

**Collective Economics:  
Leveraging Purchasing Power of Low-Income Communities for Collective Gain -  
Lawrence Community Works and the Network Advantage Program**

By

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Submitted to the Department of Urban Studies and Planning  
in partial fulfillment of the requirements for the degree of

Master in City Planning  
at the  
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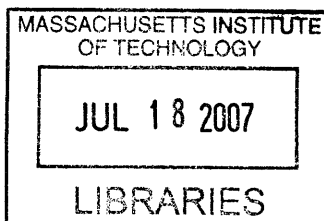
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**ABSTRACT**

*This thesis focuses on the concept of Collective Economics and develops a set of recommendations by which groups with common interests can effectively utilize their purchasing power for collective benefits. Working with Lawrence Community Works (LCW), the thesis provides an economic profile of the organization's membership as the basis for proposing partnerships that seek to leverage the purchasing power of members for collective benefits.*

*Based in Lawrence, MA, LCW is a community development corporation dedicated to investing in both people and place as well as increasing ownership in the community by the community. As an immigrant city and one of the poorest in the Commonwealth, there are few opportunities for residents to break out of an economic cycle all too common among a large portion of the citizenry. In an effort to counter this cycle and provide hope for members, LCW is looking to use their established Network as the vehicle to promote a demand-oriented environment where group size and economic characteristics can be leveraged for group discounts and benefits.*

*Through the use of survey data and a discussion of lessons learned from a handful of interviews, I propose partnership ideas centered on market-oriented approaches to using LCW's size, members' consumer preferences, and purchasing power to secure member benefits or channel money into a community fund. Focusing on the effective directing of members' preferences and financial habits for collective gain, proposed partnerships highlight the amount of money that can be saved by members as well as gained by partners in the form of additional revenue.*

Thesis Advisor: Frank Levy

Title: Rose Professor of Urban Economics



## Acknowledgments

Had it not been for Lorlene Hoyt and the MIT@Lawrence initiative, I would not have been introduced to this topic nor had the opportunity to carry out this project. More importantly, Lorlene's encouragement, patience, and genuine interest in the success of her students are largely responsible for my completing this thesis and masters degree. I am truly grateful to have had the opportunity to work with such an amazing person.

I would like to thank my thesis advisor Frank Levy for his support throughout the entire process. From helping me decide on a topic to putting the project in perspective, your questions and feedback were integral to the completion of this project.

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I would also like to thank Sara Arcaya for her patience, support, and countless revisions. Without her superb grammatical skills, this document would be much more difficult to read.

Finally, I would like to dedicate this accomplishment to my mother, who has always been there, and my father, who will always be here in spirit. It was their upbringing and willingness to help others even when we did not have much that instilled in me a desire to envision and create change. To Serena, Josh, David, Jade, and Derek, you are the inspiration that keeps me moving forward when things get tough. To the many other friends and loved ones that have believed in me and reminded me that I represent them in all that I do.

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## **KEY NAMES AND TERMS**

Andre Leroux - Andre is a Neighborhood Planner at LCW and is the main contact for this thesis.

Collective Economics Project - A project supported by the MIT@Lawrence initiative. It is the title of this thesis as well as past and potentially future projects focusing on collective action and economic gain. In this thesis, references to the project refer to the Collective Economics Project.

Bill Traynor - Executive Director at LCW

Juanita Rivera - Network Advantage Coordinator at LCW

Lawrence Community Works (LCW) - Community Development Corporation in Lawrence, MA and the client for this thesis.

MIT@Lawrence - A remote community –university partnership focused on affordable housing, community asset-building and youth pathways to education and careers. The initiative is funded by the Department of Housing and Urban Development (HUD) and headed by Lorlene Hoyt of the Department of Urban Studies and Planning (DUSP) at MIT.

Network Advantage Program - A program created by LCW that serves both as a membership system and a vehicle for providing discounts and benefits to members. The Network Advantage Program is also the program with which this thesis is aligned and the findings in this project are meant to assist in furthering the program.





## **SECTION I. THE PROJECT**

### **INTRODUCTION**

In cities and communities where opportunities are limited, economic activity stagnant, and public institutions unable to adequately provide for all citizens, new ways of thinking about and creating opportunities for wealth generation and asset accumulation are needed. Whereas the all too prevalent American adage of “every man for himself,” is often employed to power people out of distress, lost is the belief in a more cooperative and interdependent society. This collaborative mindset suggests that the mentality of immediate isolated gains is not in the best interest of the larger community, and thus lends itself to new views about change. These views value collective participation and long-term benefits for broader groups and networks, rather than short-term returns for individuals based on political control or ephemeral preferences.

Moreover, as society forges deeper into the age of a truly global economy, the need for unified groups to use their size for collective action at a local, national, and even international level becomes increasingly important. With a much more public discussion surrounding the shrinking middle class and growing wage gaps in today’s media, momentum is forming around issues that have traditionally affected only marginalized communities composed of racial and ethnic minorities and lower-income populations. While mainstream discourse is needed and may even elicit discussions of policy formulation, for the many people who require change that is responsive to individual needs and not dependent on a broader political economy, new methods of collaboration and action must be created. As market-oriented approaches are gaining momentum in the public and non-profit sectors, so too must be the case in organizing efforts that seek to mobilize community groups for collective action and gain.

At the forefront of this thinking is Lawrence Community Works (LCW), a community development corporation based in Lawrence, MA, which provides a variety of services for its

members in addition to the greater Lawrence community. Recognizing both the need and potential within Lawrence, LCW has brought together a host of residents and stakeholders, working relentlessly to develop a strategy to create asset-building and wealth-generating opportunities for its membership. The key to LCW's work is its commitment to developing strategies that focus on collective gains. Made up of roughly 1200 members, most of whom are Latino, Spanish speaking, and lower income residents of Lawrence, MA, LCW would like to use its size in a manner that yields long-term gains for its membership. Whether political or economic, the driving force behind LCW's work has been the interest of the collective. Given LCW's size and the relationships it has nurtured over the years, this project seeks to tap into the established network of LCW and develop a strategy that will utilize the purchasing power and consumption patterns of the group to create opportunities for discounts on staple goods and services. Additionally, as most members have limited budgets, the organization is interested in creating savings and investment opportunities by transforming smaller individual contributions into a large pool of funds that can either yield greater returns than if invested individually, or be used to invest in a community-owned asset.

The underlying idea for the organization and this project is that low-income communities can use collective action as a method for improving their lives and their surroundings, and that investing in both people and place can be achieved through market-oriented approaches. The ability to successfully leverage community buying power has the potential to drastically improve the way organizations such as LCW are able to mobilize members for positive change. In a city like Lawrence, where poverty persists and there is a palpable disconnect between civic and business leaders and a large portion of the population, there is a great need for collective action

and an active use of local economics to promote the development of a political and economic voice for marginalized groups.

### **MIT@LAWRENCE INITIATIVE**

The Collective Economics project was established through MIT@Lawrence<sup>1</sup>, an initiative created by Lorlene Hoyt, Professor in the Department of Urban Studies and Planning at MIT. The initiative is funded by a Department of Housing and Urban Development (HUD) Community Outreach Partnership Centers (COPC) grant, which assists colleges and universities in effectively using their skills and resources to revitalize distressed communities. The goal of the initiative is to establish partnerships between Lawrence-based organizations, civic groups, and students, faculty, as well as academic centers and organizations at MIT. Originally created to address issues of affordable housing, asset building, and improving youth pathways to education, MIT@Lawrence has resulted in the creation of numerous partnerships and projects that fall within these categories as well as address many other issues facing residents of Lawrence. A description of the proposed impact from the COPC application best speaks to the goals and potential of the initiative.

*The MIT-Lawrence COPC will impact Lawrence in several ways. By supporting and promoting the efficient and strategically targeted production of affordable and accessible housing in the City, while simultaneously addressing issues of neighborhood blight and divestment, the COPC will address the local need for decent, affordable, rental and homeownership opportunities. The COPC will support the creation of local family and community assets (through collective purchasing and individual development accounts), fight asset-depleting practices like predatory lending, and increase local nonprofit capacity for collaboration and community leadership. The COPC also will assist local youth in making the connection to higher education, better-paying jobs, and community service, creating a more educated and engaged workforce for the City. Finally, the COPC will impact MIT by deepening the connection to a City where highly relevant hands-on projects provide an effective learning experience for students and faculty alike. The COPC is a tremendous opportunity for MIT to expand the Institute's involvement in Lawrence beyond one or two core departments, institutionalizing broad-based ties to the City's applied learning opportunities across a number of MIT Departments<sup>2</sup>.*

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<sup>1</sup> See [www.mitatlawarence.net](http://www.mitatlawarence.net) for more information.

<sup>2</sup> MIT – Lawrence COPC June 2005, *Project Abstract*

What started as a pilot program with some uncertainty as to whether a remote university-community partnership could be successful, has transformed into an established entity with eighteen affiliated projects that span across a number of academic disciplines and community needs. Integral to the early success of the initiative has been an environment supportive of new ideas and partnerships. Designed as an “open-source” structure, the initiative encourages new connections between the institute and city, and promotes projects that are innovative in approach yet practical in expectations. Additionally, with a genuine interest in connecting resources to needs and creating growth opportunities for participants from MIT and Lawrence, the initiative is set to be a model by which remote partnerships are created and ultimately provide a mutually beneficial experience for all participants.

#### **THE CITY**

Just twenty-five miles north of Boston, MA, Lawrence is a city far removed from the state’s capital and main economic engine. Known to many as the “Immigrant City,” Lawrence is a post-industrial city that faces a variety of issues that are deeply rooted in its past. Incorporated as a city in 1847 by The Essex Company, the initial investors in Lawrence saw an opportunity to utilize the strength of the Merrimack River’s flow and the availability of land to develop a truly industrial town that could be seen as the model for future mill towns. Designed to mirror the success of Lowell, a neighboring mill town fifteen miles west of the city, Lawrence was conceived as a “full service” town where residents could work, live, and play. Some 160 years later, after the decline of large-scale manufacturing in the region, Lawrence has in many ways returned to where it began. It is a city full of potential, inspiring many planners and investors to construct ideas of what Lawrence should be and how it can most effectively be developed. Though it may not possess the advantages it once had, with its proximity to Boston,

comparatively inexpensive real estate, and investor-friendly policies, the coming years will determine whether the future will simply be a reproduction of its current state or a model for revitalization efforts elsewhere.

Integral to the future of Lawrence, current residents, who, despite being new to the city, represent what Lawrence has always been. Though many physical attributes of the city have changed over time, the “type<sup>3</sup>” of residents has stayed the same. With a population of 71,314<sup>4</sup> in 2005, 34.9% of the residents are foreign born and 68.7% of all residents are Hispanic. Additionally, 67% of residents are Spanish speakers and 52% of this group is foreign born. With such a large Hispanic population, Lawrence has a unique citizenry compared to the rest of New England. Furthermore, made up of working class families, Lawrence also has one of the highest poverty rates in the state, with 29.3% of families living below the poverty line. Moreover, with a median household income of \$46,242, 65.9% of the working age population in the labor force, and a homeownership rate of roughly 12% for a largely Latino portion of the city, there are few statistics that highlight any positive characteristics of the city and its people. Rather, statistics such as these stress the realities citizens face and the barriers blocking organizations and institutions attempting to revive this city.

Aside from the usual statistics, there is a history of collective action in Lawrence that receives less attention and in many ways represents the potential of an organization like LCW and its membership. In January of 1912, after a Massachusetts state law reduced the work week from 56 to 54 hours and as a result, the pay for mill workers by mill owners, the majority of mill workers in Lawrence expressed their outrage over the reduced pay and walked off their jobs.

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<sup>3</sup> There have been significant changes in terms of demographic makeup of the city since the early beginnings of the city. The point being made here is that ethnicity and country of origin aside, Lawrencians has historically had a large foreign born and working class citizenry.

<sup>4</sup> 2005 American Community Survey, Viewed 4/3/07, [www.census.gov](http://www.census.gov)

Notable for the role both immigrant workers and women played in the strike, these actions reflect the power of a unified force and the need for individuals from all backgrounds to work, transcending surface-level differences in order to achieve goals necessary for all to thrive. In a city with a wide variety of interests and backgrounds, the strike and its ability to unite workers from many backgrounds is a feat undervalued, yet essential for a place such as Lawrence to rebuild itself towards the goal of creating a better, more sustainable future for all.

### **LAWRENCE COMMUNITY WORKS (LCW)**

Founded in 1986 by a group of community activists, Lawrence Community Works (LCW) formed in response to city policies that threatened to demolish residential housing. The early beginnings of LCW were deeply rooted in grass roots organizing and a desire to bring positive change to a city that was decaying physically, politically, and economically. Working under the name Immigrant City Community Housing Corporation (ICCHC), the early members were especially dedicated to advocating for the displaced residents affected by city development policies. After some notable milestones and becoming incorporated as a Community Development Corporation (CDC), ICCHC changed its name to the Lawrence Planning & Neighborhood Development Corporation and expanded its reach beyond the original neighborhood known as North Common. Taking on more projects and increasing its presence, the organization was becoming active throughout the city and in myriad projects and issues. The “Junior Firefighters” program created by the organization reflects the push to get youth involved in community issues as well address the serious issue of arson, which further fuels community deterioration and encumbers the potential for sustainable change within Lawrence.

After a period of inactivity, the organization experienced a surge of energy brought about by William Traynor, an experienced community development professional, along with a group of

students from the Department of Urban Studies and Planning at MIT. With a dedicated group, the organization began focusing its attention on grassroots organizing and community development. Naming its work *Reviviendo* (Re-birth), the group was determined to bring back the energy that had once brought residents together and engaged them in a variety of policy and planning activities throughout the city. By the mid 1990s, the group had revived the efforts of their predecessors, acquired funding to rent office space, and renamed the organization Lawrence Community Works (LCW). From then on, LCW has worked to establish a presence in Lawrence—a presence that captures the attention of citizens, business people, and government officials. Through comprehensive service delivery and a relentless dedication to community development and positive change, LCW has worked on issues ranging from affordable housing to youth development.

With roughly 1200 members living or working in Lawrence, LCW has established a solid presence in the city while continuing to evolve in both scope and approach. Given the size, demographic, and economic characteristics of its membership, LCW has searched for new models through which to leverage its power for collective benefit and increased influence in the city. Through the development of a Network Advantage Program, where members reap benefits such as discounts at local stores or health clubs from their membership in the organization, LCW views its members as assets and is dedicated to creating ways to elicit returns by leveraging such assets. With this in mind, the organization is deeply committed to tapping into the power of its network and searching for ways to provide benefits for the membership through measures that utilize the collective for economic gain. The following explains how Collective Economics is defined within the context of this project; the ultimate objectives of the thesis; and how those objectives fit into the goals of the Network Advantage Program.

