



# Business Source

INFORMATION AND NEWS FOR SMALL BUSINESSES IN THE ST. CHARLES/ST. LOUIS REGION

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*"The more goals you set—the more goals you get."*

— Mark Victor Hansen

## Baby Boomers—Know This Consumer

**B**aby boomers – typically defined as those folks born between 1946 and 1964 – are the largest buying group in America. These are the kids who were raised with the instant gratification of television and the advent of fast food and who broke with conventional norms in their music and dress.

Thousands of Baby Boomers turn 50 every day. They represent the generation with the greatest buying power in the history of the country. Because of good health care, many Boomers plan to continue working into their retirement years, so they will have more to spend and longer to spend it than any group before them.

Baby Boomers are worried about staying young – looking well, eating well and living well. They are concerned about their health and their fitness. They seek convenience, speed and quality for a reasonable cost. They are at the peak of their personal and professional lives – and at the peak of their spending habits. With retirement looming on their horizons, they seek retailers and service providers who can meet their demands for customer service, ease of purchase, flexibility, high performance and efficiency.

The way to the heart of a Baby Boomer is through customer service. Implement strategies that will save

them time, money and aggravation. Feature custom orders, gift wrapping, personal shopping and shipping. Create preferred buyers' clubs, hold special sales or establish private buying hours for them. Afterward, write notes thanking them for attending.

Baby Boomers are Internet-savvy. They use technology in their work, and they have learned to use it for pleasure as well. They shop online (although the majority still prefers mail order catalogs when they purchase from home), book their travel online, communicate online and read online. They own large screen televisions, fax and copy machines, cell phones and pagers. They eat out at least three times a week.

At the same time Baby Boomers are leaping into the future, many are longing for the past. They like nostalgic music – the kind they listened to growing up. According to some consumer profiles, these folks make up nearly one-third of the music buying market, but they won't download it. They'll go to your store to buy it and listen to it in their cars.

Keep in mind that many Baby Boomers are empty-nesters, and some are grandparents. It is anticipated that they will spend nearly

*See Baby Boomers, page 5*

# Federal Government Target Marketing

Once a firm has determined where it falls in the marketing channel, it can concentrate its efforts on what federal buyers it needs to focus its marketing efforts on. To do this, a firm must understand the many levels of the federal government. Federal buying activities can be broken down into two main categories: Department of Defense and Civilian Agencies.

Department of Defense buying activities are the Army, Navy/Marines, Air Force, Defense Logistics Agency, U.S. Army Corps of Engineers and DoD prime contractors, such as Boeing, General Dynamics and Lockheed Martin.

The Defense Logistics Agency (DLA) is a massive buyer of goods that almost exclusively purchases commodities. DLA functions as an intermediary or large scale distributor. It purchases commodities from suppliers and then resells them to the various military installations located throughout the country and world. It generally does not procure services.

The importance of proper target marketing is exemplified in marketing to an agency such as DLA. Since DLA purchases predominantly commodities, it is a waste of time and effort for a service company to be chasing it with business. Thus, it is important to understand the different functions, activities and roles within the various agencies of the federal government in order to properly target each buying agency.

The second category of federal buyers is on the civilian side. The General Services Administration, NASA,



Government Printing Office, Department of Energy, Department of Justice, Housing and Urban Development, and Department of Transportation are all examples of civilian federal buyers. A civilian prime contractor, such as Motorola, IBM, Sharp or Kraft, is also included in this category.

Firms must comprehend these two different categories within the federal government to assure proper target marketing. Targeting “the government” as a potential customer is not a viable marketing strategy and cannot succeed. To have the government as your target market is the same as having the entire world with every type of product and service available as your target market. It simply will not work.

Most firms believe all they have to do is *get on the list* and their firm will be ready for government contracts. This could not be any further from the truth, and firms must take substantial steps in understanding a potential federal government customer.

The example of DLA is a good one. A landscaping firm is wasting time pursuing business with one of the

Supply Centers located in Philadelphia, Columbus or Richmond. A landscaping business will not attain business from one of the Supply Centers because they do not purchase services. They only purchase commodities.

