Small Business Financing Initiative

Building a Value Proposition

March 24, 2016

Agenda

- Small Business Financing Initiative Overview
- Webinar Series
- Today’s Topic and Presenters
- Building a Value Proposition
- 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

- **2014**
  - Workshops
  - Forum
  - OFN Conference
  - Leader Award

- **2015**
  - Collaborative
  - Forum
  - OFN Conference
  - Leader Award

- **2016**
  - Collaborative
  - Webinars
  - TA Memos
  - Forum
  - OFN Conference
  - Leader Award
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 Entrepreneurs
- Accel Minority Capital
- Bridgeway Capital
- Brooklyn Cooperative Federal Credit Union
- California Community Development Financial Institutions
- CDC Small Business Finance
- CEDS
- Colorado Enterprise Fund (CIF)
- Community First Fund
- Community Reinvestment Fund (CRF)
- Cervas
- Entrepreneurs Fund
- Economic Growth Corporation
- Growth Capital Corporation
- Kentucky Highlands Investment Corporation
- U.S. Fund for Small Business (USF)
- Maine Community Capital
- The Support Center
- Texas Small Business Development Corporation
- YEDC
- Virginia Community Capital
## Small Business Lending Webinar Series

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Landscape</td>
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</tr>
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</tr>
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</tr>
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</tr>
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</tr>
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</tr>
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</tr>
</tbody>
</table>

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

## Today’s Presenters

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Ginger McNally</td>
<td>SVP, Strategic Consulting, Opportunity Finance Network</td>
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<td>Dave Glaser</td>
<td>Chief Executive Officer, Montana CDC</td>
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<tr>
<td>Greg Henderson</td>
<td>CFO, ACCION</td>
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Context for Building a Value Proposition

- 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 and promote what is special about your offering in the marketplace will make the difference between thriving and stagnating

Tool for Building a Value Proposition

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

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
Building Your Value Proposition

- Think aspirationally
  - What could your organization’s value proposition look like to differentiate yourselves in the marketplace and bring qualified small business borrowers to you?
Value Proposition Definition

- In its simplest terms, a value proposition is a **positioning statement that explains what benefit you provide for who and how you do it uniquely well**

- It describes your target customer, the problem you solve, and why you’re distinctly better than the alternatives
## Business Model Canvas

**Value Proposition**

- **For** (target customers)
- **Who are dissatisfied with** (the current alternative)
- **Our product is a** (new product)
- **That provides** (key problem-solving capability)
- **Unlike** (the product alternative)

## Questions?

- Any questions so far?
Building a Value Proposition

Dave Glaser

Our Mission

Provide financing and consulting services that transform the lives of individuals and strengthen community prosperity

David Stark, Bitterroot Gymnastics, Missoula MT
Where Do We Work?

- Established 1986
- $30 million loan fund
- $9.2 million in small business lending in 2015 (80% increase over 2014)
- Montana and Idaho

What Do We Do?

- Small business loans with extensive, individualized consulting
- New Market Tax Credits
- Community Facilities Loans
- Resident Owned Community Loans

Golden Valley Natural, Shelley ID
Small Business Financing Initiative

$50 Million Growth Goal

Product Assumption:
Micro and Business loans with some consulting

Reality:
Seven packages of financing and technical assistance

Process Assumption:
Make a loan, figure out what the client needs

Reality:
With seven packages, underwriting and consulting are streamlined

Goldman Sachs 10KSB

Growth Plan using a Lean Canvas Model to Analyze Product and Process

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Aha Moment: We have seven loan products that we can deploy more efficiently and turn more quickly so that we don’t need additional capital
Small Business Financing Initiative

Three Year Growth Goals

- Increase deployment percentage
  - 75-82%

- Increase loan IRRs
  - TBD – target goal in process

- Make lending/consulting packages tailored by customer segment and more efficient for the borrower

Top Priorities

- Move all loans to bankability within an 18-24 month window

- Change pricing structure to match faster runoff

- Underwrite faster and more efficiently using Jakob’s Ladder to Success

- Improve technology platform to streamline lending process and enhance customer experience
Questions?

- Any questions so far?

Building a Value Proposition

Greg Henderson

Acción
2015 Lending Results

- Percent Low-to-Moderate Income, Minority, or Female Borrowers: 83%
- Businesses Receiving Loans: 1,372
- Dollars Lent: $18.2 million
- Jobs Created/Sustained by Accion’s Client Businesses: 3,965
- Percent Start-up Businesses: 35%
- Repayment rate for the year: 97%
- Self-sufficiency rate: 65%

Value Proposition Step 1 – Talk to LO’s

Our loan officers are the face of Accion in their community.

We asked them the challenges to explain our value.

The value and related challenges differ depending on the audience:

- Bankers
- Community Partners
- Donors
- Entrepreneurs
**Value Proposition Step 2 – Business Model Challenges**

- Board directive to increase self-sufficiency and scale.
- Growing loans receivable means growing debt and equity.
- Nonprofit only grows equity by revenue over expenses.
- Pricing model is high relative to banks and other nonprofit lenders.

Kathy Jackson, Ms. Kathy’s Electric, Las Vegas, NM

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**Value Proposition Step 3 – Competitive Landscape**

**Key Competitors**
- Online lenders
- Consumer loan shops
- Personal credit cards

**Our Strengths**
- Better pricing and terms than online lenders
- Ability to serve the underbanked

**Our Weaknesses**
- Slow versus online
- Lack of brand recognition

**Decide Who You Are**

Mario Valdez, Maxim Tires, Denver, CO
**Value Proposition Step 4 – Train Across Team**

Role play rules

1. **Must** stay in character – no asking for a “pause” or timeout.

2. **Non-employee role** is to push challenging questions.

3. Feedback and coaching takes place after the role play

**Develop FAQs and Talking points for each audience**

Anita Tello, Precious Moments Childcare, Albuquerque, NM

**Value Proposition for Clients**

We offer the most competitive combination of speed, pricing and terms by evaluating our client’s business as a whole, matching loan terms to use of funds, and determining a healthy debt structure for our clients. We provide a community of support if you need it.

Sharon Ricks and Richard Blass, S & B Dollar Store, Phoenix, AZ
Questions?

- Any questions so far?

A Conversation with Greg and Dave

- How did your business models inform your very different value propositions?

- How do you assess if your value proposition is being delivered appropriately? What is your feedback loop?
A Conversation with Greg and Dave

- Any questions from the audience?

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Contact Information

- Pam Porter, OFN  
  • pporter@ofn.org
- Ginger McNally, OFN  
  • gmcnally@orn.org
- Amanda Joseph, OFN  
  • ajoseph@ofn.org
- Dave Glaser, Montana CDC  
  • daveg@mtcdc.org
- Greg Henderson, ACCION | NM-AZ-CO-NV-TX  
  • GHenderson@accionnm.org