October 7, 2020: Business Strategies in an Evolving Future: Dynamic Financial Planning.

>> I'm going to welcome everybody who has arrived so far. Thank you for joining us. We can see that a lot of people are coming in as I'm speaking so I'm going to take a few more seconds to let more people arrive. And while we're waiting I will post our accommodations notice.

This is a facility for anybody who is hard of hearing we have a captions service. You can cut and paste that link at the top of the slide. Or actually that link is going to be posted in the featured feed, which you can find by clicking on the icon in the upper right of your screen. It's like two speech bubbles with a question mark. If you click on that you will see the featured feed and in that featured feed that link is posted.

You can cut and paste that into your browser and avail of our captioning service. So I'm going to leave this here for a moment so as people arrive they can see they have this option.

I'm also going to move along and ask the people in our audience who are ready to do this, if you look at the featured feed, my colleague Sam is going to publish two statements in that featured feed and we'd like you to like the statement that most pertains to you.

And you can see these graphics if you can in the bottom of the slide. They're showing you what that featured feed or live Q&A icon looks like. Again, it's like two speech bubbles with a question mark.

If you click on that it will open up and you will see two feeds. One is the featured feed and one is the "My questions" feed. The live Q&A is closed right now, but if you look in the featured feed you should see two statements: I have a business plan or I do not have a business plan.

Please like the statement that pertains to you. We would like to see where you stand on business planning in general. So this is a basic question. You either have one or you don't. So please like a statement and that will show us where you stand and it will give us a sense of the position of our audience members so thank you for doing that.

I'm going to move along now and hand the reins over to Adriana Cruz. She is the executive director of the economic development and tourism of the Office of the Governor. So good afternoon to you, Adriana to open this event.

>> Thank you so much. Good afternoon to everybody. Thank you for joining us today. I'm Adriana Cruz, the executive director of the economic development and tourism office in the office of Governor Abbott. And on behalf of Governor Abbott and the rest of the team of the economic development and tourism office I want to thank you for joining us today for our 13th Governor's small business webinar.

As you know our small business team has been putting these webinars together since mid April and each time we're changing things up and looking for topics that would be of interest to you our small business owners.

Our goal with these webinars is to provide you with information and connect you with local and regional resources that are going to help you find success on your entrepreneur journey. Today our topic will be dynamic financial planning and how businesses can manage their business planning and cash flow management in order to increase resiliency and maintain a competitive edge.

Texas as you know is consistently ranked as the best state to start a business, the best state to do business and Texas also leads the nation as the number of jobs created by black and Hispanic women owned businesses. A great testament to the hard work and perseverance of our entrepreneurs.

Texas small businesses are the backbone of the Texas economy and we know that Texas small businesses are continuing to face a tremendous challenge. We're here to help and to connect you with resources in your area that can assist.

I want to thank you for everything that you do to keep our economy going and I also want to thank those of you who continue to join us on our webinars. Please keep giving us your feedback as we're always trying to improve.

And now I'll turn it back over to our office of small business advocate, Kelly Spillane. Kelly.

>> Great. Thank you, Adriana.

So we're not going to ask you to like another -- we're going to ask you to pick another set of statements to pick or not to like. If you look in the featured feed which you can find through the live Q&A icon at the upper right of your screen we have two more statements published. I use the business plan as a tool to manage my business. Or

I do not refer to my business plan very often.

So please like the one that pertains to you. Again, we want to get an understanding as to how much people actually use their business plans if they do have them.

So I'll take a moment to let you guys like the one that pertains to you most. It will be helpful for our panelists later on because this will give them a sense of where you all are on these two important subjects that we're going to tackle. Okay?

So while you're doing that, I'm going to introduce our panelists and explain who they are. Today we have three panelists. We have Gina Woodward, she's the regional director of the small business development center in the West Texas A&M university. She is in Amarillo. And we have Randy Burch who is the associate managing director of the small business development center at Texas Tech in Lubbock. And we are also graced with the presence and delighted to have him, of Scott Jensen, the founder and CEO of Rhythm Super Foods, but also one of the original co-founders of Stubb's, which I am sure you're all aware of is perhaps the best living music venue and barbecue joint in Austin. But also was responsible for a branded range of barbecue sauces and candidate meant sources that are a national brand and they sold to McCormick spices a number of years ago. So Scott is a very successful serial entrepreneur and we're happy to have him join us.

Right before we kick off talking with our panelists, I will get you guys to like one more statement if you don't mind. My colleague Sam is publishing two more statements in the featured feed. One is I worry about cash flow. Or cash flow is not a concern.

I know it's a simple question. I think that we can guess which one you're going to like more, but please like the one that pertains to you again to just give us a sense of where you stand on this.

So while you're doing that I am going to move along and we'll start with our frequently asked questions section where I'm going to talk to each of our panelists for a couple of minutes to tackle some of the issues that we know are on everybody's minds right now. So I'm going to kick off with those four questions and going to field the first two questions to Gina.

So welcome, Gina. Thank you for joining us. And like I said, Gina is a lead advisor with the Small Business

Development Center in West Texas.

