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Industry, Science and Technology Canada
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COMPETITIVENESS IN THE '90s

Young Entrepreneurs

COMPANY CASE STUDIES FROM B.C.

Canada

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Competitiveness in the '90s

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Company Case Studies From B.C.
Prepared by Leslie Ellis for
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Competitiveness in the '90s

Foreword

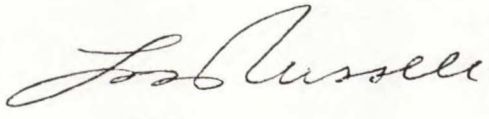
This is the sixth set of case studies undertaken by Industry, Science and Technology Canada, British Columbia, to look at the strategies employed by B.C. companies to make themselves more competitive in the marketplace. This set looks at the strategies which have been employed by young entrepreneurs to enter the marketplace and become competitive. Others in this series have looked at export to the U.S., environmental strategy, management of technology, management of human resources and financing. A seventh set of case studies on quality in the service firm is planned.

What follows are the stories of six firms in British Columbia which have been established by young entrepreneurs. While not a scientific sample, they come from a cross-section of economic sectors in the province. Among the industries represented are services (restaurant, video rental, graphics design, bicycle retail) and manufacturing (purified water, sports clothing). Five of these companies are being run by people under 30, and the sixth by a 32-year-old. Three are based in locations outside the Lower Mainland. They have all successfully set themselves up in the marketplace, and a look at their strategies for doing so can be quite useful.

It merits mention that a number of these entrepreneurs have received, or been considered for, the Young Entrepreneur Award, which is made annually by the Federal Business Development Bank. Their names were passed to this department by FBDB's Lois Campbell, whom we thank for her assistance.

With regard to the entire series on competitiveness, it is worth noting that despite our division of these case studies into categories, all these successful firms' strategies have to some extent been multi-faceted. None relied purely on a financing initiative, for example, nor on the implementation of technology to improve competitiveness. We have had to use judgment in deciding what aspect was really key to the firm's success.

In the end, these are intensely personal stories. Many B.C. firms are small, and their key people — with their talents and limitations — wield great influence on the direction of the firm and its destiny. We are grateful to these young entrepreneurs for taking the time and trouble, in these trying economic times, to share their stories with us and for their insights into the ways British Columbian and Canadian companies can compete in the 1990s.



Lyle Russell
Executive Director
Industry, Science and Technology Canada
British Columbia and Yukon

February, 1992

Canadian Springs Water Company Ltd.

Cam Falconer and his partner Glenn Bailey were 24 when they started Canadian Springs Water Company Ltd. After five years of rapid growth, this Burnaby-based company, which delivers bottled water to offices and homes, has multi-million-dollar sales, 12,000 customers and 70 employees. It offers both pure spring water from a source in Chilliwack, and purified municipal water, with all chlorine, turbidity and metals removed.

In 1991, the company grew 25 per cent — somewhat down from 1987 through to 1990, when sales tripled annually. But Canadian Springs has now reached a size where double-digit growth is plenty fast enough.

Modest beginnings

Falconer and Bailey started Canadian Springs by first buying an existing company in the same business. With one truck and 70 customers, the business was bankrupt and sold for under $10,000. The young partners changed the name, wrote a business plan, and obtained $25,000 in bank financing.

While Falconer feels he was lucky to obtain bank financing as easily as he did, it probably helped that at 24 he already had a long history of entrepreneurship. He started working for himself doing odd jobs while still in elementary school, and ran a small business during Expo '86 renting mopeds. Learning a lot about entrepreneurship along the way was natural. Things like marketing, asking for money, and keeping customers happy were certainly not new to him when he went to look for financing for Canadian Springs.

