



CONCEPT DOCUMENT

INTRODUCTION

“I sure wish I knew then what I know now.”

Poll any group of small start-up businesses on what resources they wish they'd had when first starting a business and in addition to more money, time and people, you're likely to hear something similar to the line above. They wish they had more support and access to professional resources specific to their needs. And they'd like to talk to someone who's been in their shoes (or rather, in their field, before). That way they can hopefully avoid some of the pitfalls and gain insight into best practices which will help them succeed faster without having to graduate from the school of “hard knocks.”

EXECUTIVE SUMMARY

The state of the economy continues to fuel start-up business efforts. As more folks experience lay offs, salary reductions, and disenchantment with their workplace, now appears to be an opportune time to pursue that dream of starting a business. The Baby Boomers, for example, have been identified as one of the fastest growing groups of entrepreneurs in America.

Financial institutions have created a number of programs to address the lending needs of start-up businesses, as well as resources that offer general advice and overall best practices. Our i3 team's research reveals that there are unmet needs of our start-up entrepreneurs. Specifically, these entrepreneurs would benefit from expert advice in targeted areas, such as marketing and technology, and they desire detailed insight from those who are in their particular fields. (See Appendix I)

Previously, i³ers developed The Big Idea, which addresses the evaluation of the strength/solidity of the business plan. Member business lending programs and other micro-loan options provide the monetary resources. However, these do not address the need for professional resources to help launch the business, nor do they offer the specific connection to an experienced business person who is in their field. In response to the unmet needs cited above, our i3 team has created CU Launch, the next step for our entrepreneurial members after the Big Idea Evaluator. CU Launch provides the forum, resources, and connections to help our start-up businesses get off the ground running – in the right direction. The businesses get the resources, expertise, and the encouragement they need to be successful sooner and our credit unions help build a solid business and a loyal relationship.

OPPORTUNITY

The primary opportunities for CU Launch in today's market are:

1. Connecting a start-up business to an array of professional services.
2. Increase in business start-ups as a result of rising unemployment.
3. Lending opportunities if business growth leads to capital needs.
4. Increased awareness of credit unions as a trusted resource for small businesses.

Connecting People with Resources:

According to the US Census, non-employers represent a population more than three times that of employer firms (21 millions vs. 6 million). Non-employers are businesses with no employees other than the owner(s) which would include home-based businesses which are a primary target for the CU Launch program. In Canada, over the last 10 years (1999 – 2009), the number of non-employer firms has surpassed that of employer firms. In fact, over the same period, non-employer firms have grown by 65% whereas employer firms have only increased by 19%.

Non-employer businesses continue to gain momentum as technology matures, letting the non-employer firm communicate with customers worldwide and operate the business 24/7. Services provided by these non-employer firms are frequently specialized services sought by a company wishing to outsource areas such as graphic design or advertising. Because they are specialized for serving a niche market, oftentimes the non-employer will not have the expertise, knowledge, or resources for other necessary business functions. CU Launch connects the non-employer firm with individuals willing to initiate other professional services on a volunteer basis and advise them on the most cost effective longer term solutions.

Rising Unemployment Increases Business Start-ups:

From 1998-2007, non-employers grew at a rate 2-5 times that of employers each year. Annual non-employer increases year over year peaked in 2003 when the unemployment rates were also peaking. This validates the trend of non-employer start-up rates being countercyclical with respect to the labor market, while employer markets move inline with the labor market.

Financing Potential:

US Census shows that only about 41% of non-employers are self-financed (using their own or family assets to start up the business). Of the remaining 59%, the majority used credit card financing, 8 percent used bank financing, and 33 percent started the business with no capital at all. In Canada, the results are similar. A full two-thirds of start-up businesses have traditionally relied on personal funds, credit cards and family/angel investors to initially capitalize the venture.

Credit Unions as a Differentiated Resource for Start-up Businesses:

Ipsos Reid conducted a survey for the Canadian Credit Union Business Owner Strategy in 2008 and found that there is a tremendous opportunity to increase the awareness of credit unions being a preferred resource for entrepreneurs and particularly smaller businesses. In the 2008 Ipsos Reid research, businesses with revenues of less than \$100,000 felt that credit unions were perceived as the leaders in being both “trustworthy” and interested “in doing business with businesses of my size”.

