

A White Paper Report

The changing landscape for small business owners in Canada

Developed by:

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Small Business Big Ideas
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Upon reading an article published on September 14th in the New York Times titled; “Small Businesses Feel the Squeeze”.

Now keep in mind the situation is worse in the United States right now than it is in Canada, but still, we have seen more buoyant times north of the 49th in the recent past than we have this year.

In the U.S. they are facing the credit crunch, bank foreclosures...even Lehman Brothers is having challenges so why not the little guy?

The small business owner in today’s market environment isn’t immune to tough times and closing the doors altogether.

Rising costs in commodities, energy, and hidden service charges by utilities are all affecting the bottom line. Plus it costs a lot to stay afloat especially when there are downward pressures on your pricing in general.

So what does this mean to small business owners? Is it time to head for the hills? Well in short no.

Now although trends do have it that there are more closing of the doors and that more small business owners are heading back into the “real world” of work for many...it’s still a time to start-up something new.

In the article written by Tim Taulli, he cites that some of the greatest businesses emerge from such times. “After all, just look at Microsoft and Oracle, these companies started during the mid 1970s, when the U.S. economy was mired in stagflation. In other words, if you have a great idea for a business -- and want to take some risks -- then give it a shot.”

Now...yes it’s there is always opportunity in any economy. However, where Taulli may be in error is in the idea that, “ if you want to take risks give it a shot.”

Being in business is not so easy as that.

It’s not about giving it a shot. It’s about doing your homework, understanding the market, being able to assess the market needs, wants and demands and coming up with an idea, product or service that meets these and exceeds in the delivery, marketing and selling of them.



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Small businesses represent the growth engine of the Canadian economy. There are more than 1 million employer establishments in Canada, 98 percent of which have fewer than 100 employees, 74 percent have fewer than 10, and 57 percent have only one to four employees.

One of the key factors in business success is in the funding and financing aspects of the business...

Industry Canada reports that, "More than 140 000 businesses enter the Canadian marketplace in any year, and they must have access to capital to become established and grow. Their capital starts with personal savings and investment by family and friends and can come to include loans, lines of credit, retained earnings and other sources of financing."

Closer to home in Ontario, Ontario's small and medium enterprises (SMEs) make a significant contribution to the province's economy in terms of jobs, investment, trade, innovation and prosperity. There are approximately 349,000 SMEs in Ontario, accounting for over 99 per cent of businesses in the province.

SMEs employ close to 2.8 million Ontarians, more than half of all people working for businesses across the province. These firms account for over \$120 billion in economic activity, 2 and they operate across all sectors of the economy and in all regions of the province.

The vast majority of small businesses meet their financing needs through market transactions without any government involvement. Most turn to debt financing at an early stage of development. Banks are the major lenders, accounting for about 45 percent of small business financing in Canada in 2001. Trust companies, credit unions, caisse populaires and other institutions play a smaller but important role, especially for businesses seeking smaller amounts of credit.

Don't forget to approach the BDC (Business Development Bank of Canada) Angel Investors and like the Dragon's Den on CBC TV, you can always approach a Venture Capital company for a cash infusion.

The bottom line is that before you open a business and "Risk it" ...make sure you've done an analysis of what it is all going to cost.



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Then, really work to secure funding for your venture. A good associate of mine once said, “If you aren’t willing to risk your own money than don’t take the deal”. Meaning be smart about investing in your business, make sure the idea is sound and will bring you and those you borrow from a return on investment. If the business doesn’t show a return on investment, then you’ve got to do some more work...

This brings us to the next big issue. For those reading this article and that do watch the Dragons Den, the number one reason business owners fail to get some “Venture Capital” is? Any guesses?

It’s due to lack of proper research.

Market research is the collection and analysis of information regarding consumers (potential customers), competitors (same business type), and the effectiveness of marketing programs (i.e. direct mail marketing, newsletters, signage, etcetera). It’s an act of action before leaping into a business, and an educated move that determines the feasibility of a new business.

Through market research small businesses and corporations can test interest in new services and products, improve customer service and develop competitive strategies. Both startup businesses and established businesses need to define, evaluate, and plan a course to pursue their market. The end result of market research is a business that is more responsive to customers` needs and increase profits.

I love the ideas that author and business expert Chet Holmes talks about in his book the Ultimate Sales Machine. Research done well can actually position your company in much more profound manner than your competitors.

Instead of using the hard sell on your clients, use facts, figures and data to educate your client. It’s a much more different approach to take in your overall marketing messaging initiatives.

Here is a case in point that Holmes alludes to in his book and material; when contracted to help grow the business and sales of a leading consumer calendar manufacturer research was done that helped to propel sales for that calendar company into the stratosphere.