So Gina, I'm going to hit with you this first question. It's quite a simple one. Why is a business plan a good idea?

>> Woodward: Kelly, when we're talking about a traditional business plan, those are a lot like a book. You're not writing a book for yourself, you're really writing the book to educate other people on a topic so when we're talking about traditional business plans, those are a good idea where maybe you will approach a lender for funding, maybe it's an angel investor or a traditional lender at a bank, you need to tell the story of your business and tell everyone about your plans. That business plan is not for you, though. That business plan is to educate other people. That's when it's a good idea.

Great. Thank you for that. I know I'm at different ways to conduct a business plan and there are many different purposes to which it can be put. So let's talk about that. How can I make a dike and useful plan as opposed to that book to educate others. How can you make it useful to the entrepreneur?

>> Those dynamic plans are what we love doing in the

office. Lots of times we'll have new entrepreneurs come and set up an appointment and they say I need a business plan. That's what everybody thinks the very first step is. Absolutely not. What we want to look at is something more dynamic and we can call it a dynamic business plan or really we can think of it in terms of strategic planning is more what it is. It's where you're setting some objectives, some goals for your business. And then underneath that we're thinking about those action steps. What are those things that we need to do to accomplish the goals. And it's never ever just about the entrepreneur. When I'm doing these plans with my own clients here at the SBDC, I actually ask them to invite friends and families, maybe their employee. We get the big boardroom, we have the big White sticky notes and the whole wall is lined and we all have markers and we're thinking about what are those goals and how are we going to accomplish those goals. But it's so important to include other people in that just about the way to look at things differently. They might have ideas that you will never have. It's important to include the all squad around you and don't just focus on this is what the business looks like. Focus on these are my goals and this is how I'm going to get there.

>> That's great, Gina. I think the incorporation of key metrics that they can keep referring to is another good way to keep it alive for them so they keep looking at what they said they were going to do versus how they were actually doing. With that in mind we're going to move along and talk to Randy Burch and the second two questions are for Randy.

We're going to tackle cash flow management here which is critical, of course. The first question here is Randy is cash is really tight in my business. I'm considering laying off people or cutting my marketing activities. Which should I do? And we get asked those questions a lot. They're critical things to make decisions on. So Randy, tell us what you think about that?

>> Burch: Thank you, Kelly.

First you have to realize those all have consequences. No matter which you're trying to do those definitely have consequences. I might first say this is a multipart answer I give for this. But first of all, if you're short on cash flow welcome to the club. Most small businesses are short on cash flow at the current time.

So as you go through this, instead of laying off employees or start making drastic cuts to your marketing you want to look at ways that you can save your cash flow. These are some things that sometimes people forget about that. I'll just run through a few that I'll typically go through with our clients. Can you renegotiate a lease, redo one of your loans, some of your contracts? Is there any renegotiation that you can do in those?

The other thing we see in any business except maybe a service business is inventory. So often small businesses have old injury on the shelf maybe that's collecting dust or maybe it's in the old warehouse -- old inventory.

You think maybe it's not selling, but it will sell one day. I paid 29.95 for this and I don't want to take a loss on it.

What you have to remember is that's cash setting on your shelf or setting in your back warehouse. If you have to take a loss on that, get rid of that old inventory. That will free up cash that you need for right now.

Another thing is to Chase accounts receivables. Quit giving free interest loans to the people buying from you.

If at all possible get them to pay as soon as the purchase is made or the service is rendered.

And then be real slow on paying your accounts payable. Sometimes you may have to make a decision on who is -- what am I not going to pay this month. And hook and say if I don't pay this what's that going to do with my business? Some things you want to stay up to date on, sales tax, comptroller's office, your tax papers, you don't want to get behind with state or Federal government. But maybe if you do get behind with a vendor what will that do for you? Sometimes you have to make the hard choices?

And as always evaluate your price structures. What I mean by that, I've done this for 17 years, owned a small business before I came to the SBDC, and what I see day in and day out when talking with clients is running their business that they have not realized that their cost of goods has begun to rise. So they haven't changed their pricing structure, but their cost of goods have gone up. Their margins have become less and that immediately affects their bottom line.

There's a tool on our website and I think the website will be up later, called the common sizing tool. And it's just a way to take a couple of periods of time and look at that and divide that all into your sales and then when you're looking at it in percentages instead of numbers, you can immediately begin to see where the problem is.

And then another thing on trying to reserve your cash, look at service contracts and maybe you have a coffee service that you can get or a floor mat cleaning service. I mean, just saving those few hundred dollars here and there will begin to add up.

But if you've done all of that and you say okay, I still need to look at cash, so then you're looking at your marketing or looking at cutting payroll, so when you look at marketing see if there's some things that can you do. Maybe you can piggyback with another company on advertising. That's a good way to cut the costs there in half.

Teach a class, be a subject matter expert on something. When you're considered the expert they will come back to you.

I'm never a big fan of signing long-term contracts. I always say if you're not tracking your marketing, don't be doing it. You've got to track your marketing to see what's working. And don't sign the long-term marketing contracts until you know that it's going to work.