Market research door to door

Before buying into the company, Falconer did his own market research, knocking on about 70 doors in office towers and surveying his potential customers. Bottled water is a common sight in offices now, but at that time was a virtually unknown commodity. The partners found that about 40 offices were enthusiastic about renting water coolers and having pure spring water delivered regularly. Convinced there was a market for the water business, Falconer took the plunge — as a young entrepreneur, he feels he was more willing to take risks. "When you're young you feel you have nothing to lose. You're not afraid of the future."

With their financing and their company established, Falconer and Bailey began marketing their product in earnest. In the early stages, they gave it away on a trial basis, taking about 20 coolers a day to potential customers. In their first month in business, they added 100 customers, and growth skyrocketed from there.

Financing crucial to fast growth

While water may be an inexpensive product to acquire, the water delivery business is extremely capital-intensive, and profit margins are not large. For each new customer, the company needs another water cooler, and with every few hundred new customers, a new delivery truck must be purchased, and more people hired. It takes money to fuel the kind of growth Canadian Springs experienced.

In the very early stages, says Falconer, growth was limited by finances. He found that his and his partner's savings, plus the initial $25,000 from the bank, wasn't enough to enable the young company to grow fast enough to keep up with demand. After a year of stumbling along at half-speed, Falconer and Bailey were fortunate to find a financial partner who bought one-third of the business, and who continues to provide the financing needed to fuel the company's growth.

Canadian Springs is now operating from a facility with double to triple the capacity it needs to meet current service demands. Falconer said the five-year goal is to increase sales volumes to two or three times current levels, to fully utilize capacity. Another goal is to improve profit margins through increased efficiency.

Increasing productivity through technology

One way the company is increasing productivity is through automation. On their first attempt to computerize their business, Canadian Springs hired a software developer to write a custom package. They learned the hard way that it's usually best to go with proven technology — the project dragged on and was never completed. There are several commercial software packages available specifically for bottled water companies, and Canadian Springs now uses the best-selling package. Productivity, especially for drivers, has increased dramatically since the software was installed.

Building a team

Falconer feels that one of the main elements to the success of Canadian Springs is its ability to build a cohesive and motivated team. A motivated, productive staff is crucial to the success of this company, where labour is one of the largest costs of doing business.

Canadian Springs has a policy to hire like-minded, entrepreneurial people. Employees tend to be young and enthusiastic. They like to do things together. Last fall, when the company rented a kids' camp near Whistler for a weekend of fun and team-spirit building, fully 95 per cent of the employees attended. They have a staff baseball team. They splurge for their staff Christmas party. "It's a great place to work. People like it here," says Falconer.

Fast growth through the years has placed strain on finances and the business infrastructure. But for the employees, it has meant opportunity. The company has a policy to promote only from within and to provide employees with the training needed to advance. For example, one woman who started as a receptionist now supervises a dozen people.

Staff members are also given incentives to make the company better. Sales staff are paid bonuses for increased sales. Drivers are paid by the bottle delivered, so in a sense, each operates his or her own miniature business. It's important to the drivers that customers are happy with the product and that they use it. "If we lose a customer, the driver does too," said Falconer.

Keep team spirit high

Falconer regards the perks and team-building activities Canadian Springs provides as actions one should take as a matter of course in running a business. However, he surmises that most companies don't bother to fully engage in many of these morale-building exercises.

He himself intends to keep the team spirit high at Canadian Springs — and it's a competitive strategy. A lot more competitors are involved in the bottled water business than when Canadian Springs started, but Falconer isn't worried. "We have excellent personnel, and we work as a team. It really comes across to our customers and it gives us an edge," said Falconer. "It's tough to duplicate that."

The Entertainer Video Rentals

A business with personality

The Entertainer is no ordinary video store. Founder Danny Dokken, 27, has infused it with a personality all its own. Customers are greeted by loud music and highly personalized service. The decor makes the store resemble a mini theme park, with a haunted house section for thriller films, a Disney castle facade for the children's section, and saloon doors to the adult section. There are flashing lights everywhere, and the store feels full and busy even if you are the only one in it.

