

3 business centre d'affaires

Business Plan Guide



Economic Partners Sudbury East / West Nipissing
Community Futures Development Corporation

Partenaires dans l'économie Sudbury Est / Nipissing Ouest
Société d'aide au développement des collectivités



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Introduction

So you have a great idea, invented the better mousetrap, or just tired of working for someone else. Maybe you think there is something more profitable you could be doing. Whatever your reasons, your decision to become an entrepreneur has to be based on knowledge of yourself, your business and the industry it is part of - remember that knowledge is power.

This guide is by no means the complete guide for entrepreneurs but a reference tool for people considering starting a venture in West Nipissing. We hope this guide helps you in identifying some key factors and reference tools in the pursuit of your business goals.

What is an Entrepreneur?

It is one who owns, launches, organises, manages, and assumes the risks of an economic venture.

At the heart of every new business is an entrepreneur; someone not content to leave things as they are, but wanting to strike out on his own. This individual brings two important ingredients to the new business: confidence in an idea and a willingness to accept the hard work and long hours necessary for success.

Pros & Cons of Being an Entrepreneur

<u>Pros</u>	<u>Cons</u>
-Independence	-Risk of failure
-Personal satisfaction	-Insecurity
-Chance for financial success	-Hard work
-Control	-Risk of financial loss
-Freedom	-Long hours

Assessment Questions

Your Personality

1. Fear of failure?
2. What is your reaction when you fail?
3. How do you respond to setbacks, defeat, big problems, and little problems?
4. How do you deal with stress?
5. Are you a positive thinker who can overcome failure easily?

Most business owners rebuild from failure and turn problems into opportunities.

Your Lifestyle

1. How important are your friends?
2. Are you willing to change your lifestyle and social environment?
3. How comfortable are you with your lifestyle now?
4. Do you have career plans?

Most small business owners are forced to sacrifice their present lifestyle to devote more time and energy to their businesses. Eighty hour work weeks are not uncommon.

Your Family

1. Have you discussed your plans with your family and will they support you?
2. Do you know what demands will be placed on your energy, emotions and time?
3. Do you and your family realize that it may be necessary to put up to 16 hour per day into the operation of your business?

Family support will be a great help in operating your business.

Your Finances

1. Are you prepared to take the risk of financial failure?
2. What sacrifices are you prepared to make?
3. Many new owners have their entire life savings invested in the business, or the equity in their home committed. At the very least, you may have a lower standard of living to contend with.
4. Do you have money of your own to invest?
5. Can you handle the pressure of additional financial obligations?

Some owners go for a long period of time before they can actually withdraw a salary for themselves. Many businesses take quite some time to get off their feet. If you are unable to live with some degree of financial uncertainty, owning your own business may not be for you.

Traits of a Successful Entrepreneur

- Ability to withstand business reversals without quitting
- Business and Product/Service knowledge
- Willingness to handle uncertainty well
- Strong goal orientation
- Persistence
- Strong desire for independence
- Versatility and resourcefulness
- Self-confidence and self-reliance
- The habit of seeking and using feedback
- Self-determination
- Physical health, with high degree of stamina and energy

- The habit of looking for and creating opportunities
- Openness to change
- Objective and realism
- Ability to apply ideas in creative ways
- Human relations ability
- Sense of purpose
- Achievement orientation

Questions to Answer Before Getting Started

Here are some questions to help you think through what you need to know and do. This will guide you to know where you may have some work to do.

Before you start...

- Are you the kind of person who can get a business started and make it go?
- Think about why you want to own your own business. Do you want to badly enough to keep working long hours without knowing how much money you'll end up with?
- Have you worked for someone else as a foreman or manager?
- Have you had any business training in school?
- Have you saved any money?

How about the money?

- Do you know how much money you will need to get your business started?
- Have you determined how much money of your own you can put into the business?
- Do you know how much credit you can get from your suppliers?
- Do you know where you can borrow the rest of the money you need to start your business?
- Have you figured out what net income per year you expect to get from the business?
- Count your salary and your profit on the money you put into the business. Can you live on less than this so that you can use some of it to help your business grow?
- Have you talked to a banker about your plans?

How about a partner?

- If you need a partner with money, do you know someone who will fit – someone you can get along with?
- Do you know the good and bad point about doing it alone, having a partner and incorporating your business?
- Have you talked to a lawyer about it?

How about your customers?

- Do most businesses in your community seem to be doing well?
- Have you tried to find out whether stores like the one you want to open are doing well in your community and in the rest of the country?

- Do you know what kind of people will want to buy what you plan to sell?
- Do people like to live in the area where you want to open your store?
- Do they need a store like yours?
- If not, have you thought about opening a different kind of store or going to another neighbourhood?

Your building

- Have you found a good building for your store?
- Will you have enough room when your business gets bigger?
- Can you fix the building the way you want it without spending too much money?
- Can people get to it easily from parking spaces, bus stops, or their homes?
- Have you had a lawyer check the lease and zoning?

Equipment and Supplies

- Do you know just what equipment and supplies you need and how much they will cost?
- Can you save money by buying second-hand equipment?

Your Merchandise

- Have you decided what things you will sell?
- Do you know how much or how many of each you will buy to open your store with?
- Have you found suppliers who will sell you what you need at a good price?
- Have you compared the prices and credit terms of different suppliers?

Your records

- Have you planned a system of records that will keep track of your income and expenses, what you owe people, and what other people owe you?
- Have you worked out a way to keep track of your inventory so that you will always have enough on hand for your customers but not more than you can sell?
- Have you figured out how to keep your payroll records and take care of tax reports and payments?
- Do you know what financial statements you should prepare?
- Do you know an accountant who will help you with your records and financial statements?

Your store and the Law

- Do you know what licenses and permits you need?
- Do you know what business laws you have to obey?
- Do you know a lawyer you can go to for advice and help with legal papers?

Buying a Business Someone Else Has Started

- Have you made a list of what you like and don't like about buying a business someone else has started?
- Are you sure you know the real reason why the owner wants to sell this business?

- Have you compared the cost of buying the business with the cost of starting a new business?
- Is the stock up to date and in good condition?
- Is the building in good condition?
- Will the owner of the building transfer the lease to you?
- Have you talked with other business owners in the area to see what they think of the business?
- Have you talked with the company's suppliers?
- Have you talked with a lawyer about it?

Advertising

- Have you decided how you will advertise? (newspapers, posters, handbills, radio, mail)
- Do you know where to get help with your ads?
- Have you watched what other stores do to get people to buy?

The Prices you Charge

- Do you know how to figure what you should charge for each item you sell?
- Do you know what other stores like yours charge?

Buying

- Do you have a plan for finding out what your customers want?
- Will your plan for keeping track of your inventory tell you when it is time to order more and how much to order?
- Do you plan to buy most of your stock from a few suppliers rather than a little from many, so that those you buy from will want to help you succeed?

Selling

- Have you decided whether you will have sales clerks or self-service?
- Do you know how to get customers to buy?
- Have you thought about why you like to buy from some sales clerks while others turn you off?

Your Employees

- If you need to hire someone to help you, do you know where to look?
- Do you know what kind of person you need?
- Do you have a plan for training your employees?

Credit for Your Customers

- Have you decided whether or not to let your customers buy on credit?
- Do you know the good and bad points about joining a credit-card plan?
- Can you tell a deadbeat from a good credit customer?

A Few Extra Questions

- Have you figured out whether or not you could make more money working for someone else?
- Does your family go along with your plan to start a business of your own?

- Do you know where to find out about new ideas and new products?
- Do you have a work plan for yourself and your employees?

If you have answered all of these questions carefully, you've done some hard work and serious thinking. That's good. But you have probably found some things you still need to know more about or do something about. Do all you can for yourself, but don't hesitate to ask for help from people who can tell you what you need to know. Remember, running a business takes guts! You've got to be able to decide what you need and then go after it.

Where do I start?

Getting started in a small business can happen in many different ways, but each of these approaches shares some common elements you must consider:

Time

How much time do you have to develop your business idea? By allowing yourself enough time, you will more likely avoid mistakes that could prove costly.

Money

How much money is at your disposal? Most entrepreneurs discover their businesses require more capital than originally anticipated. And while the question of how much is enough varies from business to business, you should ensure that you have access to enough money to allow for all possible contingencies so that you don't have cash flow problems or miss opportunities.

Expertise

Do you have the knowledge and skills required to make a success of this business? If not, it may be worthwhile to take some courses or work in the industry until you gain the knowledge you need.

Risk tolerance

How much risk is involved? You need to honestly assess your personality and finances to determine how much risk you can tolerate. This may rule out some high-risk opportunities.

Financial return

Can you make a living from this business? Some people go into business without a clear idea of just how profitable the venture will be. Take the time to determine if your business will be profitable enough to justify your effort and provide you with the income you need.

Enjoyment

Will you enjoy the business? This is a major consideration, especially since small business is often difficult and involves long hours. There will also be challenges and rough spots. You may need substantial commitment and self-sacrifice in the months that lie ahead.

Family Considerations

Will this new business adversely affect your family? The reality is that substantial sacrifices in time and money are required in the early stages of any business. Therefore, you have to determine whether your savings or profits from the business will provide you and your family with an adequate standard of living, especially in the early stages of the business. As well, you will need to find out how committed your family is to the business. Will they, for example, be able to cope with the amount of time you will have to put into your business?

