

# Empowered

A monthly online publication published by Thompson Management Consulting, LLC for small business owners and entrepreneurs – SEPTEMBER 2015

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## National Hispanic Heritage Month



*September 15 – October 15, 2015*

### Cuba's New Revolution: Entrepreneurship and the Dawn of a Free Market System

*By Austin E. Thompson, Jr.*



Finally, after 54 years of isolation, Cuba is once again courting diplomatic relations with the United States of America. Once looked upon as a Communist country with terroristic threats to America's national security, Cuba stands on the horizon of economic emergence as the partial removal of over five decades of economic sanctions have resulted in the raising of an American flag in Havana, Cuba as the American Embassy reopens its office there, and the raising of a Cuban flag in Washington, D.C. as the Cuban Embassy reopens its office on American soil. Both openings represent a turning point in the still volatile relationship between Cuba and the U.S., as America continues to push for democracy and human rights on the island. However, as stated by President Barak Obama during his speech on December 17, 2014, "America chooses to cut loose the shackles of the past so as to reach for a better future, for the Cuban people, for the American people, for our entire hemisphere, and for the world".

It has long been known that Cuba was more than ready to enter the 21<sup>st</sup> century and join the rest of the world, after the 54 year embargo crippled its economy, and relegated the small island nation of 11.3 million people to a time long forgotten. Access to food and modern resources became scarce, which resulted in many disheartened Cubans leaving the country on make shift vessels and risking their lives to land on the shores of Miami, Florida. Cubans at home are now in a position to elevate their socio-economic standards through small business trade and development, as entrepreneurship is helping business men and women rebuild their lives, and increase their financial stability.

*Continued on Page 2*

With the new policies, Cuban business owners will be allowed to engage in trade with the United States of America, as long as their services and products are not connected to, or in partnership with state-owned agencies. Hence, business owners must operate totally independent from the Cuban Government.

For the past 54 years, Cuba claimed to have suffered up to \$1 trillion in lost revenue due to the sanctions. It became dependent on subsidies and support from the Union of Soviet Socialist Republics (USSR), up until the collapse and dissolution of the Soviet Union between 1985 and 1991. Cuba was totally dependent on the USSR for its ability to extend credit, from which Cuba could use the credit to purchase equipment, machinery, and other resources it needed to function. This partnership was established between Cuba and the Soviet Union after the United States refused to purchase Cuba's sugar, which was devastating to Cuba, as the U.S. was its most lucrative customer. The U.S. turned down Cuba's sugar immediately after a revolution, which was led by Fidel Castro, Raul Castro, and Ernesto "Che" Guevara, that ousted the prominently U.S. backed Flugencio Batista regime. With Batista now ousted by the coup, and with the installation of the Castro administration, the United States abandoned its support of any goods exported out of Cuba. Coming to the realization that it needed to export one of its best commodities, Cuba struck a deal with the Soviet Union to purchase 1 million tons of its sugar annually. This, along with a generous extension of credit, helped to stabilize the Cuban economy and keep it afloat.

According to trading economics, Cuba's GDP declined to US\$5.69 billion in 1970, but rebounded to an all-time high of US\$68.23 billion in 2011, while averaging US\$28.45 billion during that period (**Trading Economics. (n.d.). Cuba GDP. Retrieved from [www.tradingeconomics.com/cuba/gdp](http://www.tradingeconomics.com/cuba/gdp)**). After the Soviet Union collapsed, Cuba turned to Russia, one of the largest Soviet Republics, and Venezuela, as the country had no local production.

Now that a turnaround is imminent, there is potential on both sides. With deplorable infrastructure present, American business owners are in a position to provide services to the Cuban people.

