

# **STARTING A SMALL BUSINESS IN THE SAUGEEN COMMUNITY**

“Perseverance is a great element of success. If you only knock long enough at the gate, you are sure to wake up someone.”

Longfellow

The information included in this pamphlet should be used in conjunction with other publications obtainable through the Saugeen Business Resource Centre, Ministry of Economic Development Trade and Tourism, Regional and Municipal offices, and your local library.

Our objective is to create an environment for enterprise to take place. By providing you with practical suggestions and information, we hope to help make your proposed business venture a success.

We wish you the best of luck.

#### Disclaimer Notice

The authors have used their best efforts to ensure that all information contained in this pamphlet is accurate at the time of publication. Readers should be aware that any information stated herein may change at any time and without notice, particularly areas connected with government: i.e. programs, licenses, regulations, permits and source deductions. Furthermore, the authors make no claim regarding the performance of any of the organizations/individuals listed herein.

# THE STEPS TO STARTING A SMALL BUSINESS

Starting a business can take various approaches depending on its type and the person involved. You may choose to start your business from scratch, or buy an existing business, or purchase a franchise.

This guide covers the basics of starting your own business from scratch. By following a number of common steps, you will avoid one of the primary causes of business failure . . . . .poor planning!

## STEP 1 - ARE YOU AN ENTREPRENEUR?

Consider the following questions to help you determine if you have what it takes to be self-employed:

*Your Personality* Are you afraid of failure? What is your reaction when you fail? How do you respond to set backs, defeat, big problems, little problems? Most small business owners rebuild from failure and turn problems into opportunities. Are you a positive thinker who can overcome failure easily?

*Your Lifestyle* How comfortable are you now with your lifestyle? Are you willing to change or jeopardize your present situation and social environment? How important are your friends? Do you have career plans? Most small business owners are forced to sacrifice their present their present lifestyle to devote more time and energy to their businesses. Eighty hour work weeks are not uncommon.

*Your Family* Do you have the support of your family? Have you discussed your plans with them? Do you know what demands will be placed on you energy, emotion and time? Do you and your family realize that you may have to put up to 16 hours per day into the operation of your business? Most entrepreneurs find family support to be essential in operating their business.

*Your Finances* Are you prepared to take the biggest risk - financial failure? What sacrifices are you willing to make? Many new business owners have their entire life savings and the equity in their home committed . The sacrifices you may be required to make could reduce your standard of living. Can you handle the pressure of additional financial obligations? If you are unable to live with some degree of financial uncertainty, running a business may not be for you.

## STEP 2 - WHAT IS YOUR BUSINESS IDEA?

Please keep in mind the difference between an idea and an opportunity. A good idea may not prove to be a viable business. Similarly, an opportunity may be good, but not the right one for you.

Start by summarizing your background, education, experience and hobbies. Write down what you would like to do. Try to match up what you have done with what you would like to do. Enthusiasm will not help if you hate what you do. Actual experience is the best way to acquire knowledge. Consider working for someone else in a similar type of venture and absorb as much management know-how as you can.

Here are some things to consider:

- What product or service do I know of that is less than adequate?
- Can I add something to an existing service or product to make it better?
- Are products available elsewhere and not here?
- Can I combine several things into a package deal?
- What attitudes are changing and shifting?
- Is something missing locally? Do people have to travel to find it?
- Could I act as an agent or distributor for an existing product?

Brainstorm with friends and associates to get started. Promote yourself. Let others know your interests. Join business groups and associations. Look for opportunities.

## STEP 3 - WILL YOUR IDEA WORK?

Thorough and careful research into each of the following areas is well worthwhile. Find out the information you must know before you start, not after.

Market research looks at four traditional areas:

*Demographics:* Population, gender, age, occupation, education, income

*Customer Characteristics:* This information will have to be gathered through various means, e.g. telephone or mail surveys, interviews, observation. You want to learn where your customers live? Where they buy? How often? What price are they willing to pay? Is convenience important? What motivates them to buy?

*Competitor Analysis:* You must determine the strengths and weaknesses of your competitors and what threats or opportunities they present to you. Assess competition by learning how many there are. Where are they located? How long have they been in business? What prices do they charge? Are they profitable? Are their customers content?

