

Finding Money for Your Business



Presented by
George Krueger & Mary-Lynn Foster

BIGGsuccess.com

Sponsored and Organized by

BankChampaign
N.A.

Small Business Seminar Series

Session 1
June 4, 2009

Objectives

During this session, you will discover:

- ✓ 7 critical paradigms for business owners looking for funding
- ✓ 4 key factors that affect your financier's decision to fund you
- ✓ what financiers are looking for from you
- ✓ 7 places to look for money for your business
- ✓ where the money comes from for a typical business
- ✓ 3 things that help you know if your idea is right for you
- ✓ 2 factors to know if your idea is also a good opportunity for making money
- ✓ the 2 most important things to know before you start searching for money
- ✓ 6 questions you should answer before seeking funding
- ✓ how your choice for funding affects your business strategy
- ✓ 6 cash management tactics to reduce your need for outside capital
- ✓ 21st century business strategies that affect how much money you need
- ✓ your most important asset (and it's not on your Balance Sheet)
- ✓ how to determine your most likely source of funding
- ✓ 4 key strategies to get the money you need
- ✓ how to prepare a request for funding
- ✓ how to give an effective funding presentation



Outline

- ◆ Sources of Funding
- ◆ Your Setting
- ◆ Intermission
- ◆ Strategies to Find the Money You Need
- ◆ Q&A



F_{RAMEWORK}

- ◆ All money is not the same color!
- ◆ Your financier's source of capital drives their business model
- ◆ 4 key factors:

Risk tolerance

Return expectations

Investment **horizon**

Exit strategy

biz © **W**NERS' **p**aradigm

Like your financiers, your source of funding drives your business strategy!

Part 1

Sources ▶ VENTURE CAPITAL ▶ BANKS ▶ ANGELS ▶ BOOTSTRAPPING

V_{ENTURE} C_{APITAL}

- ➔ Accept **high risk**
- ➔ Demand **high returns**
- ➔ Invest **longer-term**
- ➔ Exit upon **sale of company or public offering**

BANKS



- Need **low risk**
- Accept **low returns**
- Invest **shorter-term**
- Your **profit** repays bank loans



- Accept *high risk*
- Want *high returns*
- Invest *longest term*
- Exit is a *blank page*

boot•strap•ping

Leveraging a small amount of money with a great deal of personal effort, intelligently applied to an early stage business, to minimize its need for outside funding.

4 sources of bootstrap capital:

- ① Your resources
- ② Friends & family
- ③ Suppliers
- ④ Customers

1st ⇨ YOUR **R**ESOURCES

- ➔ Savings
- ➔ Assets
- ➔ Credit cards
- ➔ Job / business
- ➔ Standard of living
- ➔ Sweat equity

biz **W**NERS' **p**aradigm

You will take more risk in your business than anyone else. Therefore, you deserve the highest return of all investors.

2nd ⇨ **F**RIENDS & **F**AMILY

- ➔ Direct investment
- ➔ Co-sign loan
- ➔ Sweat equity
- ➔ Other resources

Caveats

No feedback on concept

Risk = capital + relationship

Have attorney draft formal agreement

3rd ⇒ SUPPLIERS

- ➔ Trade credit
- ➔ Barter
- ➔ Consignment / Affiliate
- ➔ Used equipment
- ➔ Outsourcing
- ➔ Strategic alliances (equity, debt, JV)



Strategic alliances are a great source of capital for your business. However, you must consider the business cost of getting locked in with a supplier. The **key to success** is finding the right creative partner.

4th ⇒ CUSTOMERS The ULTIMATE Source!

- ➔ Prepayment
- ➔ Bankable purchase contracts
- ➔ COD or shorter payment period
- ➔ Strategic alliances

biz ©WNERS' **p**aradigm

It's not a money problem; it's a timing issue. You have to see yourself making even more money in the future or you won't get the money now!

Caveats

- ▶ Transparency issues
- ▶ Perceptions of other customers



Next up:

Your **Setting** ... the place to start your search for funds

Part 2

Setting ▶ IDEA & OPPORTUNITY ▶ VISION & VALUES ▶ YOUR SITUATION

biz ©WNERS' **p**aradigm

Understand yourself and your situation to understand who you should turn to for funding.


How do I know if my idea is a good one?

1 Is your idea a good concept?

Passions

Preferences

Proficiencies



A good concept is found at the **intersection** of your passions, preferences and proficiencies.

2 When put in *context*, is it a good opportunity?

Customers

Competitors

What problem will you solve?

VISION & VALUES



YOUR SEARCH FOR MONEY HERE

Examples

Income vs. Wealth

Ownership vs. Partnership

Profit vs. Contribution

YOUR **S**ITUATION



What **business** are you in?

How much **money** do you need?

How will you **return** it?

How **soon** do you need it?

How **long** do you need it?

What **stage** is your business in?

Next up: **Strategies**

Match your **Setting** to the best **Source**

Part 3

Strategies

- ▶ CASH MANAGEMENT
 - ▶ BUSINESS STRATEGY
 - ▶ BEST ASSET
 - ▶ MATCHING SETTING TO SOURCE
-

S_{TRATEGY} #1: **Watch cash flow tenaciously**

- **Tight cost control**
- **Rigid credit policies**
- **Firm collection procedures**
- **Defer payments**
- **Aggressive income tax avoidance**
- **Invest idle cash**

biz ©WNERS' **p**aradigm

Cash is to your business what blood is to your body.

Caveats ▶ Limits growth ▶ Transition can be tricky

S_{TRATEGY} #2: **Lever resources to reduce your cash needs**


biz ©WNERS' **p**aradigm

Your business strategy affects how much money you need.

- The internet is a game-changer for SMBs
- Focus on your core, outsource the rest
- Find the most cost-effective path to profitability

STRATEGY #3: Build enduring relationships

- Your most important asset isn't on your Balance Sheet.
- If you wait until you need them, you're too late.
- Goal: **Direct** contact or referral

biz WNERS' **p**aradigm

Relationships are the key to big success in the 21st century business world.

STRATEGY #4: Match your setting to the best source

Vision & Values aligned with funder

Your situation matches their space

- What business are you in? ⇒ Do they fund businesses like yours?
- How much money do you need? ⇒ Do they fund businesses at your level?
- How will you return it? ⇒ Are the returns sufficient for them?
- How soon do you need it? ⇒ Can they deliver it that quickly?
- How long do you need it? ⇒ Does it match their horizon?
- What stage is your business in? ⇒ Do they invest at this stage?



Don't think **generally** about your financier. Build a relationship so you know **specifically** what they're funding.

Insights

Your funding affects your strategy, just like your financiers' funding affects theirs.

Your strategy affects your funding needs. Consider alternatives to need less money.

It's a timing issue, not a money problem. You too must plant before you can harvest.

Key word: relationships – Build your network everyday.

Match your setting to the best source. Who's the best fit for you?

Don't be afraid to get creative. It only has to work for you!

Don't ever give up! "No" doesn't mean "Stop".

Small Business Seminar Series

NEXT SESSION: How to Develop Your Financial Plan

Discover: the level of sales you need to make money
how to project your future sales and costs
how much outside capital you need
how fast you can afford to grow
and much, much more ...

George Krueger & Mary-Lynn Foster

Biggsuccess.com

bigginfo@biggsuccess.com

888.455.BIGG (2444)

Contact us! 

Chris Cheely

BankChampaign

cheely@bankchampaign.com

217.351.2870

BankChampaign.com