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What Chet Holmes' marketing company uncovered is simply brilliant! They test sales at Wal-Mart versus a leading bookstore chain. They found that sales for calendars at the bookstore chain were far greater than sales at Wal-Mart. Why?

Well...the calendars were positioned at the check out at the bookstore...and consumer studies show that calendar sales are an impulse buy and more of a "point of purchase" decision.

Whereas at Wal-Mart one had to venture through the store to the book section where they had calendars on sale. Walking through a big Wal-Mart store is too much work for the shopper to do number one and the result was low sales for calendars at Wal-Mart stores number two.

So they asked Wal-Mart if they could re-position the calendars at the front of the store by the check out.

You can imagine what happened to the bottom line? Sales took off big time.

A little bit of research goes a long way toward small business success.

Here is one last tidbit. Wal-Mart outsells a lot of bookstores on books. They carry fewer titles obviously, but they outsell on quantity.

Research is key to small business success. Not only to help improve the results of where you sell a calendar but as your business develops, market research needs to be an ongoing part of their business. Anyone who is familiar with writing a business plan knows how unpredictable the market can be. Three Essential Areas of Market research are as follows:

1. Consumer

- Information from and about their customers
- Feedback on the likes and dislikes of their customers
- What services or products did the consumers like best

2. Competition

- Help you determine what works and what hasn't worked
- Give you ideas for improving
- Provide insight into how to increase their market



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3. Environment

- Economic
- Social
- Political forces

All of this information shapes the way people do business. Keeping it close on hand allows them to stay abreast of and respond to particular trends or events that influence their small business.

Secondary Research Sources are easily obtainable. This is information that's been collected by someone else. Google, the newspaper, magazines reports, government data and trade publications are all good sources of Secondary Research.

Don't forget directories like Scott's to help you connect to your exact clients too.

Most forms of secondary research information are accessible at the library or by researching the Internet. Your local Chamber of Commerce can help too in providing data and secondary research.

It's the primary source you're really after. Obtaining firsthand information from their customer or competition is current; thereby, making it the most valuable means of market research.

One of the biggest two showstoppers that small business owners have in compiling research is the time and money. If you really don't have the time, make it.

Schedule Monday mornings as research days. I personally have never liked selling or calling on clients on Monday mornings and my bet is you don't either. So visit your library, read, sharpen up the saw...but schedule time to research once a week.

Don't forget to hire a student. College and University students are thrilled to get a chance to work in the real world before graduating. It pads the resume and they do great work.



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Talk to the Dean of the business programs and ask for some help in research...especially in obtaining primary market data.

We've established a need to research and ensure you've got the funding equation sorted out, but there are more keys to success.

Sell more to your existing clients

Getting more revenue from your current customers is usually a low-risk, low-cost strategy. You could offer incentives on volume purchases, target existing clients with new products, create a website to provide value-added information, and/or develop a loyalty program that rewards customers for repeat business. Remember Mc Donald's totally broke sales records when they asked simply, "Do you want Fries with that?"

Find new client segments

Is there a market segment you've overlooked? Say, for example, you currently sell organic skin-care products to women; maybe there is a market for men as well. Focus too on the markets you want to work with. Become expert in them, so that you can "talk" their language and position yourself as an expert. It's better than pitching your goods and services blindly, if you actually are well versed in the nuances, and challenges your client segments have then watch the bottom line sales increase.

Expand your geographic sales area

My website is getting hits now from all over the world. Wild huh? I am located in North York, Ontario and I have statistics on my web-stats site to prove I am getting interest from abroad.

Tap into those markets. One cool way of doing it is to subscribe to "Google" news feeds about your specific industry. Google will email you articles from all over the world about your industry. If you follow up on these articles with a media release



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and an idea that lends itself to the thoughts and ideas in these articles you may just grab yourself some media coverage in markets that go well beyond your borders.

If you have been successful selling in your existing market, you might consider opening a new location. Remember though to take into consideration that you are entering a new market place and your potential return on investment could be affected by the high costs and risks of entering an unknown region.

Increase profit margins

Is there a gap between what you're charging and what people are willing to pay? Or can you reduce costs while holding sales prices steady? You may be able to identify a potential revenue growth opportunity. If you just sell at 5% more this year, watch your sales take flight and careful now, let the client give you the budget and price they want before you commit to a price, you may just be leaving money on the table.

Team up

A strategic alliance, such as partnering with another business to cross-sell products or services, can be an excellent way to expand.