For example, cell phone, telecommunication services, computers, cell phone services, software, and other products are needed in Cuba. Entrepreneurs can provide these services and products directly to small business owners in Cuba. Credit card companies and financial institutions are now operate in Cuba. This is especially lucrative, as the number of visitors to the island will increase, and so will spending at various privately owned restaurants and retail outlets. Americans, once only allowed to travel with up to \$3,000 in total remittances, can now travel with up to \$10,000 in total remittances, allowing for a boost in discretionary income for Cuban families. For goods imported into the United States, this is governed by the U.S. State Department Section 515.582 of the Cuban Assets Control Regulations, and to see what goods are allowed to be exported, those interested can visit [www.state.gov](http://www.state.gov) of the U.S. Department of State.

Anyone considering a visit to Cuba must understand that travel is permissible only under the following qualified categories:

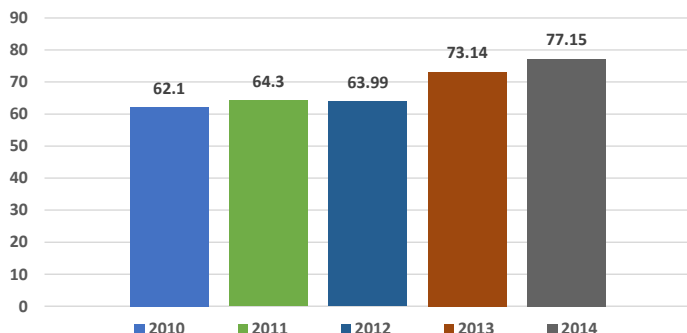
- Family visits
- Official government visits
- Journalism
- Professional research and meetings
- Educational activities
- Religious activities
- Public performances, clinics, workshops, exhibitions and athletic competitions
- Support for the Cuban people
- Humanitarian projects
- Activities for private foundations or research for educational institutes
- Exporting or importing information or "information materials"
- Travel related to some authorized export transactions

These are the categories under which one can qualify for travel to Cuba at this present time, as the travel embargo has not been completely removed. For additional information, anyone can check the U.S. Treasury Department's website.

Tourism will experience an immediate increase, as Cuba has over 400 beaches, and located only 90 miles from the Florida coast. There are 19 approved ports from which Cubans can enter the U.S., and travel can be arranged with participating airlines and hotels. Although a complete lifting of the embargo is still imminent, we can begin feeding our curiosity by visiting this once isolated nation and build strong relations.

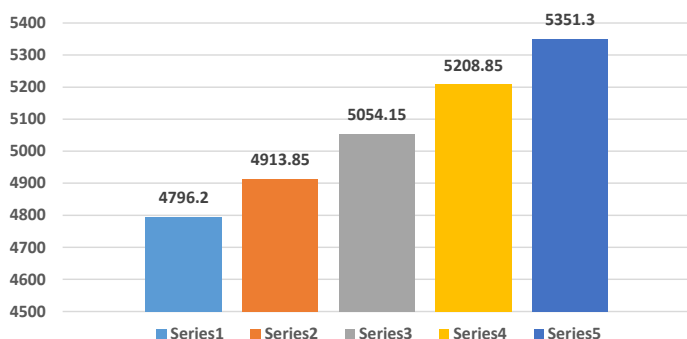
Cuba will play a vital role in Latin America and the Caribbean region, and once the embargo is completely removed, the island will lead a new kind revolution, which will be rebuilding its economy to be one of the best in that region. You can listen to my reporting on Entrepreneurship in Cuba by visiting <http://tmconsultingllc.com/radiopodcasts.html>, and look for the broadcast. Viva Cuba!!!

Cuban GDP Growth - USD Billion



Data from Trading Economics

Cuban GDP Per Capita - USD



Data from Trading Economics

## Thompson Management Consulting, LLC

### 3<sup>rd</sup> Annual Entrepreneurship and Small Business summit

May 19 & 20, 2016 (Workshops)  
DeVry University, Duluth

May 21, 2016 (Forum & Vendor Expo)  
Georgia Piedmont Technical College  
The Conference Center

Hold the Dates • More Information to Follow

## For Small Business Owners, Alternative Finance Is Not a 4 Letter Word

By Tom Brigette

I used to watch the show Entourage, and one season the great actor Martin Landau had a brief role in which he played a character named Bob Ryan. Bob liked to repeatedly use a phrase that went like this; “what if I were to tell you (key point or phrase...), would that be something you’d be interested in?”

