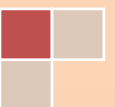
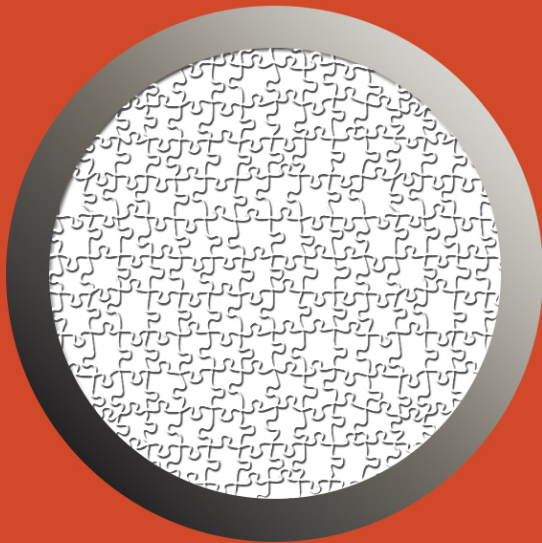




# Small Business Start-Up Series

Schill Insurance Brokers Ltd.  
2014





# SMALL BUSINESS START-UP

## Starting Your Own Business

Starting your own business can be an exciting and rewarding endeavour—you have the freedom to work your own hours, you can provide jobs and a place to work for family members and give them the ability to provide for their own futures, and you have the potential to earn more than you would at a different job. However, starting a business is not without risks. Studies show that about 49 per cent of startups in Canada fail within the first five years. Many times this is because of improper planning, lack of business knowledge, failure to conduct market research or simply setting unrealistic expectations. The following is a general overview of the steps you should take to help ensure that your startup becomes a successful one.

### How to Start

Most businesses get their start from a single idea. This idea must then be turned into a product or service that people will want to buy. The following steps can help you do this.

#### 1. Research Your Market

Market research involves identifying and contacting potential customers to determine whether your idea meets a need in the market. You want to make sure that there is a real demand for what you are planning to sell. Researching your market allows you to address problems before wasting too much time, effort and money. Make sure you:

- Identify and talk to potential customers about their specific needs.
- Find out what potential customers would be willing to pay for the product or service. Try different pricing with different customers to see what people will really pay. This will help ensure you can make a return on your investment.
- Determine what makes you stand out from competitors. Are you providing something better than or different from what is already available?

#### 2. Develop and Plan Your Product or Service

- Test your product or service with real customers; make changes based on their feedback and test it again.

### Prepare for Success

Recent studies have shown that:

- Thirty-eight per cent of businesses fail within the first three years.
- Forty-nine per cent of business fail within the first five years.

However, the good news is that many new businesses do become successful and profitable. Make sure you properly plan, conduct market research and secure adequate funding to increase your chances for success.



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- Make a prototype, or basic version, of the product and test it with potential customers. Ask them for feedback on the prototype.
  - Continue to test until you are sure that customers will be willing to pay what you are asking and that their needs are being met.
  - Address any issues, including how you are planning to make, sell and promote the product or service.
    - To help your customers find your product, make sure to be active on social media. You should also create a website, attend trade shows, create and hand out brochures and create ads to put in the newspaper, on the radio, on TV and the Internet.
  - Write a business plan to show the results of your customer research and explain that your idea for a business is viable. This plan will be essential in helping you secure funding and find partners.

### 3. Find Partners and Suppliers

You need to work with others in order to develop and sell your idea. Many businesses start with just one person, but consider taking on partners and suppliers.

- Having a partner allows you to bring in someone with different skills and expertise with whom you can share responsibilities.
- Contact potential suppliers if you need raw materials, supplies or equipment to run your business. Get estimates, negotiate prices and develop relationships with reliable and trustworthy suppliers.

### 4. Get Funding

- Explore different sources of funding, including bank loans, government subsidies or selling shares.
- Determine the purpose for your funding, and notify your sources of how you will allocate the money.

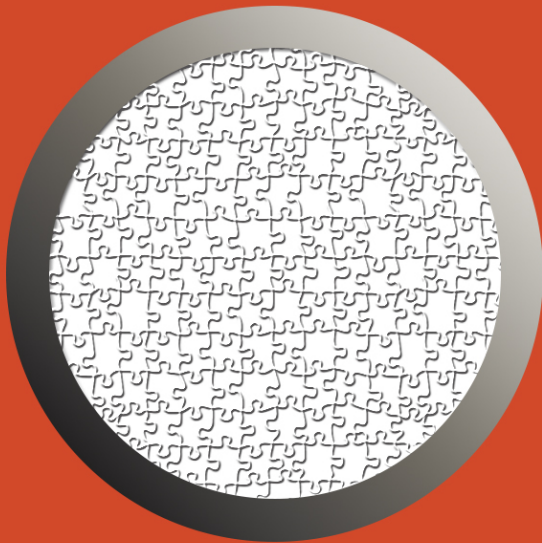
### 5. Set Up Your Business

- Decide what legal structure your new business will be: sole proprietorship, partnership, corporation or cooperative. Each structure can affect personal liability, tax requirements and control issues.
- Consider hiring employees. Keep in mind that this will require different legal responsibilities, such as health and safety compliance, insurance requirements, and licences and permits.
  - Make sure you are in compliance with all provincial and federal regulations. Check [www.canadabusiness.ca/eng/page/2843](http://www.canadabusiness.ca/eng/page/2843) to see which ones are relevant to your business.
  - Research employment and hiring regulations in your province or territory by visiting [www.canadabusiness.ca/eng/page/2718](http://www.canadabusiness.ca/eng/page/2718).