Dokken admits that not everybody feels comfortable with his unique approach, but those who don't simply go elsewhere. A growing share of the Victoria video market is attracted to The Entertainer. In fact, 1991 sales topped $1 million, up 30 per cent over the previous year.

Constant innovation

Dokken is always on the lookout for ways to incorporate innovation into his business. He likes to keep things interesting, and keep his competition guessing. He was the first in the city to institute three-evening rentals. He crunched the numbers and found that while margins drop when you do this, overall profit increases due to considerably increased volume.

Dokken also constantly re-examines the use of space in his 6,200 square-foot store. In the coming year, he plans to minimize the lower-income areas and further develop those that offer the best return. For example, he's going to de-emphasize the music and how-to sections where sales are rather slow, and further develop the most popular and/or growing sections of the video store. Dokken also plans to expand the Nintendo and video game section, offering new and used sales and trading, as well as rentals, something that hasn't been done by a video store.

"A lot of people in the business aren't creative enough," said Dokken. "Sometimes you have to break the rules."

Making change easier

Dokken likes to be able to act on his creative ideas, and be capable of making changes on a whim. But he recognizes the need to keep his debt low and cash flow steady so that he can make changes if and when he wants. "Innovations represent a negative cash flow in the beginning."

Dokken didn't always have the luxury of trying new things, holding prices steady, and patiently waiting for the market to respond. It was a struggle at first to amass the kind of resources needed to start such a capital-intensive business. He financed his business with bank financing, as well as backing from his family and the real estate developer for the complex where his store is located. The developer offered incentives for tenants to commit to leases in the complex. He also received some interesting financing from one of his suppliers. The

video sales company sent Dokken $60,000 worth of videos on credit, and granted him flexible pay-back terms. This line of credit helped Dokken get going and bolstered his lacklustre inventory.

If he were starting again, says Dokken, he would try to begin with more working capital and a larger inventory of titles and product offerings. He has expanded as he became able, building inventory with the profits the business generated.

At first, however, profit margins were slim, and Dokken admits that both income and spending were a bit haphazard. He has since gained greater control of his financial situation, and profits have increased to a good level. After a few years in business, Dokken has learned, of necessity, how to crunch numbers. His video store is now firmly established.

Expand carefully

His three years in business have brought a considerable change in Dokken's attitude towards expansion. He started with visions of a video/convenience store chain, and figured he wouldn't be happy unless he opened a new store every year. "Once I got into the business, I realized that expansion would be a mistake without the necessary knowledge, experience and cash flow." Having said that, Dokken does plan to start another venture within a year, once he's sure he'll be able to handle it without overextending himself.

Patience pays off

Dokken feels it was a real advantage to start a business so young. What you lack in experience is made up for with blind ambition, plus the brash confidence that helps entrepreneurs get going and keep going during hard times. "When I was starting the business, I was absolutely convinced I would be successful," said Dokken.

He was right, but it wasn't all as easy as he expected it to be when he was 24 and overflowing with confidence. At 27, he has learned patience. He used to expect results immediately. "It's hilarious in retrospect," said Dokken. "Things happened quickly, but not fast enough for me. I wanted too much done too soon. As a result, jobs got done too fast and they didn't get done right the first time."

But Dokken has learned a lot from his experience, and won't make the same mistakes again. He has matured as an entrepreneur, and has more reasonable expectations. But he hasn't lost that youthful creativity and irreverence that sets his store apart from others in the market. He recognizes that The Entertainer's strength and advantage is its unique personality, and he plans to nurture that and continue to keep the competition guessing.

Glacier Wind Clothing

Jeanna McDonald of Cranbrook was just 25 when she started Glacier Wind Clothing with her husband Steve. Their main objective was to provide jobs for themselves in a region where jobs are scarce. Jeanna started sewing in the basement.

The upshot? Glacier Wind has maintained double-digit growth since its inception four years ago. Between 1990 and 1991, when most firms experienced flat or negative growth, Glacier Wind's sales were up 50 per cent to $750,000 from $500,000 the previous year. This phenomenal growth was achieved the same year six competitors went out of business.

