

Small Business Financing Initiative



Customer Acquisition and Retention

April 14, 2016

Small Business Financing Initiative

Agenda

- Small Business Financing Initiative Overview
- Webinar Series
- Today's Topic and Presenters
- Customer Acquisition and Retention
- Conversation with the Panelists



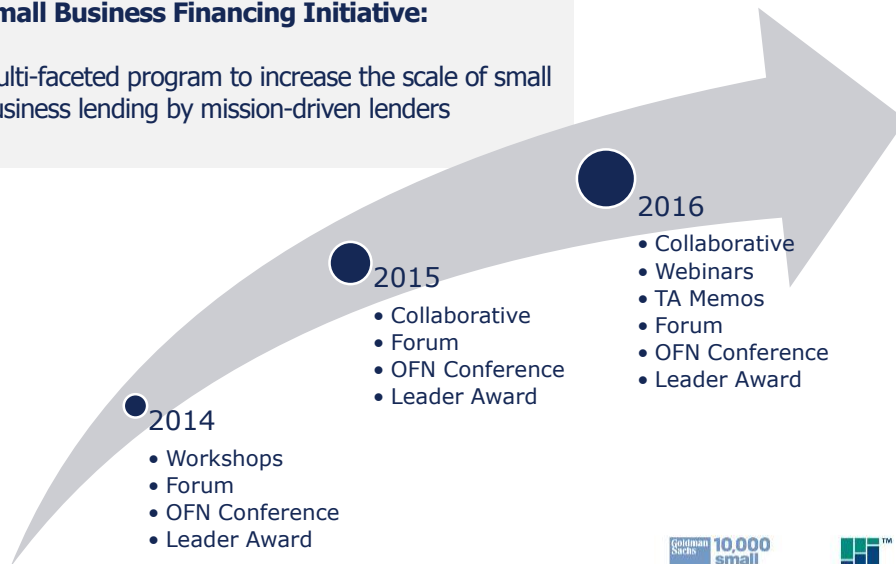
Goldman Sachs *10,000 Small Businesses* is a \$500 million investment to help small businesses in the United States create jobs and economic growth by providing entrepreneurs with a practical business education, access to capital and business support services.

The program is based on the broadly held view of leading experts that greater access to this combination of education, capital and support services best addresses barriers to growth.



Small Business Financing Initiative:

Multi-faceted program to increase the scale of small business lending by mission-driven lenders



Small Business Finance Collaborative

- 24 leading mission-driven small business lenders nationally
- Intensive two-year program of peer learning, training, and technical assistance
- Goal: Aggressive growth in small business lending
- Promotion of best practices and collaboration that support scale



Finance Collaborative Participants

- ★ Access to Capital for Entrepr...
- ★ Accion NM/AZ/CO/NV
- ★ Bridgeway Capital
- ★ Brooklyn Cooperative Federa...
- ★ California Coastal Rural Dev...
- ★ CDC Small Business Finance
- ★ CEI
- ★ Colorado Enterprise Fund (C...
- ★ Community First Fund
- ★ CDC Small Business Finance
- ★ Community Reinvestment F...
- ★ Craft3
- ★ Entrepreneur Fund
- ★ Excelsior Growth Fund
- ★ Growth Capital Corporation
- ★ Kentucky Highlands Investm...
- ★ LiftFund, formerly known as ...
- ★ Montana CDC
- ★ Northern Economic Initiative...
- ★ Pacific Community Ventures
- ★ PIDC Community Capital (PL...
- ★ The Support Center
- ★ Travois
- ★ VEDC
- ★ Virginia Community Capital



Small Business Lending Webinar Series

Topic	Date
Small Business Landscape	February 11
Business Model Canvas	March 3
Value Proposition	March 24
Customer Acquisition	April 14
Lending Life Cycle – Efficiencies	May 5
Lending Life Cycle – Technology	May 26
Talent Management	June 16

