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RIGHT FROM HOME

How to successfully begin a home-based business in Canada

A Start-Up Guide

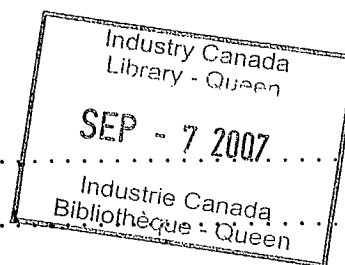
By Barbara Mowat and Ted James

The contents of this guide has been prepared by Barbara Mowat and Ted James in consultation with many sources. It does not necessarily reflect the opinions nor the policies of Industry Canada.

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NO PLACE LIKE HOME...

Running a business operation successfully from home is a dream which more and more Canadians are now turning into a reality. Indeed, home-based business is one of the fastest growing forms of entrepreneurship in Canada.

Equipped with affordable computer and communications technology, the home has become a practical and attractive workplace. Many home-based entrepreneurs are homemakers or undergoing a career transition. Others, such as retirees, people with disabilities and hobbyists, have also discovered lucrative employment opportunities in their homes.

Almost a quarter of all Canadian households now involves some form of home-work — 47% are involved in self-employed work, 14% are telecommuters, while another 39% are supplementers: employees who bring overload work home to complete during evenings and weekends. In the US a reported 28 million households have a home-based business, which represents a doubling since 1988, with another 8.2 million telecommuters. Every year more Canadians launch a new home-based business, as corporations downsize, single-industry towns diversify, technological innovations improve, and people continue to seek lifestyle changes.

This guidebook has been produced to support the efforts of ordinary Canadians who are interested in how to start-up and successfully run a home operation based on sound business principles and solid advice.

Running a successful home-based business does not require magic formulas, just a viable idea, common sense, appropriate planning and the dedication to carry the plan out. This guide book stresses the value of planning by its contents being organized into six key elements of an effective business plan: self-assessment, research, marketing, finances, operations, and management of the business.

Although some information could appear in more than one section, repetition has been minimized. You probably won't need to apply all of the information supplied here, but you will need to consider its implications. If you decide on a particular marketing strategy, for instance, you should be able to justify why it is best for your business. Business success doesn't just happen, it is created by employing strategies that have a good chance of success.

But success doesn't come automatically either. It takes perseverance through the many frustrations that you'll inevitably encounter.

If you systematically apply the information and advice contained in this guidebook, you'll greatly increase the chances of making your home-based dream into solid reality.

PART ONE: ASSESSING YOUR SITUATION

"The biggest advantage I see in having a home-based business is having flexibility in hours of work and family time, especially with a young family," says George Cassady of Edmonton, Alberta. His company, Timberline Graphics provides preliminary design and final construction drawings for single family homes along with other graphic design projects. "Being self-employed, I can make decisions of when to work. And with the office so close, I can juggle hours easily. The costs of maintaining and operating an office are also reduced."

"But it does take a bit of a balancing act to separate work and family needs since the dining room table doubles as the place to interview clients," warns George. "The same goes for the family car. Sometimes I'm running to pick up supplies or meet clients when others in the family need to go into town or be picked up."

The reality of working out of your home can be less than ideal. "The phone always seems to be ringing -- so while working at home allows you to return calls quickly, it also means taking a mental break from work is difficult, especially at busy times."

A. BEFORE YOU GO ANY FURTHER...

So you want to start a home-based business, eh?

Well, before you go any further, ask yourself WHY? And then ask yourself a few more serious questions about what personal qualities and family support you can draw upon to make your dream a reality. Since your answers are so crucial to your chance of success, let's examine them one at a time.

1. Why Start a Home-based Business?

The home is an excellent place to start a business, but, unfortunately, many home businesses struggle to get off the ground successfully and to survive. Being clear about your reasons for wanting a home-based business can lessen that struggle greatly and help you make much better business decisions than if you blindly set off down what can become a rocky road later. Success is directly linked to being clear about what is motivating you.

People have all sorts of good reasons for wanting to work from home. For instance, you may want to:

- be your own boss
- make money
- spend time with or being in the same place as your family
- have time for other interests
- want to expand a hobby or an interest.

People usually have more than one reason for wanting a home-based business. What things about a future as a home-based business person appeal to you most? Write them down as a statement of what your goals are before you go any further...

2. What Personal Qualities and Traits will Help You?

Success at running a home-based business will depend much upon your faith in yourself -- your self-confidence and your self-esteem. A lack of confidence will soon affect your motivation, especially if times get tough.

Fortunately, self-confidence and self-esteem can be strengthened and developed. Most people gain confidence as they do something successfully a number of times. Consider investing some time to build your confidence and self-esteem, as part of your preparation for business. Some possible ways are training yourself to concentrate on positives and your successes, taking community education courses to build confidence, and joining a group such as a speakers, professional or business club. See the self-help section of your local library.

Other personal qualities -- called traits -- which are known to be important for success in a home-based business can be found in the Entrepreneurial Evaluation in this chapter's supporting materials (see Appendix C). The very traits that make entrepreneurs successful, such as determination and willingness to work long hours, can also turn into traps. There are extremes for each trait. Having too much of a particular trait can be as much of a problem in a home-based business as not having enough. Do the Entrepreneurial Assessment now before going any further...

3. What Personal Resources Do you Have?

Successful business people depend on other people, and they draw on other people as resources. Learning to see people and things as resources may require a shift in your perspective.

One way to assess your situation is to consider the personal resources you already have. These include everything from your own skills and energy to friends for possible help with financing. Before you go any further...Create an inventory of all the resources currently available to you that you believe give you an advantage to succeed:

- energy
- enthusiasm
- time
- training
- sales experience
- personal contacts
- support from friends
- savings
- investments
- your partner's income
- income from the job you may decide to keep during start-up.

This personal inventory can be used in your business research and planning. Parts of the inventory can be transferred into your business plan and reference manual -- two key business systems explained in the next and following chapters.

4. Will Your Family Help or Hinder You?

When you start a home-based business, everyone living with you is affected. In reality, you don't start a home business, your whole household does. And how they react to the idea will be very

influential. It can make or break the whole enterprise.

Many home-based businesses fail because family members have different ideas about what is important and about the effects the business will have on the family. Discuss these with the people who will be affected or who are involved.

Management of the grey area between home business and home life is particularly important for women who often still shoulder the main responsibility for domestic tasks in a family. Women may have to struggle to prevent business time and energy from being drawn off into household work.

Expectations in this area are seldom discussed and often perceived differently by other household members. When a person is at home, others may find it reasonable to ask that a little extra be done here or there. These patterns can undermine business success.

How will a home-business affect your partner and other family members? Have you asked them? Check out their expectations and reactions before going any further...

5. Is Separate Space Available?

The need for a designated space for the business, even if space is severely restricted, is emphasized in many home-based business guidebooks. Sometimes this is more symbolic than real but it does make a statement about the seriousness of your undertaking.

Assess the physical lay-out of your home -- where might you be able to conduct business? what remodelling might have to be done? what changes would these ideas have on present use of space? Estimates you make at this time will be useful for completing the sections on location, premises and facilities, and start-up costs in your business plan.

6. Do you Have a Solid Idea for the Business?

Many people hanker after going into business for themselves but lack an idea. If this is true for you, consider the home-based business ideas listed at the end of the guidebook to develop your home-based business concept.

One approach is to think about the skills you have that may be marketable -- something you are trained to do or have become skilled at through work or practice. Another is to think about your current interests and activities. Have any childhood interests carried into your adult activities? Have you an area of interest that you want to explore as a business opportunity?

Prospective entrepreneurs often make the mistake of narrowing their choices too quickly, starting the first business that comes to mind. Using the following guide, try to expand your choices and come up with ideas for businesses that you would actually enjoy running. The object is to discover those business opportunities that should be not only profitable but personally rewarding. As shown in this Guide for Turning Your Interests into Income, the trick is to match the business to your preferences, rather than vice versa.

Guide For Turning Your Interests Into Income

1. Write down all your interests, hobbies, leisure activities, and previous work or volunteer experiences that you have enjoyed. (For example: travelling, collecting miniature furniture, cooking, shopping, fishing, working with computers, meeting

people.)

2. The next step is to convert your interest into income opportunities. (For example, if you like to ski and travel, you might want to organize ski charters; or, if you're interested in photography and enjoy meeting people, perhaps a videotaping service would be right for you.)
3. Now, narrow the list down to the three or four businesses that appeal to you the most:
4. Research these further to determine which is your best bet. (For example, who would your customers be? How can you reach them? Who's your competition? How much money will you need to get started? Use this guidebook as a guide to help you with these research questions.)

NOTE: Once you've completed the Guide's four steps, you may be surprised by the results. A business that originally seemed like a good idea might not show up on your list. Conversely, an activity you've always done purely for fun could emerge as a potential money-maker.

Get opinions from family and friends. Make a core list of the best three to five possible ideas. Choose one to assess as you work through this guidebook, and if research shows it isn't a real opportunity, work with another.

7. Is Home the Best Place?

Consider whether your home is really the best location for the business you have in mind. Potential advantages and disadvantages of a home base are summarized in the following table.

Potential Advantages

- low risk of expensive mistakes
- opportunity to use household resources for business use
- low overhead, running costs
- gradual start-up and growth
- no commuting time or expense
- tax advantages (with deductions allowed for part of the house)
- relatively inexpensive way to test a market

Potential Disadvantages

- isolation and lack of contact with colleagues
- increased family stress, with the difficulty of separating business and home life
- need for self discipline and the ability to plan and manage one's own time
- by-laws and regulations affecting what you can and can't do at home
- poor image (you may look more home-like than business-like)
- conflict with neighbours over noise, traffic, and changed use of space
- parking problems

Before you go any further, make a list of all the advantages and disadvantages you may experience if you locate your business at home.

8. Are you Permitted to Operate?

You may not realize that the zoning regulations in many municipalities in Canada still do not allow home-based businesses to operate legally at all! Other municipalities have very restrictive by-laws which severely limit what sorts of business can operate from a family dwelling in a residential neighbourhood.

Zoning by-laws dictate where different types of businesses may operate legally and under what local operating requirements. The zoning for your neighbourhood or area spells out what is and isn't allowed as a business activity from your home. Unless you intend to operate illegally -- and many Canadian home-based businesses choose to or are forced to do so, especially in areas with archaic by-laws or uncooperative City Halls -- you should contact your municipality and find out if your proposed business will be legal. As a precaution, perhaps have a friend ask on your behalf anonymously. Before you go any further, at least find out what is legal and what isn't.

(More detailed information about zoning with an example of a zoning by-law is given on page 64.)

9. Are you Ready for the Changes?

A home-based business can absorb all your time and energy -- especially in the start-up phase. There is a risk that as you devote so much to your business, other parts of your life will be ignored. You may become a workaholic. If managed, that same energy can help make a business succeed. Ignored, workaholicism, like other addictions, isolates people from family and friends and causes stress. In serious cases, this can lead to family breakdown and business failure.

B. MAKE THE RIGHT DECISION...

The responses you have written to the previous questions in this section have allowed you to consider the influences of a home-based business on different parts of your life -- family, social, professional, personal. Include any ideas you might have for dealing with different negative effects you have listed.

Now ask someone whose judgement you trust to read what you've written. Ask this person to tell you honestly whether he or she feels your responses are accurate and believes you can do what you have outlined. Then use the feedback you get to discuss possible changes with people who will be most affected. From a business point of view, the success of the home-based enterprise indirectly depends on the support of these people. Involving them early and keeping them informed can reduce the unavoidable stresses of business start-up.

1. Is a Home-Base Realistic For You?

To summarize your situation, use these questions to assess whether starting a home-based business is realistic for you at this time.

- ***Legalities.***
Is your business legal according to the zoning bylaws? What legal restrictions may limit you from operating from your home?
- ***Physical space.***
Do you have enough space? Will you have to remodel? What effects will a changed use of space have on your family?
- ***Personal qualities.***
Do you have what it takes to be or become a successful business person?
- ***Family.***
Do you have the support of family members? Will family help you actively, back you up and support you, or leave you alone? Do you know what your family truly thinks about your idea, emotionally as well as logically?
- ***Neighbourhood.***
How will the neighbours react? Will your home-based business affect them? How might your business affect relationships between your household and your neighbours?
- ***Work style.***
Are you a self-starter, motivated and disciplined about working on your own? What social or professional development activities could take the place of the interaction you'll miss from an outside place of work?
- ***Balances.***
Can you be disciplined about maintaining a balance between home life and working at home, between your business and your personal life, between your own growth and that of your business?

Asking — and answering — these questions of oneself isn't easy. But making sure from the beginning that your situation supports success is a key to business planning.

PART TWO: TURNING IDEAS INTO OPPORTUNITIES

Sandy Kelly's big idea for a business was pulled out of Lake Ontario. She stumbled across a man who'd just landed a trophy fish which was marred by malignant growths and discolourations. As a salesperson for a local chemical manufacturer, she realized the environment was becoming so polluted from swage effluent that a ready market was developing for "environmentally friendly" household cleaning products.

Her employer dismissed the idea but undeterred Kelly set off on her own. To transform her idea into reality she drew upon her contacts and friends to help her explore how best to market her own line of "green" cleaning products.

"The quality had to be there," Kelly realized. "It had to be as good as anything else on the market, and it had to be kind to the environment." Her chemicals could not contain either phosphates because these promote plant growth in lakes and rivers or EDTA which leads to heavy metals being absorbed into the food chain.

Kelly asked other friends to help test her products at home, and when she was satisfied began looking for suppliers. "I don't believe in get-rich-quick schemes. If something sounds too good to be true it probably is. The key to my success has been taking one thing at a time and doing it well."

Having an idea for a business isn't enough to ensure success. It's simply the first step. No matter how good your business ideas are, they need to be turned into good business opportunities.

An "idea" becomes an "opportunity" when it has a chance to succeed as a business. This means you'll need to examine your idea carefully to see how a profitable business can be created out of it. You'll need to examine how best to organize your business, exactly who the best target market of customers will be, where to locate supplies, how much capital investment is needed and so on.

Let's see how you can assess the chances of success for your business idea.

A. BUSINESS RESEARCH SIMPLIFIED

The process begins with research. Don't get frightened by that word. Doing business research simply involves collecting information about either your idea or your business itself. The information is used as data to help you see what your chances of success are likely to be and what adjustments to your ideas might be needed.

1. Make the Task Interesting

A hunt for information can be fun. It doesn't need to be tedious and boring if you involve others to help you. Ask family members if they can help out with some of the tasks. Ask friends to come with you to libraries or government offices when you go to collect information. Join a local home-based business association and get help from other members who have done business research before. They can show you the ropes, offer tips on where to go and who to contact in your area. They may even have some of the information you are looking for.

If you really hate collecting information and pouring over books and catalogues, you can always hire a researcher to do the work for you. Indeed, local college and university students taking business courses may even be willing to do some of the work as a school project!

2. Allow for Plenty of Time

Be warned: plenty of time is needed. Researching a business idea will take at least four months, probably closer to six months or a year. Returns may not begin to show for two years from the time a business does get established.

This delayed return may make you question whether the time and money you spend on research is necessary. When you are enthusiastic and ready to go with an idea, it can be frustrating to answer questions that you don't really care about -- yet -- and to dig for information that's sometimes hard to find. But it's worth it. With an unprepared start, you won't give yourself or your business idea much chance to succeed. This is not a lesson you want to learn the hard way.

3. Understand What You are Looking For

The information you'll need will depend upon the kind of business you intend to operate. Starting-up a trucking company requires quite different data than for a dried-flower craft business. But the types of information are roughly the same for all businesses. They fall into the following four main categories:

- Business Concept: What will you be selling?
- Marketing: How will you reach buyers?
- Operations: How will you run your business?
- Finance: How much do you need to make a profit?

When collected together into these four categories, the information you obtain becomes a "business plan" for your company (see p.23). For easy-reference, the remaining parts of this guidebook are organized into these same categories.

4. Keep a Research Binder

As your research progresses, you'll need a system to record and store information. A good system to use is called a research binder, divided into sections. Use the names of the four categories mentioned above as divider labels in your research binder. A good size to have is a 7" x 11" sized binder with a 1 or 1.5 inch width.

Don't carry around the binder with you -- the risk of losing everything at once is too great. Leave it at home and at the end of the day place the information you have collected into the appropriate section in your binder. Some information will come in the form of brochures, leaflets, tables etc. which can be hole-punched and placed "as is" into the binder. The same is true for information photocopied from books, magazines, directories, etc. Other information will have to be written as notes by you on paper -- or typed into a laptop computer if you have one -- before being stored in the binder. Small scraps of paper can be glued onto full-sized pages so they'll fit into your binder

easily.

This research binder will become later the basis of your business reference manual, a key business system for the success of your business.

5. Get Off to a Good Start

A "research source" is a place where you find information. Research sources include people, information offices, media programs, publications such as books and magazines, and many varied, unexpected places such as suppliers, customers, and even competitors.

Ask for the names of people you speak to so you will have contact names written in the same place as other information you get. Keeping track of whom you speak to is an important part of organizing research -- and will greatly enhance your task of putting your business plan together later.

Try local libraries first. The price is right, and the reference librarian may be your most useful, low-cost consultant. Local public, community college and university libraries have many resources including current directories and collections of standard business reference, as do local business information centres.

If you are uncertain what questions to ask, use the business plan framework (see p.23) and make a "shopping list" of research questions. Ask a librarian to help you find the references that have the information you need.

If you have contacts, use them. Make the most of networks you belong to. If you know a banker, or know that your business idea is only possible if you can get financing, consider going meeting with a banker to discuss your idea. Your banker may be able to suggest other sources of information, such as similar businesses in another area, or good local suppliers.

Small business and enterprise development centres are often associated with community colleges. These centres are a wealth of information. There may be a fee for services. Community colleges themselves offer continuing business education through seminars and workshops as well as formal courses. You may be able to hire a business class or students to do research for you on a much larger scale than you could accomplish yourself.

Many municipalities and regional districts have what is called an economic development office (EDC), sometimes attached to the planning department (City Hall). Economic development officers are able to answer general inquiries and specific questions about your area of interest. They will also be able to tell you about other local business resources and contacts.

Your local chamber of commerce is a good lead for making contacts - networking - and for business seminars and workshops.

B. WHAT YOU SHOULD RESEARCH FIRST?

One decision that all business people must make is what form or structure the business will have. Four possible structures, explained below, are allowed in Canada. Another area of interest to many prospective home-based businesses is how unique ideas and designs that may be the heart of the business concept can be protected. Information on these and other key areas is summarized below to help you start your research process.

1. Which Business Structure to Use

One basic question facing all new business owners is "What business structure is best for me?" This introduction to business form or structure covers the four main types recognized in Canadian law: sole proprietorship, partnership, limited company (corporation), business co-operative. Each business form or structure allows and requires different things.

People new to business may think it doesn't matter how a business is organized or structured. It can make a big difference:

- The right structure can help you reduce costs and maximize profits.
- Investors or partners may only be interested in certain structures.
- Banks and other sources of money may be more willing to lend to certain business structures than others.
- A business structure affects how your business can grow.
- Taxation and tax planning are different in different business structures.

a. Sole Proprietorship

This structure is the simplest of the four. A proprietorship is a common form for new home-based business. A sole proprietorship is a business that is owned and operated by one person. Most self-employed people operate as a proprietorship. A proprietorship can operate under a person's name without filing a name declaration with the Registrar of Companies/Corporate Registry, but if any change is made in the name, such as adding "and company", "and daughter/son", or "and associates", you must register with the Registrar of Companies/Corporate Registry. The name you select must not already be in use by another company nor may it be so close to the name of another company as to cause confusion.

Advantages

- Easy and inexpensive to set up.
- Directly controlled by the owner/operator.
- Flexible, with little regulation.
- Business losses can be deducted from other income.
- More likely to get credit from banks and suppliers (because of personal responsibility for business debts).
- Wages paid to a spouse are deductible from the income of the business.
- Silent investors are acceptable, by written agreement, instead of issuing a share or stock certificate (which is how an incorporated business raises money).

Disadvantages

- Unlimited personal liability (which means all personal and business assets of an owner can be taken to fulfil business obligations).
- No opportunity for continuity: the sole proprietorship dies when the sole proprietor goes out of business or dies.

b. Partnership

A partnership is also easy to set up. By carrying on business with a view to profit, you and your partners create a partnership, even if you don't sign any agreements or contracts. Formal or informal, a partnership is a legally binding business relationship in which each partner takes responsibility and becomes liable for the actions of the other partners. This includes actions that may be taken without a partner's knowledge. This risk is part of the business structure.

A partnership must legally register its name and give information about the partners, so the public has a way of finding out who it is dealing with. Selecting, checking and filing the business name of a partnership requires the same steps as for a sole proprietorship.

Business planning for a partnership involves discussing all aspects of the business and how it will function. This is particularly important if prospective partners are friends or relatives. Some important topics include the goals of the partnership -- both short-term and long-term goals -- and how these goals will be reached. The question of how profits will be used is also important. Two main options are that profits are taken out of the business to be divided among partners and that profits are turned back into the business. Partners may want the portion or percentage they receive to change when profits reach a certain point, or when the business reaches a certain size.

Home-based business advisors recommend that prospective partners write up a partnership agreement to help clarify terms and conditions.

Written agreements among partners generally include the following kinds of information:

- Name of the partnership.
- Business to be done by the partnership.
- Procedure for adding new partners.
- Procedure for a partner to leave.
- Procedure for making decisions.
- Responsibilities of partners.
- Terms for ending the partnership.
- Name of who will keep the partnership's financial records.
- Methods that will be used to keep financial and other business records.
- Any limitations upon the authority of a partner to act as an agent for the partnership.

Advantages

- Easy to set up.
- New partners can be added easily (so this structure is more flexible and has a greater chance of continuity than a sole proprietorship).
- Few formal legal requirements.
- Risk is generally shared equally among partners.
- Partners can provide mutual support and different skills.
- More sources of capital.
- Broader management base.
- Easy to change legal structure.

Disadvantages

- Tax and estate-planning options are limited.

- Partners and all their assets - personal and business - are at risk for any losses suffered.
- Sometimes business and personal liabilities of a partner aren't kept separate (with potentially disastrous consequences to other partners whose shared business liability could result in unexpected personal losses).
- Decision-making may be difficult (because each partner has equal rights to be part of that process).

c. Corporation or Incorporated Company (Limited Company)

Few home-based businesses need to incorporate, at least not until their net income rises past \$15,000. Most professionals advise clients against incorporation if it isn't necessary. Business form can be changed as necessary. The owner/operator of a sole proprietorship that booms may decide to expand, and to incorporate at the same time.

By issuing shares and following government procedures to incorporate, this business form has a life of its own; it can outlive members and shareholders. All shareholders are part owners, able to vote with their holder's equity, which is their share of the business.

Each corporation sets its own rules, within the law, for shares and business operation. Incorporation can be done as a provincial company, through the Registrar of Companies/Corporate Registry, or as a federal company under the Canada Business Corporations Act administered by Consumer and Corporate Business Affairs.

Advantages

- Limits the liability of owners: personal property cannot be taken for business debts. However, for new business starts, financing will probably require personal guarantees anyway so the limited liability protection may not matter.
- Readily recognized and understood by lending agencies.
- The enterprise has a continuous existence.

Disadvantages

- Expensive to set up compared to other business forms, sometimes involving lawyer's costs and incorporation fees. You can handle business incorporation yourself at a lesser cost of approximately \$300.
- Requires a lot of paperwork and regular reporting to the government.
- Less privacy regarding financial and other affairs.

d. Business Co-operative (Co-op)

The business co-operative is a special form of an incorporated structure. Two kinds of co-operatives are suitable for a home base: the marketing co-op and the worker co-op.

In a marketing co-op, members are individual producers (for example of crafts, clothing, furniture) or providers of a service (such as office work or cleaning) who choose to market their products or services together. The co-op might employ a marketing person to promote all the members' products and services, or might rent retail space. Members continue to work in their own homes.

In a worker co-op, members all work in one business, for example silk-screening T-shirts or raising bedding plants. One location may be used as the primary business site or several members' homes may be used for different functions. Members may work together on the same task or be responsible for different aspects of the business.

The initial capital for a co-op is raised by member shares. Liability is limited to the amount of share capital owned by a member. Democratic control is an essential feature of business co-op operation; business people who choose this structure must have a commitment to co-operation. Each member has one vote.

Advantages

- More sources of capital due to members' contributions.
- Greater volume of production possible (because more people are involved).
- Everyone has a stake in the business.
- Co-op members provide mutual support and pool skills.
- Decision-making is shared equally.
- Relatively flexible structure (allows for changes in membership and responsibilities).

Disadvantages

- Members may be unfamiliar with methods for making decisions together and resolving conflicts (possibly needing initial and periodic assistance to strengthen decision-making processes).
- Confusion is common between the structure of a business co-operative and the process of working co-operatively.
- Business co-operatives are less familiar to financial institutions (so financing may be more difficult or take longer and some educating of each other may be needed).

2. How to Begin a Home-Based Business

Another important thing to research is what sort of start-up you want your business to be. There are three main ways to start a home-based business: start from scratch, buy an existing one, or obtain a franchise.

a. Start from Scratch

For many home-based entrepreneurs, starting from scratch is the only option. Household resources - space, energy, time, materials - can be used to help get the business established. This is particularly important when capital/money isn't available. Starting from scratch requires more effort, time, and special skills than buying an existing business, plus it involves more risks. It can take time for a new business to get known to customers. The start-up and early years can be periods of losses or low income. Few new entrepreneurs are prepared for the stamina it takes to establish a new business. However, the rewards for those who overcome the barriers and stick with it can be great.

b. Buy an Existing Business

Buying an existing business involves different advantages and pitfalls from a new business start. Buying an existing business may reduce the time it takes for the business to show a profit, because

it already has a customer base. Financing may be easier to get than if you start from scratch.

