ACCIÓN
Serving Illinois & Indiana
2020

STRATEGIC PLAN

SHIRLEY'S HOUSE OF STYLES
EXECUTIVE SUMMARY

Accion helps entrepreneurs grow so that they can create more wealth and jobs in the neighborhoods that need them most. By the end of 2020, we will double the number of entrepreneurs we serve annually while improving our financial position. To do so, we will execute four strategies:

1. Find more neighborhood entrepreneurs to serve through stronger community relationships, streamlined bank referrals, closer engagement with current and former clients, enhanced online marketing, and new online partnerships
2. Improve how we provide capital to fund businesses that are ready to grow through creative credit policy, larger loan sizes, streamlined approval processes, and flexible loan terms
3. Offer more coaching that helps entrepreneurs overcome barriers to growth by focusing this assistance on obtaining financing responsibly, utilizing capital effectively, and managing growth carefully
4. Create more of the connections that entrepreneurs need to grow, including more customers, better suppliers, quality support services, additional investment, and other entrepreneurs

As we execute the plan we will continually evaluate our progress toward our goals and will adjust our strategies as we learn.
Accion Serving Illinois and Indiana Strategic Plan 2020

1. OFFER MORE COACHING THAT HELPS ENTREPRENEURS OVERCOME BARRIERS TO GROWTH

2. IMPROVE HOW WE PROVIDE CAPITAL TO FUND BUSINESSES THAT ARE READY TO GROW

3. FIND MORE NEIGHBORHOOD ENTREPRENEURS TO SERVE

4. IMPROVE HOW WE PROVIDE CAPITAL TO FUND BUSINESSES THAT ARE READY TO GROW

5. OFFER MORE COACHING THAT HELPS ENTREPRENEURS OVERCOME BARRIERS TO GROWTH

6. CREATE MORE OF THE CONNECTIONS THAT ENTREPRENEURS NEED TO GROW

7. IMPLEMENTATION

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12. HOW WILL ACCION SERVE MORE NEIGHBORHOOD ENTREPRENEURS?
Accion helps neighborhood entrepreneurs grow. We provide the capital, coaching and connections small business owners need to create wealth and jobs throughout Illinois and Indiana.

By partnering with entrepreneurs, Accion offers the most cost-effective way to invest in underserved communities. For every $2,000 invested in Accion, the small businesses we serve create or retain a job.

Over the last 23 years Accion has served nearly 45,000 small business owners in Illinois and Indiana. We have funded more than 5,000 loans between $500 and $100,000, injecting nearly $67 million into our neighborhoods. We serve small businesses that are physical and virtual, operate in urban and rural areas, and provide products and services. On average for the last 3 years, 43% of our clients were women, 38% Black, 22% Latino, and 76% low-moderate income. As a mission-driven nonprofit, we work hardest to serve the underserved in the most challenging neighborhoods.

But we need to do more. There are far too many entrepreneurs in Illinois and Indiana that would create more wealth and jobs if they had access to the capital, coaching, and connections that would enable them to do that, but they either don’t know we exist or they haven’t received what they require from us.

This plan articulates the strategies Accion will pursue between mid-2018 and the end of 2020 so that we can help more neighborhood entrepreneurs grow.
What do entrepreneurs need that Accion provides?

Neighborhood entrepreneurs create jobs and wealth in their communities, but often struggle to find the services they need.

Small business owners like those Accion serves created 21% of the net new jobs in America over the last three years...

... and to support that growth, Chicago entrepreneurs list Capital, Coaching, and Connections as their top business needs.

Accion provides the capital, coaching, and connections small business owners need.

CAPITAL
Accion builds trusted relationships with our clients and is invested in their success. Our loans range from $500 to $100,000. Because we are a mission-driven nonprofit, we are able to work nimbly with entrepreneurs who request small amounts, seek to repair damaged credit, or own limited collateral.

COACHING
We provide free coaching to any entrepreneur we meet. Our Community Lenders coach our clients who seek capital throughout the loan process, and our Director of Business Coaching and Connections offers in-depth assistance to entrepreneurs regardless of whether they need or qualify for a loan.

CONNECTIONS
We connect entrepreneurs to customers and suppliers, other entrepreneurs, physical space, and other service providers.

Next Street, “Chicago Small- and Medium-Sized Business Market Assessment,” June 2018. Chicago entrepreneurs were asked: “What are your biggest business needs?”

