

Winter 1997

Access West

Western Economic Diversification Canada - Newsletter



Small Companies Mean Big Business in the West

Did you ever wonder where the small business community fits in the economy of Western Canada? Well, wonder no longer. Western Economic Diversification has provided a brief overview of current information on small business in Western Canada.

The report, available on WD's Web site at www.wd.gc.ca, describes small businesses as one of the most important contributors to the western economy. Over 900,000 small businesses (less than 50 paid employees) and entrepreneurs (self-employed) are recognized as the source of 51% of all jobs in the West alone. Together, they greatly outnumber the quantity of medium (11,750) and large (616) sized businesses. This growing trend of increased numbers of new small businesses and entrepreneurs is apparent throughout the four western provinces and demonstrates the importance of small businesses to the economy.

Over 80 per cent of small businesses and entrepreneurs are found in four industries: business and personal services, wholesale and retail trade, agriculture and construction. Entrepreneurship has been increasingly popular and is now estimated that self-employed individuals secure 948,000 jobs — 235,000 of which were created within the last five years. This group can be safely considered one of the most dynamic sub-sets of the overall small business community in the West.

The most heavily populated provinces of BC and Alberta account for over three quarters of the small business establishments and they are also the most active exporters. BC and Alberta added over 8,000 small and medium-sized exporters from 1990 to 1995 adding approximately two billion dollars in export value. Although large companies still do most of the export trade, small and medium-sized businesses are able to compete in international markets with help from various marketing programs designed specifically for them.

WD and its network partners (CFDCs, and the offices of Women's Enterprise Initiative and Canada Business Service Centres) offer a variety of products and services to the small business community and prospective entrepreneurs from over 100 points of service throughout the West. For further information on small business or programs and services call WD at 1-888-338-WEST (9378).

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*A
Message
from
Ron Duhamel*

*Secretary of
State for
Western
Economic
Diversification
Canada*

I welcome the opportunity to include in each issue of Access West a column that allows me to share some of my thoughts on what the Department is currently involved with and some insight on its future undertakings.

Let me begin by reiterating that WD's mission is to provide access to services for small business and entrepreneurs and support a network of partnerships. This service includes facilitating access to capital; expanding access to business information; developing and delivering targeted business services; and representing western Canadian economic interests.

In his September Speech from the Throne marking the opening of the 36th Parliament of Canada, Governor General Romeo Leblanc stated that the Government will explore innovative policies and measures that give particular attention to increasing opportunity for Canadians in rural communities. The Government will adapt its programs to reflect the social and economic realities of rural Canada. Further, the Government will redouble its efforts to ensure that rural communities and all regions of Canada share in the economic benefits of the global knowledge-based economy. WD will be a major player in providing those efforts in Western Canada.

Stimulating job creation and economic growth has been, remains, and will continue to be a major focus for the Government of Canada. WD will do its utmost to ensure that this objective is extended to small business and entrepreneurs in Western Canada. We have the technology and we have the talent. By mobilizing our resources well, we can enable westerners to succeed.

With small businesses acting as the engine driving economic growth in Canada, the federal government has

made the provision of services to SMEs a top priority. The challenge for WD is how to provide better, more accessible service in the face of budget reductions.

WD has addressed this problem with the formation of the Western Canada Business Service Network. Through the Network the Department has developed partnerships with the Canada Business Service Centres, Community Futures Development Corporations and Women's Enterprise Centres into a "single-window" focused on serving the needs of the small business community in the West.

I am confident that WD will continue to excel in providing service to SMEs and entrepreneurs in western Canada. The Department places a priority on continuous client feedback and consultations in order to improve service and develop new products.

*Feature articles from the
previous issue of Access West*

A who's who of the Western Canada Business Service Network
WD celebrates 10 years of serving the West
BC is busy with On-Line Business Planning – www.sb.gov.bc.ca
Infrastructure programs supporting the growth of local economies
MERX replaces OBS – www.merx.csbra.com
First Jobs in Science and Technology offers great opportunities
for small business and new graduates
Export Readiness project building export successes
and a roadmap to 2000

What's new on the Web

Three new sites for small businesses have recently opened to provide entrepreneurs with the tools, skills and knowledge they need to innovate, grow and create jobs.