The main pitfall is buying an unhealthy business that neither new owners nor new money can revive. Ask to see a business plan and use what you learn through this guidebook to assess the business carefully before you buy.

c. Obtain a Franchise

Franchises are not that common for home-based businesses. With a franchise, you buy a piece of something already established. On the one hand, this means you'll have to do things someone else's way. On the other hand, business systems are laid out for you and support is available. The relationship between a parent company and a franchise is just one area where questions are different than for starting a new business or buying an existing one. The best advice, as with all opportunities, is to do your research carefully.

3. Regulations and Requirements to Consider

Home-based business experts stress early research into zoning, bylaws and regulations as part of assessing your situation. Full consideration of business opportunities involves learning about regulations and requirements. To help you with this research, you can often obtain free publications on licensing and regulations for businesses in your province. These are usually available at any Chamber of Commerce, Business Info Centres or Canada/Business Service Centres.

Regulations and laws that affect home-based businesses exist at three levels of government: federal, provincial, and local or municipal. Federal and provincial governments are considered together below because they regulate similar kinds of things. Your research will help you discover the separate responsibilities of each level of government in relation to your business.

a. Federal and Provincial Governments

Federal and provincial laws cover general duties in business, such as practising business fairly, and specific consumer protections on advertising, packaging and labelling. Both levels of government levy personal and business taxes. The federal government charges customs duties, and administers the Unemployment Insurance and Canada Pension Plans. All these may affect you, and may influence your decision to base the business you have in mind in your home.

b. Municipal Government

Municipal by-laws cover zoning, where different types of businesses may operate, and any local operating requirements. The zoning for your neighbourhood or area spells out what is and isn't allowed as a business activity from your home. More detailed information about zoning with an example of a zoning by-law is in Chapter Seven. as an aspect of Business Location.

c. Licenses and Permits

Conducting a business requires various standard licenses and permits, as well as special ones for some businesses. Trade and professional associations and licensing boards are good sources of licensing and permit information specific to a sector. Municipal planning or economic development offices will give information on local licensing requirements and restrictions.

4. How to Protect Your Ideas and Designs

People who invent or develop something unique have special protection available under Canadian law for their "intellectual property", ideas and creations. The four main kinds of protection are patent, copyright, trade mark and industrial design.

Offices of Consumer and Corporate Affairs (Government of Canada) can give information on patents, copyrights, trade marks and industrial designs. These offices will also date and send to Ottawa applications for the different forms of protection. (See Canada Business Service Centres in Appendix K -- Resources for information).

When ideas are forming, inventors are advised to keep a written record of progress and get a competent friend or colleague to regularly read and witness the written record. Ideas or work at this stage should only be discussed with people who need to know, and the fewer the better.

a. Patents

A patent is a right given for 17 years by the Government of Canada to an inventor to stop others from using his or her invention in Canada. An invention must have an improvement that is useful and show "inventive ingenuity over that which existed before" to be awarded patent protection. This means that for a better mouse-trap to be awarded patent protection, it must have some original, clever difference between it and all previously patented mousetraps. The information required in a patent application is detailed and technical. If patent protection is important to your business, consider doing your own research and then consulting a lawyer who specializes in patents. Successful applicants for a patent have waited up to 3 years from the date of application before letters patent were issued - be prepared for the time this process takes. The cost is between \$500 and \$1000, depending on the size and complexity of the invention (plus any legal costs).

b. Copyright

Artists, authors and writers have exclusive or sole rights to reproduce or copy their written, dramatic, musical, or artistic works. This right, recognized by the Canadian Copyright Act, takes effect once the work has been created. Copyright lasts for the life of the artist or author, and 50 years after death. For records, disks and photographs, the term of protection is 50 years no matter how long the artist/author lives. Canada's copyright laws were recently changed to better protect educational materials, computer software and videos. Breaking copyright laws is called infringing on copyright, or copyright infringement. The recent changes to the copyright laws apply stiffer penalties to copyright infringement. Libraries and authorized book agents have copies of the Copyright Act and rules. Protection of original works for "Life plus 50 years" is available for a fee of less than \$50.00.

c. Trade Mark

A trade mark is a symbol or image associated with a product. Trade mark protection lasts for 15 years and can be renewed. Registration of a trade mark through Consumer and Corporate Affairs (Government of Canada) is advised but not required, except for trade marks that will be used as quality marks with precious metals or watch jewels, for which registration is required under the Precious Metals Marking Act. The Trade Marks Act covers registration and outlines the symbols that can and cannot be used. Trade mark costs are initial and renewal fees in the \$300 - \$350 range.

d. Industrial Design

Registration of an industrial design in Canada -- done with Consumer and Corporate Affairs -- gives exclusive/sole right to a unique or original design for 5 years, with one 5-year extension possible. Any industrial design may be registered within one year of publication in Canada if it is not similar to or the same as others registered here. A drawing and description are submitted to the Commissioner of Patents. A search is then made of earlier designs to ensure the one being registered is unique. The cost range for the search and registration of an industrial design is \$150 - \$250.

C. THE ALMIGHTY BUSINESS PLAN!

The next sort of information to research focuses on planning the nature of the business itself.

Most people have a lot of experience with planning, even if they don't think of planning as separate from life or work tasks. This means that most people already have planning skills that can transfer to planning a business.

1. Reasons for Doing One

A business plan is a system for organizing information about the many aspects of a business. This guidebook introduces the four-part framework for a business plan (see page 24). This is used to organize the information in the research binder. Using this same framework, a formal plan for how the business will operate can be written.

Do you need a business plan? Yes, you do. One major cause of the 80% failure rate of new small businesses, including home-based, is lack of a business plan. Planning has many functions in business.

A business plan:

- Forces you to think through your business idea.
- Helps you judge and evaluate a business idea so there is less risk.
- Shows where you need help or information.
- Organizes and presents information about your business so you can progress logically and not get off track.
- Increases your self-confidence.
- Lessens the risk of oversights and errors.
- Organizes ideas so you can communicate them to others.
- Increases chances of business success once established.
- Reminds you of good ideas and ways to save time or money, especially important as you get busier.
- Helps you to obtain necessary financing.

2. Different Parts to Include

There are as many approaches to planning as there are businesses. Basic information may be presented in various ways in a written business plan, and is organized in different ways in resources and guides to business planning. While there is no one right way, a good business plan covers all the information necessary to understand the business.

The four-part framework for a business plan used in this guidebook is:

1. Business Concept: What will you be selling?

- the product or service
- the business
- the industry
- business goals

2. Marketing: How will you reach buyers?

- the market area
- market share
- location (directly related to marketing)
- customers: the market
- competition
- methods of selling
- price
- servicing, guarantees
- image
- advertising
- promotions

3. Operations: How will you run your business?

- location
- premises and facilities
- equipment and methods
- materials, supplies and sources
- key personnel and staff
- professional services and resources
- management and training
- short and long-range plans

4. Finance: How much do you need to make a profit?

- sales forecasts
- costs of production or services
- capital equipment
- start-up expenses
- income statement
- cash flow
- balance sheet
- break-even analysis
- sources and uses of financing

3. Preparing a Written Business Plan

The order of preparing sections in a business plan is straightforward; start with the business concept

(what will you sell?), work through marketing (how will you reach customers?) and operations (how will you run your business?), and concentrate on finances (will you make money?). Write a summary last, even though it is placed at the beginning of the written plan, and call it the Executive Summary.

Business plans are prepared for different purposes, which can mean for different readers. If you are hoping to arrange financing with a certain lender, get information before you prepare your business plan about whether a particular business plan format or outline is preferred. This may save you the work of reorganizing your business information for presentation later.

a. Writing the Document

Writing is easy for some people, hard for others. Written words are communication tools. Learning to use them effectively is the same as for other tools - it requires practice, and the more you use language as a tool, the better your writing will be. Even if your writing skills are weak, write a rough/draft version of your business plan yourself, so you have done the initial thinking. If you do hire a professional writer or business consultant to produce a final version of your written business plan, work closely with that person throughout the process. This is important as you need to be familiar with your plan because you will probably have to meet and explain it to business contacts and lenders. The strength of a business plan as a communications tool becomes clear at such a time.

b. Presenting the Plan

How a written business plan looks influences its effectiveness. Presentation basics include a clean and complete typed or printed copy with smooth pages, in correct order, with covers, a title page and table of contents inside the front cover. A written business plan should represent your business standards and convey your chosen business image.

Presenting a business plan involves more than making and mailing off good copies. A banker would rather see a hand-written plan that he or she knows is yours than a glossy presentation of someone else's ideas. You need to be familiar with the plan because you will probably have to meet and explain it to business contacts and lenders. The strength of a business plan as a communications tool becomes clear at such a time. You can depend on it to help you present necessary information about your business in a clear, logical way, thus making you more confident. The pressure of making a presentation is reduced because you have a plan with back-up papers.

c. Updating the Contents

A business plan is so important in establishing and managing a business that preparing a written version is only a step along the way, not the end of the process. Once your business plan has been written, it can be revised regularly - the recommendation is at least once a year. Managing a business with a written business plan is much easier than without one.

D. THE BUSINESS CONCEPT

A concept is an expanded idea. Taking time to express your business idea as a well-rounded concept is important to your potential for success. It helps you understand fully what business you are getting yourself into -- especially the business practices of your competitors and the typical

expectations of your customers.

In your Business Plan the "business concept" section will provide clear descriptions of the following:

- The product or service.
- The business (including the business structure or form).
- The industry.
- Business goals.

Let's examine each one in more detail.

1. The Product/Service

Good ideas for products and services need to be spelled out with details. This section of a business plan:

- Names and describes main products and services, and the purposes they serve.
- Names similar products or services available from competitors, and describes them, particularly any problems that exist.
- Explains why customers will buy this product or service from you instead of something similar from the competition.
- Describes the status of protection (patent, copyright, trade mark, industrial design) or special features.
- Shows working drawings and designs.
- Names legislation, regulations and standards that apply to the product or service. The explanation of what is special about a certain product or service is important because it sets out business advantages, the basis on which your business will be able to compete. This is a key to effective marketing. The Business

Being able to provide a brief, accurate answer to the question, "What is your business all about?" is a must. A complete business description gives:

- Name of the business.
- Business form or structure.
- Key people (owners, partners, investors, employees, professional advisors).
- Place where business will operate (municipality/region).
- Location at which business will operate (address).
- Contact numbers for the business (mailing address if different from location, telephone and fax numbers).
- Place business will be registered or incorporated.
- Date of business start-up.
- Business license number, date and place issued.
- Zoning category of business location.
- Social service tax registration number (if selling goods wholesale or retail, before General Sales Tax (ST) which when introduced may change tax requirements).
- Business logo, design, and business card.
- Trade mark or trade name.

2. The Industry

This section of the Business Concept usually covers:

- Industry profile, showing the size of sales (both the quantity sold, and the value) and types of businesses (huge, big, small, tiny).
- Industry trends.
- Main challenges and problems the industry faces.
- Industry features, any special things about it.
- Industry future (the view from inside and outside the industry).
- Where this business with its products or services fits into the industry.

Also usual for this part of a business plan is an explanation of:

- How this business will compete in the industry.
- Special things that make this business competitive, and able to succeed in the industry. This is called a competitive edge, as well as a business advantage.

The phrase "business and industry" is often used to describe all private business activity. There are differences between the two. Related and similar businesses are grouped into industries. Industries can be organized in different ways. One standard division of an economy into industry sectors is:

Agricultural, Forestry and Fishing
 Construction
 Manufacturing
 Mining
 Retail
 Services
 Transportation and Storage
 Wholesale

A reference section of a library and a librarian will help you identify likely sources of industry information. Industry sources may be suppliers, trade and professional associations, trade journals and more general business magazines and news coverage. Almost ALL industries have some kind of trade journal. This is one reason that identifying the industry your business belongs in is so important - it can help you locate key sources and resources. These in turn will help you watch trends of economic expansion or recession, and track the impact of related industries on your business and industry.

3. Business Goals

A business description includes an outline of your personal and business goals, and explains how these increase the chances of success. What do you hope to achieve in each of the first years of the business, in relation to time worked, money earned, product sold (number and sales figures) or service provided, and profit made? How do your personal and business goals support each other?

PART THREE: BREAKING INTO THE MARKET

"Becoming a successful marketer is no simple matter," warns home-based consultant and entrepreneur Mackenzie Morgan of Mission, B.C. with 15 years of experience handling the worries and woes of shipping products worldwide. "We encounter lots of unexpected problems."

Her husband Richard manufactures scientific glass instruments, usually one-of-a-kind stills and distillation units, as well as laser and fibre optics items. "It's highly specialized, requiring careful packaging and correct labelling," she explains. "Insurance causes difficulties too. When customs officials read a tiny one ounce package is worth \$650, they sometimes won't believe it without phoning the customer for verification."

Deliveries go astray, she says. "Carriers make all sorts of promises. You can go to great lengths to air-freight and heavily insure something only to find 3 days later the package has vanished and the customer is raging at you on the phone."

"I used to own a cosmetics business," Morgan adds, "I carried about 500 items in my line, many coming from the States as raw materials. Every single item seemed to have a different tariff rate. I couldn't have survived without a customs broker."

Marketing is a general name given to all the steps that lead to final sales. It sounds simple - marketing is how you get your product or service into the hands of people who are ready to buy. The reality of marketing is not so simple. It is a weak area for many new small businesses everywhere, including home-based ones.

People who buy a product or service are called consumers, customers, buyers, or "the market". This common use of the term "the market" as a general name for the group of people in a position to buy a certain product or service gives the marketing aspect of a business its name.

Making sales is the purpose of most business activity. Marketing, which supports sales, is critical to success. Entire workshops, courses and books are devoted to explaining its mysteries and skills. This introductory guidebook can only offer some marketing basics, enough to get you started.

A. SOME MARKETING BASICS

Marketing involves all the different stages from getting an idea for a product or service to delivering it to paying customers. These include:

- finding out what the market wants, will buy, when, and how much they will pay for it
- designing products or services to meet those wants
- comparing other products and services available for sale to yours
- doing market research with potential customers (to test sales potential and profit feasibility of a business idea)
- presenting products and services in ways attractive to probable buyers
- developing a marketing strategy (a coordinated plan for different aspects of marketing)

1. Research Your Market

Market research is generally of two types, primary and secondary. Primary research is what you do directly yourself (first-hand information), while secondary research provides the available statistical and descriptive information, usually published and prepared by other sources. Secondary research sources of marketing information are of two main types, printed material and contacts.

There are many different methods for obtaining both primary and secondary information. These include:

Primary

- questionnaires
- talk to customers
- interviews
- conduct focus groups
- suppliers
- competitors
- observations of competitors
- talk to distributors, retailers, agents, brokers
- consultants, advisors, mentors
- hire students to complete a survey for you

Secondary

Printed Material

- census reports (Statistics Canada [Government of Canada])
- trade magazines and journals
- newspapers and clipping services
- libraries and resource centers
- books on the industry
- published reports and studies

Contacts

- industry and trade associations
- Chambers of Commerce and Boards of Trade
- local business information centers.

Primary and secondary research sources both give valuable information. Learning how to interpret, evaluate and use information from various sources is a marketing and business challenge. Basic guidelines include using standard and reliable sources, trusting your instincts, analyzing the information you obtain, and getting professional advice when you need it. Depending on your business, choose a mix of information sources that best fits your needs and see Appendix G for pros and cons of each technique.

2. Survey your Customers

A market survey asks questions of possible customers. The answers guide business decisions. Market surveys are used by existing businesses to get ideas from customers about needed improvements, as well as by new businesses to test market reaction to a product or service.

A new business with untried product should undertake at least one test survey before making final decisions – especially that key decision of whether to go ahead with this business idea. Depending on the market response, a product may need to be improved and test-marketed a number of times

before productions begins. The time invested in test-marketing will prove worthwhile.

A Sample Test Survey

1. Take a sample of your product or a description of your services to at least 20 people, the more the better. Don't include people like your mother, brother, sister or best friend. Instead, take the sample to people who will be objective and who won't say things just to make you happy.
2. What are their first reactions? If most of them like the idea or the product and respond positively, you're probably on the right track.
3. Interview or survey the people in your sample to get the information you need. Ask the same questions in the same way to all the people you interview; this makes your survey results more reliable. The kinds of questions to ask are:
 - Would you definitely, maybe, or not buy this product/service?
 - Would you be more likely to buy it if something about it was changed? What might make you more likely to buy it?
 - Do you buy something similar to it now? Are you satisfied with it? Do you experience any problems with it?
 - How much do you pay for the comparable product/service now?
 - How much would you pay for this product/service?
 - Would you buy this product/service if it was sold in the way being considered (e.g. on a local grocery shelf, at a fair, by mail order)?
4. Ask the people you interview for demographic information - i.e. age range, education and income level - so that later you can complete a profile of your most likely customers. (Also see the Target Market Profile on page @.)
5. Take all your information and organize it so you can see the general picture. Across each of your questions, you will have a range of information. Add up the number of YES/NO answers. Organize number information (e.g. the price people would pay) from lowest to highest - this is called the range or spread.

You want to know what price you can charge, whether that price will provide a profit, and whether or not the idea is worth pursuing. Take the spread of answers about how much your possible customers would pay. Drop the top 10% and the bottom 10% and average the rest of the responses. (If you are not sure how to work with percentages and averages, get someone to help you with your test survey.) This gives a rough idea of what potential customers think your product is worth, as well as a possible price range marked by the lowest and highest prices.
6. How to estimate the total costs of selling the product or service is explained in Pricing (below) and in chapter 6, Financing (see page @). Use the approaches to determine your complete costs and set preferred prices. Compare those costs with the information you have gained about the market through your test market survey.
7. At this point, you can decide whether or not a product or service is worth pursuing any further. If it is, the next steps of the test market survey are worth finishing.
8. A test market survey also tries to estimate how many people might buy a product or service - what the sales volume might be. Go back to the "Would you buy this product/service?" responses. Take all of the "definitely" and half of the "maybe's",

and average these two numbers. A good rule of thumb is: if that number is over half (50%) of the total number of people surveyed, you have a small fighting chance. 65% is Okay. 85% or over is great. If the number is under 50%, the recommendation is to forget it - for that product or service, and for the target market represented in your survey. This may not mean starting again from scratch. Consider whether the group of people you surveyed represents the market that you plan to target. If you have a certain target market in mind, make sure your target market survey is representative of that group.

Doing this kind of test market survey outlined will not guarantee success. But it will tell you if you are on the right track. This survey is an example of a primary source research method in which people are interviewed directly. You will want to support the test market survey results with research from other sources, for example trade publications.

3. Design your Marketing Strategy

A marketing strategy is a way to give a marketing orientation to your business. This means you decide to position your product or service in terms of what the buyer needs and wants. Inexperienced business people often make decisions based on what they like or want, leaving the customer out of the picture. A marketing orientation brings the customer into the center of the picture.

A marketing strategy is sometimes summarized into "the four P's", or "the six P's", a framework you can use to make sense of marketing.

Product
Price
People
Promotion
AND
Place (including transport)
Profit

A marketing strategy means a customer orientation in every aspect of your business. Exactly what this means in your situation and business is usually written down as a marketing plan and included as the marketing section of a complete business plan.

4. Draft a Marketing Plan

A marketing plan is your plan of action - who, what, why, where, when, how, and how much. A written marketing plan is usually not more than 10 pages. Often it is written in point form, presenting basic facts about the business's approach to marketing. The marketing plan includes details on:

- market Area: the trading or business area
- market Share: a business's share of total sales in a market area
- location: the business's physical base
- customers: the market
- competition: those selling similar goods or services
- methods of Selling: ways sales are made
- price: the dollar figure that products or services sell for
- servicing and Guarantees: after-sales support

- image: appearances and impressions
- advertising: ways to encourage and increase sales
- promotion: ways to increase market share and sales and raise profile

a. Market Area

Market area is the area of business operation. Market area can be a building, a neighbourhood, a region, several towns or cities, the province, the country, or some international territory. One way to keep market area clear is to remember it as a geographical area that can be marked on a map. Within the boundaries of a market area, your target markets are those groups of people most likely to become buyers.

b. Market Share

A market area and your target market within it will support a certain level of sales of a given product or service. The portion of total sales that any one competitor has is called market share. Your potential sales volume - how much you can reasonably expect to sell - is your estimated market share. This estimate can be given as the number of sales, the money value of sales, or as a portion of the total market - market share. Estimating market share isn't easy, but it is worth it. To sell your product or service, you have to know how a market is divided, and what share of it you hope to obtain.

Estimating market share involves three main steps. First, estimate the total market in the trading or market area you have chosen. Second, consider your competitors and how much of the total market each competitor has now. Third, decide on a figure for your market share. Your goals may be to take part of your competitors' market share, or to develop a different market. Keep those goals in mind when you estimate what portion of the total market your business expects to secure in the first, second and third years of operation.

c. Location

Business location is included in a marketing plan because it affects sales. An old joke says that the three most important things in a business are location, location and location. If your home-based location has a direct effect on sales, include an explanation of this in your business plan. Information about location that does not directly affect sales, for example on zoning by-laws, should go into the Operations part of the business plan. (See also page 62.)

d. Customers: The Market

A market profile typically uses primary and secondary sources to answer key questions about a potential market. A profile is a picture or an outline. Information that makes up the social profiles of the people in your target market is called demographic information, and includes:

- age, usually given in a range (20-35 years)
- sex
- marriage/partner status
- location of household
- family size and description

- income, especially disposable income (money available to spend)
- education level, usually to last level completed
- occupation
- interests, purchasing profile (what are consumers known to want?)
- cultural, ethnic, racial background

Demographic information is available from Statistics Canada and other secondary sources, such as local libraries. When you are collecting this information yourself, for example in a test survey, use the same ranges for categories of age, income and education as you find in Statistics Canada publications. For example, instead of asking exact age or how much money a person makes in a year, ask for the range that applies, such as 30-40 years, or \$20,000 - \$30,000.

Within a market area, some people are more likely to buy a business's products or services than others. People who are the most likely to buy, perhaps identified from annual sales of similar products or services (secondary research) or from surveys (primary research) are target markets.

A business that makes clothing may consider a number of possible target markets - toddlers, athletes, grandparents (for grandchildren), teen-ages, and tourists. A general profile of each of these possible markets will clarify which ones are realistic, less risk, or more likely to show a profit. A test market survey of the most likely market groups or those who buy for them, such as parents for babies and toddlers, can help you separate real target markets from unlikely possibilities.

Business research and experience once a business is established yield a steady supply of names and addresses of current or potential customers. This information is the key to the demographic profiles that Statistics Canada has already prepared on the basis of census data. This information is organized according to postal code. Markets tend to cluster; if several customer addresses are in the same area, the census data will be able to tell you a lot about the target market group; size of household, annual earnings, percentage that own their own homes. This use of secondary data is a good way to get a general fix on a target market before investing time and energy in doing a test market survey.

A demographic profile of the most probable buyers in a market area describes a business's target market. Use this as a guideline: you can't know too much about your customers. When possible target markets have been narrowed to the most likely, a market profile giving the following information will support the choice. This market profile outline summarizes the market information that you will want to include in a written business plan.

- Who are you going to sell to?
- What key characteristics of your market support your expectation of sales? These could be known buying patterns, economic trends affecting consumer spending, and consistent demand for a similar product or service.
- Where is the market? What is its geographical distribution?
(Does this mean anything for transportation costs, or for distribution?)
- What is the market size? How many customers are there in the region you plan to market in? What sales of these products/services does the region already support?
- Is the market growing? changing fast? stable? at a certain point in a standard cycle?
(See page @ for more information on business cycles?)
- What is the total value of the market for products/services similar to yours?
- What share of that market or those sales can you expect to get?
- What are the special features or benefits of your product/service?
- What products and services is the market interested in?
- Why is it interested in these goods or services? (Is the demand part of a wider demographic trend, like a "baby boom", or a luxury that is likely to disappear if there

- is a downturn in the economy?)
- Who makes purchasing decisions (in some cases, this is not the same as the purchaser)?
- What price is the market willing to pay?
- How frequently does it buy?
- What does competition in the market look like at this time?
- How will you provide the market with information about your products/services?
- What in your market information will appeal to your target market, and make people want to buy?
- What expansion possibilities exist?

e. Competition

Your competition is businesses who sell similar products or services to the same customers you have selected as target markets. A firm that sells exactly the same thing you do but to a totally different market is not the competition that needs your attention. Some new business people concentrate more on the competition than they do on customers. This is understandable - the competition is often more visible and easier to find than a group of possible future buyers. But crucial to marketing success, even when you are thinking about the competition, is keeping the customer in focus.

Take the time to research your competition, with the customer in mind. You can do a competition profile, using industry and trade publications, the yellow pages, as well as some amateur detective work by including visits to competitors' businesses.

A competition profile tells you where your target customers presently buy similar products or services. It includes:

- names of firms, and their locations
- appearance of business sites, and layout of operation
- history, and number of years competitors have been in business
- similar products or services to yours - source, features and price
- related products or services that the competitor sells
- product or service line carried
- number of employees
- sales

By studying the competition, you will be able to assess whether you can find a special place in the market that does not necessarily reduce competitors' sales but expands the market, to benefit the whole industry. Finding this special or unique place in the market is called a market niche or positioning your business.