Purchase a competitive or complementary business

Perhaps you own a café; purchasing the magazine shop next door could be a perfect fit, if done properly. While this is a complex strategy and you need to be cautious of which business to buy, the payoff can be high. Consider seeking professional advice to understand your options and avoid potential pitfalls.

Get help you need.

Smart business owners are getting to know the power of teams. Get a board of advisors to guide you along the way. Or develop your own mastermind team. Napoleon Hill was the grandfather of the personal development movement and spearheaded the concept of Mastermind Teams. Be sure to get a good group of 5-6 really progressive colleagues who are team players and will contribute willingly to your mastermind group.



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If in doubt in any aspect of your business, hire an expert or a business coach. There are many of them out there so do your research and trust your gut as to the coaches and experts you bring into work with you in your business...oh and talk to their clients to see how they work.

Don't go the journey alone just now. Get the help, ideas you need and work with a supporting cast.

Focus on your customers.

Authors and business owners like Jack Mitchell of Mitchell Richards clothing store and the book Hug Your Customer suggests the value of having customer service that's like getting a big warm hug.

Author and business owner Harvey MacKay talks about customer service in his book How to swim with the sharks. He conducts the MacKay 66. He asks his clients 66 questions about their life and business life. He knows his clients so well that they don't tend to shop the competition. MacKay sells envelopes too by the way. Nothing sexy about that...but the service is top notch.

Both of these businessmen get to know their clients so well, that they won't go elsewhere. Why would they? They get such personalized service that they won't shop the competition.

Focus on making the customer experience extraordinary. It may cost you pennies along the way...but it will return in big bucks further down the road.



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Learning is key...

In a report by the Province of Ontario and in a joint survey done with the accounting firm Deloitte and Touche on the best practices of Ontario's High Performing Firms...they found that a commitment to learning was key to long-term success.

The survey states that, "Formal learning plans supported by on-the-job training, classes and support for new skills development will keep your employees sharp and up-to-date on the latest findings for your industry, products and markets."

HPFs stated that supporting employee development through formal training, skills development programs and independent education further employees' commitment to companies. The importance of skills development and training programs in ensuring organizational capability for high performance is discussed in the previous sub-section of the report.

In a case study in the very same report...

As founder and president of MAVERICK, an international award winning Public relations firm located in Toronto, Julie Rusciollelli understands that organizational commitment is the lynchpin of her company's success.

With about 20 employees, MAVERICK has a North American reach helping clients build brands, move products, and enhance and reinforce corporate reputations.

Rusciollelli promotes organizational commitment by instilling a clear vision of what sets the company apart from other communications services firms.

Employees are an investment and each team member participates and contributes to the success of a project or campaign. MAVERICK provides an aggressive bonus structure, employee education incentives and a collaborative mentoring program that allows individuals to reach their full potential.



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The company places a high value on developing talent from within as part of its vision and commitment to excellence. MAVERICK is a teaching firm and, each year, hires the best candidate(s) from the public relations programs at Centennial College, Humber College, Ryerson University and Seneca College. Developing leaders from within the organization allows MAVERICK to instill a clear understanding of the company's philosophy and vision thereby achieving consistent, award-winning results for its clients.

Final Thoughts

In business today you've got to stay flexible, expect the unexpected and take the challenges and disappointments in stride. Don't personalize them, do your best at all times and move past failures and hearing "no" faster. Get over it...and get on with it. Sometimes it's just not about you. Sometimes your customer might be going through some angst or issues too.

The bottom line is that these are challenging times. As I write this and conclude this report, we learned today that Lehman Brothers has declared bankruptcy, a move that sent shock waves throughout the markets.

So...don't be risking things to get into business today, think long term. I am not saying no to opening or expanding your business, but just be smart about it. Have a plan, do your homework, develop strategies and put systems in place to help you move your business forward. Even if the gains are small, they are still gains and that in and of it self is amazing in this day and age.

Be outstanding in your field. Or as author Seth Godin suggests in the book the "Big Moo" be "remarkable". Do such a great job that others will "remark" positively about you.



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Surround yourself with good, positive people, who see challenge as an opportunity and have hope of the possibility of good things to come.

Lastly focus on what's real and what matters. Invest your time, money and energy wisely and learn to roll with the downs and enjoy the ups and cherish those victories.

David Cohen

NOTE: To learn more about how to remain successful we encourage you to listen in each week to the Small Business Big Ideas Show. Heard on Oshawa's Oldies 107.7 FM and 1580 CKDO or online at www.ckdo.ca every Sunday morning at 9 am (EST). Now you can also listen to the pod casts by logging onto www.smallbusinessbigideas.com The Small Business Big Ideas is committed to helping small business owners learn, grow and succeed and to building stronger communities.



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