## **DEFINING COLLECTIVE ECONOMICS**

Collective Economics is the leveraging of mutual goals or preferences of a group for economic gains of the group. Though the term may be newly applied in this context, the concept(s) are well established<sup>5</sup> and rooted in a history of organizing at the local level—very similar to that of LCW’s beginnings as an organization. Whether a rural agricultural cooperative or a common interest consumer cooperative like Recreational Equipment Inc (REI), the underlying belief is that the cooperative exists to provide benefits for its members as well as distribute benefits to owners based on their share of ownership. It is estimated that globally, 800 million people are members of cooperatives, which provide roughly 100 million jobs. While there are numerous examples of cooperatives throughout the world, the vast majority fall within one of four main cooperative types.

1) Consumer-owned: In this cooperative type, the business that is providing the goods or services is owned by the users or consumers. 2) Producer-owned: In a producer cooperative, producers of common goods or services form a group to expand production capacity, marketing ability, as well as secure cheaper prices on goods produced by most, if not all of the members. 3) Worker-owned: This form of cooperative is both operated and owned by a group of workers and their ownership is determined by various shares owned by each worker. This allows the workers to directly benefit from the hard work they put into the company as well as have a uniquely influential role in the future growth and potential of the particular business. 4) Business-owned: Owned by a group of businesses in a similar sector or region that share similar costs, the business-owned cooperative model allows for cheaper purchasing and administrative costs than would be the case without the communally owned entity.

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<sup>5</sup> See Community and Cooperatives in Participatory Development by Levi and Litkin. or The Community Economic Development Movement : Law, business, and the new social policy by William H. Simon.



While the aforementioned are the primary types of cooperatives operating throughout the world, they do not provide a complete picture of the various forms of collective action that are relevant to the Collective Economics project. Labor unions constitute a widely recognized and successful example of how groups with similar skill sets and goals can leverage their size and market demand toward achieving a common goal; they have played a significant role throughout history in advocating for specific changes and influencing the decisions of companies and governments. Despite a recent decline in activity, whether real or perceived, unions have proven effective in limiting exposure to macro events, while providing job security in industries that may otherwise be more volatile. Additionally, unions provide an arena where economic and political interests can align and receive broader support than if individuals were acting alone.

Although unions are widely known forms of collective action, they certainly are not the only means by which groups with similar interests and goals have capitalized on their size to initiate change. Groups such as Political Action Committees (PACs) are prime examples of interest groups that rally around a cause and seek to promote an agenda that benefits a defined group. What is important here is that they represent established and highly effective forms of collective action. It should be noted that though similar to collective action, Collective Economics goes beyond the notion of group advocacy and influence, to focus specifically on confronting economic issues affecting a group or community. Therefore, for this thesis, Collective Economics can be understood as the use of a defined group's preferences and purchasing power for economic benefits passed on to the group. In this context, a defined group is one in which members of the body recognize themselves as a group and can be organized to rally behind a shared and specific cause. This is vital as Collective Economics does not represent

a passive network, but rather one in which active participation by members is integral to its success.

### **THESIS OBJECTIVE**

This thesis focuses on the concept of Collective Economics and develops a set of recommendations by which groups with common interests can effectively utilize their size for collective benefits. As a part of the MIT@Lawrence initiative, the Collective Economics project was originally designed to highlight opportunities where Lawrence Community Works (LCW) could leverage its membership size in a manner that produces collective benefit for the membership. As such, LCW requested that I survey various forms of collective action throughout the country and determine which models could be used by the organization and which could further asset development by LCW and its members.

Based on a list of examples of collective action and the broader goals of LCW, we determined that in order to fully capitalize on the size of the membership, our efforts should be focused on surveying the members to determine their consumption patterns and priorities. The data taken from the surveys will ultimately be used to attain discounted goods for individuals as well as benefits for the organization. Once the project is complete, the goal will then be for LCW to develop a pilot program based on the survey data that targets opportunities for discounted purchases and contracts on goods and services already being consumed by members. It should be noted that the goal of this thesis is in no way to promote the consumption of specific goods or support of listed companies. Given the limited income of most members and the broader goals of LCW, this project instead intends to better understand how income is being spent or saved, and where LCW can utilize the purchasing power of the membership to alleviate some of the expenses incurred by members.

Furthermore, the thesis has an interview component which provides a glimpse into how LCW members decide to save, set goals, and view processes by which these goals can be achieved. Based on the analysis of four interviews lasting about 45 minutes each, I analyze how members approach saving and the impact household-level decision making can have on LCW's ability to achieve its goal of effectively and efficiently directing the preferences and financial habits of its members for collective gain. Ultimately, the project assists Lawrence Community Works in developing a strategy to utilize membership in a manner that will produce benefits for the group as well as pave the way for future LCW product development and service delivery. As this project represents only a portion of a long-term interest of LCW, this thesis serves as the basis for future projects and potential partnerships. Finally, by highlighting consumption patterns and purchasing power, LCW will be able to move forward in developing market-oriented vehicles of change and support for its membership.

## SECTION II: ESTABLISHING THE COLLECTIVE

In portraying agents of change or models of power and influence, contemporary media tend to focus on a sole figure as the cause of many outcomes, bad and good. While individual leadership has played an integral role in shaping some of the most significant events in modern history, the role that large groups or factions play is often overlooked. I should acknowledge that I am not referring to followers or “followership<sup>6</sup>,” but to collaborative bodies that unite to achieve common goals, rather than simply stand behind a leader in his or her attempts to elicit change. That is not to say leadership or followership are not involved in this process of surveying and meeting the needs of a larger group. The point here is to separate the group from the individual and to highlight the potential impact of collective action on issues pertaining to economic change.

### **Developing the Network**

Operating in an ailing town with a industrial past that continues to influence the potential for a better future, LCW and its supporters believe that in order for sustainable change to occur, residents of Lawrence must be actively engaged in transforming their city, as well as have the power to initiate such change. With these goals in mind, LCW has established a “‘network organizing’ strategy that connects people to each other and to opportunities for people to step into public life<sup>7</sup>”. Described as a “hybrid” approach to community organizing and development, LCW’s Network draws on theories from the fields of economics and technology and seeks to utilize theories from the respective fields, emphasizing collaborative processes in order to influence a “strong *demand environment* for change”<sup>8</sup>.

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<sup>6</sup> For more information on followership, see works by Barbara Kellerman.

<sup>7</sup> William J. Traynor and Jessica Andors. “Network Organizing: A strategy for building community engagement.” Shelterforce, March/April 2005, pg 8.

<sup>8</sup> Network Organizing, pg 9

More than just a demand environment, LCW's Network is based on transparency, relationship building, and adaptation to the evolving needs of members and residents. Additionally, LCW has established an organization that is geared toward increasing opportunities for residents to be involved in the decision making process and to benefit from that involvement. Whether sitting on the LCW board or gaining access to the Homeownership Club, individuals can be as active in the Network as they like, with many points of entry allowing members to choose the type of activity that best suites them. Ensuring its programs "stand the test of resonance<sup>9</sup>," LCW is committed to meeting the needs of its members and works to establish programs that will draw their attention and inspire sustained involvement. Beyond participation on the individual level, the Network was also established to involve various organizations and institutions throughout the region, promoting greater access and collaboration to more efficiently achieve LCW's goals.

To date, LCW and its constituents boast a wide range of accomplishments. Among them is an established Network of roughly 1200 members living and working in Lawrence<sup>10</sup>. Additionally, LCW and partners have generated over \$12 million in Lawrence-based investments, which typically target affordable housing production and the development of community facilities. Moreover, graduates of "Family Asset-building," programs have saved over \$200,000 and used these funds to purchase over \$4 million in local assets. Given its achievements, there is no doubt of the value that the Network adds to the city and its residents, but there is still more that can be done in terms of organizing the network and securing collective gains. The following section highlights the changes being made at LCW that will strengthen the Network by capitalizing on its size, patterns of participation, and purchasing power.

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<sup>9</sup> Network Organizing, pg 11.

<sup>10</sup> For more accomplishments, see <http://www.lcworks.org/about/index.php?area=accomplishments>

### **Network Advantage Program**

LCW's Network is defined by the notion of collective action and which gives LCW great potential its ability to tackle some of Lawrence's greatest problems, while also providing opportunities for residents to be a part of this process. At the same time, there are characteristics of the initial Network that are passive, permit weak links, and limit future potential. Though there are benefits to a more passive membership, which LCW sees as key to its success, a weak network can fail to maximize the full potential of the group. Since collective action relies on collaborative participation as well as unified goals and behaviors, a weak association may allow too much room for deviation and apathy. In an effort to more effectively utilize its Network and benefit from the economies of scale produced by a large group, LCW has begun to move from a passive network to a more engaged and galvanized group.

Geared toward developing a stronger network and placing greater emphasis on tracking and analyzing network effectiveness, LCW has developed a new ID-based system in which members are issued bar-coded identification cards so that their patterns of involvement can be accurately captured. With this "Enhanced Membership Platform"<sup>11</sup>, LCW will have the capacity to accurately determine the involvement of members and the effectiveness of its network. Furthermore, through improved data collection and analysis, the Network Advantage Program allows LCW to effectively use data that is often underutilized or taken for granted in community organizing and asset-building in low-income communities.

As is evident, this data-driven approach moves beyond the initial network concept and introduces new methods by which a "strong *demand environment* for change" can be created and influenced. Thus, the organization is committed to finding new methods by which its membership size, purchasing power and new membership system can initiate asset-building

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<sup>11</sup> From ACP consultant report for LCW by Madeleine Taylor, Ph.D. March 13, 2006.

opportunities and capitalize on their market power. In fact, the use of market power for asset-building opportunities is the basis for the Collective Economics project and the reasoning behind the use of the survey and interviews for this project. While membership size and consumer characteristics are critical components in the ability of LCW to effectively bargain for discounts or provide services that cater to the Network, it is essential for LCW to have quantifiable data to present to potential partners.

### **SECTION III: SURVEY INSTRUMENT AND IN-DEPTH INTERVIEWS**

An integral part of this thesis is the collection and analysis of data on the economic realities, spending patterns, and propensity to save by LCW members. Designed to provide depth to the Network Advantage Program and use the consumption data of members to promote collective gains, the survey serves as pivotal project in determining the future of the program. As such, the survey was developed to capture income levels, major expenditures, and savings products used by members. The survey additionally sought to pinpoint opportunities where the purchasing power calculated from survey results could be utilized to negotiate discounts with local and regional companies based on reported spending patterns. It is critical to reiterate that the goal of the Collective Economics project is in no way to promote certain services or goods, but rather to develop programs that will make currently purchased products more affordable to this low-income population. Additionally, as LCW seeks to leverage its membership size, the survey provides an opportunity to better understand the purchasing power of the entire membership, and have the data to prove its strength. The ability to quantitatively show the spending power of this community will be an important element in LCW's negotiations with businesses, clearly illustrating the value members bring to the market as well as the potential revenue stream a company can capture upon partnering with LCW. As mentioned above, the survey's purpose is twofold. While the first aim is to collect detailed information on household expenditures, the second is geared toward determining whether specific expenditures can be changed to promote improved spending habits. By encouraging members to assess their current spending habits, analyze their budgets, and proactively save for future goals, LCW will create a more informed membership whose financial intelligence will only add to the success of a program based on collective action.



### **Surveying the Membership**

The survey, available in English and Spanish, solicited information regarding household income sources, categorized costs, and consumption patterns. The major categories in the survey are Household Income, Transportation, Computer and Internet, Grocery, Banking, Telephone, and Utilities [see Appendix 1 for full questionnaire]. After discussions with LCW and members of the MIT@Lawrence initiative, as well as research on survey design, it was determined that these categories effectively solicit the data that could be used to establish partnerships and calculate the purchasing power of the members within each category. Numerous edits were made to the survey in order to incorporate feedback from interested parties and to make the survey at once comprehensive enough for future reports, yet simple enough to be understood by all respondents.

While the bulk of the survey distribution and collection took place during February and March 2007, there was an initial round of distribution, which took place on Friday December 1, 2006 at Lawrence Community Works' Annual Member's Meeting. At the event, student volunteers from the MIT@Lawrence initiative assisted in survey distribution and collection throughout the evening. This event yielded 73 surveys (based on a slightly different format from the final version), which were ultimately recorded and included in the final data analysis. Though there were changes made to the survey since that point, there were enough questions that remained the same to include them in the overall sample and data analysis.

Given the size of LCW's membership, it was clear that more than 73 completed surveys were needed in order for the data to be valid and arguments effective when companies were ultimately approached for discounts and the like. As a result, I met with LCW in February 2007 to plan the remainder of the project, identify a target number of surveys to collect, and strategize on how we would meet that goal. We agreed that a target of 250 additional surveys would be

ideal and that the deadline for meeting that goal would be the final week of March. Given the low response rate at the annual membership meeting, a new method for distributing surveys was needed. Bill Traynor of LCW offered to allocate funding for five LCW members to distribute and collect 50 surveys each. If each person met their goal, we would reach our target. Also beneficial was the fact that this time, LCW members were distributing the surveys; they could explain the importance of the project to households before they filled them out, increasing the number of respondents and the likelihood that those respondents would answer as accurately and completely as possible. Additionally, Juanita Rivera, the Network Advantage Coordinator, met with each of the surveyors to explain the project, discuss expectations, and review the survey in its entirety. The consensus was that this, too, would elicit more complete and accurate answers, as each surveyor would be prepared to answer any questions that arose.

### **Interviewing the Membership**

Aside from the surveys, a second element adds a layer of information to the analysis of consumption patterns and potential partnership opportunities. Based on conversations with Andre Leroux, Bill Traynor, and Juanita Rivera, we decided to interview a handful of members that were representative of the larger membership as determined by LCW. The goal of this component was to speak with members directly about their spending habits as well as get detailed information about how they save and how their households approach setting short- and long-term financial goals. In essence, the interviews supplemented the survey by eliciting why members made certain decisions and how they rationalized spending and savings decisions. Furthermore, LCW was interested in hearing from their members the obstacles they face in setting and achieving financial goals as well as whether their spending and savings behavior support or hinder their ability to achieve these goals. Interviewing members would allow us to go

beyond basic numbers of how much people spend, and get to the root of why they make those spending decisions. Interviews promised to obtain a comprehensive view of not only how LCW can best leverage its membership size and purchasing power, but also a better understanding of the obstacles it may face in trying to promote smarter financial habits.