Accion Serving Illinois and Indiana Strategic Plan 2020

How will Accion serve more neighborhood entrepreneurs?

Accion seeks to help more entrepreneurs create jobs and wealth in the neighborhoods that need them most. Compared to the end of 2017, by the end of 2020 we will:

• Increase the number of entrepreneurs we serve through capital, coaching, and connections by 100% over three years
  » Increase the number of loans we fund by 40% and more than double the dollars we disburse
  » Increase the number of entrepreneurs we coach by a factor of 15
  » Increase the number of entrepreneurs we connect to the people and resources they need by two-thirds

• Improve our financial position by increasing our annual surplus, growing our net assets, and improving our self-sufficiency* over three years
  » Increase our annual surplus by 900%
  » Grow our net assets by 65%
  » Increase our self-sufficiency by 200%

*Self-Sufficiency equals earned revenue, excluding grants, divided by all expenses
To accomplish these goals, Accion will execute the following four strategies by the end of 2020:

1. **Find more neighborhood entrepreneurs to serve** through:
   - Stronger community relationships
   - Streamlined bank referrals
   - Closer engagement with current and former clients
   - Enhanced online marketing
   - New online partnerships

2. **Improve how we provide capital to fund businesses that are ready to grow** through:
   - Creative credit policy
   - Larger loan sizes
   - Streamlined approval processes
   - Flexible loan terms

3. **Offer more coaching that helps entrepreneurs overcome barriers to growth** by focusing the assistance on:
   - Obtaining financing responsibly
   - Utilizing capital effectively
   - Managing growth carefully

4. **Create more of the connections that entrepreneurs need to grow** including:
   - More customers
   - Better suppliers
   - Quality support services
   - Additional investment
   - Other entrepreneurs
1. Find more neighborhood entrepreneurs to serve

Entrepreneurs in Chicago learn about services available to them in a variety of ways...

Yet relatively few entrepreneurs are applying to Community Development Financial Institutions like Accion...

...and Accion clients have historically learned about us in other ways.

...while more entrepreneurs are finding high-priced online capital quickly.

Next Street, “Chicago Small- and Medium-Sized Business Market Assessment,” June 2018. Chicago entrepreneurs were asked “How do you learn about new business services and resources?”


Accion internal data, 2017
Strategy 1: Accion will find more entrepreneurs to serve by the end of 2020 through:

- **Stronger community relationships**
  - We will develop working relationships with at least one community leader in:
    - Each of Chicago’s 77 community areas
    - At least 25 counties in Illinois outside of Cook
    - At least 25 counties in Indiana
  - We will ask leaders the following questions monthly:
    - What entrepreneurs in your area should we call today?
    - What are the three services entrepreneurs have talked to you about most frequently in the last month?
  - We will increase leads from community leaders by 20% relative to 2017, and leads in underserved neighborhoods by 25%.

- **Streamlined bank referrals**
  - We will improve the generation of electronic referrals of clients from at least:
    - Five national banks by joining existing referral platforms
    - Five regional or local banks by creating a simple online referral page
  - We will ask at least 50 individual branch bankers the following questions monthly:
    - What loan applicants you have recently declined do you recommend we call today?
    - What is the average loan amount that denied applicants have requested in the last month?
  - We will increase leads from financial institutions by 20% relative to 2017.

- **Closer engagement with current and former clients**
  - We will enlarge the Accion family of entrepreneurs we serve by asking at least 50 current or former clients the following questions monthly:
    - What entrepreneurs interested in growing their businesses should we call today?
    - What is the one problem we can help you solve today?
  - We will increase leads from current and former clients by 20% relative to 2017.

- **Enhanced online marketing**
  - We will improve our storytelling for our various audiences with at least:
    - 20 social media posts per month
    - One newsletter per month
    - One free media story online per quarter
  - We will enhance our visibility online by improving our search ranking so entrepreneurs looking for services find us on the first results page
  - We will increase online leads by 20% relative to 2017.

- **New online partnerships**
  - We will develop a referral partnership with at least one high volume platform that serves over 100,000 entrepreneurs with:
    - Transaction processing
    - Product sales
  - We will generate new leads via this platform-based relationship, but have no way to estimate the volume of those leads at this time.
2. Improve how we provide capital to fund businesses that are ready to grow

Lenders often rely too heavily on the personal credit history of the small business owner to judge the creditworthiness of the business...