To learn more and sign up:
ofn.org/small-business-financing-initiative



Today's Presenters



Ginger McNally
SVP, Strategic Consulting
Opportunity Finance Network



John Kropf
Executive Director
Growth Capital



Walt Postlewait
EVP, Chief Lending Officer
Craft3



Context for Customer Acquisition and Retention

- We are facing unprecedented change in the small business lending landscape
- We know that to survive, we need to change how we do the business of small business lending
- How you position yourself in the marketplace to reach qualified customers will make the difference between thriving and stagnating

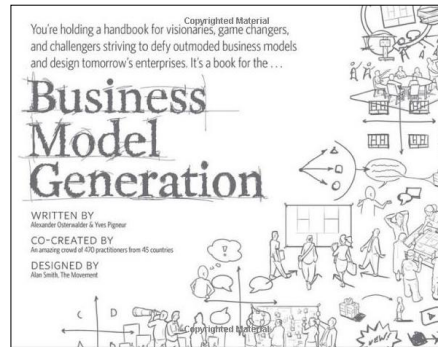


Tool for Thinking about Customer Acquisition and Retention

- Business Model Canvas, *Business Model Generation*, by Osterwalder and Pigneur



A Business Model Handbook



From [Business Model Generation](#)
By Alexander Osterwalder and
Yves Pigneur (2010)

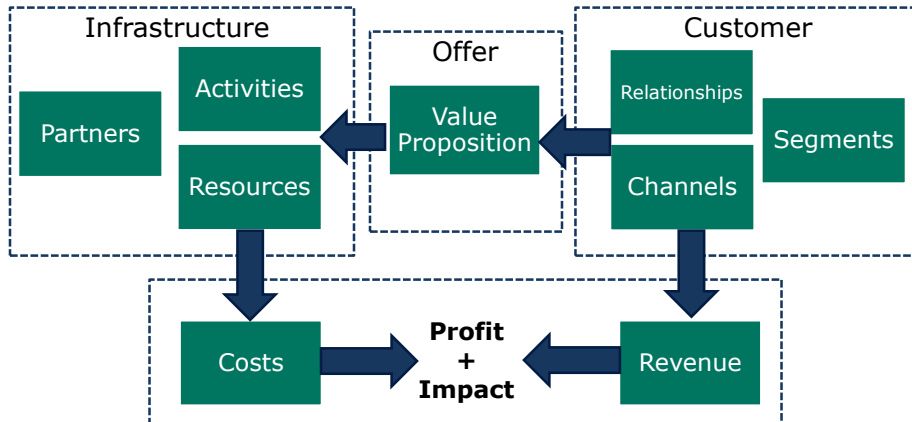


The Business Model Canvas

- The Business Model Canvas can help you to identify and connect the dots between:
 - Your most important customers
 - Your value proposition in the marketplace
 - Your infrastructure
 - Your bottom line – financial and impact



Business Model Canvas



Customers don't care about your solution. They care about their problems.

Dave McClure, 500 Startups, cited by Ash Maurya, Running Lean

Identifying Your Most Important Customers

- Identify your key customers within the context of your value proposition:
 - For whom are you creating value?
 - Who are your **most important** customers and why?
 - What problem do your most important customers need help solving?

15

What Customer Problems Are We Solving?

- Stage 1: Problem/Solution Fit – Identifying the problem and matching it with a solution.
- Key Question: Do I have a problem worth solving?
 - Is it something customers want? (Must have)
 - Will they will pay for it? If not, who will? (Viable)
 - Can it be solved? (Feasible)

16

What Customer Problems Are We Solving?

- Stage 2: Problem/Market Fit – Ensuring problem is what market needs to have solved.
- Key Question: Have I built something people want?
 - How will I test my product idea with my most important customers?
 - How are they solving their problem now and why is my solution enough better for them to switch?
 - Can I expect (and measure) early traction with my product (at least 40% retention)?

17



What Customer Problems Are We Solving?

- **Product risk:** What are you solving? (Problem)
 - How do customers rank their top three problems?
- **Market risk:** Who is the competition? (Existing Alternatives)
 - How do customers solve these problems today?
- **Customer risk:** Who has the pain? (Customer segments)
 - Is this a viable customer segment?

