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SMALL BUSINESSES TURN TO ALTERNATIVE FUNDING SOLUTIONS DURING CREDIT CRUNCH

Access to Cash Flow is Number One Problem For 2008

ATLANTA – January 14, 2008. – The results of a recent survey of small-business owners found that the number one barrier keeping them from meeting their financial goals in 2008 is lack of access to working capital. In this most recent installment of the Capital Access Network (CAN) Small Business Barometer, decision makers at small businesses indicated that their own “credit crunch” outweighs all other business obstacles they will face in 2008 including taxes, staffing, seasonality and energy costs.

For the past year, news headlines have cried out that the U.S. is in a full-blown “credit-crunch.” While the impacts of the crisis vary from industry to industry, the common factor is that access to lines of credit is increasingly difficult to obtain, credit and capital are getting more expensive when they are obtainable, and consumers are feeling the pinch as banks tighten approval requirements. Small businesses, which are also consumers of credit, are no exception..

Growth for Alternative Funding Options

As a result, companies who provide alternatives to small business loans and other forms of business financing are experiencing increased interest in their products. Traditional lenders make decisions almost entirely based on FICO and other credit bureau scores. Alternative funding providers that offer Merchant Cash Advances to small and mid-size businesses accepting credit cards as a form of payment, such as Kennesaw, Ga. based AdvanceMe, Inc. and Acacia Funding in Seattle, Wash., focus less on the consumer-oriented measures of viability (credit scores) and place greater emphasis on the business’ track record of success when making funding decisions. Plus, personal collateral is not required. According to Diane Naczi, Senior Vice President of Marketing for AdvanceMe, over the past 90 days the company has seen an increase in new business requests of nearly 75 percent.

A Merchant Cash Advance, otherwise known as credit-card-receivable funding, is an increasingly popular solution for small businesses looking for a flexible form of business capital. As use of credit cards grows as a form of payment at a greater variety of businesses, more small business operators are able to tap into a previously unrecognized form of capital: their credit card receipts. Overall awareness of Merchant Cash Advances is at an all time high with nearly 45 percent of respondents stating that they are aware that they can sell their future credit card receivables in exchange for working capital. Additionally, those respondents who had previously used a Merchant Cash Advance report a high level of satisfaction; 72 percent claim they were satisfied with their experience working with a provider. The survey findings track with the repeat sales of the Merchant Cash Advance providers. According to AdvanceMe, nearly 75 percent of its customers return for multiple fundings..

Wish Lists for 2008

So what do these small businesses want to do with additional cash? The CAN Small Business Barometer survey asked entrepreneurs what they would like to do if they had access to \$50,000 in working capital. Indicative of the current credit-culture, the number one choice was to pay off business and/or personal debt. However, runner-up selections were related to overall expansion and strategic tactics to grow their businesses. The remaining top picks were purchasing new equipment, implementing a marketing campaign, upgrading business technology and creating and/or updating their website presence.

Additionally, respondents were asked to consider where cuts in expenses could be made to boost profitability in 2008. Travel, a luxury for many small businesses, was the most likely expense cut for 2008, followed closely by new technology purchases and in third place, staffing cuts. The bottom half of the list included advertising initiatives, employee “perks” such as paid time off and in last place, healthcare insurance.

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Capital Access Network Small Business Barometer

The CAN Small Business Barometer is commissioned by Capital Access Network, Inc. with the purpose of capturing and reporting data that will continue to support the growth and viability of small businesses across America.

About Capital Access Network

Capital Access Network, Inc. serves the small business market through its wholly owned subsidiaries. CAN is engaged in the business of generating and maintaining high yielding assets by leveraging leading edge data, systems and technology that is married to a unique, highly effective collection methodology. Founded in 1998, CAN and its subsidiaries currently employ 300 people in five main locations in New York, Georgia, Massachusetts, Minnesota and Costa Rica.

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