

## BACK TO BUSINESS IOWA PODCAST

A partnership of Iowa State University Extension and Outreach and America's SBDC Iowa

### SEASON 1 | EPISODE 14: Business Model Strategies

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**Description:** *Business model strategies are discussed with guests Paul Heath, regional director of SBDC University of Iowa, and Scott Swenson, regional director of SBDC Kirkwood Community College. Host Steve Adams leads the discussion on best practices and how some business have modified their business model for success.*

#### Transcript:

[music]

#### Steve Adams, host 00:10

Hello, and welcome to the Back to Business Iowa podcast from Iowa State University Extension and Outreach. This podcast is a collaboration between Iowa State University Extension and Outreach and the programs including Community and Economic Development, Farm, Food and Enterprise Development, and the Iowa Small Business Development Centers. These podcasts cover relevant topics for businesses and individuals related to education, research and technical assistance during and post COVID-19.

#### Steve Adams, host 00:55

Hello, I'm Steve Adams, field specialist 3 at Iowa State University Extension and Outreach in the Community and Economic Development unit and your host for today's podcast. Our guests are Paul Heath, SBDC regional director at the University of Iowa, and Scott Swenson, SBDC regional director, Cedar Rapids, located on the Kirkwood Community College campus. Paul, thank you for coming, Scott, you the same.

#### Paul Heath 01:25

Thank you for inviting us.

#### Steve Adams, host 01:28

In this podcast, we'll be discussing some of the business strategies that businesses are implementing during this COVID-19 environment. Paul, can you give us a little overview of the region you serve?

#### Paul Heath 01:42

Yeah, I work out of the University of Iowa. I'm in their bio-venture center. And this region of course is dominated by the University of Iowa. We have a lot of med-tech companies and ed-tech companies around, like ACT and Pearson. And then also kind of unique to Iowa City is a lot of independent bars and restaurants. And those have really gotten impacted by the COVID-19 situation.

#### Steve Adams, host 02:14

Scott, what about your region?

#### Scott Swenson 02:16

Yeah, we're based on a Kirkwood Community College in Cedar Rapids, and our geographic area is primarily Linn, Jones and Benton counties. The makeup of our typical client base, it's about half of the



clients are looking to start a business and about half are what I would characterize as growth stage companies. So probably, you know, five years or less, looking to grow their team, build upon their resources. And so what we see is a lot of lifestyle businesses, that could be construction, light manufacturing, restaurants, some software development. You know, just a lot of ...and a lot in the medical area.

**Steve Adams, host** 03:06

Scott, can you provide us a little background on your overall approach to client engagement, and has it transitioned as a result of COVID-19?

**Scott Swenson** 03:16

Oh, it's definitely transitioned. Our normal mode of operation is we're really kind of mobile with our counseling focus. So you'll see me working out of co-working spaces quite a bit, different parts of the community where the different entrepreneurial hubs are. And really, we try and meet people where they're living. So we're pretty much mobile and you know, highly connected to the grassroots efforts of those entrepreneurs. Of course, during the the transition here, that shifted greatly. Feel a little bit confined working out of my home office and wish I might get out and see people face to face, but that's not possible. So we're doing things remotely and trying to replicate as best we can through Zoom conferences and phone calls and connecting that way.

**Steve Adams, host** 04:13

Well, mobile business counseling—sounds like you could set up a franchise there if you wanted to. So, Paul, and your clients, any different approach than what you traditionally have provided in the past?

**Paul Heath** 04:26

Well, a lot more phone calls, a lot of Zoom meetings, and then a lot of small group meetings on Zoom. And have partnered with the Iowa City Area Development Corporation and the Iowa City Business Partnership, which used to be the Chamber of Commerce, on you know, what's working, what's not. I was on a conference the other day which was predominantly dominated by restaurateurs in the area. But been working with those entities and other entities, just to you know, try to keep everybody positive. Looking forward to the end of this this lockdown and, you know, better days ahead.

**Paul Heath** 05:10

So anxious like Scott to be able to spend more time in front of individuals instead of through Zoom. But surprisingly, you know, this this telecounseling has not worked too bad. So I think I will see a lot more of it no matter what happens, and I'm gonna, you know, going forward allow people to choose a Zoom meeting rather than a face to face meeting if it's more convenient for them.