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- For a wealth of information on managing your employees, visit [www.canadabusiness.ca/eng/page/2835](http://www.canadabusiness.ca/eng/page/2835).
  - Register your business. Depending on your business, you may have to register with a few different provincial and federal government entities. Visit [www.canadabusiness.ca/eng/page/2730](http://www.canadabusiness.ca/eng/page/2730) to see which provincial governments require that you register with them.

#### **Additional Business Resources**

- For more information on your privacy rights and obligations, visit [www.canadabusiness.ca/eng/page/2694](http://www.canadabusiness.ca/eng/page/2694).
- For more information on government financing, visit [www.canadabusiness.ca/eng/page/2852](http://www.canadabusiness.ca/eng/page/2852).
- For more information on financing from non-profit and community-based organizations, visit [www.canadabusiness.ca/eng/page/2669](http://www.canadabusiness.ca/eng/page/2669).
- For more information on private sector financing, visit [www.canadabusiness.ca/eng/page/2744](http://www.canadabusiness.ca/eng/page/2744).
- For business advice and support over the phone, call the Canada Business Network at 1-888-576-4444.
- For help developing business ideas, please visit the Canada Business Network at [www.canadabusiness.ca](http://www.canadabusiness.ca).



# SMALL BUSINESS START-UP

## Creating a Business Plan

Creating a business plan is one of the most important aspects of starting a new business. It can help you focus and clarify your ideas and business objectives, convince others of your prospective success, plan for the future and attract investors and funding. While it may sound like an overwhelming task, it is actually quite manageable when broken down into a few simple steps. The specifics of each business plan will depend on the nature of the business, but all business plans should be easy to understand, jargon-free and easy to update. The following outline explains what should be included in your business plan.

### 1. Executive Summary

The executive summary serves as an outline for your business plan. Although this is the first section in a business plan, make sure to complete it LAST, after all other sections have been completed. It should highlight all main points included in the rest of the plan, including:

- Your product or services
- The opportunity in the market
- Financials and forecasts

Keep it brief and straightforward, but also make sure that it appeals to investors.

### 2. Business Details

The first step in creating a business plan is to write down the basic details of your business, including:

- The name of the business
- The registered address of the business
- The Web address
- Contact details, including email
- The legal status of the business (sole proprietorship, partnership, corporation, cooperative, etc.)

### Business Plan Table of Contents

1. Executive Summary
2. Business Details
3. Business Description
4. Business Aims
5. Legal Obligations
6. Market Research
7. Sales and Marketing
8. Financials

### 3. Business Description

In this step, you need to describe the background and vision of the business. This should include:

- When you plan to start the business
- What sector the business will operate in (for example, retail or construction)
  - Is this sector growing? Stable? Shrinking?
- Any related experience
- A description of your products and/or services
  - What makes your product or service different from and better than all others in the marketplace
  - Why you think customers will prefer it
  - How you will develop it over time
  - Details on any patents, copyrights, trademarks or design registrations you hold or plan to hold

### 4. Business Aims

Lay out what your business aims or goals are in this section. Make sure that your goals and aims are measurable, because you will want to assess them periodically to see if you are meeting them. This section can include:

- How do you want the business to progress in the future?
- What goals do you want to achieve in the next year? Three years? Five years?
- What are your long-term goals for the business?

### 5. Legal Obligations

Write out any legal obligations you may have, such as any:

- Licences and permits
- Insurance
- Health and safety law requirements
- Other legislative requirements

### 6. Market Research

You need to make sure that you have a group of buyers with a common need that you can satisfy at a profit. In this section, provide information about the market research you have conducted on your product or service. Elements to include are:

- Your market knowledge—information on market size, the potential for expansion, market trends and any potential customers and competitors in the marketplace
  - One way to get this information is to find similar businesses and potential customers and ask for their feedback through a structured process, such as using a questionnaire.
- Customers
  - Establish the group(s) of customers you want to target. This can include profiling potential customers by age, sex or particular interest. Find out

their needs, what they expect to pay and what they are willing to pay for your product or service.

- Competitors
  - Compile a list of competitors and assess their strengths and weaknesses. Specify how you can improve on what they are offering. Show that you have unique selling points that no one else is offering—your competitive advantage.

## **7. Sales and Marketing**

Use this section to show how you will sell, position, promote and market your product to customers. It should include the following:

- A business model describing how you will use the product or service to generate income for your business
- The sales channels you will use to distribute your product or service to the market; for example, phone, Internet or face to face
  - Base your sales channels on feedback from target customers.
- A pricing structure outline that details your costs and how much above this price your target customers are willing to pay
- A marketing plan for how you will promote the product or service
  - This does not have to be too specific, as it is typical to have a marketing plan separate from your business plan.

## **8. Financials**

The financial section of your business plan will help you lay out forecasts and projections to determine whether your business will be economically viable. Your financial section should include:

- Estimated running costs
  - Calculate how much you will spend on equipment, premises, materials, stock, transportation and insurance, and whether you will need to hire employees or not.
- Sales forecasts
  - Analyze customer spending habits and the performance of similar businesses.
- Profits and loss forecasts
  - Outline potential risks, such as rising costs, and list assumptions that support your forecasts.
- Cash flow projections
  - Identify potential shortfalls and determine whether you will need additional funding. If so, know how much and when you may need it.

