

# Small Business Financing Initiative



## **Introduction to the Business Model Canvas**

March 3, 2016

### Small Business Financing Initiative

## **Agenda**

- Small Business Financing Initiative Overview
- Webinar Series
- Today's Topic and Presenters
- Introduction to the Business Model Canvas
- Conversation with the Panelists





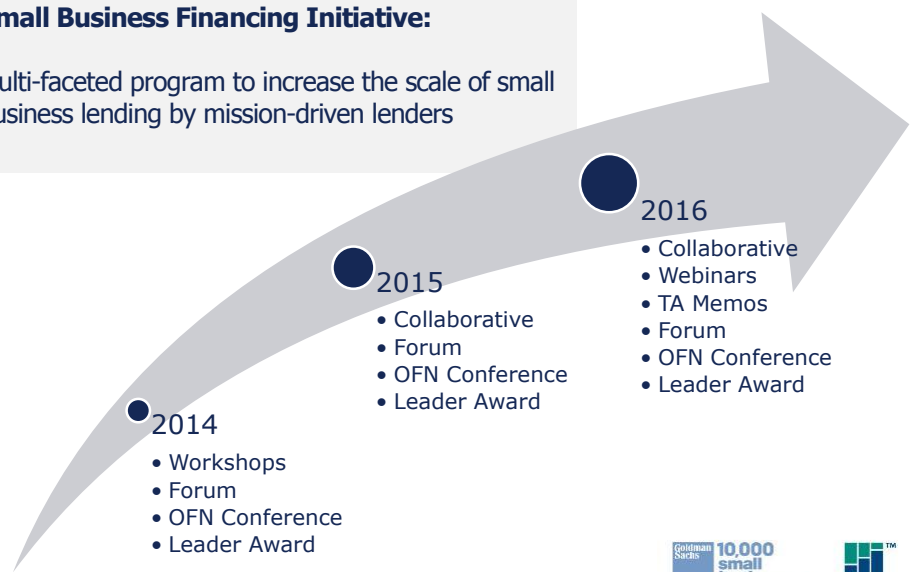
Goldman Sachs *10,000 Small Businesses* is a \$500 million investment to help small businesses in the United States create jobs and economic growth by providing entrepreneurs with a practical business education, access to capital and business support services.

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
- ★ 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 (PI...
- ★ 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](http://ofn.org/small-business-financing-initiative)



## Today's Presenters



Ginger McNally  
SVP, Strategic Consulting  
Opportunity Finance Network



Phil Glynn  
VP, Economic Development  
Travois



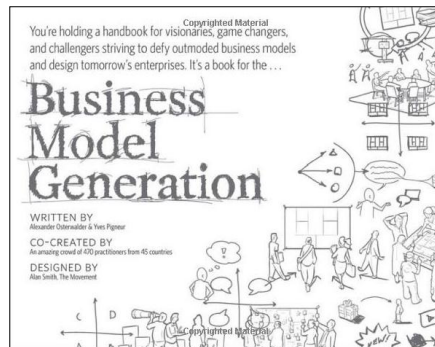
Wanda Speight  
SVP, Financial Services  
PIDC



## Business Model Canvas

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

## A Business Model Handbook



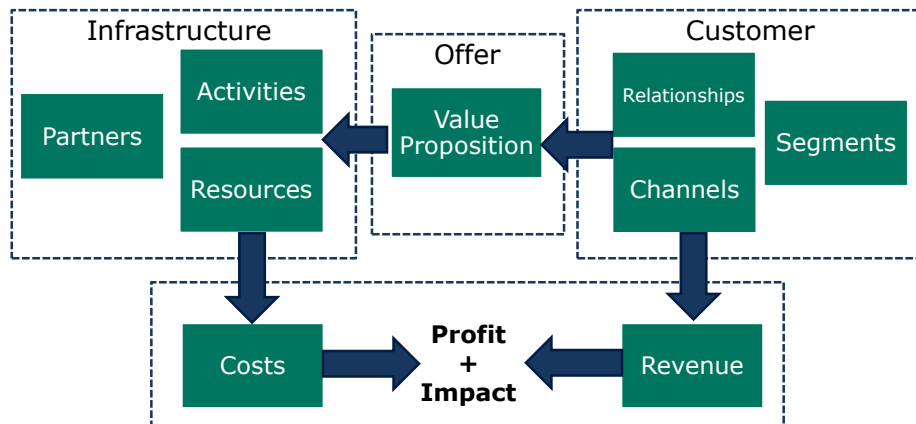
From [Business Model Generation](#)  
By Alexander Osterwalder and  
Yves Pigneur (2010)