Professional Help

Finally, getting started means starting out right. It is important to realize before you start out that there are many important decisions to be made involving legal and taxation issues, insurance, finance, bookkeeping and accounting, hiring employees, etc. These can often be complicated and difficult to address without specialized expertise. Consequently, you should consult professionals such as lawyers, accountants, insurance brokers, professional or accredited financial planners, bankers, and government agents to get the best possible advice and avoid mistakes that may come back to haunt you later on.

How to conduct a Market Research?

The answers to your market questions can be obtained by means of conducting a survey (mail, telephone, personal interview) or by using existing data available in your community, (library, chamber of commerce, municipality) and through numerous government agencies such as Statistics Canada, Strategis and many more.

A later section on designing practical questionnaires will provide the basic knowledge on the creation of a survey in order to collect your own data.

A good market research paints a clear picture of the market, the potential customers and the competition. The Market Research Analysis should enable you to answer the following questions:

- How large is the potential market, and how much of that potential can I capture?
- Who are my likely customers (target)?
- What is the best location for my business?
- How much and how often do my targeted customers buy?

- What advertising medium can best reach my customers?
- What sales growth can I expect from my existing market (based on history, trend and forecast)?

Please note that these questions are not intended to be included in your questionnaire. However, they should serve as the objectives of the survey. You should be able to answer these questions through the analysis of the data collected.

This type of research will also give you a description of your typical customer, outline the needs and buying habits of the customer and clarify expectations regarding price, quality and service.

Designing practical questionnaires

Step 1: State your objective

An objective is a clear, measurable statement of what you want to accomplish.

Example: Confirm that auto repair shops will subscribe to my proposed 1-800 referral service if they perceive the price to be affordable and if paperwork can be kept to a minimum.

Step 2: Which type of data is best?

PRIMARY: Data which is being collected, for the first time, for a specific study purpose.

Example: (From a market response survey conducted by mail): The number one reason women shop at the Adams Mall is convenience.

SECONDARY: Previously collected data from such sources as Statistics Canada and Strategis.

Example: (From a government trade report): Profits in the metal fabricating industry rose by 7% per year during the 1980s.

Step 3: Selecting your sample

CENSUS: Everyone in the population has the opportunity to answer the questionnaire. This type of sample is very accurate but quite costly and time consuming if the population is of a large number and geographically extended.

Example: A mail survey is sent to every household in the community.

SAMPLE: Only a representative portion of your chosen population is asked to answer the questionnaire. At least 2% of the total population should be targeted with a minimum of 100 people. This type is much more economical, less time consuming but not as scientifically accurate.

Example: A mail survey is sent to every 5th telephone number listed in the community telephone book.

Step 4: Choosing a survey method

Surveys can be conducted by mail, by telephone or by direct contact as in personal interviews. Here are a few tips regarding each method.

MAIL: Always include a self-addressed, postage paid return envelope as well as a letter introducing yourself and the purpose of the survey. A better response rate can be achieved if the mail survey is followed by a reminder telephone call, a second letter or by offering a gift.

TELEPHONE: Response rates tend to be higher when women conduct telephone surveys. The ideal time to contact the general public is Monday to Wednesday, between 6:00 pm and 8:00 pm.

PERSONAL INTERVIEW: Conduct the survey at various times during the week at a local retailer with a large amount of traffic or at a community event in order to obtain a more representative sample. It is very important to always approach the public the same way to maintain consistency. Door to door interviews are also effective.

The choice of which survey method to use depends on a number of factors such as cost, time, precision, quantity of data required, and the group targeted. For example, if you require information exclusively on your competition, you might choose an alternative method such as personal observation of every competitor. Every aspect should be considered in order to choose the method that best suits the market research needed.

CHOOSING A STRUCTURE

Choosing the right legal structure for your business can also impact on its future prospects. And while it is an important decision, it is often far from easy. As a result, you may wish to consult a professional, such as a lawyer or accountant, specializing in this area. Such professionals will be able to evaluate your individual situation and advise you as to which structure best matches your circumstances. Of the various structures available, the most common include:

- sole proprietorships,
- partnerships,
- incorporation.

SOLE PROPRIETORSHIP

This is the simplest legal structure and is relatively easy, fast and inexpensive to set up.

This involves registering the business name with the appropriate provincial government department. As part of this, you will have to ensure that this name is not already in use.

You can register your Business Name at the Self-Help Office in North Bay using the Ontario Business Connects computer. Here are the available registrations and their fees:

- Instant Business Name Registration \$60
- Instant Name Searches \$12
- Retail Sales Tax free
- Workplace Safety & Insurance Board free
- Employee Health Tax Number free
- Health Tax for Self-Employment free

Once your application for registration as a sole proprietorship has been approved, you will receive a registration document allowing you to start operations. You can then set up bank accounts, apply for credit card vendor status, and register for provincial retail sales tax and GST, if applicable.

While the relative advantages and disadvantages of this legal structure can at times be complicated, a few general points do stand out.

To begin with, sole proprietorships tend to be less expensive than corporations to set up and usually involve fewer regulations.

As well, sole proprietorships allow you to write off business losses against your personal income. This is particularly attractive in the early years of a company when losses are not uncommon.

On the other hand, one major disadvantage is that you could be held personally liable for your business debts and expenses. In some cases, this has meant the loss of owners' savings and home.

How does a sole proprietor pay taxes?

A sole proprietor pays taxes by reporting income (or loss) on a personal income tax return (T1). The income (or loss) forms part of the sole proprietor's overall income for the year.

If you're a sole proprietor, you must file a personal income tax return if you:

- have to pay tax for the year;
- disposed of a capital property or had a taxable capital gain in the year;
- are required to make Canada Pension Plan/Quebec Pension Plan (CPP/QPP) payments on self - employed earnings or pensionable earnings for the year; or
- received a demand from us to file a return.

The list above does not include every situation where you may be required to file. For further information contact your Revenue Canada.

REGISTERED PARTNERSHIP

Registered partnerships, although similar to sole proprietorships are complicated by the existence of multiple owners. Sometimes, this works well and strengthens the venture. However, when partners do not get along, the results can be disastrous.

INCORPORATION

Incorporated businesses can often benefit from a number of legal and taxation advantages not available to sole proprietorships or registered partnerships. Some provinces offer highly favourable tax rates, for example. However, they can be much more expensive to set up and involve complexities which often require the services of a professional such as a lawyer or an accountant.

One major advantage of this form is that it can allow for the continuity of the business when owners die or sell their share of the business.

Another advantage is that incorporation can provide some protection against personal liability for the corporation's debts.

However, there are also disadvantages to incorporation - especially for those businesses that are quite small.

To begin with, the process of incorporation can be difficult, complicated and expensive.

Incorporation requires that you get a search firm to verify that your business name is not already in use.

Then you will have to decide where you wish to incorporate provincially or federally. This complicated decision is very important since reporting and regulatory requirements may vary considerably from one jurisdiction to another.

Later, incorporated businesses can involve considerable on-going effort such as holding board meetings, keeping minutes, and recording decisions and votes.

Finally, you will probably need some sort of share structure - by no means a simple matter - and your business will be required to file a corporate tax return separate from your personal tax return.

THE BUSINESS PLAN

WHY A BUSINESS PLAN?

A business plan is the standard against which to compare the results after you start your business. It is a formal document - a written summary of past, current and future activities. The most important purpose of the business plan is to help you to be sure your business makes financial and operating sense. A business plan clearly sets out short and long term objectives, guidelines and milestones on paper.

The business plan should be prepared by the owner(s) and manager(s) of the firm. You can, of course, use outside professionals such as lawyers and accountants, bankers and consultants, but the plan should be your own! You should be able to present it, summarize it and answer questions about it.

Your business plan should first be developed, and then updated (at least) every year using an **informal** business plan as a base. That way, you'll stay on track and your business will be on its way to a profitable future.

COMPONENTS OF A BUSINESS PLAN

COVER PAGE

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EXECUTIVE SUMMARY

The purpose of an executive summary is to provide a quick and concise overview of the business (in one or two pages). Although this section appears first, it should be written last.

The plan summary should highlight key elements of the entire business plan, including:

- Objectives of the business (Mission Statement)
- Your products or services with emphasis on distinguishing features and the market needs they will meet
- Your estimate of market potential and assessment of the competition
- How the product will be made or the service performed
- How much money is needed and what will be done with it
- Projected financial success
- The anticipated return on investment
- Experience and talents of your administrative team

BACKGROUND

- The business you are in or plan to be in
- The background of your business, including when it began and the highlights of its progress
- If this is a new business and has no background, discuss your background
- The current ownership of the company
- Is it a partnership, sole proprietorship or an incorporated company

KEY PERSONNEL

- Explain how your company's management team is organized and describe the primary role each team member plays
- If appropriate, use an organizational chart
- Demonstrate how team members' skills complement each other. Show the balance of marketing, financial, management and production skills, as well as experience with the product or service your are developing

KEY MANAGERS

Prepare a brief synopsis of each key manager including:

- ◆ Duties and responsibilities
- ◆ Career highlights
- ◆ Significant past accomplishments that demonstrate ability for the tasks that will be required
- ◆ Include résumés in an exhibit. Résumés should include sufficient detail for future verification by a financial institution, an investor, government agency, etc...
- ◆ This section should also discuss any apparent weakness in your management team. Are any critical skills missing? If so, how will this be overcome - training? recruiting? outside advisors?

