

# Small Business Matters

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council of smaller enterprises

## 52 TIPS FOR YOUR BUSINESS

### #40 – Small Business Lending - What You Need to Know

"Lenders are people who offer you money when you don't need it, and take it back from you when you do."

We've all heard that one before, and even though it's meant as a joke there is a kernel of truth in it. The best time to approach a lender is not when your need for capital has grown desperate. The best time is when your company is doing well, but there is an opportunity for growth. It is a delicate balancing act — you need the money, but you also need to show sufficient financial strength. How do you do it?

Let's consider four magic numbers that should get you where you need to go.

**1.2:** This is the ratio of your historical cash flow to the projected debt service you need. Some lenders will be more or less conservative, and SBA backing will help, but 1.2 times "cash flow coverage" is what you should use as a benchmark. Put another way, your cash flow from last year ought to be 120% of the projected debt service you will have next year—including the new debt you are applying for.

**680:** A credit score around 680 is probably the minimum you can get by with and still



Raymond Graves,  
U.S. SBA, Lender Relations  
Cleveland District Office

qualify for a traditional business loan. A score of 700 or higher would be better. You're in trouble if you're at 650 or below. If you're seeking a business loan, have good personal credit—as strange as that sounds, post-recession underwriting looks at both your personal and business credit very closely.

**35%:** Treat your personal cash flow like a division of your business. This is much less important for large middle market firms, but critical for small businesses. A common test lenders use is they want your personal

debt payments to be less than 35% of your personal income. Beyond that, you're in danger of racking up credit card balances and soon it will affect your personal credit score (see "680" above).

**10%:** Too many small businesses and entrepreneurs are expecting the bank to cover 100% of their project costs. That can happen sometimes, but in general you ought to plan on having (saved up in the bank) 10% to 20% of your project, ready in cash, for you to inject yourself. The lenders call this "skin in the game" but what it really demonstrates is you've been able to generate excess cash historically and you've saved it to invest in the business (see "1.2" above).

The U.S. Small Business Administration provides tens of thousands of the loan guarantees to small businesses every year, and these guarantees limit bank risk and turn "no" into "yes" for many entrepreneurs. However, even SBA backing does not guarantee an approval by a lender. Use the benchmarks above to help you manage your money to have the best opportunity of receiving lending for your business.

## ENERGY EDUCATION

In recognition of National Energy Awareness Month, each week in October, Small Business Matters will publish an energy tip to help you be more efficient in your energy usage. Today's tip:

Install programmable thermostats that automatically adjust temperature settings based on the time of day and day of the week. If you have multiple HVAC units, set thermostats to return to the occupied temperature. In larger facilities with energy management systems (EMS), verify that temperature set points and operating schedules are correct for the controlled equipment. For EMS systems that no longer operate as initially designed, consider a retrocommissioning project to restore the system's functionality.



## BIG IDEAS

### 6 Steps to Trade Show Success

COSE's Small Business Convention is just around the corner. Your booth is ready, your team is excited, but how can you ensure that you are going to get the most out of your SBC experience? During a recent COSE webinar, Matt Radicelli, CEO of Rock The House Entertainment Group, shared six things small businesses should do to help them achieve success on the trade show floor.

#### 1. Be organized

Make sure you have a plan for how you're going to attack the show, Radicelli advised. "Small businesses should go into a show expecting that it could and should turn into revenue," he said. So, how do you achieve that?

- Create a set schedule for when your teammates will be at your booth to avoid burnout.
- Role play with your team ahead of time. Practice what you're going to say as people approach your booth.
- Discuss the goals you want to reach during the convention ahead of time. For example, you want everyone to come away from each day with 25 business cards, or sign up a certain number of people for your service.

#### 2. Be inviting

You want your team and your booth to draw

people in. Open environments help do exactly that. Adding a large backdrop can also help build an inviting environment. "I see the Great Wall of China when I see a table," he said. "I see a wall between you and attendees. It can prevent getting successful leads."

#### 3. Be attentive

There's a rule at Rock The House that all of its employees follow when at a convention: "There is no sitting down. You don't get to sit or lean against anything," he said.

Staying attentive can also help bring people in. Don't just put up a sign advertising free samples. Shake hands, give out business cards, send an immediate email from your phone after meeting someone. "You spent good money on your booth," Radicelli said. "Get people to approach you." Be careful, though, to not intercept traffic that is purposefully heading to another booth.

#### 4. Be professional

Too many trade show exhibitors display a lack of professionalism when they're on site. Some examples shared by Radicelli of what

not to do include:

- Don't be on your phone (except if you are emailing to thank someone for stopping by your booth).
- Don't be dressed too casually.
- Don't eat or leave food at your booth.

#### 5. Be energetic

Make sure you bring positive, energetic people with you to the show.

"You can have the best trade show booth you spent \$5,000 on, but if you're a jerk and you're constantly rolling your eyes or not engaging people, I don't really want to talk to you," Radicelli said. People, he added, want to do business with people they like.

#### 6. Be ready to keep working after the show

Your work isn't finished when the show ends. Within 48 hours, you should be prepared to reach out to any prospects you met. You should also find time to meet with your team to discuss the show. Talk about what worked, what didn't work and whether it would be worthwhile to go to the show again next year.

## COSE'S TAKEAWAY

An open booth with a large backdrop and attentive staffers will help draw people over to your space on the tradeshow floor.

October 12

### By The Numbers SBA Lending



# \$23.1 billion

Year to date SBA 7(a) lending volume through September 26, 2015.

SOURCE: SBA



## OCTOBER 21-22

The COSE Small Business Convention is the premier event for entrepreneurs and small business owners in the Midwest. The event features nationally recognized speakers, dozens of educational workshops, and plenty of networking opportunities with fellow small-business owners and entrepreneurs.

**Public Auditorium and Conference Center**  
500 Lakeside Ave., Cleveland

**Tickets:**  
\$159 for members and co-presenting organizations and chambers of commerce;  
\$310 for non-members

**Register now:**  
[smallbizconvention.com](http://smallbizconvention.com)