Position refers to the image customers have of your business. The secret is to create a business image that enables you to position your business to act as a natural magnet for your intended customers. A number of factors that customers often look for include:

- price (i.e. cheapest price, fair price, price for quality, etc.)
- assortment
- parking
- service
- sales personnel

- quality
- fashion
- convenience
- location
- atmosphere

Your overall position should emphasize those areas that your customers value most, and those which make you different from your competition.

B. SELLING WHAT YOU HAVE

Two main methods of selling, or sales methods, are direct and indirect. In direct sales, a business sells directly to its customers. This could be door-to-door, selling at trade or craft fairs, or through the mail, among other ways. Indirect sales methods involve links with retailers, who in turn sell directly to customers; with distributors, who arrange for an item to be distributed in different sales outlets; or with telemarketing or mail order firms that handle orders and distribution.

The best sales methods for you depend on your product and your customers, among other things. A business specializing in a high-value or technically complex product will be better off selling directly to customers, rather than using a middleman. A distributor who provides display materials or special contacts may make this indirect method of selling the best choice.

1. Select Methods of Direct Sales

a. Personal Mail

A slow but reasonably successful direct selling system which appears to bring positive results runs as follows:

- write a personal letter to ten people every day, and explain that you will phone within the next three weeks
- phone the people you have written to after two weeks and offer them two dates and times for a personal visit
- make the sales call on the day and time they chose.

b. Door-to-Door

Door-to-door selling is a great way to build a list of customers, if you can overcome your shyness and fear of rejection.

c. Direct Mail

Direct mailing, even targeted to a certain market, is a difficult way to make sales because so many people throw materials away as junk mail without reading them. Direct mail campaigns that give returns often have five or more mailings, explained in more detail on page @ where direct mail is covered as an advertising method.

d. Mail Order

Mail order has been a traditional way of selling for home-based businesses. The catalogue phenomenon in North America, with steadily more people buying products from specialty mail order catalogues, is partly due to the trend of people preferring to buy from home. You might consider listing your product in an existing mail order catalogue service. Be sure to figure mailing and shipping costs carefully.

e. Selling by FAX

FAX machines are office equipment that send copies of papers over telephone lines. Many small companies are actively marketing through FAX. It is faster than mail, it provides a paper record which a telephone can't, and it is increasingly common. Putting a FAX number in newspaper ads can result in a jump in FAX-generated sales. See Chapter Seven -- Operations.

f. Sales Representative

Selling takes special skills. Don't dismiss the idea of hiring a sales representative. This is not just another name for a sales clerk. A sales representative is someone who actively seeks out and makes sales on your behalf.

Any sales representative you hire has to reflect and present the image you want for your business and product or service. Being clear about what you want will make it easier to find someone who fits into your plans.

Standard business advice is that sales representatives work best when paid only commission, but be generous as volume increases and they will be motivated to sell more and more. Get a contract in writing, for a limited time period, in order to assess performance of their sales.

g. Shows and Fairs

A good way to get experience is to design a booth or display and sell at trade shows, fairs, malls and flea markets. Most industries hold shows and fairs. Information about them is usually available from trade associations and professional journals. Your research will help you identify events important for you. Shows and fairs are good places to assess the competition, and to develop a place in the market. Prices at craft shows may be unrealistic because many craftspeople undervalue their products.

Information on support for companies doing trade shows outside of Canada is available from the International Trade Centre - Industry Canada. Specifically, check the Program for Export Market Development (P.E.M.D.)

h. Conventions and Conferences

An exhibit at a convention or conference gets your name out and gets leads, as much as it makes sales. Attend one yourself as an observer first and notice how things are done. Many exhibits and displays are points of first contact. Customers generally respond positively when you follow up a lead from a convention or conference.

2. Explore Alternative Methods

a. Telemarketing

Selling over the telephone is called telemarketing. This can be a direct sales approach, when you use the telephone to generate sales, or indirect, when you sub-contract to a telemarketing company to make sales by telephone. The market appears to be saturated for telemarketing, but there is no harm in trying some low-key telephone calls to find leads. As with other techniques, whether or not telemarketing is appropriate for you depends on your product or service, your target markets, customer profiles, and the response rate to telemarketing for similar products or services. The estimated response to a telemarketing campaign must justify the costs, which can be high.

b. Telephone Company Toll Free Numbers

When a customer calls a 1-800 number, the cost of the call is paid by the company, not the customer. Get information from the telephone company. The average value of orders received by telephone tends to be higher than that received by mail, although the number of orders may be about the same.

c. Marketing Effectively at Large Events

To make the most of events like conferences, conventions, shows and fairs, organize yourself and your exhibit ahead of time. Some things to think about include:

Pre-Event:

- the number of people likely to be at the event
- other exhibits that will be there
- materials and samples you have, what you expect to need, and how you will handle unanticipated demand
- how your display will look, how you will set it up, and whether parts of it will have to be replaced during the event
- if you plan to sell a product, whether display materials will be for sale, and how you will store and handle stock displays
- what comes with the facility and what you will have to bring (tables, curtains or material, shelves, chairs)
- who will work with you, and on what schedule
- who will take care of essential business matters back home while you are at the event
- the product, service, or feature you will highlight
- how you will make sales and record them
- how you will record leads
- how and when you will follow up on leads
- what you plan to spend to take part in the event.

At the Event

- assess which displays draw people
- give product demonstrations

- give people something useful, attractive, or memorable to take away
- keep up the energy levels of the people working in the exhibit or booth
- enjoy yourself

Post-Event

- how and when you will follow up leads
- record and evaluate your sales, contacts and expenses for future reference
- arrange future bookings

3. Consider Indirect Sales Methods

a. Retail Shelf Space

Getting products into stores can be a critical step to success - and one of the most difficult. A product has to be effectively packaged in an eye-catching way, and be within the price range for competing products, in order to outsell stiff competition. Even with all these things going for it, getting a product to the attention of buyers and retailers is a challenge, and shelf space may be expensive. The investment may be worth it, though, if your target markets are likely to look for your product in retail stores.

Some possible ways for a new business to obtain retail shelf space are to offer retailers:

- free merchandise to sell on a trial basis
- sample cases or display units
- goods on consignment
- product demonstrations.

b. Large Retail Chains

Having a product carried by chain stores is a dream of many new home-based business people. It is not easy, but neither is it impossible. Use the track record and sales statistics from local marketing. Learn about how the retail marketing system works before trying to get into it. Perhaps most importantly, don't be intimidated. No matter how big the chain may be, you're still going to have to convince one person that your product is worth buying, just as you have to with smaller, local shops. It may take time to find that person and get a hearing, but once you do, rely on your belief in your product.

c. Outside Marketing Company

Using an outside marketing company does not occur to many new home-based business people. Consulting outside marketing experts, even on one aspect of your marketing campaign, can increase your expertise and make you feel more confident about your approach. If your goal is to place a product in retail chain stores, definitely consider getting advice from an outside marketing company. A marketing company with a track record of getting new products into retail chain stores probably has a better chance of reaching that goal than you do working alone.

4. Set Prices Carefully

Price is a key part of marketing. Setting prices is called pricing. Before you can understand pricing, you have to be clear about costing. Three main cost areas are considered in pricing:

- supplies and materials
- overhead
- labour/time

Supplies and materials include ALL money spent for supplies and materials to make your product or provide your service. This category is called a variable cost, because the amount you spend varies with how much you produce. Shipping and storage charges are included as part of supplies and materials costs.

Overhead is a name for all fixed costs in a business - business expenses that must be paid, regardless of sales, such as office expenses, insurance, and interest payments on loans. Another way of understanding overhead is to think of it as the cost category for all business expenses that are NOT supplies and materials or labour/time.

Labour/time needs to be assessed as a separate category when determining costs. Labour-related charges should be calculated in two ways: labour/time required in producing the good or providing the service, as well as a salary in the fixed or operating cost (administration, clerical time, etc.) of your business.

The time required to produce a thing or provide a service is usually underestimated:

- people used to doing an activity as a hobby may not count all the time involved
- people used to working for someone else may not have full knowledge of how much time a complete job takes
- people may place a lower value on their own time than what it would cost to hire someone to do the same work. What it would cost you to hire someone to do the same work is called the market value for your time.

For costing and pricing, a business person needs to know the total time required to produce or do something, and to cost this time accurately so it is truly reflected in a final price. A selling price can be set in different ways, but all involve the same three categories of numbers:

- total costs of production (including supplies and materials, overhead, and time/labour)
- profit or return
- a final selling price.

Although different methods treat pricing calculation in different ways, the three sets of figures combine as shown in this formula:

$$\text{total costs of production} + \text{profit} = \text{final selling price}$$

Prices for products and services can be set in three main ways: pricing to the market, pricing to your costs, and break-even pricing. New business people with little experience may set an initial price based on the market, and then as experience grows, re-set prices according to costs. These two aspects of price - what is acceptable to the market, and what costs are - must both be

considered. The choices that a business makes about its target markets and sales make a big difference in pricing. For example, a business may make an early choice about which of these two market segments to target - the "good value", low end of the market, or the "quality conscious", upscale market. In pricing, as in everything else in business, the customer is the reference point.

a. Pricing to the Market

The section on target market above (see page 34) explained how to prepare a competition profile. Price is one of the most important things to compare. Prices of competitors for similar products and services set the price range that customers will expect. You can use that market price range - what is acceptable to the market - as a guide to set your prices. Businesses or people to whom you sell may also price to the market by telling you what they will pay for your product or service. As you keep records of actual costs, the cost approach to pricing will help you make sure all your costs are covered, which may not be true in a market approach to pricing.

b. Cost Approach to Pricing

Price must cover all costs of goods/services sold, including production costs of supplies, materials, fixed overhead, and time/labour, plus a profit. The Finances section explains how to calculate and estimate these costs, presented as: costs of production, labour and non-labour, including overhead or fixed costs as well as supplies and materials.

To use these figures in setting a price (per unit):

total costs of production per unit + desired dollar profit per unit = selling price per unit

Example: A craft item requires:

- supplies and materials \$7.00
- time/labour 2.25 hrs x 7.00/hr = \$15.75
- overhead \$4.50

TOTAL COSTS OF PRODUCTION: \$27.25

- *percentage rate of profit desired: 30%*
(you need to use the decimal form for this calculation - the decimal form of 30% is .30)

$$.30 \times \$27.25 = \$8.18$$

FINAL PRICE: \$27.25 + \$8.18 = \$35.43, rounded up for use in projections and estimates to \$35.45

Businesses can set different profit rates, for example 15% profit on supplies and materials, 20% profit on labour/time, and 25% profit on overhead. These more complicated approaches to pricing usually emerge in response to the special needs of a particular business.

If your research shows similar products or services available to the market for much less than you could provide them for, you may have to adjust your profit margin, the return you want to get, or decide to provide enough specialized service or selection that the market will pay the extra. Alternatively, you may have to decide you cannot afford to make this item or provide this service and look for something else to do.

c. Break-Even Price

The break-even sales point for a business is when the selling price covers all costs of producing an item or providing a service - with no profit. This third approach to pricing uses a formula - a mathematical recipe - to calculate a selling price. The three numbers needed in the break-even pricing formula are: variable cost per unit, fixed costs, and volume. Remember that variable costs is another name for supplies and materials costs. Volume measures how much, in this case how much sales. The chapter on Finances covers sales volume projections for the first year of business operation in more detail (see page 53).

The formula for calculating the Break-Even Price is:

$$\frac{(\text{Variable cost per unit} \times \text{Volume}) + \text{Fixed Costs}}{\text{Volume}}$$

Example:

A business's fixed costs or overhead for a year of planned operation is \$20,000. The variable costs per unit sold (supplies and materials category of costs) are \$5.00. The sales volume expected for the first year of operation is 10,000 units. Fixed costs for overhead, one year: 20,000 Variable costs per item: 5.00

Volume, sales estimate projected for one year: 10,000

$$\frac{(\$5.00 \times 10,000) + \$20,000}{10,000} = \$7.00 \text{ per unit}$$

d. "Rules of Thumb" in Setting Prices

Some types of businesses charge prices according to certain "rules of thumb":

- price is twice labour plus materials, or twice materials plus labour depending on which is higher
- price is materials and labour plus 20% for fixed costs, plus 25% for profits.

(Please note that this method is not recommended. Doing a calculation of prices to reflect accurate costs is preferable.)

Calculating actual costs is the only sure way to make sure your prices cover those costs. Labour/time expenses in a home-based business are often not included in cost and price figures. Labour/time charges are to be covered partly in the costs of production and partly as a salary in the fixed/operating or overhead costs. The chapter on Finances builds on the introductory costing and pricing information given here, providing some tips on each of the three main pricing approaches.

In summary, key points to consider in setting prices are:

- marketing strategy and your immediate goals
- competitors' prices, and the market
- market demand for the product and consumer buying trends
- need to cover costs and provide an adequate profit.

6. Offer Servicing and Guarantees

As part of your business research, begin to watch and read advertisements more carefully. Watch for the number of times that service is promoted as a selling feature of a business. It may be prompt, friendly, no questions asked, for seven years, etc. Service is a main component of business success. For your marketing plan, questions of servicing include:

- What after-sales support will you offer?
- How does that compare with your competition?

If you want to stress service as a marketing theme, outline in detail what aspects are special, and promote them as features.

Guarantees spell out what you promise to replace or repair. They are promises that a business person must live up to. Be sure you build in the costs of returns (eg. 5%) or after-sales service as part of your variable costs. Then you can cheerfully live up to your guarantees. Warranties are a special kind of guarantee that usually promises certain standards of performance for a set period of time, for example promising to replace defective parts for two years.

7. Know Your Image and Why it Counts

What business image are you marketing? A business image is affected by many things. Some key ones to think about are:

- the personal style of the owner/operator and other key contacts
- business graphics - logo design, business card, letterhead,
- packaging, signs, the style of advertising and promotion
- methods of sales, particularly important for some target markets
- telephone use - how calls are answered and messages followed up
- ways people are greeted and served, how well informed sales people are
- whether or not interruptions, by people or the telephone, are accepted during a meeting
- whether or not a place of work is physically separated from the rest of the house and the activities going on there

If you have two different market segments with two different images, seriously consider using two different product or service names. Even if it costs more in terms on name, packaging, pricing, etc. it is essential to keep the market segments separate and not confuse the clients who are looking for different benefits in each segment. For example, sell kitty litter to pet lovers, sell it for drying flowers in a completely different package and with a higher price, and sell it as an oil absorbent in yet another package aimed at a completely different market segment.

Using image in marketing means using a certain image to convince customers that what you are selling is what they want. Who IS your ideal customer? What image will best match that customer's situation, given the profile you developed through research?

Quality control is linked to image. Setting and keeping standards of high quality in your business are essential to success. People appreciate getting value for their money. A consumer trend of the 1980's was a marked shift in certain markets towards quality. Even where your market niche may not be aimed at those sectors, the business reality of competition means you have to be concerned about quality.

Shoddy goods, poor service, rudeness, poor customer support, low- quality raw materials, letting something slip by "just this once" - these may seem necessary at a particular time, or in the anxiety of starting a new business, may slide away from your attention. Each slip in quality control has an effect on your long-term chances for success. "Just this once" may be exactly that, but not by choice, if you get a reputation for poor standards. Negative advertising is very hard to undo.

C. GETTING THE WORD OUT

Advertising and promotion are often treated as one area of activity and expense. One difference is that advertising is what you pay for directly, and promotion is what you do to get your product, service or business better known. This division is roughly used below to give examples of advertising and promotion techniques available to home-based businesses.

New businesses in particular need to get known, which takes money. Research the costs for different advertising and promotion techniques as an ongoing part of business management. Select approaches that make most sense for your situation now, and plan to change strategies as your business gets established. Include realistic advertising and promotion costs in your expense projections for the first year; these costs are necessary to achieve sales.

During the first year, keep track of the responses from different advertising and promotion techniques. For your second year of operation, concentrate on the ones that work.

1. Use Advertising Wisely

Some advertising activities include:

a. Display Ads in Newspapers

If a business's target market can only be reached through mass advertising in newspapers, the costs may be a necessary marketing and business expense. That cost, especially for large display ads, is high. Small ads can be effective too, but keep in mind that less than 15% of the small space is noticed by the typical newspaper reader. Contact the advertising department of newspapers known to be read by your target market for information about rates, opportunities and readership.

b. Display Ads in Trade Journals

A business with a new product can draw it to the attention of retailers through trade journals. In addition to offering display ads, some trade magazines provide free opportunities for new product and business promotion. Write directly to likely trade journals to request a copy of guidelines, opportunities, and rates for paid advertising.

c. Classified Ads in Newspapers, Trade Journals and Newsletters

People do read classified ads. These ads aren't costly, relative to display ads, and they may be a good way to get your business known. Consider classifieds in local, regional, provincial or national papers - whichever best reaches your target market.

d. Direct Mail

Direct mail as a method of sales was introduced above. Some information is also included here because direct mail is such a familiar form of advertising. Targeted direct mail works; that's why there is so much of it. That's also why there is some saturation and public backlash against junk mail. Only direct mail campaigns that are matched to the audience really work, and increasingly, only sophisticated direct mail gets a high response.

In the world of marketing and promotion, a "sophisticated" campaign can mean three to six separate pieces of direct mail, one after another with a week to ten days between each piece. The first could be a letter alerting the customer to what's coming, then a letter of introduction with a "teaser", followed by a flyer, then an information or "tip" sheet, then a direct sales approach, and finally a reminder post-card.

If direct mail is one of a series of targeted pieces, people may come to recognize your business name when the next piece of the step-by-step campaign arrives - and remember your business when the time comes to buy such a product or service.

e. Yellow Pages and Other Directories

If your product or service is mainly being marketed in a local or regional trading area, the yellow pages of the telephone book may be the best investment. The telephone company provides information about different advertising options in the yellow pages. Business directories are sometimes prepared for an area or a city. See the "Publishers - Directory and Guide" section in the Yellow Pages of your local telephone book; if there are no listings, check the same section in a major city telephone book.

f. Shoppers and Flyers

Shoppers are special localized newspapers that only carry advertising for local business. Flyers are inserts into area newspapers. Both may have a circulation throughout your trading area.

2. Seek Promotional Opportunities

Promotion activities require the imaginative, innovative side of people. Give it your creative best, keeping in mind that underselling is better than overselling. To work for you, all promotion also has to be consistent with your business image. Some examples include:

a. Specialty Advertising

Advertising specialties usually are articles that carry the advertiser's name, address, and advertising message. They include calendars, pencils, pens, paperweights, matchbooks, personalized business gifts, pocket diaries, shopping bags, memo pads, ash trays, balloons, measuring sticks, key rings, glasses, and many other similar items. Advertising specialties help reinforce previous or future advertising and sales messages.

b. Trade Shows

It has become a common practice for a seller to participate in a trade show, exposition or convention. There are shows for just about every type of product or service, and they are usually a part of an industry's trade association and may be part of the association's annual meeting or convention.

c. Samples, Coupons and Premiums

Sampling is a free distribution of an item in an attempt to have the consumer test the product/service, and then continue to buy. This may be done on a door-to-door basis, by mail, through demonstrations, or insertion into packages containing other products. Coupons offer a discount, usually some price reduction, from the next purchase of a product. They can be inserted into magazines, newspapers, or other mail. Premiums are bonus items free with the purchase of another product to have the consumer try a new product or a different brand. For example, service stations use glassware, ice scrapers and beach balls to convince nonconsumers to buy their brand.

d. Contests

Substantial cash or merchandise prizes are offered by firms to attract additional customers.

e. Demonstrations

The in-store and at-the-show promotions of consumer goods is a common example of this type of promotion. It needs to be done at a time and place closely associated with the actual decision to buy (eg. guest artists at work at a craft fair).

3. Turn Publicity to Advantage

Opportunities for publicity come in many forms, sometimes only limited by human ingenuity and nerve. While this area generally does not have the same expenses as advertising and promotion it is not entirely cost-free. It includes the expense of time required to create and submit publicity releases, printing and mailing, and other related items.

a. Testimonial Letters

They work because they give credibility. People who are happy with your product or service are one of your best marketing supports. Be sure to keep all such comments and letters. Since customers may not always volunteer these letters, consider asking for them, and always ask customer permission to use testimonial letters.

b. Free Publicity

Some other areas to consider include:

- look for ways to trade your product or service for free advertising or publicity
- arrange mutual marketing with another product or service, especially one that is used

- with yours or complements yours
- respond to issues and current news topics with letters to the editor as an expert or community resource
- offer free demonstrations or workshops and publicize them on free community bulletin boards and calendars in local newspapers, radio and TV
- start an information file of events held annually (Secretaries Week, Father's Day); plan and write a series of appropriate press releases
- write press releases and issue them regularly. Press releases follow a standard format which you can find in a library.

c. Word of Mouth

The best possible promotion is the satisfied comments your customers make to people they know. Provide a good product or service, at a fair price, and support it after sales are made -- the good word will spread. Ask satisfied customers to tell their friends and where appropriate, ask them for names of people who they think would appreciate hearing about your business.

d. Newsletters

Some businesses produce newsletters for their customers. These are often done in-house, and may not be slick publications. Business newsletters might include updates on the business, news about the industry, or product and service information. Such newsletters are designed to provide a service to the market and promote loyalty as much as to directly make sales. Advertising in these or writing a short column of useful tips can help get you in touch with a specific market. Depending on your business and your customers, you may want to consider producing a newsletter of your own.

4. Design a Promotion Strategy

Because promotion is often used as a general term to include all means of getting a product or service known and purchased by customers, a separate promotion strategy is sometimes considered. A promotion strategy answers these questions, and may be included as a separate part of a business plan:

- How will you get word about your product or service out to the people most likely to buy it, or whom you want to encourage to buy it?
- How will you inform, persuade and influence potential buyers?
- What type of advertising and publicity will you do?
- How and where will your product or service be sold, and why does that encourage customers and sales?
- How will you stimulate people's interest in your product or service, and increase their need and demand for it?
- How will you use sales and current customers in positive promotion?

a. A Marketing Package

Most businesses need a varied marketing package. One piece of information usually isn't enough. Some marketing strategies leave a trail of brochures, business cards, samples and tip sheets. What you need in your "marketing tool-kit" depends on what you're selling and on your customers:

- a catalogue, or catalogue sheets

- a book or collection of samples, photographs, and drawings
- product or service information sheets
- testimonial letters or statements from satisfied customers and clients
- business cards
- pamphlets or brochures
- sheets of tips, information about using the product or service
- copies of articles published about the product or service
- outline of a telephone follow-up in a direct mail campaign
- "how-to" follow-up directions for interested contacts

The marketing tool-kit or marketing package can be part of the business reference manual. Clear plastic protector envelopes will keep marketing sheets looking professional. A display package may need to be stored in a carrying case or portfolio for protection and transport.

D. REVISING YOUR MARKETING STRATEGY

Having a business plan means you have a basis to work from. Using a plan to help you manage means regularly referring to it, and making changes to keep it current. Evaluating a marketing strategy is an important part of this process. It involves watching how all the different parts of a marketing plan work and how well they all fit together to support sales. Being willing to try something different is one way to make sure you don't get stuck with a marketing approach just because it is familiar or the first one you tried. A focus on the market, analysis so you know what works, and persistent willingness to keep trying are all important to marketing and home-based business success. Some specific ways you can evaluate your marketing strategy are:

- Keep track of what is working. Some promotion and advertising carry a sentence like, "Tell them you saw it in the XXX". This is how a company tries to track the effectiveness of its marketing dollars. Other ways include coding coupons or brochures, and asking customers directly.
- Choose the best places for spending your money. Keep your goals clearly in mind. If you are trying to build a base of customers with a certain profile, choose the methods that are known to work or that you find do work to reach that group.
- Regularly check what marketing costs are being converted into sales; stop spending money for things that don't convert into sales.
- Budget enough for advertising and promotion. This area of business finances is often underfunded, and one of the first to be cut if money is tight. Keep your customer orientation firmly in mind. Advertising and promotion are necessary for the customer to find out about the business. Advertising and promotion expenses, therefore, are essential business expenses and should only be reduced when absolutely necessary.

And the last word on marketing ... nothing succeeds like success. Go with anything legal that works.

PART FOUR: HANDLING MONEY MATTERS

Grace White's CanJam Ltd. started out in 1989 supplying frozen Atlantic fish to a pickled mackerel processor in Jamaica. She stumbled across the idea while on vacation. The processor suggested he was having difficulty sourcing his raw material. Sensing a business opportunity, Grace set out to study the mackerel industry on her return.

But even though she developed a detailed business plan -- researching both the supply side and the demand side -- she had trouble raising the necessary cash to get started.

"At that time the banks weren't at all favourable to lending to small businesses," remembers White, "especially a woman in the fish business!" But confident her plan was indeed a moneymaker she shared it with a colleague's father. He said to her, "I like mackerel. How much do you need for 20%?" In this way she raised the extra \$50,000 her plan called for.

His faith in her product and her plan paid off. In just a few years CanJam Ltd. has grown into a multi-million dollar outfit exporting food products around the world with sales already over \$10.5 million.

It takes money to make money. How much money it takes is what your business plan, especially this section on finances, will help you figure out. Where you might get the money -- and what you need to know to convince someone to invest in or finance your business -- are other main topics covered here.

A. SOME FINANCE BASICS

1. Starting vs. Operating

If you are considering a home-based business and need money, what you are looking for is start-up capital. Capital in business means money. Funding needed to run a business, to keep it going once started, is called operating money or working capital. Start-up capital and operating capital are totalled separately for purposes of business finances. Begin to think about them separately now, each one representing a different stage in your business development.

