

coaches stay informed about best practices in a rapidly-changing field. In February 2017, Change Machine was being used by 929 financial coaches and social service practitioners from 99 organizations.

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

Case Examples

LiftFund Microloan Management System (MMS)

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

With the help of consultants with expertise in the CDFI small business lending sector and financial analysis, LiftFund segmented its market into three buckets: 1) CDFIs that are still emerging and not ready for a platform; 2) CDFIs that have reached some maturity, but are not committed to growth; and 3) CDFIs that are eager to grow and intent upon doing so. LiftFund also discovered that its pricing structure was hurting

smaller customers while not helping the larger ones, not incentivizing customers to grow their lending. Realizing the realities of the market, LiftFund now focuses on supporting organizations on the platform to systematize their processes and on diversifying the use of MMS, instead of seeking to attract a substantially higher number of new users. At the core of this strategy is the recognition that the goal of MMS is not simply to provide technology, but to combine access to technology with expertise that is essential for organizations seeking to improve their lending processes. LiftFund also revised its pricing structure, so that as customers do more volume on MMS, they move up to a higher payment tier. LiftFund believes this approach will enable MMS to move closer to self-sufficiency.

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

AssetPlatform

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

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

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

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

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

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

MicroMentor

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

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

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

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

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

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

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

CAMEO work with MMS

The California Association for Microenterprise Opportunity (CAMEO) is a state-wide network organization dedicated to furthering microbusiness development in California. About 30 of its member organizations deliver financing to micro and small businesses.

In the mid-2000s, CAMEO became convinced that microbusiness development organizations would have to utilize platforms to reach scale. Around 2011, CAMEO began discussions with LiftFund about its Microloan Management System (MMS) platform. MMS is a powerful loan origination platform that can greatly increase lending efficiency, reduce turnaround time, and strengthen risk management. But subscription and user fees are not small, especially for smaller microlenders. For the conversion to MMS to make economic sense, an organization needs to be originating about 10 loans per month. Most of CAMEO's members fall below that threshold. There is also a significant learning curve before an organization becomes facile in processing loans through MMS. Claudia Viek, CAMEO's CEO, describes MMS as "a big

system ... You have to do 10 to 20 applications before you get familiar with it. It makes sense once you're familiar, but it's a heavy lift."

CAMEO's solution is to aggregate multiple organizations under a single license, thereby reducing the upfront subscription cost for any single organization. CAMEO also eases the transition process with an extensive training and support program encompassing both the technology and organizational change dimensions. When a new organization signs onto the system, CAMEO does an on-site, full-day training during which they model the processing of the loan through MMS with real applications. CAMEO follows up with one-on-one assistance as needed, especially during the first quarter which CAMEO describes as the "baby bird phase", and regular monthly phone calls. CAMEO also produces quarterly and annual peer reports for participating organizations, including performance metrics such as lending volume, turn-around time, pull-through "harvest" rates, and borrower demographics.

CAMEO has found that the greatest barrier for most organizations is not implementing the technology, but rather the changes to organizational structure and culture. To make optimal use of MMS, staff must perform different roles, transitioning emphasis from underwriting to marketing and creating the pipeline of borrowers. Typically, the executive director is open to such change, but other staff resist giving up familiar processes. CAMEO utilizes an organizational consultant, Susan Brown, to help microlenders identify and navigate organizational change. She evaluates participating organizations and is available for individual assistance.

Viek's expectation is that the CAMEO microlenders on the MMS platform can triple lending volume in a three-year period. One organization, Working Solutions, has reached sufficient scale to "graduate"

to its own MMS license. Other lenders serving smaller or difficult-to-serve markets will never grow large enough to graduate, but nevertheless benefit from the efficiencies, features, and disciplines of the MMS platform. Overall, Viek believes that MMS is influencing how CAMEO members think about growth. "Peer pressure," she says. "We saw their ears perk up, in two cases, when we presented the growth results data. As the platform starts to prove itself, that drives the change."