18

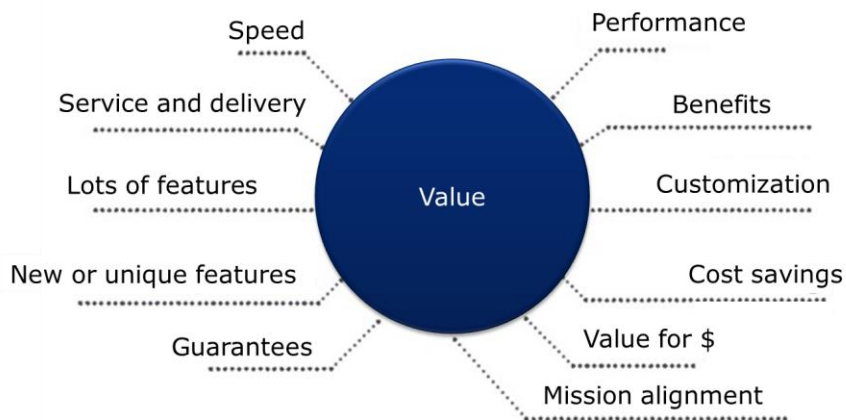


Staying Focused on Your Most Important Customer

- Who is **not** your most important customer?
- Has your organization's definition of its most important customer changed over time?
- How much time and money are you presently spending with people who are not – or no longer - your most important customers?
- Are there ways that you can (quickly) help them through referrals to partners?

19

Value Proposition: Creating Value



Credit: [Step Change Marketing](#)

20

Questions?

- Any questions so far?

21



Customer Acquisition and Retention

John Kropf

GROWTH CAPITAL

22



Growth Capital Corp

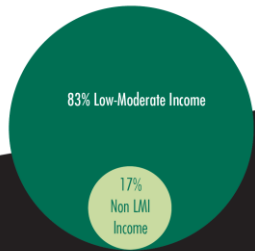


- SBA Certified Development Company in Cleveland since 1981 with 1087 total loan approvals and over \$362MM in dollars approved leveraging over \$1B in project financing supporting the creation of 6,803 employment opportunities.
- Number One SBA 504 Lender in Ohio for 9 straight year.
- SBA Community Advantage Lender since 2013 with 98 CA loan approvals for over \$11.5MM with an average size loan of \$117M.
- Capital Partner with Goldman Sachs 10,000 Small Business Initiative.

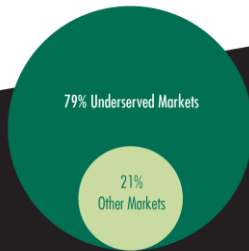
MISSION STATEMENT
We provide Creative Financing Solutions for Growing businesses.



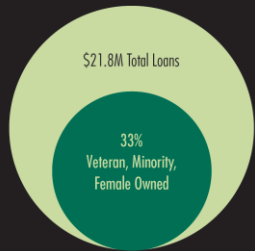
GOLDMAN-SACHS 10,000 SMALL BUSINESS INITIATIVE:



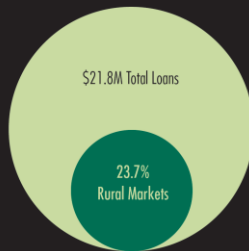
SBA UNDERSERVED MARKETS:



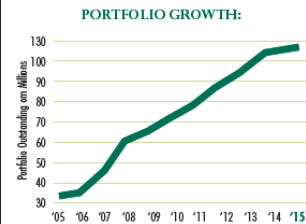
DISADVANTAGED MARKETS:



RURAL MARKETS:



2015 MISSION IMPACT





Growth Capital Corporate Objective

To focus our marketing efforts on relationships

- CREATE A "SALES CULTURE"
Five (5) Business Development Contacts Daily from EVERYONE
- DEVELOP A "SENSE OF URGENCY FOR BUSINESS"
Ring the Bell with every new loan approval
- MAINTAIN A "REGIMEN OF ACCOUNTABILITY"
Daily Dashboard Results – Performance Success Appraisals