Now the company employs 20 people who take real pride in producing and selling Glacier Wind's high-end sweatshirts and polar fleece jackets. The clothes are designed to be embroidered or silk-screened with custom logos and information, and are sold mainly through tourist shops or to large companies.

What gives Glacier Wind its competitive advantage, in the highly-competitive sportswear manufacturing business? The right combination of many factors ranging from low overhead and fast turn-around to quality and price.

Fast on its feet

Compared to many of its competitors, Glacier Wind is much faster on its feet. The fashion industry is a fickle one. Quick reactions are crucial to being able to make the switch in response to new trends. For example, when neon colours went out of style, Glacier Wind wasn't left sitting with a lot of brilliant-coloured, unwanted stock on the shelves. Its ability to move quickly is a protection from considerable potential losses.

While some might argue that this is not true of all small companies, McDonald feels that being small gives her an advantage. She can turn product around in as little as two weeks, she points out, while some companies may take six months to do the same job. This speedy service is the main reason some of its larger customers deal with Glacier Wind.

Selling on price and quality — Canadian made

Normally manufacturers compete on the basis of either price or quality. Glacier Wind has been able to do both. Its quality is high, and its prices are competitive, although the company buys its raw materials in Canada and manufactures here as well.

Jeanna McDonald doesn't buy Canadian out of nationalistic sentiments. She finds she can obtain quality material here at prices equivalent to goods obtained in other countries — without having to wait a long time for shipments, or dealing with the headaches of goods crossing the border. As a bonus, labels that say "Made in the Canadian Rockies" are a strong selling point with tourists.

Financial management critical

Over the course of its life, Glacier Wind has received a total of $75,000 in loans from the Cranbrook Kimberley Region Business Development Centre. The Centre will fund viable businesses that have been turned down by a regular bank and the Federal Business Development Bank. It was set up to spur economic development in Kimberley and the surrounding area, a region of B.C. which has been heavily resource dependent and is seeking economic diversification.

It is somewhat more difficult to run a business from a region which is far from major markets, sources of materials and skilled labour, and which lacks a strong infrastructure in which to operate. But Glacier Wind is in a niche that minimizes the down-side of operating in the region. It sells to tourists, which regularly flock to the area. As well, McDonald is making the most of the natural advantages that exist: lower overhead and access to special funding unavailable elsewhere.

In addition to loans from the Cranbrook Kimberley Region Business Development Centre, in their first year of business, both Jeanna and Steve qualified for a self-employment incentive grant through Employment and Immigration Canada. "Without this funding, we wouldn't have gotten as far," said Jeanna.

Funding Fast Growth a Challenge

McDonald would have preferred to have all the financing in place before starting the business, and suggests those getting into business take a serious look at their projected cash requirements. You'll probably need double the money you think is required.

Fast-growing businesses like Glacier Wind face more serious cash-flow problems than businesses growing at a more moderate pace. Currently, the company has no problem selling its product. In fact, the sales staff is not going after all the potential business because production capabilities couldn't meet the increased demand. Jeanna McDonald's immediate goal is to find more financing, to enable her to go after a bigger share of the market.

What's holding her back is the lack of capital. The McDonalds have received the maximum loan from their regional development bank and have applied for further funding from FBDB. They have found other banks unwilling to finance their business. In the meantime, they continue to invest all Glacier Wind profits right back into the business, and the business keeps on growing.

Maintain a positive attitude

Any entrepreneur will tell you that running a business has its ups and downs. Jeanna McDonald has all kinds of useful advice for aspiring entrepreneurs to keep things on the up-side: produce a good product, watch your cash flow, be patient, and listen to both your staff and customers. But most important of all she says is to believe in yourself and your business, even when times get tough. She feels a positive attitude is the single most important ingredient for success.