Cash

Minorities have less income on average than whites

<table>
<thead>
<tr>
<th></th>
<th>Income (2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>$65K</td>
</tr>
<tr>
<td>Latino</td>
<td>$48K</td>
</tr>
<tr>
<td>Black</td>
<td>$40K</td>
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US Census Bureau, Income and Poverty in the United States: 2016, Table 1

Credit

58% Black business owners and 45% of Latino business owners struggled to build credit, compared to 32% of white business owners

Credit

Just five online lenders provided nearly $4B to small businesses in 2017, up 50% from 2015.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Online Lender</td>
<td>$2.68B</td>
<td>$3.48B</td>
<td>$3.98B</td>
</tr>
</tbody>
</table>

Federal Reserve, 2016 Small Business Credit Survey, Report on Minority-owned Firms

...which often leave those entrepreneurs unsatisfied.

Collateral

White Americans have 10 times the net worth of Black and Latino Americans

Collateral

...which creates even steeper challenges for minority entrepreneurs.


Just five online lenders provided nearly $4B to small businesses in 2017, up 50% from 2015.

Federal Reserve, 2016 Small Business Credit Survey, Report on Minority-owned Firms

Strategy 2: Accion will provide more capital to neighborhood entrepreneurs by the end of 2020 through:

- **Creative credit policy**
  - We will simplify our credit policy to focus less on lists of rules and more on guiding principles, including the following:
    - Increase the loan limit for higher risk clients who cannot provide collateral
    - Increase the loan amounts for which we require our minimum list of documents
    - Use alternative data sources to reduce our reliance on credit scores and collateral appraisals
    - Offer a clear Annual Percentage Rate that is below our online competitors to every approved applicant

- **Larger loan sizes**
  - We will serve clients who require larger amounts of capital through the following:
    - Increase our loan limit to $250,000
    - Increase the proportion of our dollars lent that are backed by the SBA by 20%

- **Streamlined approval processes**
  - We will simplify our application, approval, and servicing processes to provide entrepreneurs with decisions more quickly via the following:
    - Implement a new state-of-the-art lending platform
    - Reduce the layers of approval required by loan size and risk tier
    - Automate routine servicing tasks
    - Offer coaching to every borrower in repayment

- **Flexible loan terms**
  - We will develop a revolving credit offering that will help us serve small businesses that would prefer something other than a fixed term loan, which should be helpful for industries such as:
    - Construction contracting
    - Seasonal sales
3. Offer more coaching that helps entrepreneurs overcome barriers to growth

82% of Chicago neighborhood entrepreneurs are seeking business services...

The five most frequently requested business services are:
- Marketing
- Back office support
- Financing
- Hiring
- Business planning

... yet many entrepreneurs are unfamiliar with the services that are available to them and do not believe that the services will improve their business outcomes.

Half of minority entrepreneurs in Chicago report that either a trusted referral or the quality of the advice is most important to them when deciding whether to use a business service...

![Graph showing the importance of different factors for choosing a business service.


Chicago entrepreneurs were asked “What are your biggest business needs?”

“Not only do [Accion] give you the money, they also teach you how to make the most out of that money. I would not be where I’m at today if it weren’t for them. Any time I have a problem or question, I can always call them.”

Kris Schoenberger of BBQ’d Productions, as reported by Kelsey Sheehy, “How a Microloan Helped My Business Grow,” NerdWallet, 10/25/16

... and one quarter of entrepreneurs desire coaching to help manage growth.

![Graph showing the importance of coaching for managing growth.


Chicago entrepreneurs were asked “What is most important to you when deciding to use a business service?”

“Not only do [Accion] give you the money, they also teach you how to make the most out of that money. I would not be where I’m at today if it weren’t for them. Any time I have a problem or question, I can always call them.”

Kris Schoenberger of BBQ’d Productions, as reported by Kelsey Sheehy, “How a Microloan Helped My Business Grow,” NerdWallet, 10/25/16
Strategy 3: We will offer additional coaching by the end of 2020 to help entrepreneurs:

- **Obtain financing responsibly**
  - We will help every entrepreneur seeking financing to create compelling applications by offering to help prepare the following:
    - Segmented personal and business accounts
    - Clean financial statements
  - We will ask at least 50 entrepreneurs whose loan applications we have denied the following questions regularly:
    - What credit score would you like to have six months from now?
    - What is the one change you will make this month that will improve your credit score?
  - We will create a goal driven offering that will help increase the average credit score of loan applicants by 50 points relative to 2017.