If we go to the last part of that question about laying off employees, I've tried to go through this relatively quickly and just give you highlights because we want to have plenty of time for questions and answers at the end. But laying off employees does have consequences but sometimes that's what you have to do and as a business owner you need to be willing to make that decision if necessary.

But if you've done everything else and you're saying okay, I've got to point that I need to lay off some employees, look at what that's going to do to your bottom line.

If you cut two employees what will that actually do to your bottom line? Another thing I like to do is look at the sales per employee for this year versus last year. See how you're doing. Can you do with one less employee or two less employees.

But understand that when you do that there are some consequences. For instance, right now if you have a PPP loan and you haven't gone through the forgiveness on that, there could be some consequences for laying off an employee that you might have to pay back a little bit of that PPP loan.

So all of these things you have to take into consideration. So it's not just a -- a one answer fits all. You know, we like to go through the whole process with everybody.

I'll say one another thing if you've gone through this and cash flow is still hurting, we were on a call the other day with day man johns of the "Shark Tank" and he made a statement that made an impact on me. He said right now we're in a bad economy that's starting to improve, but he said if you're failing, get as small as you can to survive. Even if that means you need to move your business back into your garage. Get as small as can you to survive through this and know and be ready for the come back that will be around the corner.

This is not going to last forever. The economy is improving and so be ready for that comeback.

>> That's great advice actually. I've just written that down and going to be repeating that.

I'm just going to take a moment to look at the likes we have in the featured feed on the different statements. It looks like slightly more people don't actually have a business plan. That's interesting to know.

It's also interesting to see that of the people who do have a business plan, they don't actually refer to it very often so it doesn't as dynamic as it could be. So I'm hoping we'll talk about some things and bring up some techniques or tools that people can consider to use in making their business plan just a bit more dynamic so it becomes a useful tool for them.

And of course, the last statement to no surprise 10 times of the people are worried versus just 10% are not worried. Lucky you 10%. I think a lot of people would be envious.

I'm going to go on to my last question with a Randy. So the last question Randy is with so much uncertainty like you were talking about, how can I keep an eye on the health of my business?

>> You know, the health of your business is something you need to be looking at all the time. We use a little 30 minute business checkup tool that we have and it is on our website, at Lubbocksbcd.org/tools. So you can go

there yourself and pull that down and it's a series of questions and you give yourself a score.

And gets to have that benchmark to be able to compare that with other things. So this little 30-minute checkup is pretty simple but it begins to make you focus as a business owner and think through some things and go, you know, I really haven't put a lot of time into that. Maybe I need to think about that.

And then if you do that every -- maybe every quarter or at least once a year, you have a score that you can base it on and see how your business is doing.

We use that a whole lot to kind of determine where we are and just give us a quick oversight of our business.

>> That's great. Actually we have a link to that tool and maybe some other tools that you've provided us with. And it will be shared in the deck and anyone in the audience will have access to the slide deck after the event and all of the events are live and you can click on those so you don't have to be writing anything down at the moment because you will have access later.

So thank you to Gina and Randy. I'm going to move along now and ask some questions of our serial successful entrepreneur. And right before I do that I'm going to announce that our live Q&A feed is now open. You can start typing questions that you want to ask to the panel. We're going to publish the questions that are broadly relevant and you will see those in the featured feed. And as they get published by my colleagues, please like the ones that you want to hear the answer to most. We're going to prioritize those.

I will also say that we don't always get to answer all the questions. We have colleagues in the backstage if you like who are going to answer questions directly if they can do it so look for your question to be answered directly as opposed to live with the panelists.

Please start typing your questions now and I'm going to move along to introduce Scott Jensen. Thank you so much, Scott. Thank you for joining us.

I am going to kick off my asking you about times in your career where your business plan played an important role perhaps in solving a problem or achieving some success or some growth. We'd love to give some stories about how the business plan has been a useful tool for you.

>> Thanks, Kelly. And I was just dying to add in to

Gina and Randy's comments. Everything they said was 100% spot on. When we talk about the dynamic planning model, because I've got investors, both professional and angel investors, I kind of have the obligation to report back to them and report to a board.

So I have this dynamic planning where we run an evergreening or continually changing three-year plan. Obviously we focus more closely to the year ahead of us. And on a monthly and quarterly basis, we're marking ourselves against the plan.

And adjusting. So it's not something that's concrete.

I loved some of the ideas about saving the cash and I want to add one thing to what Randy was saying. You have to be honest with yourself in that.

If what you have a downturn in a time where it's not going to come back, then the headcount reduction and getting as small as you can is like your last resort, but the cost of getting someone back that's really good is more than the cost of a headhunter or the time. People that have been there for five or 10 years, they've got all of this incredible DNA knowledge of your business that hiring someone new two years later or six months later, they're not going to have that in their closet in their tool chest.

So I was thinking about your question, Kelly. One of the things that just hit us two, three weeks ago.

We do our planning process, we're looking at 2020 right now for forecasting. We start from the ground up -- at 2021 forecasting. We start from the ground up of how many bags of this particular product will I sell to this particular retailer this month? And from there the sales team builds a sales forecast that turns into what would be a marketing forecast and a production forecast and then finally a financial forecast.