Note the survival rates below of new businesses. CU Launch offers an opportunity to improve the longevity of entrepreneurs.

Survival Statistics

Statistically, seven out of ten new employer firms survive at least two years, and about half survive five years.

Survival Rates

- First Year: 85% - Sixth: 47%
- Second: 70% - Seventh: 44%
- Third: 62% - Eighth: 41%
- Fourth: 55% - Ninth: 38%
- Fifth: 50% - Tenth: 35%

Sources: U.S. Small Business Administration Office of Advocacy, September 2009, Survival and Longevity in the Business Employment Dynamics Database, Monthly Labor Review, May 2005. Redefining Business Success: Distinguishing Between Closure and Failure, Small Business Economics, August 2003. USA Today.

ENVIRONMENTAL SCAN

The primary resources provided to start-ups fall under the microfinance category, particularly in the online format. An abbreviated list of these micro-lending sources is noted below:

Accion USA – The biggest and most established network of anti-poverty micro-lenders in the USA. Accion USA affiliates are responsible for more than two-thirds of the \$300 million in domestic micro-lending done in the past 20 years.

Project Enterprise – The first of the Grameen-style micro-lenders in the United States, Project Enterprise proved that Grameen's group-lending model could work with the urban poor of New York City, and with clientele of mostly women and people of color.

Grameen America – The American division of the Grameen Bank is shooting for scale, already reaching 1,000 borrowers with more than \$2 million in loans. It also lends its Nobel Prize-winning brand to the industry, garnering new press and interest from funders.

Kiva – Its elegant online platform lets you lend to the exact project you want, connecting micro-entrepreneurs with a new funding source: the general public. Kiva doesn't make the loans itself, but funnels the money to two US partners, including Accion USA.

Kickstarter – Not quite micro-lending, this creative twist on Kiva lets web surfers donate as little as a dollar to creative ventures. Projects tend toward the quirky rather than the profitable (building a 16-foot theremin; sailing around the world). Expect a postcard, not repayment, with this one.

There are also a number of websites that offer various forms of generic advice for start-up businesses as well as interactive blogs for businesses to connect with one another. Bank of America, for example, offers a user based online help forum for small business owners, <http://smallbusinessonlinecommunity.bankofamerica.com/index.jspa>.

Users are able to get assistance on not just money matters but all things impacting their business such as payroll, computer technology, etc. The site features forums, articles, interactive dialogue, upcoming events, and surveys.

Small Business America (SBA) is a new CUSO that was formed which provides resources to credit unions that provide small business loans to members. They have a portal by which business owners can find access to all sorts of services like merchant processing, payroll services, property and casualty services, employee benefits, etc.

The Canadian website, www.canadascrreditunions.com, offers webinars, interactive conversations, business owner videos, and information on business services at Canada's credit unions. Also in Canada, "What Would Harold Do?" is a popular publication consisting of stories and tips from business owners across the country.

SOLUTION

While there are a variety of resources for a new business to use, often these resources are generic in nature and have a "one size fits all" model. CU Launch is designed to match specialized needs with specialized services creating a very customized and consultative approach to starting up a new business.

It starts with the small business owner identifying needs for its business through the help of the Big Idea Evaluator Tool. These needs generally are professional services and could be expanded to include any area of expertise volunteered through the CU Launch program, but our pilot focuses on the following:

- Strategic planning
- Human resources
- Accounting
- Public relations
- Marketing services
- Technology

One facet of CU Launch is its repository for volunteer professional services and time commitments. This "people helping people" focus is an easy fit for the credit union industry as the whole industry is active in its communities, plus credit union staff already volunteer many hours to help support those who are in need of assistance. CU Launch is designed to tap into the knowledge and expertise of the volunteers to offer professional help to new businesses.

CU Launch is a transparent layer between small businesses needing specific resource assistance to a participant willing to volunteer their expertise.