After discussing the interview process with Andre and deciding which questions would be used, we determined that the final questions should target specifically how people decide to save as well as the types of goals they set for their household. Additionally, we wanted questions that would bring to the surface information as to why members chose to act in one way as opposed to another. For example, we were interested in knowing whether there were any goods or services they would admit to spending too little on as well as too much on. From this, not only would we provide an opportunity for members to reflect on how they made financial decisions, but also highlight the obstacles LCW would face in promoting better financial planning habits. This is significant as the interviews were meant to get at the heart of the economic challenges that LCW members face while also providing a snapshot of how decisions are being made; the result would potentially point to an area LCW could target for improved financial decision making, which would hopefully resonate with a large portion of its membership. Thus, while the interviews may not be directly connected to the Collective Economics project and the data that resulted from the survey, they are integral to LCW's understanding of its membership and the obstacles it faces in attempting to galvanize members for collective economic gains. Please see Appendix 2 for interview questionnaire.

## **SECTION IV: SURVEY RESULTS AND STATISTICS**

Through two formal distribution campaigns, the survey portion of this thesis was geared toward collecting economic and financial data from LCW members. Focusing on households, the survey was designed to record information ranging from income levels to cost of mobile and home phone services. With the goal understanding the general costs members incur on a regular basis, the survey asked about household expenditures in an effort to better understand consumption patterns and target opportunities for discounted goods and services. Additionally, the survey was designed so that the data could be used to identify spending that would eventually be targeted as a part of an LCW initiated program promoting focused spending and increased savings. Underlying the survey component is the premise that the Network's potential improves with a more complete economic profile of the membership and the specific types of leverage that can be employed based on the population's financial and economic characteristics.

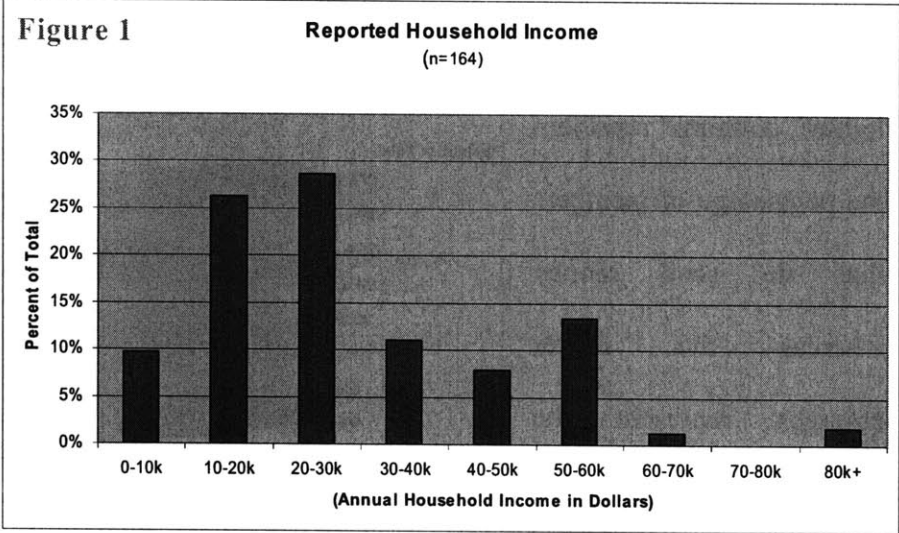
### **DATA ANALYSIS**

With the assistance of MIT student volunteers and paid surveyors, the distribution and collection of the Network Advantage Survey commenced at the end of March. Although the survey portion of the project did not meet its target of 350 returned surveys, the 229 completed surveys constitute a sufficient enough sample size to illustrate the consumption patterns of the broader membership. Given the nature of the survey, which asks for detailed spending information not typically accounted for, not all participants responded in full; as a result response rates for certain questions vary. However, the main questions targeting information such as household income level, computer ownership, and cost of mobile phone service are consistently above 150 responses and in many cases near or above 200.

### Household Characteristics

Designed to record critical information on household location, size, and income levels, the *Household* section of the survey provides a snapshot of the LCW membership. With 89% of LCW members living in Lawrence, it is not surprising that the data from the survey’s household section is reflective of Lawrence residents’ as a whole. For instance, considering the fact that Lawrence remains one of the poorest cities in Massachusetts, it is not surprising that 65% of LCW members have an annual income of \$30,000 or less. When simply studying or reporting

on a population from the outside, it can be easy to get lost in the data, missing how those figures translate into resident’s personal lives. Further consideration of, for example, the two-

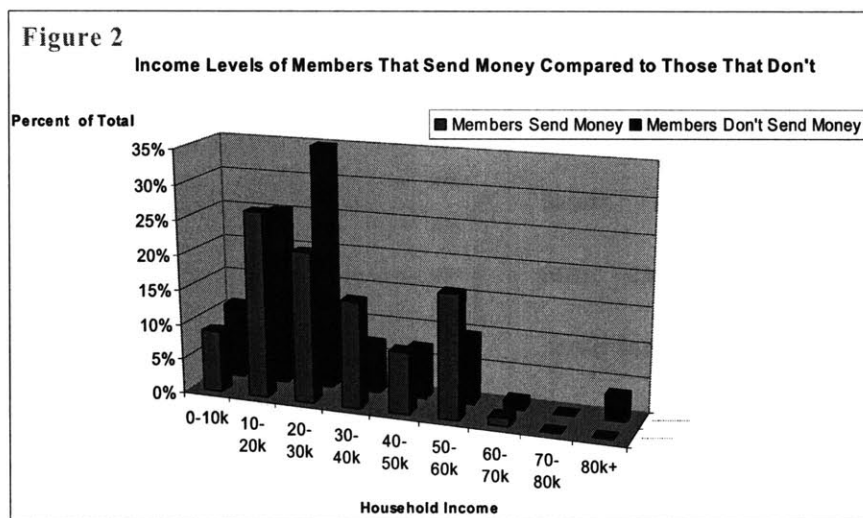


thirds of the group earning less than \$30,000 a year, reveal startling realities about the seemingly insurmountable barriers to achieving economic growth or stability these individuals face. Consequently, LCW, as an organization dedicated to leveraging a population’s purchasing power in order to create change, likewise faces significant barriers. Cognizant of this fact, it is also imperative to acknowledge that low-income groups, like the majority of LCW members, do in fact spend; and collectively, they do have economic power. Aside from staple goods, LCW members also purchase secondary goods and services, and in some instances, luxury goods as well. Therefore, while this section highlights members’ basic characteristics, the following

sections paint a better picture of just how much these households consume and the purchasing power they have as a group.

As remittances are a growing global source of revenue, especially in Latin American countries, it was important to consider such activities' prevalence among members and how much they were sending home on a monthly basis. The fact that 49% of members send money to another country<sup>12</sup> is considerable given the limited levels of disposable income among most members. Just as interesting is the fact that the median amount sent to another country on a monthly basis is \$100. Figure 2 shows the distribution of money being sent to another country

based on income level. The lighter columns represent the percentage of members that **do** send money whereas the darker columns represent the members that **do not** send money. As the table shows,



the distribution does not suggest any correlation between sending money and income level. Hence, it is clear that there are other factors, apart from level of income, which contribute to members' decision to send remittances. Such factors likely include citizenship status, number of family members outside of the U.S., and age of the sender. Remittances data provides important information about alternative forms of spending, and when considering the fees involved in sending such money, a potentially new arena in which to advocate for members and alleviate

<sup>12</sup> In some instances, respondents indicated that they sent money but did not indicate how much which is why the count for total respondents indicating they do send money is not consistent with the total number of respondents indicating how much they send back each month.

costs. It should be noted, however, that this survey is merely a base from which to draw conclusions about the impact and scope of remittances being sent to families; as remittances was not the main focus of the survey, further investigation regarding this trend is necessary.

Important to note, is that the survey's household income section included line items for various income sources, an element intended to capture a more complete picture of the main sources of members' income. While this component seemed to strengthen the survey by adding depth to the numbers and more general queries about income, this section may have been either too confusing or invasive for members. Considering members' income levels and spending habits, LCW leadership expected more income to be attributed to these line item sources than was reported. This discrepancy in total level of income may be a result of a sampling issue or reluctance by members to disclose such information. More research is required in order to fully understand the sources of members' supplementary income and means of, at times, spending what seems to be beyond the limits their standard income would allow.

### **Transportation**

Despite the reliability of local public transportation, the physical landscape of the city, access to local grocery stores, and proximity to employment hubs, Lawrence is not a city that would lend itself dependent upon public transportation for local mobility. In fact, survey responses indicated limited use of public transportation in Lawrence. In terms of how often members use local bus, taxi, and commuter rail services, a majority of members responded that they never use any of the three services. Table 1 highlights the use of the main transportation options in Lawrence by LCW members.

**Table 1 Member's Use of Local Transportation**

	<b>Percent Never</b>	<b>Percent Daily</b>	<b>Percent 1/week</b>	<b>Percent 1/month</b>
<b>Bus</b>	68%	13%	13%	6%
<b>Taxi</b>	57%	6%	19%	17%
<b>Commuter Rail</b>	74%	0%	3%	22%

Regarding car ownership, 67% of members owned a vehicle, 98% of whom indicate that their cars were insured<sup>13</sup>. Among the main insurers were Arbella Insurance, Liberty Mutual, Plymouth Rock, and Safety. The median annual cost of insurance was \$1500. Of course, this data must be used with caution as individual driving records and number of family members covered affects cost of contracts. What is important here is the variation in insurers and the immense potential large groups can have in reducing insurance coverage costs. This is especially true given the importance of the “law of large numbers<sup>14</sup>” in the insurance industry and the potential of reducing rates through an LCW-wide or even broader insurance program.

One area for expansion or improvement in this section of the survey would have been to inquire about households spending on gasoline. Given the population’s relatively low reliance on public transportation, and majority of members’ car ownership, gasoline-spending levels are likely quite high. Such data would enhance the organizations understanding of members’ major costs, and potentially highlight an additional area to assist members in saving or receiving discounts.

**Computers**

Given members’ limited disposable income, it is somewhat surprising that 72% of members own computers. Of the 28% that do not own a computer, the majority cited not

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<sup>13</sup> No respondent that owned a vehicle indicated not having insurance, rather, a few did not respond to the question, which is why the figure does not total 100%.

<sup>14</sup> See Gustavson and Harrington’s “Insurance, Risk Management, and Public Policy” 2001 for a less technical description of the law of large numbers and its use in insurance markets.



knowing how to operate one<sup>15</sup> as the primary cause. Of the 72% of respondents that do own computers, 26% do not have access to Internet. Of the households that do have access, 42% pay for DSL access [Table 2 shows a complete picture of internet access paid for by members].

**Table 2 Internet Access Paid For By Members**

No Access	Dial-Up	DSL	Cable	Wireless
26%	5%	42%	22%	5%

Effective communication is essential to promoting the Network Advantage Program as well as LCW in general. Members’ use of electronic mail would allow for timely dissemination of membership information; thus in considering future communication with its cohort, it was important to determine level of access among members. Out of 194 respondents to this question, 69% indicated that they did have an E-mail account. Conversely, of the members that did have access to an e-mail account, 51% indicated that they checked their accounts at least once a day. 26% estimated checking their accounts once a week and the remaining 23% checked several times a week.

Given the competition among internet service providers and the relative ease by which consumers can move in and out of contracts compared to other services such as cell phone coverage, there is the potential to get discounted service from a large company or even a smaller firm/provider attempting to capture a share of the market. Additionally, there may be opportunities for bundling with cable, cell phone coverage, and home phone service.

**Grocery**

Lawrence, in close proximity to other regional shopping centers, has few grocery shopping options available to residents. While the survey results highlight this fact, they also shed light on the attraction smaller, more culturally connected stores have to LCW members. The

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<sup>15</sup> It should be noted that virtually all of the respondents who indicated that they did not know how to use a computer, did so in Spanish.

survey asked respondents to list the two grocery stores most frequented, along with an average of how much they spend each week on groceries. The tables below show the percentage of LCW members that shop at each respective store. The tables also highlight members' primary and secondary preferences, as well as the total usage count for each category.

**Table 3                    Where Members Shop - Primary**

	<b>Market Basket</b>	<b>Stop &amp; Shop</b>	<b>Alba Market</b>	<b>Wal Mart</b>	<b>Other</b>
<b>Percent</b>	86%	2%	1%	1%	10%
<b>Count</b>	187	4	3	2	22

**Table 4                    Where Members Shop - Secondary**

	<b>Market Basket</b>	<b>Stop &amp; Shop</b>	<b>Alba Market</b>	<b>Wal Mart</b>	<b>Other</b>
<b>Percent</b>	20%	12%	4%	9%	55%
<b>Count</b>	26	15	5	12	70

**Table 5                    Where Members Shop - Total**

	<b>Market Basket</b>	<b>Stop &amp; Shop</b>	<b>Alba Market</b>	<b>Wal Mart</b>	<b>Other</b>
<b>Percent</b>	62%	5%	2%	4%	27%
<b>Count</b>	213	19	8	14	92

In the 'primary' table, 86% of members reported shopping at Market Basket<sup>16</sup> with only a handful shopping at Stop & Shop, Alba Market, and Wal Mart. The 'other' category, which stands at 10% for primary and 56% for secondary, introduces an unidentified, yet significant venue for membership spending. Whether due to location, products, or price, Market Basket appears to have strong position as the primary grocer for LCW members. Wal Mart, though a formidable name in shopping, particularly among working class and low-income communities, does not seem to draw many LCW members on a regular basis.

Examining the rest of the 'secondary' table, it is clear that Market Basket still represents a significant percentage, and that Stop & Shop may draw customers seeking specific items, or

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<sup>16</sup> Market Basket is located both in Lawrence and Methuen and both locations are included in this analysis.

those who find its location convenient on their way back from work, for example. With a 55% response rate, the 'other' category reflects the significant use of smaller stores or *bodegas* by members for secondary shopping, which can at least partly be attributed to their more often local ownership and ethnic/cultural ties to community members. The high percentage of consumer patronage in the 'other' category indicates the need to seriously recognize these stores as legitimate businesses and potential partners in the Network Advantage Program. Some examples of 'other' stores respondents listed were Lawrence Meat, Carolina Grocery, *La Fruteria*, *Altamira*, *Rincón*, Jacqueline's, and BJs<sup>17</sup>. A few respondents simply noted '*bodega*' as the name of the store where they shopped.

The survey also inquired about weekly levels of spending on groceries. The results indicate a median of \$95 spent each week on groceries by LCW members, which totals \$380<sup>18</sup> a month spent on groceries per household.

### **Banking**

As savings and informed budgeting practices are central to LCW's purpose, the banking portion of the survey is especially valuable to LCW. This section provides a glimpse into the access members have to banking institutions, the savings products they use, and whether or not they rely upon alternative financial services such as check cashing services, so often prevalent in low-income communities. Based on the survey, 79% of members have checking accounts with a slightly lower rate of 72% having savings accounts. Additionally, 61% of members reported having a credit card, although this figure may be positively skewed, as it is possible that members mistook their Visa Check Cards for traditional credit cards. Of the members that reported having a credit card, the median number of cards they reported having was two, with a

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<sup>17</sup> This is of course a larger chain and shopping warehouse that has a number of stores in the region, The closest one to Lawrence is in Salem, NH

<sup>18</sup> This amount is generalized as \$94 X 4 weeks

median interest rate of 11%. Very few respondents listed the amount of interest paid on credit cards, likely due to respondents simply not conscious of the levels they pay. If LCW were to target credit card interest rates to reduce ancillary fees, it could significantly benefit members' ability to save<sup>19</sup>. Additionally, the 11% rate is likely to be skewed (and probably higher for most members) since the members that do know how much they pay in interest are more likely to practice optimal budgeting, have high credit scores, and as a result, pay lower interest on credit cards.