Start-up capital is the total amount of money you need to open your doors for business, and to keep them open until sufficient revenue can be depended on. Operating capital is the amount required to keep the business going after the start-up. It includes salaries, wages, rent, expenses, supplies, utilities, advertising, depreciation, and interest payments. Small business advisors recommend that start-up expenses include at least six months operating capital, because even though revenue will come in during that time, the start-up phase also brings with it unexpected expenses.

A common problem for small businesses is underestimating how much money is needed, especially for operating. The result is additional stress after start-up, struggle with cash not coming in when it is needed, and making do with insufficient capital. This is easy to understand, because no person or business wants to carry the costs of unnecessary debt. Keep in mind this familiar pitfall of insufficient operating capital when you look for start-up funds, not just when you are in a financial crisis.

2. Where to Get Start-up Capital

a. Your Own Money

Most lenders want to know that a business person has invested some personal assets into the business. This translates into ownership, called equity. That investment can come from:

- selling personal assets
- cutting current personal and business expenses in order to make money available
- drawing on savings
- using credit cards to get cash
- borrowing against life insurance
- selling holdings, investments
- cashing in bonds or savings plans
- increasing a house mortgage
- keeping a job and using a portion of the other salary for the business

b. Friends and Family

Even with scrimping, saving and careful management, you may not be able personally to provide the financing your business needs. The first source of borrowed money is usually family, relatives and friends, who as a group make up more than 50% of the loans to home-based businesses. Such loans have the same requirements and pitfalls as all debt situations -- and then some. Always get agreements about loans in writing to save later misunderstandings and bad feelings. Make sure that all loans, including those with family and friends, are set up with:

- proper security (explained below in Collateral or Security)
- any terms or conditions
- payment schedule.

A payment schedule shows when payments will be made on both the principal (the amount borrowed) and the interest (the amount it costs to borrow the principal). In some cases, your family or friends may be willing to lend you money interest free, or to lend money without repayment until the business gets going. Still prepare a payment schedule, showing payments deferred or put off until that point. Keep your financial backers, including friends and family, informed of your business's financial picture on a regular basis.

c. Lenders and Financial Institutions

Banks, credit unions, and financial institutions like trust companies lend money to individuals and to companies. A loan to an individual is a personal loan. A loan to a business is a commercial loan. Conditions and terms, including interest rates, differ for the two kinds of loans. Depending on the amount of risk associated with a new business venture, a banker may only be willing to give a personal loan. A mortgage on a house and property is often required, at least until a business gets established. A personal loan is common in home-based business start-ups.

Your spouse or partner may be unwilling to put up shared possessions to secure a home-based business loan. You may feel that this refusal to help you realize your dream means lack of support. If that lack of support is real, it could contribute to business failure anyway. Better you know about it before you get a loan rather than after. It may also be true that your family needs

basic security to feel confident and to be able to give you their support.

Home-based and new business people are generally considered a poor risk by lending institutions, both because of the 80% failure rate for new business starts, and because the loans needed are often small. For these reasons, provincial and federal levels of government have over the years established various programs of support to this level of business. Such supports have been of three main kinds: direct grants, loans with the government as lender, and loan guarantees. With loan guarantees, the government secures a loan with a lending institution which then makes the loan to a person or business it wouldn't otherwise consider a good enough risk.

Each program has guidelines and conditions a business has to meet to get assistance. The guidelines are called "criteria". If you apply for funding to a government program, the first thing the program officer does is check to see if the application meets the criteria. If not, no matter how good the plan is that supports your proposal or application, it can't be considered. As part of your research, get information about such programs and review them as possible sources of financing. Pay special attention to the criteria so you only consider those opportunities where your situation fits the guidelines. Otherwise you'll be wasting your time.

3. How to Secure Operating Capital

a. Equity Financing

Equity means ownership. With equity financing, a lender makes money available for use in exchange for an ownership share in the business. This could be as a silent or limited partner (not actively involved in the business) or as a shareholder. Whether equity financing is possible or a good option depends on the business structure and relationship between the borrower and lender.

b. Debt Financing

With debt financing, the lender charges interest for the use or "rental" of money loaned, but does not get a share or equity in the business. Debt financing is familiar to most people because it is the basis of most personal credit.

A line of credit, common in business, is a type of debt financing. With a line of credit, a bank gives a business an upper limit to which it can borrow, for a set interest rate. The business doesn't get the loan in a lump sum, but draws on the line of credit for funds as it needs them. Interest is only paid on the amounts borrowed. A line of credit can be an important tool for coping with cash flow problems. It may also be the only financing arrangement that a home-based business needs as a back-up for operating capital, although this is not as likely if investments are needed in machinery, equipment or inventory.

c. Collateral or Security

Collateral is what you have to put up to secure a loan. This security reassures the bank or other lender that if circumstances make it impossible for you to repay, the lender has the right to take some identified thing that covers at least part of the value of your loan. As you consider different kinds of financing and research what is available, pay attention to the collateral each requires. The usual collateral for home-based business loans is mortgages and personal guarantees.

d. Handling Loans

If you successfully get a loan, make it a rule of business to keep your lender informed about business developments. Even if things don't go according to plan -- and hardly anything does -- better that your banker knows how things stand BEFORE you need help. The better the relationship between a business person and the bank or other lender, the better the business's chances of getting advice and possibly an additional loan in a marginal situation.

B. RESEARCHING FINANCES

Don't wait until your business plan is finished before you go and talk to people at banks. When your business concept is fairly well developed, and you know generally what your financing needs will be, make appointments at several banks to talk about a business. Get information about different kinds of loans and interest rates or rental charges for borrowing money. This is important research even when you plan to get necessary financing from other sources.

1. Shop Around for Best Deals

Banking is a business just like any other business. There are very real differences between what financial institutions offer. Keep good records, and use these first interviews to "test the waters", to get a feel for how later meetings with bankers may go, if you decide the business needs to borrow money.

If the bank -- for reasons of its own -- would never give you money for your particular business idea (or not without certain conditions that you wouldn't want to meet), better that you find out now than later. Loans officers at banks can help you assess your business idea, too. If people you speak to express reservations about some aspect of your plans, consider that input carefully. These contacts have experience you can use. If bank contacts are generally positive, you can feel reassured that you're on the right track.

2. Go Well Prepared with Questions

Contacts at financial institutions will only be able to provide such feedback if you are well prepared with certain questions you want answered. Being well prepared doesn't mean waiting until you are ready for and need the money; it means knowing what questions you need to research at this early stage of your business development.

Use the following questions to guide general research on financing options:

- Is a certain balance required in a business account before a loan can be considered?
- Will the bank give the business a line of credit? If so, with what requirements and conditions?
- What are current interest rates for the line of credit and other types of loans or financing to be considered?
- Does the bank have limitations on the number of small loans it grants or the types of businesses to which it gives loans? If so, what is the current situation?
- What is bank policy on the size or description of cheques deposited in your personal account to be held for collection?
- Will cheques under that size be credited immediately to your chequing account

balance?

The last two questions are important because if you don't have a business account and credit references, the bank may hold ALL cheques for collection until it has some experience with you and your account. This can affect the money you have available and your cash flow because you can't count on using money from deposited cheques immediately.

3. Evaluate What You Discover

You may be told that policies are not rigid, that every case is different, that without more information your question can't be answered or possibilities assessed. Don't let this put you off. Such answers don't mean your visit was a waste of time. You will have an improved sense of the people at the bank, and you'll be able to compare information you get from different lenders.

If your sources of income are yourself, family and friends, use the information you get by researching financial options to get an accurate feel of the marketplace. Influenced as it is by interest rates, time spent researching finances is worth the gains in experience and understanding of the business world.

4. Seek Professional Advice

If you can only afford professional advice on selected aspects of your business, make financing one of them -- especially if you plan to borrow money. Use your research skills to get as much information as you can, and to help you prepare to get the most out of professional advice by being able to ask exactly what you need to know.

C. APPLYING FOR FINANCING

1. Bring a Financing Proposal Package

If you decide you need a loan, your financial plan moves to center stage. That part of your business plan is explained in detail below. Make sure you are familiar with every part of it. Draw from the complete Financial Plan the outline of your financing needs and supporting papers, before you go to a lender with a proposal or application for a loan. Think of this as a financial proposal package that helps you go prepared with the following key points of information available separately:
separately:

- the specific loan and term being requested
- what it will be used to purchase (capital assets such as machinery and equipment; fixed assets such as a building; home renovations, vehicles or inventory). This information is often summarized in Sources and Uses of Financing (see page @).
- your amount of equity in the business, and investments by partners, friends or relatives (ownership indicates commitment)
- cash flow forecasts to detail the amount and timing of cash use and need
- contact names, addresses and telephone numbers for the lending institutions and professionals you deal with (accountant, lawyer, bookkeeper, business advisor, etc.)
- a personal net worth statement (assets/debts) to support a personal guarantee

- copies of letters of intent, commitments and potential orders
- photocopies of your insurance policies, legal agreements and appraisals
- copies of price lists to support cost and sales estimates (wholesale and retail prices always on separate pages)
- any appraisal of fixed assets (property, buildings)

2. Feel and Look Confident?

A banker looks for four things in any loan or financing application: character, credit, capacity and collateral.

- Character: are you the kind of person who pays your bills? Are you reliable? Can you run the business?
- Credit: do you have a good credit rating?
- Capacity: can the business generate enough to pay the bank back?
- Collateral: do you have things of value which can be used to secure or guarantee a loan?

These things help a banker decide whether or not you and your business are a good risk for a loan. The business plan is your key to convincing a lender that you are a good risk. Consider revising your financial and business plan if the feedback you get suggests you need to. Keeping your goals in mind will keep you from getting discouraged.

Failure to get a loan is NOT a failure to set up your business. You may need to change your time frame, but if you're determined to reach your goals through a home-based business, you'll find ways. If you can't get credit, then maybe you'll have to earn the money some other way, postponing your business start-up until you have it, or scale down, or find ingenious ways to reduce the amount of start-up capital you need.

D. COMPOSING A FINANCIAL PLAN

The financial plan is the business person's answer to the question, "Will it make money?" If you don't have a calculator, now is the time to buy one.

1. Financial Statements

Financial statements is a general name for the different ways businesses present money information. The information actually presented in financial statements is quite straightforward, although there is a lot of it, called by various and different names. The approach in this guidebook is to introduce and explain the main statements in a complete financial plan. Few home-based businesses will need them all, at least not in the start-up stage, but a basic understanding of all key financial aspects is a definite business asset.

Financial statements covered in this part of the business plan are:

- estimated market share
- sales forecast
- costs of production or services
- supplies and materials costs
- operating expenses - non-labour and managerial labour

- capital equipment
- start-up expenses
- income and expenses
- cash flow
- the balance sheet (net worth)
- break-even analysis
- sources and uses of financing

Financial statements give information of two main kinds. One kind is figures about your business and situation as it stands now. An example of this kind of financial statement is the balance sheet (see page @).

The second kind of financial statement is one that looks into the future and makes a "best guess" about some part of the business's finances -- sales, expenses, revenue. These are called "projections", "forecasts", and "estimates". Most of the financial statements supporting a business plan are of this type, "best guesses" or informed "guesstimates" -- for example cash flow projections, projected income and expense forecasts, and estimated market share (see these sections of the financial plan, below).

Worksheets that show calculations and figures may be attached to a written plan as supporting appendices. The business plan itself, though, usually contains only the final or most relevant numbers from calculations and financial statements.

To make the most of a financial plan -- and to actually manage it instead of having all this work separate from the real life of the business -- you have to take the time to compare your estimates and forecasts with what actually happens, analyze reasons for differences, and adjust future forecasts in response. This dynamic use of business information can sharpen the edge that good research and planning gives, strengthening a new business's ability to compete successfully.

2. Estimated Market Share

Market share is the portion of total sales in an area that each competitor holds. Work done in the marketing section helped establish your target markets, both by region and by groups of most likely buyers in each region. The financial section uses these figures:

- total sales, the number made and the dollar value, in the trading or market area, for similar products or services. (While this may have to be an estimate, a surprising amount of marketing information is available and may be found through your research, especially in business magazines and publications specific to your industry such as standard trade journals.)
- estimate of market share of main competitors (this can be given as a percentage of total market share)
- estimate of market share projected for the business, for each of four quarters (every three months) in the first year of operation -- include two figures, the number of items and the dollar value.

3. Sales Forecast

Forecasting sales is the starting point for financial projections, and the basis of business budgeting. List all the products or services your business plans to sell, and the UNITS of sale for

each. UNITS are set by the business. A unit for an adventure tour company may be one package tour of two weeks. For a craftsman, a unit may be one wooden item. A unit for a service provider such as a researcher could be one hour of time, or a completed contract. Beginning to think in "units" is part of learning to work with the building blocks of financial forecasting. Decide now -- if you haven't already -- what the sales units are for your business.

A sales forecast can be done for your total sales - the number and dollar value of units the business hopes to sell in the first year. If you have identified two or three MAIN target customer groups, a more useful approach may be to forecast sales separately for each of these target groups.

For each product/service and customer group, making a sales forecast involves estimating, by month for a year:

number of units sold (sub-totals for target markets and one overall total)

sale price per unit (worked out as part of pricing, see page @) total sales (number of units sold X sale price per unit)

A business doesn't do just one sales projection, unless it has one product and one target market. Marketing is usually more demanding of a business. Your sales forecasts will end up totalling a final number of units and a dollar amount that the business expects to sell, but this should be made up of separate projections for each product/service and each main target group.

If you are trying to do a sales forecast for a business you haven't started yet, industry information from your research will be a guide to sales forecasting. Look for recent figures for average industry sales, or average sales for firms similar to yours. If industry information isn't available, use your ingenuity. Consult someone connected to the industry who can at least help you make a "best guess" for sales. Use information you can obtain on similar businesses in related industries.

4. Setting Prices

The three ways to set prices are:

- pricing to the market
- cost approach to pricing
- break-even approach.

These were introduced in Chapter Five -- Marketing (See page @). Pricing is so key to success that some additional introductory information on pricing as it relates to business finance is included here.

Effective pricing depends on business goals. Do you want to maximize profits, or do you want to go for high growth in sales? In the first case, you may choose to emphasize quality and service on high-priced items for a target market that wants quality and will pay for it. In the second case, you may want to emphasize high production and high sales volume levels, keeping prices low. These two ends of a market -- the high end and the low end -- may both be part of your marketing strategy, but the ways you use to reach each may be quite different.

Home-based businesses selling a standardized product usually go for growth. They price according to the market, because the markup on each item is low. Specialty consulting and professional services or high-tech firms are more likely to aim for higher profits on each sale,

setting a high price to cover research and development and develop a more secure market niche. In high tech areas particularly, there is no such thing as a "secure" market niche. Competition moves in as quickly as technology changes, so in this field, basing a marketing strategy on volume sales over time just doesn't make sense.

a. Pricing to the Market

Pricing to the market carries with it some dangers. These include underpricing in order to compete or make sales. The following pointers may be useful:

- Use competitors' prices to establish the price range for similar products or services, but don't underprice. If your true costs are higher, your final prices will be higher. Competitors may have access to lower priced raw materials, perhaps because of a long-established supplier relationship or volume discounts. If your true costs include certain features or service that competitors don't offer, they are justified business costs and have to be covered in price. Service is a feature that many home-based businesses choose to compete on, because they don't make the volume of sales that allows discounts or special sales terms.
- Check for how competition reacts to your entering a market. Be prepared for prices to change, and have a back-up plan in place for your own pricing. Pricing means more than setting a price once; it means watching your prices in relation to sales and to the competition in the market, and making necessary changes in a timely way.

b. The Cost Approach to Pricing

Common mistakes of small businesses, not just home-based, in this area include:

- Costing materials at original prices rather than at the cost of replacing them. Use replacement costs in all financial work.
- Not including salaries. Figure out how much it would cost to hire someone to do what you are doing. That is a business expense. Charge it as a business expense, even if payment to yourself has to be deferred.
- Not including interest your money could have earned if it had been invested, for example in Canada Savings Bonds, instead of in your home-based business. This loss of potential income is too often not considered as a real cost of doing business. Include it.
- Forgetting to make allowances for refunds, future servicing, amortizing the capital costs of equipment or machinery --including partial repayments of principal as well as the usual interest charges -- and loss because of bad debts. These possible costs are ones that an accountant or a bookkeeper can help you identify and include in business finances.

c. Break-Even Sales Pricing

- Break-even pricing runs a risk of underpricing. For example, if your break-even price turns out to be the same as a competitor's price, and you are pricing to the market, your sales will not include any profit/return to you or to the business for growth. Including costs of labour and time, in this case yours, partly as a cost of production and partly as an operating expense (salary) is necessary, but does not guarantee a profit. Your business goals are important here. You may decide on a short-term strategy of break-even sales pricing, to gain recognition and market share, moving to a cost approach that doesn't just break-even but builds in a return to the business.
- Break-even price calculations are only as good as the information you start with. Good business planning and management includes learning to trust your business information because you know it's accurate, or you know exactly which figures deserve caution because they are "guesstimates". Many experienced business people call this "trusting your intuition". Business intuition will get stronger with experience.

5. Costs of Production or Services

Another business term for this financial category is "cost of goods sold". The importance of knowing accurate costs of providing a service are just as important as for products.

The section on pricing in Chapter 5 -- Marketing introduced three main categories of costs:

- supplies and materials (variable because they depend on how much you use)
- operating (fixed because you have to pay these costs regardless)
- time/labour (staff and your own)

These costs are usually figured on separate worksheets, with totals from those sheets used for other financial projections such as break-even analysis. Instructions below figure costs in each category separately.

a. Supplies and Materials Costs

- List all the supplies and materials the business needs to create its product or service.
- Estimate how much of each supply and material is needed to provide a certain unit of finished product or provide a unit of available service, and the cost. You can also divide total annual supplies and materials costs by total number of units to find the per-unit cost.
- Consider the total sales you hope to make in the first year of operation. Estimate the number of units you hope to sell, and calculate the total annual supplies and materials costs to achieve that level of sales.
- Include packaging and delivery costs and the cost of bad debts/returns (c-5% of the value of sales). Divide this total by the number of units to be sold for the year.

The two sets of figures you will have at the end of these calculations are:

- total supplies and materials costs for one year
- supplies and materials costs for producing one UNIT of each product/service.

If you order in bulk, enough supplies and materials for a year, you may be able to save money. How could you handle storage? Would the saving be worth putting out that much money at one time, at this stage?

b. Operating Expenses -- Non-labour

Operating expenses -- non-labour means overhead, called fixed expenses because these things usually must be paid regardless of sales. Excluding labour, standard business operating expenses are:

- rent
- utilities
 - telephone, power, services
- car/vehicle
- transportation
- supplies (office)
- maintenance agreements (photocopier, vehicle)
- advertising and promotion
- legal/accounting
- insurances
- interest and bank charges
- depreciation (decline in value of assets because of use)
- managerial salary
- other

Adapt the list of standard costs to your situation, and prepare a table of operating expenses -- non-labour, by estimating these costs for each month of the year of operation being forecast.

Forecasts about costs of production -- non-labour -- will give these figures:

- total sales of each product and costs (supplies/materials and overhead) for the year of operation
- monthly totals throughout that year (total sales, monthly costs of supplies/materials and overhead)
- product/service totals for each month and for the year (total sales of each product or service, supplies/materials and overhead costs).

c. Operating Expenses - Labour

Salaries are a main labour cost, but related operating expenses must be calculated too, such as benefits and taxes. By job title, list all the employees or staff needed to produce the sales volume you have forecast for Year 1. Put the total salary or wage for each employee for each month. Adding these gives you total operating expenses -- labour for each month. Adding figures for the months will yield a total for the year.

The three types of payroll taxes are Canada Pension Plan, Unemployment Insurance, and Worker's Compensation Insurance. Information about these is available from related Government of Canada offices. Benefits can include medical/dental, insurance, vacation pay (4% of salary for part-time workers). Monthly costs of all such benefits appear in this financial projection. Amounts paid once a year can be divided by 12 and costs spread equally over the twelve months.

The table of figures you will have at the end of these calculations gives total monthly labour costs, and one total cost for all labour for the year.

6. Capital Equipment

Capital equipment in a business means all assets with useful lives of longer than one year: machines, equipment, vehicles, furniture and computers.

Capital equipment, as assets in your business, has value that Revenue Canada recognizes decreases with use. This loss in value on capital equipment is called depreciation (the equipment is said to depreciate or lose value). To work out depreciation on capital equipment, take the original cost of equipment and divide it by the useful life in months. For example, a machine costing \$18,000 has a useful life of five years (60 months). Therefore, the machine's monthly depreciation is $\$18,000/60 = \300 . This figure is called a depreciation allowance on capital equipment. Contact your nearest Revenue Canada office to get current information on allowable depreciation.

The capital equipment section of your financial plan needs:

- a list of all capital equipment required to start the business
- estimated costs for each piece of equipment, new and used (as you do your research, compare your estimated costs with actual costs)
- sources of equipment
- the useful life (in months) of each piece of equipment
- monthly depreciation (cost divided by useful life in months) of each item
- total capital equipment costs and total depreciation on equipment

7. Start-Up Expenses

Expenses and costs are the same thing. All costs related to getting the business to the point where you have something to sell are summarized as part of start-up expenses. These start-up costs are figured separately from operating costs, which take over once the business opens its doors.

Many new businesses underestimate the amount of capital needed to operate and overestimate sales in the first months. An important piece of advice is to extend the start-up period to cover up to the sixth month of operation. Sales may be slow after start-up. Be realistic about the point at which the business can reasonably be expected to generate significant sales.

Start-up costs include:

- equipment and furniture, also called fixed assets (capital equipment)
- supplies and materials (remember that this is only for start-up, to get your doors open, not for the whole first year of operation)
- inventory: stock or product ready to sell on the first day of business

- fees associated with setting up the business, including professional fees (legal, accounting), charges for producing the business plan (desktop publishing and printing), and costs of securing financing
- research costs
- licenses and permits, eg. business license
- deposits for public utilities and telephone
- any renovations (leasehold improvements)
- marketing plan costs, including advertising, promotion, publicity, and communications -- especially for grand opening and special opening promotions
- memberships and subscriptions
- any employee, staff, and labour/time costs
- operating money -- enough to carry you and your business for as long as it takes to reach a break-even point. Be realistic about your break-even point -- and consider a longer start-up period (up to six months) before you expect significant operating revenue from the business
- contingency money -- a cushion for the things you overlooked or can't predict

8. Income Statement (Income and Expenses Statement)

The income statement is a way to figure out profit or loss, before income tax, for each month and for each year of operation. Projected income statements are usually done by month for the first year of operation, and by quarters (3-month blocks) for Years 2 and 3.

To forecast business income, you need these projections, covered above, for each month: sales, costs of production, operating expenses (labour and non-labour/overhead), depreciation on capital equipment.

$\text{Costs of production} + \text{Operating expenses} + \text{Depreciation} = \text{Total operating expenses}$

For complete financial projections, you will also need to work out a figure called gross margin. Gross margin is the cost of production subtracted from sales.

$\text{Sales} - \text{Cost of Production} = \text{Gross margin}$

To find net profit or net loss (before income taxes) for each month, subtract total operating expenses from Gross Margin.

$\text{Gross margin} - \text{Total operating expenses} = \text{Net profit (net loss) before taxes}$

See Appendix H for example of an Income Statement.

9. Cash Flow

A cash flow forecast or projection shows how money will come in and go out each month over a period of time, typically a year. The cash flow is the spine of the business plan. Money coming in is shown as revenue, money going out as expenses. The two together show how cash flows through the business. Expenses and revenue are listed fully in the month they are expected to occur. A cash flow forecast shows when the business may have money going out but none coming in, so it is an important management tool. You can use it to monitor actual expenses against planned expenses. You also use it to anticipate and budget for coming expenses. Just as with sales forecasts, cash flow forecasts are usually done for Years 2 and 3 by quarters.

Cash coming in is called cash receipts. Cash going out is cash disbursements. For cash flow, these are estimated and monitored on a monthly basis. If cash receipts are greater than cash disbursements, the business has a positive cash flow. If the flow goes the other way, with more money disbursed than received, the business has a negative cash flow. Negative cash flows are shown in brackets like this (\$2,315). Cash flow projections total the value of ALL cash receipts and ALL cash disbursements for each month in a 12-month period.

- Cash Receipts -- Money In: cash sales, accounts receivable, loans outstanding, petty cash. For the cash flow statement, you need TOTAL CASH RECEIPTS.
- Cash Disbursements -- Money Out: purchases, salaries, payroll taxes/benefits, rent, utilities, capital equipment purchases, accounts payable, loan payments (interest/principal), owner's withdrawals or dividends. For cash flow statements, you need TOTAL CASH DISBURSEMENTS.

You can drop and add categories of cash receipts and disbursements (for the cash flow statement) so the format fits your business.

To prepare cash flow projections for the first year of operation, consider how much the business is probably going to spend in each category, and pencil it in. A cash flow statement for a year is a table with a column for each month and a row for each cash category, in and out. (See Appendix I for a sample Cash Flow Statement). Pencil is recommended because using cash flow statements to manage involves comparing these estimates with actual cash flow.

Actual cash flow statements (i.e., not a projection, but a record of actual business finances) are prepared at the end of each month of operation. The figure to begin with in an actual cash flow statement is the "beginning cash balance" -- the amount the business starts with at the beginning of the year being projected. A monthly beginning cash balance is the starting point for each month's cash flow figures. After the first month, this figure is brought forward from the previous month as the Cash Balance.