## **9. Human Resources**

This section will cover how employees will be managed and your plan for recruitment, training and retention. Investors want to feel confident that your employees have the

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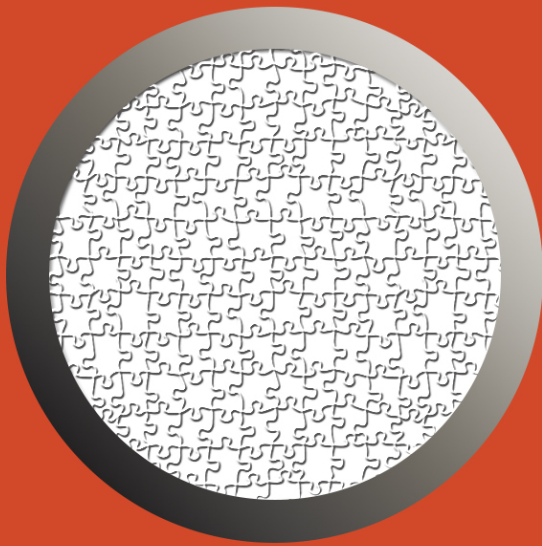
necessary skills and requirements to make your business a success. In this section you can include:

- An organizational chart
- A brief description of each position
- Essential skill requirements for each position
- An explanation of employee training
- Projected timelines and costs for recruitment, training, hiring, etc.

Once your business plan has been completed and implemented, make sure to update it when necessary. The business environment is constantly changing, and keeping an updated business plan can help you stay one step ahead of the curve.

If you are unsure of where to begin, the Canada Business Network can help you. If you want to look at sample plans and templates, their Business Information Officers can give you access to those resources. Call their toll-free number at 1-888-576-4444.





# SMALL BUSINESS START-UP

## Market Research for Your Business

After creating a business plan, it is time to conduct market research for your new small business. Conducting market research is essential for success—without it, you won't know whether there is actually a market for your product or service. Market research helps you understand your marketplace, find out who will buy your product or service and discover your unique selling point, which is what sets your product or service apart from the competition.

Although this process may seem daunting and complicated, by focusing on three main areas, you will be able to analyze your potential market and determine whether people will actually buy your product or service.

### 1. Know Your Potential Customers

You cannot hope to sell to customers if you do not know them. If you are an established business, you can do this by asking existing customers for their opinions on your product or service. If you do not have any customers yet, you should consider what type of customers you want to target. For example, ask yourself:

- Is your product or service for consumers, or for other businesses?
- Is it meant for a certain demographic, such as people of a certain age or gender?

Look at your competitors' customers and the customers who buy a product or service similar to yours. These customers will most likely make up a large part of your target market. Once you have identified your target market, you can start planning what type of information you want to gather and how to best conduct your research.

The most important thing to know is whether potential customers are actually interested in buying your product or service. Find out if they have any concerns about your idea; specifically, are they skeptical of its quality or its ability to compete against other products or services in the market?

Conducting customer research is also an opportunity to investigate pricing. Weigh your costs against your competitors' to establish your pricing structure and get feedback from

### The Value of Market Research

One of the biggest mistakes entrepreneurs make when starting a business is not spending adequate time and resources conducting market research. Proper market research can give you an advantage over the competition and helps you gauge how to best position your product or service.

potential customers to find out how much they are willing to pay. Judge your product or service against your competitors' and ask potential customers what they think about your competition. This can help you identify deficiencies in your competitors' products or services, which you can fill in the market.

## 2. Research Your Competitors

In addition to soliciting customer feedback, you should also research your competitors. This will give you a more comprehensive view of your competitors' place in the marketplace and your potential niche. Start by gathering information on your competitors' turnover, profit and sales patterns. You can get this information from:

- Local business reference libraries
- Trade associations
- Local chambers of commerce
- Commercial publishers of market reports

You can also go straight to your competitors for information or look at their promotional materials to understand how they market themselves. Use this information to challenge your competitors in areas like price, quality and service.

## 3. Explore Different Types of Research

There are several different types of market research you can use to learn about customers, competitors and the market, including the following:

- **Focus groups**—Bring together a small selection of potential customers to test and talk about the product.
- **Prototype testing**—Provide potential customers with an early version of your product and record their feedback. Prototype testing is best for new products.
- **Questionnaires**—Send out a list of questions for current or potential customers to answer in person, online or through the mail. Structure the questions as multiple choice or according to a rating scale. Try to elicit opinions rather than just yes-or-no responses.
- **Market reports and trend analysis**—Obtain information on competitors' market popularity and the trends your customers are following.

The best research method for your business will depend on your product or service, your finances and the market.

No matter which types of research you ultimately use, you will need to receive both quantitative and qualitative feedback to ensure you are fully informed. Quantitative feedback consists of facts and figures, such as how many people are likely to buy your product, or how much your potential customers earn. Qualitative feedback consists of thoughts and feelings about your product or service.

It is important to take into account both positive and negative reactions. Negative reactions can often be more helpful at spurring improvements to your product or service.

