

THE COMPETITIVE EDGE

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A Small Business Incubator

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From the Manager's Desk:

The Perfect Answers to Real Questions

What are business incubators?

Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. Business incubators provide their client companies with business support services and resources including management guidance, assistance with business planning, and help obtaining financing. Incubators usually also offer companies rental space with flexible leases, shared basic office services and access to equipment – all under one roof. The main goal of most incubation programs is to produce companies that create jobs and wealth in their communities. (NBIA, June 2004)

How do Incubators contribute to the local and regional economy?

Incubator graduates create jobs, revitalize neighborhoods and commercialize new technologies, thus strengthening local, regional and even national economies.

√NBIA estimates that North American incubator client and graduate companies have created about half a million jobs since 1980.

√Every 50 jobs created by an incubator client generates approximately 25 more jobs in the same community.

√Business incubators reduce the risk of small business failures. Historically, NBIA member incubators have reported that 87 percent of all firms that have graduated from their incubators are still in business.

How do business incubators differ from SBDCs?

The U.S. Small Business Administration administers the Small Business Development Center (SBDC) program to provide general business assistance to current and prospective small business owners. SBDCs (and similar programs) differ from business incubators in that they do not specifically target early-stage companies; they often serve small businesses at any stage of development. Some business incubators partner with local SBDCs and share management to avoid duplicating business assistance services in a region.

Customer Service: A Marketing Edge for Small Business

It's about survival! For many small businesses, delivering superior customer service isn't an extra benefit or an add-on, it's staying power. Small companies can't compete with industrial giants, retail superstores or mass marketers for advertising capital. Small businesses usually can't afford to undercut the big operations. But as a small business owner, you have a powerful marketing tool if you choose to use it, ultimate customer service.

Paul Levesque, author of *Customer Service Made Easy*, cites many small businesses still fail to deliver ultimate customer service, the one thing that can provide a competitive advantage. Small business owners need to understand how creating one-on-one relationships and making customers feel personally valued and appreciated is what gives their business a big differentiation from larger companies.

Remember there are two types of small businesses: one that has created a customer service culture and one that has not. Building a business around a customer service culture starts at the top with the owner. If the owner is impolite or thinks every customer is not to be trusted, the employees will take on the same mind-set as well. On the other hand, if the owner makes customer service the number one priority, personnel follows.

Paul Levesque suggests several skills for small businesses owners who deal with offensive or crabby customers:

- Create a culture of customer service; don't legislate it.
- Exceed customer expectations.
- Make the customer feel important or valued.
- Tailor the experience to fit the customer.
- Involve your staff in problem solving.

Tips For Improving Your Cash Inflow From Late Paying Customers

Here are five tips for eliminating those consistently past due entries you find in your accounts receivables report:

- 1. Make sure you send your invoices on time, every time.**
Sometimes it's not the customers making cash flow problems for a business, it's the business itself. You benefit when you have a vendor who is lazy in billing you promptly. The longer he lets you keep your cash in your bank account the more interest you earn. However, each time you are late in invoicing your customers you're the one who is losing out because they pay you later than you had planned or needed.
- 2. Take deposits or retainers when orders are taken.**
I find that quite a few small business owners are in a position to take a down payment from clients but they do not because doing so just hadn't occurred to them. How much is enough but not too much? Fifteen percent? Twenty-five percent? Fifty percent? If you have not done this before you may want to "test the waters" with various new customers to learn what price points are acceptable for your business.
- 3. Have them pay by credit card immediately.**
While retail shopkeepers accept credit cards as a matter of course, small businesses that don't serve "store traffic" tend to do without such a payment facility. If you don't run a retail business the cost of establishing a credit card payment facility may be beneficial if it gives you the potential to increase the speed by which clients pay you.

Run a cost/benefit analysis with your financial planner. Make an approximate determination of how much of your receivables you would need to have clients pay by credit card to make adding this payment facility worth your while. Then, contact clients and tell them you're taking an informal poll to determine if they would be interested in paying by credit card. Remind them that they could earn frequent flyer miles or other credit card perks for their businesses or themselves.
- 4. Offer discounts to customers who pay their bills quickly.**
Everybody recognizes that store discounts encourage shoppers to "buy now". The offer of a discount may work with some of your customers, too. If you have a customer who has been negligent in paying you on time, consider offering a discount of some sort if he pays you promptly and consistently.
- 5. Make sure you know who your late paying customers are and if they persist in their lateness have them go on cash on delivery only.**
For those late paying customers who didn't accept your previous offers (to provide you with a deposit first, to pay by credit card or take you up on a bid to pay on time and earn a discounted invoice three times a year), you have one option left. Inform them that you will put them on a cash-on-delivery billing basis.

If they do not accept any of these proposals, you need to reassess whether you can afford to continue doing business with them. If a client of mine had such an experience with a customer of his, I'd question whether his customer's business was likely to remain viable for much longer and warn my client to be careful when extending credit to this customer. *Guy McPhail, CFA, CFP, is president of Zdenek Financial Planning, LLC.; www.zdenek.com.*

Calendar of Events & Announcements

Breakfast Briefing - Tuesday, February 12, 2008. Hosted by Baker, Donelson, Bearman, Caldwell & Berkowitz at M'K's, Claytor Lake State Park Rd, Dublin, 8:00 am. The topic of the discussion will be "*Effective Employee Evaluations*." These informative seminars are designed to help you with some of the major issues affecting small business. Please RSVP to the Chamber by February 8, 2008 (540) 674-1991.

Meeting Rooms – Schedule your next business meeting or training event at the *NRV Competitiveness Center*. The Center offers the availability of conference and training space with seating capacity of 49 to 100 persons. To schedule a meeting, please call the Center office at 540-633-6730.

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