The Great Bicycle Co.

The sign on the cash register counter at The Great Bicycle Co. in North Vancouver states simply, in large bold letters, "Total customer commitment."

Owner Andy Ius stands behind those words, his reasons an interesting mix of personal philosophy and business strategy. A customer whose new mountain bike had been battered in a recent accident was totally convinced that a certain part on his bike had malfunctioned. Although Ius knew it hadn't and could prove it, he considered the customer's trauma and chose to replace the damaged parts and fix up the bike free of charge. "It's not all big-heartedness. It's business practice — problem management. For customers, perception equals truth, and facts have nothing to do with it."

Good turns pay off

For Ius, doing business is not about money, but about people. The good turns he does for his customers come back to him in the form of loyal patronage and unexpected good reactions from others. For example, when Ius told his supplier, Norco, about the mountain bike incident and his reaction, Norco offered the necessary parts to Ius at half price.

Ius believes problems are opportunities. He feels the customer-seller relationship should be anything but adversarial. He'll let his trusted clients pay him later for repairs or merchandise if they happen to have run out of cheques or can't pay at the time for some reason. People that buy their bikes at The Great Bicycle Co. are well looked after.

In 1991, a time when many bicycle retail stores were going out of business, including three in the immediate area, The Great Bicycle Co. sales were only slightly down from their 1990 peak, and profits reached their highest level ever. Ius, 29, started his current business in 1989, but operated a similar business for two years before opening The Great Bicycle Co..

During the height of the 1991 recession, Ius was able to improve profits while maintaining prices and a high level of service. He achieved this mainly through careful monitoring of traffic flow and more efficient use of staff. He makes sure there are enough staff to handle the busy periods, and that too many people aren't working in the shop when traffic is minimal. Another way he has improved profit is through better monitoring of stock and cancellation of the items that don't sell well.

Understand cash flow

If he were starting again, Ius admits, he would learn more about finance first. "I didn't know much about cash flow, or about the relationship between profit margins and sales." He advises those starting new businesses to understand their business and every aspect of running it, if possible down to the smallest details.

While Ius himself was successful without some of the practical financial management skills he recommends, he has since acquired them. One good source has been the Federal Business Development Bank's Business Initiative Program. The course teaches

entrepreneurs things like dealing with bankers, accounting, marketing, promotion, hiring, and motivating staff. Ius said it also brought him in touch with other entrepreneurs — it made him realize that he isn't alone on the sometimes difficult path he has chosen.

However, although entrepreneurship has its ups and downs, Ius can't see himself ever working for someone else again. He enjoys his work, and it shows. He has good relationships with his staff, his suppliers and his customers.

Communication is key

Communication is the key to doing good business, says Ius. It's especially vital in tough times. Be honest and open, and deal with people the way you would like to be dealt with. If there are problems that affect suppliers, creditors, customers or staff, talk about them immediately, says Ius. "Don't wait until the house is on fire."

He notes the importance of hiring people with whom you communicate well. Ius has eleven employees during the busy summer season and three during the off season. Due to the seasonal nature of the business, a considerable proportion of the staff turns over each year. Hiring the right people, those who possess good interpersonal skills, is important, especially in a retail business. Once you have good people, teach them what they need to know: sales techniques and how to deal with all types of customers. Above all, says Ius, keep it fun.

Keep it fun

When Ius trains his sales staff how best to deal with customers, he turns it into an amateur drama session. He plays the part of a certain type of customer, and staff members practice their responses on him. In general, he tries to instill his own attitude towards customers in his staff members. He also tries to pass on his engaging attitude about business and life in general. He tells his staff, "You're responsible for keeping things fun, exciting and interesting. You're responsible for your own dream."

Ius, who was named young entrepreneur of the year for B.C. in 1988, has a unique and inspiring vision of how business should be conducted. His vision involves more intuition than planning. It stresses personal rather than financial goals. It concentrates more on enjoying the people he deals with, and less on making money. This approach, which would not be found in many business textbooks, not only makes Ius and his customers happy, but also produces a successful and profitable small business.