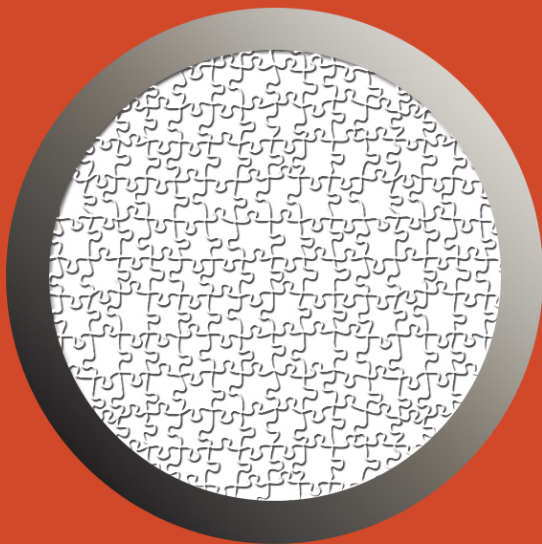
### Top Tips

Consider these five top tips to make the most of your market research:

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- Ask specific questions. Misleading or badly-worded questions produce unusable information.
  - Talk to the right people. Talking to a full range of potential customers will help ensure you get opinions from people who would buy your product.
  - Ask enough people. Asking only a handful of people will not give you enough information. You need to ask at least 150 people from every segment of your target market.
  - Keep research impartial. Encouraging the answers you want to hear will skew your results and ultimately inhibit your success.
  - Be realistic. Interpreting results as definitive proof of your product or service's eventual success is unwise. Remember that interviewees do not always say what they think.

#### **Additional Business Resources**

- For more information on market research and statistics, such as labour and employment data, demographics data, industry sector data, etc., visit [www.canadabusiness.ca/eng/page/2864](http://www.canadabusiness.ca/eng/page/2864).
- For information on marketing, advertising and sales regulations, visit [www.canadabusiness.ca/eng/page/2732](http://www.canadabusiness.ca/eng/page/2732). This page includes misleading advertising and labelling information, food advertising requirements, information on running promotional contests and much more.



# SMALL BUSINESS START-UP

## Choosing Your Legal Structure

Once you decide to start a business, you need to choose what type of legal structure the business will have. The most common types are sole proprietors, business partnerships, corporations and cooperatives. The structure you choose will define your legal responsibilities, including paperwork and registration requirements, taxes and personal liability. Make sure to check your province's registration requirements. The following is an overview of each of the most common legal structures.

### **Sole Proprietorship**

A sole proprietorship is the easiest legal structure to set up for your business. Being a sole proprietor means that you alone own the business and are solely responsible for it. This also means that you will be fully responsible for all debts and obligations the business incurs, and creditors can make a claim against both your personal and business assets. There is no legal distinction between the owner and the business.

#### Advantages

- Inexpensive and easy to set up and start
- Low regulatory burdens
- No sharing of profits with anyone else

#### Disadvantages

- Unlimited liability (personal and business assets may be claimed by creditors)
- Hard to raise capital
- No other partners

### **Partnerships**

There are four main types of legal structures most people use when starting a business:

1. Sole proprietorship
2. Partnership
3. Corporation
4. Cooperative

Make sure you understand the advantages and disadvantages of each before deciding which is best for you.

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If you want to do business with a partner (or partners), business partnership may be a good option. You combine financial resources and share the responsibility for the business, including business losses and debts. It is advisable to write a partnership agreement between partners that lays out the structure of the partnership and the rights and obligation of each partner, including what happens if there is a disagreement or dissolution. Profits will be shared between all partners and according to the terms of your agreement.

Besides regular business partnerships, there are other types of partnerships available as well, such as limited partnerships and limited liability partnerships.

- A limited partnership consists of both general and limited partners. A general partner is one who is personally liable for all of the partnership's debts. A limited partner is only liable for the amount he or she initially invested in the business.
- In a limited liability partnership, partners are not personally liable for business debts. Partner liability is limited to the amount a partner invests into the business. The majority of limited liability partnerships are set up by professional services firms, such as accountants or attorneys.

#### Advantages

- Easy to start
- Share start-up costs between partners
- Share responsibilities and liabilities of running the business

#### Disadvantages

- Still have unlimited liability (personal assets may be claimed by creditors), although liability is split among the partners
- May be difficult to find suitable partners
- Possible conflicts between partners down the road
- All partners held financially liable for business decisions made by other partners

### **Corporations**

A corporation is a separate legal entity that is set up to run your business, which limits your own personal liability for business finances, unlike a sole proprietorship or business partnership. Corporations have appointed directors who are responsible for running the company, and shareholders, or members who own shares in the company. The directors of a corporation have legal duties and responsibilities they must follow, including conducting business actions with a duty of care and acting in the company's best interest. The liability of a shareholder depends on the type of corporation. Incorporating a business can be done on a federal or provincial level.

#### Advantages

- Limited liability
- Separate legal entity
- Possible tax advantage

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- Easier to raise capital
  - Transferrable ownership

#### Disadvantages

- More complicated to set up (sometimes use of an attorney is recommended)
- Strictly regulated
- More requirements, such as keeping detailed corporate records and filing documentation annually
- Possible conflicts between shareholders and directors

#### **Cooperatives**

Cooperatives are the least common form of business structure in Canada; however, they can be beneficial in certain situations. A cooperative is owned by an association of members, by a group of people or by businesses that decide to pool their resources together to provide access to common needs.