MEMBER BENEFITS

- Encourages members to pursue their dream of starting a business.
- The website serves as a unique tool for small businesses that goes beyond generic advice.
- Credit unions provide a launch pad to ensure success and real support for small start-up businesses – beginning with the Big Idea Evaluator Tool to identify needs. The credit union then volunteers professional resources in various areas of expertise.
- Members can benefit from the following areas of credit union expertise:
 - Strategic planning (business plan/project planning, balance sheet)
 - 3rd party vendor screening
 - Writing services (grants/copywriting)
 - Human resources
 - Accounting
 - Public relations
 - Marketing services (graphic design advertising, campaign strategy)
 - Connector between like businesses
 - IT (Help Desk use, discounted software/computer purchases)
 - Legal services

CREDIT UNION BENEFITS

- Point of differentiation from all other financial institutions – unique in the industry.
- By providing support, credit union ensures greater probability of success and continuity of the business.
- Instills greater member loyalty and relationship potential.
- Gives credit union staff the satisfaction of giving back to communities through volunteer opportunities.
- Provides public relations opportunity for credit unions, with potential of increasing awareness for our small business services, our focus on giving back in our communities, positive perception by our regulators and legislators.

TARGET MARKET

The primary target business market for CU Launch is small start-up businesses with few-to-no employees and limited-to-no resources in areas such as marketing, bookkeeping, and technology.

Credit union employees with documented areas of expertise in the above areas are also needed to execute the concept.

OPERATIONAL AND OTHER CONSIDERATIONS

With any professional relationship, the most important consideration is to ensure that there is a shared understanding from both parties on the expectations of the relationship. Although CU Launch offers more of an informal mentoring and coaching experience, it is perhaps even more critical to agree and document the commitments of both parties to ensure that the conditions for success are achieved. The agreement should address the following areas:

1. Identify the Goals

What is the business issue that needs to be resolved? What do they specifically want to achieve? For example: A goal may be for the partner to develop a new marketing strategy. The business owner seeking assistance should attempt to clearly identify:

- The specific nature of the business need they are looking to resolve.
- The specific measures of success.
- The amount of time, energy, and resources they will contribute to the relationship.

2. Lay Out the Objectives Describing How to Achieve the Goals

Objectives must be specific and measurable with visible results.

3. Identify the Specific Tasks

These are the specific steps that need to be taken to meet the objectives.

4. Identify Potential Resources

This involves resources that are sourced by either party but necessary to achieve the goals.

5. Set a Target Date

Deadline dates are very important to include in an action plan. People are more likely to make progress if they have a target date set. Setting a date designates a specific time to evaluate progress, assess the situation, and determine the overall success of the relationship.

To assist in building these conditions for success, both parties should review and agree to the Readiness Checklist (see Appendix II).

The credit union professional that agrees to volunteer should assess their ability to provide advice and counsel by reviewing and honestly assessing:

- Relevant job-related experience and skills. For example, we suggest that the ability to provide advice and counsel should only be offered by those individuals having educational certification and/or job related experience exceeding 3 years in any particular discipline.
- Interpersonal skills.
- An ability to relate well with people who want to learn.
- An open mind, flexible attitude, and recognition of their own need for support.
- Time and willingness to develop relationships with partners.

Having a systematic approach and well-defined expectations increases the effectiveness of mentoring. At the same time, your partners may look to you to be:

- A sounding board.
- A source of knowledge.
- A giver of encouragement.
- A confidant.

10 TIPS FOR SUCCESSFUL RELATIONSHIPS

1. Maintain regular contact.
2. Always be honest.
3. Avoid being judgmental.
4. Recognize your own need for support. You may need a mentor as well.
5. Don't expect to have all of the answers.
6. Help your partner access other resources and further support.
7. Be clear about expectations and boundaries.
8. Stand back from the issues your partner raises; work together to address them.
9. Respect confidentiality.
10. If the relationship falters – hang in there!

PROOF OF CONCEPT

Two pilots are in process to test our concept – one in Canada and one in the US. For the purposes of this test, Our i3 team has focused primarily on the matching of credit union professional resources to several small businesses. We are early in the pilot stage and results are not available at this time.