**Steve Adams, host** 05:41

Yeah, I think we can all agree we've been Zoomed to death, but I'm guessing that we all probably feel like we should have bought stock in this early on, but that's another story altogether. So what all has been the business focus of the clients you're working with? Have they been mainly worried about finance or long-range planning or marketing in a different way? What are some of the changes in foci for these businesses?

**Paul Heath** 06:14

Well, a lot of it, especially the first couple weeks, involved financing. PPP, the Paycheck Protection Program and EIDL loan, Economic Injury Disaster Loan, you know, the SBA, they did in 14 days what normally they do in 14 years as far as loan volume, and the rules were kind of changing on a day to day basis. So people were calling about the latest regulations and the fact that, you know, maybe the website was down and when they could get in. So a lot of dealing with finance and then also, you

know, most people wanted to be fair with their employees and assist their employees with safety and keeping them employed as long as possible. So issues with regulations as far as unemployment, you know, workman's comp.

**Paul Heath 07:11**

And then their personal safety while at work or working from home. So those are the primary issues. I mean, when people come in, we kind of deal with whatever's on their mind and til lately, the end of the tunnel was not on their mind, coming out of this was not on their mind. But I'm seeing a little bit more of that today. People are pivoting in case things don't loosen up here soon, so they can pay the mortgage and keep their employees on board as long as possible.

**Steve Adams, host 07:45**

Think when you said that the SBA situation was changing on a daily basis. I think some might argue that it was almost changing on an hourly basis. But again, as you pointed out, the the SBA was doing a tremendous amount of heavy lifting there for about a two-week timeframe. So are things going a little smoother, though, Paul, in your opinion with this second round of stimulus money? Have they kind of worked out those glitches, in your opinion?

**Paul Heath 08:14**

Well, I think the PPP is going smoother. You know, I've had a couple calls today about the Economic Injury Disaster Loan. And they are still I think, working through the backlog of Economic Injury Disaster Loans that they had after the first initial funding. And today, they did open it up, but currently, it's only open to agricultural-related businesses. So hopefully, they'll have enough money to open it up to other businesses as a result, but agricultural businesses were I think, kind of left out in the beginning and so they want to, you know, make up for some of that. I don't know if it's a mistake or just oversight, so they're letting just agricultural businesses in at the current point,

**Steve Adams, host 09:04**

I guess I didn't realize that, that's good to know. So Scott, are you seeing the same types of requests like Paul, or are there any differences between the two of you?

**Scott Swenson 09:16**

I think it's pretty uniform across the country, really. But the longer the crisis goes on, I think the conversations are starting to shift a little bit, where the, you know, the early weeks were about stopgap efforts and applying for funding, and those type of things. But now we're starting to talk with folks about cash flow, and how long this event may last and playing off those scenarios to know, you know, basically when's the best time to reinvest in the company and come out of the sleep mode.

**Scott Swenson 09:55**

And then unfortunately, we are having some conversation about viability and whether they should continue, especially if they have multiple locations. So some people are probably having to make decisions about pulling back on some pieces of their business so that they can preserve the core aspect.

**Steve Adams, host 10:19**

One of the things, Paul, that we're trying to do during these podcasts is to provide our listeners with some best practices. Are there any best practices that you would recommend outright?

**Paul Heath 10:34**

Well, until things kind of stabilized and we get more of a sense of where business is going, I think it's good idea to conserve cash as much as possible. Don't make any big capital outlays until we see that

things are going to come out of this pretty soon. Other than that, I've had some businesses pivot, look at different ways to run their business with success. Interestingly, I had a business yesterday call me and they said they had the best April they've had. That was a rental business, and they don't rent to commercial businesses, but they rent to individual households for, you know, remodeling.

**Paul Heath** 11:25

And so as a result, people are home, they're spending more time on their home and need equipment to accomplish some of the projects that they want to do. Other businesses, I had another business today, they wanted to upgrade their back office and their software system and put in a better point of sale system. So they've spent this time upgrading their point of sale system to current technology, getting ready for when they get out of this COVID-19 situation.

**Paul Heath** 11:58

Other things they can do is maybe, you know, it's been six months since they've organized and straightened up their warehouse. So this would be a good time for them to dig in and, you know, organize their warehouse. Maybe mark down some items that have been back there for a year that haven't sold, and get them out to the front shelves ready to get their inventory back in line going forward.