#### Advantages

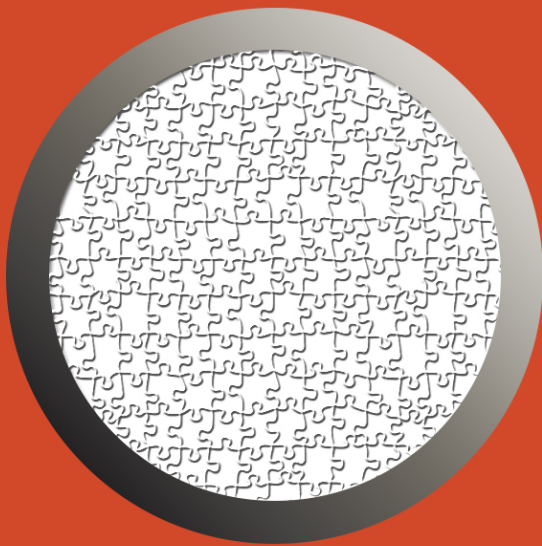
- Controlled and owned by members
- Democratically run
- Limited liability
- Distribution of profits

#### Disadvantages

- Lower incentive to add capital
- Decision process takes longer
- More requirements, such as keeping detailed records
- Participation of all parties needed for success
- Possible conflicts between members

#### **More Information**

For more information on sole proprietorships, partnerships, corporations and cooperatives, visit [www.canadabusiness.ca/eng/page/2853](http://www.canadabusiness.ca/eng/page/2853).



# SMALL BUSINESS START-UP

## Choosing Your Business Premises

Whether you are opening a new business or expanding an existing one, the process of locating and securing new premises can be difficult. Besides finding a location, you also need to decide whether it is more cost-effective to rent or to buy. These decisions could impact the success of your business. The following guide can help you choose premises that are right for your business.

### Location

The first thing you should consider is where your business will thrive. If your premises are too remote, it will be difficult to attract customers and staff. Central locations on busy city streets have the advantage of constant pedestrian traffic, which is full of potential customers. Your business could also benefit from local transportation or nearby parking lots that make it easier for customers to frequent your business. But if your business is tailored more for rural or small-town customers, it may not be suited to the middle of the city. Think about the people you want to serve and where you can best serve them, as well as how the location you choose will reflect your business' image.

### Size and Layout

The size and layout of your premises will depend on your business needs. Inadequate space or an inefficient layout will make you and your employees uncomfortable and may inhibit future growth. Without a sensible layout, your daily operations can be unnecessarily time-consuming. Consider how much space you need now, and anticipate what you will need in five, 10 or 15 years.

### Cost

Cost is often a deciding factor when choosing a location for your business. You need to balance what your business requires and what you want with what you can afford. This will help you to decide whether to rent or buy a commercial property.

The decision to rent or buy should not be made lightly. Each has its own advantages and disadvantages. Depending on several factors, including business size, how long you have had your business and how long you intend to occupy the space.

### How to Search for Premises

When researching commercial premises for sale or rent, you must be thorough. Take advantage of every resource you have, including the following:

- Commercial property agents
- Local newspapers
- Online searches
- Local surveyors
- Local authority
- Local chamber of commerce
- Trade associations

### **Should You Rent?**

Most business owners rent commercial space because owning premises is too expensive. Renting is usually the most cost-effective option for new businesses.

#### Advantages

- Spaces for rent are cheaper and easier to find.
- Leases are more flexible than mortgage agreements.

#### Disadvantages

- You are likely responsible for maintenance and repairs.
- Rent may increase over time.
- The owner may prohibit any changes to the interior.

Lease contracts will typically last more than one year. If you are hesitant to commit, contracts may also include a 'break clause' which lets you exit your contract and/or sublet to someone else.

#### Costs

- Rent charge
- Security deposit
- Maintenance
- Utility bills
- Attorney's fees in case help is needed

#### Responsibilities

- Workplace safety requirements
- Employee safety

#### Additional Considerations

- You will need to sign a lease.
- You may need to apply for planning consent if you change the building's use.
- You might be responsible for insurance.
- You should find out whether you can make alterations to the premises' interior.

### **Should You Buy?**

Buying a commercial space can be ideal for established businesses looking for premises that foster sustainable expansion. Businesses with long-term, achievable goals are poised to benefit from owning their premises.

#### Advantages

- You can stay on the premises as long as you want.
- You have more freedom to adapt the building to your uses.
- The premises might rise in value and increase your assets.

#### Disadvantages

- You may be required to pay a deposit before signing the mortgage.
- Owning a commercial property is expensive.
- Buying is a long-term commitment.
- Signing a commercial mortgage can be time-consuming and stressful.



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Costs

- Legal fees
- Deposit
- Taxes

Responsibilities

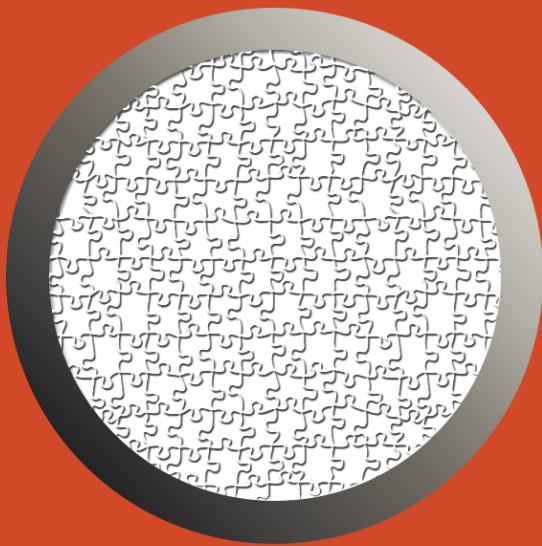
- Maintenance
- Utilities
- Insurance

Whether you decide to rent or buy, always check the contract's legal terms before agreeing to anything. Ensure there are no hidden clauses, obligations or costs. A commercial agent or commercial property attorney can help you at this stage. The agent or attorney can highlight any pitfalls in the contract and maybe even help to negotiate a better deal. Do not be afraid to negotiate, or to hire a professional to do it for you.