Compensation and Ownership

- ◆ State how each person will be compensated (salary, incentive bonus, profit sharing) and what investment each has in the company
- ◆ If you have formed a corporation, identify board members and what each individual brings to the corporation

OPERATIONS

This section should cover items such as:

- Location, capacity
- Costing and control
- Employees (number, union, etc.)
- Plant overhead and how allocated (i.e.: labour and material, cost and availability, transportation, proximity to customers and suppliers, taxes, local laws and utility costs)
- Sources of supply
- Purchasing/credit terms
- Facilities and equipment (describe the facilities and equipment as well as the equipment required - What will they cost? Lease or buy? discuss future needs)
- Describe the manufacturing process or the method of performing the service
- Discuss the labour force, where will you operate? - What are the costs? - Is there enough labour available with the right skills? - Will additional training be required? - What will it cost? - Is the labour force unionized or likely to be in the future?

MARKETING

Marketing research is the most important part of any business plan since it determines not only potential demand and the target market but it enables you to project sales levels and future opportunities in the market. In essence, the marketing plan is the foundation of a good business plan.

This section should demonstrate that you understand who your market is and how your market should be segmented, and that you have the ability to sell and deliver your product or service effectively to the target markets identified. This is the place to show why customers will buy from your company.

The following outlines what should be included:

MARKET HISTORY

- Information or historical development and growth. By investigating past trends, it is often possible to anticipate future opportunities in the market.

TARGET MARKET

- Identify your target market(s). It is important to segment and target the market properly, something that new companies frequently overlook. Concentrating your resources on the needs of a specific segment and carving out a niche may mean the difference between success and failure.

COMPETITION

- Investigate the competition. Understand who are the direct and indirect competitors, how long they have been in business, their pricing strategy, their competitive advantage, etc. If you fully understand your own strengths and weaknesses relative to your competition you are more apt to be able to turn some of their weaknesses into your opportunities.

MARKET SHARE

- Estimate the market share and sales volume that you think you can achieve over the next two to three years. Identify which portions of your estimate represent “hard” purchase commitments and present this information in tabular form.

PRICING

- Discuss the pricing strategy and policy for your product or service. Show how your pricing approach will enable you to: penetrate the market, maintain and increase market share in a competitive environment and make a profit.

SALES PLAN

- Discuss how and where you plan to sell and distribute your product or service.
- Will you use a direct sales force? - How many salespeople do you need? - Will they be compensated by salary or commission? - What education and experience will you require? And, how will you attract good salespeople?
- What degree of sales efficiency can you expect? - How many sales calls will it take to get an order? And how large will an average order be?

ADVERTISING

- Discuss how you will generate awareness of your product or service among potential customers. Which promotional activities you will use - public relations, trade shows sales incentives, promotional literature, media, etc.
- Will these expenses be a large percentage of total expenses? If so, explain how much they will be and when they are likely to be incurred.

FINANCIAL PLAN

You will need to include financial statements and projections for the past, as well as for the next three to five years, including:

- Financial statements for the past years of operation
- Cash flow projections by month (sample attached)
- Projected balance sheet and income statement for the next three years
- Break-even analysis

Consider using a computer application to help you with projections based on your assumptions. Financial models can answer “what if” questions and show likely results under various scenarios.

Your projections should be tied to your market research results. It is important to state clearly the assumptions you used when preparing the projections. Your financial analysis should identify and support the amount of money you are seeking from potential investors or financial institutions. Preparing financing projections requires accounting and finance knowledge. If none of your team members are qualified in this area, get outside help.

MONEY NEEDED

This section of your plan should indicate the amount of money you will need, when you will need it, and how it will be used. Respond to questions like this:

- How much money do you need now?
- How much will you need over the next three to five years?
- What will you do if you have underestimated the amount you will need?
- How will you use the initial funds?

- What financial structure are you proposing for the financing (i.e. what portions of the funds will be debt and equity?)
- What will the terms be?
- Do you qualify for government assistance?

EXHIBITS

Include exhibits to provide additional details that help your story. These might include:

- Marketing studies, surveys and results
- Patent information
- Photographs or sketches of your product or service
- Résumés of key executives

ORGANIZATION OF PLAN

Organize your plan so it is easy for readers to find specific sections. Many readers will read only selected sections according to their needs for specific information. Your plan should have a table of contents. Also, consider using the tabs to identify major sections.

OBJECTIVE REVIEW

After you have completed your business plan, have others review it before sending it to potential investors or lenders. Individuals in the best position to provide you with constructive comments include business consultants, other entrepreneurs, your accounting and business advisors and your lawyers.

FINAL CONSIDERATION

Your plan will contain sensitive and confidential information. Therefore, you should carefully control its distribution.

GENERAL INSTRUCTIONS FOR COMPLETION OF A CASH FLOW

- STEP 1: From your Balance Sheet for the last period, enter those figures which will carry over into the next period and affect the Cash Flow. These will include: Accounts Receivable, Accounts Payable, Closing Bank Balance, as well as any Tax Liabilities recorded. These figures are allocated to the specific months when the cash transaction will occur.
- STEP 2: Record all sales by month. If you have more than one product or service, separate sales figures to provide greater clarity (i.e.: a service station might show separate sales for gasoline, tires, accessories and service labour).
- STEP 3: Now allocate by month, when all money will be received by your business. Remember, if you grant credit, your total sales for each month must be broken down into that portion received in cash during the month of the sale, with the balance shown as Receivables collected during subsequent months, depending on the terms of the sale.
- STEP 4: Now detail, by month, when and for what type of expenditure money will be paid out by your business. If your program involves additional borrowing, remember to include the interest and principal related to this new debt.
- STEP 5: Calculate the monthly cash position for your business as a result of your forecast Income and Expenditures.

Other Businesses (Retail / Service / Wholesale etc)

- facilities description, leasing or owning facility, leasehold improvements
- furniture & fixtures, store design & layout
- warehousing requirements, operating hours and procedures

Operating Regulations

- federal - import / export documentation; Revenue Canada - GST, source deductions, taxes, product standards & labelling requirements
- provincial - vendors Permit (PST), employer health tax, Worker's Compensation, licenses
- municipal - licenses/permits required, zoning, by-laws
- insurance and/or bonding requirements
- Is the product an intellectual property? Has it been patented, copyrighted, industrial design or trademarked?

FINANCIAL PLAN

Justification For Monthly Sales Projections

Your sales forecasts have to be justified through the research conducted. The key is that the sales per day figure is based on more than just intuition. Consideration must be given to demographic evidence, industry standards, statistical evidence, survey results, seasonal trends, economic indicators, and marketing events scheduled. The sales forecasts are key to your financial analysis and therefore they must be well researched and as realistic as possible. State your financial and market assumptions directly in the financial plan.

Cash Flow Forecasting:

A monthly forecast of all the sources and uses of cash is necessary. The forecasting of sales and estimating of expenses should be as conservative as possible. Increasing all costs quoted by 10% and decreasing sales forecasts by 10% will give a conservative cash-flow statement.

Projected Income Statement:

An estimate of all sales revenues, direct, indirect, and administrative expenses (including depreciation, interest expenses and taxes payable) and subsequent profit or losses for the first five years.

Projected Balance Sheet:

Preparing a schedule showing projected statement of assets, liabilities and equity for the first five years. Assets include accounts such as cash, inventory, accounts receivable, buildings and equipment. Liabilities include short term debt, accounts payable, taxes payable and long term debt (i.e. new ventures loan). The owner's equity or shareholder's capital is the total investment by the owners or shareholder's of the business.

Business Help Centres

The Business Centre d'affaires

30 Front Street, Unit A
Sturgeon Falls, Ontario P2B 3L4
Tel: (705) 753-5450 Fax (705) 753-3456

Economic Partners-Sudbury-East/West Nipissing Inc.

30 Front Street, Unit A
Sturgeon Falls, Ontario P2B 3L4
Tel: (705) 753-5450 Fax (705) 753-3456

Nipissing/Parry Sound District Business Self-Help Office

200 McIntyre Street East, 4th Floor City Hall
North Bay, Ontario P1B 8H8

Sources of financing

Financing for your business can be obtained from many sources; in a perfect world all the financing needed would be provided from yourself. This not being the case, here are just a few of the government programs available.

SELF-EMPLOYMENT ASSISTANCE

Self-Employment Assistance is an Employment Ontario funded program that is managed by the Business Centre in the West Nipissing area. Assistance can include coaching, ongoing technical advice and financial support. Coaching will be tailored to the individuals needs and can include subjects such as business plan development, accounting, marketing, use of computers, etc. Call or visit the Business Centre at (705) 753-5730 for eligibility criteria.

SMALL BUSINESS LOANS ACT

Need a term loan under reasonable conditions to finance the purchase or improvement of fixed assets? Under Canada's *Small Business Loans Act* (SBLA) you may be able to get a term loan directly from an authorized lending institution.

The loans are available to all businesses operating for profit in Canada excluding farming, charitable and religious enterprises that have annual gross revenues of less than \$5 million. At the discretion of the lender, the loans can be used to finance up to 90% of the cost of the purchase and improvement of three categories of fixed assets:

- the purchase of land required to operate the business;
- the renovation, improvement, modernization, extension and/or purchase of premises; and
- the purchase, installation, renovation, improvement and/or modernization of new or used equipment.

Loans cannot be used to acquire shares or provide working capital.

BUSINESS DEVELOPMENT BANK OF CANADA

The Business Development Bank of Canada (BDC) has developed a wide range of financing alternatives to respond to the unique financial needs of every type of business from the smallest micro-business that is just starting out to medium-sized companies poised for rapid expansion. The BDC also offers a wide range of business counselling and mentoring services. The BDC's extensive network of branches across Canada is available to help your business succeed.