*Environment:*

Factors affecting the operation of your business create an environment. They include internal (e.g. your skills to display goods) and external (e.g. government regulations). You generally have control over internal matters. External factors are usually “outside” your control (e.g. North American Free Trade Agreement, Labour legislation, GST, Tax legislation, Inflation, Recycling, Higher energy costs, Interest rates, etc., etc).

## **STEP 4 - STRUCTURING YOUR BUSINESS**

When starting a business, there are 3 basic structures from which to choose; Sole Proprietorship, Partnership, and Corporation. Here is a brief overview of each organization type:

### **Sole Proprietorship**

- owned by one person
- low start up costs
- quick and easy to start
- simple record keeping and tax returns
- owner directly controls business
- considerable freedom from regulation
- owner and business are not legally separate
- fully liable for all debts and obligations
- cannot use Inc., Ltd., as part of the name
- may not be considered stable by lenders
- may lack credibility compared to corporations
- difficulty raising capital

### **Partnerships**

- low start up costs
- two or more people can have ownership in the business
- broader management base
- relatively easy to start
- limited outside regulation
- relatively easy administration
- fully liable for all debts
- partners often have conflict
- a partnership agreement is essential (an extra expense)
- more complex record keeping and tax returns
- capital can be raised only if new partners are admitted

### **Corporations**

- separate legal entity from owner(s)
- gives owners limited liability
- business can have unlimited number of owners
- potentially perpetual existence
- ownership transferable
- easier to raise capital through sales of shares
- increased credibility
- expensive to start (\$1,000 - \$2,000)
- must have legal and accounting help
- requires a lot of administration
- closely regulated by government taxation bodies
- more complex record keeping and tax returns

Please note that it is advisable to consult with an accountant and a lawyer to determine the structure that best suits your personal needs.

## **STEP 5 - CREATING A BUSINESS IMAGE**

Your business image is essential to attracting customers and keeping them. Image depends largely on the type of business you start. You should consider the following factors when establishing your business image: Business name, business logo, business slogan, signs, stationary, office forms, personnel titles, location, business colours, reception, brochures, sales approach, business hours, trademarks, advertising decor.

## **STEP 6 - FINDING SUPPLIERS**

Finding suppliers of particular products can be frustrating during the start up of a business. This is one area where previous experience in the business you are starting will come in handy.

Information on traditional sources of supply can be found in a wide variety of trade directories, almanacs, specialty magazines, trade shows, local business fairs, home shows, exhibitions and publications. The majority of these are available through the Saugeen Business Resource Centre and the local library's business reference section. For government directories, check local government offices, or the Federal and Provincial government book stores and libraries.

## **STEP 7 - WHAT DOES IT COST TO RUN YOUR BUSINESS?**

Three major costs must be considered whether you manufacture or sell a product or provide a service.

*Material costs* include all materials you use in making your product or providing your service. Elements to consider include new materials, completed parts, packaging.

*Labour costs* involve the time spent to provide a service or make a product.

*Overhead costs* include, but are not limited to, salaries and benefits, loan payments and interest, rent or lease expenses, vehicle expenses, bank charges, insurance, accounting or legal fees, advertising, telecommunications, utilities, office expenses, and depreciations on equipment or other assets.

Each business has different types of expenses so you will have to decide on the best way of forecasting the costs of your own particular business, on a per month, per year, per job, per hour basis.

## **STEP 8 - HOW MUCH WILL YOU CHARGE?**

Three main factors need to be considered when setting your price; (1) your costs (2) prices charged by competitors for same or similar products and (3) customer demand for your product or service.

*Your Costs*                      Once your material, labour and overhead costs are estimated, you must charge a price that at least equals your costs to break even.

*Competitors' Prices*        Clearly, the prices your competitors charge will influence your price. Although many companies initially charge less to gain customers and establish a reputation, you do not have to. If you provide better quality and service to your customers, you can charge the same, or in some instances, more. You must nevertheless, know and understand the buying behaviours and motivation of your customers to establish an accurate price.

*Customer Demand*        One key factor in setting your price is the demand for your product or service. If customers are either very cost-conscious or not concerned, your prices will have to be set accordingly. The second factor is the market price or perceived market price that customers are willing to pay for your product or service.

## **STEP 9 - CHOOSING A LOCATION**

The types of locations available vary as much as the types of businesses do. The most popular business locations are Business Centres, Identity Offices, Shopping Malls, Downtown Centre, Plazas, Industrial Malls, Home Based Business.