## 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



## Business Model Canvas Customer and Value Proposition

Phil Glynn



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## Travois

- Founded in 1995
- 100% focused on serving American Indian, Alaska Native, and Native Hawaiian communities
- \$1 billion in total housing and economic development in Indian Country
- Small business financing focuses on hospitality and health care

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## Business Model Canvas The Customer

- Identification of your most important customer doesn't happen in a vacuum
- Your most important customers must reflect your value proposition and bring to life your strategic priorities and business model

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## Business Model Canvas Customer Segments

- Focusing on a specific customer segment means asking yourself a few questions about your entire population of customers.
  - Who are you creating the most value for?
  - Who are your most important customers and why?

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## Business Model Canvas Customer Segments

- And another question about your most important customer segments:
  - How does this influence your organizational priorities regarding **daily work**, allocation of resources and long-term vision?

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## Business Model Canvas The Customer

- Critical questions
  - Who are our most important customer segments and why?
  - What kind of relationship do we want to have with them and them with us?
  - What is the best way to reach each other?

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## Business Model Canvas The Customer

- More customer-centric questions
  - What customer problems are we solving?
  - Are we equipped to solve these problems (value proposition)?

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## Business Model Canvas The Customer

- Who is **not** your most important customer?
- Has your organization's definition of its most important customer changed over time?
- Are there ways that you can (quickly) help them through referrals to partners?

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## Business Model Canvas Value Proposition

- Your value proposition – the way you describe what you offer that is special to the customers you want to serve – is critical to your ability to reach qualified borrowers and convince them to do business with you
- Your value proposition must reflect the mindset of the **customer**

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## 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

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## 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)

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## Business Model Canvas Value Proposition

- The more specific your customer segmentation and value proposition are, the more successful you will be.

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## Business Model Canvas Value Proposition

Thinking aspirationally...

- What could your organization's value proposition look like to differentiate yourselves in the marketplace and bring qualified small business borrowers to you?

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## Business Model Canvas Value Proposition

Sample customer segments within Tribal corporations:

- Health care organizations
- Utility authorities
- Tribal designated housing entities

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## Business Model Canvas Value Proposition

Sample value proposition:

- For Tribal corporations who are dissatisfied with limited grant funding, our product is a qualified low income community investment loan that provides scale and flexibility unlike other funders.

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## Questions?

- Any questions so far on customer segments or value propositions?

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## Business Model Canvas Infrastructure and Cost/Revenue

Wanda Speight



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## PIDC Mission

- Our mission is to **spur investments, support business growth, and foster developments to create jobs, revitalize neighborhoods, and drive growth** to every corner of Philadelphia.
- To achieve our mission we **attract, manage, and invest** public and private resources in the clients, communities, and markets that energize Philadelphia's economy.
- We offer **flexible financing tools**, a targeted portfolio of **industrial and commercial real estate** and decades of Philadelphia based knowledge to help our clients, invest, develop and grow

\*Over the past 58 years, PIDC has settled over 6,700 transactions – including \$14 billion of financing and 3,100 acres of land sales – which have leveraged over \$25 billion in total investment and assisted in retaining and creating hundreds of thousands of jobs in Philadelphia.