Paradigm Graphic Design

Mark Cawker, 29, a graduate of Emily Carr College of Art and Design, established Paradigm Graphic Design three years ago. Paradigm offers complete graphic design services, from initial concept to project delivery. It designs a range of corporate communication materials, including logos, identity packages, brochures, posters, annual reports and direct mail pieces. (Note: Paradigm has handled the cover design and inside layouts for this series.)

The field is highly competitive, and the going hasn't always been easy. A partner with whom Cawker established the business has since left to pursue other opportunities. On his own, Cawker has taken on all marketing and administrative tasks as well as design. Rather than hire employees, he subcontracts work outside his areas of expertise. He also has his office in his home, keeping overhead low and costs competitive.

It is working. Today, his company is established and starting to generate its own momentum. Satisfied clients, including B.C. Hydro, Transport Canada, Industry, Science and Technology Canada and Dairyland Foods, are coming back to the firm and recommending Paradigm to others.

Honest and forthright

In a field rife with competitors, Cawker believes his company distinguishes itself in part by its forthright and honest approach to doing business. He always delivers on commitments, and is realistic with himself and his clients about what constitutes reasonable demands on his time. When delivery time or budgets begin to stray off track, he communicates with the client immediately. He always works with clearly-understood terms and signed contracts.

"Always communicate with your clients," he suggests. "Work hard to understand their needs, and then meet them or exceed them. Be consistent with your quality."

The art of selling

Over the past three years, Cawker has learned plenty about running his own business. One valuable skill for any entrepreneur is the art of selling. In the first year, Cawker and his partner were kept fairly busy with work from known business contacts. But in order to keep growing, Paradigm has to constantly seek new clients.

Cawker markets his services by cold calls to companies to determine who handles graphic design projects and how their needs are being served. If he sees an opportunity, he lets the potential client know how Paradigm's services could be useful, and if all goes well, meets with the client to show his portfolio.

But as any salesperson will tell you, cold calls are hard work and little fun. Only about one in 15 of these calls will result in business for Paradigm. "Running your own business is a lot more work than I thought it would be," said Cawker. "You have to accept the fact that you are responsible for the success or failure of your business."

His work is starting to pay off. It takes some time to establish a name in business, but now that he has, Cawker doesn't have to solicit all the new work that comes in. An increasing number of his clients are referred by others.

Use the best in your business as models

Cawker is full of good advice for aspiring entrepreneurs. For those who, like himself, are stepping into a competitive field, he suggests that you compare your product and/or service quality to the best in your industry, and work to measure up or surpass them.

"The first step is to identify a good business opportunity in an area you know well, and develop a plan." In Cawker's case, his eight years' experience in graphic design made his choice of business logical. But running a business was out of his realm of experience. So before he jumped into establishing Paradigm, he did his homework, took a small business course, and wrote a business plan. As part of the plan, he assessed the competition, and took a good look at what he could offer the marketplace. He also made financial projections, and figured out whether he and his partner could make a go of it. They decided, correctly, that they could start a viable business.

Focus on your strengths

Once you are in business, you must focus on what you do well. Cawker takes on projects he can tackle with confidence, subcontracting those activities he's less comfortable with. If hired to produce a brochure from start to finish, he would take charge of the design, but subcontract writing and photography. He notes, however, that an attempt to subcontract one of the hardest aspects — marketing — isn't going as well as he would have liked.

Ask for help if you need it

Another thing young entrepreneurs should be able to do is ask for help if they need it. Cawker points out that most people have resources to draw from when starting their business, whether it's potential clients or sources of financing. Use these resources, and be open to advice from others.

Thinking about growth

In common with many beginning entrepreneurs, Cawker would like to expand his business — and handle fewer aspects of it himself — but doesn't have a clear plan for doing so. "I would like to have a couple of people working for me in a year or so, but the volume of business has to warrant it." In the current recession, he might have to postpone expansion, as the demand for design and graphics seldom increases in a slow economy.