**Steve Adams, host** 12:25

Well, looking around and visiting various communities, I would agree with one of the statements that you made there, Paul, and that the biggest line of cars are those parked in parking lots seem to be at the farm and home or lumber yards and also the garden center. So you're right, I think people are maybe paying a lot of attention to those things around the house. So, Scott, are there any specific business planning tools that you're using, that you feel are viable for clients in this current economic environment?

**Scott Swenson** 12:58

I think we're building a lot of those on the fly. But, you know, typically we would work with clients a lot on their overall cash flow. But right now it's just critical. And it's good to be able to play out the scenarios of the market coming back at different rates. And it's gonna vary a lot by each type of client. So I was just at a doctor's office this afternoon, and they're just swamped, their business came back almost immediately. But another business may come back to 20% or 30% of their normal revenues. And at what point are they going to be cash positive with that? And at what point are they going to get past their breakeven point?

**Scott Swenson** 13:47

So in fact, with some clients, we're recommending that they take a wait and see. Let the market return for a couple of weeks and see how it goes. Especially if you're in the restaurant business. If you've been closed, and you returned to 20% or 30% of your normal revenue, you're probably going to slide backwards on cash flow, where we have to kind of figure out where that positive point of return is. And know when the market's recovered enough for it to be the time to reopen. I heard a great phrase from the Iowa Restaurant Association talking about having done nothing to lose the trust of customers, but we have to win their confidence here as we're coming back from this crisis.

**Steve Adams, host** 14:35

Well, that's interesting, because in the restaurants I've been visiting with, you know, basically with the distancing requirements there, they have lost about 65% of their seating capacity. So that's got to impact that business. So when you say is it going to come back 20 or 30%, with 65% of your tablespace or seated space unavailable to you, is it even realistic Scott to think that they're going to come back to a rate of even 30%?

**Scott Swenson** 15:08

Well, it depends if they've been doing if they've been active doing something during the shutdown here, So if they've been doing curbside, if they've maintained customer relationships somehow, they're probably going to come back a little bit quicker. You know, the takeout restaurants probably have ,or you know, the fast casual, maybe have a little bit different environment versus, you know, a sit-down meal where you're going to be there for an hour. We'll just have to wait and see.

**Steve Adams, host** 15:42

Understood. So, Paul, any businesses you'd like to highlight on how they're operating or maybe how they're pivoting their businesses?

**Paul Heath** 15:52

I talked to a past client last week and he has a cleaning business, quite a large cleaning business in southeast Iowa. He said they've pivoted to sanitizing businesses, and they are more than busy. They're working weekends and evenings and once a day going in and sanitizing offices because of COVID-19, and they're at capacity. You know, that's a unique, unique situation. On the other hand, you know, I had a dog boarding business and they've really dropped off. People are now at home with their dogs by their side and so they don't have any census really at their their operation.

**Paul Heath** 16:40

So I'm not sure when that will come back, but they were able to get some PPP money. You know, some businesses are looking at this as an opportunity. I had one woman talk to me ,she wanted to open a restaurant. She didn't want to renovate a space, but now she thinks, you know, there'll probably be a few, sadly, restaurants go out of business and she can pick up a space after this is all over. So she's looking at this as a opportunity to get in business, whereas before, there weren't any locations available. So, word of wisdom, again, you know, just keep a positive attitude. I think, talk to your local Chamber of Commerce people. They're having these Zoom networking events, as well as your local economic development group.

**Paul Heath** 17:34

You know, if you have 1 Million Cups in your community, attend 1 Million Cups and find out, you know, what other people are doing. Get get their feedback on what you're doing. And you know, look for new opportunity and stay positive if at all possible, because eventually you know, this is going to turn around. I, you know, have great faith in coming out of this and things resuming to a high economic level. We just don't know if it's gonna take six months or a year or two years, but eventually we'll get out of it.

**Steve Adams, host** 18:10

Yes, that sanitizing, that's an interesting pivot for that particular company. We have a, we happen to have a local company here that's been sanitizing confined animal feeding operations and cleaning out poultry barns and that kind of thing. And, you know, while they're still doing that at a rather large scale, there suddenly became a market for their sanitized chemicals to be used in quart spray bottles to sanitize local offices, and they're turning out as many quart spray bottles as they have ever done. In fact, it was a new line for them, but the demand has just been off the charts for them. So Scott, as a follow up to you, do you have any businesses that you might serve as a what you would call a great example of changing their focus and still managing to thrive during this difficult period?