Total Cash Disbursements - Total Cash Receipts = Cash Balance

While the arithmetic is not difficult, you can see why getting organized from the beginning is so important in a business.

To use cash flow projections and statements to manage finances, compare the first month's estimates with actual cash flow. Adjust subsequent months according to what your comparison shows. Here's where you will be glad you used pencil to record estimates. Keep copies of the original projections, so you have an accessible record of cash flow estimates and statements. If you tend to overestimate or underestimate certain figures, or suffer a cash crunch at the same time each year, these patterns will be evident in comparisons over several years of financial projections with actual statements, particularly for cash flow.

10. Balance Sheet (Net Worth)

The balance sheet shows the balance between business assets and liabilities, plus your business's net worth -- what you have invested. A bank requires a balance sheet to evaluate what the business owns, outstanding loans and the capital you have invested in the business. The balance sheet consists of a list of your assets at your cost, your liabilities or debts, and your equity or ownership in the assets. It is a snapshot of your business frozen at a point in time, one of the reasons that the date is usually included in the heading on a balance sheet. See Appendix

J for a sample Balance Sheet.

ASSETS: things of value that you or the business own

- current assets: these include cash, inventory, prepaid expenses, and accounts receivable -- money the business has or is owed
- fixed assets: items with a useful life over one year. In accounting terms, these are investments, not expenses, which is why they appear in the balance sheet and not the income statement. The fixed assets category on the balance sheet also includes the depreciation allowance, worked out as part of a capital equipment deduction (see page @).

LIABILITIES: debts -- money the business owes

- current liabilities: financial obligations you must meet in a year, such as federal and provincial taxes owed, accounts payable or outstanding unpaid bills
- long-term liabilities: mortgages, bank loans, equipment leases -- any liability for which payment continues longer than a year.

NET WORTH: the balancing mechanism between assets and liabilities -- hence the name balance sheet;

Assets - Liabilities = Net Worth

Net worth is your equity, money you have invested in the business.

11. Sources and Uses of Financing

The statement of sources and uses of financing has a place in business startup and in expansion. It is often included in a written business plan because it is such an important piece of information about the business. It can be presented on one page, with sources of financing at the top and uses of financing summarized at the bottom.

a. Sources of Financing

- List all owners, investors and shareholders. Beside each, give the total value of equity, broken down into two other figures, cash contribution and non-liquid asset contribution. Non-liquid assets means assets that cannot easily be turned into cash, such as capital equipment.
- List all lenders from which the business has or hopes to arrange financing. Name lenders, amount of financing, and payment periods for short-term and long-term loans from banks (business loans and personal loans) and government program loans.
- Total these two categories, owners/investors/shareholders and lenders, for total sources of financing.

b. Uses of Financing

List uses of financing with amounts and totals. These could include:

- Land
- Buildings and facilities
- Equipment and machinery
- Remodelling and renovations
- Initial inventory
- Working capital (for operating expenses)
- Non-liquid assets contributed by owners

(Note: The total amount in uses of financing should be the same as the total for sources of financing.)

This introductory chapter on business finances has introduced you to many terms and ideas, many of which you are probably learning about for the first time. As a new business person, take the time you need to become familiar with these. Concentrate on the things that are important now at the present stage of your business development. You can check back on other financial information when you need it.

As well, the supporting materials at the end of this guidebook include examples of the most common financial forecasts (statement of income and expenses, cash flow, and balance sheet) required in a business plan.

PART FIVE: ORGANIZING THE WHOLE OPERATION

"You can go crazy working at home if you don't get organized," warns Deborah Jones, a Halifax-based freelance writer with over a decade of experience as a homepreneur and mother of two.

"If you are going to spend a large chunk of your life in one small room, it better be comfortable and efficient. You become much more productive in a nice office, so you should expend at least as much time, energy and money as you would designing and decorating your living room or dining room," she advises. "And don't sound as if you are working from the kitchen table, even if you are."

Taking advantage of modern technology has boosted Deborah's success. With computer, modem, fax and three telephone lines into the home, she is just as accessible to her editors as if she were sitting in the next room. But long distance phone calls can mount up -- easily \$1000 per month for research and interviewing -- so Deborah watches her cash flow carefully. And with all those wires about, she also has to keep an eye out. "This myth about Mommy working at the table while Junior quietly plays with his lego is just that...a myth."

"My advice to novices is to start slowly and feel your way along," suggests Deborah. "And as soon as you can afford it, hire a professional to handle all your money. Concentrate on what you do best, delegate the rest."

A. BUSINESS OPERATIONS

"Business operations" refers to the many aspects of running a business. These are summarized in the operations section of a business plan, which covers:

- location (aspects not directly related to marketing)
- premises and facilities
- equipment and methods
- materials, supplies and sources
- key personnel, staff
- professional services and resources
- management and training

1. Why is Location Important?

a. Zoning ByLaws

Zoning bylaws outline what is legal within a city or municipality or regional district. Three main categories of zones are residential, commercial, and industrial. Zoning by-laws restrict what can happen in each zone with such things as type of activity, size of building, how close a building can be to the street, parking, the number of employees, amount of traffic, and size and type of outdoor sign.

The following bylaw example, from the town of Mission in British Columbia (Bylaw No. 1737-

1988), has typical restrictions on home-based business use:

Where permitted, accessory home occupations:

- Shall be entirely enclosed within a building
- Shall not involve the external storage or display of materials or finished products associated with the home occupation use
- Shall not consist of:
 - Occupations that discharge or emit odorous, noxious or toxic matter or vapours; heat, glare, noise or radiation; or recurrently generated ground vibrations.
 - Occupations that result in traffic congestion, electrical interference, fire hazard or health hazards.

Do your research on zoning early. Sometimes mixed use is possible, for example a home occupation that meets certain conditions may be permitted in a residential area. Without zoning permission, a home-based entrepreneur simply cannot operate, although many do operate illegally but risk being closed down at any time.

Most municipalities recognize the positive benefits of home-based businesses. Home-based businesses are incubators, a way to keep risk and overhead low as a business gets established. Ripple and spin-off effects on the wider community and economy are positive. Home-based businesses are increasingly recognized to fill a particular need in small and rural communities. This recognition has gone a long way to improving relationships between home-based business, the commercial business community and municipal governments. Increasing contact and information exchange have led to cooperation among the three groups, as expressed by home-based entrepreneur Richard Morgan about Mission:

"Our Association (of home-based businesses) worked with City Council, the city's licence issuer, administrator, building inspector, and a couple of aldermen to design by-laws that home-based businesses could live with."

Be prepared with property records and information for this research -- street address, and legal description of the property, if possible. Start at City Hall, or the Planning Department in your municipality which is where you will be able to find out about your present zoning. Be able to explain exactly what your business will be doing; the Business Concept will be useful here. Rezoning is possible, by a person applying to a local council. The application process is relatively complicated. Rezoning often meets opposition and in many places, zoning changes require public hearings -- so there are no guarantees that rezoning applications will be approved.

You may do all your research, set up the business legally within current zoning requirements -- only to find that the zoning gets changed. Your status then changes to what is called "non-conforming". This means your business can continue to operate, even though it does not conform to or follow new zoning regulations. If such a business stops for a continuous period of six months, it generally loses non-conforming status.

b. Building Regulations and Codes

The municipal government office -- City Hall -- is also the place to get information about other by-laws that could affect a home-based business on things like parking, signage, noise and building codes.

Buildings regulations are important to research if any building has to be done or any changes made to your existing buildings. Plumbing and electrical work may require upgrading. The provincial building code applies across the province. Permits are also needed in different areas for certain kinds of work. ALWAYS be sure of your basic zoning approval before undertaking any renovation.

c. Permission and Permits

If you rent or lease your house, certain agreements may be needed between you and the owner. Starting a home-based business in a place you don't own is advisable only with full knowledge and permission of the owner.

A home-based business needs to consider business license and health or other permits, for example from the provincial Ministry of Environment, Waste Management Branch for disposal of hazardous materials, or the local fire department for burning permits.

Most municipalities require and charge a fee for a business license. The following extract from the City of Nanaimo By-Law No. 3288 is an example of typical annual license fees.

From every person an annual license fee shall be charged for carrying on any of the following businesses:

EXAMPLE

BUSINESS CLASSIFICATIONS

Miscellaneous

Advertising agency 4803 \$75.00

Accounting/bookkeeper 4801 \$55.00

Answering service 5090 \$75.00

Animal-kennels/grooming 0100 \$50.00

HOME OCCUPATIONS

For any of the aforementioned businesses that are classified as home occupation, add \$50.00 to the license fee stated for that particular business.

Certain businesses, in particular those involving food, require a health inspection and permit. The Health Inspector, an employee of the provincial government, usually works closely with local officials.

2. What about Premises and Facilities?

Premises means real estate. Facilities are buildings.

a. Physical Space

A business needs an appropriate place to work. Assess the space you have and the space you need.

- What physical space does your business need?
- Is that physical space available in your home, or in buildings on the premises --

garage, shop, shed?

- Will your work space have to share other functions? What effects might this have on both?
- Are renovations needed to make available space useable?
- Will any renovations involve upgrading power, changing plumbing or wiring? Do the costs make these renovations realistic?
- Is any new construction required by the business? Researching construction costs in your area should give you a cost per square foot that you can use to guide building decisions.
- Do renovations or buildings require building permits?
- How convenient is the space for delivery of materials, or for a customer to enter and leave?
- Will household noise, smells or activity pose problems?
- Will customers ever come there? Will they be comfortable in the business space?
- What kind of image does it present?
- Can distinct functions of your operation be divided from one another if necessary?

b. Planning a Work Space

Sit with pen or pencil and graph paper in the physical space you've identified for the business. Draw the workshop or workspace, showing furniture and equipment. Connect those with lines or arrows showing the lines of production, how work flows. Use your drawing to decide on telephone lines, electrical service and plug-in's, lighting and fire-proofing. Production equipment poses special challenges -- can you work available space into production and household routines?

Take the time to draw up different layouts for production space, again paying special attention to the flow of production. Will a certain layout mean unnecessary steps in the production process, or have people doing different jobs tripping over each other? If you can't make existing space fit production needs, reconsider every option before trying to make things work in too small a space.

c. Organizing a Work Place

People often say organization can wait because they think other, more important things have to be done first. When organization waits, success often waits too. If you organize yourself and your work space from the beginning, AND you budget the time to keep it organized, your home-based business has a greater chance of succeeding. Your personal stress and frustration will also be reduced. As you get bigger, you get busier, so NOW is the time to organize.

Ways of getting a home-based place of business organized include:

- Assigning a work space to the business, and reserving it for that use without sharing it with other activities.
- Having a set place for the things you use, and keeping them in that place.
- Allowing time to keep yourself organized. Setting up systems is only a first step. Sometimes people set up systems and are bewildered when the systems don't work. Remember that systems don't work -- people make them work. Maintaining systems takes time, energy, commitment, and the belief that in the long run the return is worth it.
- Maintaining good security. An operating rule for a home-based business is "keep your work separate" from the rest of your life. This is one reason that sharing a home-based business space, even with a personal hobby, is not recommended. Keep supplies, inventory, papers, and especially any hazardous material secure. If you develop a new design or invent something, security takes on different meanings because you want to protect your idea until you develop and market it.

3. What Equipment to Buy?

a. Minimal Equipment and Furniture

A filing cabinet, IN-OUT-FILE baskets or trays, desk or worktable, good work lamp/lighting and a good work chair are indispensable. Every business has paperwork. The five pieces of equipment named are really pieces of office equipment designed to help you handle paper. Shelving or a bookcase can be an important addition to the basic five.

A basic home-based office equipment list includes:

- stapler and staple remover
- paper punch, 2-hole or 3-hole depending on whether you bind papers at the top or the side
- file folders, dividers and labels
- paper clips and clasps
- binders or binder cases
- invoice and receipt forms (commercial or drawn up by you)
- pens and pencils
- paper: working paper, scrap paper and letterhead
- telephone message forms (commercial or drawn up by you)
- magazine storage boxes (cardboard or plastic)
- typewriter/printer ribbons and other typing/word-processing supplies (white-out, lift-off tape, cleaning brush, etc.)
- containers to hold supplies and small equipment

Look for used equipment instead of immediately buying new. Watch for auctions of office equipment in newspapers, trade journals, and mailings about government auctions such as those from Supply and Services Canada (see Resources at back of guidebook). A list of equipment essentials and wants will help you prepare to take advantage of used equipment sales.

b. Business Telephone

The telephone has been described as a home-based business' lifeline to the outside world. Get

a separate telephone line or system for your business. That expense is tax deductible. Use of a home telephone for business purposes is prohibited by most phone companies. You can also consider a measured meter line which is cheaper than a regular business telephone line. On a measured meter line, you can receive incoming calls with a limited number of calls going out each month. Perhaps more importantly, it automatically gives you a listing in the Yellow Pages.

We have become so used to treating the telephone like an everyday part of life that we don't always have a telephone style appropriate for business. Most home telephones are answered in a casual way. This can give an unprofessional start to a home enterprise. Business-like courtesy and accuracy are things to aim for in your own communications. Use fairly formal, business-like phrases, for example, "Of course," instead of "Yeah" or "sure". Keep telephone message forms and a pen or pencil near the telephone so you can take messages without interrupting calls. If other people answer the telephone for you, consider laying out how you prefer it to be answered, key responses to standard telephone inquiries, and how you like messages to be taken, and keep these guidelines by the telephone too.

Telephone lines are used to send information or data as well as voices. Fax machines and microcomputers need telephone lines. If you plan to communicate electronically, research these needs at the same time as you consider different telephone systems.

c. Answering Machines and Services

Making sure customers can get in touch with you is good business sense. It can be difficult to do when you travel or are always on-the-go. Cellular telephones are one way to keep in touch, but expensive. Other ways are answering machines and answering services.

Many people don't like recorded messages and telephone answering machines, but they have become a feature of modern communication. The best kind of message for a home-based business machine is simple, short and to-the-point. Give your business name, explain that you're not available but will return the call as soon as possible, and ask the caller to leave name, number and time of call. You can change your message easily by recording another over it. Make sure you buy a machine that is voice activated so that clients can leave a message without the frustration of being cut off.

Answering services are more expensive than machines, but as you consider your situation, costs and options, keep your customers in mind. Would a person answering the phone make a difference? If you decide that Yes, a living voice would be better, remember that a rude and abrupt living voice may be worse than a friendly tape on a machine. Choose your answering service carefully, and regularly call your own number to check for courtesy and accuracy.

d. Microcomputer

A computer system is generally considered a basic necessity for efficient and competitive business. A microcomputer system (small business and home) includes a video display terminal (VDT) or monitor, a keyboard, disk drives and a printer. If a business demands a lot of work on a computer, a high resolution screen will save your eyes. You may also want to ask computer sales and resource people about getting your VDT screened against radiation.

If you're going to use a computer in your business, consider taking an intensive, short course on the basics as a priority, before you make any computer-related purchases. The instructor will be able to help you make good decisions about a system and about programs which can do what

your business needs. Areas in which a computer can make a significant difference to a home-based business are:

- computerizing repetitive clerical tasks
- keeping track of expenses and income, including personal money used to cover business expenses
- improving management procedures, customer services and delivery, especially in terms of timing and efficiency.

People with experience in small business computer systems advise that two common mistakes for first-time buyers are that they don't explore enough options before purchase, and they don't spend enough money on their systems to start with. Don't make computer systems decisions on the basis of price alone. Do enough research, including exploring options, to make sure that the system you buy has the capacity to help your business now and still be useful in the future. Research options for leasing a first computer system instead of buying one.

e. Modem

A modem is the piece of equipment that lets a computer link with telephone lines to send data over the phone. Using a modem, your microcomputer can send and receive data electronically, over telephone lines. If possible, get the person you buy a modem from to install it. If that isn't possible, research carefully before you buy, particularly the compatibility with equipment you already own.

f. Typewriter

Wordprocessing has generally taken over from typing for many documents, but for others (for example envelopes) a typewriter can be easier. If the cost of a computer system makes it an unrealistic purchase, a good typewriter can be depended on for basic paperwork to a decent standard. Depending on your needs, watch for used ones. Many offices are replacing typewriters with microcomputers, so used or reconditioned commercial typewriters are generally available at reasonable prices.

g. Fax Machine

Facsimile machines, fax for short, let you send letters and other documents, graphics, even photocopies and photographs, over telephone lines. Fax machine use is so common that many businesses give a fax number as well as a telephone number. Prices have come down to a bottom range around \$1000. Some fax machines double as photocopy machines, for small numbers of copies, and some are combined with full telephone systems. People who don't own a fax machine have access to the technology through public fax services, often available at commercial photocopy and printshop facilities but increasingly available in all kinds of operations. You may not think you need or need to know about fax machines, but the people with whom you do business may be used to immediate action and communication. Knowing your customers and giving them what they expect is important.

h. Photocopier

As with microcomputers and fax machines, photocopiers have improved in range and quality, and shrunk in size and price in the last years. Minimum cost for a basic business-use photocopier is around \$2,000. For this amount, a copier should be able to copy on standard and legal size paper, produce clear, clean copies, and perhaps be able to enlarge and reduce images. Expect each additional feature -- larger paper, collator, full enlargement and reduction, faster speed -- to cause a jump in price.

i. Assessing Your Equipment Needs

Consider your own needs by asking:

- what equipment is **ESSENTIAL** for me to have on site to start this business at home?
- what equipment is **NEEDED** but not essential for me to have at home?
- what equipment **MAY BE OF USE** but is not required for start-up?
- what equipment could I **USE** at another location?
- what equipment could I **LEASE** rather than buy, so I can update as technology or my business changes?

An equipment list for a new home-based business is generally restricted to equipment that is essential for success. Research will fill out your equipment list with the following information: equipment name, specifications and requirements, sources of new and used equipment, and prices. Standard advice to new home-based business people is to consider leasing equipment during start-up, and to buy second-hand or adapt used equipment. This may be particularly important in reducing the amount of debt a business has to carry in its first years, and ensuring that money is available for operating and not tied up in capital equipment.

4. Materials, Supplies and Sources

Supplies and materials refers to all the things you use to make your product or provide your service. They are one of three main categories of costs, the others being labour/time and overhead. The following steps sum up how to treat "supplies and materials" costs:

- List all the supplies and materials you will need to produce the product or provide the service.
- Estimate how much of each supply and material is needed to provide a certain unit of finished product or available service.
- Consider the total sales you hope to make in the first year of operation, in the same units of finished product or available service. What total amounts of supplies and materials does this annual sales volume require? The cost of supplies and materials is a key figure in financial calculations, including pricing. Even though the final cost figure for supplies and materials will appear in the Finances section, the supporting information is usually covered in the Operations

section.

Other important aspects of this part of business operations are sources, usually called suppliers, and terms of sale. Suppliers do extend credit to their customers, but usually not for at least six months or long enough for a positive relationship to develop on the basis of your sales volume and payment record. Supplier credit is not a dependable source of financing for new business starts, although terms of sale may work in your favour as suppliers get to know you, and they offer bulk buying discounts or payment periods of 30 days instead of COD.

5. Who will be Key Personnel and Staff?

Key personnel in a business are generally the owner/operator, partners, main shareholders and main management-level employees. A potential lender reading a business plan pays special attention to this section. Do the key personnel have the skills, experience and capacity to make the business a success? Is the staffing plan realistic? Few new home-based business people have all the skills and expertise they need. What the lender is looking for is an outline of who will take care of essential management and production tasks in the business.

If the business person doesn't have certain skills or enough time to do all the production jobs, the business plan has to lay out how these realities will be handled. Options for getting needed expertise or skills are hiring people, or obtaining professional advice on an as-needed basis. The second of these options, professional advice, is common in new home-based business starts, and is one of the reasons for including a network of professional resources available to the business in your plan.

A staffing plan will organize related information for a smooth operation:

- number of employees
- times of work/days of the week and periods of planned employment (months of the year if seasonal)
- wage rates, usually hourly for staff (does your province have a minimum wage requirement?).
- total monthly costs to the business for salaries and benefits
- specifically what tasks staff will do
- experience, skills, training or other requirements necessary to do those tasks
- supervisory responsibilities and who will fulfil them

6. Any Professional Services Needed?

The approach to business planning outlined in this guidebook includes identifying a network of professional advisors and consulting with them as part of business planning and start-up: lawyer, accountant, industry expert or business consultant.

Without a lot of money for professional fees, you want the time you buy and the money you pay for it to be well spent. Going prepared is a must. The service that professionals provide is advice. If you go unprepared, you may pay for basic information instead of advice. A main reason for doing good research is so that you don't pay professionals for what you can learn on your own. This book is designed to help you with much of the basic business research and planning. Consult professionals when you need advice or information beyond what you can research yourself.

Before you go, prepare a written list of the things you need advice on. If these are problems, or decisions to be made, sort out possible options and put them in order from best to worst. Ask for the specific information or advice you need, but don't expect a business's professional resources to solve problems or make decisions. Professional advice is exactly that -- an opinion given as to what to do. The decision about what to do remains with the business person.

Key information about professional services and resources to include in a written business plan:

- names of professionals and areas of expertise -- lawyer, accountant, bookkeeper, industry expert, business advisor, designer
- relationship of key professionals with the business.

7. Why Plan for Management and Training?

Only in rare cases do people starting in business have all the skills, experience and knowledge they need. Ongoing training and management development are a part of most successful businesses. Short workshops and seminars make sense for people whose time is very limited. These are available in most communities in the province throughout the year, from various sources. Community colleges are good contact points for information, as are local chambers of commerce/boards of trade, industry and business journals, business information and economic development offices.

Classroom learning is only one of many options. Other legitimate elements of a training and management plan include: on-the-job training, apprenticeships, mentor-learner relationships, independent use of learning materials such as books and videos, regular meetings with people who have experience and expertise they are willing to share. Important through all these methods is simply asking and being willing to listen.

Build a realistic management and training budget into the financial plan as an essential business cost. Tuition and registration fees, materials and resources, time lost from earning other income, travel and living expenses are all costs; most are tax deductible.

B. INSURANCE NEEDS

1. How Insurance Helps

Some insurance is a necessity in most businesses. Insurance is often required as a condition of a loan from a bank. In a sole proprietorship, having enough insurance is particularly essential because you are personally liable for all debts. Without insurance, a situation could occur where personal possessions and assets have to cover an unexpected business debt or accident. Having adequate insurance is one way a business manages possible risks. Standard advice is to only insure against what you can't afford to lose. Don't pay for insuring what you can afford to risk.

You will probably already have some insurance. Start with the same agent, because some business relationship already exists. Treat your insurance agent as a professional resource, someone you go to for advice. In this case, you don't have to pay for the advice because agents receive a commission from the insurance companies whose policies they sell. Ask questions until you're satisfied that you know what each policy option covers, any restrictions, and cost. Be

sure to compare options on the degree of protection as well as on cost.

Be honest with your insurance agent -- he or she can't give good advice on incomplete information. There is no point paying money only to find that your insurance is void because of some restriction. The goal is for you and the agent to come up with a commercial insurance package that gives you and your business necessary protection for:

- house/business premises
- vehicle
- liability
- business interruption
- disability
- partnership
- product or service.

2. Different Kinds of Insurance Available

a. House/Business Premises Insurance

The house insurance you currently hold will probably not cover your business venture. It may not even cover equipment or supplies that you collect in the start-up stage. Upgrading present house insurance to cover business use is a necessary cost of doing business. A fire started in your business area could void your household insurance.

b. Vehicle Insurance

Cars and other vehicles used in your business have to be insured for business use. Insurance claims may not be valid if a vehicle is involved in an accident under conditions the policy doesn't cover, for example a vehicle insured for personal use being used for business.

c. Liability Insurance

A standard homeowner's or apartment dweller's policy doesn't protect from personal liability if a person is injured while in a home on business. For a reasonable amount more a year, most policies can be extended to cover injuries to business visitors. This broadened insurance policy will NOT cover injuries or damage occurring as part of delivering services or selling products off your premises. Insurance to protect you in accidents that may occur away from the home is available at around \$200.00. Make sure your liability insurance covers the costs of defending yourself if you are sued.

d. Business Interruption Insurance (Loss-of-Income)

If your business operation is halted, for example because of a fire in your home, the business bills still have to be paid. Business interruption insurance, also known as loss-of-income insurance, protects you in such a situation. The cost is based on gross business earnings or an estimate (for a new business), and is usually not too high. Usual term lengths are six months and one year.

e. **Disability Insurance**

Disability insurance is also called accident and sickness insurance. It can be important protection for a self-employed person, although it is relatively expensive and the payments may not be enough to keep you going in a business in case of disability. Disability insurance protection considerations include:

- how disabled one has to be to receive benefits
- how long a waiting period there is between opening a claim and receiving the first payment (usually a minimum of three months after an accident)
- how long payments continue.

f. **Partnership Insurance**

Whether a partnership is formal or informal, one partner is liable for the actions of another partner. If you have business partners, research options for insurance to protect you against suits arising from an action on the part of other partners. This insurance is expensive and not that common in small and home-based partnerships.

g. **Product or Service Insurance**

You can buy insurance to protect you against claims, injuries, or damages that occur in connection with your product or service. This is usually expensive. If something about your product or service makes you think you should have this kind of insurance, tell your agent.

3. When filing an Insurance Claim

Accurate records of inventory, business equipment, and supplies are necessary as proof of value of loss or damage on any claim against insurance. Keep:

- receipts of all purchases
- a written inventory of things in each room in which you carry on business activity
- a visual record, using a still camera or video camera.