BDC Highlights

Term Loans

Flexible loans are provided for a wide range of projects including the acquisition of fixed assets, expansion, plant overhauls and the purchase of existing businesses. In some cases, a BDC term loan may be used to "top up" working capital depleted by capital expenditures or to finance sales growth. Term loans are offered at either floating or fixed rates for varying periods.

Micro Business Program

Support is available to meet the early growth needs of the smallest businesses. This program provides counseling as well as financing of up to \$25 000 to new businesses and up to \$50 000 to existing companies whose business proposals demonstrate potential for growth and strong prospects for success.

Young Entrepreneur Financing Program

The Young Entrepreneur Financing Program is aimed at giving start-up entrepreneurs between the ages of 18 and 34 a solid foundation to build a new business. Term financing of up to \$25 000 and 50 hours of tailor-made business management support help to ensure that entrepreneurs with commercially-viable business proposals and excellent potential get their businesses off the ground.

Venture Loans[®]

Venture Loans provide quasi-equity financing between \$100 000 and \$1 million to businesses with a high-quality management team, a clear market niche, and a good potential for growth. They are higher-risk financing designed for businesses that do not have assets to back a conventional term loan. They offer flexible repayment terms and a pricing structure that combines interest payments with a royalty on sales.

Patient Capital[®]

Innovative and knowledge-based businesses in the early stages of development that possess a market-ready product with the potential for high margins and rapid growth can obtain up to \$500 000 in long-term financing. As the name suggests, BDC appreciates that it takes time and money for new economy businesses to develop their markets. That is why repayment can be deferred for up to three years.

Working Capital for Growth

Businesses wishing to take advantage of growth opportunities can use these loans to "top up," by as much as \$100 000, the financing available from a business' existing lines of credit. BDC also provides counseling support to ensure the growth plan is properly managed.

Working Capital for Exporters

Allows small businesses that export to "top up" an existing line of credit by as much as \$250 000. Loans can be used for a wide range of exporting activities, including an increase in inventory and receivables, the production of finished products, and the setting up of export marketing or distribution networks. Repayment is tailored to cash flow with terms that usually run between four and seven years.

Venture Capital

Equity financing of up to \$5 million is provided to firms with a promising position in their markets and dynamic management committed to sustained growth. BDC's investment can take the form of straight equity, options, warrants, convertible securities or other forms of debentures. In addition, BDC involvement can help companies raise additional venture capital from other sources.

Tourism Investment Fund

The Tourism Investment Fund was designed specifically for existing tourism operators who offer more than a one-season attraction or for operators who want to expand beyond a single season. Loans will range from \$500 000 to \$5 000 000 for eligible operations and the funds can be used for expanding, enhancing and upgrading facilities to help meet increased demand or to attract more international tourists.

FEDERAL ECONOMIC DEVELOPMENT INITIATIVE FOR NORTHERN ONTARIO

The Federal Economic Development Initiative for Northern Ontario (FedNor) is the federal government agency responsible for promoting economic growth, diversification and job creation in Northern Ontario by working with its communities and other partners to improve small business access to capital, information and markets.

FedNor Highlights

Business Planning Initiative

Provides support to entrepreneurs who require a full and properly developed business plan so that they can access required funding in a timely manner.

Northern Ontario Economic Development Fund

Provides support to economic development projects which will result in long-term economic benefits such as long-term job creation, economic diversification, and enhanced business competitiveness.

Pre-Commercial Fund

Supports pre-commercial activities important to emerging and innovative small business such as early-stage R&D, product development and pre-operational marketing activities.

The Not-For-Profit Fund

Created to support the initiatives of business-oriented not-for-profit groups.

FedNor's Tourism Fund

Strengthens the region's tourism economy.

Business Development Bank of Canada Agreement

Loan loss reserve aimed at encouraging higher-risk lending.

GROWTH CAPITAL FOR ABORIGINAL BUSINESS

Aboriginal entrepreneurs own and operate well over 20 000 businesses in Canada in virtually every sector of the economy. To increase access to capital for Aboriginal entrepreneurs who want to start a small business or expand an existing business operating on or off a reserve in Canada, BDC offers financing of up to \$100 000 for existing businesses and up to \$25 000 for start-ups through its product, Growth Capital for Aboriginal Business.

ABORIGINAL BUSINESS CANADA

The federal government recognizes the unique contributions that Aboriginal businesses are making to Canada's economy. That is why the government established, within Industry Canada, the Aboriginal Business Canada program: to provide business services and support to Indian, Inuit and Métis people. This support is available to individuals, associations, partnerships or other legal entities which are wholly or partly owned or controlled by Aboriginal people, whether on or off reserve.

The program targets small businesses in particular and supports proposals which involve the expansion of domestic and export markets, Aboriginal tourism, technology adoption and enhancement, and youth entrepreneurship. Both financial and non-financial assistance are available. Contributions can be made toward the costs of:

- developing business plans and undertaking feasibility studies;
- establishing new businesses or joint ventures;
- increasing technology use in a business through acquisition of equipment or as a way to improve competitiveness;
- marketing activities designed to expand sales in Canada and internationally;
- business support, such as management and technical training, or hiring accounting or other professional advisors after starting a business; and
- advocacy activities which can benefit more than one firm and improve the overall climate or knowledge base for Aboriginal business.

Some contributions may be repayable. Loan insurance is also available to supplement or replace direct contributions.

Aboriginal Business Canada works with Aboriginal organizations, Aboriginal Capital Corporations and others to improve the business climate and access to capital for Aboriginal firms.

It is important to note that the mentioned programs are just the “tip of the iceberg” when it comes to possible sources of financing. We strongly suggest that you take the time to browse the ***Sources of Financing*** web page located on the Strategis web site. If you do not have access to the internet, feel free to come see us at the Boréal Business Centre and access the site with the use of our computers.

SOURCES OF FINANCING

Industry Canada's *Sources of Financing* Web site aims to increase Small and Medium Enterprises' awareness of the financial options available to them by equipping them with a tool to find appropriate financing from a broad range of Canadian sources of capital.

The first of its kind in Canada, the *Sources of Financing* Web site provides SMEs interactive access to objective information on appropriate forms of public and private sector sources of debt and equity financing. This information generates a comprehensive customized report on relevant sources of financing. Also included is information on complementary non-financing services, offered by institutions that may be of interest to your business.

Relevant West Nipissing & Sudbury East offices.

CORPORATION OF THE MUNICIPALITY OF WEST NIPISSING

225 Holditch Street, Suite 101
Sturgeon Falls, Ontario P2B 1T1
Tel: (705)753-2250 Fax: (705)753-3950

753-2250

Chief Administrative Officer _____ Jean-Pierre Barbeau
Engineer & Public Works _____ Rachel Prudhomme
Tax Collector & Deputy Treasurer _____ Michel Remillard

753-1220

Hydro Superintendent _____ Roger Kennedy

753-2250

Planning Director _____ Roger Lachance

THE LIQUOR LICENSE BOARD OF ONTARIO

55 Lake Shore Blvd East
Toronto, Ontario M5E 1A4 1-800-668-5226

NORTH BAY AND DISTRICT HEALTH UNIT

Thompson Building, 101 McIntyre Street West
North Bay, Ontario P1B 8J1 (705) 474-1400

THE ONTARIO NEW HOME WARRANTY PROGRAM (CONSTRUCTION)

1895 Lasalle Blvd.
Sudbury, Ontario P3A 1K8 (705) 560-7100

REVENUE CANADA

1050 Notre Dame Avenue
Sudbury, Ontario P3A 5C1 1-800-959-5525

SERVICE CANADA

186 Main Street
Sturgeon Falls, Ontario P2B 1N9 (705) 753-0800

NORTHERN DEVELOPMENT AND MINES

8-94 King Street
Sturgeon Falls, Ontario P2B 2Z5 (705) 753-2900

Internet sites that can help.

GOVERNMENT SITES

Strategis (Industry Canada)

<http://strategis.ic.gc.ca>

Strategis is a gold mine of information. The site allows you to identify new markets, find business partners, form alliances, locate emerging technologies or processes, and assess various risk factors. This is the type of strategic business information that can help create new business opportunities, new jobs and renewed growth for your company. Consumers will also find a wealth of timely, useful information in Strategis. Our Credit Card Cost and Financial Service Charge calculators have become popular time and money-saving tools for many Strategis users.

FedNor

<http://fednor.ic.gc.ca>

FedNor is the Federal Economic Development Initiative in Northern Ontario. Their mission is to promote economic growth, diversification, job creation and sustainable, self-reliant communities in Northern Ontario, by working cooperatively with community partners and other organizations.

Canada Business Service Centres

<http://cbsc.org/ontario>

CBSCs' site contains information on selected programs, services and regulations of participating federal and provincial agencies. As well as a wealth of other information.

Statistics Canada

www.statcan.ca

It's all about knowledge, especially when you're preparing your business plan. Who better than Statistics Canada to help you find the information you're looking for. This surprisingly easy to

use site provides you with a wealth of demographic information; it even has a map system implemented. How's Sturgeon Falls average income compared to the rest of the province? Go have a look at Statistics Canada's site!

Revenue Canada

www.rc.gc.ca

Can I use this as a business deduction? Does this apply to me? Go straight to the source and get valuable information that might actually save you money.