Regardless of the location, many common factors need consideration:

- Is the location easily accessed by customers and suppliers?
- What are your physical needs - loading dock, parking, waste disposal, utilities?
- How much space do you need now? In the future?
- Can you obtain or have you obtained zoning approval for your business?
- Is the area changing? Is it improving or declining? Is any major construction planned in the near future?
- Is a lease available for the time you need the location?

## STEP 10 - ADVERTISING AND PROMOTION

Advertising and promoting your new business are keys to your success. The challenge for most new business is to inform potential customers and motivate them to buy.

### Four Factors in Advertising

1. What is my target market? Your market research will help you to identify who is most likely to buy your product or use your service.
2. What is my message? The message refers to the written or spoken content of your ad.
3. What are my promotional objectives? Not all advertising is aimed at making a sale. Often it is used to inform or educate potential customers.
4. What is my budget? As the most important factor for most new businesses, your budget should include start-up advertising costs as well as expenses for the year.

You can use different methods to promote your business, e.g. print or broadcast media, business cards, outdoor posters and billboards, specialized media, direct mail, point of sale promotions, premiums, promotions. Carefully analyze this information to select the methods of advertising you will use.

## STEP 11 - FINANCIAL STATEMENTS

At this point, you have made many critical decisions about your business. But now comes the real test - taking your ideas and plans and transforming them into a forecast of how much cash you will need and how much income (or loss) your business will make.

The three most commonly used forecasts are the Cash Flow, the Income Statement, and the Balance Sheet. The *Cash Flow Forecast* projects the money flowing in and out of your business. Much like budgeting your personal finances, you project, on a monthly basis how much money you will be receiving and what expenditures you will make and when. The result will be a monthly cumulative cash surplus or deficit.

The *Income Statement* forecasts the sales (revenues) and expenses for a specific period, usually a year. A basic format lists all revenues and subtracts all expenses. The difference between is known as net income or net loss.

The *Balance Sheet* is a financial snapshot of what the business both owns (its assets) and owes (its liabilities) as a given point in time. The difference between the company's assets and liabilities represents the owner's equity or financial interest in the company.

If you are not familiar with the basics of financial statements you may want to take courses or seminars to increase your knowledge. It is also advisable to contact an accountant for professional assistance.

## STEP 12 - FINDING THE MONEY TO START

Financing has been identified by most entrepreneurs as the most difficult aspect of starting a business. Sources of funds are yourself, friends and family, banks, trust companies, credit unions, business development centres, Business Development Bank of Canada, and the governments.

## STEP 13 - THE BUSINESS PLAN: PUTTING IT ALL TOGETHER

The business plan is a written statement of your proposed business. It explains, in detail, how your new business will be structured, what its products and services will be, how it will operate, and how much money it will make.

Bankers and other investors use your business plan to consider if they will finance you. Therefore, a successful business plan will help convince outside parties to invest or to lend money to your company and will give readers confidence in you and your business.

### Typical Business Plan

- *Title Page* includes your business name, address phone number, who prepared the plan and the years it covers, usually 1 to 5 years.
- *Table of Contents* allows readers to locate information quickly and easily
- *Executive Summary* highlights the key details of your business plan for the readers.
- *Objectives* should be stated in short term (less than 1 year) and long term (1-5 year) goals. They should be realistic and measurable, with a time frame for completion.
- *Management and Organization of Business* should highlight the skills and qualifications you and/or your employees will bring to your business. Also include type of organizations, i.e. sole proprietorship, partnership or corporation.
- *Marketing and Operational Plan* is the most extensive part and you may want to organize it as follows: (1) market research (2) Advertising/Promotion (3) Description of Product/Services (4) Suppliers (5) Prices (6) Location (7) Physical Layout of Business.
- *Financial Statements* include cash flow forecasts, income statement, balance sheet.
- *Appendices* support the claims made in the business plan. They may include resumes, letters from suppliers/customers, contracts, pictures of products or location, etc., etc.

# SMALL BUSINESS RULES AND REGULATIONS

## Registering Your Business Name

### What to know before registering

Registration of your business name (Master Business License) is mandatory under the Business Names Act if you operate a business under a name other than your own.\* This registration is also required to open a business bank account. **Registration costs \$60.00** and is good for 5 years. You have the option of performing a name search for \$8 **per name** searched. **Registering a business name does NOT give you exclusive use of the name.**

Unincorporated business names are not protected, and registering your Business Name does not give you exclusive use. Likewise, the *Business Names Act* does not prevent you from registering a name that is already in use. However, a unique name will help identify your business to customers. Before making a final decision on your business name, you may want to check to see if someone else is already using the same name within the area you plan to serve. You can search unincorporated business names at an OBC workstation.