Unless the requirement is for landscaping the premises directly at the facility where the Supply Center is located, there will not be opportunity for that firm. To be more specific, landscaping services will inevitably be needed for the Center premises; however, they will not be procured for the Department of Defense in the aggregate across the entire world. For a supplier of goods, the opposite is true. DLA will purchase commodities for resale to be used all over the United States and for all of the military installations located throughout the world. Thus, an integral knowledge of a firm’s potential customer is absolutely required in federal government marketing.

Three questions need to be asked by firms considering government marketing: “Are there buyers?” “What type of business are we in?” and “What type of product or service do we provide?” These are all important questions because each comprise an overall determinant of selling potential. Firms must identify where they fit in the government marketing channel. Otherwise, it will spend wasted time pursuing opportunities that are not a good fit for the company. Questions of direct prime contracting versus indirect subcontracting must be addressed and identified.

For instance, a firm that manufactures an end product is probably best suited to sell directly to the government. A



## 504 Program: A Well-Kept Secret

### Call RMI First For Your 504 Loan!

Something remarkable has happened during the last 20 years in the economic development finance arena—something that has been a well-kept secret.

RMI, a Missouri not-for-profit Certified Development Company (CDC), has funded more than \$180 million in loans, leveraged an additional \$330 million in private capital from financial institutions and helped businesses create more than 11,000 jobs for the state of Missouri. But RMI is not alone. There are more than 250 CDCs in the nation that deliver the 504 Loan Program and have helped create over one million jobs nationally!

During the past decade, the growth of this industry has rivaled that of some of the nation's fastest-growing companies. Since 1992, the number of loans generated by this industry has risen more than 170 percent, and the dollar volume has increased 293 percent. What exactly is the industry? Call it *the 504 industry*. It is the result of a government loan program titled U.S. Small Business Administration (SBA) 504 Loan Program—simply known as 504 and recognized as the most significant economic development finance program in the country.

Even with the tremendous growth of the Program, the demand for 504 loans has not reached the maximum SBA budgetary authority. The 504 Program has the capacity to provide even more financing and create more jobs. A major benefit of the 504

Program is that it is a government-backed program with virtually no cost to taxpayers. National estimates show that nearly \$5 billion in 504 Loans for fiscal year 2005 will be approved.

### The 504 Partnership At Work

The 504 Program is a co-lending product. Every loan is completed in partnership with a bank or other financial institution. This partnership is essential to the success of the 504 Program, the CDC industry and the banks outreach to businesses.

The 504 Program helps businesses purchase or construct and occupy their buildings, facilitate business growth and create jobs and investment in their communities. Through a partnership with banks, businesses receive up to 90 percent loan-to-value financing, with the bank providing the larger share of the needed capital (typically 50 percent) through a first deed of trust and the 504 Loan providing most of the remaining capital (typically 40 percent). The borrower contributes a minimum down payment (typically

10 percent), freeing much-needed cash for other business purposes and working capital.

The 504 Loan is a subordinated debt product fully guaranteed by the U.S. Small Business Administration. It allows growing businesses to access lower, fixed interest rates and long terms for fixed assets (10 or 20 years) for owner-occupied real estate and/or equipment.

### 504 Program is Good Business

Banks ensure that their business customers are aware of the 504 Program and work closely with CDCs to ensure success and customer satisfaction. They recognize the value of the CDCs who package the loan and the 504 Program that brings jobs, investment and business growth in the communities where they serve. The 504 Program is good business for banks, businesses and the community. Banks can provide their business customers access to long-term, fixed-rate financing, minimize their risk, increase their lending limits and maintain liquidity. Working with CDCs and the 504 Program can be an excellent way for banks to meet the requirements of the Community Reinvestment Act (CRA).

### 504 Program Local Testimonials

Ron Elderton, owner of Calico Laboratories, Inc., obtained a 504 Loan and states, "I was able to secure a low-interest 504 Loan through RMI that allowed me to grow my business by constructing an addition onto my existing building and purchase a new



See 504 Program, page 5

## Business Spotlight: *Optimal Lifestyles*

If life is like golf, then Barb Michael is six under par and a putter's length from the cup!

Optimal Lifestyles, founded by Barb Michael, is a health and fitness consulting company specializing in general fitness, golf-fitness and yoga. The main mission of the company is to help others by providing health information that will improve the quality their lives. Five years ago Barb Michael started her company as a Health and Fitness consultant in St. Louis, Missouri. Her company, Optimal Lifestyles, was providing health and fitness coaching, fitness seminars, strength training and yoga classes in local venues.