1. Lloydminster pilot (Canada) – Servus Credit Union representatives met with the Lloydminster Chamber of Commerce and Community Futures and got agreement from the 10-15 lenders in the group to participate in a concept pilot. The group has met and developed two relationships with small businesses to provide mentoring services in the following areas: marketing, accounting, and e-Commerce. It is interesting to note that in both of the new relationships the entrepreneurs are not members of the credit union and are in fact customers of much larger national financial institutions. While the business financing and financial services have not yet moved to the credit union, this clearly demonstrates the need for small businesses to get more value from their financial partners and positions the credit union to be perceived as a trusted source of advice and expertise.

Success will be measured by comparing results in the above mentioned areas of need from the prior year, as well as tracking financial services migration to the credit union.

2. Chi's Boutique (US) – Kelley Parks from Call Federal Credit Union donated marketing/web services expertise to Catherine Itterman, owner and operator of Chi's Boutique, a women's clothing store (see Appendix III). Response to the advice and suggested Website makeover was extremely positive, as evidenced by the email quoted below:

“Kelley, All I can say is.....OMG! You are a genius! I love concept #1 and the saying "unlock the real you" took my breath away! I am at the verge of tears with excitement and am at a loss for words (which is rare). I told my husband that I am going to have to rethink my business card once this is complete so that my card matches the web. Thank you doesn't quite express the gratitude that I feel. Again, I am at a loss for words.”
Catherine

Actual success of the new Website design will be measured by the number of hits on the site for a three month period versus the same period, prior year.

Connecting to other business experts in similar/same fields may be enabled by having CU Launch as an add-on to existing sites, (as referenced in our document) which offer interactive capabilities with numerous businesses from which to correspond.

GETTING STARTED

- Agree upon and document the mutual agreements between the credit union resources and the start up businesses up front (set time parameters, necessary disclaimers for advice).
- Design mock-up of a site that can be a stand alone or used on an existing online portal (i.e. CBOS (Canada's Credit Unions Business Resource Site or Small Business America). (See Exhibit IV).
- Include mechanism for businesses to converse with experienced self-starters in the same field

MARKETING TACTICS

- Create a mail piece/resource kit (perhaps with folding instructions to turn it into a paper airplane).
- Take CU Launch Kits to area SBA's, Chambers, and other small business resources in the community.
- Go to business fairs and Chamber events to promote CU Launch/Business Program at credit union.
- Highlight business start-ups in newsletter. Show how CU Launch has helped the member; gather testimonials.
- Create a Launch Pad Resource Center inside branches.
- Have a business start-up expo sponsored by the credit union. Partner with other resources in the local community.
- Create a savings account at the credit union specifically for dreamers within the credit union that want to start a business but aren't sure how. Use CU Launch as a way to nurture the relationship with the member.
- Blog with educational topics about starting a business.
- Tweet tips on starting business.
- PowerPoint presentation on starting a business, conduct classes at community colleges, libraries, and other community venues; give out Launch Materials.
- Press releases to local media about how the credit union is helping small businesses.
- Provide letters to Congressmen about how credit unions are here for the little guy.
- Go into area high schools and colleges and play games/hold contests on entrepreneurship.
- Conduct a promotional contest for the Big Idea with prizes.
- Create marketing advertisements for radio and print.
- HTML email to educate members on starting business.
- Web-banner/graphics on credit union's website.
- Create a YouTube video on how CU Launch Works to show how CU Launch has helped a member. Showcase the video on the credit union website; email it to community resources; and share with the local media (See Appendix V).

FINANCIAL PRO-FORMA

Overall Credit Union Review

The main focus of this section is directed towards business lending efforts of credit unions as it is the general consensus of the group that this would be the area that credit unions would be able to gain the most revenue, assume most risk, and provide most resources to its consumer base. It is noted that deposits are a consideration in the CU Launch program and there is associated non-interest revenue that could be derived from credit unions as a whole.