And reassessing some of those objectives that we have for next year, the sales team was marking what our current velocity or how many bags we sell per month to certain retailers. And if we hadn't gone back there and reassessed that, what it showed us is that we're about 50 or 60% lower in our forecasts than what we're actually selling in those stores.

So we are marking it to actuals right now and then we look ahead to next year in 2021 and I don't have enough equipment to make enough product based off of how much product in the velocity of how much I'm selling it.

So that then drives, you know, a reforecasting for these several retailers. That rolls up into an operations forecast. It's like do we have enough machines? Can we tweak the machines? Can we put another eight hour shift on the machines? Can I buy more machines? To us it's so dynamic, if you're a sole proprietor, owner of a smaller business that doesn't have to report to board members, first of all, lucky you, but going through the exercise of that dynamic planning is going to help you mark yourself against reality.

So sometimes if you're like me I put the blinders on and grind, grind, grind. I'm working all the time. The fact that I have to report to other people makes me come up for air, pause, breathe, and then with my team as Gina was saying, get in a room with the yellow stickies and the whiteboards and mark down where you think you want to be a year or 18 months from now because that will drive the decisions that you're making today.

>> Thank you. As we know cash flow is critical especially in the service industry. Cash flow is absolutely vital and we would love to hear about things

you've done to keep the cash flowing successfully to your business.

>> Jensen: Yeah. I think for those maybe on the line that are in the consumer products space, unless you're a unicorn and they come along every few years, you make something so dynamic, there are no competitors out there, the margin is 80%, your growth is 50%, sometimes you can cash flow your own growth, but that's a unicorn and they're pretty and colorful and have horns in the middle of their forehead, but they're few and far between. So for the refuse of us mortals trying to run a business, when the cash gets tight what do you do? I think Randy gave several really good concepts to analyze yourself.

For us in addition to just your normal lines of credit, when you first start out or you're a smaller business many people are using factors, factoring your receivables. As you get a little bit bigger and more stable, you can deal with banks on a lending basis, on a line of credit where you've receivables if they're from good solid companies that's an asset that can be borrowed against that line of credit.

So those are your typical ways of creating some cash flow or liquidity and working capital.

Another way in times like this and we've just used this over the last nine months, the vendors that I do business with and they're important to me, I'm important to them. They have a tremendous stake in us because we're doing a large amount of business with them.

So I don't want to say like we're too big to fail because we're not. They've got plenty of other customers. But if I'm honest and transparent with them, I can go to them and say, hey, we're in a tight spot here, but it's only going to be for four or five months or I'm going to start raising some capital and six months later I'll be able to tie this down, but I think I need to stretch from 30 day terms to say 60 or 90 days terms and I'll keep you informed along the way, but this is going to last a certain amount of time.

That creates cash like you've never seen. You have to have good relationships with these people and you have to be honest with them, but credit from your vendors is the best credit because you don't have to go through an application process. You either have had a relationship with these people long enough to why they trust you and if they don't you have to go to the next person on the list. That's a big source of cash flow. If you have to go -- you may need a top to bottom call and say I need to stretch you and stretch you further.

To **go further with this concept with within the last few months we were in a capital raise situation and I had a sharp group of people that's handling most of our freight and they're entrepreneurs. And we were stretching them and talking to them about the stretch. And I asked them if they wanted token vest some of the payables to them or receivables to them in our capital raise, in the equity in the company.**

And that creates a whole different dynamic. Instead of just owing them the money, now they're a part owner and in a small way, but still an owner alongside any other investors that are in.

Now, they'll treat you different, you'll treat them different, but the best part about it is being a shareholder of your company, you're now going to do business with them for maybe a longer period of time than if they hadn't been willing to work with you in a tight patch.

So that's another good way of like turning someone that's just a vendor into suddenly a partner.

>> Wow. I really love that idea. That's a very creative idea. I guess you have to have that really good relationship in the first place to begin that conversation. That's a great point to make. Those good relationships can be leveraged at a time like this.

And inks sometimes people don't -- I think people don't have the confidence to say I'm in a tight spot here and reaching to you to the stakeholders is a great I can't understand it's good to hear from somebody like yourself that you've used it, it gives license to people to consider it a strategy. Thank you so much for that, Scott.

And this ends our frequently asked questions piece.

We're going to move along now and we're going to start our live Q&A, which I'm sure everybody is looking forward to. And I'm going hand over the reins now to Jarvis brewer. Over to you, Jarvis.

>> Hello, everyone and thank you for joining. We have quite a few questions that have been submitted, but continue to submit your questions.

We're having some slight difficulties with the camera as well as the questions feed. At the moment they're currently not loading up. Give me one second.

>> Maybe while you're figuring that out I'll ask a first question and we'll see how we get on with that, okay?

Let me just see...

Okay. The first question that appears in my screen anyway is what is the best approach to gain capital funding for business growth? And I'm going to ask Randy about that. Randy, would you like to answer that question? And maybe we'll invite any of the other panelists to join in after Randy has a few words to say.

>> [Inaudible].

Is it coming back? Camera on. Can you hear me?