Though she was having some success, she couldn't generate the sales volume to make the venture worthwhile. Then she contacted the Missouri Small Business Development Center and started working with Kevin Wilson, a counselor in the Regional St. Louis office. Barb and Kevin started strategizing on how to make her company more profitable and stronger. First they started with a fiscal checkup and determined how well she was doing financially. After that they determined the critical factors that Barb needed for a successful business. After a year of counseling Barb is now out of the rough and playing fairway golf in her business. In one short year Barb was able to double her sales and show a profit. She now has two employees and will hire two more by the end of the year.

Now Barb is the health and fitness education sponsor for the Gateway PGA. Barb provided on site yoga instruction for the LPGA Tour players at the St. Louis 2001 Michelob Light Classic and the 2001 State Farm Classic in Springfield, Illinois.



*Barb Michael, founder of Optimal Lifestyles, a health and fitness consulting company, offers a yoga component for golfers in her clinics.*

Through Optimal Lifestyles, Barb coordinates seminars and consultations on fitness in many of the St. Louis private country clubs and has some high-profile clients. Barb has worked with individuals and major local

St. Louis corporations providing information to help their employees make lifestyle decisions and to improve work performance. In addition, Barb presents unique golf-fitness clinics that feature a yoga component. This dynamic style of yoga gives Barb the opportunity to work with golf professionals who understand the importance of fitness and yoga for golfers to help lower their risk of injury, improve performance and increase enjoyment of the game.

Barb has practiced yoga for twelve years and uses a combination of yoga and strength training in her own general fitness and golf game.

Prior to launching Optimal Lifestyles, Barb worked in the health care field for more than 10 years. Her extensive experience has been focused in fitness, women's health, community health and marketing.

Along with her graduate degree in Health Science awarded from Washington University, Barb is certified as a Health and Fitness Instructor with the American College of Sports Medicine and is AFAA (Aerobics and Fitness Association of America) certified in weight training. She is certified in yoga through Integrative Yoga Therapy and is a Registered Yoga Teacher with Yoga Alliance. Barb is on the St. Louis American Heart Association Women's Heart Health Committee and on the Cardiovascular Board of the State of Missouri.

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*Baby Boomers, continued from page 1*

\$40 million in the next year on goods and services for the children in their lives. And many Boomers are also members of the “Sandwich Generation,” caught between caring for their children and grandchildren AND their parents. With their children out of the home, empty-nesters have more discretionary money to spend on

themselves. And their spending covers the spectrum – from upscale discount houses to designer boutiques.

Whatever your product, you should carefully consider its appeal to this huge market and determine how you can deliver it when they want it, where they want it and at a reasonable price. Find a way to differentiate yourself

from your competitors and appeal to the Boomers’ desire to stay young, act young, think young and feel young! Do that, and you’ll have a customer for life!

For more information or to receive assistance on this topic and many other business management issues, contact one of the specialist listed in on page 7 of this newsletter.

*Target Marketing, continued from page 2*

manufacturer of parts or components, on the other hand, may find its best niche within the marketing channel as a first or second tier subcontractor to a firm selling directly to the government. The company that produces the jeep will generally sell it directly to the Army, but the company that produces the transmission for that jeep will sell it directly to the jeep manufacturer. Likewise, the company that produces an aluminum casting for a transmission will most likely sell its casting to the firm that manufactures transmissions for the firm that produces jeeps for the U.S. Army.

There are times when the government buys parts and components. As a matter of fact, the Supply Centers purchase these types of goods on a regular basis. Bid histories can help determine which ones and how often these types of parts or components are needed. As a general rule, the Air Force is most interested in purchasing a jet fighter from Boeing or Lockheed Martin. They are not concerned about the seat for that jet fighter. They leave that concern and determination up to Boeing. However, Boeing must assure that the seats they are placing in their jet fighters meet spec with what the Air Force is requiring.

Thus, Boeing suppliers must be ready and equipped to provide parts and components that are as suitable to the Air Force as the jet fighter that Boeing is directly supplying.

These requirements move all the way down the supply chain. Thus, proper determination of government marketing channels is an integral part of marketing to the government. Companies must assure that marketing efforts are being targeted first at where they are applicable and secondly, where they are most effective.