Given the relatively high level of members with checking and savings accounts, it was presumed unlikely that many would use a check cashing service. The survey results validated this assumption as only 8% of respondents indicated using such services. Regarding the cost of check cashing services, responses ranged from flat rates to percentages of the total transaction. Some common responses were 1% and \$5 per transaction.

Table 6 highlights the banking institutions most widely used by members. With two banks (Bank of America and Sovereign) representing 53% of the market, the table shows that there is plenty of room for banks to gain greater market share by partnering with the Network Advantage Program.

**Table 6 Banking Institutions Used by Members**

	<b>Bank of America [1]</b>	<b>Citizens [2]</b>	<b>TD Banknorth [3]</b>	<b>Sovereign [4]</b>	<b>River Bank [5]</b>	<b>Other [6]</b>
<b>Percent</b>	29%	6%	17%	24%	6%	18%

### **Telephone**

The use of mobile phones has proliferated over the last decade or so, drastically changing the manner in which people communicate. Their use is not limited to the affluent either; even

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<sup>19</sup> Many members probably see interest as an indirect cost and don't accurately account for it as a cost. More should be done to educate members and reduce interest payments. This will also make income available for increased savings.

low-income communities in the poorest of cities and countries have access to mobile phones and represent significant slices of the market. Thus, it is important to understand the use of mobile phones by LCW members; the main service providers being used; the number of phone numbers under contract; the number of minutes that contracts guarantee; and the level of monthly spending on this service. With 70% of members owning a cell phone, the results reflect a high level of use by the membership. The table below details the characteristics of reported contracts held.

Table 7

	Mobile Providers				
	T-Mobile	Sprint/Nextel	Comcast	Verizon	Other
<b>Percent</b>	39%	28%	0%	23%	9%
<b>Median #'s Under Contract</b>	2	1		2	1
<b>Median Minutes</b>	750	700		725	600
<b>Median Cost</b>	60	59		80	80
<b>Average Cost</b>	72	67		78	80

Evident from the table is that there are three main providers and the median minutes per contract are very similar for each. However, there are notable differences in the costs of the main providers. With a median of 725 minutes per month, Verizon has a median cost of \$80 per month versus 750 minutes for only \$60 with T-mobile. Additionally, the smaller and less frequently used service providers have a higher median cost with fewer minutes than the three main providers and which may explain their inability to dominate the market.

Given the regulations and costs associated with gaining access to local home phone service delivery, there are barriers to entry that prevent a similar number of providers from offering services than is the case in the mobile service industry. Thus, it is understandable that there are only two main home phone service providers in Lawrence, both of which have a national presence. 86% of members subscribe to home phone service, paying an equal median price per month for both Comcast and Verizon service. Though the ‘other’ service providers have a lower median monthly cost, the market for home service appears to be relatively stable

and consistent across the board. It is worth noting that the averages are positively skewed, likely due to members' confusion in reporting monthly costs. That is, some respondents indicated having a single bill for home phone service and cable, and therefore did not separate the cost for each when reporting monthly costs, skewing the average and potentially median monthly costs.

**Table 8**

	<b>Home Phone Providers</b>		
	<b>Comcast</b>	<b>Verizon</b>	<b>Other</b>
<b>Percent</b>	39%	59%	2%
<b>Median Cost</b>	40	40	34
<b>Average Cost</b>	54	43	38

### **Utilities**

Utilities can represent a significant portion of monthly expenditures by households, especially in areas of the country where climate adds to costs during seasonal changes and extreme weather. As a result, it was important to understand the financial burden utilities place on LCW members. The survey focused on four main utilities<sup>20</sup> and asked respondents to specify the average monthly cost of each. In some instances, respondents indicated a range as the monthly cost (typically a summer and winter cost of gas). For these responses, the Excel average function was used to calculate an estimated monthly average for the respondent. The table below highlights the median average cost per month for each category. In some instances, zero was entered for the monthly cost of gas and electricity; in these cases, it is believed that the members' rent includes utilities, which explains members neglecting to report a monthly cost. This, however, does not seem to be the case for heating oil<sup>21</sup>, where omissions can better be attributed to few households using oil to heat their homes.

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<sup>20</sup> Though cable television is not a utility, we decided to include questions on cable cost and type in this section of the survey since it didn't necessarily fit in any one section.

<sup>21</sup> Although the median cost for heating oil is 0, it did have an average of \$74 as there were a few respondents that indicated a monthly cost for its use.

Table 9

**Cost of Utilities**

	<b>Median</b>	<b>Average</b>
<b>Avg Cost of Gas</b>	150	166.7
<b>Avg Cost of Electricity</b>	70	91.4
<b>Avg Cost of Heating Oil</b>	0	74.7
<b>Avg Cost of Cable</b>	49	51.1
<b>Type of Cable</b>	2	2.1
	<b>Satellite</b>	<b>Cable</b>
	29%	71%

**Miscellaneous**

An addendum to the original survey is the ‘Miscellaneous Expenses’ section, which seeks to collect data on other significant expenses that may not have been captured in the main survey sections, or which represent annual as opposed to monthly member spending. Additionally, LCW sought to obtain data on members’ access to health and dental insurance. In terms of access to health insurance, 68% of members are covered by some form of insurance. A slightly lower 60% of members are covered by dental insurance. In terms of medical expenses not covered by insurance, 87 respondents incurred medical costs over the past year, spending a median amount of \$300. Regarding uncovered dental expenses, 74 respondents spent a median of \$72.50 dollars for dental services over the past year. Childcare was another category, which received fewer responses than anticipated. Only 39 members responded that they paid for childcare, the median monthly cost for which was \$22.50. Childcare does not seem significant in terms of cost or responses; however this figure may be skewed due to a low number of responses, or to household’s dependence on friends and kin as informal caregivers.

Finally, the survey included an open-ended question on “other major annual expenses.” The responses for this portion ranged from parking tickets to private schooling and were specified as descriptions of the expense or simply the dollar value of the expense, and sometimes both. Of the 40 responses received, the median cost cited for monthly miscellaneous annual

expenses was \$77.50 (or an average of \$739.20). Obviously, because of the limited and wide range in responses, the data is skewed and cannot be used to draw concrete conclusions about other expenses of the entire membership. Looking to the future, it is recommended that open-ended questions such as these are either eliminated or better phrased to yield the desired information.

### **Open-Ended Questions**

At the end of the survey, one open-ended question asked members, “What type of stores/businesses/restaurants/services are most needed in Lawrence?” Members were asked to limit their answers to three responses, and were provided three lines to write down their ideas. Given the nature of the question, there was a wide range of responses, from *Pollo Tipico* to high-end restaurants. Though there were varied responses, there were a few themes that came out of these responses. First, there were a significant number of responses that listed youth services and activities as a major need in Lawrence. This should not be surprising as it is well known that there are very few programs or activities in Lawrence geared toward youth. Moreover, as the creators of Movement City, a youth empowerment network, LCW is already one of a few organizations in the city creating opportunities for youth to socialize and take part in various enrichment activities.

Secondly, a number of respondents mentioned a need for a pharmacy or chain store similar to Walgreens, where consumers could purchase hygienic goods, household medicines, as well as fill prescriptions. In some instances, specific stores were listed, but for the most part, respondents simply answered by store type (inexpensive clothing stores, family discount stores, hardware stores, fast food establishments, etc.). Aside from traditional retail stores, there was also an expressed interest in the development of cafés, health clubs, and restaurants. It is worth



noting here that many of these responses run counter to the goals of LCW in increasing savings and reducing unnecessary costs. Still, if there are real gaps in terms of retail options, LCW may be interested in responding by establishing community-owned and operated stores that cater to such needs, while still meeting the goal of increasing community run assets.

## **SECTION V: UNDERSTANDING HOUSEHOLD DECISION MAKING**

### **INTERVIEWING MEMBERS**

Underlying the Collective Economics project is an assumption that members (and low-income consumers in general) are rational in their decisions to save, budget, and consume. While the goal of this thesis is not to fully analyze the “rationality” of members’ decisions, it is important however to highlight the influence certain perceptions about saving and financial planning by members impact LCW’s ability to meet the Network Advantage program’s goals. Therefore, based on conversations with Andre, and recognizing the value in-depth interviews can provide in understanding how members can most be most effectively utilized for collective action, four interviews<sup>22</sup> were conducted over the course of a week in Lawrence. As was true for the Network Advantage survey, all interviews were completely confidential and voluntary. No information regarding identity was solicited nor recorded. The names of the participants were replaced with a code. The first participant’s name has been replaced with P-1, second with P-2, and so on (See Appendix 2 for a sample<sup>23</sup> questionnaire).

Rather than discuss each interviewee separately or simply include the notes from each interview session, the following section will integrate the responses from all interviewees to highlight patterns in responses and how household decisions can be potential barriers to establishing collective economics projects and furthering the Network Advantage Program.

### **Household Savings**

As household savings levels and behaviors are integral to establishing a successful Network Advantage Program, the first interview question sought information on how much

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<sup>22</sup> Due to time constraints, LCW decided to limit interviews to four members and was responsible for choosing them with the intent of making the sample as representative of the membership as possible. While the responses were helpful, they by no means represent the full range of experiences of members and residents in Lawrence and were only used to elicit themes about spending and financial planning.

<sup>23</sup> The questionnaire is a sample because I did ask questions outside of what is included in the list of questions I had prepared for each interview.

households save as well as how long they have been saving. The first interviewee, P-1<sup>24</sup>, had been saving for roughly 30 years through work. On top of work-sponsored savings, P-1 tries to put \$1,000 into her savings each month. Similar to P-1, the second interviewee, P-2, had been saving for retirement for over a decade. She also has a set amount automatically placed into a retirement fund and which she will not touch until she retires. She added that she had a savings account for about 18 years, although the amount she placed in this account was not consistent and varied over the years. This was partly due to the fact that she had other expenses with higher priority and had also encountered certain events that caused her to draw from her savings to pay for the expenses. It is also relevant that P-2 mentioned never having balanced her checkbook and that much of the household accounting was mental.

P-3 is an active LCW member and has been involved in financial trainings in the past. As such, when asked about saving money, she responded that she had only been saving for roughly a year and a half, acknowledging that a previous LCW training on finances prompted her to begin saving in the first place. Interesting to note is that given her income level and financial priorities, she acknowledged that she has had to tap into her savings to pay bills. Although a majority of LCW members have bank accounts, whether or not they effectively use their accounts is questionable; here, however, is an example of a member who, with education, now actively engages in a form of financial planning. Having saved for roughly 26 years through her job's 401(k) program, P-4 has a fairly stable savings system going. Aside from her 401(k) (deposits of \$100-200 weekly), P-4 also has a regular savings account in which she makes monthly deposits of about \$25. Established primarily in anticipation of emergencies, the account,

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<sup>24</sup>It should be noted that P-1 is one of a few members that earns above \$80,000 per year; thus the savings behaviors are less representative of the membership. P-1 was included in the interviews in order to compare how members from different economic classes approach financial issues.

as is the case with other interviewees, is often drawn from to pay bills and may not be the most effective vehicle for savings.

### **Household Goals**

Essential to achieving financial stability and positively influencing consumer behaviors is the ability to teach members to set goals and to establish a method by which the goals can be achieved. Thus, the follow portion of the interview focused on goal-setting--both short- and long-term. When asked about types of short-term goals that members set, responses ranged from purchasing a new car, traveling, paying off a mortgage, and paying down bills. With respect to long-term goals, P-1 expressed interest in purchasing a second home; P-3 discussed a desire to pay off bills and open a childcare business; and P-4 sought to save money which would eventually help her teenage child pay for college. In discussing the steps that would assist in achieving short- and long-term goals, P-1 responded that discipline was an essential attribute. She suggested that it was typical for spending to deviate from what was essential or optimal, and that it is very important that households keep to a system, remaining disciplined throughout the goal's timeframe. Additionally, it was helpful to hear her speak of processes and the benefit of having a system that outlines spending and savings as well as the importance of keeping to it.

As for P-2, a long-term goal was to save enough to cover home expenses as well as any other unexpected expenses that may arise. Another long-term goal for P-2 was to eliminate her credit card debt. No set date was given; instead, she said this goal was dependent upon her financial situation and that she would wait for the right circumstances before fully committing herself to meeting this goal. She seemed to feel powerless in realizing this goal, adopting the passive attitude that achieving it was circumstantial and out of her control. This mentality highlights the obstacles LCW is up against when trying to promote healthier financial decisions among members. Contrary to her previous logic that she is powerless to rid herself of debt, P-2

went on to state that adjusting her shopping habits would likely allow her to meet her goals and become more financially stable. While P-2 exhibits an understanding of her own ability to adopt more responsible financial behaviors, she simultaneously attributes all obstacles to external factors (which though understandable in the case of a family death occurs or tenants failing to pay rent, are not the only factors contributing to her debt). The overarching point, however, is that with a little pressure, whether in the form of a “financial empowerment group” or a Network contract created by LCW, it is possible to change people’s behaviors through collective participation, especially when individuals acknowledge that change needs to occur.

### **Household Spending**

Directly related to the Network Advantage Program, information pertaining to household spending and prioritization is key to understanding how LCW can effectively change members’ habits and ultimately leverage the group’s size for collective gain. Though the survey provides valuable data on monthly expenditures and collective purchasing power, the interviews complimented the data by providing a glimpse into how households decide to save or consume. While the survey did not ask interviewees to rank their willingness to purchase specific goods within a bundle, it did ask them to think about the goods and services on which they over-spend, versus those on which they may over-economize. The questions were phrased in this manner so participants could reflect on their own habits and hopefully acknowledge areas where they could not only make improvements, but also on areas where LCW could focus its Network Advantage Program.

When discussing items on which her household over-spent, P-2 recognized that she should save more, and spend less on crafts, hobbies, and other items she did not need. Notably, P-2 added that she often spends too much on gifts as well as charitable events that solicit donations.

Commonplace in Latino cultures is the tendency for households to splurge on birthdays, parties, and even church offerings, sometimes to the point of going further into debt. P-2's description of the cost of such activities was significant in that it highlights a personal decision in many ways based on cultural norms that truly impacts her finances.