Currently United States credit unions have \$36.3 billion on its books with both serviced as well as purchased business loans. During 2009, \$9.7 billion of new loans were put on the books of credit unions. The following depicts a snapshot of penetration by credit unions by asset category during this period.

BUSINESS LOAN SEGREGATION - US CREDIT UNIONS 12/2009					
Asset Category	Cu's	Assets	With Business Loans	% With Business Loans	Business Loan \$
Assets over 1 Billion	159	400,190,338,438	140	88.05%	16,633,361,373
Assets 500 Million - 1 Billion	206	144,871,180,264	189	91.75%	8,968,450,768
Assets 250-500 Million	322	113,905,815,447	245	76.09%	4,603,058,132
Assets 100-250 Million	708	110,954,993,924	485	68.50%	4,228,869,509
Assets 50-100 Million	766	54,184,573,969	398	51.96%	1,066,451,878
Assets 10-50 Million	2,494	60,997,469,878	627	25.14%	776,832,984
Assets 0-10 Million	3,055	11,719,823,233	124	4.06%	35,451,605
Totals	7,710	896,824,195,153	2,208	28.64%	36,312,476,249
Business Loans as % of Assets					4.05%

As noted above, the ratio of 4% of assets is currently under the minimum allowable cap of 12.25% currently mandated for credit unions. Based on current data, an additional \$73.6 billion of loans could be added under the current limits and \$187.9 billion should an increase to 25% be granted.

Below is the overall estimated net yield of current as well as forecasted scenarios under these conditions.

INCOME PROFORMA - 12/2009

Category	Current 12/09	12.25%	25.00%
Business Balances	36,312,476,249	109,860,963,877	224,206,048,817
Estimated Income (@ 7% Yield)	2,541,873,337	7,690,267,471	15,694,423,417
Business Charge-Offs (.55% of Balances - 2009)	198,359,786	604,235,301	1,233,133,268
Estimated Net Income	2,343,513,551	7,086,032,170	14,461,290,149
Net Program Yield	6.45%	6.45%	6.45%

Based on a 7 Year Treasury Yield of 3.39% at year end 2009, it is estimated that a net margin of 3.06% can be achieved on business lending products. For 2009, the average charge off was .55% of outstanding business loan balances at year end and it is assumed operating expenses would generally run higher for business programs than for other programs at a credit union, based on expertise and operational support needed for such programs. With an operating expense consideration of 2%, the overall return to a credit union on business lending products could exceed 1%.

PROGRAM COSTS

It is anticipated that a penetration level of roughly 200 credit unions could be achieved within one year. Using this as a base, our premise would be that the operations become a function of a CUSO or similar set-up. Estimated costs were approximated at \$170,000 for the first year of operation based on the following:

Program coordinator	\$60,000
Clerical support	30,000
Web development/maintenance	30,000 (300 hours @ \$100/hr)
Other operations/marketing-public relations/Misc.	50,000

Divided amongst 200 credit unions, the annual cost would be \$850 per credit union and could be prorated based on asset size. Key to this program will be getting credit unions to embrace (fund) this process as well as getting volunteers and credit union experts to support the system. It is assumed that this component would take a period of time to put in place.

RESOURCES

- Experts in the aforementioned credit union areas (marketing, technology, strategy, accounting, bookkeeping)
- CUSO to host, update, and serve as the central repository for volunteer time, fresh data and connectivity to other business owners in the same business (see Program Costs section above for CUSO staffing resource needs).

PROJECT TEAM

Filene i³ is a creative group of insightful and energetic credit unions professional who develop new ideas, innovate, and implement for the benefit of the credit union system. Please visit filene.org/home/innovation or email innovation@filene.org to learn more. The team members who developed this idea are:

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APPENDIX I SMALL BUSINESS/CU VOLUNTEERISM SURVEY

Two surveys were conducted as part of this project.

The first survey was directed at small business owners to gather demographic data as well as information regarding their current financial relationship. It was also designed to collect information pertaining to where and what resources they could most use/benefit from in the operation of their business.