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*504 Program, continued from page 3*

bottling system.” Calico Laboratories, located in Festus, is a manufacturer of nail polish remover. “RMI was absolutely instrumental in my ability to move my business forward. The low down-payment allowed me to conserve my working capital that helped me grow and expand my business where it is today,” said Ellerton. Calico Laboratories, Inc. created twenty new jobs with their expansion.

“Small businesses have a choice of Certified Development Companies to

work with, and I chose RMI because of their extensive knowledge and experienced staff. Also, RMI provided a quick approval. 504 is a great program to offer commercial customers,” said Ellerton. Jim Weiss, Vice President of Commerce Bank in Kirkwood, was the participating lender on Calico Laboratories’ 504 project.

### **Call RMI First For Your 504 Loan**

RMI has been delivering the 504 Program for over 20 years and

provides a knowledgeable, highly trained and responsive staff to deliver the program. RMI is an Accredited Lender for 504 loans, which means quicker than general processing approvals for 504 applications; and in many cases, RMI can pre-qualify your 504 application. RMI has been rated number one for total 504 loan approvals in the region for the past ten years and is currently ranked in the top 10 percent nationally. Call Joe Stock of RMI in St. Louis for your 504 Loan at 314-621-5021 or visit the web site <http://rmiinc.org> for more details.

# Small Business Training

## FastTrac NewVenture for Dislocated Workers

Participants will develop a feasibility plan for starting a business. *Five-day course – each month's dates comprise one course.*

### St. Louis

Nov 1, 2, 3, 8, 9; 9:30 - 4 p.m.  
Call: 636-970-3000

## Understanding Financial Statements

Turn financial statements into useful management tools by identifying key business information. Learn to understand ratios and interpret financial documents to drive business decisions. *Three-hour workshop.*

### St. Charles

Oct 26; 5:30 - 8:30 p.m.  
Call: 636-970-3000

## QuickBooks – Beginner

Learn the basics of QuickBooks, an accounting software program for small business. *A six-hour or two three-hour workshop(s).*

### St. Charles

Oct 5; 9 - 4 p.m.  
Call: 636-970-3000

## QuickBooks–Intermediate

Sharpen your QuickBooks skills by learning advanced features. *A four-hour workshop.*

### St. Charles

Oct 20; 1 - 5 p.m.  
Call 636-970-3000

## Starting A Business in Missouri

Learn essential information for starting your own business. *Three-hour workshop.*

### St. Charles

Oct 11, Nov 8, Dec 13; 5:30 - 9 p.m.  
Call: 636-928-7714

### St. Louis

Oct 12, Nov 9, Dec 7; 1 - 4 p.m.  
Call: 314-241-1511

## Writing a Business Plan

Learn the key components of a simple business plan. Time allowed for practice writing. *Three-hour workshop.*

### St. Charles

Oct 25; 5:30 - 9 p.m.  
Call: 636-928-7714

### St. Louis

Oct 26, Nov 23, Dec 14; 1 - 4 p.m.  
Call: 314-241-1511



**Call** the phone number listed for registration information or register at <http://missouribusiness.net>.

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# Small Business Assistance

For business counseling, training opportunities or more information contact a Specialist with the Small Business Development Center or University of Missouri Extension.

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### Internet Resources

Missouri Business Resource Center combines the best of State and University business resources into one easy-to-access network at <http://missouribusiness.net>

University of Missouri Extension – St. Charles at <http://extension.missouri.edu/stcharles/business.shtml>

University of Missouri Extension – St. Louis at <http://extension.missouri.edu/stlouis/biz.shtml>

Small Business Development Centers at <http://missouribusiness.net/sbdc>



In 1980, Congress created the Small Business Development Centers (SBDC) in cooperation with the U.S. Small Business Administration to stimulate economic growth and to provide management assistance. Missouri SBDCs provide assistance to clients according to SBA-defined standards for the size of small businesses. The SBDC is a part of University of Missouri Extension.

University of Missouri's Business Development Program in the St. Charles/St. Louis region includes two UM Extension Specialists and five SBDC Business Counselors. It is the local link between the resources of the four UM campuses and people throughout the state. Counselors and specialists use their expertise to help startups and existing businesses in business planning, management, marketing and finance. There is no fee for individual counseling.