At Paradigm, Cawker has incorporated all the elements he believes in to create a professional and growing company in a highly-competitive field. He has found that entrepreneurship is not always easy, but it is instructive and rewarding. Only time will tell if Paradigm will be a growing enterprise, as well as a successful one.

Rocky Hunter (Domino's Pizza, Kamloops)

Rocky Hunter has found franchising a very good way to get started in his own business. Franchises offer pre-packaged and successful business concepts and a well-known and trusted name to fledgling businesses. In fact, a franchise is roughly six times more likely to survive the first five years than any other independent new business.

Hunter, who uses R.A.H. Enterprises as his business name, started a Domino's Pizza franchise a year ago in Kamloops, and sales have been improving steadily since then. He chose Kamloops because of its good population base — 20,000 addresses in his target area. He financed his business with a $65,000 grant from Industry, Science and Technology Canada's Aboriginal Economic Program (Hunter is an aboriginal entrepreneur) plus $32,000 of his own savings.

Understand every facet of the business

Prior to founding his own business, Hunter worked for two years at a Domino's in Lethbridge, Alberta. He started as a driver and worked his way up to manager. Then he decided he wanted to be his own boss — a common phenomenon. In fact, 80 per cent of Domino's franchise owners started as drivers. Even the president of the company started as a driver to earn money while going to college.

Hunter feels it is a real advantage to have experience in every facet of running a Domino's before starting the business. He knows exactly what each of his 25 employees has to do, and can jump in and help whenever he is needed. "I'm not afraid to work," he said. His employees tend to be more hard-working because of this: they have a good example at the top.

Hunter's formula for managing people is one element that makes his business successful. He believes in giving lots of positive feedback, while at the same time letting staff members know immediately if they have made a mistake. When rewards are deserved, Hunter gives them freely, everything from free pizza to extra pay or time off.

Service and product excellence

Hunter's formula for success, following the Domino's model, includes elements of service, product excellence and image. At his restaurant, good service has a definition: pizzas are guaranteed to be ready within thirty minutes, or the customer receives a discount. After 45 minutes, the pizza is free. But Hunter hasn't been giving many pizzas away; his business has been profitable from the outset.

Product excellence is carefully monitored so that customers can expect consistently good pizzas. And the franchise portrays a professional image by requiring all staff to wear uniforms.

Franchise support network

Hunter has discovered many advantages to running a franchise versus starting up completely independently. The franchise network is very supportive, and Hunter can benefit directly from Domino's 30 years' experience in the pizza business. If he has a particularly sticky problem to deal with, he can pick up the phone and

get help. Domino's also sends a regular newsletter, advertising ideas, and many other helpful items to its franchises. When someone like Hunter succeeds, Domino's succeeds through increased royalties.

Drive and confidence ... and a plan

Hunter notes that if he were to give advice to aspiring entrepreneurs, he would tell them to learn everything possible about their business before getting started. Determine exactly what you want to do, and find out about the competition. Write a business plan to assess the market, competition, and viability of the business, as well as to provide a strong sense of direction for the new company. An operating plan that includes a careful study of month-to-month cash flow is also essential. And just as important as a good plan, is the drive and confidence to make the business a success.

Following his business plan, Hunter is working to steadily increase sales volume. To increase traffic, Hunter sends flyers on a monthly basis to the 20,000 addresses in his target area. According to Domino's statistics, as long as service quality, product quality and image are consistently good, sales will increase naturally.

By next year, Hunter is hoping to see a fairly dramatic increase. One of his goals is to set a weekly record for Domino's sales in Canada during the week the Canada Games takes place in Kamloops in 1993.

He certainly has no regrets about starting his own business, and is setting his sights higher as he goes along. Hunter believes drive and confidence, combined with the successful business formula that franchises have worked out so carefully, is an excellent route to entrepreneurial success.