Well, what if I were to tell you that 95% of small businesses started would never do a million dollars in sales, would that be something you’d be interested in starting? I don’t think so. Yet, more than 500,000 brave souls open a small business each month, and roughly the same amount shutter operations at the same rate. And with only 50% of small business starts making it in business for 5 years, you can understand why so small businesses never do a million dollars in sales.

So what’s the problem? Well according to the SBA the #1 reason small businesses fail is they lack money. Period end of story. So what’s a small business owner to do? How do they increase sales? How do they grow profits? How do they maintain cash flow? How can they make more money?

One way is to invest, and I mean to invest in the growth of their business. The big problem is that most small business owners are too busy “working in their business” and not “working on their business,” and they are not aware of all of the financial resources that they can utilize. Let’s review;

- **Banks** – two thirds of small business owners are discouraged from applying for bank credit
- **Personal funds and credit cards** – that’s how they started the business, what happens when they run out, or max out?
- **Friends and family** – risky proposition considering that only 5% of businesses will do \$1 million in sales
- **Equity partner/investor** – unless you need a strategic partner, why would you give up equity in your business?
- **Alternative finance** – estimates are that alternative finance loans are only serving 1-2% of all small business loans, offering tremendous growth opportunity to the small business community

Alternative finance can help a small business owner invest in the growth of their business, so the business can do more and they can make more.

Alternative finance allows business owners to obtain funds fast, no personal collateral required, serves a wide variety of industries and wide range of credit scores. According to the biz2credit small business lending index, March 2015, 64% of alternative finance requests were approved!

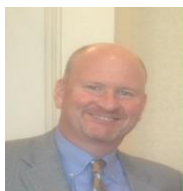
Additionally, the U.S. Census bureau reports, small business owners have created 2 out of 3 net new jobs for the last 15 years, and those businesses need a reliable resource to help fund and grow their companies, and alternative finance is increasingly filling that void. Yes, for the prime borrower, a traditional bank lender is going to offer the least expensive product, at least when it comes to rates, and that is compelling. But with 40% of small business owners seeking \$50,000 or less (Federal Reserve NY fall small business report 2013), that amount isn't a compelling figure for banks due to high sourcing and underwriting costs. To determine if alternative finance is right for your business it all comes down to a question and a math problem.

**Question:** Is there a business opportunity for growth, or a problem that the business needs to be solved?

**Math problem:** Is the value to the business is worth more than the cost of the money to be paid back with alternative finance?

It's that simple, so;

"What if I was to tell you that doing a so-called expensive alternative finance loan (vs. doing nothing at all) could help your business grow and make you more money, would that be something you'd be interested in?"



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*Tom Brigette is an alternative lender for small business and is the VP of Sales for Rosemont Capital Solutions. Tom began his lending career in 1993 with Transmedia Network, a company which was a pioneer in the advance purchase of future receivables. Transmedia eventually became what it is known as today as Rewards Network. Tom spent nearly 18 years at Rewards Network, rising through the ranks to hold several senior sales positions in many different markets. Tom began his Transmedia career in Boston, and then moved onto to Denver, Dallas ultimately ending up in Atlanta Metro in the 2003. In his time at Rewards Network Tom led sales teams of close to 100 people, and those teams contracted with 1000's of restaurants and facilitated millions of dollars in lending transactions. After a 3 year stint leading a sales team calling on Fortune 500 Companies with Apollo Education Group, Tom went back to his small business roots. As a former operating partner in the restaurant industry, Tom's entrepreneurial spirit and passion for helping small business owners brought him back to what he knows and loves best, and he joined former colleagues with Pioneer Capital and founded Rosemont Capital in 2014*

## The Bears Ran Wild in August

By Austin E. Thompson, Jr.