- **Utilize capital effectively**
  - We will help every entrepreneur who receives financing to invest wisely by co-creating the following:
    - Clear business goals within a compelling business plan
    - Measurable key performance indicators
  - We will increase the number of entrepreneurs we’ve coached by two-thirds, relative to 2017.

- **Manage growth carefully**
  - We will work with every entrepreneur we meet to create clear goals for growth that we will measure online over time, including:
    - Increases in net income
    - Increases in revenue
    - Increases in employees
  - We will help grow the wealth of entrepreneurs we serve (measured through growth in business net income) by 20% relative to 2019 when we begin collecting the data more effectively.
  - We will help grow the number of jobs created by entrepreneurs we serve by 20% in 2020 relative to 2019 when we begin collecting the data more effectively.

“Borrowers who receive more personalized attention via calls from relationship managers demonstrate significantly better repayment behavior, such as lower delinquency rates, fewer delinquent periods and a later onset of the first default.”

4. Create more of the connections that entrepreneurs need to grow

Three of the five most frequent needs from Chicago entrepreneurs relate to access to connections

“Business Owners of color have limited access to mentorship or successful entrepreneurs who can serve as conduits to help businesses identify and access resources.”


“Real-world entrepreneurial networks must be racially and economically diverse.”

Knox, Ron. “The Hunt for an ‘Entrepreneurial Ecosystem,’” CityLab, 9/21/17. The article discusses the outcomes from The ESHIP Summit hosted by the Kauffman Foundation in June of 2017.

“Subsistence entrepreneurship is fairly common among lower income Americans, but growth entrepreneurship is troublingly rare.”

Strategy 4: Accion will help entrepreneurs connect more effectively to needed services and one another:

- **Online**
  - We will help entrepreneurs efficiently connect to what they need through a partnership with the City of Chicago, World Business Chicago, and SourceLink, where small business owners can find:
    - More customers
    - Better suppliers
    - Efficient licensing
    - Quality support services
  - We will help curate the content on the site by identifying entrepreneurs who wish to:
    - Achieve a star rating by sharing their business plan and financials
    - Articulate the services they wish to sell to other entrepreneurs
    - Highlight the needs they want the portal to help them fulfill
  - We will help grow the number of quality connections that entrepreneurs make online by 20% relative to 2019 when we launch the site.

- **Offline**
  - We will help entrepreneurs connect with other entrepreneurs in their own communities in partnership with donors and community organizations through the Accion In Your Neighborhood initiative, through which we:
    - Introduce entrepreneurs to other small business owners in their neighborhood
    - Listen carefully to the challenges that small business owners are seeking to overcome
    - Suggest solutions to those challenges, including access to capital and in-depth coaching
    - Connect those small business owners with trusted partners from the Accion family that can help them solve for those challenges
  - We will help entrepreneurs use public funds to improve their storefronts by offering the following packaged services:
    - Obtain required supplemental financing
    - Advise on construction from bids to execution
    - Provide reporting to funders
    - Navigate licensing and zoning requirements
  - We will help grow the number of quality connections that entrepreneurs make by 20% relative to 2017.
**IMPLEMENTATION**

Of the nearly 200K firms in Illinois and 80K firms in Indiana with fewer than 10 employees (over 150K of which operate in the Chicago metropolitan area), we aspire to serve at least 2.5% of those small businesses by the end of 2020.

To execute this plan over the next 2.5 years, we will improve our staff and board structures to align with the strategies, raise the necessary grants and debt to finance our growth, and execute 30 projects per the below. We will continually evaluate our progress towards our goals and will adjust our strategies as we learn. Near the end of the implementation of this plan in 2020, we will create a longer-term vision for how we will help more neighborhood entrepreneurs grow by the end of 2025.

1) **Find more entrepreneurs**

   - **Stronger community relationships**
     1. Survey leaders for referrals within 77 community areas each month
     2. Survey leaders for referrals within 25 Illinois counties each month
     3. Survey leaders for referrals within 25 Indiana counties each month

   - **Streamlined bank referrals**
     4. Improve online referrals from 5 national banks
     5. Create web-based referrals for 5 regional or local banks

   - **Closer engagement with current and former clients**
     6. Ask 50 current or former clients for referrals each month

   - **Enhanced online marketing**
     7. Create 20 postings on social media each month
     8. Distribute 1 newsletter each month
     9. Generate 1 free media story per quarter
     10. Improve search ranking to appear on first results page

   - **New online partnerships**
     11. Create 1 referral partnership with a large online platform