For insurance claim purposes, receipts plus a picture is the best record. Consider storing the record of your insured possessions or a copy in a safe place somewhere other than in your house, so if there is an accident your record won't be destroyed. Send a copy of visual and inventory records to your insurance agent for filing with your policy.

C. BUSINESS RECORDS AND SYSTEMS

Records hold a successful enterprise together. As information and paper flow through your business, your records have to trace actions and transactions. Some of this pressure to keep good records comes from legal and tax requirements. Records of expenses and sales are

required by law. Record-keeping is also key because without efficient records, time you need for managing may be spent on clerical tasks or wasted looking for misplaced information.

Basic record-keeping systems include:

- business reference manual
- filing systems
 - chronological file
 - contacts file
 - main records
 - working files
 - electronic files
 - inventory records
- financial records, journals and general ledgers

No system maintains itself. Just as a business plan outline is only a framework within which you run your business, record-keeping systems are frameworks that only regular use really establishes.

1. Using a Business Reference Manual

The research you're doing on a home-based business is hopefully all in a binder. That information and the decisions you make about your business will be organized in two forms, a written business plan, and the business reference manual. Standard sections for a reference manual are:

- General Business Information
- Responsibilities
- Communications (mail, phone, fax)
- Typing and Wordprocessing
- Travel
- Filing Systems
- Equipment and Supplies
- Client and Customer Information

Combine special needs for reference information with the standard sections to establish your list of reference manual dividers. Set up a binder with dividers to organize your research into a business reference manual. Some key information will appear both in the business plan and the reference manual. Remember that the purposes of the two business documents are very different -- that fact and the instructions in this guidebook will help you decide what information to include in which document.

If you only follow one piece of advice given here, make it this one -- set up a business reference manual. Advantages include the obvious ones of keeping key information organized and accessible, plus less obvious ones of making delegation easier, increasing efficiency, and reducing unproductive time. A business reference manual really shows its worth when a business expands, needs to train new employees, or upgrades the skills of existing ones. The supporting materials at the end of this guidebook include some expanded detail on standard categories for a business reference manual.

2. Deciding on Filing Systems to Create

a. Chronological File

Chronological means "in order of time". A chronological file (chron file) is a running record of everything you send out from your business, by date, with the most recent at the front or top. Make an extra copy of all letters, invoices, copies of reports, memos, faxes, or other communications. Index a binder with one tab for each month of the year, to keep copies in chronological order by month, or keep each month's papers in chronological order in a separate paper storage box or tray. Start a new chronological file at the beginning of each year. Store a previous year's chron file where you can get to it easily. Consider discarding chronological files after two years.

Like a reference manual, a chronological file will save you more time, energy and frustration than you can imagine. Among its advantages and uses:

- fast retrieval, often faster than using a main filing system
- contacts: you can go through the chronological file and update your contacts and leads
- protection against copies that get lost in the files or go astray
- reading file, as part of regular management review
- volume record; you'll quickly know how much is being sent out by month, and how that changes from month to month
- drafting replies; either you or someone who helps you with the work can use it as a precedent and reference manual.

b. Contacts File

A revolving card file, file cards in a plastic or wooden index card box, business cards in a plastic folder, a binder with removable pages arranged alphabetically, a database -- the method doesn't matter. What does matter is that you keep good track of all the contacts you make in your business so you can keep in touch with them and regenerate business.

c. Main Records Filing System

Many people don't know how to set up a filing system, which means they end up using files to store papers but they can't retrieve information. The key to good information management is access and retrieval. Whatever filing system you set up has to be one you can get things back from, efficiently, when you need them.

Office systems experts generally recommend a numbered filing system, in which files are identified by number instead of alphabetically by name. You can add and eliminate files more easily, and filing and retrieval are faster. See Appendix F at the end of the guidebook for an example of a numbered filing system appropriate for a home-based business.

d. Working Files

Working files is a general name for what are also called current, active, or pending files. Keep these a different colour from main records files. Working files can be kept on top of or in a top drawer of your desk or in a special part of a filing drawer. An alternative place to keep working files is at the front of corresponding numbered files in the main records system. The files you need all the time are considered working files, and if you use colour, these should be a small number of immediately visible files.

Main records folders should always be kept in the main records system, not taken out, even when you take information out of them for reference or to work with. Open a new current file for each thing you're working on, instead of taking files in and out of the main records system. A system of signing information out and back in when it is returned to the file can help solve the problem of papers always going astray, common when a number of people use the same main records.

Two working files recommended to be two bright and different colours are Accounts Receivable and Accounts Payable. These are kept apart from all other main records and working files so they can be easily recognized and accessible.

e. Electronic or Computer Files

Maintaining electronic files is easier if a simple system is followed from the beginning of business computer use. The same general categories as for your main records filing system will keep the two systems cross-referenced. File names, usually restricted to eight characters, are easier to find if they follow a set pattern and are recorded by disk or directory. Use of file name suffixes to designate certain types of files is a common way to separate different kinds of files, for example identifying word processing files as .DOC (for document), to distinguish them from accounting spreadsheet files, identified by .DAT (for data). Make sure that the clock built into most business computer systems is activated, and use it to store with the file the time and date the work was done.

f. Inventory Records

Much service, retail and business capital can be tied up in stock. Keeping control of that stock is called managing inventory. It can be a time-consuming task. Inventory records should help. Two methods of keeping records to manage inventory are physical inventory and gross margin. Physical inventory is a counting and listing of the number and value (cost and retail) of all items on the premises. This method is obviously very accurate, but time-consuming. It can be expensive to hire people to take inventory, and a physical inventory might only be done once a year. The gross margin method is an estimate, often done before regular physical inventories. Discuss this method with an accountant or bookkeeper.

3. Arranging your Financial Records

You are legally required to keep these records, and you need them. Financial records tell an owner/operator how efficiently a business is being run, and where changes may be needed to cut costs, maintain quality, or increase return.

The basic parts of a financial plan were introduced in Chapter 6 - Finances (see page @.) Within

that financial plan is the organizational structure a business needs to use to keep track of the following:

- total income and total expenses
- all money owing to the business - accounts receivable
- all money owed by the business - purchases and expenses, accounts payable
- petty cash and bank deposits
- journal and general ledger
- each customer's account (if credit is given)
- equipment and depreciation allowance
- inventory
- payroll record if a business has employees.

a. Money Coming In

A summary of sales and cash should always be current, with these categories:

- cash receipts, including sales, collections, and miscellaneous income
- cash on hand, money on the premises, cheques, and petty cash
- total sales, cash and credit.

The Accounts Receivable file is the business file in which to put accounts owing money (those paying in instalments, or at the end of 30 days). It is important to keep this part of the financial records of incoming money up-to-date and active.

b. Money Going Out

Keep track of it. Pay by cheque, recording payments in a cheque book by date, amount, payee and purpose. Mark each invoice with payment information (purpose, cheque number, purchase order number if this applies). Put these documents in a Bills Paid file kept with the Accounts Payable file in the main records filing system. Keep bills not yet paid together in that brightly-coloured Accounts Payable file.

c. Petty Cash Fund

A person starting a home-based business runs the risk of losing any separation between his or her home and work expenses, especially with out-of-pocket expenses. If a business person spends personal money on business items, but doesn't keep the receipts, claim the expense, or get reimbursed from a business account, out-of-pocket ends up meaning exactly that.

This can grow into a problem. Avoid it by setting up and using a petty cash fund. Petty means small. What "small" means depends on how much ready cash you need in the course of business. \$100.00 is a reasonable float or starting fund for petty cash. Keep this fund in a box or special drawer or envelope. As payments are made for incidental expenses, such as postage, list the item and the cost, and pay yourself back from the business fund.

A chronological, itemized list of petty cash expenses per month, without receipts, is accepted by Revenue Canada. When the fund is nearly gone, summarize the items, file the recorded list, write another cheque for the exact amount expended, and cash it to bring the petty cash fund

back up to \$100.00.

d. Journal/General Ledger

The journal and the general ledger are the heart of your financial record keeping system. A journal is a general, original record of financial transactions. Sales and purchases are entered directly into the journal, daily for businesses with daily activity. For businesses with less regular transactions, entries won't necessarily be every day, but the journal record should always be kept up-to-date.

A ledger is a principal book of accounts into which all transactions are entered into appropriate categories. In a complicated operation, information from separate journals may be combined and entered later into a general ledger. For straight-forward businesses, which most home-based operations are, a journal and general ledger can be combined into one financial record.

PART SIX:

MANAGING YOUR BUSINESS SUCCESSFULLY

Edith Eggenburger started her business by accident: the tragic automobile death of her son, Jean-Albert. Rather than let his dream die too, Edith made a commitment to bring his product to market. Jean-Albert had invented a special lightweight strap for sunglasses worn by athletes.

She tested the product's acceptance in front of a trade show audience and received tremendous success, "When all of my 400 samples disappeared I knew I must have a winner!"

But Edith soon realized she couldn't afford to become boggle-eyed with promises of a sales bonanza because her production capacity was limited. "You have to be very cautious about what you agree to take on," Edith warns, "because the market is full of people who want 2000 items right away. I had to turn orders down because I knew I wouldn't be able to handle them."

To control growth, Edith looked for local connections. As her business developed, she sub-contracted the manufacturing of the product to warehouse operations in downtown Vancouver. But she retained the marketing and order-processing sides of the operation which she enjoyed and which could continue to be performed from a home-base. "I have my office at home with the fax machine in the living room. I can take time out to walk the dog, bicycle or listen to some classical music. It's refreshing to break away from work to take time for reflection. I'm more refreshed when I return and I often see things from a different viewpoint."

Managing is more than just coping. It also means more than just keeping the business running along smoothly. Not everything is predictable. Unexpected changes happen often. The best plans are unable to anticipate the future. That's where a manager comes in.

A. HOW TO MANAGE CHANGE

To manage means to direct or to control. An entrepreneur is a person who uses good information and business understanding to direct and control an operation. This decision-making responsibility is part of the appeal of a home business. It can also be daunting for people whose experience doesn't include being a manager. Decision-making is a skill, like so many others introduced in this guidebook, that can be learned and that is strengthened through experience.

1. Projections and Forecasts

A problem with managing a business instead of running it (or letting it run you) is that much of what is involved in good management is invisible. It's easier to work with tangible things, things you can get your hands on, or to talk with someone about daily operations, than it is to do the dogged brain work of managing a business. Much of that brain work involves looking into the future, like your financial plan which is based on projections.

The four key projections needed for regular business management are:

- all the costs of producing an item or providing a service, and making the business

concept available in the market -- supplies and materials, time/labour, and overhead

- marketing and distribution costs -- costs of getting it into the hands of customers
- the operating procedures and expenses -- you should always be looking to improve efficiency because this is one way to keep costs low and be competitive
- the money situation coming in and going out of the business, daily and on a cumulative basis over weeks and months.

These four areas translate into the four main questions that your business plan originally set out to answer:

Business Concept: What are you selling?

Marketing: How will you get it to buyers?

Operations: How will you run your business?

Finances: Will you make money?

Future-gazing can never be accurate, but you will get better at predicting costs, trends and market demand as your business experience grows. Business records give a running record of estimates and reality. The adjustments needed between the two will lessen with time and experience. Factors not anticipated can be added to plans, steadily reducing risk and unpleasant surprises.

Keeping track of costs is one of the first essential steps in the process of controlling them. Both of these are business management skills that transfer from start-up to managing, and which continue to be important throughout business life.

2. Business Cycles and Economic Trends

Business cycles in our economy follow a predictable pattern. Understanding and working with those business cycles can prevent your making costly mistakes. If you ignore or don't understand how business cycles affect the overall economy, you may make the right business decision but at the wrong time. For example, a business producing custom-made windows won't want to expand when housing starts are down and construction is slow.

The particular form that these business cycles take in your trading area and industry can be better understood by talking with local people and industry contacts, and by steadily adding to your knowledge of current business affairs.

Canadians are having to adjust quickly to international realities. A home-based business operation, no matter how small, is part of wider economic relationships which are changing and reforming quickly. No new business can avoid being influenced, or can afford to ignore the international economic picture.

Just two examples illustrate the kinds of events that new business people will want to be informed about: recent trade agreements between United States and Canada, and the European Economic Community's elimination of borders between member countries. These may seem far

beyond your interest in a home-based business. Such events influence many things that in turn influence you -- interest rates, to name just one. The global economic picture may not seem relevant to most new home-based businesses, but it is. Researching the 'world' of business at that global level will be a lower priority for most home-based business starts than more immediate questions of business planning. Once the business is established, spend some management time on current economic affairs.

Being informed about global economic trends is also important for many home-based businesses because success may depend on an export market. For specialized products and services, a Canadian market may just be too small. Export sales, of services as well as products, are expected to continue their increase in importance to Canadian businesses, including small and home-based operations.

B. WHY MANAGING PEOPLE COUNTS

1. Working With People

The relationships that connect you to your banker, suppliers, clients or customers, service providers, bookkeeper and other professionals are the lifeblood of your business. Certain relationships have particularly important effects on home-based business success.

a. Family

Finding and keeping a balance between work and home life can be difficult in a home-based business. Earlier chapters covered the importance of thinking about this before start-up. It's just as important to keep the potential effects in mind as your business gets established.

A major opportunity in a home base is also a major risk -- drawing on the energy and time of other people in the household to get the business established carries the risk of undervaluing them, or taking contributions for granted. This can result in resentment against the business. When you're working at home, you're not available for life tasks. When you're taking care of a home and family responsibilities, you're not available, without previous planning, for work in the business. The stress works both ways. This is one of the reasons that, even for family members who volunteer their time, good work schedules and clearly laid-out tasks are so important in delegating work.

b. Banker

Two important suggestions in this guidebook are to develop a good working relationship with your banker or lender and to keep backers informed about good and bad business developments.

c. Suppliers

A solid relationship with suppliers can be built over time, especially if you live up to your end of agreements and pay on time. Don't expect more of suppliers, in terms of credit or special prices, than they can give. Everyone in business is juggling different demands and pressures.

d. Customers

Even if you never see them, your relationship with people who buy your product or service is, in the end, the most important one for you and your business. High quality products or services provided at a fair price are the foundation for the best business relationship.

Keys to managing these relationships include delegating responsibly, and giving credit so that helpers/family/workers feel recognized and worthwhile.

2. Responding to Extra Work

When there's more to do than you can handle, the options are limited. You can:

- work harder
- delegate
- recruit volunteers
- hire help
- subcontract work to other people
- use the time you have more efficiently

a. Working Harder

Working harder is the most typical response to having too much to do. What once was a regular day expands on both ends, eating into other ways you'd hoped to spend your time. Working harder is not always working smarter. While it's inevitable to some extent and should be expected, it isn't necessarily a good business decision or practice to maintain. Burnout is a very real condition, not one you can rebound from easily. Working harder should be at the bottom, not the top, of the list of options for handling too much work. In a home-based situation, this option has an additional risk of serious imposition on your family. Keep in mind your original reasons for going into business.

b. Delegating

The alternative to working harder is what business writers call working smarter -- learning to delegate, to assign and to subcontract as part of managing time and work. Delegating is one of the most difficult tasks for many managers. While you're getting your home-based business established, you won't have the luxury that exists in many work places of passing certain tasks on to others, even if you were clear about what others could do. You do have the option, though, of recruiting volunteers, or hiring or sub-contracting some of your work.

c. Recruiting Volunteers

Drawing on the volunteer energy of family and friends can make your home-based business a chance to build something together. You can also give important skills to family members. Let them know you appreciate them, and they may not expect any other sort of return. Find out how other people in the household feel about working with you and what recognition or return they want. Use what you know of the personal styles of people in the household -- including yourself - - to assess how realistic their involvement is in the business, as a volunteer or as a paid staff

person. One possibility is to keep good track of the contributions that different people make to your business. Use a section of the business reference manual for this. When the business gets on its feet, ensure that people who've helped you get a return.

d. Hire

Hiring employees involves some legal requirements and obligations, particularly around:

- benefits, Workers' Compensation, Unemployment Insurance, Canada Pension Plan
- workplace standards and conditions
- insurance.

Zoning determines whether or not you are legally allowed to have employees in your home-based business. Many municipalities restrict employees in a home-based business. For example, an amendment to the Mission by-law controlling home occupation use states:

(Various residential zones) shall have a maximum of 2 employees per house occupation use and a maximum of 1 non-resident employee.

Where the employees of a home occupation do not conduct their occupation on the subject property, (they) shall have no restrictions on the number of employees.

If hiring is an option for you, you may decide that you need the continuity and stability, or the specialized skills, of employees. Becoming an employer involves many things. The process of hiring includes developing a realistic job description with reasonable tasks, finding good candidates, interviewing them, and making a decision about who to hire. Managing personnel once you have them requires various directive, personality and communication skills, in addition to those you need to run the business yourself. Hiring a spouse or family member has implications for taxation. Talk with your bookkeeper or accountant.

e. Sub-Contract

Sub-contracting blocks of work or certain tasks has proven more realistic than hiring for many home-based business people. Generally, the person with whom you sub-contract takes responsibility for himself or herself. While it may seem on an hourly-rate comparison that you pay more for sub-contracting than for hiring, comparing real and total costs of the two options can change that impression. If you do sub-contract, a plan similar to the staffing plan outlined above but simpler will help you keep track of and assess the costs and benefits of sub-contracting.

C. WAYS TO MANAGE YOURSELF

1. Personal Style

Personal style is the name given to the general way that a person approaches things. Certain personal styles make managing seem easy, and others make it seem impossible. Management skills can be learned and strengthened, usually most effectively from an honest assessment of strengths and weaknesses.

Refer back to the work you did in Chapter 2 - Assessing Your Situation. Consider what you've learned so far in business research or through experience, and the following tips, to assess your present management capacity. Make adjustments as needed to the management training plan developed as part of Operations (see page @).

2. Time Management

The way you manage yourself and your business in relation to available time may make the difference between you and the competition. This is particularly true in a home-based business because at home, there are always so many other competing things to be done. Learning to manage time is continuous, ongoing and difficult work. But the rewards can be great -- reduced stress and pressure, increased productivity, a sense of security and accomplishment, and real management.

Learning to treat time as a resource may mean more delegation. For example, a business owner's time spent on clerical details may not be well spent. Sub-contract out low profit jobs -- book-keeping, cleaning the store, organizing the files, producing an item, making the sales call, delivering the merchandise -- so you can manage.

Most people have a confused, sometimes inaccurate idea of how they spend time. Without a good sense of where you're misusing time, other attempts to manage it better won't come to much. Keep a time log for long enough to have a representative slice of your business life, perhaps a week. This is tedious but useful. Figure out how much time you spend in different activities, using a ratio (time spent doing something to total hours), percentages, a pie chart, or some other way. Decide whether you're spending your time in the way you want to. If you are, keep it up. If you're not, decide on an ideal time plan, how you'd like to budget or portion time differently.

The following ten time-management strategies may help you:

Time Management Strategies

1. Practice setting priorities and working to them, on a daily and a weekly basis.
 - A. MUST BE DONE
 - B. Should be done
 - C. Could be done
2. Pick one place where you procrastinate and work at changing that. For example, if you put off starting work each morning, set a schedule with a certain starting time and work at following it.
3. Give yourself deadlines and work at keeping to them.
4. Try to develop the habit of handling things once. If something is a priority, deal with it.
5. Try to do the difficult parts of a job first, or the things you're afraid will be difficult. Get the big jobs or unfamiliar tasks out of the way.
6. Divide your work into blocks that you CAN finish in the time you have available. Piece-work may fit best into certain schedules.

7. Don't be paralysed by your desire for perfection or excellence, or for "the right way" to come to you. Right ways to manage time come through practice.
8. Set up a new routine that clearly contrasts with the one you're trying to break. Don't make exceptions until the new habits are established. Taking a break, on schedule, without exception, may be the key to change and a more balanced life.
9. Learn to say "no". Don't waste time feeling guilty or anxious about what you can't do.
10. Efficiency is doing the job right; effectiveness is doing the right job. Don't become rigid in your approach to time management. A little flexibility will keep you open to opportunities.

D. KEYS TO FINANCIAL MANAGEMENT

1. Looking for Extra Capital

At different times and for different reasons, many businesses need to find an infusion of working capital, due to a boom, a rush of orders, an expansion, a move to another business location, or to tide the business over a period of unexpectedly low sales.

Sources for start-up capital may also be sources of operating capital -- friends, family, and lending institutions. Because an established business has a track record, and tangible or real assets, it can be easier to borrow money for operating than for start-up. Other possible sources for operating capital:

- Have customers leave a deposit when they place an order.
- Stagger product deliveries to match sales, so the business isn't stuck with a large inventory.
- Take goods on consignment, which means you don't pay until an item sells.
- Obtain supplier credit.
- Take the full time allowed to pay your bills -- in a cash flow crunch, the hope is you will have turned your inventory (sold the products) when your suppliers' bills come due.
- Consider sharing the work with a partner.
- Ask friends to invest in your business.
- Sell overdue accounts to a collection agency.
- Merge with another company.
- Seek venture capital.

2. Reducing Your Taxable Income

According to the Canadian Income Tax Act, all money you spend "...for the purpose of gaining or producing income" can be deducted from your business and full-time employment income. If you work out of your home, you can deduct a portion of your telephone and rent, lease, or mortgage expenses. Check with your accountant. A reasonable portion of vehicle expenses, office equipment, furniture and supplies, business stationery, and relevant books can also be deducted. If you already own these, you can transfer them to your business at "fair market value" and still use the tax deduction.

Depreciation rates on equipment are set by Revenue Canada as part of taxation laws. These rates are different for different categories of equipment.

Some possible ways to reduce your taxable income from a home-based business:

- Write off all business-related books, magazines, manuals, journals and newsletters you have bought over the years that have been used by you to make money in your business. Make a list of titles and values, and sell the references to the business. This lets you show the resources as a business asset, to be written off 100% when you show a profit. Talk to your book-keeper about this option, which may involve claiming the value as personal income.
- Claim as deductions from taxable income the expenses of the physical space you use, either the square footage as a portion of your house's square footage, or any room entirely given to your business in a ratio with all the rooms in the house.
- Claim pay phone and parking meters. Use your daily calendar or appointment book to record such expenses for which you have no receipts. Transfer this record chronologically onto your monthly petty cash sheet, marking which are paid by cash and especially noting cash expenses that have no receipt. Without that habit, small amounts of cash spent will continually dribble through your fingers, without being recorded as business expenses. The ones paid by cheque will show up as a business expense in your cheque book.
- Organize receipts in envelopes, then transfer amounts to financial records. If you lose receipts, legitimate business expenses can still be deducted. Note the event and expense in your appointment book and include with other receipts a brief explanation of any expenses claimed but not supported by receipts.
- Apply for a gasoline excise tax rebate, available for automobile use for business. The post office has application forms.
- Identify and keep a running list of all business assets and their costs; make sure you deduct depreciation allowance -- called capital cost allowance deductions in tax calculations.
- Sub-contract instead of hiring employees, at least initially. The benefits include less administration and paperwork, and greater flexibility to deal with changing work demands. Once the business is established, it makes sense to hire.

3. Handling the Goods and Services Tax (GST)

Effective January 1, 1991 every business that has annual sales of \$30,000 or more must register and collect the 7% GST on their sales. In addition they must file a GST return reporting the GST collected on their sales and the GST paid on their purchases. However, if your annual total revenue is less than \$30,000, under the GST legislation you are defined as "small trader", and you have the option of dropping out of the system. To do so requires no special form: you simply don't register with the federal government. This means that small traders need not charge GST on what they sell as long as they continue to stay below the \$30,000 threshold.

You may, however, choose to register even if you are a small trader. While the option of not registering may be attractive to small businesses that fall within the small trader definition, think carefully before choosing it. While claiming to be a small trader and not registering will save you the time and cost of administering (collecting and remitting) GST, it also means that the 7% GST that you pay on all supplies and services you purchase for your business cannot be claimed back. As a small trader, you become, in effect, a consumer -- not a business in the context of GST. In practical terms, this means that all the costs of a small trader (except salaries, on which there is no GST) will rise significantly under the system. The overall effect on your competitiveness will almost certainly be negative.

Deciding whether to claim small trader status is fairly straightforward. You simply need to calculate your taxable expenses for the year and determine whether the 7% you paid is "worth" the cost of registering and doing the paperwork of collecting and administering the GST. You also need to decide whether you can stay competitive if your expenses are effectively 7% more than the next person's.

4. Extending Credit to Your Customers

Providing financing arrangements for customers can increase sales. In that way, credit is a sales tool. However, managing credit requires setting up and keeping good records.

a. Handling Accounts Receivable

Of particular importance is how you manage your accounts receivable. As with other parts of a credit program, managing accounts receivable means learning to use records. Divide accounts receivable into three categories; 30, 60 and 90 days. A written letter will clean up most 30 and 60 day overdues, while a telephone call can usually clear up 60 and 90 day overdues. A standard recommendation for small businesses is to use a credit collection agency after 60 days and before 90 days.

b. In-House Credit Program

It's common in any business to have to wait for payment. Customers are billed or invoiced. Most credit programs charge interest after the allowable payment period.

Financial plans have to consider the costs of carrying slow payments as well as bad debts. Payment delays occur for many reasons. Have a contingency or back-up plan in place for times when payment takes months to arrive.

c. Open Charge Account

Credit card companies survive on the percentage of card sales that businesses pay them. These percentages run between 3% and 6%, depending on volume and average sale. Businesses with small sales pay a higher rate.

