

CASE STUDY

Understanding Options for Business Funding

Understanding which capital options are available can influence a business's trajectory. Business owners may consider expanding or investing more in resources with access to the right amount and type of funding. This case study shows how Jacqueline, the owner of The Party Planner, built a plan to seek additional funding to expand her business.

BACKGROUND

The Party Planner is a business run by Jacqueline, a professional event coordinator who spent 10+ years in the corporate events world. Two years ago, she launched her own business.

PROBLEM

Jacqueline knows she needs to hire someone to support the increased demand. She can't afford to hire someone with her current funding methods.



APPROACH

First, Jacqueline documented how she has funded her business so far:

- Used her savings to start her business
- Raised friends and family funding in exchange for 20% equity
- Uses a business credit card to buy supplies and travel for work
- Pays off her credit card using profits she generates from her business, also known as bootstrapping

EVALUATE IF IT'S THE RIGHT TIME TO PURSUE CAPITAL

To determine if it's the right time to seek outside funding, Jacqueline evaluated her business using a three-pronged approach focusing on the environment, her business operations and the opportunity.

Analyze	Key question	Y/N	Additional commentary
The environment (External)	Has your market or industry changed in the last year?	Y	<i>I shifted to virtual events on Zoom during the pandemic, but now I'm back to planning in-person events exclusively.</i>
	Has the competitive landscape in your industry changed?	Y	<i>I was one of the few party planning companies to shift to virtual events during the pandemic and many of my competitors went out of business during that time.</i>
Your operations (Internal)	Do you currently have sufficient resources?	N	<i>I have just enough materials to complete my events through the end of the year, but some help and other partners with more options would be helpful.</i>
	Is your operating model sufficient? Do you have the right processes in place?	Y	<i>My model works for me as the sole employee — I have technology that keeps me up to date with my partners and hosts.</i>
	Do you have the right team to build for the future?	N	<i>If I want to grow, I need to hire someone else soon. I'm getting pulled in all directions.</i>
The opportunity	Has your customer demographic changed since you last evaluated your business?	Y	<i>Now that it's safe again to gather in person, my clients are more eager to plan parties now than ever before.</i>
	Have your customers' needs changed?	N	<i>Not really — we now always include backup plans if COVID cases rise again.</i>
	Do you need to adapt your business model to support any of the changes detailed above?	Y	<i>It needs to grow — I have new clients from competitors that went out of business and if I don't hire someone soon, I'm going to have to turn potential clients down because I won't have the bandwidth to support their events. Plus, specific seasons like the holidays really pick up and I have events every other day.</i>

Jacqueline answered Yes to most of the questions above, confirming that she wants to explore her financing options to find and hire a new employee.

REVIEW CAPITAL OPTIONS

Jacqueline is confident it's the right time to seek additional funding, so she compares some of the available funding options.

Type of capital	Considerations	
Business line of credit: Borrow up to a specific credit limit used to support short-term (<1 year) working capital	<ul style="list-style-type: none"> • Flexible credit option • Can take advantage of trade discounts, build inventory or shore up operating capital 	<ul style="list-style-type: none"> • Expires — must be renewed to continue using • Must be paid back to continue using • Typically higher interest rates
SBA loan: Expedited loan program that can be a term loan or a line of credit	<ul style="list-style-type: none"> • Typically requires a lower down payment and offers lower interest rates • Option for businesses that may not be able to obtain a loan through other lending channels 	<ul style="list-style-type: none"> • Qualify by being a for-profit business that generated less than \$5 million average net income over the past two years • Typically comes with a guarantee fee • Annual service fees range
Business term loan: Credit that must be repaid within a specific time frame	<ul style="list-style-type: none"> • Can be used for large purchases • There is a set end date to the loan 	<ul style="list-style-type: none"> • May take longer to pay off based on the structure of the loan • The process for term loans is more rigorous than revolving credit

NEXT STEPS

Jacqueline decided a business line of credit is the best option to solve her business problem. The short-term, flexible line of credit should allow for enough time to set the foundation for increased profits after hiring someone new, and the expectation to pay it back in a timely manner.

She plans to go to her local bank and ask about their business line of credit offerings, and will prepare by:

- Gathering financial documents, including her tax refunds, balance sheet and profit & loss statements
- Analyzing her cash flow over the last year
- Confirming how much she can afford to pay back using financial projections
- Documenting the needs for how her business structure will change with a new employee

For Informational/Educational Purposes Only: The views expressed in this piece may differ from other employees and departments of JPMorgan Chase & Co. Views and strategies described may not be appropriate for everyone, and are not intended as specific advice or specific recommendations for any individual. You should carefully consider your needs and objectives before making any decisions, and consult the appropriate professional(s). Outlooks and past performance are not guarantees of future results. All case studies in this presentation are hypothetical examples. Any resemblance to actual persons or businesses is entirely coincidental. JPMorgan Chase Bank. N.A. Member FDIC. Equal Opportunity Lender ©2024 JPMorgan Chase & Co.