The survey was answered by 75 participants. The notable observations included:

- 37% of respondents used a credit card from their PFI (Primary Financial Institution)
- 64% of respondents belonged to a professional association supporting their business.
- 90% of respondents would have benefited by a combination of better financing alternatives, lower financing costs, and more knowledge of the industry in which they operated.
- The top areas of expertise that the respondents were looking for included: marketing, accounting/bookkeeping, web design/technology, and connecting with others in their particular industry.

The second survey was directed at credit union employees to gauge their current volunteer efforts as well as those that would support the CU Launch initiative.

This survey was answered by 121 participants. The notable observations included:

- 88% of respondents currently volunteer for organizations affiliated or outside their place of employment.
- Of those who volunteer, they currently average approximately 70+ hours on an annual basis.
- 48% of respondents surveyed currently offer a business lending solution, 10% of respondents currently volunteer to help these businesses; 67% are willing to volunteer.
- The top areas of expertise that respondents were offering to assist in paralleled those noted in the small business owner survey as well a focus on risk management.

APPENDIX II A READINESS CHECKLIST

Complete the following checklist to determine if you have sufficiently completed the orientation phase.

- _____ 1. Accountabilities are in place for my partner, the relationship, and me.
- _____ 2. Expectations are clear.
- _____ 3. Goals are well defined and clear.
- _____ 4. The responsibilities of each partner are defined.
- _____ 5. Norms have been developed and agreed to.
- _____ 6. We have decided how often we should meet.
- _____ 7. We are in agreement about how often we should connect and who should do the connecting.
- _____ 8. We have articulated criteria for success.
- _____ 9. We have developed a workable strategy for dealing with obstacles to the relationship.
- _____ 10. The work plan makes sense.
- _____ 11. We have discussed how and when the relationship will be brought to a closure.
- _____ 12. Our operating assumptions about confidentiality are well articulated.

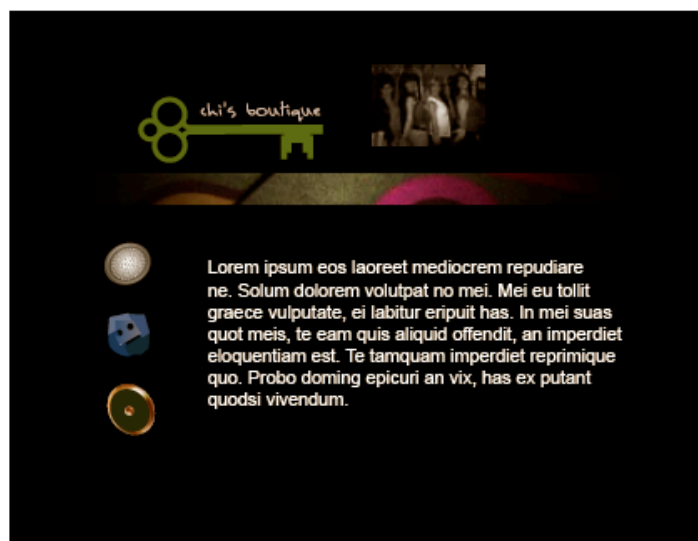
Business Owners Name

Advisor's Name

Business Owners Signature

Advisor's Signature

Appendix III Volunteer Website Design for Member Business, Chi's Boutique



Concept 1:

Each picture above would be a button. When you scroll over the picture, the name of the button would appear.

Then open to a page where we would use actual clothing buttons as the navigation. And there would be more space for text.

Appendix IV CU Launch Website (Mock-up)

Where ideas take flight
CU Launch
powered by credit unions

*Is Your Idea Ready?
Take the test!*

Welcome CU Launch, where we help business ideas take flight. This website is supported by credit union volunteers who can help provide expertise in specific business related areas.

Credit Union Member Resources

CU Lending
-- By State --
-- By Expertise --
FAQs
Knowledgebase
Useful Links
Contact Us

Credit Union Volunteer Resources

Email Address :
Password :
Login or Register

Appendix V Marketing Materials for CU Launch

Sample Marketing Materials



Flyer / Stuffer



Postcards



HTML email to recruit volunteers