Government of Ontario

www.gov.on.ca

The provincial governments site. You will find the government's telephone directory, government forms, acts & regulations, government news and a lot more.

International Trade Web site

www.infoexport.gc.ca

The Department of Foreign Affairs and International Trade Web site is designed to help Canadian companies in their efforts to export.

Workplace Safety and Insurance Board

www.wsib.on.ca

Formally known as the Workers Compensation Board, you'll find all the relevant information concerning WSIB regulations, updates, rates, etc.

INFORMATION SITES

!Bizbot

www.bizbot.net

An online business directory that lets you easily search by business topics such as advertising, e-commerce, marketing, web site design, etc. There is also a discussion forum. It is an alternative to your normal search engines.

LibrarySpot

www.libraryspot.com

Gain access to libraries worldwide! You will also find listings for companies, business associations, phone directories, and statistics. Calculators, calendars, maps, journals, and a "reading room" are also available. The only down side of this site is that it has an American "feel" to it.

Webdata

www.webdata.com

Looking to see what price the competition is selling their product for? Check out this site, it will find the best prices on retail or auction sites on the internet.

SMALL BUSINESS SITES

Small Business Knowledge Base

www.bizmove.com

This site has an Entrepreneur Quiz that tests your entrepreneurial spirit. It also holds useful guides and worksheets.

IBM Small Business Centre

www.businesscentre.ibm.com

IBM's site offers a useful mix of articles and links along with related IBM product information.

Small and Home-Based Business Links

www.bizoffice.com

You will find article libraries, tools for creating Web listings, tips on obtaining merchant status, and an online small business bookstore connected with Amazon.com. Watch out for the multilevel marketing stuff and you will be fine.

Let's Talk Business Network

www.ltbn.com

This is the site of a Radio program that goes by the same name. Expect business articles and multimedia presentations by recognized speakers.

American Express Small Business Exchange www.americanexpress.com/smallbusiness

Sure, it has the A.E. marketing information, but it also has tools such as online tutorials for creating a business plan, an entrepreneurial self-test, relevant article, expert advice forums, and a lot more.

Canada One

www.canadaone.com

Billing itself as "Canada's small business 'hub'", it is actual a good site. It has a monthly magazine, Canadian business directory, resources, and an assortment of free business tools.

YOUNG ENTREPRENEUR SITES

Canadian Youth Business Foundation

www.cybf.ca

A great site for tips, chats, expert advice, mentoring programs, and a helpful resource station that can help you find information on different government programs. All in a young entrepreneur atmosphere.

Youth Resource Network of Canada

http://207.61.100.12/selfemp/starbu_e.shtml

Probably one of the better sites to help young entrepreneurs find what they are looking for. Easy to use and bilingual

First Venture

www.firstventure.org

First Venture is a not for profit competition which provides enterprising young Canadians with the opportunity to communicate their business vision, with winning entrants receiving start-up capital, mentoring, and other small business products and services.

FINANCIAL INSTITUTIONS

Business Development Bank of Canada

www.bdc.ca

The web site of the bank that specializes in business financing, venture capital and consulting services.

National Bank of Canada

www.nbc.ca

National Bank of Canada's web site offers tools for calculating loans, mortgages, maximum RRSP contributions and more. You can also personalize your own web page and access internet banking. Information on their Flex business package is also available.

Royal Bank

www.royalbank.ca

Royal Bank's site offers internet banking, financial tools and a wealth of business related topics. Some noteworthy topics include Export information, Human Resources services, Visa card information, a guide to writing a business plan, links to advisory groups, features on Woman entrepreneurs and a whole lot more.

Other resources

The West Nipissing Business Centre also offers business related workshops during the course of the year. Feel free to contact the centre for information on the next workshops.

The computers at the centre have easy to use Cash Flow templates and mortgage calculators available for use. We will gladly give you a copy of these for use at home or come and make use of these at the centre.

The centre also carries a good deal of business books in both official languages. Included in this library is the ***Self-Counsel*** line of books, which you can either read at the centre or purchase outright. Come visit!

So as to assure accuracy of government related matter, some of the information in this guide has been derived from various public government web site documents.

"Money pursued directly is highly elusive. But if you pursue a product or service ideal, the money will come. People with the right stuff are those who are committed to a set of values."

- Leonard Lee, president, Lee Valley Tools

FINANCIAL INSTITUTION

<p>CAISSE POPULAIRE STURGEON FALLS LTÉE 241 King Street, Sturgeon Falls On, P2B 1S1 Tel: (705) 753-2970 Fax: (705)753-2986 Manager: Jean Louiseize</p>	<p>CAISSE POPULAIRE ALBAN LTÉE 21 Delamere Rd, P.O. Box. 40 Alban On, P0M 1A0 Tel: (705) 857-2082 Fax: (705) 857-3181 Manager: Stéphane Méthot</p>
<p>CAISSE POPULAIRE VERNER LTÉE 1 Principale Street East, P.O. Box 119 Verner On, P0H 2M0 Tel: (705) 594-2388 Fax: (705) 594-9423 Manager: Serge Caron</p>	<p>CAISSE POPULAIRE WARREN LTÉE 60 Rutland avenue, P.O. Box 209 Warren On, P0H 2N0 Tel: (705) 967-2055 Fax: (705)967-0059 Manager: Jocelyn Guenette</p>
<p>CAISSE POPULAIRE NOELVILLE LTÉE 87 St David Street north, P.O. Box 100 Noelville, P0M 2N0 Tel: (705) 898-2350/2813 Fax: (705) 898-3265 Manager: Hubert Nadeau</p>	<p>CAISSE POPULAIRE ST-CHARLES BOROMÉE LTÉE 15 King Street East St-Charles On, P0M 2W0 Tel: (705) 867-2002 Fax: (705) 867-5710 Manager: Marcy Dupuis</p>
<p>CAISSE POPULAIRE FIELD LTÉE 8 Grande Allée Street, Field On, P0M 1M0 Tel: (705) 758-9010 Fax: (705)758-9010 Manager: Pierre Leclair</p>	<p>ROYAL BANK OF CANADA 170 King Street, Sturgeon Falls On, P2B 1R5 Tel: (705) 753-1010 Fax: (705) 753-4430 Manager: Sharron Paquette</p>
<p>NATIONAL BANK OF CANADA 205 King Street, Sturgeon Falls On, P2B 1R8 Tel: (705) 753-0330 Fax: (705)753-5483 Manager: Laurette Labelle</p>	

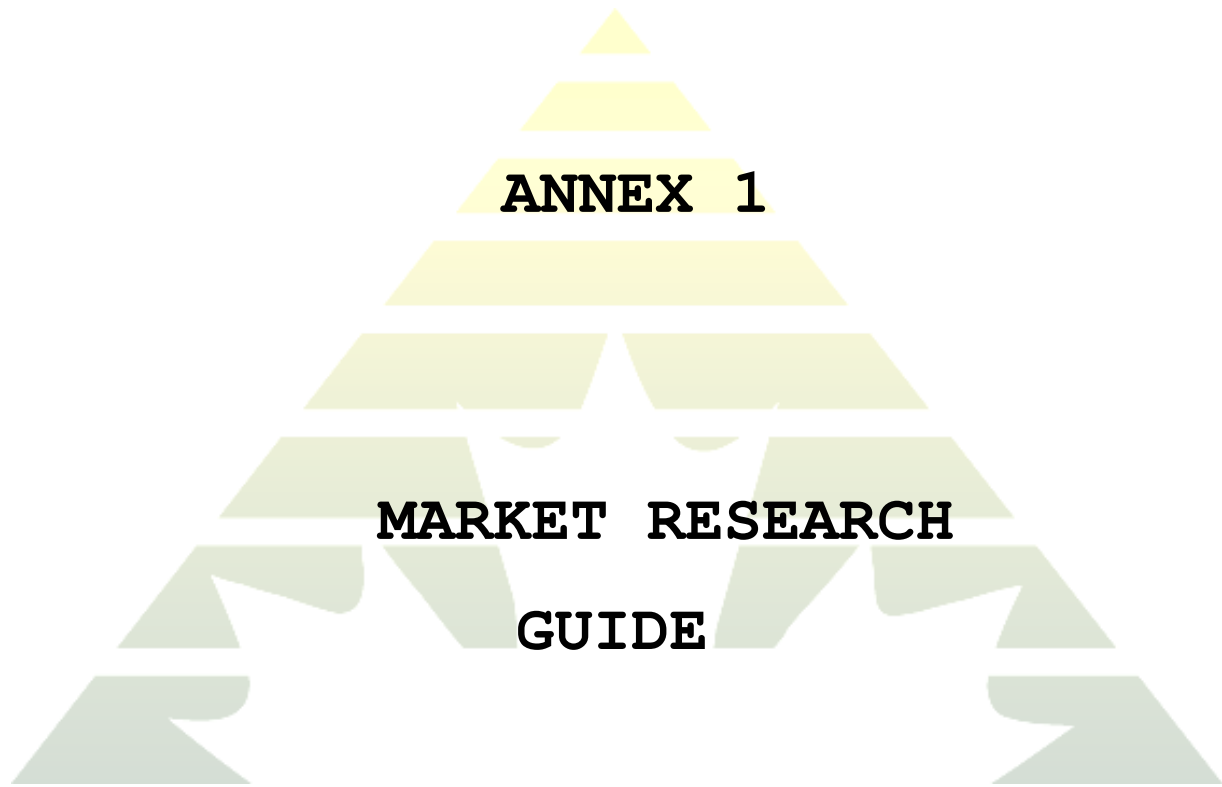


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What is a Market Research?

