iCapital™

SMALL BUSINESS SUCCESS STRATEGIES

TABLE OF CONTENTS

INTRO

Small-business owners have a busy job, and a challenging one. Managing all aspects of an operation can be overwhelming. But, as strong supporters of small-business owners, we at iCapital want to see our clients excel. So, we created this ebook of small-business success strategies to help ensure that your business journey is a prosperous one.

This starts with your finances. Have you considered how you'll fund your business beyond your first year, and calculate your operating costs thereafter? When crunching numbers, we also strongly encourage that you focus solely on your business, without any interference from your personal finances. We'll give you some tips on how to make sure there's no overlap.

Once your finances are in order, we'll guide you through some growth strategies as you forge ahead with business forecasting. We'll take a look at how the structure of your company can save you money, along with some simple strategies for managing your seasonal inventory. Lastly, we'll cover some staffing and wage considerations to guarantee that all of your employees are your most valued employees. Remember: their teamwork makes your dream work.

Read on, and be sure to enjoy the journey!

THREE SMALL-BUSINESS GROWTH STRATEGIES

If you're a small-business owner looking to take on the world of big business, consider which growth strategies will work for you. Below are three simple suggestions that small businesses can consider. Even though strategies for growth are not one size fits all, some of these ideas may offer insight that will fast-forward the growth of your small business.

MARKET SEGMENTATION

Put simply, market segmentation means picking a small niche of the entire marketplace for you to target your sales to. Be specific about who your ideal customers are, then focus all your effort only on those individuals. The key to market segmentation is not being afraid to eliminate part of a potential market; it's impossible to target the world and see profits from all areas. Instead, focus all of your sales and marketing on your core customers. Make a strong connection with them, and you'll see profitable growth ahead.

BECOME AN INDUSTRY LEADER

Becoming an industry leader won't happen overnight, especially for small businesses. It's a strategy that needs to be kept in place at all times, with a goal in sight. It involves enhancing your current business model, rolling out strategic marketing, keeping your target market in mind and taking risks. If your competitors are all taking the same approach along the same path, don't be afraid to go in a different direction. It could make you stand out from the crown and, in turn, get you to your destination much quicker. This applies to everything you do, from product development to marketing and everything in-between. Stand out from the crowd, and one day you may be the one standing on top.

LEVERAGING PARTNERSHIPS

While big businesses can afford to pay for partnerships, small businesses will need to negotiate. But don't let this deter you from making connections. There are businesses out there who need what you have, and vice versa for what you need from others. Focus on building strategic partnerships and joint ventures in order to share your knowledge and expertise with other businesses, and leverage resources for a joint increase in profits. Ensure that any alliances are mutually beneficial, and that any commission or payment structures are clearly stated upfront.

Just because your business started out small, doesn't mean it has to stay that way. Perform some market research to determine if there is enough demand to justify an expansion before you invest in it. You'll also need to give yourself time to prepare for the increases that any growth may bring. While tremendous development may not happen overnight, when well-managed, growth is achievable for almost all small businesses. Be patient, focus on your goals and never lose sight of your core business. Remember: every big business was once a small business.

CALCULATING OPERATING COSTS FOR YOUR SMALL BUSINESS

Before you hung an "open for business" sign on your door, did you take the time to calculate your monthly operating expenses? If not, it's never too late to start now. Follow the steps below to forecast your costs, and improve your likelihood of financial success. The last thing you want to do is be serving customers while already in debt yourself. Take control of your expenses and work towards long-term prosperity.

MONTHLY EXPENSES

Begin by listing all of your fixed monthly expenses. These are the figures that will reoccur from month to month at approximately the same value. Some examples include: rent, licences, permits, utilities and insurance. Then, add in your variable operating expenses, which can sometimes be unknown and tougher to forecast. To improve your accuracy, make some cold calls to get estimates based on the size and type of your business. Some examples of such expenses include: equipment upgrades and replacements, remodelling, maintenance fees, professional services (legal, accounting, etc.) and marketing.

In addition, you'll want to add in a contingency budget for items that may arise unexpectedly like contract labour, repair work and more. A typical contingency budget can be estimated to be 10 per cent of your operational costs. If you don't end up using these funds each month, allow them to add up as a safety net in case any larger expenses arrive down the road.

STAFFING

If you have staff who assist in your operations, you'll need to budget for their wages, and your own salary, too. Employee wages can be calculated as a recurring expense, as well as any taxes, insurance and benefits. If your employees are paid weekly or bi-weekly, be sure to calculate their wages as a monthly figure to add to your list of expenses above. If staff operate on different shifts, try to keep the number of hours scheduled fairly consistent for a more accurate prediction of staffing costs.

