



Where Business Comes to Talk Business

The Rappahannock Region Small Business Development Center Serves

Caroline County

Fredericksburg

King George County

Spotsylvania County

Stafford County

Eastern Prince William

Northern Louisa

Eastern Orange

Essex County

King & Queen County

King William County

Lancaster County

Middlesex County

Northumberland Cty

Richmond County

Westmoreland Cty

Northern Mathews Cty



Where Business Comes to Talk Business

Where are We?

Web Site at www.rrsbdc.biz

Fredericksburg Office

Brian J. Baker, Executive Director

UMW College of Graduate and Professional Studies

121 University Blvd

Stafford County, VA

540-286-8060

Warsaw Office

Joy S. Corprew, Director

Planning District Center

479 Main Street

Warsaw, VA

1-800-524-8915



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Funding Stewards that make this Service Possible

The University of Mary Washington

The United States Small Business Administration

Cardinal Bank, Marketing Partner



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Small Business Development Center Services

Research
-Industrial
-Demographic
-Geographic Information
Systems

Management
Training
-Business Start
-Business Plan
-Marketing
-Banking
-Cash Flow
-Procurement

Management
Advising
Management Plan
Financial Analysis
Market Strategy
and
Loan Proposals



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BUILDING BUSINESS
(2004-2009)

Sales Growth: \$44,604,532

Job Formation: 2537

Equity Investment: \$14,040,851

Loans: \$32,545,835

Management Training: 2327



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Clients who received 5 or more hours of Counseling Experienced

**Grew 1.3 times faster than the average Virginia
Business**

**Created 10 times more jobs than the average Virginia
Business**



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Why

Small Companies...

Represent 99.7% of all businesses

Employ 64% of the work force

Pay 44% of US private payroll

52% of those businesses are home based



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Objectives:

1. Set Proper Priorities
2. Strength Through Growth
3. Fundamentals of Financing



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Preparing for Success



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Perform a Competitive Analysis

- How are my competitors behaving
- Pricing
- Servicing
- Customer Service
- How busy are they
- What type of jobs are they doing



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Eliminate Waste

- Negotiate with Vendors
- Negotiate with Landlord
- Examine Staffing Needs (OT and Executives)
- Examine Non-Essentials
 - Benefits
 - Training, Travel, and Entertainment



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Inventory Management

- Get Rid of “Dead Stock”
- Shift inventory to what is in current demand
- Arrange for “Just in Time” delivery
- Match Carrying Stock with Sales Volume



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Collections

- What is the quality of you're A/R?
 - How Old
 - Who
 - Contact them
 - Frequency of Contact
 - Ordering Party, Payor, Owner if applicable



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Pricing

- Key to Protecting Cash Flow
- Your Best Source of Financing is Sales
- Focus on Why People Buy From You
 - Your Value Proposition
- Make Your Pricing Non-threatening by Educating
- Making Sales at Ultra-Low Prices Might Condition the Customer to Expect a Deal
- Lower the Price if You won't be Selling it Again



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Growth



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Link every element of your business to your marketing strategy and shape that strategy to strengthen the relationship with your customers.



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SALES STAFF

- ✓ Create a Customer –Centered Culture
- ✓ Be Knowledgeable
- ✓ Be Helpful and Honest
- ✓ Be Respectful
- ✓ Follow-up
- ✓ Under Promise
- ✓ Know the Power of a Simple Courtesy
 - ✓ Have a Magical Day
 - ✓ My Pleasure



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Re-think Your Product Line and Service Capabilities

- ❖ Analyze Your Sales Trends
- ❖ Focus on What You Do Best
 - ❖ Offering Diversity Works When it Makes Money
- ❖ Keep Your Top Profit Performers
- ❖ Research What Your Competition is Doing
 - ❖ Can You Do Some of Those Things Better
 - ❖ Is There Something You Can Complement



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COMMUNICATIONS STRATEGY

1. Web Position (content)
2. e-Mail program
3. Social Networking (Twitter, Plaxo, Face Book)
4. Customer Follow-Up
5. Documentation That Educates Your Customer
6. “Snail” Mail
7. Brand Familiarity (letterhead, packaging, etc)
8. Signage



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ACCESS STRATEGY

- Building (location, features, appearance)
- Parking (proximity, plentiful, egress)
- Web Presence (search optimality)
- Partners (proximity to suppliers, network of complementary professions)
- Competition



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SERVICE TECHNOLOGY

Ensure that tools work well, are reliable, and produce a good result

- Mechanization
- Data Management
- Distribution



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RELATIONSHIPS MANAGEMENT

- Reputation
- Retention
- Referrals
- Customer Relations Management



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SUMMARY

1. Survey the Competitive Landscape
2. Cut Costs
3. Improve Inventory Management
4. Improve Collections
5. Adapt Pricing
6. Improve Your Company Culture
7. Focus Your Product and Service Offerings
8. Strengthen Communications Points of Presence
9. Assess Your Physical and Virtual Position
10. Assess Technologies
11. Ensure That Your Systems Build Relationships