>> Yes, we can hear you, Randy. We just can't see you unfortunately. The camera seems to be stuck. But let's just see how we can get on with that.

>> Burch: Kelly, can you ask the question one more time? I apologize.

>> Sure. What is the best approach to gain capital for funding business growth?

>> Burch: So there's a number of ways and it kind of depends on where you are. I assume we're talking about

capital as they're already in business and looking to expand for growing a business.

And so there are -- you have the standard bank loans. You also have what Scott was talking about where you're raising capital, you're inviting people ownership of your business. So it depends on what you want. Do you want the complete control? And if so, then you're going to be looking really just at your traditional financing.

But if you're willing to let others be a part of your business, that opens it up a little bit more to so then you have angel investors, you have different types of people that -- family and friends that you can bring into the business and make them part owner of the business.

So that that -- it's a hard question to know without knowing a little more detail about what they're wanting to do, but I think that kind of gives both sides of the story that they might be looking for.

>> That's great. I might ask Scott the same question. In your experience looking for growth capital, you gave a great example of leveraging relationships in terms of handling cash flow issues, but growth capital I think that might be something you have a fair few things to say about.

>> Jensen: Yeah. I think that -- I always went towards the approach of finding investors for not only Stubb's barbecue restaurant, but also the Stubb's BBQ sauce company, but also with Rhythm Super Foods. Kind of out of the gate we knew we would be finding investors, we didn't have the capital we needed to grow.

That was a part of understanding how to go out and raise equity capital or selling pieces of your business than from either borrowing money from a bank or a friend. In this state we have a tremendous amount of resources from the angel networks that are in Houston and Baylor and Concho Valley and Austin and several in the Dallas-Fort Worth area. And elsewhere. Like I'm sure all across the state.

So these are groups that come together. They're high net worth individuals that are accredited investors that come together. Sometimes you're standing in front of 20 people, sometimes it's 200 people and you're giving your 10-minute pitch of what your company is and what you're going to do to grow it. And hopefully what you are going to do to create value so that you can pay those people back with a lot more money than they gave you.

So an equity part of it -- of raising capital is one way.

It's a full-time job. If you're going to say to yourself I need to go raise a million dollars or half a million dollars or $5 million, whoever the leader is that's going to do that really has to get really organized with all the conversations. You may have to PPE to 10 or 20 people to get one person to write a check.

So it's a matter of numbers and filtering who is really interested in you and your business. And if they are, do they have other people that they might introduce to you.

So it's a huge networking effort that if you're into selling some of your business off to someone else, you then have to treat them as a minority shareholder and treat the capital that they brought in in a very different way than kind of the way you did it before. Often times you will set up a board of directors or a board of advisors so that you're accountable to the people who invested into your company.

The only other thing I would also say again is the process of creating capital for your growth is finding lending and what assets to you have? Again, receivables are assets? Inventory in your warehouse can be lent against using that with factors. But if you are able to establish a line of credit with a lending bank against your -- your assets, it's receivables and inventory are the two key things that you can create a line of credit and that creates liquidity and working capital.

>> Excellent. Thank you for that. I see while I have you, Scott, I see there are a lot of questions in the unpublished feed about start-up capital besides the SBA. I think that's what the question is about.

I think that what you just referred to, that angel investment, is one of the things to consider. A very important thing to consider. And friends and family are also a great place to look. And again, I'd just ask you, Scott, to give a quick comment on start-up capital for somebody at that super early stage?

>> Jensen: So the friends and family are the first place to go because they usually are not going to drive you through the due diligence grinder like a professional investor. Even if they're an angel investor.

Even though you will take money from a friend or family there is still this legal obligation and then you have to be dealing with lawyers to get the documents in place that you need in order to be able to take money from an individual investor.

But if you are comfortable reaching out to the broader community in these angel networks, it is a whole new learning experience. It's like a brand new language of terms that you have to be prepared to write a subscription agreement and make sure that the agreement you're taking money prosecute from are accredited investors. But we have an incredible resource in this state. First of all a tremendous amount of wealth in this state. A lot of entrepreneurs, people who have made it who want to give back to younger entrepreneurs or other entrepreneurs that are growing their business.

So the place is there at almost every city in this state has one or two angel investor groups. If they're not formal, they can be informal. There's an online portal nationally called GUST that most of those angel investors align into. And you can find out from that website where all the angel investors are and how people apply through their administrators here in Austin the big one is Central Texas Angel Network or CTAN. But there's

Houston, Baylor, Lone Star in Dallas and on and on and on.

>> Great. Thank you for that. So actually I can see another published question -- yes.

>> Burch: Can I add to that a little bit a couple of other things that for start-up capital besides just a standard loan with SBA or a bank. You also have a lot of micro lenders across the state. We have several in the State of Texas that will take a -- they're not an asset lender like a bank would be or something like that. They will take more of a risk on a start-up.

And also something that I tell our people that are in smaller communities, the EDC, your local economic development center sometimes will help fund a start-up business or part of that if you're going to be creating several jobs in a small community.

So I always want to look at those assets too and that type of thing.

>> Excellent. Thank you for that.