Dashboard Metrics

Growth Capital Daily Success Dashboard

START DATE	Portfolio O/S	504	CA
10/1/2015	\$130MM	330	54

Loan Production Goal	Approvals YTD
100.0	40

Loan Prospects

8

Daily Sales Contacts

SBA 504



OVERALL PROGRESS TOWARDS GOAL



Community Advantage



To focus our marketing efforts on relationships

1. Technologically Driven

Emails, websites, content marketing, social media and...PHONE CALLS

2. Personally Driven

Lunches, presentations, Technical Assistance and...GOLF

3. Corporately Driven

Board meetings, events, receptions and...PARTIES



CA Network Partner Model

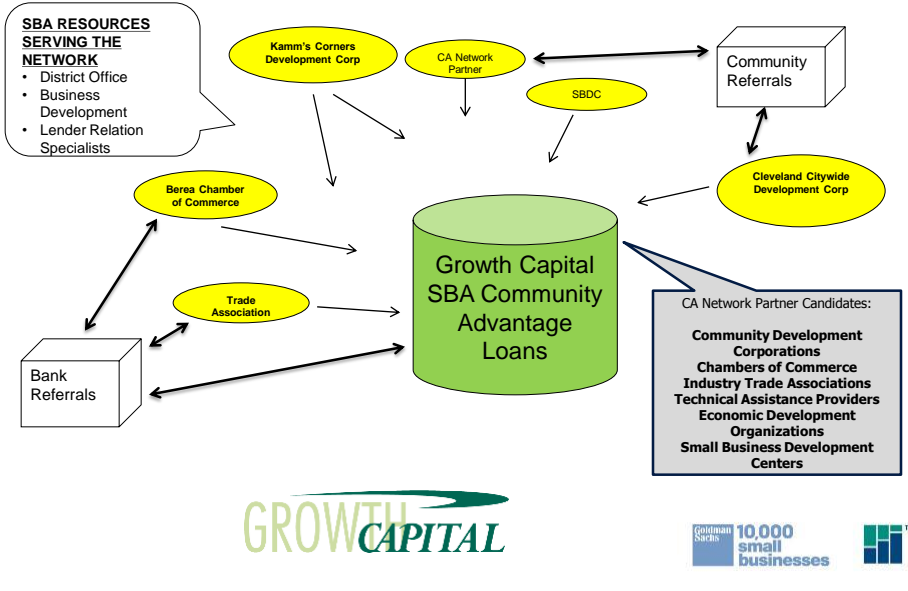
A Scalable, Brandable, Underserved Market Service Delivery System

What is a "CA Network Partner" ?

A "CA Network Partner" is an community or economic development organization that works directly with small businesses in their constituencies, provide loans application assistance and make direct referrals to Growth Capital for submission of the small business SBA Community Advantage loan application.



THE Growth Capital SBA COMMUNITY ADVANTAGE "CA Network Partner" Model

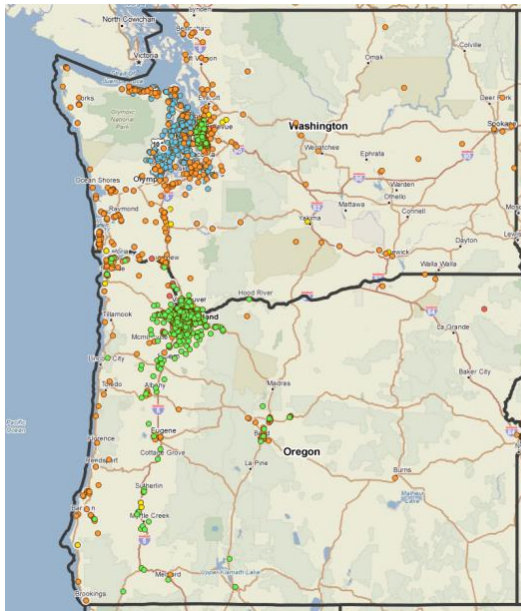


Questions?