Provincially and federally incorporated business names are protected and you may be sued if you use a name that is the same as the legal name or a registered trademark of an incorporated business. You can get protection for your business name through a trademark. For more information on trademarks, talk to a lawyer or Industry Canada (1-800-567-2345).

### There are 3 ways you can register your business name:

**Online:** Hotline: 1-800-565-1921  
[www.serviceontario.ca](http://www.serviceontario.ca)  
Under 'SERVICEONTARIO' located on the left side, select 'Gateway for Business'  
Cost: \$60, plus optional \$8 name search

**Mail:** Ontario Business Connects  
PO Box 1028, Stn B  
Toronto, ON M5T 3H3  
Cost: \$80, plus optional \$12 name search

**In Person:** **Saugeen Economic Development Corporation**  
*(An appointment is not necessary, but is recommended)*  
515 Mill Street, P.O. Box 177, Neustadt, ON N0G 2M0  
1-877-335-7332 519-799-5750 [www.sbdc.ca](http://www.sbdc.ca)  
**Cost:** \$60, plus optional \$8 name search. We accept Visa, Mastercard or American Express  
If you wish to pay by **cash, cheque or money order, please visit:**  
**Service Ontario at: 1400 1st Ave West, Owen Sound, ON 1-888-647-3654**  
In order to receive assistance from SEDC personnel, your business must be:

- A sole proprietorship (one owner)
- A partnership (two or more owners)
- An existing corporation (already incorporated)

For further information visit: [www.serviceontario.ca](http://www.serviceontario.ca)

## What will I be asked?

**Please note:** some questions may not be asked based on previous answers given.

- > Basic personal information is required regardless of the form of business such as:
  - o Name of the business owner(s)
  - o Address(es) (both home and business)
  - o phone number(s) (both home and business)
- > The business name you wish to register as well as your business activity (*ie: selling clothing, operating a restaurant*) and products sold/services provided.
- > Will your business be operating under your EXACT personal name?
  - o *\*For example: John Smith would not need to register his business name if he calls his business "John Smith". However, if he wishes to operate as "John Smith's Shoes" then he would be required to register the business name.*
- > Do you want to apply for personal coverage through the Workplace Safety & Insurance Board?
  - o *As the owner of the business it is your choice whether or not you have coverage. Should you opt for the coverage, you will be charged at a rate that reflects your earnings.*
- > Are you buying an existing business?
  - o *If yes, what was the previous owner's trade/business name?*
  - o *Have you paid Retail Sales Tax on the business equipment?*
    - *If no, what is the value of the equipment?*
- > Has the ownership of the business changed?
  - o *For example: Sole proprietorship to corporation, partnership to sole proprietorship, etc.*

### Employees

- > Will/have you hire(d) employees or contractors?
  - o *The following questions will be asked if you answer yes to the above:*
    - What is the date you first employed help?
    - Have you applied for Employer Health Tax?
    - Do you have payroll every month of the year?

**Please note:** Registering your business does not mean you have registered for a business number:

- o Your BN is for HST, payroll deductions, import/export, and corporate income tax.
- o The BN is issued through the Canada Revenue Agency and cannot be applied for through this process.

## 2. LOCAL REGULATIONS

You must also comply with local business licensing, zoning, building, and fire regulations. You should contact local authorities, such as Zoning, Planning, Municipal Clerk, Business Inspectors, and/or Occupancy departments. Please refer to the blue pages in your telephone book for regulations related to your town or municipality.

## 3. HARMONIZED SALES TAX - HST

Should you register for a GST/HST Account?

Questions to ask:

1. Do you provide only exempt goods and services?  
Some examples of exempt goods and services include residential housing, most health care and dental care, and certain childcare services.
2. Are your worldwide GST/HST taxable sales, more than \$30,000 in a single calendar quarter or over the past 4 consecutive calendar quarters?

