

## Market Analysis for Product Expansion

OFN Conference – San Antonio, TX  
October 15, 2012



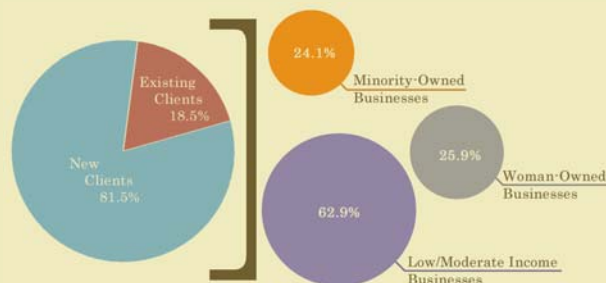
### Organization Overview:

**Pathway Lending** is a statewide CDFI that provides loans and technical assistance to economically underserved businesses and communities across Tennessee.

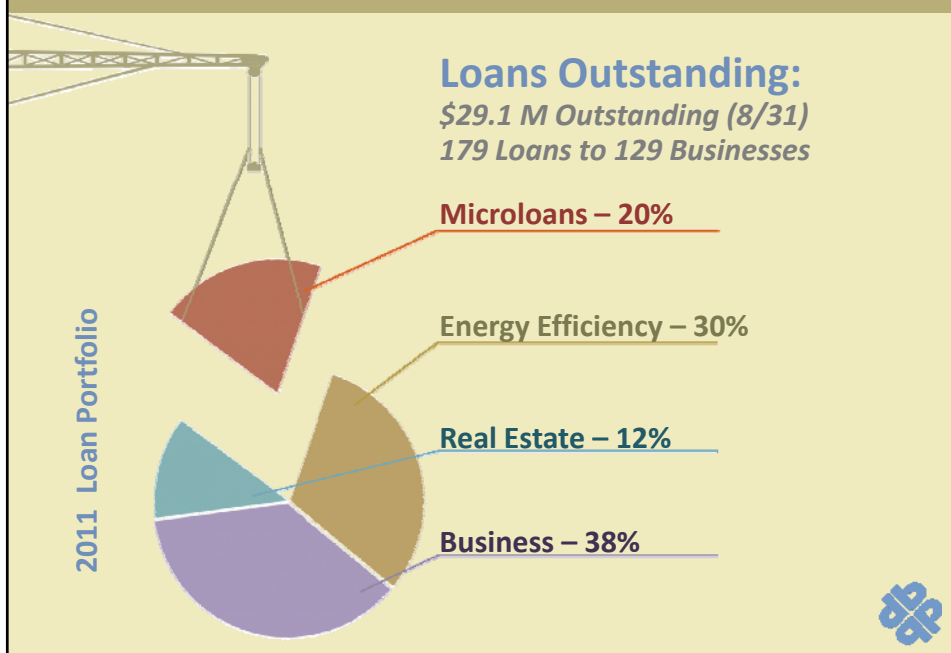
**Founded:** 1999

**Mission:** Providing underserved small businesses with lending solutions and educational services that result in job creation and economic development.

2011 Client Profile



## Portfolio Overview:



## Product Expansion

### Accounts Receivable Loan Product

- A loan product based on AR not Cash Flow
- A flexible product that can grow with the client
- A scalable product for Pathway Lending

#### ***Appropriate for businesses that are:***

- Experiencing growth
- Limited by slow-paying customers
- Limited by cash flow and borrowing limits
- Losing prompt payment/volume discounts



## Why Market Analysis?

### Growing Demand

- Low-cost Accounts Receivable loan product
- Traditional banks were not financing

### Limited Flexibility in Current Model

- Existing LOC was cash flow dependent

### Prove Need to Board of Directors

- Analysis to provide concrete facts to support expansion



## Need: Determine True Nature of Demand

### Who Is the Target Client?

- What is the basic level of demand?
- What type of businesses need this product?
- What amount of financing do they require?

### What Market Conditions drive this demand?

- Do similar products exist in the market?
- Why are traditional banks not providing this product?



## How was it Funded?

### NEXT Planning Grant

- Supported Product Expansion Initiatives
- Explored the feasibility of a small-dollar accounts receivable loan product in our current market



## What Was The Process?

### Engage

- Engaged FUND Consulting to conduct independent third-party research

### Plan

- Collaborated to develop research questions, identify participants, and set project agenda

### Investigate

- Conducted online surveys, key informant interviews, and general market research

### Report

- Created final report based on research findings



## What Was The Methodology?

### Surveys

- Identified 30 target clients
- Online survey (20 questions, 10-15 minutes)

### Interviews

- Identified 10 key stakeholders
- Phone Interviews (10 questions, 20 minutes)

### Secondary Data

- Identified additional data needs
  - Target Market demographics
  - Lending History



## What Was The Timeline?

### ***Concurrent with the NEXT Award Application***

- January – April 2012
  - Month 1: Planning
  - Month 2-3: Conduct Research
  - Month 4: Assemble Report
- Weekly briefing meetings between Pathway Lending and FUND Consulting



## What Were the Outcomes?

### Identified a Demonstrated Gap:

- Many large financial institutions do not offer this type of financing

### Substantiated Demand:

- Small Businesses overwhelmingly responded this type of capital is not available to them

### Clarified Target Market Businesses:

- Business size, not industry sector, determined demand for this product



## How Were the Results Used?

### Used In 3 Primary Ways:

- Build a business case for product expansion
- Gain the support of the Board of Directors
- Provide data in grant applications



## Contact Us:

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