

Testimony of Rich Loeffler, Business Consultant for MD SBDC

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Chairman Cardin and members of the committee, I thank you for allowing me to share some thoughts from the perspective of a former small business owner who now works with the Maryland Small Business Development Center Network (SBDC). A little about me -- I was born and raised in New Jersey and moved to Maryland's beautiful Eastern Shore for business purposes. I eventually became a partner in this venture and spent twenty (20+) plus years as a business owner. When I chose to sell out my shares, we had \$50 million dollars in annual sales and employed about 250 people. We were in the process of buying out our largest competitor, which was going to triple the size of the business. The business remains a major supplier of metal conveyor belting on the world stage.

Since "retiring" as a small business owner, I have spent over 20 years working with the Maryland SBDC. I've worked with many businesses that showcased great resiliency in the face of adversity. One that comes to mind is a restaurant that was doing exclusive dining room service when the pandemic turned their world upside down. They quickly pivoted and developed a take-out menu. They worked hard to make it easy for their customers to place and pick up their orders efficiently. They even created outdoor seating that pioneered safe social distancing for those who still wanted a restaurant service experience.

Another client I worked with that has shown the ability to pivot is a distribution business that was struggling to compete with tightening margins and large competitors taking more market share in the region. Over several years, they worked on refining their business model with ongoing counseling. They switched from focusing on distribution to growing their fulfillment services and new product consulting. They also added some niche manufacturing to help grow their business revenues and increase their margins. This business continues to engage with our services and is constantly looking for new opportunities to grow and prosper.

In both cases, what helped these clients remain resilient was they learned to pay attention to their business models through ongoing engagement with trusted, local counseling. They were working with someone who really understood their unique business models and provided advisement that was professional and compassionate. Each developed their own key success indicators in their business planning process and tracked performance to measure the success of their strategies. It was a willingness by these clients to continuously learn and engage with the SBDC and other valuable resource partners in the community that made the difference.

What can be done to make more rural businesses resilient? I honestly believe investing in rural SBDCs is part of the answer. We get to know our clients with individualized attention and can provide the ongoing support that businesses need to grow. Our counseling helps clients with limited financial education learn to pay attention to their key success indicators. We also help them think about contingencies in the business planning process and understand the importance of developing productive relationships with resource partners like insurance agents, lenders, and other support professionals. Having someone who is not involved in the day-to-day operations also gives them access to an external perspective that is invaluable to any business that hopes to grow. Our services remain one of the best kept secrets in the business community.

Another factor that is going to impact resiliency is access to longer term capital. The clients who have the resources to invest in their plans to pivot are going to be the clients that succeed. As the saying goes, lenders will gladly give you an umbrella when it is sunny outside, but they will ask for it back the moment it starts to rain. Businesses that are facing challenges can rarely get traditional financing and/or support from federally guaranteed loan programs. Businesses in these situations are often confronted with predatory financing with high interest rates and no options for prepayment or restructuring. Businesses that fall into the trap of subscribing to these types of financing tend to be the businesses that will ultimately fail.

Replicating some of the lessons learned from successful Economic Injury Disaster Loans (EIDL) during COVID may be helpful. So many of our clients were saved during the pandemic by being able to spread their investment over a longer period and at a reasonable interest rate. There was also a relatively easy underwriting process for EIDL loans, as the country worked to recover from the pandemic. Yet now this capital is only available if there is a disaster declaration. Small businesses that need to pivot are not always in regions where there are official Federal emergencies declared. Furthermore, traditional EIDL loans have much tighter underwriting requirements. Perhaps developing a rural loan product that is based on similar income capacity as the Covid-era EIDL would support greater resiliency for businesses that need to develop a pivot strategy.

Thank you again for letting me share this testimony and for your efforts to support rural small businesses in America.