

“Small Business – Big Opportunity” Finding Solutions to Small Business Challenges

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L to R: David Frank, SomerCor; Michelle Kantor, McDonald Hopkins LLC; Joan Woodward, the Travelers Institute; Tim Ritz, United Airlines; Kirstin Simonson, Travelers; and Amber Colley, Dun & Bradstreet

On September 26, 2013, the Travelers Institute held its 10th “Small Business – Big Opportunity” symposium in Chicago, Illinois, at the Women’s Business Development Center’s (WBDC) annual Entrepreneurial Woman’s Conference. The conference convened more than 1,000 female small business owners and advocates from across the Midwest.

Travelers Institute President Joan Woodward kicked off the discussion, noting that as one of the largest insurers of small business in the U.S., Travelers believes small businesses are the economic engine of the United States, and the sector is a driver for creating and sustaining jobs. The company’s goal is to help small businesses thrive and not just survive. That is why the Travelers Institute is hosting the “Small Business – Big Opportunity” symposium series to raise awareness of the challenges small businesses are facing and to propose solutions to these challenges. She thanked the WBDC for bringing together the entrepreneurs in attendance and complimented the organization for its advocacy efforts on behalf of women-owned businesses.

Before the panel discussion began, Woodward polled the audience via electronic polling devices to get a sense of their outlook on the economy and their concerns for their own businesses. The audience responded:

- 64% expect their business to grow and expand over the next year
- 50% view getting and retaining customers as their top challenge, followed by 32% who identified cash flow as their top challenge
- 57% responded that their business is currently having access to capital challenges
- 45% are currently using personal credit cards or accounts to finance their business

- 72% responded that they are currently looking for contracting opportunities for their business
- 83% responded that they did not know their business’ credit score
- 50% did not have a business continuity plan
- 44% responded that they are somewhat familiar with risk associated with cyber crime

Following the audience polling, Woodward moderated a panel discussion that included:

- Amber Colley, Director of Sales Partnerships, Dun & Bradstreet Credibility Corp.
- David Frank, President and General Counsel, SomerCor 504, Inc.
- Michelle Kantor, Federal Government Contracting Practice Lead, McDonald Hopkins LLC
- Tim Ritz, Managing Director of Technical Procurement, United Airlines
- Kirstin Simonson, Second Vice President, Global Technology Underwriting, Travelers

Frank began the discussion by highlighting that businesses in the region are growing and expanding and that SomerCor is seeing a lot of loan demand. SomerCor is a non-profit development company certified by the U.S. Small Business Administration (SBA) to originate SBA 504 loans. He added that there are two types of SBA loans, and many companies might not realize which SBA loan is appropriate for them. The SBA 7(a) loan is offered through a bank and is government guaranteed up to 85 percent of the loan’s value of less than \$150,000, and is 75 percent guaranteed on loans of more than \$150,000. Frank pointed out that this loan fits most businesses.

The SBA 504 program is a loan for heavy equipment and real estate, from \$1 million–\$15 million in total project size. These are funded 50 percent by a bank, 40 percent by an alternative lender like SomerCor and require 10 percent from the business. Last year, SomerCor saw record-setting SBA loan demand due to a 504 refinance program that has since expired. During Fiscal Year End 2013, SomerCor approved over \$100 million in SBA 504 loans. Additionally, in response to the access to capital challenges that many businesses are still facing, SomerCor is now offering SBA community advantage loans to small businesses. According to Frank, these are loans up to \$250,000 designed to fill a gap as microlenders typically only offer loans up to \$50,000 and banks typically aren't overly enthusiastic to offer loans of less than \$250,000. In terms of requirements for the business, he told the audience that the business cash flow is the most important criteria they look at when evaluating the company for a loan – they are looking to see if businesses can generate enough free cash flow to cover the debt that they are requesting.