A Market Research is simply a process of asking questions or finding existing information on the area you are planning to establish your business. The information gathered will assist you in evaluating your potential customers as well as analyze your existing competition or forecast the potential of new competitors.

When is a Market Research necessary?

- When planning to open a new business (Start up)
- When introducing a new product or service (Expanding)
- When reviewing the trends of the market (Maintaining)

Why a Market Research?

Market Research is the most important part of any business plan since it provides valuable information about your potential customers (target market) and if there exists a demand for your product or service. This information will also help to predict your sales, the number of employees that will be needed, future opportunities...etc. In essence, market research is the foundation of a good business plan. The four basic purposes of a market research are:

1. Analyzing the market (area, customers, competition)
2. Analyzing the market's response to your product/service (consumer behavior)
3. Analyzing which form of advertising will be the most effective with your customers (effective or direct marketing)
4. Strategic planning (forecasting your future endeavors)

How to conduct a Market Research?

The answers to your market questions can be obtained by means of conducting a survey (mail, telephone, personal interview) or by using existing data available in your community, (library, chamber of commerce, municipality) and through numerous government agencies such as Statistics Canada, Strategis and many more.

A later section on designing practical questionnaires will provide the basic knowledge on the creation of a survey in order to collect your own data.

A good market research paints a clear picture of the market, the potential customers and the competition. The Market Research Analysis should enable you to answer the following questions:

- How large is the potential market, and how much of that potential can I capture?
- Who are my likely customers (target)?
- What is the best location for my business?
- How much and how often do my targeted customers buy?
- What advertising medium can best reach my customers?
- What sales growth can I expect from my existing market (based on history, trend and forecast)?

Please note that these questions are not intended to be included in your questionnaire. However, they should serve as the objectives of the survey. You should be able to answer these questions through the analysis of the data collected.

This type of research will also give you a description of your typical customer, outline the needs and buying habits of the customer and clarify expectations regarding price, quality and service.

Designing practical questionnaires

Step 1: State your objective

An objective is a clear, measurable statement of what you want to accomplish.

Example: Confirm that auto repair shops will subscribe to my proposed 1-800 referral service if they perceive the price to be affordable and if paperwork can be kept to a minimum.

Step 2: Which type of data is best?

PRIMARY: Data which is being collected, for the first time, for a specific study purpose.

Example: (From a market response survey conducted by mail): The number one reason women shop at the Adams Mall is convenience.

SECONDARY: Previously collected data from such sources as Statistics Canada and Strategis.

Example: (From a government trade report): Profits in the metal fabricating industry rose by 7% per year during the 1980s.

Step 3: Selecting your sample

CENSUS: Everyone in the population has the opportunity to answer the questionnaire. This type of sample is very accurate but quite costly and time consuming if the population is of a large number and geographically extended.

Example: A mail survey is sent to every household in the community.

SAMPLE: Only a representative portion of your chosen population is asked to answer the questionnaire. At least 2% of the total population should be targeted with a minimum of 100 people. This type is much more economical, less time consuming but not as scientifically accurate.

Example: A mail survey is sent to every 5th telephone number listed in the community telephone book.

Step 4: Choosing a survey method

Surveys can be conducted by mail, by telephone or by direct contact as in personal interviews. Here are a few tips regarding each method.

MAIL: Always include a self-addressed, postage paid return envelope as well as a letter introducing yourself and the purpose of the survey. A better response rate can be achieved if the mail survey is followed by a reminder telephone call, a second letter or by offering a gift.

TELEPHONE: Response rates tend to be higher when women conduct telephone surveys. The ideal time to contact the general public is Monday to Wednesday, between 6:00 pm and 8:00 pm.

PERSONAL INTERVIEW: Conduct the survey at various times during the week at a local retailer with a large amount of traffic or at a community event in order to obtain a more representative sample. It is very important to always approach the public the same way to maintain consistency. Door to door interviews are also effective.

The choice of which survey method to use depends on a number of factors such as cost, time, precision, quantity of data required, and the group targeted. For example, if you require information exclusively on your competition, you might choose an alternative method such as personal observation of every competitor. Every aspect should be considered in order to choose the method that best suits the market research needed.

Step 5: Designing the questionnaire

A three part questionnaire

1. **INTRODUCTION:** A short statement that explains the purpose of the questionnaire and attracts respondent interest in an unbiased way. Two simple examples of questions should also be given to help the participant properly complete the survey.

2. **THE QUESTIONNAIRE BODY**

RULES:

- A) Focus on your objective. Ask what you must know; not, what is nice to know
- B) Group your questions by topic
- C) Check the flow of the questions

- D) Avoid biased questions.
- E) Keep the questions short and simple.
- F) Place difficult or technical questions last.
- G) Keep the personal questions for the very end.
- H) Provide instructions with your questions.

Format the questions as either two-choice (yes or no), multiple-choice (a, b, c, d ...) or ranking (on a scale of 1 through 10). Open-ended questions can be used to obtain comments or to elaborate on answers given.

3. **THE CONCLUSION:** This last part can be used to thank the participants for their cooperation.

Sample Survey

Hello, my name is _____. I'm conducting a survey to determine the potential demand of a new computer supplies store in the West Nipissing area. Do you have a moment to answer a few questions?

1. Do you shop at a computer supplies store on a regular basis?

Yes _____

No _____

If No, why not? _____

If you answered No, go to question 5.

2. Which computer supplies store(s) do you shop at?

ACS Group _____

Better Business Systems _____

Computer Clearing House _____

Grand & Toy _____

Other (Please Specify) _____

3. Are you satisfied with this (these) store(s)?

Yes _____

No _____

If No, why not? _____

4. On average, how much do you spend at a computer supplies store a month?

\$ 0 - \$ 49 _____

\$ 50 - \$ 99 _____

\$ 100 - \$ 149 _____

\$ 150 - \$ 199 _____

\$ 200 - \$ 249 _____

over \$ 250 _____

5. Would you support the establishment of a new computer supplies store in West Nipissing?

Yes _____

No _____

Maybe _____

If you answered No, go to question 7.

6. If yes or maybe, under what conditions would you consider supporting a new computer supplies store?
- Price _____
- Selection _____
- Availability _____
- Service _____
- Warranty _____
- Other _____
-

The following questions are completely optional.

7. What age category do you fall into?
- Under 19 _____
- 20 – 29 _____
- 30 – 39 _____
- 40 – 49 _____
- 50 – 59 _____
- over 60 _____
8. Do you have children living at home? If yes, how many? And what age?
- | | | |
|-----------|----------|-------|
| Yes _____ | 1 _____ | _____ |
| No _____ | 2 _____ | _____ |
| | 3+ _____ | _____ |
9. Are you?
- Male? _____
- Female? _____

THANK YOU FOR YOUR COOPERATION!

Step 6: Pretest your questionnaire

This step is extremely important to validate the accuracy and quality of your questionnaire. Test your questionnaire on approximately a dozen people who are similar to your sample group and have them identify where things aren't clear, where there are options missing or which questions could be added or removed. This process verifies that the participants clearly understand the questions and that no questions are felt to be offensive, leading or confusing.

After the pretest is completed, you may then proceed with the distribution of the questionnaires or proceed with the survey method chosen.

Step 7: Analyzing your data

In order to be able to analyze your data you must first tally your answers to each question, either by hand or with the help of computer software. The results can then be reported on a chart or a graph to make the interpretation easier. Determine the meaning of the responses by looking for trends, similarities, contradictions and odd groupings. The results of your market research should enable you to check your initial objective stated in step 1. Did the results endorse or disagree with your objective? According to your answer, you can conclude to either modify the objective, decide to abandon the project all together or proceed with the marketing project.

GOOD LUCK!