In addition to these community events, P-2 responded that she also spent too much on eating out and investment property, which costs a great deal to maintain. Reflecting on changes that have been made to address these issues, P-1 explained that the household had been cutting back on eating out, as well as keeping better track of how they spend money, recording and categorizing virtually every expenditure to determine the level and necessity of each. This is an extremely regimented system into which few households can or would be willing to enter.

Furthermore, P-3 responded to the same question by stating that she was very organized and because of the LCW training, did not take part in excessive or unwarranted spending. She did however, acknowledge that she spends money on manicures and other personal upkeep routines—an area she acknowledged could be reduced towards savings. During this discussion, P-3 mentioned how her students and friends would comment on her nails and how pretty they were. This appeared to provide a boost to her self-esteem—one possible explanation for how she rationalizes this luxury, though aware the money may be better spent elsewhere. Similar to other respondents, P-4 answered the question by describing some of her goals. That is, she acknowledged that she should be saving more as well as paying down bills instead of consuming what are sometimes unnecessary items. As far as items she spends too much money on, P-4 brought up how expensive insurance was for both her home and automobile, believing the rates in Lawrence to be some of the highest in the state. This is interesting, as the response does not

reflect a feeling of “bad” decision-making on her part; she instead points to a market failure of sorts that places a greater burden on Lawrence residents.

### **Household Obstacles and Hardships**

Whereas household spending highlights actions that for the most part can be easily controlled, the following section brings to light more external events that members may face and which affect their ability to reach financial stability. Moreover, given member demographics as well as that of the city as a whole, one does not have to dig too deep to hear stories of personal and financial hardships. Whether victims of predatory lending or unemployed residents seeking employment, the stories of families and their experiences in the city are indicative of the realities many face, as well as the obstacles LCW faces when trying to galvanize its membership behind the Network Advantage Program. The interviews were geared toward bringing out some of these stories in order to comprehend the obstacles of members and how LCW can support members in preventing as well as navigating through these events.

During the interviews, the discussions of obstacles and hardships were often tied to the impact these events have on individual abilities to meet short- and long-term goals. For instance, P-1 commented on the way unexpected costs such as home improvements or “Life Happens” events can increase expenses. Similar to P-1, P-2 also brought up the concept of “Life Happens” and how she would like to save more, creating a financial cushion she can rely upon when the unexpected events do occur.

Connected to consumption priorities was P-2’s discussion of financial hardships. She discussed how Lawrence has become increasingly expensive, making it difficult to pay bills. According to P-2, costs increase at a higher rate than household income. This is significant in that even with two earners in the home, P-2 was still impacted by the cost of living; as Lawrence

becomes more attractive and development continues, this will likely be a growing hardship for residents and members. In response to how the household overcomes or manages this hardship, P-2 talked of more effectively tracking expenses, especially groceries, and of making decisions based more on necessity.

In a more depressed financial state than the other interviewees and probably more representative of the larger membership, P-3 talked of her decision to file for bankruptcy roughly five years ago. Resulting mainly from retail credit card debt, P-3 felt as if, at the time of filing, she lacked the support and knowledge to make the best financial decisions. While this may be true, her responses reflected her heightened awareness that she was spending more than she could pay back and consuming unnecessary items. Understanding why she continued to consume until the filing for bankruptcy became inevitable is a larger issue, and critical to preventing others from accumulating so much debt that they cannot pay back what they owe.

### **Investment Fund**

Central to the Collective Economics project is the development of products and programs that include (or are at least are open to) the entire membership. An idea that has been discussed for some time now has been the creation of an LCW-sponsored fund. We wanted to gauge the level of interest among the few interviewees and hear their thoughts on the prospect. Presented as a savings vehicle where members would each invest \$25 per month, interviewees were asked if they would be willing to participate in an LCW-managed fund. Additionally, they were asked what they liked or disliked about the idea.

While there was an overall positive response to the question, participants expressed valid concerns as well. For instance, the following represents questions which P-1 felt needed to be answered before she would be willing to participate:



*-Who would ultimately control/manage the fund?*  
*-How would members be able to access investments?*  
*How liquid would the fund be?*  
*-Would members have choices regarding the type of investments?*  
*For example, would the fund be short-term or long-term? Would it be for stocks or bonds, or include a number of assets/asset classes? If the fund had different classes, could fractions of their investments be distributed across classes?*  
*-What would be the ultimate goals and risks associated with the fund?*

P-2 had fewer reservations about the idea, feeling the proposed level of financial contribution was reasonable and that participation would not drastically affect her monthly budget. P-3 was also very interested and enthusiastic about the possibility. She warned however, that the process by which investments are made would have to be transparent, to avoid confusion about the overall project goal and oversight process. Finally, P-4 mentioned that some of LCW's programs are income-sensitive and was interested to know if certain people would be excluded based on their income level. She also pointed out that she would still be willing to participate in the program even if she was not personally benefiting from it financially, so long as the greater community benefited from the investment. While this may not be the case for all of the members, it does present an opportunity to think about how to define benefits and how different definitions can lead to different purposes of this fund. While P-4 was enthusiastic about the idea, she did express concerns over how the money would be advised and by whom, as well as the terms in which investors would have access to their funds, and how the overall purpose of the investment would be determined. All are valid concerns that need to be addressed as the idea progresses.

### **Lessons Learned**

While four interviews cannot completely capture the spending and savings behaviors of members nor can they provide a comprehensive evaluation of decision making, they can

however give LCW a base from which to begin to think about how household decisions and perceptions of saving and spending can help or hinder the growth of the Network Advantage Program. From household savings to a collective fund, the responses from interviewees touched upon key themes that should be considered by LCW in developing products and services for the program. The following represents a short list of themes that were prevalent throughout the interviews and why they are important to LCW and the Network Advantage Program.

### High Cost of Spending

Apparent in all of the interviews was a strong understanding of what should be done versus what is actually done. In discussing areas where the household spends too much money, all respondents were well aware of specific items they spent too much on and acknowledged how doing so affects their ability to meet goals. This is especially important to lower income members where income levels allow less room for unnecessary spending and the marginal costs of doing so are much higher. Therefore, given the demographic make up of LCW's membership, the ease with which they can be informed and engaged, and the dedication to developing a knowledgeable and active membership, LCW is in an ideal position to shape how members view and approach securing their financial futures. Through financial planning workshops and training, members can receive formal training on budgeting, setting goals, and financial practices that will help them create a healthy financial environment for themselves and families.

Furthermore, workshops can focus on spending habits and allow members to list monthly expenditures to better understand where their money is going on a regular basis and how much various expenditures cost them over the course of a year. By allowing members to list spending and calculate costs, they will be able to see exactly where their money is going and how small changes can save them money over time. This is not an uncommon exercise in the world of

financial planning, and though basic, can directly impact how members view and approach future spending. Moreover, it can also be used as an entry point to introducing the Network Advantage Program and the benefits of leveraging group purchasing power.

#### Automatic Savings Programs

While controlling spending is essential in promoting sound financial practices and creating opportunities to save, the ability to take the next step and save the unspent money is not an easy feat. Tempted to consume out of perceived necessity or sheer ignorance, considering whether having something today versus the opportunity cost of saving over the course of decades is often overlooked. For most consumers, it is very easy to get caught up in the moment and make decisions that if evaluated, would show minimal added value in the short- or long-term. This is not a situation specific to LCW members or low-income residents. This is very much a part of being a consumer no matter one's race or class. In his paper "Yielding Temptation: Self-Control Failure, Impulsive Purchasing, and Consumer Behavior," Roy Baumeister discusses three factors that influence effective self-control by consumers: standards, a monitoring process, and the operational capacity to alter one's behavior<sup>25</sup>. Arguing that "if any of these fails, self-control can be undermined," his work centers on how an ability to regulate one's decisions by establishing standards, keeping track of behaviors, and possessing the capacity to change is crucial to controlling "impulsive" spending and more optimal consumer behavior.

Applying this concept to consumer saving, it is evident how a heightened awareness of spending and understanding of the importance of saving can help members make better consumer decisions. Moreover, an automatic savings program would assist in cultivating the ingredients outlined by Baumeister. Rather than having the option to save, automatic

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<sup>25</sup> Baumeister, Roy. "Yielding to Temptation: Self-Control Failure, Impulsive Purchasing, and Consumer Behavior." *Journal of Consumer Research*. Vol 28, March 2002, pg 670

withdrawals remove the temptation to spend and can be viewed as less painful by members as the transaction is in essence “out of sight out of mind.” Therefore, to hear interviewees discuss the value an automatic savings scheme adds to their financial decision making makes it apparent how necessary it is for LCW to, at the very least, promote similar options in workshops surrounding financial awareness and stability.

### Collective Support

While the Collective Economics project is heavily centered on the leverage of group size for a demand oriented approach to collective gains, there is also great potential with a membership as large and demographically similar as LCW’s to use its size for internal support as well. Moreover, taking into consideration the ingredients necessary for effective self-control--as described by Baumeister--and the effectiveness of peer support groups such as the Individual Development Account (IDA) program organized by LCW or even support groups<sup>26</sup> created through Alcoholics Anonymous, much can be gained from a space where members with similar ambitions and experiences can set standards, provide support, and collectively work to achieve their goals. The notion of peer pressure can be synonymous with support, and in an environment where temptation to consume outside of one’s means is a daily occurrence, the added pressure to maintain self-control for fear of letting others down is a powerful force. Moreover, not only do these groups provide an added layer of protection, they also humanize the problem and expose how commonplace are problems that many believe to be specific to their own situation.

As the collective is central to this project and any support group, it is obvious that such groups cannot be successful within the Network Advantage Program without legitimate buy-in from the membership; and a willingness to collectively support one another in achieving

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<sup>26</sup> “Self-Help and Support Groups: A Handbook for Practitioners,” provides a good background on the variety and effectiveness of these groups. (Linda Farris Kurtz, Sage Publications, 1997).

individual goals. This is significant as even if goals are individual in nature, the processes necessary to meet these goals are very similar. Consequently, the ability of members to support each other will both strengthen ties among members and provide the Network Advantage Program with momentum moving forward.

## SECTION VI: COLLECTIVE ACTIONS - FROM DATA TO DEMANDS

### GROCERY DISCOUNTS

As groceries can be assumed to be a constant expenditure with a relatively inelastic demand, it is possible to illustrate the monthly purchasing power of members based on the survey results and number of households in the Network. Table 10 reflects the potential weekly purchasing power of LCW members as it pertains to grocery shopping by households. Assuming \$95 is spent each week

Table 10

**Weekly Purchasing Power for Groceries**

# of Households	200	275	300	350	400
Total Amount	\$ 19,000	\$ 26,125	\$ 28,500	\$ 33,250	\$ 38,000

per household, with 200

households, this would equal \$19,000 of purchasing power. If 400 members are involved, this equals \$38,000 of weekly purchasing power by the membership. That is not a small figure and when calculated at a monthly level (calculated as four times the weekly level); 200 participating households results in \$76,000, where as 400 households would result in \$152,000 of monthly purchasing power. Taking this information to local grocers and explaining the market value of members' business to their stores will highlight the effect that collective actions can have on weekly and monthly revenues. Additionally, by explaining the goals of the Network Advantage Program, membership demographics, and the potential of losing market share to competitors who would be willing to offer discounts on groceries, LCW can place itself in a favorable position when negotiating partnerships.

If LCW could arrange for a 5% discount on all member purchases, the resulting monthly savings would total \$7,600 (assuming 400 households). Additionally, an 8% discount would save \$12,160 and 10% would save the group \$15,200 each month. These are astounding figures and are significant both in terms of how much members could save as well as how much could be channeled into a community fund or member-based investment vehicle. For instance, if LCW arranged an 8% discount and passed 6% of that on to members and kept 2% of the discount for a

fund, LCW could potentially receive \$3,040 each month (based on purchasing power of 400 households). Over time and with compounding interest, this figure could serve as the seed money for future projects, community centers, or scholarships.

### **Frequent Shoppers Program**

While the above describes a general discount program, the following analysis explores precisely what a “Frequent Shoppers Program” could look like and how local grocers would record member expenditures and determine monthly savings. Similar to the above, the goal of a “Frequent Shoppers Program” would be to leverage the size of LCW’s membership and ultimately make it less expensive for members to live in Lawrence and purchase staple goods.

Relying upon the Network Advantage card, LCW can connect the goals of the program with the data from this project and establish a “Frequent Shoppers Program” with local grocers. Based on monthly spending levels, the program would allow for LCW and its members to receive a percentage of annual expenditures from stores such as Market Basket and its competitors. Such a program could take two forms. The first would allow members to “swipe” their cards at checkout, the card reader automatically recording the amount spent or the clerk manually entering information via a pin pad or similar device. This is heavily dependent upon system capabilities and store management interests. Alternatively, members could save receipts from purchases and turn them into a central location where ID number, date, and total amount would be recorded and entered into a database that tracks monthly member expenditures. The disadvantage of the second option is that members may lose receipts or forget to bring them in, thereby reducing the returns. Additionally, the second scenario may raise concerns with store management or LCW (depending on who keeps track of receipts), as there is the risk of inaccurate recording.

**How would a store benefit from a partnership?**

This is the “million dollar question” for the Collective Economics Project as well as any other proposed projects that may result from this survey or the Network Advantage Program. Given the demographics of the membership and the city as a whole for that matter, it is expected that residents in Lawrence are low-income and may have trouble meeting expenses. Therefore, the message necessary to draw in partners must go beyond the sympathetic rhetoric of assisting the needy. Instead, the message must be one of reciprocity and a mutually beneficial partnership. This is where the survey data comes in. As described above, assuming 400 participating households<sup>27</sup>, members have a monthly purchasing power for groceries totaling \$152,000. Furthermore, given the limited selection of supermarkets in Lawrence and the fact that one chain captures 62% (See Table 5 in Data Analysis Section) of both primary and secondary grocery shopping by members, one may deduce that an enterprise such as Market Basket takes its customer base for granted. Therefore, it is up to LCW to illustrate the impact their members have on monthly store revenues. For instance, a 10% gain (or loss) in membership patronage could increase (or decrease) monthly revenue by \$15,200. Additionally, a 25% swing in patronage could affect monthly revenues by \$38,000 (See Table 11 for additional scenarios). All are significant numbers, even considering the size of Market Basket, and have to be considered at the core of discussions with potential partners, as well as with members regarding the need for collective action and coordination. Additionally, when answering the above question, LCW must be able to claim the ability to shift members’ shopping habits by a specific percentage and back that up with how much revenue such a shift will yield for an interested partner.