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FUNDAMENTALS OF FINANCING

***MANAGE YOUR
EXPECTATION
BY UNDERSTANDING
RISK***



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EXPOSURE RISK

- 1) **Asset Class – real estate, equipment, receivables**
- 2) **Industry Class – restaurant, health clinic, government contractor**
- 3) **Collateral Class – Quality of borrowers underlying net worth**
- 4) **Experience – resume of the ownership and/or management**
- 5) **Credit Risk – probability of default**
- 6) **Economic Risk – general trend and direction of the economy**
- 7) **Political Risk – direction of regulatory and public policy environment**



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ELEMENTS OF CREDIT RISK

- **Character** – integrity, honesty, transparency, responsible
- **Competency** – Does the owner understand the industry, market, and resources necessary for success
- **Capacity** – having the resources to repay
- **Conditions** – Is the business, regulatory, legal, political, and economic climate favorable
- **Commitment** – Is the owner committed to success and to repaying the loan
- **Capital** – Is there sufficient cash to support the business strategy
- **Collateral** – Are there sufficient assets to support the loan



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BUSINESS LOANS ARE INHERENTLY RISKY

- a. A business as an asset is generally not very liquid
- b. Financial Projections are often unreliable
- c. Constant Threats of external variables such as political, economic, social, and technological developments
- d. Constant Threats from internal variables such as skilled management, skilled line workers, poor systems and processes, and a weak organizational strategy
- e. Business Interruption (acts of God, terrorism, etc)
- f. Death of a principle



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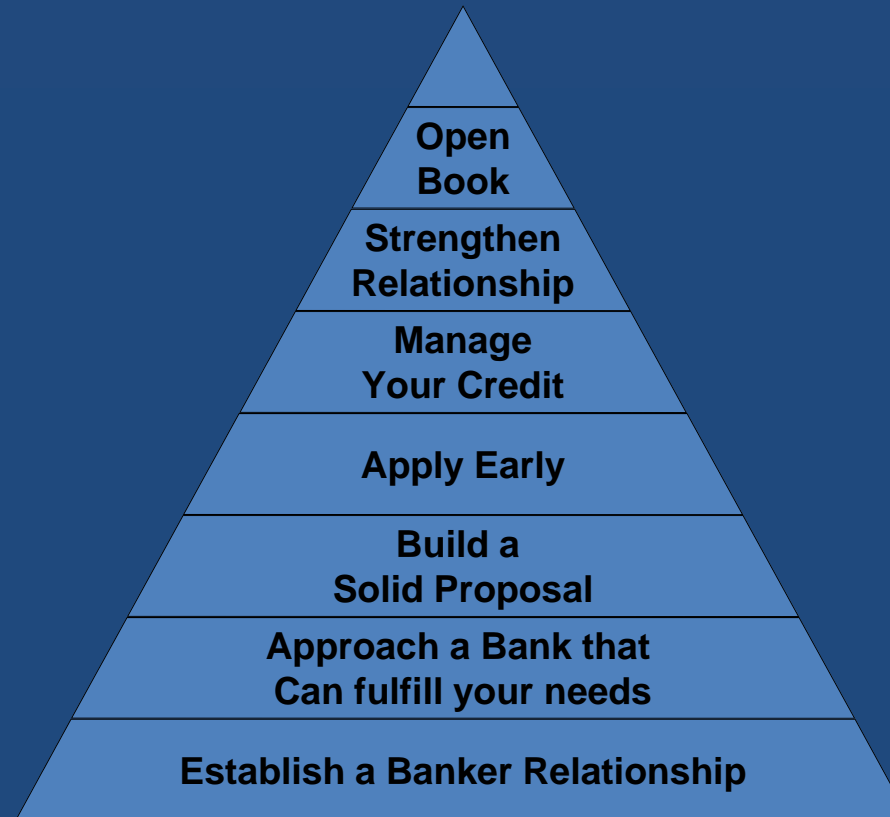
MAINTAINING BALANCED EXPECTATIONS

- The Bank is not an Investor
- It is not the Banks money
- Your banker is required to comply with the standards of their institution
- A bank loan portfolio must be diversified to mitigate risk
- You have a 50-50 chance of securing a loan
- The preparation process takes time
- Your success will be built on a sound and transparent proposal