- Any questions so far?

Customer Acquisition and Retention

Walt Postlewait



- **BUSINESS LOANS** to finance business start-up and expansion.
- **NONPROFIT AND CONSERVATION LOANS** to finance community development projects, essential services or conserve land, protect habitat and ensure clean water.
- **CLEAN ENERGY LOANS** to finance commercial clean energy projects.
- **CLEAN WATER LOANS** to finance the costs to repair or replace failing septic systems. Available in select Washington counties.
- **ENERGY-EFFICIENCY LOANS** to make homes more energy efficient with no money down and easy repayment on the borrower's utility bill. Available in the Greater Seattle area and Southwest Washington.

IMPACT IN WASHINGTON

We have 38 employees in Washington, which operate out of offices in Ilwaco, Port Angeles, Seattle, Spokane and Walla Walla (opening 2Q 2016).

BUSINESS LOANS	CONSUMER LOANS
• 591 loans	• 1,132 loans
• \$201 million	• \$20 million
• 7,037 jobs created/retained	

IMPACT IN OREGON

We have 15 employees in Oregon, which operate out of offices in Astoria, Bend and Portland.

BUSINESS LOANS	CONSUMER LOANS
• 386 loans	• 2,739 loans
• \$123 million	• \$36.5 million
• 3,680 jobs created/retained	

Smart Customer Acquisition



33

Craft3's Strategic Commercial Loans

- What matters most to Craft3
 - Places
 - Rural Economic Centers
 - Urban disadvantaged neighborhoods
 - People
 - Businesses owned by People of Color
 - Businesses owned by Women
 - Businesses owned by Veterans

34

Craft3's Strategic Commercial Loans

- Sectors
 - Manufacturing
 - Value Add Processing
 - Commercial Scale Renewable Energy
 - Clean Energy
 - Land Conservation
 - Early Education
 - Essential Services
 - Sustainable Agriculture

35



Number of Strategic Criteria

None 1 - Criteria 2 - Criteria 3 - Criteria

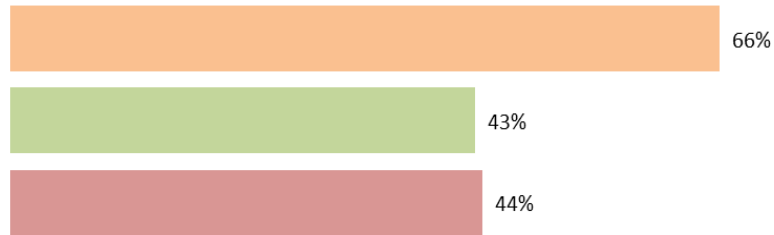


36



Matters Most to Craft3

Place People Sector



37

Lowest hanging fruit

- Strategic Partnerships
 - Other private companies –
 - IPR Consulting Group (Fry Foods)
 - Clatsop Community Bank (Diamond Heating)
 - Public agencies – Dept. of Commerce
 - Municipalities – City of Astoria
- Existing, happy clients
 - Make the ask to be referred to another like business

38

Educating Referral Sources

- Articulate what projects/borrowers are most important to you.
- Garbage is garbage and we don't want trash
- Evaluate referral source
 - If there is no flow of good prospects, move on and don't invest
- Is the borrower ready to borrow?
 - Or is it a bunch of TA that the prospect needs

39



Customer Retention

- The double edge sword
 - At Craft3 we want to graduate our clients out
 - Prepayment (success fees)
 - Craft3 needs the rotation of capital as capital is limited
 - Rate or term concession to keep a large relations
 - (Let's face it, we all need earned income)

40



Questions?

- Any questions so far?

41

A Conversation with John and Walt

- How have your business model and value proposition influenced your customer acquisition strategies?
- How have changes in the small business lending landscape affected how you identify and go after customers?

42

A Conversation with John and Walt

- Any questions from the audience?

43



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44



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