Key to this form of action is an influence over members that is rooted in trust and common goals, all of which LCW seems to possess, but which has yet to be tested at this scale or

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<sup>27</sup> This number is based on 1200 members and a median household size of 3 reported on the survey.



within this context. Individual behaviors as they pertain to spending and choice are difficult to change, especially as they pertain to choices of goods that are consumed regularly. There is no guarantee that Market Basket for example is a perfect (or close enough) substitute to a local *Bodega* when it comes to specific goods. Therefore, LCW either faces a losing battle in trying to change members' behaviors or it can be more proactive in suggesting changes by partners in the form of grocery quality and selection. As this is likely to be uncharted territory for potential partners, they may need to be guided through this process to ensure needs are met on both sides of the relationship. Such guidance would include helping the partner better understand membership preferences and goods that draw them to other stores. Additionally, LCW can involve partners in larger community events hosted or sponsored by a specific store and location. Examples include a summer BBQ, bake sale to fund specific projects, or catering for meetings and events. The idea would be to get partners as involved as possible so the partnership becomes less of a supply and demand relationship, and evolves into one where members' community presence is more fully recognized.

**Table 11**                      **Value of Membership Size Per Month  
as a Function of Households and  
Change in Patronage**

<i>% of Membership</i>	<b>300</b>	<b>350</b>	<b>400</b>	<i># of Households</i>
<b>10%</b>	\$ 11,400	\$ 13,300	\$ 15,200	
<b>15%</b>	\$ 17,100	\$ 19,950	\$ 22,800	
<b>20%</b>	\$ 22,800	\$ 26,600	\$ 30,400	
<b>25%</b>	\$ 28,500	\$ 33,250	\$ 38,000	

## CELL PHONE CONTRACTS

As cell phone coverage has become a basic amenity for so many families, the cost of coverage no doubt adds up and places an even greater burden on the budgets of lower-income families. With 70% of members having cell phone contracts and median monthly costs at \$60, the purchasing power exhibited by such levels of use is not only significant in terms of members' budgets, but also in how much revenue cell phone companies are receiving from this low-income community. The table below reflects the potential monthly revenues captured by mobile providers as a function of household contracts held by LCW members. The figures below are based on a \$60/month contract (median based on survey). These of course do not include the cost of purchasing handsets and accessories, both of which are multi-million dollar industries and significant factors in the profitability of this industry as a whole.

Table 12            **Revenues as a Function of Household Mobile Phone Contracts**

<i># of Households</i>	<b>75</b>	<b>150</b>	<b>200</b>	<b>250</b>	<b>300</b>	<b>350</b>	<b>400</b>
<i>Revenues</i>	\$ 4,500	\$ 9,000	\$ 12,000	\$ 15,000	\$ 18,000	\$ 21,000	\$ 24,000

While the previous table illustrates the purchasing power of the membership as a function of household participation, Table 13 highlights the added revenue that could be secured by a mobile phone company as a function of increased market size (represented as the percentage of 400 households, the assumed number of LCW households in their membership group). Additionally, the potential revenue is based on a discount of a \$60 per month contract. Each row represents the potential revenue based on the discounted contracts (cost of contract at far left) and the increase in market share. As can be seen from the table, mobile companies could increase their market size and provide discounted contracts for LCW members, all while increasing monthly contract revenue (assuming all other costs are covered).

Table 13

		Additional Revenues with New Market Share for Company							
Households Assumed:		400							
	\$		% of Membership	1%	2%	4%	5%	8%	% of Discount
Retail Cost of Contract	\$ 60								
Discounted Cost of Contract:	\$ 54		10%	\$ 216	\$ 432	\$ 864	\$ 1,080	\$ 1,728	
	\$ 51		15%	\$ 204	\$ 408	\$ 816	\$ 1,020	\$ 1,632	
	\$ 48		20%	\$ 192	\$ 384	\$ 768	\$ 960	\$ 1,536	

While the above represents potential revenues based on the median cost, in order for LCW to best provide for its members, it is important that a tiered system be considered as not all members may be able to afford or want the services guaranteed by a \$60 monthly contract. Table 14 shows a three-tiered system based on typical contract costs as reported in the survey. The table also indicates the potential revenues that could be realized based on the discounted contracts and increase in market share.

Table 14

		New Market Share for Company							
	\$		% of Membership	1%	2%	4%	5%	8%	% of Discount
Retail Cost of Contract	\$ 30								
Discounted Cost of Contract:	\$ 27		10%	\$ 108	\$ 216	\$ 432	\$ 540	\$ 864	
	\$ 26		15%	\$ 102	\$ 204	\$ 408	\$ 510	\$ 816	
	\$ 24		20%	\$ 96	\$ 192	\$ 384	\$ 480	\$ 768	
Retail Cost of Contract	\$ 75								
Discounted Cost of Contract:	\$ 68		10%	\$ 270	\$ 540	\$ 1,080	\$ 1,350	\$ 2,160	
	\$ 64		15%	\$ 255	\$ 510	\$ 1,020	\$ 1,275	\$ 2,040	
	\$ 60		20%	\$ 240	\$ 480	\$ 960	\$ 1,200	\$ 1,920	
Retail Cost of Contract	\$ 100								
Discounted Cost of Contract:	\$ 90		10%	\$ 360	\$ 720	\$ 1,440	\$ 1,800	\$ 2,880	
	\$ 85		15%	\$ 340	\$ 680	\$ 1,360	\$ 1,700	\$ 2,720	
	\$ 80		20%	\$ 320	\$ 640	\$ 1,280	\$ 1,600	\$ 2,560	

If we assume that a cell phone company will offer a 10% discount for all three of the plans and can capture an additional 5% of the market for each plan, that would add up to an increase of \$3,690 in monthly revenue. Even if a company is only able to capture an additional 1% of the market from each of the three discount plans, that would still equal added monthly revenues of \$738. Consequently, members would save a total of \$82 each month as a result of the discount. Similar to the Frequent Shoppers Program, the savings can be directly passed on to members or LCW can arrange for a portion of the savings to be channeled into a community fund. Projecting how LCW might begin to change savings behaviors of members, a system that automatically

saves money and sets it aside into a savings or investment vehicle would be much more efficient than leaving it up to members to save for themselves. Though paternalistic in nature, such a system is in-line with behavioral economic theory which suggests irrational decision making by consumers when confronted with the temptation to spend rather than save<sup>28</sup>.

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<sup>28</sup> Baumeister, Journal of Consumer Research 2002

## **BANKING AND REMITTANCES**

There is no doubt that low-income communities have historically had little access to banking institutions and the many services they provide. In fact, a recent report by the National Community Reinvestment Coalition titled “Are Banks on the Map?: An Analysis of Bank Branch Locations in Working Class and Minority Neighborhoods” shows that compared to other neighborhoods banks are not located in working class and minority neighborhoods at the same proportion<sup>29</sup>. More than just access to local branches, low-income and minority residents often encounter a different experience from their more affluent and white counterparts upon visiting financial institutions. Whether due to quality of service or language barriers, these communities tend to be alienated from banking institutions and unaware of how to fully benefit from the services. While training and workshops are extremely effective in communicating to individuals the importance of budgeting, saving, and planning for the future, there are few opportunities to assist them in navigating the many financial products and services available as well as how to negotiate the best price for these services. Herein lies the value that can be created by LCW for members. The following subsections highlight opportunities LCW can capitalize on based on the data from the survey and the goals of the Network Advantage Program.

### **Bank Accounts**

With 79% of households having a checking account and 72% having a savings account, there is not necessarily an issue in terms of access to traditional banking services. Therefore, the goal of LCW should not be solely tied to increased access, though it is an issue, but rather about working with financial institutions to provide members with the best and cheapest products and services. For instance, with three banks representing 69% of the market and none with more than a 30% share, there is ample room for a potential partner to increase its customer base with the

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<sup>29</sup> For a summary and link to the full report, see <http://www.ncrc.org/policy/bankBranchLoc.php>

support of LCW. Whether in the form of increased account holders, or an established relationship and pipeline to customers for loans or mortgages, there is great potential here for a mutually beneficial partnership. While the market for checking and savings accounts is competitive enough that most banks offer similar packages and charge similar fees, LCW can set up partnerships where in exchange for increased account holders, the participating financial institutions could provide trainings or facilitate workshops in return. Workshops could focus on issues such as financial planning and understanding the numerous products and services offered by banks. Not only would this allow partner institutions to gain access to members and establish a connection with potential customers, it will of course allow LCW to provide increased services to members with little or no additional cost to the organization. Moreover, the membership represents a dynamic market that many companies in various industries may like to tap into but either do not know how to or had previously overlooked the market significance of Latino, immigrant, and low-income communities. Thus, LCW can serve as the link that many companies seek, while also creating opportunities for members to benefit from the Network the organization has worked so hard to establish.

Because of the competition in the banking industry, financial institutions are constantly developing new products to not only increase members but also create new inroads to consumer savings. The Keep the Change Program<sup>30</sup> currently being marketed by Bank of America is a perfect example of making it easier for consumers to save while also increasing the companies own reserves and lending capacity. Taking a page from the Individual Development Account (IDA) program offered by Lawrence Community Works, LCW should approach Bank of America (BofA) or another financial institution and discuss the potential of creating a matched

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<sup>30</sup> See [www.bankofamerica.com/deposits/checksave/index.cfm?template=keep\\_change&adlink=000302027g850000c336](http://www.bankofamerica.com/deposits/checksave/index.cfm?template=keep_change&adlink=000302027g850000c336) for further details. Last viewed 5/6/2007

savings program. The program could be tied to members' participation as well as lock in a longer matching period than is currently being offered through BofA's promotion. Considering a partnership with BofA and its commitment to the City of Lawrence through the Block by Block® initiative that is committed to community development in urban markets<sup>31</sup>, this can be a viable option. Moreover, with the success of the IDA program, LCW can point to past successes and the benefits it has provided for members and partners as the motivation for financial institutions to support related programs.

Aside from direct member benefits, LCW may also establish partnerships that yield organization-based benefits that can be passed on to members indirectly. For example, there are banks that offer promotions, where \$25 is placed into a consumer's account for creating an account or referring a friend; the latter is contingent on a friend subsequently opening an account. Chase has a promotion where customers receive \$50 for setting up a new account. As goes the axiom, "the devil is in the details," LCW must be careful to read the fine print, ensuring no future charges or changes in contract would negate the benefits received from setting up an account. However, a similar program could be worked out where for each new account opened by a member, LCW would receive the promotional amount (or fraction of) and place it into a community fund to be used for agreed upon investments and projects.

### **Money Transfers**

The fact that 49% of members send money to another country on a monthly basis is a significant figure, which has the potential of being leveraged for discounted services. Additionally, these statistics do lend themselves to opportunities to increase savings by households, especially when a median of \$100 is being sent abroad on a monthly basis. That is

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<sup>31</sup> See [http://bankofamerica.mediaroom.com/index.php?s=press\\_releases&item=7621](http://bankofamerica.mediaroom.com/index.php?s=press_releases&item=7621) for further details.  
Last viewed 5/6/2007

not to say that LCW should promote sending less; instead, it could advise members regarding proper budgeting and the impact sending such large monthly amounts can have on members' ability to save for the long-term.

Facilitated by Naldy Gonzalez of LCW, I spent an afternoon in Lawrence, speaking to money transfer service providers about their businesses. Focusing on service fees and differences in service quality, all of the employees we spoke with were very helpful and provided seemingly honest opinions on the pros and cons of the different services and providers. As services are located in a variety of establishments such as convenience stores, jewelry stores, etc., it is not uncommon for one location to have two or more money transfer options for customers to choose from. Additionally, while the stores may be locally owned, the service providers are far from local, representing global companies such as Western Union and Money Gram. Thus, while local stores may compete for customers, the larger market appears to be dominated by well-established companies that operate at the international level. That is not to say smaller companies do not exist or are not competitive. In fact, as remittances continue to outpace foreign direct investment<sup>32</sup>, many smaller companies are entering the market to compete both at the international and regional levels. As a result, many more providers are starting as country or region specific firms with the intent of expanding as business increases. The following represents a survey of a few key providers<sup>33</sup> in Lawrence, MA, their fees, and a discussion of considerations relevant to the Network Advantage Program.

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<sup>32</sup> "Making Money Transfers Work for Microfinance Institutions" Consultative Group to Assist the Poor, 2006 Pg 2.

<sup>33</sup> Because a significant amount of LCW members and Lawrence residents are from the Dominican Republic, we asked about specific costs to the country as opposed to general fees schedules for all locations.



### Western Union

- \$5 flat fee for \$1-100 transfer of U.S. dollars to DR pesos.

- \$9.99 for \$1-100 transfer of U.S. dollars to U.S. dollars

- Western Union takes a spread off of prevailing exchange rate prior to transfer.

Pros: Very convenient and secure, most locations offer phone service so customer can call recipient and ensure money was received. Money can be transferred instantly.

Cons: Many fees, high flat rates, and cost of transferring increases as amount sent increases.

### UNO Money Transfer

- 2% U.S. dollars to DR pesos

- Caters to Latin American Market

### Girasol

- 3% for any amount U.S. dollars to U.S. dollars

- Can be picked up by or delivered to recipient.

- Less privacy with delivered money and transfer can take hours to days.

### BHD (Banco BHD)

- Dominican based bank.

- \$1 flat fee U.S. dollars to DR Pesos

- \$3 flat fee U.S. dollars to U.S. dollars

- Not as recognized/trusted and can take a few hours to transfer.

- May require bank account in DR to transfer and receive low rate.

### Money Gram

- \$5 flat fee for U.S. dollars to U.S. dollars to the Dominican Republic

- Trusted, instant transfer, many locations globally.

- Not transparent as fees change depending on country being sent to and are not publicly listed.

### Bank of America (BoFA)

- \$45 transfer fee with BoFA bank account and money transferred to account in receiving country. - Very expensive but good for large transactions to ensure secure delivery and privacy.

- Free transfer to Mexico but must be an account to account transfer with banks in Mexico.

As is apparent, there is range of costs and services offered by money transfer companies in Lawrence. While the list here represents only a small portion of the money transfer companies

that are in the market, they do still reflect some of the more popular and widely used (as deemed by Naldy and a few other people with whom we spoke) companies by Lawrence residents. Comparing the options above, the larger companies like Western Union and Money Gram are more expensive across the board but are also the most trusted and prevalent. It is difficult to compare BofA to the other companies as they offer a very specific service and cater to customers with a BofA account, which typically send more than the average LCW member. The representative we spoke with also told us that customers choose this service for large transactions because they do not want some of the smaller companies to know that large transfers are taking place, for fear of being targeted for theft or extortion. Moreover, from our conversation, it was clear that the larger institutions are content with their share of the market and do not intend to compete with the providers that cater to small transactions and individuals without bank accounts.

Of the “smaller” companies, it would seem as if consumers would look for the best deal in terms of price when sending money. However, it was brought to my attention that while cost is an issue, customers also consider speed of transfer, additional services such as calls to another country to ensure transfer, as well as personal relationships when making decisions. The last factor is especially interesting as it does not necessarily have a quantifiable value attached to it and should seemingly be irrelevant when choosing a service provider. However, I was informed that this is very important as consumers look for agencies that make the process smooth and which are trustworthy, most of which is based on the personal relationships they establish with service operators. Country of origin also appears to make a difference in how customers choose providers as some of the services are country or region specific.