Competitiveness in the '90s

Conclusion — Young Entrepreneurs Series

Age is no barrier to success in business, as the six young entrepreneurs profiled in this series prove. Whatever your age, however, there are some crucial ingredients for success, as well as some lessons that apply specifically to young entrepreneurs.

Develop a detailed plan

Many young entrepreneurs get into business without a thorough knowledge of their business and the management skills required to run it. You can learn a certain amount on the fly, but the more you learn and plan prior to opening your doors the better. The same lessons apply to any major expansion plans.

A business plan is essential, especially if you need to raise financing from outside sources. The plan should include thorough research into your market, assessment of the competition and risk factors, a description of your strategic direction, background information on key personnel, a 2-3 year forecast of revenues and expenses which will indicate among other things how you plan to become profitable and to repay any loans, and a fairly detailed outline of how you plan to capture your target market and increase market share over time.

An operating plan, which details month by month income and expenses is also a good idea. If you don't know enough about financial management to write an operating plan, you should take a course and learn the basics. An operating plan will show you how much cash you really need and tell you very quickly if your business is viable. In making this plan keep in mind that entrepreneurs tend to considerably underestimate expenses and are often overly optimistic about initial sales levels. Be conservative.

Finance

Financing is one of the most difficult aspects of doing business for young entrepreneurs. Most lenders like to see an excellent track record or strong security before they'll lend to businesses. Young entrepreneurs tend to lack both.

Careful advance planning helps; in fact, your personal conviction and the strength of your plan may be the only asset you have. But most young entrepreneurs, nevertheless, will not be able to obtain initial bank financing. Alternative sources are out there: parents, partners and savings are good sources. Government organizations set up to encourage business development are also possible sources of start-up and growth financing. Try the Federal Business Development Bank, or a regional business development association in your area if one exists. Note, however, that in most cases these agencies — and any other financial institutions — will expect you to use your personal resources for a large portion of the required equity.

Be as creative as you can. Don't underestimate your needs. Lack of financing is what tends to cripple most businesses in their early stages. Think not only about what you need to get started, but how much money you'll require if your business starts to grow very quickly.

Management of people

People are the most important ingredient of many businesses. It's important to communicate well with your staff, train them effectively and motivate them to do excellent work. In training your staff, the more you know about all aspects of your business the better. You can't teach someone how to do a job if you don't know how yourself.

Create a positive work environment, and your own corporate culture. Make sure your employees understand your goals with respect to your business and share those goals. Successful entrepreneurs have a vision of how a business should be run and are able to communicate that vision throughout their organization, no matter how large or small.

Management practices are changing rapidly in the face of competitive pressure and creative thinking; take steps to keep your practices near the leading edge.

Dealing with customers

Treating your customers well is crucial. Deal with people the way you would like to be dealt with. Be honest and open. Learn all about your customers' needs and expectations and meet or exceed them.

Always keep your customer in mind when making any changes to your business. The more you know about your target market, the more effectively you can sell your products and/or services. Again, customers are becoming far more demanding of quality and value; your business must make continuous improvement in these areas, because that's what your best competition is doing.

Business growth

Young Entrepreneurs often start their businesses with a feeling they're going to conquer the world overnight. What they quickly learn is patience.

It often takes longer to achieve goals than entrepreneurs expect. Persist in your business strategies, keep the quality of your product or service high, and the work will pay off soon enough. If you want to expand, do so carefully. Don't overextend yourself or you may face a cash flow crunch. This may be one of the greatest pitfalls for a young entrepreneur; the unbridled enthusiasm that got you into business has to be harnessed.

Maintain a positive attitude

Running your own business has its ups and downs. There are going to be very stressful periods, and times of wild success. Make sure you maintain a good attitude throughout. Be confident and self-assured. You're responsible for the success or failure of your business, and a positive attitude will go a long way to ensuring your success.

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