These new sites add to the wealth of small business information covering the areas of available financing, growing business through access to outside investors and building critical management skills. These new sites can be accessed through Strategis.ic.gc.ca, Industry Canada's Web site.

Sources of Financing - strategis.ic.gc.ca/sources — is a new leading-edge product based on a sophisticated

Speakers Corner

One of the most commonly asked questions of the Western Canada Business Service Network is ...

"Where can small business people find financing?"

To start your search, a well developed business plan is one of the most important foundations of any business and critical to a successful search for capital. The type and amount of capital required will vary from business to business however, most financing strategies involve various combinations of equity, debt and alternative financing sources.

1. Equity

Equity is money that someone else invests in your business in return for a share of ownership. All businesses require equity investment; the source of equity may be from yourself and your partners, investment by friends and family and venture capitalists. Before you pursue equity capital one should evaluate how much of the business you have to give up in exchange for the investment, the degree to which the equity investor wants an active role in running your business, the value of the investors business experience and contacts and finally, the "exit strategy" or cost of paying out the investor.

2. Debt

Debt is financing obtained by borrowing from others. Your loan must be fully repaid, with interest, in accordance with your loan agreement. Since you are basically "renting" money, the lender will require collateral security which might include machinery, inventory, accounts receivable and/or personal guarantees of the borrower.

Although debt financing may involve the risk of cash flow problems if revenues drop, debt financing has the advantage of leaving you in control of the business and its equity.

3. Alternative Financing

No search for capital is complete without considering other available sources. Federal and provincial governments extend assistance to some small businesses to promote specific objectives including encouraging regional development, job creation and helping address industry specific financing gaps. Businesses may also want to consider the availability of supplier or trade credit, lease financing, export financing, R&D tax credits and small business loan guarantees in addition to other sources.

The search for business financing can be very challenging. WD and its network partners (CFDC, WEI and CBSC offices) have a wide range of business products and services that can assist you in preparing your business plan as well as in your search for capital and are prepared to work with you to identify the appropriate source(s) of financing for your business.

Call to find out what is available and how you can access it. **1-888-338-WEST(9378)**

Send your small business questions and comments to:

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and powerful search engine. It allows small businesses to access information on traditional and alternative sources of financing. These sources range from familiar debt-financing arrangements from chartered banks to services offered by micro-lenders or venture capital companies.

Steps to Growth Capital - strategis.ic.gc.ca/growth

— will help growth-oriented firms prepare to find investors and close a deal. There are eight steps covered in the program with a whole range of investment capital issues, from identifying financial needs to managing a relationship with an investor.

Steps to Competitiveness - strategis.ic.gc.ca/steps

— will provide on-line assistance to identify business

concerns. The site offers modules that deal with business needs such as marketing, human resources, and business alliances. It also features several unique self-assessment tools to help evaluate a firm's performance.

While you are browsing the new sites, you should also check out the existing site - strategis.ic.gc.ca/contact. This site provides several unique on-line resources for businesses including the most complete data on over 1500 Canadian small business support organizations; 450 on-line 'how-to' publications; business-to-business discussion forums; and, over 300 business management software tools with contact information and links to other resource sites.

INCREASE THE VALUE OF

Interested in maximizing the potential of your vegetable plantation, bison ranch or ostrich farm? Agricultural Value-Added Loan Programs sponsored by Western Economic Diversification Canada may be the answer.

WD recently announced two new loan programs with Royal Bank and TD Bank to complement its existing Agricultural Value-Added Loan Program with the CIBC and Farm Credit Corporation. Financing for a wide range of projects involving the processing of vegetables for sale or export are available. The funds provide flexible loans ranging from \$50,000 to \$1 million to help small businesses involved in processing and adding value to primary agricultural products in either food or non-food areas. While WD contributes towards each loan fund and is responsible for first stage eligibility reviews, each bank makes the final decision on all loan approvals.