**Special Considerations**

Just because a space will suit your business' needs does not mean it is ideal for your operations. Ensure the premises have adequate water, power and drainage access. Consider whether your business has special requirements, such as increased wheelchair access or room for expansion. Find out whether there are structural issues that you'll need to take care of. Take note of what the community is like. You should also think about features that may attract customers and employees—for example, an eco-friendly building or proximity to local restaurants.

Choosing new premises can be difficult. Contact the insurance professionals at Schill Insurance Brokers Ltd for more information on finding premises for your small business.



# SMALL BUSINESS START-UP

## Funding for Your Business

Your business idea may be solid, but without adequate funding your chances of success are slim. Starting a viable business takes judicious financial planning.

There are several different ways to fund your small business, each with their own advantages and disadvantages. The appropriate funding option for your business will depend on a number of factors, including business size, legal structure, projected growth and financial stability. The following is an overview of several common forms of financing for your new or growing business.

### Equity Financing

Also known as investment financing, equity financing involves selling part of your business to an investor as shares. The investor then shares part of the business' profits or losses.

#### Advantages

- Investors can jump-start the business by using their own expertise and providing new opportunities for growth.
- Injecting more money into the business increases financial stability.
- You will not have to pay interest or repay a loan.
- You share risks with your investors.

#### Disadvantages

- Selling shares to investors can be complicated, expensive and time-consuming.
- You will own a smaller share of your business.
- You may have to consult investors before making management decisions.

### Loans

Loans are a type of credit that the borrower repays over a pre-determined length of time. In addition to repaying the amount you borrowed, you will probably have to pay interest. The amount of interest depends on the following:

- How long you need the loan

### Assess Your Needs

There are seven types of financing you can consider for funding your small business:

1. Equity financing
2. Loans
3. Grants
4. Overdrafts
5. Invoice financing
6. Leasing and asset finance
7. Government financing

Be sure to examine your business' financial needs in order to choose the most appropriate and cost-effective funding options.

- How much you borrowed
- Whether the loan is secured—that is, you provided something you own, such as your house, as collateral

Your interest rate will either be fixed, which means it won't change during the course of the loan, or it will be variable, which means it will change with bank costs. Because of this, it is more prudent to take out a loan when your costs are stable. Otherwise, you might not be able to pay back the borrowed money if your expenses grow but your income doesn't. You can apply for loans through private financial providers, such as banks, or through public funding.

#### Advantages

- Loans are not repayable on demand, so you are guaranteed the money for the whole term (usually three to 10 years).
- You will not have to give your lender a percentage of your profits or shares.

#### Disadvantages

- Loans are not flexible—the terms are set early and do not change.
- You could struggle to make payments if your business suffers a setback.
- If your loan is secured, missing payments could mean losing your collateral.

### **Grants**

You can apply for grants through private institutions like charities or public institutions like the government. Grants are usually awarded for a specific project or purpose.

#### Advantages

- You do not have to pay grant money back or pay any interest.
- You will not lose any control over your business.

#### Disadvantages

- You must find a grant that matches your specific project, which can be difficult.
- There is often a lot of competition for grants.
- You may have to match your grant funds.
- The application process is time-consuming.

### **Overdrafts**

An overdraft is a credit facility that you agree to with your bank. It allows you to temporarily spend more money than you have to cover short-term financing needs. You should not habitually use overdrafts or use them as a source of long-term funding. You set overdraft terms with your bank and usually have to pay interest.

#### Advantages

- Overdrafts are flexible—you borrow what you need at the time.
- Overdrafts are quickly and easily arranged.
- You can usually start paying off your balance early without any penalties.

#### Disadvantages

- There is a charge for extending your overdraft.
- You could be penalized if you exceed the overdraft limit.
- The bank can ask for the money back at any time.
- You can only get an overdraft from the bank where you hold your money.

## Invoice Financing

Invoice financing is when a third party agrees to purchase your unpaid invoices for a fee. The third party will either provide invoice financing by factoring, where the invoice financier manages your unpaid invoices and collects on your behalf, or by invoice discounting, where the financier only provides money up front that you slowly repay as your invoices are paid.

### Factoring Advantages

- Your financier will oversee the collection efforts, saving you time.
- Your financier can help you negotiate better terms with your suppliers.

### Factoring Disadvantages

- Your customers may prefer to deal with you directly.
- Using a financier may negatively affect your image, especially if the financier does bad business.

### Discounting Advantages

- It can be confidential, so your customers will be unaware that you are working with a financier.
- You still maintain your accounts, which will foster good customer relationships.

### Discounting Disadvantages

- You lose profits from orders or services that you provided.
- Financiers will usually only buy commercial invoices, meaning your sales to the public will be ineligible.

## Leasing and Asset Finance

Rather than owning assets, you can lease or rent them to reduce initial costs.

### Advantages

- You get access to goods you could not otherwise afford to own.
- Interest rates are usually fixed.

### Disadvantages

- It is more expensive than initially purchasing an asset.
- Long-term contracts can be difficult to cancel early.