A credit card program has these advantages over an in-house program:

- the business owner doesn't have to run a credit check
- you get your money right away
- risk is less
- you save the time needed to bill customers for credit sales
- most of the buying public have and use credit cards

E. TIPS ON MANAGING GROWTH

1. Handling Increased Volume

You've got a great product or service. Your business is on a solid foundation. Your marketing program is starting to pay off, with orders first trickling and then rolling in. For many new businesses, that wave of orders can come crashing down if they're not prepared to handle the volume of success.

When you develop your marketing plan, be realistic about what you can handle. As your business gets established, regularly check back to see if you were realistic, or whether some adjustments need to be made in what you can produce. Have back-up plans for the additional financing, equipment, supplies and labour the business needs to meet different levels of production volume. Don't promise what you can't deliver.

A difficult aspect of handling unanticipated volume may be learning how to say "No". Consultants in particular often face the dilemma of being offered a contract or project of interest when they're already overextended. Each situation is different. You may want to accept a contract or project that you know will be demanding, because of what it might lead to. In other cases, the best thing may be to turn down a tempting contract because your realistic assessment is that you wouldn't be able to maintain quality or produce on the schedule required.

2. Handling Environmental Impact

Ten years ago, few Canadians knew much about the environment. In 1989, over 90% identified it as a top priority issue. The environment is no longer something that even new, small, home-based businesses can afford to ignore.

Start thinking about the environmental impact of your business early. If production processes have hazardous by-products, by-laws may prevent you from establishing a business home base, even if your conscience doesn't. Legal, environmentally safe disposal of any such products is a business cost likely to rise with pressures for environmental regulations and as awareness of hazardous materials grows. Liability for environmental clean-up will be a parallel business concern.

Marketing analysts predict a "green" boom in marketing in the 1990's, including use of the

"environmentally friendly" aspects of products to promote sales. Studies of "baby-boomers", those influential consumers born between 1940 and 1960, show that this demographic group is environmentally aware and places value on the environment. These trends support the need for any new business manager to be equally aware and to consider the environmental attitudes of target markets.

3. Leaving Home

When will you know if your business is ready to leave home? Do you know whether you want to? Starting a business at home may be the only way to start a business at all. Keeping a business small enough to continue operating from your home may be a goal, or you may welcome growth and expansion. Ongoing evaluation and regular review can help you recognize when you've outgrown your home base and are ready to move.

Your business plan is invaluable here, too. Can you afford the additional expenses of moving to a commercial or industrial location? Have you built it into your pricing and profit use? Can you justify NOT moving? As part of the assessment process, talk to the key people you've involved in your business to this point: family, banker, bookkeeper, accountant, insurance agent, industry mentor or business consultant.

Use the contact networks you've developed, especially suppliers and shippers. Would a change in location mean a change in relationships you've established with key suppliers? Ask customers what a change from a home base to a commercial base might mean to them.

The decision to move from a home base to a commercial location shouldn't be made in an optimistic or pressured moment. With the same careful research and assessment you've used to get the home-based business established, you should be ready when the time is right.

4. Using Your Business Plan to Evaluate

Your business plan can be the basis of evaluation in two ways. Use it as part of your ongoing review, as you regularly monitor things in the business. Once a year, do a more formal review of business performance against planned performance. For this annual review, the written business plan will be invaluable. The annual review is the time to check back to the projected progress points laid out in your plans. Did you achieve your goals? Were your projections accurate?

Such an annual review is often done as part of completing and filing the tax return. What you learn from evaluating a previous year should be applied to planning for the coming year. As part of the annual review, prepare a summary of your conclusions and resulting changes you plan to make in the next year.

As you can appreciate, having a written plan can be very useful for knowing what to evaluate in your business success and revising the plan gives you new objectives to strive for.

This is the end of the guidebook but it is only the beginning for your business. You've been walked carefully through the various key steps in starting a home-based business. Now it's up to you. Good luck and bon voyage!

Next Steps

Now that you have successfully completed the steps in planning, establishing and managing your home-based business, a check-list has been provided for you. Use this as a guide for reviewing any areas that may need strengthening.

CHECKLIST FOR STARTING YOUR OWN HOME-BASED BUSINESS

BUSINESS CONCEPT

- What type of business will you start?
- Is there a need and can you fill it?
- Do you have a good understanding of how to market your business?
- How will you create a positive professional reputation
- Which business structure have you chosen and why?
- Is your business name registered?
- Have you obtained professional advice: legal, tax and accounting?
- For partnerships, is your Partnership Agreement and Buy Sell Agreement part of your business plan?

THE MARKETING STRATEGY

- What is your customer profile?
- What is your business's market or trading area?
- Estimate total sales volumes for your business.
- What will motivate prospective buyers to buy?
- Compare competitors' sales volumes.
- What inventory will you stock or amount of service will you provide (first, second and third year projections)?
- What benefits do your products or services offer compared to the competition?
- What is your pricing policy?
- What selling and promotion methods do competitors use?
- How will you distribute products or deliver services?
- What selling techniques have you chosen?
- What promotional methods will you use?

OPERATIONS AND ADMINISTRATION

- What renovations or changes are needed to office/shop space?
- Will your work space be large enough, separate, quiet, well-lit?
- Is your work space organized: telephone, office, work area and equipment, and production processes?
- Are business/professional activities and personal/household activities physically separated as much as possible?
- Is professional advice being obtained on a regular or as-needed basis: legal, accounting, book-keeping, industry expert, business advisor, other?
- Have you planned your insurance needs with an agent and secured adequate coverage?
- Are all furniture, equipment, and machinery needs itemized?
- Can used, recycled or leased items reduce equipment costs?
- Are plans for hiring, training and paying employees in place? Are you going to sub-contract work instead of having employees, in order to simplify paper work and maintain business flexibility?

- Are business needs for supplies and materials itemized and incorporated into financial projections?
- How will you handle expansion, unexpected success and high demand?
- How will you handle unexpectedly low sales, sagging markets, unanticipated economic shifts that mean fewer sales than you projected?

LAWS AND REGULATIONS

- Have all required licenses and permits been obtained?
- Is the business operation in compliance with zoning and other by-laws?
- Are provincial and federal sales taxes covered in your plans?
- Are municipal taxes allowed for in financial calculations?
- Are all regulations and laws that affect the business adequately researched and is the business operation in compliance with them?

FINANCING AND COST CONTROL

- Have you determined your start-up costs?
- Do your projections include the time it will take for the business to develop sufficient sales to support itself?
- What are your sales forecasts, expenses and profits?
- What is your break-even sales level?
- Have you prepared one realistic and one pessimistic forecast for each key financial area?
- How will you control costs and expenses?
- How much working or operating capital will you need?
- Are funds available for unforeseen difficulties during start-up (to be expected)?
- How much of your own money will you be able to invest?
- Where can you borrow or obtain additional funds?
- Have you discussed financing with lending institutions and programs, or suppliers?
- Have you prepared a list of personal and business assets that may be needed for security/collateral?
- Has a separate bank account been opened for the business?
- Have book-keeping (financial records) and filing systems been planned and put in place?
- Do accountants and bookkeepers have a designated role in the business, and has their advice been sought?
- Do you understand legal obligations for your business debts?

YOU, THE BUSINESS OWNER/OPERATOR

- Is your written business plan completed?
- Are you confident about your skills at managing time, stress, and many different kinds of responsibilities at the same time?
- Are your expectations about yourself as an entrepreneur realistic?
- Are your expectations about the home base for your business realistic?
- Do you have management skills, or are you taking steps to develop them?

Operational Essentials

Things that should be in place before you start business:

1. You must obtain a development permit and business licence in the city or municipality in which you plan to operate. A business licence may also be necessary.
2. If you want to use a business name other than your own, you must do a name search and register a business name with the Corporations Registry or Registrar of Companies, or contact your local provincial government agent. Even if you want to use your own name, filing a business name is recommended.
3. A provincial licence and/or bond may be required. Contact your provincial government agent.
4. Call on Revenue Canada to set up personal, business and employee income tax deductions. Consider registering for a GST number even if your sales are below \$30,000.00. Contact the Excise/GST Branch.
5. If you plan to hire employees, register with the Workers' Compensation Board.
6. Contact the Department of Labour for information on labour standards.
7. If you form a Limited Company, Corporation, Partnership, Sole Proprietorship, Co-Op or Society, contact your province's Corporations Registry/Registrar of Companies, or contact your local Chamber of Commerce or provincial government agent.
8. Check with your insurance agent or one knowledgeable in business insurance, home-based experience if possible, and get proper coverage before starting. Consider business premises/home (fire, theft), vehicle, liability, business interruption or loss-of-income, disability, and partnership insurance.
9. If purchasing a business, pay all funds to your lawyer in trust for release when s/he is sure all contingencies are looked after.

APPENDIX A

List of Business Terms

Accounts Payable: money owed by a person or business, accounts to be paid

Accounts Receivable: money owed to a person or business by customers

Agent: a person authorized to act for another person, the second called a principal, in dealing with a third person

Assets: everything money value can be assigned to, such as equipment, land, cash, money to a person or business (accounts receivable)

Balance sheet: the liabilities of a business subtracted from the assets; what is owned minus what is owed to a business. Sometimes the balance sheet is called a 'statement of net worth' because the figure that results from assets minus liabilities is net worth

Business Plan: a written summary of a business and its plans for reaching its goals

Capital: money or property owned or used in business

Collateral: things with value used to secure or guarantee a loan; most lending institutions will not loan money that is not secured by collateral

Company-Owned Unit: an outlet owned and operated by a parent company

Confidentiality: keeping an idea or invention to oneself so it doesn't get copied

Copyright: protection from being copied or stolen given to creative works by law; writing, songs, computer software, video and other images; one of four forms of protection for ideas available in Canada

Dealer: a person or firm that markets a product in a particular area

Distributor: middleperson, wholesaler. Agent or business firm that distributes goods to dealers or to other companies

Entrepreneur: a person who organizes, operates, assumes the risk for and gets the benefits of a business venture

Finances: money

Franchise: a kind of business involving three essentials: a franchise fee, a common trade name, and a continuous relationship with a parent company

Grant: money that does not usually have to be paid back, provided that the rules under which the grant was given are followed

Gross Profit: profit before income tax has been paid

Income: money or revenue coming into a business

Industrial Design Protection: protection for an invention's shape and appearance against anyone making one like it, one of four protections for ideas in Canadian law

Invention: a new product, process, or way of doing something. To be patentable, an invention has to be new, useful, not obvious beforehand and a technological improvement over what existed before

Invest: put money into business to get a profit

Leads: names and contact information for potential customers

Manufacturer: a person or business who makes or manufactures a product

Market: a group of buyers: trade, buying and selling

Marketing: all the things involved in making sales

Market Research: finding out as much as possible about potential buyers or customers including about the competition they buy from now

Market survey: a survey of a particular group of possible customers or aspect of a market. Examples of market surveys include pricing studies, test product surveys, surveys that look at the needs of a group of end users, and studies of shifting trends

Middleperson: a person or firm specializing in services involved in the purchase and subsequent sale of goods

Net Profit: profit after income tax and all other costs have been paid

On Consignment: goods shipped or turned over to an agent for sale, with payment to the shipper to follow sale, or products given to a retail outlet with payment to follow retail sale

Operator: an entrepreneur who buys a business opportunity

Patent: the legal right to own an invention in Canada, on which royalties can be charged. A patent is protection against others making, using, or selling an invention without the inventor's permission

Principal: a person who appoints another to act as an agent

Profit: return to a business person after all expenses, costs including taxes have been paid out of revenue

Protected Territory: exclusive territory in which to sell a product or service, granted to an operator by a parent company

Prototype: a working or demonstration model of an idea or invention that proves it really works

Rack Jobber: a wholesaler serving retail stores; selects, assembles, prices and delivers merchandise, and arranges and maintains the display on the shelves or racks on a dealer's floor; sells primarily on a consignment basis, but frequently on other terms

Retail: handling sales to the final consumer of goods and services, often in small quantities and amounts

Revenue: money coming into a business, often called income

Royalties: charges an inventor can collect for the right to make or sell a patented invention or copyrighted work

Security: another name for collateral, something given as a pledge of repayment

Turnkey: everything you need to start a business in place; all you need to do is turn the key

Wholesaler: a middleperson who sells to retailers and other merchants, or to industrial, institutional and commercial users but not usually directly to end customers

Worth, Net Worth: the total assets of a business or person, including cash, things, land accounts payable etc. minus total liabilities, the value of all debts; a balance sheet showing assets and liabilities is sometimes called a statement of net worth

APPENDIX B

Home-Based Business Opportunities

Different Kinds of Business Opportunities

You may have a clear idea about the business you want to start. The different kinds of opportunities on the list show the scope of the business world and the range of possibilities in it.

- **Producing** a product
- **Providing** a service
- **Becoming an agent** for someone's product or service
- **Importing** products and services made outside Canada
- **Taking local products** to new markets
- **Buying** a franchise
- **Buying** the right to make or sell a product, or selling the right to a product you own to another person to make or sell, often in another area
- **Rebuilding** or remanufacturing products
- **Offering** replacement products for goods now imported
- **Identifying** market gaps or shortages and filling them
- **Imitating** successful products or business ideas
- **Inventing** or locating an invention you can patent or claim rights to
- **Transferring** a system, a product, service, or skills from one type of business or industry to another

Of all home-based businesses established in the United States in 1987, the top ten were:

- mail order
- personal shopping
- event and party planning
- pool cleaning
- herb farming
- lawn care
- information brokering
- gift basket service
- computer publishing
- image consulting

The most profitable home-based businesses seem to be in these areas:

- animal care, services and products
- apparel, clothing
- computer
- craft and manufacturing
- education, training
- event planning
- home furnishings
- personal services
- publishing, photography
- business services
- recreation, sports and entertainment
- retail
- services to the home
- tourism
- mail order

Women have taken special advantage of expertise in establishing home-based businesses in these areas:

- childcare
- interior design
- art, painting, photography
- home-based publishing
- catering
- crafts

Some Ideas for Home-based Businesses

Animal boarding, care
Answering service
Art gallery and sales, in-home
Audio and visuals production services
Baby items
Baking, especially specialty products (non-wheat, additive free, low salt)
Bed and breakfast
Beekkeeping, honey production
Child care, elderly care, special needs support
Car services, specialized
Catering, food or sector specialty (gourmet, or film industry)
Children and specialty entertainment, eg. clowns, magicians
Cleaning, house and commercial/institutional
Consultant, wide range of services and subjects
Convention and conference planning, logistics and support
Cooking services, specialty or targeted
Design and layout, creative services in producing documents and audio-visuals
Distributing
Door-to-door selling
Energy services (energy loss detection, energy efficient planning and renovation)
Event and party planning
Farming, specialty, including organic, herb, special product (kiwi, holly)
Fashions, specialty (maternity, children's clothing, applique)
Food Products, particularly those tied to trends, eg. natural food, non-beef items, low fat, concern with food purity and quality
Footwear
Fundraising
Furniture polish, wax, stain

Furniture repair, small-scale manufacture
Gardening, yard and lawn maintenance, landscaping
Gift basket service
Glass blowing and design retail and industrial / commercial
Guided Tours and sightseeing
Hobby, Craft, and Art Supplies
Home renovations and maintenance
Image consulting (wardrobe, communication, and executive seminars or professionals)
Importing
Information service, consulting or information brokering
Interior design, commercial or residential
Jeweller, original designs and work, repair
Lawn and garden care
Leisure activities, including instruction
Mail order services
Maternity fashions and specialty products
Media productions and services
Microcomputer Services

- Convert files from one machine format to another
- Design, create, do layout, publish
- Manage other people's data
- Provide mail order services
- Publish price lists, catalogues, listings, newsletters
- Rent equipment or time on a computer system
- Write or print resumes, prospectuses, proposal, reports
- Sell data
- Teach, about computing or using available software programs teach other skills and subjects
- Troubleshoot, problem solve
- Write programs

Novelty items (T-shirts,

mugs) targeted to certain market, eg. new parents or grandparents
Office planning, office systems design, installation
Packaging, retail and "breaking bulk", sorting large quantities into smaller ones and repackaging them for sale
Personal services, house-sitting, errands
Personal Shopping
Photo Postcards, Picture Postcards
Photography and photographic services
Polishes and cleaning products
Placement and assistance (temporary help) services
Pool cleaning
Pottery, particularly specialty styles and products
Printshop, various services related to copying, printing, document production
Professions that don't require special facilities, eg. accountant, lawyer, public relations and management consultants
Publishing and publishing services (editing)
Rebuilding or remanufacturing
Recreation
Research
Resumes
Seminars and courses, workshops
Sewing and tailoring
Shoe repair
Sports equipment
Telephone soliciting service
Training and training materials
Tutoring and instruction
Videotaping
Wordprocessing
Writing

APPENDIX C

Entrepreneurial Evaluation

How Do You Rate as an Entrepreneur?

Instructions: read each statement and check "yes" or "no."

- | | |
|--|--|
| 1. I understand myself and my potential, which makes me optimistic and enthusiastic when I undertake something. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 2. When I am asked or if I decide to plan, work out and do a difficult project, I usually complete it in a least a satisfactory manner. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 3. When I believe in something, I can convince others of its merits. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 4. I realize that success depends on wanting something, will-power, and personal discipline; I have those three things. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 5. Although I take other people's opinions into account, I keep the right to make final decisions. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 6. I believe that first steps to success include setting personal goals and planning how to achieve them; I have done or am doing this. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 7. I enjoy giving my best to everything I do; successfully completing a job gives me a feeling of satisfaction. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 8. I would like to be my own boss and make my own decisions, although I know this requires a lot of work and discipline. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 9. I feel comfortable about managing other people, including telling them what to do, and having to make all the important decisions by myself or with others who are directly affected. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 10. I know how to motivate my colleagues at work, or my staff, and believe I would be able to motivate my business partners and employees by giving them a sense of my own enthusiasm. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 11. I am not afraid to work hard and for long hours if it is necessary; I can do several things at the same time. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 12. When I decide to do something, even if it is complicated, I give it everything I have, overcoming obstacles as they appear. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 13. I find unexpected situations stimulating, especially when I'm organized and know what I'm doing; I don't mind taking risks or facing uncertainty. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 14. I believe that work strengthens my character and abilities, makes the most of my potential, and makes life more interesting. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 15. For me, money is a good measure of success. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 16. I take calculated or intelligent risks; I've learned some differences between taking an informed risk and being foolhardy. | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| 17. Everyone's life is full of problems. The trick is to learn how to solve the problems and adjust your life to changes that come. | <input type="checkbox"/> YES <input type="checkbox"/> NO |

18. Success is not the result of luck, but the fruit of good planning and hard work (maybe fertilized with luck!) ☐ YES ☐ NO
19. I take the time to check back on the results of my decisions, and reflect on whether or not they were good decisions, the best I could have made at the time, and what I've learned since. ☐ YES ☐ NO
20. I am always thinking of new and better ways to do things. ☐ YES ☐ NO
21. I find it hard to do nothing or sit still. The sense of accomplishment that goes with responsibility for getting things done gives me energy. ☐ YES ☐ NO
22. I can make long-term commitments and plans to accomplish my goals and get where I want to go. ☐ YES ☐ NO
23. My parents, relatives or close friends of the family were in business. ☐ YES ☐ NO
24. I have some previous experience managing individuals and work. ☐ YES ☐ NO
25. I really enjoy participating in clubs, associations and groups, and I have done different jobs in them. ☐ YES ☐ NO
26. Whenever I have spare time, I like to research practical, concrete ideas.

Total the 'yes' answers, and assess the score:

- | | |
|--------------------|--|
| 22-26: | <i>most likely to be successful in business</i> |
| 17-21: | <i>capable of making a business succeed</i> |
| 13-20: | <i>able to make a business succeed but may not have actively thought or analyzed what is involved in running a business</i> |
| 9-12: | <i>lacks some qualities but with some work can be successful</i> |
| 8 points or fewer: | <i>unlikely to be successful alone; should consider working for someone else or getting a senior partner who can manage the business</i> |

To help you identify areas of strength and weakness, consider each set of questions as a group:

Questions 1-8 determine your motivation

Questions 9-14 indicate business orientation

Questions 15-18 indicate business attitudes

Questions 19-22 assess your genuine interest in business as a life goal

Questions 23-26 help determine familiarity with business and management.

Credit: Adapted from "Devenez Entrepreneur", Quebec, Les Presses de l'Universite Laval, 1986, Fortin, Paul A. We thank the Foundation de l'Entrepreneurship for granting permission to use this material.

APPENDIX D

Self-Analysis Questions

These questions are important to assess because they all tie together to limited time, money and energy.

Personal Resources

- Do I have the energy to tolerate long hours and concentrated effort?
- Do I have the self-direction to work alone?
- Do I have techniques in place to control potential stress?
- Do I have the confidence to accept any failures and turn them into opportunities?

Life Style

- Can I communicate my feelings and dreams positively to my family?
- Will I keep my family informed and involved?
- Will I be able to say "no" to holidays or leisure activities if necessary? Will those who go without you understand?
- Will I be able to maintain a personal and family life as well as run a business?
- Can I prepare myself to not have a personal life for some time?

Finances

- Will I be able to budget my business expenses and stick to the limits I set?
- Do I understand financial statements and why they are important to my business?
- Do I appreciate the importance of tracking and controlling expenses, inventory and debt?
- Are alternate sources of income available for living expenses?
- Am I realistic about household and life expenses and sources of income that can be depended on until the business gets established?

Stability

- Is my home-life financially organized and can the business income be secured from household demand?
- Am I healthy, with energy reserves, and emotionally prepared for my business and family stress and success?
- Does every family member appreciate my objectives and how important the business is to me, to us? Do they support me?
- Will my home life remain stable if my business fails?

Professionalism

- Am I willing and able to work long hours for future benefits?
- Am I realistic about how long success may take, and committed to making the business work?
- Are my planning skills and sense of responsibility strongly enough developed to build a successful venture?
- Do I have the knowledge to make this particular business succeed, or should I be securing that knowledge before moving to a business basis?
- Do I want business success enough to set and keep high standards of product and service?

APPENDIX E

Home-Based Business Reference Manual

The general outline of the business reference manual was introduced in the text. The following lists expand on usual contents of reference manual sections.

General Business Information

- business name, structure, names of all involved, addresses
- purpose of business, product or service, significant dates
- layout of physical working space showing outlets, etc.
- map showing trading areas and key sites related to business
- information on the competition in your trading area
- names and contact numbers for key business contacts; bank or lender, accountant or bookkeeper

Responsibilities

- owner/operator, outline of main responsibilities and tasks
- responsibilities and tasks for any helpers, volunteer or paid
- instructions for helpers on how to handle any likely emergencies

Handling Mail

- categories in which to sort mail as it comes in, egs. Action, Reading, Personal, by project
- directions on what to do with mail in each category

Communication

- telephone system information including business telephone number, any calling card number (used for billing)
- telephone answering primer - message on the answering machine, how the telephone is to be answered and messages to be taken
- photocopy center or printshop; address and directions, price, any special services and costs
- fax services; address of public fax service, charges for sending and receiving, fax number, any special services and costs, instructions for preparing documents to send by fax, sample fax cover sheet
- electronic network information; name of networks of electronic billboards and instructions for calling to get on-line

Typing and Wordprocessing

- samples of blank letterhead, all business forms
- samples of most commonly sent letters (style, layout)
- summary of instructions on preparing letters, reports, any documents regularly produced; typeface, layout
- directions on how to mail or send regular, rush and priority items - e.g. fax, courier or Priority Post, first class mail
- outline of acceptable standards - for typing mistakes, smudges on paper, use of White-out etc.

Filing Systems

- chronological file system; where it is and how to use it
- main records filing system; how it is set up, names of main categories

Equipment and Supplies

- main supplies ordered regularly, for office and production
- names of main suppliers
- where supplies and materials are kept, and an annual calendar for ordering
- instructions for ordering supplies

Client and Customer Information

The Contacts File is usually kept separately from the reference manual, but a section of the manual can be used for client information, or a separate binder established as a contacts file.

- name, personal and business
- position in business or relationship to your business
- contact information, including telephone, address, fax, and details about contacts, initial and follow-up; purpose, how contact was concluded
- purchases to date
- special knowledge you may want to be able to access quickly

Adapted from Sample Desk Manual for Secretarial and Administrative Assistants, by Judy E. Kelly Consultants Inc. 119-255 West 1st Street, North Vancouver, B.C. V7M 3G8, 1982.

APPENDIX F

Filing System Categories

Use this as a guide to a main records filing system. Start with the main categories - e.g. Administration, Communications - and build your filing system as you need it.