Appendix

Platforms Researched

The platforms researched for this paper include the following:

ORGANIZATION	PLATFORM	TYPE OF PLATFORM	FUNCTIONS/COMMENTS
Association for Enterprise Opportunity (AEO)	Tilt Forward	SaaS: Core Lending, Add-on Product/Services	<ul style="list-style-type: none"> License and distribute products and services to MFIs Capital raising; capital sharing with MFIs Lead Acquisition/Screening/Channel to Capital Provider
AEO	Project Cue	SaaS: Core Lending	<ul style="list-style-type: none"> Provide “warm” referrals from banks to CDFI small business lenders
Accion US Network	Accion Modernization Project (AMP)	SaaS: Core Lending	<ul style="list-style-type: none"> New technology platform that enables cost reductions/ reduces bottlenecks in the lending process For Accion US Network members only
Community Reinvestment Fund	SPARK	SaaS: Core Lending or Add-on Product/Service	<ul style="list-style-type: none"> Comprehensive platform for originating SBA 7(a) loans Can be customized to other types of small business lending
Credit Builders Alliance	CBA Reporter, CBA Business Reporter	Add-on Service or Ancillary Function	<ul style="list-style-type: none"> Enables and provides support for low-to-medium volume business lenders to report borrower payment histories to credit reporting agencies
EARN	Savings by Design	SaaS: Add-on Product/ Service or Ancillary Functions	<ul style="list-style-type: none"> Tools to increase effectiveness of matched savings programs
Fahe	Just Choice	SaaS: Core Lending or Add-on Product/Service	<ul style="list-style-type: none"> Deliver home mortgage products through partner relationships with CDFIs, CDCs, other nonprofits Fannie Mae seller/servicer; Sell loans to JP Morgan Chase
Fahe	Loan Servicing	SaaS: Core Lending	<ul style="list-style-type: none"> Loan servicing for home mortgages Customers include CDFIs, state/local housing entities Specialize in mortgage packages with subsidy sources
The Financial Clinic	Change Machine	SaaS: Add-on Product/ Service	<ul style="list-style-type: none"> Web-based financial coaching platform Provides a tested approach and tools to help asset building organizations perform financial coaching functions Program management and reporting functions
Kiva	Kiva U.S. (formerly Kiva Zip)	Marketplace	<ul style="list-style-type: none"> Matchmaking: borrowers to lenders/investors Max loan of \$10,000 Sourcing through website, partners, volunteer “fellows”
Kiva	Kiva.org	Marketplace; Ancillary service	<ul style="list-style-type: none"> Matches individuals interested providing loans to entrepreneurs across the globe with microfinance institutions (MFIs) Provides MFIs a tool to raise additional capital No longer working with MFIs in the US; only operating the marketplace model linking entrepreneurs directly with individual lenders
LiftFund	Microloan Management System (MMS)	SaaS: Core Lending	<ul style="list-style-type: none"> Complete lending and portfolio management platform Online loan application, underwriting, document upload and storage, decision-making, closing documents, loan servicing, risk management

ORGANIZATION	PLATFORM	TYPE OF PLATFORM	FUNCTIONS/COMMENTS
MicroMentor	MicroMentor	Marketplace	<ul style="list-style-type: none"> Match businesses with mentors Large-scale governmental and corporate partnerships; customizable for user branding but franchise-like arrangement International
Mission Asset Fund	Lending Circles	SaaS: Add-on Product/ Services	<ul style="list-style-type: none"> Franchises Lending Circle program to local entities Provides technical assistance to set up and run program, access to platform, standards, loan servicing
Opportunity Fund	Partnership with Lending Club	Partnership with marketplace lender	<ul style="list-style-type: none"> Lead acquisition; take declines from Lending Club Seamless online experience for borrower (not referral)
Pacific Community Ventures	Business Advising	Marketplace	<ul style="list-style-type: none"> Match businesses who need assistance on specific business issues with advisors Leads acquired through website and through partners (government agencies, chambers, CDFIs)
REDF	REDFworkshop.org	Add-On Services; Ancillary Functions	<ul style="list-style-type: none"> Tool suite for employment social enterprises Learning resources Social network, shared learning for members

