

**Community Capital
Market Study
January 2007**

Executive Summary

The mission of Community Capital is to contribute to a strong Vermont community by helping small businesses prosper through the provision of flexible financing and ongoing technical assistance. At the request of Community Capital (Community Capital or CC), FUND Consulting conducted this market study to inform the strategic planning process. In addition, CC staff also seeks to understand more about its business model, potential services gaps, and market opportunities.

Conclusions

1. A wide variety of financial products and services are provided in the state by banks, credit unions, economic development authorities, and non-traditional financial organizations.
2. Personal savings, family/friends, and credit cards are commonly used to finance small businesses.
3. Although there is evidence of high entry costs for small businesses and brain drain of youth, this is matched by a pervasive entrepreneurial spirit and a relatively stable economy.
4. There is evidence of moderate to high levels of need and demand for small business financing. The findings indicate that lower income and minority group residents are underserved.
5. The findings show the major obstacles to small business financing include attaining start-up capital, qualifying for a commercial loan (lack of business plan, lack of credit, and lack of collateral), high entry costs, and lack of small business knowledge.
6. Stakeholders indicate technical assistance /education and loan capital are the products needed to address the obstacles.
7. Community Capital's market niche appears to be providing entry-level loan products with intensive technical assistance services.
8. There is also some evidence that current positioning allows the organization to serve a lower income clientele than others in the market.

9. Community Capital is well-known in the market and enjoys a positive reputation; however the level of familiarity with its products and services is lower.

10. Stakeholders report a high level of satisfaction with CC's products and services.

The following are the organizational strengths and challenges identified in this study:

Strengths

Demonstrable need and demand in the market

Products and services in line with identified market niche

Well-known in market

Satisfied client base

Existing partnership with other players in the field

Challenges

Large geographic investment area

Variable levels of economic distress (need) and demand across the investment area

Widespread perception of "unfriendly" business environment

Potentially high entry costs for business start-ups

Strategic Recommendations

Recommendation #1: Continue to Focus on Market Niche

Recommendation #2: Use Findings as part of Strategic Planning Process