Administration

- 1-1 General Administration
- 1-2 Automobile
- 1-3 Courier Service
- 1-4 Depreciation
- 1-5 Equipment
- 1-6 Electrical
- 1-7 Furniture
- 1-8 Insurance
- 1-9 Licenses
- 1-10 Mail
- 1-11 Telephone
- 1-12 Utilities

Communications

- 2-1 General Communications
- 2-2 Advertising
- 2-3 Contacts
- 2-4 Brochures and Promotion Materials
- 2-5 Government Correspondence
- 2-6 General Correspondence (when individual files are not opened)
- 2-7 Clippings, Newspaper/Magazine
- 2-8 Public Relations
- 2-9 Subscriptions
- 2-10 Competition

Consultants and Professionals

- 3-1 General Consultants and Professionals
- 3-2 Administration and management (including office systems)
- 3-3 Business-specific
- 3-4 Computer
- 3-5 Financial
- 3-6 Marketing

Education and Training

- 4-1 General Education and Training
- 4-2 Client/Customer Education
- 4-3 Business Education and Training
- 4-4 Conferences and Conventions
- 4-5 Seminars and Workshops
- 4-6 Business Management Training Plan

Financial

- 5-1 General Financial
- 5-2 Accountant (and Auditor)
- 5-3 Accounts Payable
- 5-4 Accounts Receivable
- 5-5 Bank - Correspondence
- 5-6 Bank - Loans/Credit
- 5-7 Bank - Signing Authority
- 5-8 Bank - Statements
- 5-9 Bank - Reconciliation
- 5-10 Business Financing

- 5-11 Taxation

- 5-12 Contracts

Forms

- 6-1 General Forms
- 6-2 Alphabetical list by form to end of section

Legal

- 7-1 General Legal
- 7-2 Business Structure
- 7-3 Lawyer - Solicitors' firm
- 7-4 Licensing requirements
- 7-5 Municipal bylaws

Marketing

- 8-1 General Marketing
- 8-2 Contacts
- 8-3 Trade Association Information
- 8-4 Industry Events (trade fairs, shows, conferences, conventions)
- 8-5 Annual events - Local and Regional
- 8-6 Customer Profile
- 8-7 Target Market Information
- 8-8 Marketing Techniques
- 8-9 Publicity and Promotion

Personnel

- 9-1 General Personnel
- 9-2 Applications (resumes)
- 9-3 Casual and Temporary Employment
- 9-4 Benefits
- 9-5 Deduction Information
- 9-6 Payroll Information
- 9-7 Taxation - Employee
- 9-8 Workers Compensation Board

Products and Services

- 10-1 General Products and Services
- 10-2 Alphabetical to end of section, product and service files

Clients' Files

- 11-1 General
- 11-2 Leads and Prospective Clients
- 11-3 Individual client files, alphabetical by company or individual's name

Accounts Payable

- 12-1 General Accounts Payable (payment information)
- 12-2 Accounts Payable [BILLS PAID]
- 12-3 Accounts Payable, alphabetical by supplier

Accounts Receivable

- 13-1 General Accounts Receivable
- 13-2 Accounts Receivable, [RECEIVED]
- 13-3 Accounts Receivable, alphabetical by name of business or person

APPENDIX G

Primary Market Research Techniques

	PROS	CONS
Questionnaire	<ul style="list-style-type: none"> • Consistency & objective • Calculate responses • Additional questionnaires can be prepared if necessary 	<ul style="list-style-type: none"> • Inflexible • Time consuming to prepare, print and calculate responses
Surveys prepared by college or business students	<ul style="list-style-type: none"> • Inexpensive • Third party • Survey prepared under guidance of programme instructor • Many students can carry out a range of data collection 	<ul style="list-style-type: none"> • Priorities and time frame may not be the same as yours • Inexperienced at obtaining information
Informal talks with customers	<ul style="list-style-type: none"> • Open and revealing responses • Inexpensive • Subjective and non-verbal info • Opportunity to ask unprepared additional questions • Subjective 	<ul style="list-style-type: none"> • Time consuming • Must prepare key issues in advance • Responses may be vague and contradictory without much thought
Interviews (one on one)	<ul style="list-style-type: none"> • Face to face discussions • Combines objective and subjective information • Opportunity to obtain additional comments 	<ul style="list-style-type: none"> • Requires more prep time to develop closed and open ended (probing) questions • Time consuming to arrange appointments • Few people may be willing to be a subject for an interview
Focus groups (8-12 people)	<ul style="list-style-type: none"> • In-depth probing • Wide open responses • Observation of interaction and dynamics of participants 	<ul style="list-style-type: none"> • Requires a professional facilitator • Additional cost of room and observers
Suppliers, distributors, agents and brokers	<ul style="list-style-type: none"> • Inside knowledge of industry • Knowledge of players, trends and quirks 	<ul style="list-style-type: none"> • Could favour existing dealers • Jaded comments with narrow viewpoint
Competitors	<ul style="list-style-type: none"> • Observe traffic counts, average sale checks and customer patterns • Observations on any market aspect i.e. location, advertising, pricing, etc. • Competition in other communities willing to talk to someone who won't be a threat 	<ul style="list-style-type: none"> • Biased • Unwilling to talk to potential competitor • Travel and long distance costs
Retired from the industry	<ul style="list-style-type: none"> • No axe to grind • Objective and open • Knowledge of industry, its pitfalls and who is succeeding 	<ul style="list-style-type: none"> • Information may be dated • Jaded and tired of business concerns
Mentor (experienced business person outside the industry)	<ul style="list-style-type: none"> • Objective • Can analyze situation and be brutally frank • Can assess your own capacity, resources and managerial ability • Can advise on strategy & major decisions 	<ul style="list-style-type: none"> • Lacks specific industry knowledge • Not always available on a no fee basis

APPENDIX H

Doe Widgets Ltd. Forecasted Income Statement Monthly 19X2

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Sales													
Wholesale	8,000	9,000	12,000	12,000	12,000	14,000	18,000	18,000	16,000	14,000	12,000	12,000	157,000
Retail	16,000	16,000	16,000	18,000	20,000	20,000	20,000	16,000	18,000	18,000	20,000	18,000	216,000
Total Sales	24,000	25,000	28,000	30,000	32,000	34,000	38,000	34,000	34,000	32,000	32,000	30,000	373,000
Cost of Materials	14,400	15,000	16,800	18,000	19,200	20,400	22,800	20,400	20,400	19,200	19,200	18,000	223,800
Variable Labour Cost	1,000	1,000	2,000	2,000	2,000	2,800	2,800	2,800	2,800	2,100	2,100	2,100	25,500
Cost of Goods Sold	15,400	16,000	18,800	20,000	21,200	23,200	25,600	23,200	23,200	21,300	21,300	20,100	249,300
Gross Margin	8,600	9,000	9,200	10,000	10,800	10,800	12,400	10,800	10,800	10,700	10,700	9,900	123,700
Operating Expenses													
Power	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Salaries	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	4,000	4,000	4,000	44,400
UIC, CPP, other benefits	460	460	560	560	560	640	640	640	640	610	610	610	6,990
Advertising	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Office Supplies	50	50	50	50	50	50	50	50	50	50	50	50	600
Insurance	210	210	210	210	210	210	210	210	210	210	210	210	2,520
Maint. & Cleaning	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Legal & Audit	220	220	220	220	220	220	220	220	220	220	220	220	2,640
Delivery	240	270	360	360	360	420	540	540	480	420	360	360	4,710
Licencing	30	30	30	30	30	30	30	30	30	30	30	30	360
Packaging	240	250	280	300	320	340	380	340	340	320	320	300	3,730
Telephone	80	80	80	80	80	80	80	80	80	80	80	80	960
Depreciation	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,200
Misc.	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Total Operating Expenses	7,330	7,370	7,590	7,610	7,630	7,790	7,950	7,910	7,850	8,140	8,080	8,060	93,310
Interest Expense	1,460	1,460	1,460	1,410	1,410	1,410	1,350	1,350	1,350	1,300	1,300	1,300	16,560
Total All Expenses	8,790	8,830	9,050	9,020	9,040	9,200	9,300	9,260	9,200	9,440	9,380	9,360	109,870
Net Profit (Loss)	(190)	170	150	980	1,760	1,600	3,100	1,540	1,600	1,260	1,320	540	13,830

APPENDIX I

Doe Widgets Ltd. Forecasted Cash Flow Statement Monthly 19X2

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Total Cash Receipts	24,000	25,000	28,000	30,000	32,000	34,000	38,000	34,000	34,000	32,000	32,000	30,000	373,000
Disbursements													
Cost of Materials	14,400	15,000	16,800	18,000	19,200	20,400	22,800	20,400	20,400	19,200	19,200	18,000	223,800
Variable Labour	1,000	1,000	2,000	2,000	2,000	2,800	2,800	2,800	2,800	2,100	2,100	2,100	25,500
Power	-	200	200	200	200	200	200	200	200	200	200	200	2,200
Salaries	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	4,000	4,000	4,000	44,400
Benefits	-	460	460	560	560	560	640	640	640	640	610	610	6,380
Advertising	1,000	-	-	-	200	600	400	200	-	-	-	-	2,400
Insurance	2,520	-	-	-	-	-	-	-	-	-	-	-	2,520
Legal & Audit	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000
Licensing	360	-	-	-	-	-	-	-	-	-	-	-	360
Packaging	-	1,000	-	-	1,000	-	-	1,000	-	-	730	-	3,730
Telephone	-	80	80	80	80	80	80	80	80	80	80	80	880
Off.sup/Maint. & Clean./													
Deliv./Misc.	490	520	610	610	610	670	790	790	730	670	610	610	7,710
Interest	1,460	1,460	1,460	1,410	1,410	1,410	1,350	1,350	1,350	1,300	1,300	1,300	16,560
Loan Repayment	-	-	5,000	-	-	5,000	-	-	5,000	-	-	5,000	20,000
Total Disbursements	25,830	23,320	30,210	26,460	28,860	35,320	32,660	31,060	34,800	28,190	28,830	31,900	357,440
Net Cash Flow	(1,830)	1,680	(2,210)	3,540	3,140	(1,320)	5,340	2,940	(800)	3,810	3,170	(1,900)	15,560
Bank Balance End of Month*	12,470	14,150	11,940	15,480	18,620	17,300	22,640	25,580	24,780	28,590	31,760	29,860	-

*Balance at beginning of January was \$14,300 made up of cash on hand \$2,530 plus cash proceeds of loan \$13,850 less payment of accounts payable \$2,080.

APPENDIX J

Doe Widgets Ltd. Forecasted Balance Sheet

	31 December 19X1		1 January 19X2		31 December 19X2	
<i>Assets</i>						
Current: Cash	2,530		14,300		29,860	
Accounts Receivable	150		150		150	
Inventory	1,025		1,025		1,025	
Supplies & Prepayments	1,125		1,125		1,125	
Total Current		4,830		16,600		32,160
Fixed: Land	0		10,000		10,000	
Building (net)	0		86,000		81,700	
Fixtures, Leaseholds, Equipment						
Vehicle (net)	44,350		44,350		29,450	
Total Fixed		44,350		140,350		121,150
TOTAL ASSETS		<u>49,180</u>		<u>156,950</u>		<u>153,310</u>
<i>Liabilities</i>						
Current: Accounts Payable	2,080		0		2,530	
Accrued Expenses	1,800		1,800		1,800	
Provision for Taxes	0		0		5,530	
Total Current		3,880		1,800		9,860
Long Term: Bank Loan	23,150	23,150	133,000	133,000	113,000	113,000
TOTAL LIABILITIES		<u>27,030</u>		<u>134,800</u>		<u>122,860</u>
NET WORTH		<u>22,150</u>		<u>22,150</u>		<u>30,450</u>

APPENDIX K

List of Resources

Many materials were consulted in preparation of this manual. There is not space to credit them all. Most are available at libraries, bookstores, or through the following sources. Listed are resources in the following categories considered most likely to be useful to a prospective or new home-based business person:

a. Publications

Government Publications
Magazines/Newsletters

b. Organizations

General Organizations and Sources of Information for Small Businesses
Government
Non Government Organizations

The resources listed are only a partial list of all the resources that are available.

a. Publications

Government

Many federal and provincial government publications are available at no charge and can be obtained from your nearest Chamber of Commerce, business information centre, or government department or agency. Check with the Canada Business Service Centre (CBSC) in your province for a list of publications.

Government Business Opportunity Bulletin (Editor) Supply and Services Canada, Ottawa, Ontario K1A 0S9; Tel: (819) 956-4802, Fax: (819) 994-1498

Magazines/Newsletters

The Alternate Press P.O. Box 684, Stn P, Toronto, ON, M5S 2Y4

Bootstrappin Entrepreneur Suite B261, 8726 South Sepulveda Blvd., Los Angeles, CA 90045-4082

Canadian Business 70 The Esplanade, 2nd Floor, Toronto, ON, M5E 1R2

Crafty Secrets Publications, P.O. Box 235, 7231-120th St., Delta, B.C., V4C6P5

Craft Supply Magazine, Box 420, Englishtown, NJ 07726

Entrepreneur 2311 Pontius Avenue, Los Angeles, CA, USA, 90064

Home Business Report 2949 Ash Street, Abbotsford, B.C. V2S 4G5

Home Office Computing, P.O. Box 53538, Boulder, CO 80321-3538

In Business JG Press Inc., Box 323, 18 South Seventh Street, Emmanaus, PA, USA 18049

Inc. Inc Publish 1642 Westwood Blvd., Los Angeles, CA, USA 90024

Income Opportunities P.O. Box 55207, Boulder, CO 80323-5207

Profit: The Magazine for Canadian Entrepreneurs 777 Bay Street, 5th Floor, Toronto, ON, M5W 1A7

Self-Employment Survival Letter, P.O. Box 2137, Naperville, Illinois, 60567

Success P.O. Box 3036, Harlan, IA, USA 51593-2097

Working at Home 230 Park Avenue, NY, NY 10169

Working Solo, P.O. Box 190, New Paltz, NY 12561

Other Publications

The International Self-Counsel Press publishes many books with valuable information for home-based business. Examples are available at local bookstores, business supply stores, and libraries; a publications list may be obtained from International Self-Counsel Press, 1481 Charlotte Road, North Vancouver, B.C. V7J 1H1.

CCH Canadian Limited publishes the "Government Assistance Manual" and "Business Management Manual" service, which may be available at business/reference libraries.

Canadian Reference Directory publishes "Sources of Funds Index", 71 Longboat Avenue, Toronto, Ontario M5A 4C9; Tel: (416) 777-0180; Fax: (416) 868-0274.

b. Organizations

General Organizations and Sources for Small Business Information:

- Chambers of Commerce, Business Information Centres, Boards of Trade
- Regional Economic Development Commissions and Societies, like Community Futures Groups
- Municipal and City Governments and Planning Offices, and Regional District Offices
- Federal and Provincial Government Ministries, Departments and Agencies
- Trade, Industry and Professional Associations
- Financial Institutions: banks, trust companies, and credit unions
- Accounting Firms: large ones publish newsletters and brochures
- Colleges, Universities, School Districts, and Open Learning Agencies: business courses and business/economic development centres
- Women's Centres
- Service Clubs

Government Services:

Canada Business Service Centres (CBSC)

The CBSCs are designed to improve business access to a wide range of information on government services, programs and regulations. The Centres are a collaborative effort between federal, provincial and private sector organizations.

Each CBSC offers a variety of products and services to help you obtain business information, such as:

- a toll-free front-line telephone information and referral service
- the Business Information System, which is a comprehensive database with information on the services and programs of participating departments and organizations. For example, information on or key contacts for searching and registering a business name, registering a cooperative or company; obtaining a PST sales licence; Workers Compensation Board; Revenue Canada for GST and Employee Deductions; Employment Standards; packaging and labelling; product safety; and the location of business self-help centres
- a collection of business products which include videos, publications, business directories, how-to manuals, CD-ROM products, and external database access.

A CBSC has been established in a major urban centre in each province and are listed below:

Canada/British Columbia Business Service Centre

601 West Cordova Street

Vancouver, British Columbia

V6B 1G1

Tel: (604) 775-5525 or 1-800-6672272

Fax: (604) 775-5520

Canada Business Service Centre

9700 Jasper Avenue, Suite 122

Edmonton, Alberta

T5J 4H7

Tel: (403) 495-6800 or 1-800-272-9675

Fax: (403) 495-7725

Canada/Saskatchewan Business Service Centre

122 - 3rd Avenue, North

Saskatoon, Saskatchewan

S7K 2H6

Tel: (306) 956-2323 or 1-800-667-4374

Fax: (306) 956-2328

Canada Business Service Centre

330 Portage Avenue, 8th Floor

P.O. Box 981

Winnipeg, Manitoba

R3C 2V2

Tel: (204) 984-2272 or 1-800-665-2019

Fax: (204) 984-3852

Canada-Ontario Business Call Centre

Toronto, Ontario

M5V 3E5

Tel: (416) 954-4636 or 1-800-567-2345

Fax: (416) 954-8597

Info entrepreneurs

5 Place Ville Marie

Plaza Level, Suite 12500

Montreal, Quebec

H3B 4Y2

Tel: (514) 496-4636 or 1-800-322-4636

Fax: (514) 496-5934

Canada/New Brunswick Business Service Centre

570 Queen Street

Fredericton, New Brunswick

E3B 6Z6

Tel: (506) 444-6140 or 1-800-668-1010

Fax: (506) 444-6172

Canada/Prince Edward Island Business Service Centre

232 Queen Street

P.O. Box 40

Charlottetown, Prince Edward Island

C1A 7K2

Tel: (902) 368-0771 or 1-800-668-1010

Fax: (902) 566-7098

Canada/Nova Scotia Business Service Centre

1575 Brunswick Street

Halifax, Nova Scotia

B3J 2G1

Tel: (902) 426-8604 or 1-800-668-1010

Fax: (902) 426-6530

Canada Business Service Centre

90 O'Leary Avenue

P.O. Box 8687

St. John's, Newfoundland

A1B 3T1

Tel: (709) 772-6022 or 1-800-668-1010

Fax: (709) 772-6090

Industry Canada

The Ministry of Industry of Canada is the government of Canada's flagship economic department. It provides a range of services and programs to support Canadian businesses meet technological and market challenges. Industry Canada also operates International Trade Centres in each region.

Industry Canada

4th Floor East

235 Queen Street

Ottawa, Ontario

K1A 0H5

Provincial ministries for small business and economic development:**Newfoundland**

Department of Industry, Trade and Technology

P.O. Box 8700

St. John's, Newfoundland

A1B 4J6

Prince Edward Island

Department of Industry

Shaw Building

Fourth Floor

P.O. Box 2000

Charlottetown, P.E.I.

C1A 8N8

Nova Scotia

Department of Industry, Trade and Technology
Small Business Service Centre
1800 Argyle Street
Seventh Floor
Halifax, Nova Scotia
B3J 2R7

New Brunswick

Department of Commerce and Technology
King Street, Centennial Building
Suite 517, P.O. Box 6000
Fredericton, N.B.
E3B 5H1
(506) 453-2965

Quebec

Ministere de L'Industrie, du Commerce
et de la Technologie
710 Place D'Youville
Quebec City, Quebec
G1R 4Y4
(418) 691-5807

Ontario

Ministry of Economic Development and Trade
900 Bay Street, 6th Floor
Hearst Block
Toronto, Ontario
M7A 2E1
(416) 325-6700

Manitoba

Manitoba Industry, Trade and Tourism
Business Development Centre
155 Carlton Street
Winnipeg, Manitoba
R3C 3H8
(204) 945-2066

Saskatchewan

Department of Economic Deversification and Trade
Small Business and Cooperatives
Fifth Floor
1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 3V7
(306) 787-2232

Alberta

Alberta Economic Development and Tourism
9940-106th Street, Sterling Place
12th Floor
Edmonton, Alberta
T5K 2P6
(403) 422-9494

British Columbia

Ministry of Economic Development, Small Business and Trade
Strategic Services and Communications
712 Yates Street, 6th Floor
Victoria, B.C.
V8V 1X4
(604) 387-1241

Yukon

Yukon Development Corporation
P.O. Box 2703
Whitehorse, Yukon
Y1A 2C6
(403) 667-5028

Northwest Territories

Department of Economic Development and Tourism
Business Service Centre
P.O. Box 1320
Yellowknife, N.W.T.
X1A 2L9
(403) 873-7388

*Non-Government Organizations:***Canadian Organization of Small Business**

3555 Don Mills Road
Unit 6 - 105
Willowdale, Ontario
M2H 3N3
Tel: (416) 534-7324
Fax: (416) 537-2545

Canadian Federation of Independent Business

Suite 401 - 4141 Yonge Street
Willowdale, Ontario
M2P 2A6
Tel: (416) 222-8022
Fax: (416) 222-4337

The Entrepreneurship Institute of Canada

75 King Street South
Waterloo Square
P.O. Box 40043
Waterloo, Ontario
N2J 4V1
Tel: (519) 885-1559
Fax: (519) 885-0990

Canadian Council for Aboriginal Business

204 St. George
Toronto, Ontario
M5R 2N5
Tel: (416) 961-8663

The Canadian Women's Foundation

214 Merton St., Suite 208
Toronto, Ontario
M4S 1A6
(416) 484-8268

Canadian Association for Home Based Business

Ottawa, Ontario
Tel: (613) 724-7964

Canadian Centre of Occupational Health and Safety

250 Main Street East
Hamilton, Ontario
L8N 1H6
Tel: (905) 572-2981

Canadian Chamber of Commerce

181 Bay Street, BCE Place
P.O. Box 818
Toronto, Ontario
M5J 2T3
Tel: (905) 415-1750

Canadian Council of Better Business Bureaus

209 - 115 Apple Creek Blvd.
Markham, Ontario
L3R 6C9
Tel: (905) 415-1750

Canadian Direct Marketing Association

1 Concord Gate, Suite 607
Don Mills, Ontario
M3C 3N6
Tel: (416) 391-2362

Canadian Export Association

99 Bank Street, Suite 250
Ottawa, Ontario
K1P 6B9
Tel: (613) 238-8888

Canadian Franchise Association

5045 Orbitor Drive
Building 12, Suite 201
Mississauga, Ontario
L4W 4Y4
Tel: (905) 625-2896

Canadian Importers Association

210 Dundas Street West
Suite 700
Toronto, Ontario
M5G 2E8
Tel: (416) 595-5333

Canadian Manufacturers' Association

75 International Blvd.
4th Floor
Etobicoke, Ontario
M9W 6L9
Tel: (416) 798-8000

Canadian Standards Association

178 Rexdale Blvd.
Rexdale, Ontario
M9W 1R3
Tel: (416) 747-4000

Retail Council of Canada

210 Dundas St. West
Suite 600
Toronto, Ontario
M5G 2E8
Tel: (416) 598-4684

List of Home-Based Business Associations**British Columbia**

Central Fraser Valley Home-Based Business Group
Contact: Myrna & Fred Leard
3067 Cassiar Street
Abbotsford, B.C. V2S 6B7
Tel: (604) 852-9149

Chilliwack Home-Based Business Network

Contact: Vicki Biggs
42655 Adams Road
Sardis, B.C. V2R 1A9
Tel: (604) 823-4137

Kamloops Home-Based Business Association

Contact: Bev Milligan
P.O. Box 22, Main Post Office
Kamloops, B.C. V2C 5K2
Tel: (604) 376-3402

Kootenay Home Business Association

Contact: Ruth Taves
Box 783
Nelson, B.C. V1L 5S9
Tel: (604) 352-6545

Maple Ridge Home-Based Business Association

Contact: Jackie Passley
33696 108 Loop
Maple Ridge, B.C. V2W 1B2
Tel: (604) 463-4401
Fax: (604) 463-2909

North Fraser Home-Based Business Support Group

Contact: Terry Marshall
6-32339 7th Avenue
Mission, B.C. V2V 6T7
Tel: (604) 820-9468
Fax: (604) 820-9482

North Okanagan Home-Based Business Association

Contact: Sue Urquhart
237 - 3104 30th Avenue
Vernon, B.C. V1T 9M9
Tel: (604) 545-7258

Prince George Home-Based Business Association

Contact: Derek Sterling
RR#5, S-10, C-1
Prince George, B.C. V2N 2J3
Tel: (604) 561-2455

Vancouver Home-Based Business Association

Contact: Walter Coole
4576 6th Avenue West
Vancouver, B.C. V6R 1V5
Tel: (604) 224-7243

West Coast Craftlink Network
Contact: Karen Booy
35410 Anderson Ave.
Matsqui, B.C. V3G 1N4
Tel: (604) 820-8424

Alberta

Alberta Home-Based Business Association
Contact: Bobbi Onisminchuk
#301, 12431 Stony Plain Road
Edmonton, AB T5N 3N3
Tel: (403) 476-7978
Fax: (403) 472-0876

Alberta Home-Based Business Directory
Contact: Debbie Hand
11620 - 84 Street
Edmonton, AB T5B 3B9
Tel: (403) 471-4187
Fax: (403) 474-1657

Saskatchewan

Saskatchewan Home-Based Business Association
(Saskatoon Chapter)
Contact: Jim Seip
2609 Albert Avenue S7J 1K9
Tel or Fax: (306)343-3373

Saskatchewan Home-Based Business Association
(Prince Albert Chapter)
Contact: Hank Ethier
RR#5, Site 34, Box 81
Prince Albert, Saskatchewan S6V 5R3
Tel: (306) 763-1384

Ontario

Canadian Association for Home-Based Business
Contact: Howard Gallup
Box 222, Morriston, ON N0B 2C0
Tel: (519)823-9616 or (416)384-0507
Fax: (519)823-9220

Durham Home-Based Business Association
Contact: Betty Penny
P.O. Box 500
Port Perry, ON L9L 1A5
Tel: (905)728-2899
Fax: (905)985-9461

HomeWorks of Barry/Huron
Contacts: Diane McGee, Vice-President
and/or Ann Travers, President
10 Pridham Crescent
Angus, ON L0M 1B0
Tel: (705)424-7762 or (705)739-8374
Fax: (705)739-1484

Quebec

Groupe Entreprendre inc.
Contact: Danielle Vallée
4252 Place Guillet
Montréal, Québec H1X 3H5
Tel: (514) 524-5527

Atlantic Provinces

N.B. Home-Based Business Network
Contact: Keri Berthelot Originals
41-100 Howe Crt.
Ormocto, NB E2V 2R3
Tel: (506) 446-3398

Rural and Small Town Programmes
Contacts: Bill Ashton & Roger Wehrell
Mount Allison University
Sackville, New Brunswick E0A 3C0
Tel: (506) 364-2394
Fax: (506) 364-2601

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