Considering partnership opportunities, it may be possible for LCW to decrease the transfer costs for members through targeted discount programs with smaller companies looking to increase market share or which cater specifically to the Dominican Republic for example. Additionally, LCW could consider partnering with a local micro-finance organization to establish a locally-run money transfer service. For example, “Making Money Transfers Work for Microfinance Institutions: A Technical Guide to Developing and Delivering Money Transfers” is an excellent source for an overview of the market as well as specific tools to assist in creating partnerships or establishing money transfer operations. This guide is geared toward directors of organizations such as LCW and provides more detailed descriptions of partnership types as well as advantages and disadvantages of each. Based on the report and the survey data, the membership could benefit from a partnership with a smaller money transfer company. Such a company would assist in creating the infrastructure necessary to provide a competitive service with the potential of channeling revenues from fees to LCW as well.

In creating a partnership or operating a service, members could save on fees as well as exchange rates. It is quite typical for consumers to pay a higher fee for transferring funds in U.S. dollars rather than converting them to the country’s currency, as recipients tend to save the dollars for a favorable exchange rate. Whether due to the current market or rate spreads taken by service providers, exchange rates are significant sources of profit for foreign exchange firms. Additionally, the average individual consumer does not have the expertise or leverage to receive competitive and or true market rates. Thus, a partnership would allow members to transfer dollars (to be delivered in dollars) for a lower fee. Alternatively, LCW could initiate bulk purchases of currency so members receive better exchange rates. Another option would be for monthly remittances to be saved up for longer periods of time and placed in low-risk savings

vehicles until they are eventually transferred. During this time, accrued interest can increase the money being sent as well as allow members to wait for the most favorable exchange rates before transferring the funds. This is a logical and better alternative to transferring the funds at higher costs and having family or friends simply keep it at home until rates improve.

Finally, as I write this section, Mother's Day is being celebrated throughout most of Latin America and the Caribbean. Latinos around the U.S. will send millions of dollars to their countries of origin<sup>36</sup>, and Lawrence will definitely be one of these places. What I found from talking to service providers, in addition to what I read in the referenced article, many companies offer discounts during major holidays, Mother's Day being one of the largest. Taking this into consideration, along with the situation where dollars are often kept until exchange rates are favorable, a very basic alternative to a formal partnership would be to encourage members to save individually over the course of say six months, place that money into a savings vehicle, and send money during major holidays when fees are lower. Not only would they benefit from the option of holding until rates are favorable, they would also accrue interest on savings, as well as take advantage of lower fees during holidays or promotion periods. This is a very simple alternative, which could be implemented via a few workshops as well as word of mouth.

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<sup>36</sup> See the article by Krissah Williams. "To Latina Mothers, With Love: A Refrigerator From America." Washington Post, Thursday, May 10, 2007; Page D01 for an illustration of the magnitude of this day in terms of consumption and money transfers by immigrant communities in the U.S.

<sup>38</sup>  $49\% \times 400 \text{ households} \times \$100 \times 1\% = \$197$  of monthly savings

## **EVALUATING PARTNERSHIP OPPORTUNITIES**

Based on the size of LCW's membership, survey results, and interviews, the above represent potential projects that can add to the Network Advantage Program. Moreover, the above scenarios assume a certain level of participation by members and partners and do not consider how to evaluate future projects. What follows is a description of evaluation criteria for partnership opportunities as well as a discussion on how to analyze the described criteria.

Essential to the success of the Network Advantage Program as well as any other programs or initiatives that focus on collective economics is the size of the group. As creating benefits-based economies of scale is a relatively new idea, there is little information available on evaluation techniques from the perspective of the group or partner. As a result, the following is meant to provide LCW with a list of criteria for evaluating partnership opportunities and determining whether or not it is feasible and capable of providing tangible benefits for members. Though geared toward LCW, the criteria can also be used in presenting ideas to potential partners, explaining how they may benefit from the arrangement.

**1) Members' use of services and extent of patronage**

Is this a service or good members use or purchase?

How many members use service/shop at store?

**2) Size of purchasing power**

How much purchasing power do members possess?

What percentage of members can be captured through a partnership and what does that translate to in additional revenue?

**3) Type of discounts and benefits**

How are the benefits defined and quantified?

Is the discount/offer temporary or permanent?

Can LCW receive donations in addition to or in lieu of member discounts?

**4) Required participation by members and LCW**

How many members are needed to make partnership work?

Does LCW have the capacity to initiate and facilitate partnership?

Does LCW have the capacity to deliver on partnership's requirements?

**5) Extent of benefits for members and organization**

Will discount encourage greater consumption by members or alleviate costs?

Is benefit to LCW greater than cost of creating partnership?

While the above represents a logical evaluation process, it is by no means exhaustive or intentionally systematic. Rather, evaluating opportunities should be viewed as fluid processes where all categories are considered and a variety of input and analysis required before moving forward. Considering each point, it makes sense for LCW to evaluate its membership size (growing, declining, or stagnant), demographic makeup, and preferences. The survey results provide a sufficient foundation on which to base assumptions about expected consumption; however, as time passes and the membership changes, LCW should adjust these assumptions based on changes in size, network type, demographics, etc. Additionally, a follow-up survey campaign with an emphasis on a more random and increased sample size would provide increased reliability and updated data.

Once the membership is defined and the organization has an idea of the goods and services members consume, the next step is to use this data to estimate group purchasing power.

This is integral to any project as it highlights the expenditures of the membership as a whole and establishes a base amount from which discounts can be derived. Purchasing power can be a percentage of the entire population for goods or services that is assumed to be consumed by all members (groceries, utilities, etc.). Conversely, purchasing power can be represented as the percentage of members paying for a service, cell phone coverage for example, multiplied by the market price of that service or contract. This figure is the total revenue commanded by the members that use a particular service or purchase goods from a specific store. Subsequently, once LCW obtains figures on total purchasing power, the next step would be to separate the data based on the companies, which members frequent. For example, if there are three or four main stores where members shop for groceries, LCW can look at the estimated purchasing power members take to each store and begin to calculate how much a shift in patronage will bring, in terms of additional monthly revenue to a potential partner. This is where leverage is put into play. That is, without the Network Advantage Program, these stores may not be capable of initiating such a shift in patronage and is a valuable asset that LCW brings to the table. Furthermore, if a specific store or industry operates on small margins, a small increase in patronage may not get their attention. In such a scenario, other factors such as exposure to the Latino or Hispanic market, or access to a growing organization with expertise in community relations must be highlighted as the intangibles that LCW brings to the table; which can be very valuable to these companies.

The third criterion is an analysis of the discount or benefits structure that is proposed or offered. Ideally, LCW would have an idea in mind prior to meeting with potential partners as this will help guide the discussions and ensure goals are met. During this process, it is important to consider a variety of benefit and discount options. Whether direct discounts to members or

money channeled to an LCW fund, the idea here is to expand the definition of collective benefits and look beyond direct discounts or subsidies for value creating vehicles. If the goal of the Network Advantage Program is to encourage investment in people and place, then LCW must realize that similar goals can be reached if definitions are broadened and innovation apparent in structuring projects and partnerships. Moreover, it is essential to be clear on the language used to engage partners. Are discounts going to be permanent or will they have limited lives? Who will be responsible for facilitating programs and recording benefits? LCW needs to be clear at the onset as to what it wants out of a partnership and how a variety of options will allow LCW to be flexible yet still meet its goals.

Assumed up to this point is that LCW can effectively rally members around the Network Advantage Program and mobilize their spending for collective gain. Though the Network is thriving, this does not necessarily translate to reliable influence over household decisions. Even as the organization moves to a more institutionalized membership model and the likelihood that LCW will be better positioned to utilize its membership, the organization must be realistic in what it expects from members as well as about its own ability to influence consumption decisions. Whether setting up on-line surveys to gauge interest or instituting participation-based contracts, something needs to be done to determine the willingness of members to participate and the ability of LCW to deliver on partnership expectations.

Finally, as there is a fine line between leveraging the membership for collective gain and promoting consumption, LCW must ensure that partnerships will alleviate costs on regularly consumed goods instead of encouraging unnecessary purchases. While it would be difficult and costly to monitor such trends, an effective alternative is to provide financial planning workshops well in advance of finalizing partnerships, and to include a section on the value of the Network



Advantage Program and the specifics of its goals. This will not only educate members on financial issues and provide a forum for them to ask questions and support one another; it may also act impact LCW's ability to influence members' decisions. As far as capacity is concerned, LCW must also weigh whether the cost of creating partnerships is greater than the benefits gained from the partnership. This can be difficult to evaluate as members may view the discounts as vital, whereas LCW may feel like its resources are being drained because of the program. This is an issue that must be addressed upfront by LCW staff and members as failure to execute or follow through by the organization could lead to distrust and unwillingness to participate in future projects.

## **SECTION VII: CONCLUSION**

Having worked with LCW over the past year and a half and witnessed the dedication it has to its goals and members, it is clear that the organization is on a promising path. In addition, the survey data from this project provides a sound base from which LCW can begin to expand its efforts and create new opportunities to leverage the Network for collective gain. However, there are still issues that need to be considered, which, if not addressed, can seriously limit the potential for future projects and membership participation. Founded on the principles of collective action and economies of scale, the Collective Economics project assumes a great deal of collaboration and expects that LCW is capable of influencing members' decisions with relative ease. As a non-profit organization with established operations and limited resources, it is critical that the level of necessary staff and member involvement be determined prior to moving forward. Moreover, up until this point, very little conversation has focused on the ultimate goal of the Network Advantage Program. While there is no doubt that the organization seeks to leverage its size for collective gain, it has yet to be determined whether the end goal is merely to provide material benefits for members or to engage members in collective ownership or control of community assets. Furthermore, as this project has suggested, a goal for the organization could simply be to increase interaction among members and use the common characteristics and experiences as a means to promote internal collaboration and support. Thus, the concluding section highlights the paths the Network Advantage Program can take with the intention of laying the groundwork for a discussion by LCW on the overall expectations of the program and the level which staff and members would be expected to be engaged moving forward.

**Material Benefits for Members**

Integral to the Collective Economics project is the notion of reducing the cost of expenditures for members. While this was in part the driving force behind this project, it is unclear whether it is the ultimate goal of the Network Advantage Program. With a member identification system currently being implemented, LCW is working to establish discounts at local stores and service providers. Though relevant to this project, focusing on discounts reflects a passive approach to member involvement and does not encourage interaction among members. The discounts merely provide members the option to purchase goods or services at a reduced rate with little emphasis on their collective participation and collaboration. As a viable goal for the organization, focusing on material gains can be an important objective in recruiting new members and signaling to the broader community that being part of LCW is valuable. At the same time, such an approach does not effectively leverage the membership nor promote collective action. At this point, LCW has yet to prioritize the benefits it wants for the program and membership. In order for a successful program to be launched, material benefits must be weighed against the following benefit types, and it must be determined whether LCW has the resources and capacity to initiate any or all of them.

**Collective Control of Assets**

A collectively owned and controlled fund represents the amalgamation of ideas described in this paper as well as the seminal product for this project. It embodies collective actions driven by economies of scale and places emphasis on both group participation and gain. Moreover, as investing in both people and place is at the heart of what drives LCW as an organization, the potential for a financial vehicle that adds to this mindset is both real and exciting. Whether in the form of a member-owned savings vehicle that yields higher returns than would be possible if invested individually, or an LCW-operated fund that survives on consumption-based donations

from partners, creating a fund that meets a variety of these goals can be powerful. Unlike material gains passed on to members, such a fund places greater emphasis on actively using the membership size for collective investment in community assets.

As the survey provided an opportunity for LCW to understand where members spend their money, it also highlighted areas where, through collective bargaining or more informed decisions, money can be saved and used to increase assets. For example, with 49% of members sending money to another country on a monthly basis, and given the range of fees charged by money transfer companies, a small savings of 1% of the monthly amount sent by the group would save the group \$197<sup>38</sup>. After a year, the savings would equal \$2,366. As described in the previous section, this is extremely feasible and does not include potential savings from group purchases of currency to secure better exchange rates or holding on to money until fees and rates are favorable. If LCW initiated other

savings from common expenditures or from donations programs, the annual savings could be a formidable amount. Table 15 illustrates the amount of savings that can be secured through individual payments over the course of a year based on number of participants and amount saved each month.

It is obvious that a large number of participants saving a large amount

**Potential Savings from Member-driven Community Fund**  
Table 15

Participants	Amount	Months	1	2	12
500	\$ 50	\$	25,000	\$50,000	\$ 300,000
400	\$ 60	\$	24,000	\$48,000	\$ 288,000
500	\$ 40	\$	20,000	\$40,000	\$ 240,000
200	\$ 100	\$	20,000	\$40,000	\$ 240,000
400	\$ 40	\$	16,000	\$32,000	\$ 192,000
300	\$ 50	\$	15,000	\$30,000	\$ 180,000
100	\$ 150	\$	15,000	\$30,000	\$ 180,000
300	\$ 40	\$	12,000	\$24,000	\$ 144,000
500	\$ 20	\$	10,000	\$20,000	\$ 120,000
200	\$ 50	\$	10,000	\$20,000	\$ 120,000
100	\$ 100	\$	10,000	\$20,000	\$ 120,000
300	\$ 30	\$	9,000	\$18,000	\$ 108,000
400	\$ 20	\$	8,000	\$16,000	\$ 96,000
200	\$ 40	\$	8,000	\$16,000	\$ 96,000
100	\$ 80	\$	8,000	\$16,000	\$ 96,000
300	\$ 20	\$	6,000	\$12,000	\$ 72,000
100	\$ 50	\$	5,000	\$10,000	\$ 60,000
200	\$ 20	\$	4,000	\$ 8,000	\$ 48,000
100	\$ 40	\$	4,000	\$ 8,000	\$ 48,000

each month will result in a very high end-of-the-year balance. However, even smaller amounts

such as 200 participants saving \$40 per month will result in just under \$100,000 at year's end—and this does not include accrued interest. This amount of money can be used for a variety of activities such as the beginning of an endowment for a scholarship, or the purchase of new electronic equipment to be housed at LCW. As time goes on, the fund grows, and sources of funding move beyond individual donations, the fund could be used as seed money for larger LCW projects or acquisitions of property for development. Moreover, the funds could be used to achieve higher returns than would be individually possible by placing money into higher returning savings vehicles. Through a “Collective CD<sup>39</sup>,” members would be able to benefit from higher returns due to the size of the pool of funds as opposed to being limited to vehicles with less return like that of basic savings accounts.