## Government Financing

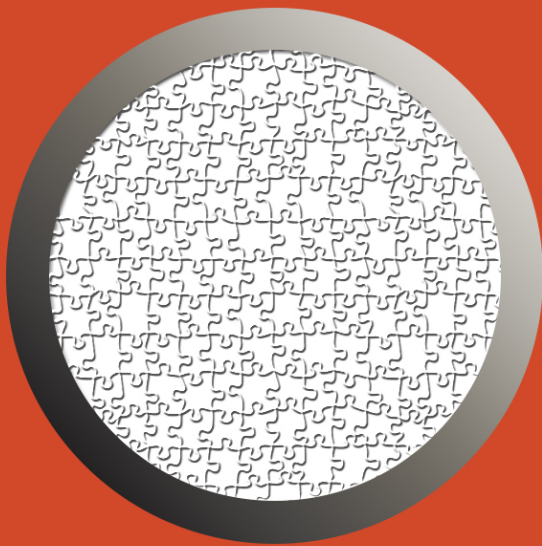
The government provides funds to help start-up businesses. Some of the financing includes grants (which generally do not need to be paid back), and some of the financing includes loans (which generally must be paid back). The different types of grants and loans are sometimes available to many people and other types are for specific demographics or industries. Be sure to investigate all options offered to your business. For more information on government financing, visit [www.canadabusiness.ca/eng/page/2852](http://www.canadabusiness.ca/eng/page/2852).

## Additional Business Resources

- For more information on financing from non-profit and community-based organizations, visit [www.canadabusiness.ca/eng/page/2669](http://www.canadabusiness.ca/eng/page/2669).
- For more information on private sector financing, visit [www.canadabusiness.ca/eng/page/2744](http://www.canadabusiness.ca/eng/page/2744).

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Securing appropriate funding for your business can be tricky. Consult the Canada Small Business Financing Program at [www.ic.gc.ca/eic/site/csbfp-pfpec.nsf/eng/Home](http://www.ic.gc.ca/eic/site/csbfp-pfpec.nsf/eng/Home), and contact the insurance professionals at Schill Insurance Brokers Ltd to ensure the financial viability of your small business.



# SMALL BUSINESS START-UP

## Assessing Your Business' IT Needs

Information technology (IT) has become essential to conducting business throughout Canada. It is at the centre of everyday life and found in almost all businesses and industries. It encompasses the use of computers, telecommunication systems and other devices for storing, retrieving, transmitting and manipulating information.

Such a broad definition can understandably bewilder novice and even seasoned business owners. How do you identify what your IT needs are, or implement and maintain constantly changing technology? The following is an overview of how to assess your business' IT needs. Both new and established businesses can benefit from a habitual review of their IT systems and needs.

### Understanding Your Business' IT Needs

Before exploring specific IT systems, you need to examine the aims of your business to find out how IT can help you achieve your goals. An IT system will be successful only if it is aligned with your business' aims.

The right IT system will efficiently capture, process, store and use information. Using this information will improve communications, cut costs, simplify business processes and help businesses grow and find new opportunities—but only if the system is tailored to your business.

### Choosing the Right IT System

Choosing a system to fit your business' IT needs involves asking a series of questions about your computer use and connectivity issues. The answers to these questions will help you determine what type of hardware and software will benefit your business.

#### Computer Use

- How do you use computers at your business?
- What key jobs do you need to perform?

#### IT is Here to Stay

IT is thoroughly ingrained into daily life and business operations in Canada and around the world. Because of the increased usage of technology, smart businesses should assess and, if necessary, upgrade their IT systems to stay ahead of the curve.

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- For each job, what data is required?

#### Connectivity Issues

- Is your business based mainly in one place?
- Do you need to be mobile?
- Will you need computers to connect to other equipment?
- How many computers will you need?
- Does your business require several computers linked in a network?

#### **Creating a Website**

Having a website is a great way to keep your customers connected to you, and also to advertise to them or service them—even if you don't plan on selling your products online.

Your first step will be choosing and registering your domain name, or your uniform resource locator (URL) (the Web address). You'll want to choose a domain name that is simple, easy to remember and has something to do with your business or product. Always check that the domain name isn't being used or isn't protected under an existing trademark or business. You can register your domain name with a private registrar. For a list of registrars who can help you, visit [www.icann.org/en/resources/registries/listing](http://www.icann.org/en/resources/registries/listing).

Your next step will be designing your website. You should start with a plan for:

- What content you want on the website
- Who is going to be in charge of managing the website
- How frequently it's going to be updated

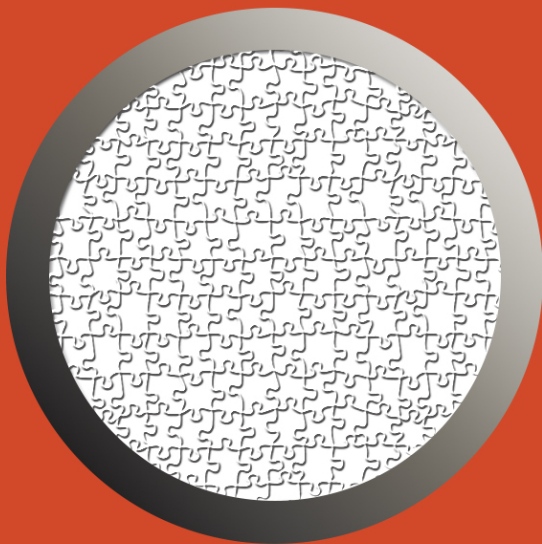
Your online presence is also an important thing to keep in mind. You should keep an active online presence so that you stay connected with customers who visit your site.

#### **Top Tips**

Keeping the following tips in mind as you choose and set up your IT system will help you make an informed decision and ultimately benefit your business.

- Plan for inexpensive, easy upgrades as your business grows. IT is indispensable but is also constantly changing. Make sure you allow room to accommodate the newest technological advances or business growth.
- Seek professional advice from local computer stores. They can provide you with information on specific systems and help you compare the costs and benefits of buying rather than leasing hardware. Some may also offer ongoing technological support.
- Keep your system and data secure with strong passwords and effective guards against external threats like computer viruses.
- Make sure you have a resource available to help maintain your system.

