Small Business Financing Initiative

Customer Acquisition and Retention

April 14, 2016

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 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
# Small Business Lending Webinar Series

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Landscape</td>
<td>February 11</td>
</tr>
<tr>
<td>Business Model Canvas</td>
<td>March 3</td>
</tr>
<tr>
<td>Value Proposition</td>
<td>March 24</td>
</tr>
<tr>
<td>Customer Acquisition</td>
<td>April 14</td>
</tr>
<tr>
<td>Lending Life Cycle – Efficiencies</td>
<td>May 5</td>
</tr>
<tr>
<td>Lending Life Cycle – Technology</td>
<td>May 26</td>
</tr>
<tr>
<td>Talent Management</td>
<td>June 16</td>
</tr>
</tbody>
</table>

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

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
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?

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 pay for it? If not, who will? (Viable)
  - Can it be solved? (Feasible)
### 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)?

### 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?
**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?

**Value Proposition: Creating Value**

![Value Proposition Diagram](image)
Questions?

- Any questions so far?
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.
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: 10/1/2015
  - Portfolio O/S: $130MM
  - Loan Production Goal: 100.0
  - Approvals YTD: 40
  - Loan Prospects: 8

- **Overall Progress Towards Goal**
  - 40% of the way there!
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

SBA RESOURCES SERVING THE
NETWORK
• District Office
• Business
Development
• Lender Relation
Specialists

Kamm’s Corners
Development Corp
CA Network
Partner
Growth Capital
SBDC
Community
Referrals
Berea Chamber
of Commerce
Trade
Association
Bank
Referrals
Cleveland Citywide
Development Corp

Growth Capital
SBA Community
Advantage Loans

CA Network Partner Candidates:
• Community Development
Corporations
• Chambers of Commerce
• Industry Trade Associations
• Technical Assistance Providers
• Economic Development
• Organizations
• Small Business Development
Centers

Questions?

- Any questions so far?
Customer Acquisition and Retention

Walt Postlewait

Small Business Financing Initiative

- Map of Craft3 lending

IMPACT IN WASHINGTON

- We have 38 employees in Washington, which operate out of offices in Issaquah, Port Angeles, Seattle, Spokane and Walla Walla (opening Q3 2016).
- BUSINESS LOANS: 591 loans, $201 million, 7,037 jobs created/retained
- CONSUMER LOANS: 1,132 loans, $20 million

IMPACT IN OREGON

- We have 15 employees in Oregon, which operate out of offices in Astoria, Bend and Portland.
- BUSINESS LOANS: 209 loans, $125 million, 3,880 jobs created/retained
- CONSUMER LOANS: 726 loans, $96.5 million
Smart Customer Acquisition

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
Craft3’s Strategic Commercial Loans

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

Number of Strategic Criteria

- 3% None
- 45% 1 - Criteria
- 43% 2 - Criteria
- 9% 3 - Criteria
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
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

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)
Questions?

- Any questions so far?

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?
A Conversation with John and Walt

- Any questions from the audience?

Small Business Lending Webinar Series

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Landscape</td>
<td>February 11</td>
</tr>
<tr>
<td>Business Model Canvas</td>
<td>March 3</td>
</tr>
<tr>
<td>Value Proposition</td>
<td>March 24</td>
</tr>
<tr>
<td>Customer Acquisition</td>
<td>April 14</td>
</tr>
<tr>
<td>Lending Life Cycle – Efficiencies</td>
<td>May 5</td>
</tr>
<tr>
<td>Lending Life Cycle – Technology</td>
<td>May 26</td>
</tr>
<tr>
<td>Talent Management</td>
<td>June 16</td>
</tr>
</tbody>
</table>

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

- Pam Porter, OFN
  • pporter@ofn.org
- Ginger McNally, OFN
  • gmcnally@orn.org
- Amanda Joseph, OFN
  • ajoseph@ofn.org
- John Kropf, Growth Capital
  • jkropf@growthcapitalcorp.com
- Walt Postlewait, Craft3
  • wpostlewait@craft3.org