China's 2% devaluation of the yuan against the dollar and frenzied investors selling off stocks left global markets rattled in August, with the Dow plummeting over 1,000 points, only to end the day down 588 points back on August 24th. This, dubbed "Black Monday", was said to be the biggest drop since the last economic recession. The devaluation of the yuan is China's move to realize an almost challenging 7% growth in their economy by increasing exports and creating more demand for their products overseas. Although the market rallied back late in the day, companies remain on guard as to what China will do next to reach their economic goal. The devaluation of the yuan causes concern for American investors doing business in China, as it weakens the dollar's exchange against the yuan. With American companies protecting their investments and trading off stocks in panic, small businesses will feel the pinch as demand for their services are put on hold, while companies suspend spending to conserve costs. This slow down reverberates throughout the small business community, and especially among those companies doing business with larger entities. China is the world's second largest economy, and its market shifts has major impact on the U.S., Europe, and Asia. For example, a major contraction in China's economy can set off another global recession, and we are still coming out from under the last major downturn.

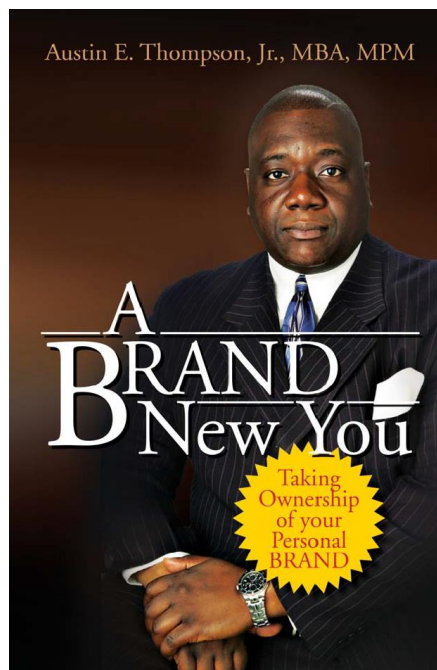
Fortunately, the U.S. economy is still in good shape, as it added 173,000 jobs in August, with the unemployment rate falling to 5.1%, down 0.2% from July. Manufacturing activity has taken a dive in August, and according to Trading Economics, August manufacturing activity was the lowest for the entire year with an index of 53. Although, some industries reported growth, others reported contraction, which resulted from economic activity causing businesses to slow down on spending. Nevertheless, automobile sales and construction activity remain promising, according to a Reuters report. According to World Bank figures, U.S. GDP increased to \$17.42 trillion at the end of 2014, with a GNI (Gross National Income), or GDP per capita of \$55,200. Micro businesses are still braced with challenges to securing funding from banks, but micro lending is up from institutions providing alternative options to small business lending, providing a pathway for small business owners to pay for inventory, hire new staff, or pay their bills. We shall continue to watch and see how China and the global economy rebound going into the final quarter of 2015, and especially going into a major election year with Federal Reserve interest rates expected to increase.

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## *About Thompson Management Consulting, LLC*

Thompson Management Consulting, LLC works with small business owners and entrepreneurs who are primarily in the 0 – 5 year range of the business lifecycle, those in the seed and start-up to expansion phases. We assist with business plan writing, marketing, feasibility studies, project management, financial and budget analysis, business event planning, and business training. Thompson Management Consulting, LLC produces an Annual Entrepreneurship and Small Business Summit in celebration of National Small Business Week, and hosts a monthly radio program, The Entrepreneurship and Business Empowerment Hour on WATB 1420AM. We are A+ accredited by the Better Business Bureau, and hold memberships in the Gwinnet Chamber of Commerce and Georgia Hispanic Chamber of Commerce. Additional information can be found at [www.tmconsultingllc.com/about.html](http://www.tmconsultingllc.com/about.html).