Contact the insurance professionals at Schill Insurance Brokers Ltd for more information about assessing your IT needs and setting up your small business for success.



# SMALL BUSINESS START-UP

## Growing Your Business

Starting your own business is hard. But growing your business can be even harder. You need to work constantly to improve your business and stave off risk. The best way to protect against future threats to your business is to make it as successful as possible.

The following eight tips will help encourage business growth. Many businesses think of “growth” only as increased sales, but it is much more than that. Growth means increased resiliency, profitability and adaptability. Read on to find ways you can improve and grow your small business.

### 1. Plan for Growth

Once your business becomes profitable, you need to start planning immediately for future growth to ensure continued profitability. Consider taking the following actions as part of your plan.

- Research ways to increase sales from existing and new customers.
- Improve your products and services by testing changes with your customers.
- Develop new products and services, and breach new markets.
- Hire new employees and implement training programs for new and existing employees.
- Look for extra sources of funding, such as additional investors.
- Consider selling your products and services online.
- Work with a business mentor who can help you draft a plan for the future.

### 2. Get Extra Funding

Growing your business usually means you need to invest more in it. You can do this in the following ways:

- Investing previous profits back into your business
- Taking out a loan
- Selling shares to outside investors

### Fostering Business Growth

Though not exhaustive, the list in this article provides tips that can help your business to grow and prosper. Use it as a guide to create a personalized growth plan.



- Looking for other sources of funding, including government grants and financing plans

Consult a professional advisor, such as an accountant, before investing any money to ensure it makes financial sense. A new investment from an outside source could potentially change the entire leadership structure of your business; seek legal advice to ensure you do not lose control of your business.

#### Taking Out a Loan

If you decide to take out a loan, make sure your business can repay the entire borrowed amount and any accrued interest. Repayments are often scheduled for several years in advance, so be confident in your ability to make payments. You may need to provide collateral such as your house or car if you cannot repay the loan.

#### Selling Shares

If you decide to sell shares in your business, you will need to provide potential lenders or investors with a financial model showing how their extra money will impact the business and provide a return on investment. Focus on how an injection of cash can positively affect sales and profitability in the long term.

### **3. Increase Sales to Existing Customers**

The easiest way to increase sales is to sell more products and services to existing customers. This involves persuading one-off customers to become repeat customers, winning back former customers and selling more of the same products and services to regular customers. Keeping a record of your customers and what they bought will help you track their spending habits and strategically target those most likely to buy more. Concentrating on these customers is often cheaper and more effective than attempting to attract potential new customers.

#### Reviewing Your Prices

Periodically reviewing and adjusting your prices against the competition is a smart way to boost sales, but be sure to anticipate any effects of price changes. Sometimes offering a discount can jolt sales figures but reduce overall profitability, while raising prices can slow sales but increase profitability. Understanding the cost structure of your business can help you decide what will be most beneficial.

### **4. Attract New Customers**

One of the fastest and most effective ways to attract new customers is to increase your business' local presence. You can do this by asking customers to recommend you to family and friends, advertising in local media and using online and other forms of marketing. Consider interviewing potential customers to uncover strategies for leading them away from the competition and toward your product or service. You could also find new customers by exporting to other countries.

### **5. Improve Your Products and Services**

You can also grow your business by improving your products and services. Ask your customers about their experience: what are they buying from you, and what do they value most about the product or service? What could you do to make the product or service more valuable to them? What would encourage them to buy more? Implement changes based on customer feedback. It may be helpful to test prototypes with existing customers to ensure

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any changes you make are aligned with customer feedback. Remember that any modifications should yield enough future profits to validate the time you spent on improvement.

## **6. Develop New Products and Services**

Developing new products or services enables you to sell more to existing customers, spread fixed costs like premises or payroll across a range of products and diversify the products you offer so you are less vulnerable in the market. It will help to test your new product or service with customers, because customer feedback is an invaluable resource to spot potential flaws or barriers to success. It will also help you determine whether there is a real demand for your new product or service and give you a chance to fix any problems before putting too much money into development. To successfully develop a new product or service:

- Talk to existing and potential customers about their needs.
- Develop a prototype as quickly and cheaply as possible.
- Test your prototype with customers and get feedback.
- Differentiate yourself from the competition.

If you develop something completely original, register it so nobody copies it without your permission. More information on intellectual property can be found on the Canadian Intellectual Property Office site at [www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home](http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home).

## **7. Hire and Train Staff**

A growing business needs more resources at its disposal to handle increased output. The easiest way to bolster your business is by hiring additional employees. Employing more people allows you to spread your workload, expand production and take advantage of new and different skill sets. More information on hiring employees can be found at [www.jobsetc.gc.ca/eng/pieces1.jsp?category\\_id=2801](http://www.jobsetc.gc.ca/eng/pieces1.jsp?category_id=2801) and [www.canadabusiness.ca/eng/page/2837](http://www.canadabusiness.ca/eng/page/2837).

You can also grow your business if you capitalize on your existing employees by providing them with additional training. This can increase staff loyalty, productivity and company profits and help offset the cost of hiring new employees.

## **8. Work With a Mentor**

Business mentors are exactly what you think they are. They use their skills, expertise and contacts to help develop your ideas for growth.

This list is not exhaustive, but you can use it as a starting point to prepare your business for future growth and success. Contact the insurance professionals at Schill Insurance Brokers Ltd for more information on the risks your small business faces as it grows.