During my time working on this project it has become apparent that LCW has been extremely effective in creating channels by which members can enter the Network. If LCW can be equally creative and effective in creating channels by which money is saved by members or donated by partners, the growth of a Network-wide fund could take off and provide significant investments in both people and place. However, as is the case with all of the options described in this section, the organization needs to be clear on what it really wants for members and how much influence members have over pursuing large-scale projects.

### **Collective Action and Support**

While LCW is without a doubt an innovative organization with a dedicated team, it is unclear whether it has the capacity to develop and maintain some of the programs outlined in Section VI. Though the previous section focused on larger partnerships with established companies, they are not the only manner by which LCW can engage in Collective Economics. Referring to the definition of Collective Economics, actions that fall under this concept are those

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<sup>39</sup> There are legal and tax liabilities that would need to be addressed before such vehicles could be used.

that use group preferences to produce economically beneficial results. Therefore, there is no single type or scale that fits this idea. Rather, what is important is that the group acts together to achieve goals that benefit them as a group. In this sense, material benefits, though legitimate, do not achieve this goal. For example, establishing working relationships with companies, even if discounts or benefits are small, can pave the way for bigger and better ideas and spark the inspiration and belief necessary to engage members and encourage wider participation. Smaller victories along the way can be more valuable than attempting and failing at broad partnerships that can damage the trust members have in the organization and the power of themselves as a group. As a result, the informal or less economically fruitful relationships have to be viewed as a necessary step to cultivating an environment where mutually beneficial arrangements can be grown.

Prevalent throughout the thesis is the expressed need for a financially astute membership. As such, one type of relationship that can yield a variety of benefits and does not require a great deal of resources from LCW is a workshop-driven partnership with a financial institution. Geared toward budgeting and financial planning, LCW can provide the forum for a bank to connect with local residents and introduce products, while also educating members on the benefits of saving early and often and sticking to budgets. Without a direct monetary benefit or discount, members (and the organization) would still find value in the presented information as well as the opportunity to learn in a group setting that promotes stronger bonds among members. Once members better understand the importance of individual and household financial stability and how small changes can positively influence their savings capacity, they can be introduced to how small changes can reap large benefits when combined with other members from the organization. By creating a tighter Network in less demanding environments, members are able

to informally interact with their peers and develop relationships that can go beyond the workshop and be the motivating force for members to continue to be engaged and companies to see the benefit of more formal partnerships. The success of the Individual Development Accounts (IDA) program as outlined by Cindy Wu<sup>40</sup> in her thesis, “Building Community Assets through Individual Development Accounts: Growing a Strategic Network in Lawrence, Massachusetts,” highlights the value participants gained from mutual support throughout the process and how the relationships formed were just as important as the matched savings vehicle.

### **Concluding Thoughts**

Through my work with LCW over the past year and a half, it has been unclear whether there is consensus within the organization as to which of the above options should be pursued. That is not to say that these ideas are mutually exclusive. However, LCW must have a set of priorities in place, as the cost of pursuing all options is likely to be too great for the organization. Consequently, in order to fully capitalize on the size and purchasing power of its membership, LCW needs to evaluate its true capacity as it relates to furthering their Network Advantage Program and determining whether or not larger Collective Economics projects as described in this paper are part of the agenda. As mentioned, developing partnerships for large projects need not be based on single attempts, but instead may be the result of smaller informal relationships created and nurtured over time. To date, LCW has been successful in utilizing its Network in a manner that extends its reach and benefits many. The integral role the organization plays in the MIT@Lawrence initiative is a testament of that. As LCW looks ahead to creating new opportunities, building community assets, and engaging members in the process, it will be navigating a landscape with more questions than answers--but by basing decisions on data and

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<sup>40</sup> Cindy Wu is a Department of Urban Studies and Planning student at MIT as well as an MIT@Lawrence colleague whose thesis evaluated LCW’s Individual Development Account Program (IDA). It was completed in May of 2007.

analysis as outlined in this thesis, LCW will without a doubt increase its potential not only as an organization, but as an integral player in assisting a community group that truly needs its help.



## **APPENDICES**

APPENDIX 1: Network Advantage Survey

APPENDIX 2: Network Advantage Interview Questions

**APPENDIX 1**

**NETWORK ADVANTAGE SURVEY**  
Sponsored by the MIT@Lawrence Initiative

*The following survey is meant to better understand your needs so that the POWER OF THE NETWORK can be used to negotiate discounts with businesses and create new benefits for Lawrence Community Works members. PLEASE NOTE THAT THIS SURVEY IS COMPLETELY ANONYMOUS. No names will be asked for or used when collecting and compiling information. If you have any questions or concerns, please do not hesitate to contact Juanita Rivera at 978-685-3115 x14. Thank you for your participation!*

*La encuesta siguiente se significa para entender mejor sus necesidades, para que el PODER DE LA RED pueda ser utilizado para negociar descuentos con negocios y también crear nuevos beneficios para los miembros de Lawrence CommunityWorks. POR FAVOR NOTE QUE ESTA ENCUESTA ES COMPLETAMENTE ANÓNIMO. Ningún nombre será pedido ni utilizado mientras se recoge y compila la información. Por favor no se detenga en contactar a Juanita Rivera a 978-685-3115 x14 con cualquier pregunta o preocupación. Gracias por su participación!*

**HOUSEHOLD INFO**

What city do you reside in? / ¿En qué ciudad vive usted? \_\_\_\_\_

How many years have you lived in this city? / ¿Por cuantos años ha vivido en esta ciudad? \_\_\_\_\_

What Neighborhood do you live in? / ¿En cuál vecindario de la ciudad vive usted? \_\_\_\_\_

How many people live in your home? \_\_\_\_\_  
¿Cuántas personas viven en su hogar? \_\_\_\_\_

How many are adults (over 18 years of age)? \_\_\_\_\_  
¿Cuántos adultos (mayor de 18 años)? \_\_\_\_\_

**HOUSEHOLD INCOME**

Please list total household income/ Favor de indicar ingreso anual del hogar:

- (Please Check One)     0-\$10K [1]     \$10K-\$20K [2]     \$20K-\$30K [3]     \$30K-\$40K [4]  
 \$40K-\$50K [5]     \$50K-\$60K [6]     \$60K-70K [7]     \$70K-\$80K [8]     \$80K+ [9]

Sources of Family Income/Fuentes de Ingreso de la Familia: (All amounts are annual/Cantidades son anuales)  
Please check appropriate box/Favor de marcar el cuadro apropiado:

Description/Descripción:	\$1-\$5000	\$5001-\$10,000	\$10,000+
Job 1/Trabajo #1			
Job 2/Trabajo #2			
Job 3/Trabajo #3			
Job 4/Trabajo #4			
Home-based work/Trabajo en casa			
Social Security/Seguro Social			
Disability/Incapacidad (SSI)			
Child support/Pension Alimenticio			
Retirement/Retiro			
Welfare (DTA)			
Other income/Otra fuente			

Do you send money to family members in another country? ¿Envía dinero a sus relaciones en otro país?  
 Yes/Si [1]     No [2]  
If yes, how much on average do you send each month? \_\_\_\_\_  
¿Cuánto, más o menos, envía cada mes? \_\_\_\_\_

**TRANSPORTATION INFO**

## APPENDIX 1

Do you own an automobile? / ¿Tiene su propio automóvil?  Yes/Si [1]  No [2]

Do you have auto insurance? / ¿Tiene seguro para automóvil?  Yes/Si [1]  No [2]

What is the name of your auto insurance company? \_\_\_\_\_  
¿Cuál es el nombre de su agencia de seguro de auto? \_\_\_\_\_

What is the **annual** cost of your coverage? \_\_\_\_\_  
¿Cuánto paga de seguro anualmente? \_\_\_\_\_

How often do you ride the BUS?  Never [1]  Daily [2]  Once a Week [3]  Once a Month [4]  
¿Con que frecuencia usa el autobús?  Nunca  Diario  Cada Semana  Una vez al mes

How often do you use a TAXI?  Never [1]  Daily [2]  Once a Week [3]  Once a Month [4]  
¿Con que frecuencia usa un taxi?  Nunca  Diario  Cada Semana  Una vez al mes

How often do you use COMMUTER RAIL?  Never [1]  Daily [2]  Once a Week [3]  Once a Month [4]  
¿Con que frecuencia usa el tren?  Nunca  Diario  Cada Semana  Una vez al mes

### **COMPUTER AND INTERNET INFO**

Do you own a computer? / ¿Tienes una computadora?  Yes/Si [1]  No [2]  
If not, why not?/Si no, ¿por qué no? \_\_\_\_\_

What type of internet access do you pay for?  None [1]  Dial-Up [2]  DSL [3]  Cable [4]  Wireless [5]  
¿Que tipo de acceso tiene al internet?  No tengo  Dial-up  DSL  Cable  Wireless

If you do not have internet access at home, where do you have access to the internet? (Check ALL that apply):  
Si no tiene acceso en la casa, ¿dónde tiene acceso al internet? (Seleccione todo que aplique):

Work [1]  Library [2]  Relative/Friend's House [3]  Café/Bookstore [4]  No Access [5]  
 Trabajo  Biblioteca  La casa de una relación/amigo  Café/Librería  No Acceso

Do you have an e-mail account? / ¿Tiene correo electrónico?  Yes/Si [1]  No [2]

How often do you check e-mail? / ¿Usted utiliza cómo a menudo su e-mail?:  
 Several Times a Day [1]  Daily [2]  Several Times a Week [3]  Weekly [4]  
 Muchas veces diariamente  Diario  Muchas veces a la semana  Semanal

### **GROCERY INFO**

What two stores do you do most of your shopping for food? / ¿Adónde va para comprar la mayoría de su comida?

1) \_\_\_\_\_  
(Name of Store) (Nombre de la tienda) (Street, Calle) (City, Ciudad)

2) \_\_\_\_\_  
(Name of Store) (Nombre de la tienda) (Street, Calle) (City, Ciudad)

On average, how much do you spend each week on groceries? / ¿Cuánto, más o menos, gasta en comestibles cada semana?

\_\_\_\_\_

### **BANKING INFO / INFORMACIÓN DE ACTIVIDADES BANCARIAS**

Do you have checking accounts? / ¿Tiene usted cuentas de cheques?  Yes/Si [1]  No [2]

## APPENDIX 1

Do you have savings accounts? / Tiene usted cuentas de ahorros?  Yes/Si [1]  No [2]

If so, with what banks?/Si tiene en que banco \_\_\_\_\_

What kind of savings/assets do you have? (Check all that apply):  
Que tipo de ahorro/bienes usted tiene?

Savings account/cuenta de ahorro [1]  CD[2]  Own a home/propietario [3]  
 Retirement/Account/ Cuenta de retiro [4]  Own other types of Property/Es dueño de otro tipo de propiedad[5]  Stocks/Bonds Valores/bonos [6]  Other/otro [7] \_\_\_\_\_

Do you have credit cards? / ¿Tienes tarjetas de crédito?  Yes/Si [1]  No [2]

Please list all cards/ favor de indicar la cuentas

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What is the interest rate on the principal card? / ¿Que tasa de interés paga en la tarjeta principal?

\_\_\_\_\_

Do you use a check cashing service outside of your bank?  Yes/Si [1]  No [2]  
Usa usted una agencia de cambio de cheques que no sea su banco?

If yes, how much do they charge?/ Si su respuesta es si, cuanto le cobran? \_\_\_\_\_

### **TELEPHONE INFO**

Do you have a cell phone contract? / ¿Tienes contrato para teléfono celular?

Yes/Si [1]  No [2]

Who is the provider? / ¿Cuál empresa utiliza? \_\_\_\_\_

How many numbers are under this contract? / ¿Cuántos numeros telefónicos estan bajo este contrato? \_\_\_\_\_

How many total minutes does the contract guarantee? / ¿Cuantos minutos le garantiza? \_\_\_\_\_

What is the monthly cost of the contract? / ¿Mas o menos, cuanto paga el contrato mensual? \_\_\_\_\_

Do you have a home phone? / ¿Tiene teléfono en el hogar?

Yes/Si [1]  No [2]

Who is the provider? / ¿Cual empresa utiliza? \_\_\_\_\_

What is the monthly cost of the contract? / ¿Cuál es el costo mensual del contrato? \_\_\_\_\_

### **UTILITIES INFO**

On Average, how much do you pay for home GAS each month? / ¿Más o menos, cuanto paga de gas para la casa?

\_\_\_\_\_

On Average, how much do you pay for ELECTRICITY each month? / ¿Más o menos, cuanto paga de electricidad?

\_\_\_\_\_

**APPENDIX 1**

On Average, how much do you pay for HEATING OIL each month? / *¿Más o menos, cuanto paga de aceite para la califacion?*

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On Average, how much do you pay for CABLE each month? / *¿Más o menos, cuanto paga CABLE?*

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Which type of cable do you pay for? / *¿Que tipo de cable paga?*

- Satellite/Satelite [1]       Cable [2]

**MISCELANEOUS EXPENSES**

On Average, how much do you pay for CHILDCARE each month? / *¿Más o menos, cuanto paga por cuidado de niños?*

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How much did your household spend on uncovered medical expenses last year, including medicines?  
*¿Cuanto gastó su hogar en gastos medicos no cubiertos por un seguro el año pasado, incluiendo medicinas?*

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Is your entire household covered by health insurance? / *¿ Esta toda su hogar cubierto por un seguro medico?*

- Yes/Si [1]       No [2]

How much did your household spend on uncovered dental expenses last year? *¿Cuanto gasto en su hogar de cuidado dental el año pasado?*

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Is your entire household covered by dental insurance?    Yes/Si [1]    No [2]

*¿ Esta toda su familia cubierta por un seguro dental?*

Please list any other major annual expenses that have you have not been asked about, like child support or parking tickets / *Favor de añadir otro gasto annual que no le hemos preguntado como pension alimenticia o tickets de parqueo*

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**OPEN-ENDED / AMPLIABLE**

What type of stores/businesses/restaurants/services are most needed in Lawrence? (Limit to 3)

*¿Cuales son las tiendas, negocios, restaurantes/servicios mas necesitados en Lawrence? (Nombre 3, no más)*

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Other Suggestions/Comments:    *Otras Sugerencias/Comentarios:*

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Number	Initials

## APPENDIX 2

### Network Advantage Interview Questions

*We are trying to get a sense of the economic challenges that LCW members face on a daily basis*

Household/Individual characteristics

Do you save money? If so, for how long have you been saving?

How much do you try to save each month?

How much do you actually save each month?

Do you have any short-term financial goals?

Do you have any long-term financial goals?

What do you think are the steps necessary to achieve these goals?

What are the major obstacles to achieving these goals?

## **APPENDIX 2**

**Is there anything that you do not spend enough money on?**

**Is there anything you spend too much money on?**

**Have you made any changes that address this issue?**

**Have you experienced any financial hardship in the past few years? Explain**

**How were you able to overcome the hardship?**

**Would you be willing to invest \$25 each month in an investment fund of some kind managed by LCW?**

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