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MANAGING YOUR BANKABILITY



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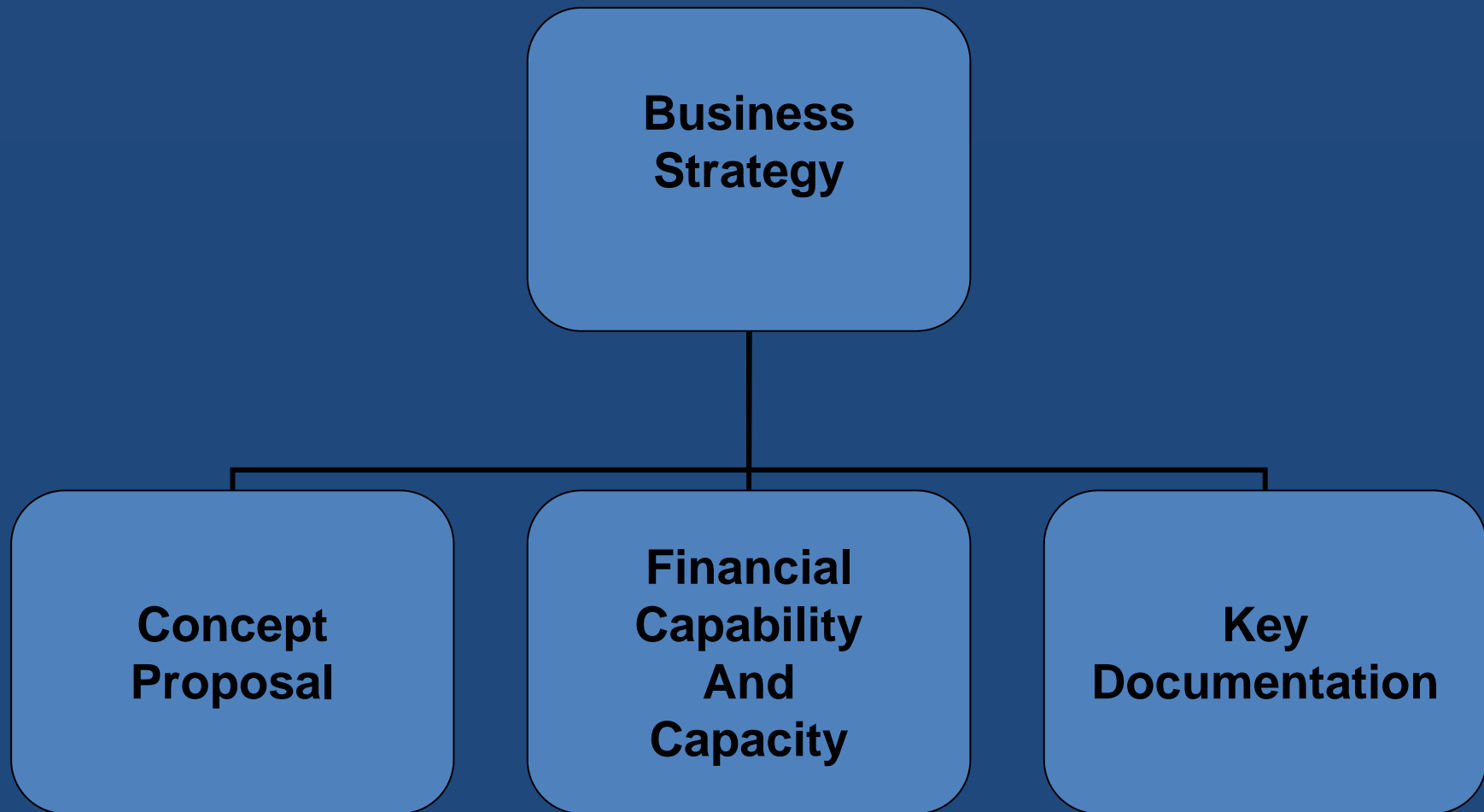
REASONS FOR BUSINESS BORROWING

- NEW BUSINESS START
- ACQUIRING A BUSINESS
- FUNDING NEW INNOVATION
- FUNDING NEW FIXED ASSETS
- EXPANSION OF A BUSINESS
- CASH FLOW IMPROVEMENT



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Elements of a Loan Proposal



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CONCEPT PROPOSAL

- Completed Business Plan
- Use of Proceeds Statement
- Debt Amortization
- Cash Flow Projections
- Break-Even Projection
- Marketing Strategy, Budget, and ROI hurdle
- Commercial Debt Coverage Analysis



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Financial Capability and Capacity

- Personal Financial Statement
- Schedule of Business Debt
- Personal Tax Returns, past 3 years
- Business Tax Returns, past 3 years
- Current Business Balance Sheet
- Accounts Receivable Aging
- Financial Ratio Summary



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Important Financial Ratios

- Gross Margin = Net Sales – CGS / Net Sales

Measures how much of each sale is available to cover fixed expenses

- Current Ratio = CA / CL

Demonstrates capacity to cover short term obligations

- Profit Margin = Net Income / Net Sales

Demonstrates strength generated by the core business

- Debt Ratio = Total Liabilities / Total Assets

Demonstrates the extent of borrowing to finance operations

- Return on Investment: Net Income / Ave. Total Assets

Demonstrates the effectiveness of assets in producing profit



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KEY DOCUMENTATION

- Dun and Bradstreet Number
- FEIN
- State Taxpayer ID Number
- VEC ID Number
- Business Entity Verification
- Resumes of Principles
- Verification of Flood Zone Status
- Leases, licenses, certifications, and other key agreements
- Bid Proposals and Award Letters
- Insurance Coverages
- Scored Credit Analysis
- Summary and Reconciliation of Credit Issues



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Banking Links

The Virginia Community Banker

www.thecommunitybanker.com

The Virginia Bankers Association

<http://www.vabankers.org/MembershipInfo/BankMembers.asp>

SBA Preferred Lenders-Virginia

http://www.sba.gov/va/VA_VAPLPCLP.html



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