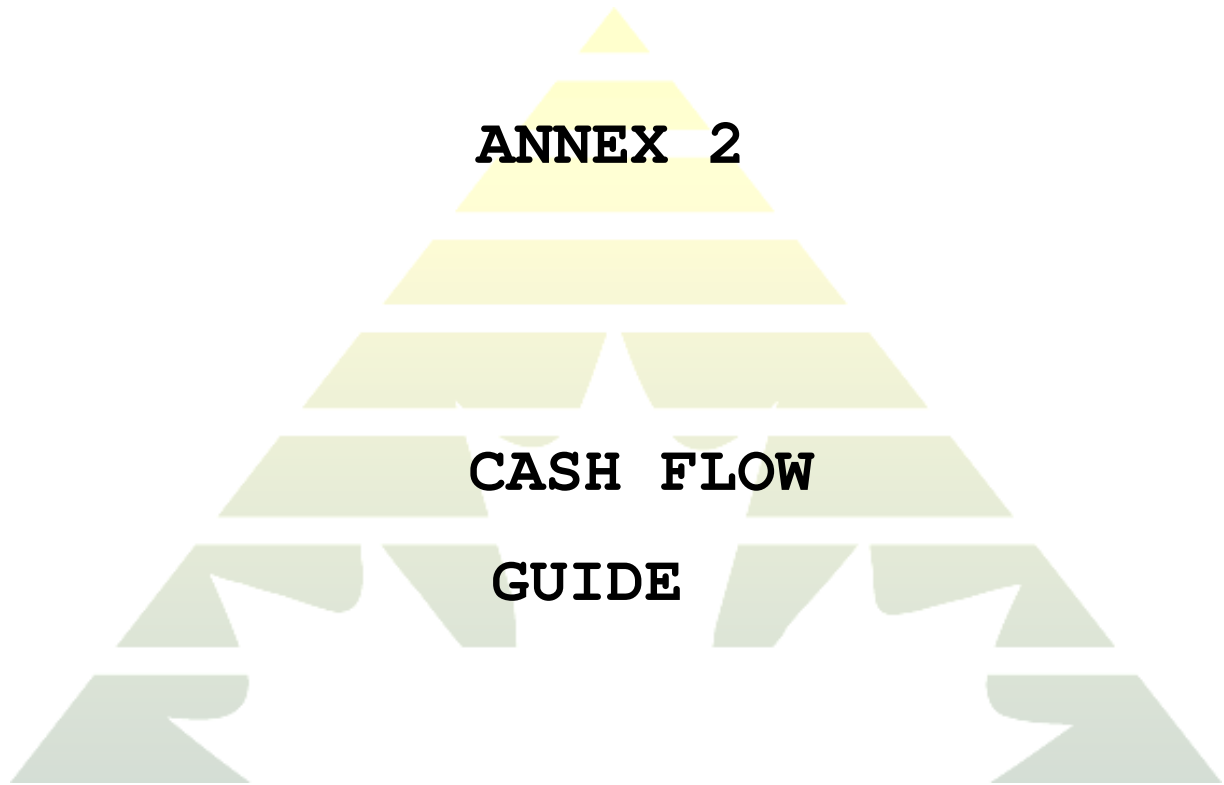


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CASH FLOW STATEMENT

What is a Cash Flow Statement?

One of THE most important tools for any business, the Cash Flow Statement often appears more intimidating to prepare, than it actually is. The Cash Flow Statement, on a month-by-month basis, summarizes cash coming in and cash going out of the business. It displays how much cash a business will have at the end of each month.

A Cash Flow Statement can be based upon actual amounts or on forecast figures. Both forms of cash flows ARE valuable financial tools.

Why Should I Prepare a Cash Flow Forecast?

- ✓ Determine if your business idea, after costs, will make money
- ✓ To highlight months where there is not enough cash to cover expenditures. This will allow time to consider other sources of cash. For example, a line of credit
- ✓ Assists in securing money from lending institutions as it outlines the viability of a business venture
- ✓ Highlight months where it might be possible to take drawings from the business
- ✓ Outlines cash that may be available for additional expenditures. For example, hiring new staff or purchasing equipment.

How Do I Prepare a Cash Flow Forecast?

A cash flow forecast comprises 5 parts

- ✓ Estimated Sales
- ✓ Cash Receipts
- ✓ Cash Payments
- ✓ Cash Summary
- ✓ Notes to a Cash Flow

It is a good idea to commence with the “Estimated Sales” section.

Estimated Sales

Estimated sales are both cash and credit sales that your business expects to make in the first year. Begin by projecting your yearly sales figures.

Step1: project your yearly sales figures

From your completed survey, (refer to the Business Centre d'affaires “ Starting a Small Business Guide”) extract what age group and what gender gave the strongest positive approval for your business idea. This is your primary target group. For example, you may believe your target group is men between the ages of 30-39 years.

Next, obtain demographic information relating to the area you surveyed. The Business Centre d'affaires can provide you with this. The demographic information, for the area surveyed will tell you how many of your target group lives there. For example, if you conducted a survey in Sturgeon Falls, you would ask for the demographic information for the West Nipissing Area.

Your completed survey will also tell you,

- ✓ On average how much people spend per visit and
- ✓ The frequency of the visit.

From all this information, you can generate an estimated yearly sales figure.

Confuse?

Let's take a look at the survey Anna conducted to determine if there was a demand for a craft store in the West Nipissing area.

Anna conducted a survey of the West Nipissing Area and got 200 responses. Of the 200 responses, 81 people said they would support the opening of a new craft store in Sturgeon Falls.

Form the survey results Anna was able to summarize the 81 “yes votes” into the following age and gender splits.

<u>FEMALE</u>		<u>MALE</u>	
AGE	YES VOTE	AGE	YES VOTE
> 19	5	>19	0
20-29	7	20-29	1
30-39	11	30-39	0
40-49	32	40-49	2
50-59	17	50-59	0
60+	6	60+	0
TOTAL	78	TOTAL	3

Anna believes her primary target market to be females between the ages of 40-49 living in the West Nipissing. From our demographic information we can determine that the total women in this age group 901.

The survey revealed that the

- ✓ Average purchase from a craft store = \$40
- ✓ Average visit = every 2 months or 6 times a year

With the above information, an estimated yearly sales figure can be generated.

1. Begin by determining your potential target market
 901 (area population) * 32 (yes votes of target group) / 78 (total female yes votes)
= 370 females
2. Allow for a 20% survey bias
 $370 * 0.8 = 296$ potential customers
3. Estimate of total yearly sales
 296 (potential customers) * $\$40$ (average purchases amount) * 6 (purchase frequency/year)
= $\$71040$ for 12 months

Step 2: allocate the yearly estimate of sales to each month

The yearly sales figure of \$71, 040 must be allocated to each month of your first year. Consider a variety of different factors.

- ✓ What are similar businesses generating in sales revenue, investigate industry trend information?
- ✓ Is your business seasonal or affected by special events, for example Christmas?
- ✓ Is your estimated reasonable in terms of the value of the products you sell? For example, if the maximum value of your product is \$10 is it reasonable to assume you will sell \$ 20,000 in a month. This would equate to 100 items a day.
- ✓ What did your survey results suggest? For example, what on average did the survey participants say they would spend and how often?
- ✓ What is your promotional plan? Will this increase your sales for any particular month?
- ✓ What are your competitors doing? For example are they having a major promotion? Will this affect your sales?

Let's return to Anna's results.

*Therefore, in one year approximately 1, 776 ($296 * 6$) people will visit the store and on every visit, they will spend \$40. From research it is apparent the craft industry booms around Xmas and in the winter months. However, for summer and spring, the industry is quiet.*

Anna believes that the \$ 71, 040 should be allocated to each months based upon her expected number of customers each month.

Months	Season	Activity	# Customers	Average Purchase	Estimated Sales
January	Winter	Busy	224	\$40	\$8,960
February	Winter	Busy	132	\$40	\$5,280
March	Spring	Quiet	132	\$40	\$5,280
April	Spring	Quiet	78	\$40	\$3,120
May	Spring	Very quiet	72	\$40	\$2,880
June	Summer	Very quiet	72	\$40	\$2,880
July	Summer	Very quiet	60	\$40	\$2,400
August	Summer	Very quiet	72	\$40	\$2,880
September	Autumn	Moderate	138	\$40	\$5,520
October	Autumn	Moderate	126	\$40	\$5,040
November	Autumn	Very busy	330	\$40	\$13,200
December	Winter	Very busy	340	\$40	\$13,600
Total			1,776		\$71,040

Step 3: estimated sales figures are inserted on the first line of your cash flow work sheet.

Cash Receipts

Step 1: decide how much of your sales will be credit or cash

Your business may only make sales on a cash basis. If this is the case, the numbers you inserted in your “Estimated Sales” row, will be the same numbers you insert in the row “Cash from Sales” under the Cash receipts section.

However, if some or all of your sales will be a mixture of cash and credit, you must estimate when your credit customers will pay for the goods they bought off you on credit.

Be realistic in estimating when your creditors will pay! Larger corporations may delay payment for up to 90 days. A cash flow will only be a useful tool to your business if you are realistic in your assumptions and expectations of cash collection!

Anna will grant 90 days credit on craft sales, but only for her major customers who regularly shop with her. Anna has researched these customers, in the survey, estimated they would spend the following:

January	\$ 3,500	← ***
February	\$3,300	
March	\$650	
April	\$670	
May	\$500	
June	\$500	
July	\$500	
August	\$500	
September	\$700	
October	\$900	
November	\$5,000	
December	\$4,500	

*** Therefore, Anna won't receive the \$ 3,500 of purchases in January, until February. Anna estimated her sales for January to be \$8,960. As \$ 3,500 of it will be sales made on credit, Anna will only receive \$ 5, 460 (8,960-3,500) in cash for January.

For January to be \$ 5,460 in the "Cash from Sales" row and \$0 in the "Account Receivable Collected" rows.

In February the "Cash from Sales" row will show \$ 1980 [\$ 5, 280 (estimated sales)- \$3,300 (credit sales)]. Account Receivable Collected records collection of prior credit sales. For February, this will be \$ 3,500. (Credit sales made in January).

Step 2: Insert the amount you expect to borrow

On the "Small Business Loan" row, of your cash flow forecast, insert the money in the month you will receive. This amount can be revised later.

Anna wants to borrow \$15,000 and will receive it in January.

Step 3: Insert your Contribution

In the row, "Owner Equity Contribution" inserts the amount of money that you, the business owner, will be investing in the business.

Anna will contribute \$5,000 in January, from her personal savings.