Loan terms may vary slightly between the banks, however, each loan fund emphasizes flexibility to ensure a small business has adequate cash flow during the early years. This may include the ability to capitalize interest for up to two years, to postpone principal payments for up to two-thirds of the loan term and to schedule repayment over a period of seven to 10 years.

Export markets also reap the harvest of BC fruit farm

The Appleberry Farms Ltd. in Kelowna, BC used the Ag Value-Added fund to increase production, expand its fruit processing facility and enter export markets. As a grower of tree fruits and a Canadian manufacturer of value-added agricultural products such as jams, fruit preserves, salsas, chutneys, and syrups, they produce enough products to supply customers in Canada, the US, Japan and Germany.

According to Appleberry management, "WD's primary concern is for what makes sense for our small business. Things like how best to approach a loan in light of our business situation and how repayment can be scheduled to work for the business as well as meet the needs of the bank."



Alberta farmers take the bait on aquaculture

A new trend has Alberta farmers casting a net across the prairie, and Western Economic Diversification is there to help them catch a profit. Aquaculture – also known as fish farming – is one of the latest up-and-coming sectors and Alberta farmers can position themselves early and reel in a piece of the market hook, line and sinker.

Steve Mackenzie-Grieve, president of the Alberta Fish Farmers Association and owner of Chincoulee Trout Farm near Lethbridge, Alberta knows first hand how the program can help expand business. "If you have existing facilities you can get into it slowly, learn the ropes, minimize your risk and expand your operation when you see fit," explains Steve. Through his business, he raises about 50,000 pounds of fish per year, aside from tending to his grain and other farming responsibilities.

YOUR SMALL BUSINESS

Depending upon the loan, interest rates may vary up to six per cent above the bank's prime lending rate. For most businesses, this is a less expensive financing alternative than trying to attract equity investors and losing ownership or control.

The Agricultural Value-Added Loan Programs are unique in that WD also provides small businesses with free information and advice on a wide range of financing alternatives and helps determine their eligibility for those programs that best suit their needs. By packaging business information, support and advisory services as part of each fund, the programs are better than most small business loan programs now available.

"Many opportunities exist for western Canadian vegetable producers to diversify into processing and take advantage of this program," said Ron J. Duhamel, Secretary of State for Western Economic Diversification. "Beyond freezing and canning, producers could move into specialized processing and marketing of vegetables for the vibrant western restaurant and food service industry. For example, vegetable producers could turn an old family pickle recipe into a viable commercial venture. The range of possibilities and opportunities is vast for vegetable producers."

Saskatchewan farmer turns canola to gold

When Sydney Palmer had a new business idea for a milling facility to turn sample, or second-grade, canola into high by-pass protein - a feed supplement for dairy and beef cattle, he looked to WD for business counselling to help in his search for financial assistance.

Although Sydney had already completed his business plan for EXL Milling, WD's Client Service Officers provided him with additional information on funding sources. In addition, they met with Sydney and funding agencies such as the Farm Credit Corporation and Border Credit Union in Lloydminster.

Now, the \$3-million processing facility, in Lloydminster employs seven people. It upgrades about 40 tonnes of canola per day, to the benefit of area canola farmers who can't sell the lower-quality canola for food production.



Manitoba business farm cooks with spicy prospects

For Pizey's Milling & Baking Company, a food processing company located on an 80 acre farm near Angusville, money not only grows in the fields, but in their processing plants as well. WD's Agriculture Value-Added Program has seasoned this 'growing' company and helped them to expand and develop their products.

The company buys, cleans and mills flaxseed, caraway seed and coriander for subsequent sale to wholesale and retail customers. Since they received help from the program, things have become very busy. "The loan program has really been useful to us and we are very pleased with the assistance we have received. We had a good business plan and a good product. This program was the missing ingredient to help us get the business cooking," says Linda Pizey, president of Pizey's Milling and Baking Company.