**Scott Swenson** 19:03

Yeah, for sure. Probably the prime example is Shop Where I Live. Cherie and Robert Edilson have a ecommerce company, they bill it as it's where the internet meets Main Street. And so it's helping, you

know, those small, traditionally non-ecommerce retailers to have their first presence with, you know, an online effort. So they've offered this to communities, chambers, Mainstreet organizations, and they've been doing that in the Midwest here for about the last two years.

**Scott Swenson** 19:42

Well, with the physical shutdown of the retail stores, now this type of effort becomes all that much more urgent. So really, it's an opportunity for the smaller retailers to improve their business model overall. So they've had just a wave of interest in the program, and a lot of communities bring them on as resources for helping their own Main Street and other small businesses. Great example of solving the problem within the market and really being somewhat opportunistic with changing your focus a little bit to fit the conditions.

**Steve Adams, host** 20:24

Well, Scott, with that being said, would you not assume then that the e-commerce side of things will probably stay in most people's business models going forward?

**Scott Swenson** 20:35

Definitely. One of the things we want to coach people too, is to have their view pointed forward, and what's the future look like? We're not going to return to the business as usual in most cases, so we don't want to be looking in the rearview mirror. But we want to adopt those things maybe that we did as kind of a stopgap, some of those were permanent improvements to our business. We've gotten really good at taking orders virtually. We've gotten really good at service enhancements, including curbside and delivery. And some of these can be permanent, so we can be better businesses on the other side of this crisis.

**Scott Swenson** 21:19

At the same time, we may need to do some housecleaning, so to speak, you know, drop some of the things that weren't working well even before the crisis. Now's a good time to get rid of those. But also play to the new market. Is there any conditions that make what we're doing adaptable so that we can be even more relevant on the other side of this crisis? We like to think about this being a disruptive period. And disruption means new opportunities, and we want to be on the forefront of being relevant for customers coming out of this.

**Steve Adams, host** 22:04

Paul, putting you on the spot now any words of wisdom for businesses during this timeframe?

**Paul Heath** 22:12

If they want to talk to the Small Business Development Center, we'd be glad to work with them. Think about your strategic plan and updating it. And like Scott said, things are going to go toward the internet to social media in the future and they need to for sure, you know, have a website, a Facebook page going forward. I think you know, that's the future of marketing, part of the future of marketing. And keep pivoting, keep trying things, you know. If they don't work, you you can try something else but you keep have to stay in the game and move forward. You know, things are changing and you need to find your niche one way or the other to succeed.

**Steve Adams, host** 22:59

So Paul, I'm out there, I'm in the Iowa City area, I need some help. How do I contact you?

**Paul Heath** 23:05

You can go to [IowaSBDC.org](http://IowaSBDC.org), that's the website for the organization. Or my number here is 335 3742. That's area code 319. So you can call, but the easiest and the way most people get ahold of us is through our statewide website, which is, again, [IowaSBDC.org](http://IowaSBDC.org).

**Steve Adams, host** 23:31

Scott, same with you or a different approach in getting a hold of you?

**Scott Swenson** 23:36

Same website. I'm also doing a lot by email and phone. So my email is [Scott.Swenson \(S W E N S O N\)](mailto:Scott.Swenson@IowaSBDC.org) @Kirkwood.edu, and phone number is 319-377-8256.

**Steve Adams, host** 23:58

Outstanding Hey, want to thank you both for taking time to visit with us today and we certainly owe you all a debt of gratitude and we appreciate the work you're doing to assist business and industry and community during this very difficult period.

**Steve Adams, host** 24:14

So, well, if you have any questions about this Back to Business Iowa podcast, please feel free to contact me, Steve Adams at [stadams@iastate.edu](mailto:stadams@iastate.edu), and thank you once again for listening. This podcast is a collaboration between Iowa State University Extension and Outreach and the Small Business Development Centers of Iowa. We're always serving Iowans, hashtag StrongIowa. Let's get back to business, Iowa. Our justice statement is as follows: this institution is an equal opportunity provider. For the full non discrimination statement or accommodation inquiries, please go to [www.extension.iastate.edu/diversity/ext](http://www.extension.iastate.edu/diversity/ext). Thanks again, and we'll see you next time.

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