Cash Payments

Steps 1: Initial Start up Costs

List all the items you must buy and services you must pay for to open your business. Completing this step will help you decide how much money you may need to borrow.
(refer to page for a list of common start up costs)

To open her craft store, Anna has the following start up cost:

Advertising	\$200	
Business name search and registration	\$80	
Business license	\$50	
Equipment: Cash Register	\$50	
Equipment: Adding Machine	\$40	
Equipment: Computer System	<u>\$3,000</u>	
Total equipment cost:		\$3,090
Fixtures: Shelving	\$2,000	
Furniture: Chairs	\$500	
Furniture: Coffee Table	\$200	
Furniture: Counter	<u>\$400</u>	
Total furniture & fixtures		\$3,100
Insurance (1st month)	\$200	
Inventory	\$15,000	
Legal expenses (signing of lease)	\$200	
Office Stationery	\$200	
Plastic Bags	\$200	
Rent (first and last)	\$1,400	
Security Alarm	\$500	
Telephone (connection and rental)	\$150	
TOTAL	\$24,370	

Step 2: What expenses can you expect?

After deciding what it will cost to commence business, it is now necessary to determine what it will cost to stay in business.

Your expenses may be either fixed or variable. Fixed costs, such as rent, are not affected by how much the business sells. Fixed costs will stay the same month to month. Variable costs will change depending upon the volume of sales. Variable costs include wages, advertising, heat and hydro. Begin by listing all the expenses that your business is expenditure and when they will have to be paid.

(Refer to page for a listing of likely expenses)

To run a craft store, Anna thinks she will incur the following expenditures:

<u>Expenses</u>	<u>Fixed/Variable</u>	<u>Payment Date</u>
Advertising	Variable	Bimonthly
Bank Fees	Variable	Monthly
Insurance	Fixed	Monthly
Inventory	Variable	Monthly
Loan Payment	Fixed	Monthly
Office Stationary	Variable	Bimonthly
Owner Drawings	Variable	Monthly
Plastic Bags	Variable	½ yearly
Rent	Fixed	Monthly
Security Monitoring	Fixed	Monthly
Telephone	Fixed	Monthly
Heat and Hydro	Variable	Monthly

Step 3: Record the cash payments you will make

Record the expense in the month you will actually pay cash for it. For example, if you pay \$1,500 in January for insurance for 12 months, record the \$1,500 as an expense in January. DO NOT, divide the \$ 1,500 by 12 months and record it as an expense each month.

For variable expenses, such as materials/inventory purchases you will not know exactly the level of expenditure. You must estimate this figure based on your revenue figures. For example, if you estimate that the sale of your product will increase in December, you would expect your materials/inventory expense to increase in December. NEVER “flat line” expenses. Not every month will incur the same level of expenditure. Research your expenditures to make them as accurate as possible.

(refer to page to view Anna’s cash flow) Remember in the first month, of your cash flow, you will have startup and recurrent costs.

Cash Summary

Step 1: Caculate Net Cash

For each month, take Total Receipts and subtract Total Payments to end with a Net Cash figure.

For Anna, January’s net cash will be \$435 (\$25,460-\$25,025)

Step 2: Complete the Cash Summary Section

Insert your opening cash balance, this will normally be zero for the first month. Add the Net Cash figure to your Opening Cash Balance, the total is the Closing Cash Balance. This balance then becomes the Opening Cash Balance for the next month and so on.

The Closing Cash Balance amount is the amount of cash that the business has at the end of the month. This is NOT a profit figure. The profit figure comes from the Income Statement.

Refer to Anna’s cash flow. At the end of January,

Total Receipts	\$25,460
Total Payments	(\$25,025)
Net Cash	<u>\$435</u>
Opening Cash	\$0
Net Cash Movement	\$435
Closing Cash	<u>\$435</u>

For February, \$435 will be the opening cash balance.

Notes to the Cash Flow

Make sure you include notes to explain your cash flow. Below are the notes Anna inserted to explain her craft shop expenses.

Estimated Sales

Based upon my industry knowledge and my survey results, I have estimated my sales as per the table below;

Months	Season	Activity	# Customers	Average Purchase	Estimated Sales
January	Winter	Busy	224	\$40	\$8,960
February	Winter	Busy	132	\$40	\$5,280
March	Spring	Quiet	132	\$40	\$5,280
April	Spring	Quiet	78	\$40	\$3,120
May	Spring	Very quiet	72	\$40	\$2,880
June	Summer	Very quiet	72	\$40	\$2,880
July	Summer	Very quiet	60	\$40	\$2,400
August	Summer	Very quiet	72	\$40	\$2,880
September	Autumn	Moderate	138	\$40	\$5,520
October	Autumn	Moderate	126	\$40	\$5,040

November	Autumn	Very busy	330	\$40	\$13,200
December	Winter	Very busy	340	\$40	\$13,600
Total			1,776		\$71,040

At the peak of my business I have estimated 340 customers for the month of December. In December, I plan to be open for 25 days. This would average to 14 customers per day. I trade for 9 hours per day; therefore I would be serving 1.5 customers per hour. I believe this to be a reasonable estimate.

Cash Receipts

Cash from Sales and Account Receivable

I will only grant credit to 3 customers. I have researched their credit histories and checked their referees, there were no "black" marks, and they have good credit histories and usually pay within 30 days.

From the survey, these customers indicated they would buy the following on credit;

January	\$ 3,500
February	\$3,300
March	\$650
April	\$670
May	\$500
June	\$500
July	\$500
August	\$500
September	\$700
October	\$900
November	\$5,000
December	\$4,500

Small Business loan

I will borrow \$15,000 from my bank in January and \$10,000 in September.

Owners Equity

I will invest \$5,000 from my personal savings in January and \$3,000 in September.

Cash Payments

✓ **Bank Fees**

Standard monthly charge	\$20
Cheque Book	\$50

(This entitles me to 200 cheques. Every 3 months I will need another book)

✓ **Advertising**

I plan to advertise promotions and competitions in the slower months (May-August) to boost sales.

Ongoing advertisement in local paper	\$50 per month
Quarter page promotion	\$500 may
Fliers insert in local paper	\$150/mth (June-Aug)
Coupon insert in local paper	\$150 December

✓ **Insurance**

Yearly quote payable monthly	\$ 2,400 (\$200/mth)
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✓ **Inventory**

On average, my mark up is 80%. Therefore, my opening inventory of \$15, 00 would represent \$27,000 in sales.

Based upon my estimated sales, the stock would last until the end of May. In May I plan to buy \$8,000 worth of stock, representing \$14,000 in estimated sales. Based upon my projected sales, this would last until the end of September.

In September, I plan to buy \$20,000 in stock, representing \$36,000 in sales. Based upon my estimated sales for October to December (inc), this should be adequate.

✓ **Line of Credit Repayment**

I will need a \$2,000 line of credit in May. I am required to pay 2% of the outstanding balance each month. The interest rate is 10%. My monthly payment is \$44.

In September, I will draw another \$5,000 on my line of credit. I will owe \$7,000 and my monthly payment will be \$154.

✓ **Loan Repayment**

I will initially borrow \$15,000 from the bank in January at 10% repayable over 5 years. My monthly payment is \$325.

In September, I will borrow a further \$ 10,000 on the same terms. My monthly payment will increase to \$543.

✓ **Office Stationary**

Initial supply should easily last 2 months. I then plan to order v=every 2 months at \$100 per time.

✓ **Owner Drawings**

In order to live, I must withdraw \$1,400 from the business each month, commencing in February.

✓ **Plastic bags**

I initially bought 1,000 for \$200. This should last 6 months. Next purchase will be in June.

✓ **Rent**

Rent is \$700 per month.

✓ **Security Monitoring**

Set rate at \$30 per month.

✓ **Telephone**

Flat fee of \$50 per month

Long distance would be minimal. Expect it to be \$10/mth

✓ **Heat and Hydro**

Based upon the prior tenant's bills, winter hydro peaked at \$170/mth, while summer hydro peaked at \$80/mth.

INITIAL START UP COST

The start up cost that you list below should enter into your cash flow statement (as payments) in the month that they are physically paid.

Description	Month of Payment	Amount
Accounting Fees		
Advertising		
Equipment:		
Equipment:		
Equipment:		
Fax		
Insurance		
Inventory/Materials		
Legal Fees		
Office Furniture		
Office Supplies		
Permits		
Rent		
Telephone		
Other		
Other		
Other		
Other		
Other		

List of likely expenses

- | | |
|---|---|
| <ul style="list-style-type: none"> ✓ Accounting Fees ✓ Advertising ✓ Business Taxes ✓ Conference ✓ Equipment Purchases ✓ Insurance ✓ Inventory ✓ Legal Fess ✓ Licenses ✓ Loan Repayments ✓ Office Expenses ✓ Owner Drawings ✓ Professional Development ✓ Promotion Expenses ✓ Rent | <ul style="list-style-type: none"> ✓ Research Expenses ✓ Salary ✓ Shipping ✓ Source Deductions ✓ Tax Remittance ✓ Telephone ✓ Trade Shows ✓ Training ✓ Travel Expenses ✓ Utilities ✓ Vehicles Operating ✓ Wages |
|---|---|

Cash Flow Budget

Step 1	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Opening Balance												
Step 2												
Sales/Estimated Sales												
Step 3												
CASH RECEIPTS												
Cash Sales												
Plus: Receivables collected												
Loan Proceeds												
Investments												
Sales of assets												
Rental Income												
TOTAL CASH RECEIVED												
Step 4												
CASH DISBURSEMENTS												
Purchase of equipment												
Rent												
Utilities												
Office expenses												
Maintenance												
Salaries												
Advertising												
Insurance												
Selling expense												
Bad debts												
Taxes												
Other												
TOTAL CASH DISBURSEMENTS												
Step 5												
Total Cash Received												
Plus : Cash forwarded (Prev. Month)												
Equals : Total Cash Available												
Less : Total Cash Disbursements												
Equals : Closing Bank Balance												