Marketing Your Business On A Shoestring Budget

You've worked hard to develop your business or product and you know its good and so do your customers. But, finding new customers and keeping current ones is the life's blood of every company including yours even when the budget is tight. The key to marketing on a shoestring budget is to do as many things as possible to generate business AND FOLLOW UP. Let us outline a few ideas as to what you can do dollar-wise to increase your company's customer base.

Cross Promoting

Most successful companies understand the value of cross promoting. Simply put, it is when two or more businesses agree to promote each other without the exchange of cash payments. When approaching a company about cross promoting always present the aspect of "what's in it for them" first. Be open to negotiate, and if you can't work out a win/win situation, don't be discouraged. Move on to another prospective business. For example, if you make wedding cakes you may be able to do cross promoting with a local florist. Negotiate with the florist that you will purchase all live flowers for your cakes from her if she refers brides to you. Propose to trade photo albums of each others work, forward your clients to the florist in return for the same, and include a coupon for a free gift for any brides-to-be that come in for a consultation.

Presentations

User groups are the key for doing presentations. Find out what local stores, hobby groups and clubs may be interested in your business or product and offer to do a presentation. For example, if your business is involved in the tourism industry offering clients exciting holidays exploring the western Canadian outdoors you may want to contact stores selling outdoor products, photography clubs, singles groups and so on. A retail store could have an evening show or wine and cheese party for their customers featuring your presentation as the entertainment. Of course the store is open for business and so are you.

Flyers

Producing an interesting and professional looking flyer is fast, easy and very low cost as they can be produced on your own computer and photocopied. Use graphics if possible and keep the wording concise and descriptive. Remember brevity is best. Flyers can be circulated easily by sending them with your delivery personnel, placing them as inserts into neighbourhood or business newsletters or handing them out.

Articles

One of the most overlooked methods of getting customers to call you is to write informative articles and have them printed in newsletters, local neighbourhood newspapers or other types of publications available to your targeted potential customers. For some, coming up with the basic idea of a story is the most difficult. But if you think of topics related to your industry, business or product your choices are unlimited. For example, a cleaning company could write about an environmentally friendly product they use, a heating and ventilation company could write about how to increase the life of your furnace and, an interior designer could offer tips or suggestions on decorating.

The articles can be nothing more than common sense. Due to the need for stories to fill the publications, the articles are printed. When they are read by potential customers, it can result in calls. The need for selling the caller on using your products or services requires only confirmation of what they have already read. By calling you, most have already decided to buy from your company.

Charities

Offering your product or services to a charity is an excellent way to gain experience, exposure and new customers. Do some research before choosing a charity to make sure their members, sponsors and audience matches your target market. When you have determined two or three charities, find out what sort of events they hold, how many people attend, who they get for sponsors, what sort of advertising they do and so on. Based on this information, decide what you can offer this group and what would you like in return. Be specific and be fair. Set up a meeting with the appropriate group representatives and outline your proposal.

Now that you are ready with lots of ideas as how to generate more customers on a limited budget you have to remember to follow up. Don't do all that work and then never speak to them again. Cultivate your contacts. Call them back, ask them what they thought, write down their ideas and incorporate what is appropriate, thank them with recognition in other things you do such as a testimonial in a presentation or article, in a conversation or, give them a small product sample as a gift. Cultivating your client base will only result in your customers and business contacts speaking the praises of your work to others and coming back for more.



The Entrepreneurs with Disabilities Program at WD

Now, rural entrepreneurs with disabilities can identify and overcome the unique challenges they may face when considering self-employment. People with disabilities are catching the entrepreneurial spirit and arriving at the offices of the Community Futures Development Corporations (CFDC) for information on the *Entrepreneurs with Disabilities Program (EDP)*.

The program is a new source of assistance for people with disabilities. WD established the program providing \$200,000 in funding to each CFDC, to provide people with disabilities access to capital to establish new enterprises or expand on existing operations.

Almost all CFDCs in Western Canada have hired EDP coordinators to assist entrepreneurs who have a disability in utilizing the resources made available through this program. In addition to providing loans, one-on-one counselling and mentoring, they offer business information on a wide range of business topics, such as: developing business plans, business readiness training and identifying needs for specialized equipment.