Generally, you would not have to register for GST/HST if:

- You are considered a small supplier less than \$30,000 in a single calendar quarter.
- You have to register for GST/HST if you ceased to be a small supplier or your sales exceed \$30,000 in a single calendar quarter or in four consecutive calendar quarters.

For more info, complete details on the GST/HST are available from Revenue Canada at the following address:

Revenue Canada  
Kitchener/Waterloo Tax Services Office  
166 Frederick Street  
Kitchener, ON, N2G 4N1  
(519) 579-0490 or Toll free 1-800-959-5525

## 4. PAYROLL TAXES

As an employer, you are required to register with Revenue Canada and have a responsibility to:

- deduct income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from amounts you pay to your employees;
- send in these amounts and the CPP contributions and EI premiums that you have to pay on behalf of your employees throughout the year (Revenue Canada must receive these amounts from most employers by the 15th day of the month after the month in which they were deducted, and more frequently from large employers); and
- report all these amounts on an information return by the end of February of the following calendar year.

Complete details on the payroll taxes are available from Revenue Canada at the following address:

Revenue Canada  
Kitchener/Waterloo Tax Services Office  
166 Frederick Street  
Kitchener, ON, N2G 4N1  
(519) 579-0490 Toll free 1-800-959-5525

## **5. WORKPLACE SAFETY & INSURANCE BOARD**

Most industries in Ontario are covered by the *Workplace Safety & Insurance Act*. Employers must pay into the insurance fund of the Workplace Safety & Insurance Board (WSIB) through assessments on their payrolls.

By contacting the nearest WSIB office, you can obtain a registration kit, which includes information on assessments, coverage, accident reporting requirements and appeal procedures. Employers are required to contact the board within 10 days of employing help.

For further information, or to obtain a registration kit contact:

Workplace Safety & Insurance Board  
55 King Street West  
Suite 502  
Kitchener, ON, N2G 4W1  
Toll free 1-800-265-2570

## **6. EMPLOYER HEALTH TAX**

The Ontario Ministry of Health administers a comprehensive government plan of health insurance for Ontario residents, formerly the Ontario Health Insurance Plan (OHIP), but now replaced by the Employer Health Tax (EHT). All employers with permanent establishments in Ontario are required to pay this tax through monthly or quarterly instalments based on their total calendar year gross payroll. The first \$400,000 of the payroll is exempt from the EHT.

For more information contact:

Ministry of Revenue  
Employer Health Tax Office  
213 King George Road  
Brantford, ON, N3R 6S8  
Toll free 1-800-461-3806

## **7. BUSINESS INSURANCE**

Before you can properly determine your business insurance needs and the cost of such protection, it is in your best interest to arrange a meeting with a qualified insurance broker to discuss every possible aspect of your business. Your selected broker will ideally have access to a wide range of insurance companies

to ensure you obtain the best coverage at the best price.. Business insurance can be separated into broad categories. They are:

*General Insurance* To protect physical assets, such as buildings, equipment, supplies, finished goods, vehicles, etc., and non-physical items, such as third party liability, business interruption, theft, and so on.

Comprehensive package policies can usually be purchased to cover all of these areas with sufficient flexibility to meet your own specific requirements. Those who are operating their business from their home are cautioned, for the Homeowners' policy does not cover business losses unless specifically agreed to by the insurance company.

*Employee Benefits* To protect your employees against the high cost of drug and dental treatment, plus loss of income caused by disability or death. Retirement planning is another possible benefit.

Package policies can usually be secured much cheaper through Group Insurance programs requiring, in some cases, as few as one or two people. Your local Chamber of Commerce might be one direct source of economical protection.

*Shareholder-Partnership-Key Person* To provide sufficient Life and Disability Insurance to fund the financial loss created by the death or prolonged disability of a shareholder, partner or key person in your business.

These policies are secured on the lives of the people involved and costs will depend on the age, sex, smoking habits, and amounts of coverage for each individual.

## **8. OTHER SOURCES OF INFORMATION**

The Saugeen Economic Development Corporation has opened a Resource Centre providing further support to local business through a wide array of business resource information in printed form and through the Internet. Through a direct internet connection, the Resource Centre provides local quick access to information in 1600 government programs, services, regulations and contacts to 29 federal departments and 12 provincial ministries.

For further information contact:

Saugeen Economic Development Corporation  
515 Mill Street, P.O. Box 177  
Neustadt, ON N0G 2M0  
(519) 799-5750  
1-877-335-7332