And I'll move along to Gina actually. There was a question there, it's just gone off my screen, but it was basically looking at -- for help with creating what I would suggest a good dynamic useful business plan. And

I'm going to ask you that question, where can they go? It's obviously a nice segue into talking about the small business development centers and what you do.

>> Of course, they're always become to contact their local SBDC. There's one assigned to every single part of the state and the United States as well. I definitely using whether it's an SBDC consultant, or some other consultant as a moderator when going through that exercise. It's good to have somebody that's directly involved in the business and maybe has a different perspective. If for whatever reason you don't have access to the SBDC you can certainly do it yourself. Again, you want to invite the friends, family, employees.

I can quickly run you through the forecast that I use when I do strategic planning with clients and I actually do it annually for our office and Randy and I are about to do it for our region. It is just absolutely one of the simplest business tools that there is, but I have found it over my last 12 years here to be really one of the most valuable tools that we have. And it's a SWAT analysis. For anybody not familiar with a SWAT analysis. It is four letters, it's your strengths, weaknesses, opportunities and threats.

Your strengths and weaknesses are things that are internal to you and your company that you have some amount of control over and can modify and your opportunities and threats are things that are external to the organization that you can't necessarily control, but you can plan, for you can take advantage of those opportunities or you can somehow compensate and anticipate those threats.

When I'm doing that strategic planning for a client, I have those four big sticky notes up on the wall, SWOT. Everybody has a marker and we're just going around writing our answers on that. There's it no wrong ideas, no wrong answers. Everything that comes to mind with regard to your current objectives and goals is going to go up on that wall.

And it is always interesting. Every time I do one of those with somebody, it never fails that there will be a theme that emerges. For example, we just went through strategic planning for my office I mentioned and I invited some partners to participate because it can't just be me or we will have the same ideas over and over. I needed to have the other third parties in the room. Throughout the course of the morning it became very apparent that what we needed to do was focus on providing courses for entrepreneurs.

I never would have come up with that idea on my own, but those partners helped us realize that we needed courses. But it took all of us together to do that. So again, if you don't have access to an SBDC for one reason or another, invite your friends, family, vendors, probably not your competition, but invite some friends and family and do that worksheet together.

>> Great. And Gina, while I have you, I saw in the unpublished questions quite a lot of people asking about the best time to apply for PPP forgiveness.

I know today is not about PPP, but I think I'll ask that question since I have you what your view would be on companies applying for that forgiveness.

>> If your PPP loan was for under 150,000 I would not apply for forgiveness right now and in fact the lender likely won't even accept the application. We've had most of the national banking associations and some of the state associations as well have been lobbying Congress to pass an act that will provide automatic forgiveness for any PP

loans 150 and under. I personally think that that's probably going to pass. It looks very promising, but right now of course things are crawling along.

So I think in November we'll likely see some movement on that.

If your loan was for 150 or up, you have the 24 weeks to use it. If you've already used it, you can absolutely contact your learned and go ahead and start that process.

>> Great. Thank you, Gina. I would like to apologize to our audience as well as our fellow panelists here. Teams is really letting us down. We're unable to have the speakers be live. It seems to be me live and I'm stuck here and other people that we manage to put live stay for too long.

So sorry about the confusion, but Teams is absolutely letting us down.

But I'm going to move along and I'm going to ask Scott a question. In fact, I see Scott might want to say something. So Scott, go ahead and say what's on your mind and I might ask you that question when you're done.

>> Jensen: If I'm live. I'm assuming I am.

>> You can be heard, but not seen right now.

>> Jensen: Okay. I just wanted to add to what Gina was saying. SWOT analysis has been the life blood of dynamic planning for 50 years, 40 years, however long it is.

And I don't think it's ever going to leave. One of the interesting dynamics of it is it's easy to do and everyone can understand it, but also if you get a group of people together, it can be the basis of your plan, right? Because it's what energizes you to opportunities or mitigates certain things you're doing because of risk.

So you might think that you know what your strengths and weaknesses are, but if you're bringing in the rest of your management team, other people, outsiders, you will be absolutely surprised at the answers you're going to get and it will educate you. And by saying what you think your answers are, sharing it with its rest of your team, they're not seeing everything that you're seeing.

So it really is a big basis to starting that process of a dynamic plan because from that first little simple little exercise, which is a lot of fun to do, that can birth your financial, your sales plan, your cap X plan. So I would wholeheartedly say that the SWOT analysis, sometimes it gets beat up by people, but it's the birth place of great ideas and activities.

>> And in a dynamic way revisiting that business plan routinely and using some discipline makes those great ideas stay alive and even grow. I think that's the one thing we would like to get across here is dynamic means you keep having to refer to it. The more you use it the better it is for you, you know.

Since I have you and you are live and people can see you, I'd like to ask you if you would care to share a scary story with us. Perhaps a cash flow crisis story that solved in a way maybe you didn't anticipate or maybe something truly innovative that fell out of the sky for you? Would you have a story like that for us?

>> Jensen: Well, yeah, I remember in the Stubb's BBQ days when the dynamics of investment capital weren't the same 20 years ago that they are now. The infrastructure of angel investors and how to [Inaudible].