2) **Provide more capital**

   - **Creative credit policy and procedures**
     12. Increase unsecured loan limits
     13. Increase low-document loan limits
     14. Use alternative data to reduce reliance on FICO and appraisals
     15. Offer a clear APR below our online competitors

   - **Larger loan sizes**
     16. Increase our loan limit to $250K
     17. Increase SBA CA loans by 20%

   - **Streamlined approval processes**
     18. Implement a new lending platform
     19. Reduce layers of approval
     20. Automate routine servicing tasks
     21. Offer coaching to all borrowers in repayment

   - **Flexible loan terms**
     22. Create a revolving credit offering

3) **Provide more coaching**

   - **Obtain financing responsibly**
     23. Create clear financials for every entrepreneur seeking credit
     24. Create a goal-driven offering to increase client credit scores

   - **Utilize capital effectively**
     25. Create clear goal-driven business plans for every entrepreneur
     26. Establish and measure clear KPIs for every entrepreneur

   - **Manage growth carefully**
     27. Measure monthly increases in client net income, revenue, and employees

4) **Provide more connections**

   - **Online**
     28. Connect 20% more entrepreneurs using Source Link

   - **Offline**
     29. Connect 20% more entrepreneurs using Accion In Your Neighborhood
     30. Offer packaged services for public grant-winners to improve storefronts
As we execute these four strategies, we will offer capital, coaching, and connections to entrepreneurs with specific opportunities through initiatives such as the following:

### The Hatchery

Accion has partnered with ICNC to create a non-profit food and beverage business incubator that enables local entrepreneurs to build and grow successful businesses. The 67,000 square foot facility at the corner of Lake and Kedzie in Chicago’s East Garfield Park neighborhood will open in December 2018. The Hatchery Chicago will serve entrepreneurs, workers, and neighborhood market members:

» For food and beverage entrepreneurs ready to grow their businesses, The Hatchery Chicago will provide:
  » 56 private kitchens leasable by month
  » 5 shared kitchen spaces rentable by the hour
  » Dry/cold storage, loading docks, and meeting spaces
  » Workshops and educational seminars specific to food and beverage businesses

» For workers in the community, ICNC and Chef Rick Bayless will provide:
  » Job training and placement for the positions created by the small businesses renting kitchen space
  » Job training and placement for open positions in the best kitchens in Chicago

» For neighborhood market members from the community, The Hatchery will provide:
  » Space and power on the front plaza to sell local produce and products at their seasonal market
  » Prep space and storage inside the building

### Neighborhood Entrepreneurship Lab

Accion has partnered with the Chicago Community Trust to pair five high-potential entrepreneurs with five investors and advisors. Within each cohort:

» Each investor/advisor will invest $20,000 into the Neighborhood Entrepreneurship Lab funding pool.

» Each entrepreneur will receive a $20,000 grant and will be evaluated for any additional debt from Accion.

» Each investor/advisor will provide at least five connections to relevant and influential business contacts within their personal networks who are positioned to support the entrepreneur to sell more products or services or to buy materials more effectively.

» The cohort will commit to meet for at least five hours each month to help solve the business problems facing the entrepreneurs.

The goal of the program is to help each entrepreneur double their revenues and profits within two years.
Entrepreneurs of Color Fund

In partnership with JPMorgan Chase and Fifth Third Bank we will lend up to $100,000 to South and West Side entrepreneurs, while our partner, LISC, will provide loans between $100,000 and $500,000.

The Chicago Entrepreneurs of Color Fund, led by JPMorgan Chase, aims to provide $5.5 million in creative, flexible capital to meet the needs of hundreds of minority-owned businesses, and encourage the revitalization of low-wealth areas through commercial and small business development. This effort will help create jobs and increase revenues for local businesses.

West Side United Small Business Fund

In partnership with 32 organizations led by six hospital sponsors (Ann & Robert H. Lurie Children’s Hospital of Chicago, Cook County Health and Hospitals System, Presence Health, Sinai Health System, Rush University Medical Center, and University of Illinois Hospital and Health Sciences System), West Side United will support West Side businesses through four initiatives:

» Increasing local purchasing & technical assistance
» Investing $100,000 in small business accelerator grants
» Implementing an impact investing fund to invest a minimum of $2.5M in critical areas of the West Side
» Expanding existing programming and coordinating on new strategies to improve access to healthy food

We will serve as the fiscal agent for the grant pool, offer coaching to interested businesses, and support healthy food through The Hatchery.