

Employee
 Freelancer



Finding Opportunity In Small Biz

by [Steve Brown](#)

The words Colgate and toothpaste may seem intrinsically intertwined, but back in the 1980s, the company tried to brush up its brand with a new product line--an array of frozen food entrees. The trouble was that most people couldn't stomach the idea of eating food that tickled their taste buds with the reminder of toothpaste so strong. Colgate found that toothpaste sales also dropped during the short time the frozen food products were on the market. It didn't take long before Colgate retreated from its food-making foray and the Colgate Kitchen Entrees went into the history books as one of the biggest product flops of all time.

This example underscores the importance of deeply understanding your market before making significant moves to expand or modify your offerings. This is especially important for banks seeking to develop and broaden existing relationships with small businesses.

Consider that small business activity is on the rise in 49 of the 50 states and 38 of the top 40 largest metropolitan areas this year, according to recent reports from the Kauffman Foundation. This presents a golden opportunity for community banks to ramp up their business development efforts. But before powering ahead, here are some demographics about entrepreneurs that could prove helpful.

On average, new business owners are getting older, so your product offerings may need to match this despite all the push towards technology. According to the 2015 Kauffman Index of Start Up Activity, individuals between the ages of 55 and 64 made up 26% of all new entrepreneurs in the index. That's up significantly from 15% in 1997. Meanwhile, younger entrepreneurs (those between the ages of 20 to 34) have been on the decline, down to 25% in 2015 vs. 34% in 1997.

Yet another interesting shift also seems to be taking place. The same research found most new entrepreneurs were male in 2015, making up 63% of all new entrepreneurs. Meanwhile, since the 1997 Index, the share of new entrepreneurs who were females has fallen to 37% from 44%--close to a 20Y low.

It is also interesting to note that immigrants are also far more likely to start businesses than native-born Americans. Immigrants started 29% of businesses, which is more than double the number from 1997, even though their percentage of the US population is significantly less.

As you sift through and ponder these trends, consider as well that people are following opportunities more now than they were during the recession. Increasingly, they are starting companies because they want to, not because they are out of work and need to do so. That changes the dynamic some and it may change the way you approach this opportunity.

Given the growth opportunity, competition for small businesses is extraordinarily intense. That is one reason why gaining a more complete understanding of these demographics may help you craft better business pitches and guide your efforts to develop long-lasting partnerships.

The rise of alternative lenders means it's no longer a given that small businesses will seek bank funding, so you have to continue to change with the times. Although the economics of lending to small businesses won't always be easy, in today's market opportunity abounds.

Working successfully with entrepreneurs is an area where many banks continually refine product offerings. Given this, using good business development skills and understanding the needs of the customer should give your bank the opportunity to develop long-lasting and profitable relationships.

ECONOMY & RATES

Friday

Yields slid 6bp as Treasuries, US equities and oil all gained amid news of the Bank of Japan stimulus.

Rates As Of: 02/01/2016 02:18PM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.30	0.00	0.00
6M	0.44	0.00	0.00
1Y	0.46	0.00	0.00
2Y	0.81	0.00	0.00
5Y	1.38	0.00	0.00
10Y	1.96	0.00	0.00
30Y	2.78	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.50	0.00	
Prime	Unemployment	Oil	
3.50	0.00	\$0	

[More Market Rates](#)

BANK NEWS

M&A Activity

Pinnacle Bank (\$8.7B, TN) will acquire Avenue Bank (\$1.1B, TN) for \$201.4mm in cash and stock.

More Risk

The Treasury's Office of Financial Research indicates overall risk to financial stability in the US remains in the "medium" range, but that it is seeing rising risks from a macroeconomic (deterioration in China), market/credit (commodities price declines, including oil), liquidity (stable but uncertainty related to sudden shocks) and market contagion (indications that volatility in emerging markets may find its way to the US) perspective. Now you know so you can better prepare.

Shocking

Japan's central bank (BOJ) stunned global financial markets after it adopted negative interest rates. The BOJ took the step as a way to boost its flagging economy and stimulate growth. Japanese bank stocks were hammered after the move.

Robot World

World leaders meeting in Davos, Switzerland surveyed senior executives from companies representing 65% of the global workforce and have now issued a report that finds: 7.1mm jobs in the world's richest countries could be lost in the next 5Ys, as technology advances in artificial intelligence, robotics and biotechnology result in redundancy that will be automated.

Board Structure

The Wall Street Journal analyzed data of S&P 500 companies provided by MSCI ESG Research and found: 31% of all

S&P 500 directors serve on 2 boards; 13.4% serve on 3; 4.2% serve on 4; 0.7% serve on 5; 0.04% serve on 6; and 0.07% serve on more than 6 boards. Overall, only 5% of directors at S&P 500 companies held four or more spots in 2015 vs. 27% who did so 10Ys earlier.

Leaving

The Department of Labor reports 2.8mm Americans voluntarily quit their jobs in Nov, the highest level since Apr 2008. Meanwhile, the percentage of job separations by type were: voluntary quits (57%), layoffs (34%) and other separations (8%).

Wealth Hurdles

CNN reports the latest data from the IRS finds the top 10% of Americans make \$128,000 in minimum adjusted gross income vs. \$429,000 for the top 1.0% and \$1.9mm for the top 0.10%. To reach the top 0.01% you would need \$9.5mm.

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