[Technical difficulties].

We couldn't find any money. There was no angel networks. There was no get togethers where people would listen to your business plan. Shark Tank was 20 years away from being invented or 15 years away from being invented. We had hit the skids. And what ends up happening in the food business is the freight companies are the ones that are the first to kind of shut down. They want to get paid in 15 days. They've got the tightest credit terms. Once you've hit the end of the road with one, you're calling others.

Once you've hit the end of the road with two or three of them, they start giving your credit issues to the credit observing firms and then other freight companies won't touch you.

So that part was scary. If you can't ship product, you can't get revenue. We knew we had to make some changes in the business. We had far too many items that we were trying to sell. And to Randy's point before, with 72 different items we were selling, we had a core of 17 that was 85% of our revenue. But we had labels and bottles and boxes and finished goods, millions of dollars of that sitting in the warehouse waiting to sell, but they just weren't turning. And yet we thought we were great because we had so many different items that we were selling from canned lima beans to organic olive oil, all this stuff took three, four, five, six months to sell.

So we had that abrupt moment of the freight companies are no longer doing business with us, we stopped, we reanalyzed, we went through a whole planning session, decided to knock down from 72 SKUs, stock keeping units and get back to our core.

Within three months cash flow and the liquidity started coming back to the balance sheet. It happened even quicker than that, but really cash flow positive was 90 days away and we were losing money at the time because we had so much energy and time spent on all these other things that weren't really selling.

The same amount of human resource, not just capital resources tied up in the inventory, but people paying attention to it instead of paying attention to the things that are really driving the business.

So that moment of 90 days, the realization that we couldn't sell 92 items to the supermarkets of America and got back to our core, allowed us to then after that we never were cash flow negative. We were making money from there on out. But we grew too fast, we were ahead of our ski steps and it took the freight guys to say hey, you guys are over your skis, settle down and start paying me what you owe me. That makes you go back to the basics.

>> That's a really good story and a really live example of why especially young consumer goods companies should focus on not having too many products in they're range because each product cost us in time and investment and storing it, shipping it. Everything Scott said I think that's really important I think important to keep in mind. Keep the product line tight and sharp and focus on the ones that sell is great advice.

So I think I'm going to ask Randy if we can get you on.

Randy, if you want to give us more tips on managing cash. That was a great story from Scott and food and the consumer goods industry is probably one of the more challenging when it comes to cash flow, but do you have any examples or even a story of a client that you've worked with that you were able to help take them from cash flow challenges to being cash flow positive.

>> Burch: I'll go back to what I said and I see this often and I'll go more detail with it.

We have so many businesses that come into us that like

I said, they're so busy doing the day-to-day operations that they forget to look at those margins and they forget to look at raising those prices.

I always give the example that -- of a small business owner will say, oh, I just feel like I can't raise the price anymore because my customers won't buy. And I said when you walked into Walmart last time did they tell you they had raised the price and did that make you stop buying? And they're like, well, no. That's the same way. You deserve the right to make that profit too.

And so in order to survive you have to keep those margins up.

So going back and looking at that cost of goods and really putting that in that percentage using the common sizing tool, to be able to go through that and see that really begins to help a business.

And so we've seen businesses that I've worked with businesses before that have gone and say oh, wow, I didn't realize. I thought I had a 50% margin and it has scaled down to 20 or 25.

So they make that immediate change. You know, maybe they do lose a few customers, but overall they were surprised. They lost very few customers even though they went up to the price or went up on the contracts they had.

Because people liked what they were doing.

And overall in a month or two they turn that business around. And so I focus on that because we see it so often.

>> Great. While I have you. I see someone is looking on the difference between score and the SBDCs in relation to mentoring if you could give us a quick difference there.

>> We are both partners of the small business administration agency. So score is made up of retired executives for the most part. They have -- they're volunteering their time to help businesses go through the process of starting or growing.

There is a SCORE chapter that services most areas of Texas. Sometimes you may have to drive a little further to get to a SCORE chapter. They're not as prominent as the SBDCs. The SBDCs are still a resource partner, but we also have the State of Texas behind us and doing funding. So we're full-time consultants that are here 8:00 to 5:00 and staffed with a full staff based out of universities so we have those resources behind us all.

But we both do similarly the same thing as far as planning, helping, advising, sometimes SCORE is just a little harder to meet with because the volunteer and those type of things. But they do have a lot of knowledge that they can share.

Gina, is there anything that you think you need to add to that that I missed?

>> Woodward: No, I think you explained that well, but I would like to back up and tack something on to your conversation about cash flow if I can, Kelly.

>> Sure. Go ahead.

>> Woodward: Something in particular that we have started working on with clients really since this summer since COVID hit, of course a lot of small businesses are really struggling with cash flow and their typical markets may have dried up. So what we are encouraging people to do is take a step back and take a look at your current assets, your tangible and intangible assets. Take a look at your current services and your current skills of yourself and your staff and reimagine those. What could you do differently with those assets, with those skills? And then take it a step further, what new markets could you potentially reach with those new uses for your assets,

services and skills?