TRACKING

Keep track of your expenses. Whether you hire a professional to take care of your finances, use computer software or keep records on your own, make sure all items are recorded in full. Then, at the end of each month, you'll be able to see how you ranked for each item—over or under budget—and make adjustments, if necessary. As your business grows, you'll be able to better project your expenses based on this history, and also be able to determine your business' financial status at a quick glance.

FINANCING

If you've totaled up your forecasted figures and aren't sure if you can come up with all the funds, connect with iCapital about your financing options. We believe getting money for your small business should be painless, and we do everything we can to make it so—from our easy three-step application process to giving you the attention you deserve as a customer.

As you go about determining the operating costs for your small business, prepare to play somewhat of a guessing game. Although you'll make your best predictions, you'll eventually need to circle back and update the figures with your actual spend. But, by using the tips above, you should be able to improve your expense forecasting, and ensure long-term success.

HOW YOUR COMPANY STRUCTURE CAN SAVE YOU MONEY

By protecting your assets, reducing your taxes and/or otherwise minimizing your costs, the legal structure you choose for your small business is one of the most important decisions you'll make as a small-business owner.

Sometimes the choice is obvious. If your revenue will be above a certain threshold, and/or you buy a franchise, then incorporation is probably your best option.

But when your choice isn't clear, making the wrong one can be a costly mistake. The following are some of the basic company structures used for Canadian businesses.

SOLE PROPRIETORSHIP (SP)

Before we discuss SP's, if your revenue is less than $30,000 a year, you don't necessarily need a compa ny structure at all. You can simply operate under your personal name and pay personal income tax.

When your sales go over $30,000, you are required to charge and collect GST/HST, for which you need a registered business. An SP is the simplest and least expensive form of a registered business.

In an SP, you are the business, one and the same, except you track your business income separately to collect GST/HST. While they are fast, easy and inexpensive to start up, SP's offer no protection for your personal assets should any actions be brought against the company.

PARTNERSHIPS

A partnership works exactly the same as a SP, but more than one person is involved in the company. Partnerships are started with partnership agreements which outline how risks, liabilities, assets and income are shared by the partners.

Limited partnerships allow partners to join the company without necessarily being involved directly in the company's operations and without being exposed to all of the risks of the company.
In Limited Liability Partnerships (LLP), which are preferred by many professional firms, including accounting and law firms, partners are only financially responsible for their own liabilities within the company.

INCORPORATION

If they haven't done so, the decision to incorporate is in the back of the minds of every small business owner. In a nutshell, incorporating separates the owner(s) from the business. In law and for tax purposes, the corporation is a standalone entity and its owners are not liable for any risks the corporation takes. In other words, as the owner of a corporation, your personal assets are protected from any liabilities of the corporation.

But incorporating is the most expensive company structure. In addition to incorporation fees, there is more pressure to hire professional accountants to manage finances and taxes, and there are additional tax reporting requirements and paperwork.

On the plus side, corporations let you minimize your personal taxes by offering different options for compensation, including dividends and bonuses.

Your company's structure can take many other forms, including joint ventures, dealerships and licensing agreements. But in each case, your involvement in those structures will be in the form of one of the basic business structures listed above.

Sources:
www.sfu.ca
www.ic.gc.ca

WAGES: WHAT SHOULD YOU PAY YOUR EMPLOYEES?

It's a simple question with complex answers. And when you hire employees for your small business, you need to have the right answers or it could cost you more than you'll ever know.

WHAT DO I PAY MY EMPLOYEES?

Except for following minimum wage laws, there is no set formula or guideline for employee pay scales. But there are a number of ways to help you determine the pay that you want to offer.

If your business needs employees who are considered 'unskilled', like those in the retail or restaurant industries, minimum wage is a good starting point.

When minimum wage is OK. Depending on some or all of the factors listed below, minimum wage is acceptable for many job positions. Servers in restaurants generally expect minimum wage because the tips they receive add to how much money they take home.

Retail workers who are not required to sell, have any particular skills or do heavy labour are also more accepting of minimum wage.

Consider All the Costs of Minimum Wage: While it may be appealing to pay employees the absolute least amount allowed by law, you should also consider the other costs. Minimum wage positions usually have a higher employee turnover rate than higher paying positions. Each time you hire a new employee, you incur costs in recruiting, interviewing, training and paperwork. Productivity is another factor. Minimum wage employees are less motivated 'go the extra mile' than higher paid workers. Very often it can be less expensive to pay your employees more.

OTHER FACTORS THAT AFFECT EMPLOYEE WAGES

From talking to other employers in your industry to using online salary calculators, there are a number of ways to find out what workers make in your business sector. But every business and employee have unique circumstances that affect wage levels.

- **Location** – Starting with the minimum wage, which ranges from $10 per hour in New Brunswick to $11 per hour in Ontario, wages are different in different parts of the country. Even from city to city in the same province, wages can vary based on the cost of living.