Colley spoke about how a business credit report tells the story of the company's viability and gives a performance score of how the company pays its bills and is predictive of what it will do in the future. She explained that when it comes time to grow and expand, it takes capital, and access to capital is often dependent on performance and predictive scores of how a company has paid its bills. She also spoke about how it impacts the interest of larger companies in wanting to partner with small businesses to share jobs. Colley went on to stress how important it is that small business owners know their credit scores, monitor credit reports for inaccuracies and work to build a business credit report. She gave the example of a small business owner that recently lost her business. The woman had done business with the same bank for many years, and the bank suddenly pulled her \$800,000 line of credit, which she quickly needed to replace. Unfortunately, she had no credit report to tell the story of her business and she couldn't get the loan from another lender.

Simonson gave advice to small businesses on how to protect their business from cyber crime, telling the audience that cyber security is a crucial piece of their risk management planning. She spoke about the 2012 Verizon Data Breach Investigations Reports (available at verizonenterprise.com/resources/reports/rp_data-breach-investigations-report-2012_en_xg.pdf), which stated that 31 percent of data breaches that Verizon tracks happen to companies with 1–100 employees. She also shared that the same Verizon study indicated an average impact to businesses of \$9.4 million in insured losses from a data breach, while a study released by Ponemon (2013 Cost of Data Breach Study – U.S. Study) indicates an average cost of \$5.4 million. Simonson also spoke about the importance of small businesses being mindful of account takeovers. Criminals target companies big enough to have the money and data to be attractive, but not the security to prevent



Attendees listen to the “Small Business – Big Opportunity” symposium at the WBDC annual conference.

them from accessing the data. For example, criminals may research the company by calling and pretending to be a vendor and get the business to disclose information like passwords or account numbers. They then take out credit in the business' name. Simonson offered one simple piece of advice for this type of scenario: When they or their staff get these requests, offer to call them back, then call the vendor directly and ask to be transferred to that person. Simonson also reported that there are a number of studies that try to get at the number of businesses that purchase Cyber insurance. One released just prior to the conference by the Ponemon Institute sponsored by Experian, “Managing Cyber Security as a Business Risk: Cyber Insurance in the Digital Age,” found that 31 percent of the surveyed companies have a policy. When asked how much insurance a business should purchase, Simonson indicated that small businesses should be able to purchase \$1 million–\$5 million limits of insurance in today's market, but encourages companies to purchase more if they can afford it.

Kantor spoke about the contracting opportunities for women-owned small businesses with the federal government. Contracting officers can now set aside work for women-owned small businesses with no monetary cap on the amount of the job, and the federal government has a goal of awarding 23 percent of contracts to small businesses and 5 percent of contracts to women-owned businesses (defined as businesses that are 51 percent owned by a woman who is a U.S. citizen). She told the audience that large companies are having more difficulty accessing contracts and are looking to team with small and women-owned businesses to get access to additional federal contracts. Kantor spoke about teaming as a dual value proposition – large companies also do business with the federal government, and subcontracting with a small or women-owned business can help them meet federal requirements and their company's diversity goals. She also recommended teaming with other diverse or veteran-owned small businesses to access contracts available to those groups. She recommended that businesses looking for federal contracts visit FedBizOpps.gov, as all opportunities over \$150,000 have to be posted on the site.

Ritz spoke about how the private sector is typically less deliberate about doing business with small and women-owned businesses than the federal government. He recommended that businesses looking to break into contracting with a large, private company contact the supplier diversity officer, as businesses with more than \$1 billion worth of revenue are also more than likely doing business with the federal government, and must meet federal requirements for contracting with small and women-owned businesses. Ritz also noted that when he looks to hire contractors, credit reports are the most important criteria. He suggests that businesses with

poor credit reports explain why their score might not be ideal, as this shows that you are a transparent business. He also looks at certifications and classifications.

Panelists all agreed on the importance of a business credit report to businesses looking to grow and expand by accessing both capital and contracts. Attendees left the session with practical advice of how to grow their businesses and were encouraged to use the WBDC as a resource.



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