And I think that it's something that could serve people well at any time, but in particular this year where we have entire industries that have just dried up or have been closed, you have to reimagine things.

>> Yeah, that's a really good point. And actually it leads me to bring up a question that I see Dave Marsh in our featured published feed is asking. It's not exactly what we're tackling today, but it's still an interesting question.

I might put this to Scott. Dave is asking what industries do you see as stronger during the pandemic? And which do you see as weaker or at risk? I'm just wondering, this is just a personal view we're asking for here, Scott. What do you think?

You're muted there, Scott.

>> Jensen: For anyone that's in the consumer products space, I'll just say there's a very clear dividing line between those retailers that had a, quote, unquote, curbside pickup, delivery, direct to consumer component already inlaid in them. In the grocery place, I'll keep it tight and short, there are those retailers that before

the pandemic were prepared for curbside pickups and delivery.

Whole Foods is one of our customers. They were purchased by Amazon a few years ago because of Amazon's technology and how they go to market, and were already developing their own Amazon delivery systems for groceries. That put them at an advantage to some other retailers that hadn't even started on, you know, a shopping app.

Some people don't have the physical assets to put a pickup area next to their grocery store.

So that -- I see this dividing line in the retailers and it's not just in grocery. It's in all other retailers.

Of course, no one is out shopping so anyone in retail at malls and other types of retail places are struggling because no one is out shopping.

But just in general those folks that were already prepared, are thriving, where the other folks are really struggling. And you'll see that like in the demand right now for direct to consumer-- people that will manage that business and the technology people that understand the software and the people that understand the marketing elements of Facebook and search engine optimization, those people are suddenly in huge demand because so much of the grocery business has shifted over, whether it's temporary or permanent we won't know for another six or 12 months, but the demand for that type of talent to add to your business to quickly catch up is really evident to see.

>> Yep, no, that's an excellent point. It brings up something that we've been aware of for awhile. That the online platforms like Facebook, Amazon, Google, eBay, Twitter, all of the big platforms have fantastic online training that help people become experts in those platforms, how to optimize them for social media marketing and how to optimize them for eCommerce if that's a possibility for their business.

And we have links to all of those trainings if you like, that are available actually on our website and links to our website will be shared with our last slides. But I would urge small businesses to consider either becoming experts yourselves or hiring somebody in and having them become your in-house expert because can you do that for free, which is critical.

So we're coming towards the end and I think I would like to just -- I guess just ask Scott for some final words of wisdom for businesses at the moment in this uncertain time where we still are uncertain where the light is at the end of the tunnel. We know it's coming, but we're not sure for how long. Any words of advice or tips for treading water long enough to get to that light again?

>> Jensen: You know, I've been in the darkest moments with different companies that I've worked at or started. I've been at the darkest moment. And I may be the eternal optimist because we have an accelerator program here in Austin called SKU and they're usually start-up people and usually struggling for cash in the beginning and raising capital and people are typically month to month, hand to mouth in their businesses at this point until they can find the right momentum that can attract investors.

I'm someone that gives a lot of optimism because almost every situation you're in you can find the path out. You have to get up in the morning and put the boots on and find a way to get that optimistic energy. And if you have the negative energy coming at you, have you to figure out how to shut that off.

I'm not talking about being stupid to the metrics that are real. If you were in the buggy whip business back when the car came out there was someone knocking on your door telling you that the business is going to go away. But if you're honest with yourself about your business, and it's this temporary situation, particularly caused by the COVID pandemic, like there is a light at the end of the tunnel and it's not a train coming at you.

It's like the promiseland. So you have to figure out how to get yourself in that space to be opt miss topic to lead your team because your team may be having struggles at home and trying to figure out how to get the kids on Zoom and the schedule is changing everyday.

So if you're a leader in your business, now is the time to figure out how to be that leader and to push the bad enough away, concentrate and help lead your team. Bit of optimism for everyone.

>> Excellent. That is a great way to end this conversation. Thank you so much, Scott. Optimism is essential, isn't it, for keeping that show on the road and keeping the momentum moving forward. Thank you for that.

I would like to thank Gina and Randy for your contributions. Thank you to all of our panelists. It's about great to have you here. Apologies again to our audience with our difficulties with the camera, making people live and with the live Q&A feed. Just failing ultimately.

Thank you for your patience and thank you for staying with us.

I'm going to pretty much move along and show these last few slides which is just reassuring everybody who is here that you can reach out to us, you can access this deck after the event. You will get an email with links for that. And these are ways to reach out to the small business team at the Office of the Governor. And look at some of the resources on our website. And then this last slide is access information for the northwest Texas SBDC. There's a link there to the tools that Randy spoke about. And then there's other information there in relation to the UT, San Antonio SBDC COVID business recovery center.

If people can't get through to their own SBDCs, which happens, you can reach out to this center. There is a phone number and email address. We can serve clients and customers all across Texas.

So feel free to reach out to them.

And just beneath that is just resources for the SBA.

And we are about to conclude. I want to thank you for joining us. Thank you for your patience with Teams letting us down. And do please reach out if you feel your questions weren't answered today. Thank you very much.