

TITAN TIMES NEWSLETTER

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TITAN BUSINESS DEVELOPMENT GROUP, LLC

Knowing When to Finance Growth



Knowing when to finance growth can sometimes be a challenge for many small business owners. For most businesses, growth is an option, not necessarily a survival factor. Some business owners take a very aggressive approach to growing their businesses; while others take a very conservative, slow growth, approach. Regardless of the approach you take with your business, how do you know when it's time to grow and how do you know if borrowing capital to finance growth is a good idea?

Although there are successful companies that don't aggressively pursue growth, many small business owners want to see their businesses grow quickly. With that in mind, here are some tell-tail signs it might be time to grow:

The market category you serve is growing as a whole: Not to be mistaken for one that is changing, necessarily. You need to continually innovate to serve the changing market. We are, however, talking about a market that has expanding opportunities. For example, if the new home construction market is on the rise and you are a mason, plumber, electrician or other related tradesman, perhaps you should expand by hiring more employees and going after those new opportunities that will create new demands.

You find a complementary product that can boost profits: Sometimes opportunities for growth come in the form of related products you can add to those you already offer. For example, Titan Business Development Group, which focuses on coaching and consulting, recently added virtual CFO services to its menu of service offerings.

Rising demand: Increasing capacity to accommodate your existing customers' desire to buy more is a challenge most business owners want to face. There could also be an influx of new customers who want to purchase your products or services and you need to expand to meet the extra demand.

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“The cost of borrowing capital needs to be considered *before* you talk to a lender. “

Market factors like those mentioned above are reasons many small business owners consider expanding, but how do you know if it's worth the risk of financing that growth? If the following describes your business, financing growth with a loan might make sense:

You currently have a healthy business with a positive cash flow: lenders want to know you have the means to service new debt currently as well as moving forward. The cost of borrowing capital needs to be considered *before* you talk to a lender.

You have a plan: Borrowing money is a serious step that shouldn't be taken with a “seat-of-the-pants” approach. Make sure you've given thought to how you will use the borrowed capital to help your business grow. Do you have a projected ROI for the investment of borrowed capital; do you know exactly how much you'll need? The better you can answer these questions, the more likely the borrowed capital will do what you want it to and the more likely a lender will be willing to offer you a loan.

You have systems in place to handle the additional business: . If you have a plan and a process in place that will successfully accommodate growth, and all you lack is capital, you'll be in a better place to leverage borrowed capital to fuel growth. If you don't have a plan in place, talk with your business coach or other adviser.

The finances make sense: Popular culture would have you believe that all you need is capital to grow; however, before borrowing, it's important to make sure the economics of the loan make sense. Does the cost of the loan make sense with the anticipated ROI of the growth project, can you make the periodic payments, do you have a contingency plan should things not go as expected?

Some companies fail because they didn't grow enough. Some fail because they grew at the wrong time or even because they grew too fast. Recognizing growth opportunities is an important part of owning a small business and knowing when it makes sense to access borrowed capital to facilitate growth is a critical part of building a successful business.

It's Time for Spring Cleaning

Every year spring comes and with it there is the annual ritual that many Americans seem to endure: the spring clean up. Ok, so what does that mean? In the olden day, it might have included addressing some of the gardening needs, washing the windows after the storm windows were removed, and perhaps even doing a really concerted dusting to remove all of “the particles” that accumulated during the long winter months when the house was buttoned up too tightly to breath. It was a good and necessary ritual that made us feel better and helped us appreciate natures cycle of rebirth all that much more.

When was the last time you gave your business a good spring cleaning? You might consider looking at your sales procedures, re-analyzing the effectiveness of your marketing, reevaluating your profit margins, revamping your accounting methodology, and perhaps even addressing those HR issues that have plaguing you for the past year. There is not time like the present.

If you aren't 100% happy with what your business is doing for you, isn't it time to take charge and start working on your business and not in it. For the month of May only, we will be offering our exclusive “Business Effectiveness Evaluation” at 50% off. It's the first step to doing a great spring cleanup on your business and you will be saving money to boot. Call us today to set up a time to do the best thing you can do for your business right now.

Masterful Quotes

“The rung of a ladder was never meant to rest upon, but only to hold a man's foot long enough to enable him to put the other somewhat higher.”

- Charles Kettering