Since the program was announced in April 1997, staff and volunteers continue to handle numerous inquiries each month from rural entrepreneurs with disabilities. "I think what makes this program so successful is that it addresses the specific needs of entrepreneurs with disabilities and helps them realize their dreams of becoming self-employed. The business idea must come from the entrepreneurs and then we help them through the market research and business planning steps," says Elvira Smid, Entrepreneurs with Disabilities Program Coordinator for Entre-Corp Business Development Centre Ltd., Alberta.

Paals Accessibility, operated by Al and Pat Schafer, was the first loan Entre-Corp approved under the program. The company which opened in September of this year, focuses on sales and service of used adaptive

equipment for people with disabilities. Paals Accessibility provides an avenue for used equipment that is no longer needed or has been outgrown.

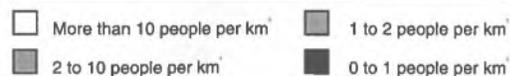
The EDP is another example of how the federal government is prioritizing its spending to better serve Canadians and to use tax dollars efficiently. Entrepreneurs with disabilities now have access to a program that opens the door to self-employment and helps to diversify the western economy by pursuing their business ventures. "This initiative ensures a level playing field and gives entrepreneurs with disabilities a good chance to expand their opportunities, contribute their knowledge and expertise, and share in the gratification of contributing to their community's economic future," said Ron Duhamel, Secretary of State for WD.

FACTS WEST

People – Our most valuable resource



Population Density



- In 1996, the West had one third of Canada's population with 8.5 million people.
- More than half the West's population lives outside the largest cities.
- The Western Canada Business Service Network has 100 points of service meeting the needs of small businesses regardless of their geographical location.
- In 1926, Saskatchewan had the largest population of all western provinces; now it has the smallest.
- Over 1.4 million people moved to B.C. from other provinces over the last decade.

INDUSTRY CANADA / INDUSTRIE CANADA



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**A
New
Deputy
Minister
for
WD**

**Oryssia Lennie
Deputy Minister**

"A multitude of small businesses are making outstanding achievements through cooperation, partnerships and the entrepreneurial spirit, especially in Western Canada. It's through this cooperation that WD is able to build on the strengths and intensity of the West to strengthen job creation and growth throughout the region. That's important to us because if we continue to provide the right kind of support, in the right way, we can help small business get what they need to grow and prosper."

WD's new Deputy Minister, Oryssia Lennie, is strongly focused on small business and determined to continue supporting its growth and assuring its importance to the economy of Western Canada. In May 1997, Oryssia made yet another impression on an influential group of business people, receiving the Y.W.C.A. Woman of Distinction Award for her accomplishments in the area of Business and Management.

Oryssia joined Western Economic Diversification as Associate Deputy Minister on April 14, 1997 and assumed the position of Deputy Minister on November 1, 1997 following an announcement from Prime Minister Jean Chrétien on the retirement of John McLure. Born and raised in Edmonton, Alberta, Oryssia is dedicated to the continued economic development of the West. "To best represent western Canadians, it is of the utmost importance that my office be located in the West, so I will be based in Edmonton," says Oryssia.

Oryssia has more than 26 years of progressive experience in various executive management capacities with the Alberta government. Before joining WD, she spent seven years as Deputy Minister of Alberta's Federal and Intergovernmental Affairs (FIGA). In this capacity, she oversaw work on the major issues of national unity, reducing federal-provincial overlap and duplication, reducing internal and international trade barriers, increasing Western Canada's international presence and the coordination of federal-provincial social policy reform.

Advancing Western Canada's interests in the federal system and within the international community has always been of importance to Oryssia. "Western Canada has tremendous opportunities to influence the world and I am confident we will do just that." Oryssia participated as a member of Prime Minister Jean Chrétien's Team Canada Trade Mission to Korea, Philippines and Thailand in January 1997, in the First Ministers' and Premiers' conferences and was a member of the Premier's provincial trade missions to Asia and the Middle East and the Team Canada Trade Mission to China in 1994.

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