For more information

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

Stay up-to-date with FIELD by joining our mailing list and following us on social media:



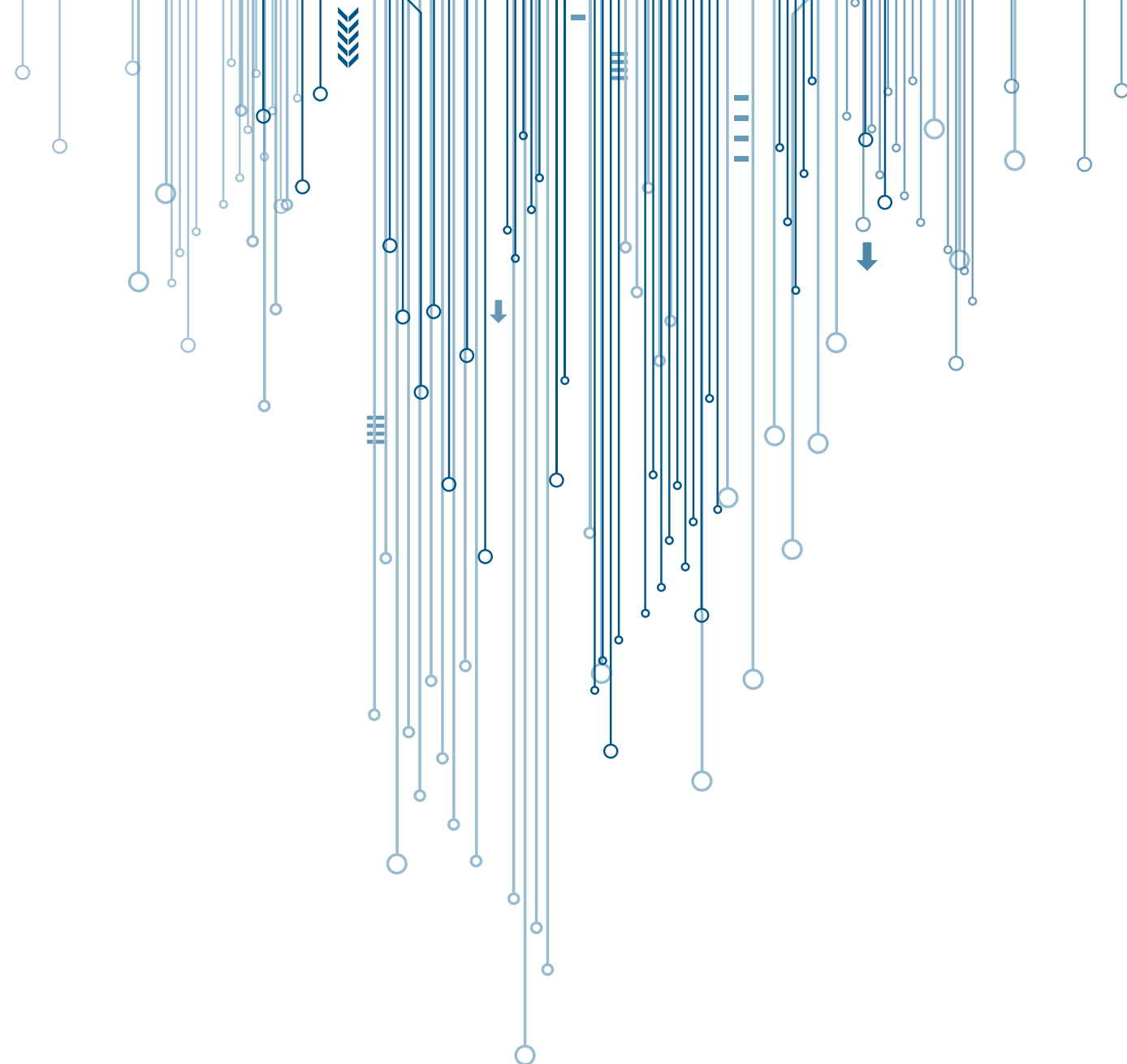
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