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## PIDC Affiliated Companies

PIDC manages a family of organizations to accomplish our mission including:



A public authority delivering real estate services and tax-exempt financing

THE PIDC REGIONAL CENTER

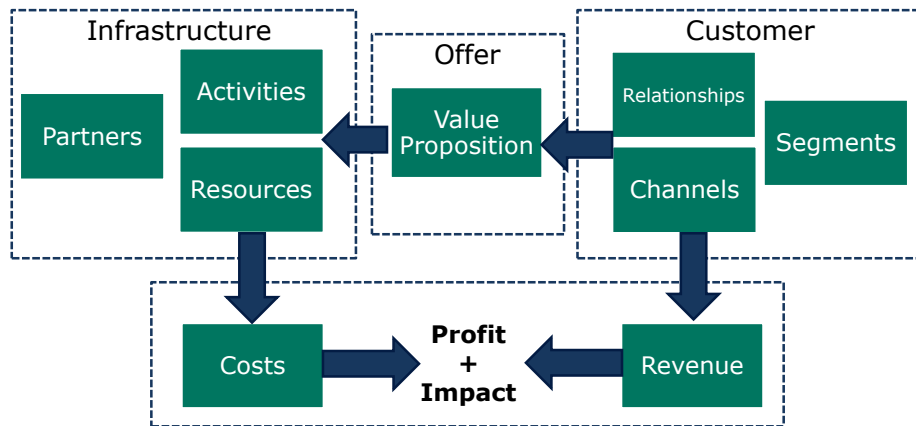
A partnership between PIDC and CanAm Enterprises to sponsor investment opportunities in projects that qualify for the U.S. Immigrant Investor Program (EB-5) that has raised +600M for project investment in Philadelphia to date



A 501c3 non-profit and certified CDFI created to attract resources with a particular focus on community lending and technical assistance in underserved, low income neighborhoods



## Business Model Canvas





## Business Model Canvas Infrastructure

The infrastructure is how you deliver your promise (value proposition) to your customers.

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## Business Model Canvas Infrastructure

Key elements of infrastructure:

- Activities
  - Lending
  - Savings
  - Development Services

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## Business Model Canvas Infrastructure

Key elements of infrastructure:

- Resources
  - Financial
  - Human
  - Reputation

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## Business Model Canvas Infrastructure

Key elements of infrastructure:

- Partners
  - Referrals to you (pipeline)
  - Referrals by you (non-customers)
  - Thought leaders, jurisdictional
  - Funders

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## STRATEGIC PARTNERS

	Contacts Added Since January 1 2016	Referrals Since January 1 2016	Activities Since January 1 2016	Key Notes & Trends
Financial Services	23	10	15	6 road shows, with active small business market lenders
Accountants	84*	1	2	*Accountant data now in salesforce
Lawyers	11	1	3	
Brokers	7	5	5	
<b>Total</b>	<b>125</b>	<b>17</b>	<b>25</b>	
<b>2016 Goal</b>	<b>250</b>	<b>88</b>	<b>N/A</b>	
<b>% progress to 2016 goal</b>	<b>50%</b>	<b>19%</b>	<b>N/A</b>	

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## Business Model Canvas Production Goals

- # of loans closed per month
- \$ amount of loans closed per financial FTE
- Training of existing staff of underwriters
- Tie annual individual goals to organizational goals



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## Business Model Canvas Cost-Revenue

- Cost is primarily incurred in your infrastructure
- Revenue is primarily generated by your customers and funders

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## Business Model Canvas Cost-Revenue

- CDFIs have at least two bottom lines: financial sustainability and social impact
- Both bottom lines need to reflect the mission, vision, and business model of the organization

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## Business Model Canvas Cost-Revenue

- Financial Sustainability Metrics:
  - Self sufficiency ratio
  - Earned revenue / Operating Revenue ratio
  
- Social Impact Metrics:
  - Change in owner credit scores
  - Change in borrower sales, net income , net worth

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## Questions?

- Any questions so far on infrastructure or cost/revenue?

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## A Conversation with Phil and Wanda

- What is distinctive about your most important customers?
- How did you identify your most important customer segments?

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## A Conversation with Phil and Wanda

- As you think about your value proposition in the marketplace, what are some of the challenges to growth that you currently face?

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## A Conversation with Phil and Wanda

- Any questions from the audience?

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