- **Full-Time or Part-Time** – Very often an employee will accept a somewhat lower hourly wage to get a full-time position. But if you don't have enough work to keep the employee occupied, the lack of productivity can make it more worthwhile to pay a higher hourly wage to a part-time employee.

- **Experience** – Even in positions that are considered unskilled, hiring employees with more experience, and offering them a somewhat higher wage, can payoff in savings from less training and increased productivity.

- **Benefits** – If you have a number of employees, consider offering employee benefits in lieu of higher wages. Many workers value medical and dental benefits more than their dollar value in salary. Even without a formal benefits program, offering a delivery person a company cell phone, or a monthly transit pass to a regular employee, both of which can be used personally, can save you more in wages than the cost of the benefit.

- **Commission** - Commissions are another great way for you to offer employees the potential to earn more without committing to pay them more than a certain wage. Employees will be motivated to increases sales and those sales will allow you to pay the extra commission.

In the end, the compensation you offer your employees is entirely up to you. One restaurant in Pittsburgh, Pennsylvania, recently opted to get rid of its tip policy and instead pay its servers $35,000 per year, including benefits and shares in the company. Your job is to find a pay level that minimizes your wage costs while maximizing the value you get from your employees.

KEEPING BUSINESS AND PERSONAL FINANCE SEPARATE

It may be easy, as a business owner, to blur the lines between your personal and business finances. But keeping the two distinctly separate is the best way to ensure financial growth and security. If you haven't detached your work and personal finances yet, below are five ways to get started.

SEPARATE YOUR BANKING

Creating a business chequing account and applying for a business credit card are your first steps. Deposit income and pay your business expenses from these accounts only; they distinguish you from a hobbyist to a business owner. As a new entrepreneur, it may be difficult to get approved for a credit card at first, but keep trying (especially as your business evolves). This way, your banking will be completely separate, making tax filing less of a headache. Further, keeping your personal expense receipts filed away in a separate location from your business receipts will go a long way to show proof of your business expenses, in the event you're ever selected for an audit.

Some small-business owners may even keep their finances separated at two different banking institutions so there's absolutely no confusion among bank account numbers. It's an extra step when you're first starting out, but may save your sanity later when you need to separate different transactions as they occur.

PAY YOURSELF A SALARY

Each month, write yourself a cheque or send yourself an e-transfer for the same amount to pay your own salary. This will help you budget wages among all your staff (yourself included) and properly transfer income into your personal chequing account. Make deposits from your business account to your personal account for your salary only, and ensure the paid amount is consistent from month to month. Being able to show your income will also assist if you need to apply for a loan, line of credit or other application that requires a statement of income.

ESTABLISH A LEGAL ENTITY

A secure way to protect your personal liability is by establishing a separate legal entity for your business. This can limit your tax burden, but also protect you from liability if your business were to get sued. When determining the best business structure for you, consider such factors as: the number of employees you'll be hiring, your financing goals, long-term tax implications and more. Seek professional legal advice to determine whether a sole proprietorship, joint partnership, limited liability company or corporation fits your business best.

KEEP HOME AT HOME

Ensure your family understands your business' status, especially if they're involved as employees or in assisting with your finances. Further, keep the lines between family expenses and business expenses separate. This can include dining receipts, travel, home utility costs (if you have a home office), mileage in a family vehicle and more.

TALK TO A PROFESSIONAL

If you think you may be misfiling an expense, or if you're having difficulty getting your figures separate, talk to a financial advisor. They'll be able to assist you in working out a system that works for both you and your business.

Maintaining boundaries between personal and business finances starts at the beginning. Establish these practices early on, and they'll quickly become routine. If you've been operational for some time and still need to get your finances separated, it's not too late. Have a plan, and seek professional financial assistance, if required.

SIMPLE STRATEGIES TO MANAGE YOUR SEASONAL INVENTORY

When it comes to managing seasonal inventory in the retail sector, careful planning is key. Many retailers find themselves in a balancing act between avoiding left over inventory and also empty shelves. To escape heavy markdowns at the end of a season and potential cash-flow problems, follow these strategies for profitable results.

PLANNING

Start each season with a plan, and start early! Review last year's sales data, and take notes on tactics that worked and those that didn't. Organize your information into a planning document that works for you (spreadsheet, database, etc.), and break down each season's data by category or time frame. This way, you can review each season's details at a glance, well in advance of its arrival.

TIMING

You can never start your planning too early. While customers don't need to worry about winter boots in April, you do! For most retailers, peak sales occur between Halloween and New Year's, so think well ahead about when you'll need to order (and re-order) these items in time for your busiest season. But just because you received your summer sandals shipment in February, doesn't mean they need to hit the shelves then, too. As you plan your inventory orders, plan your seasonal merchandising schedule as well.

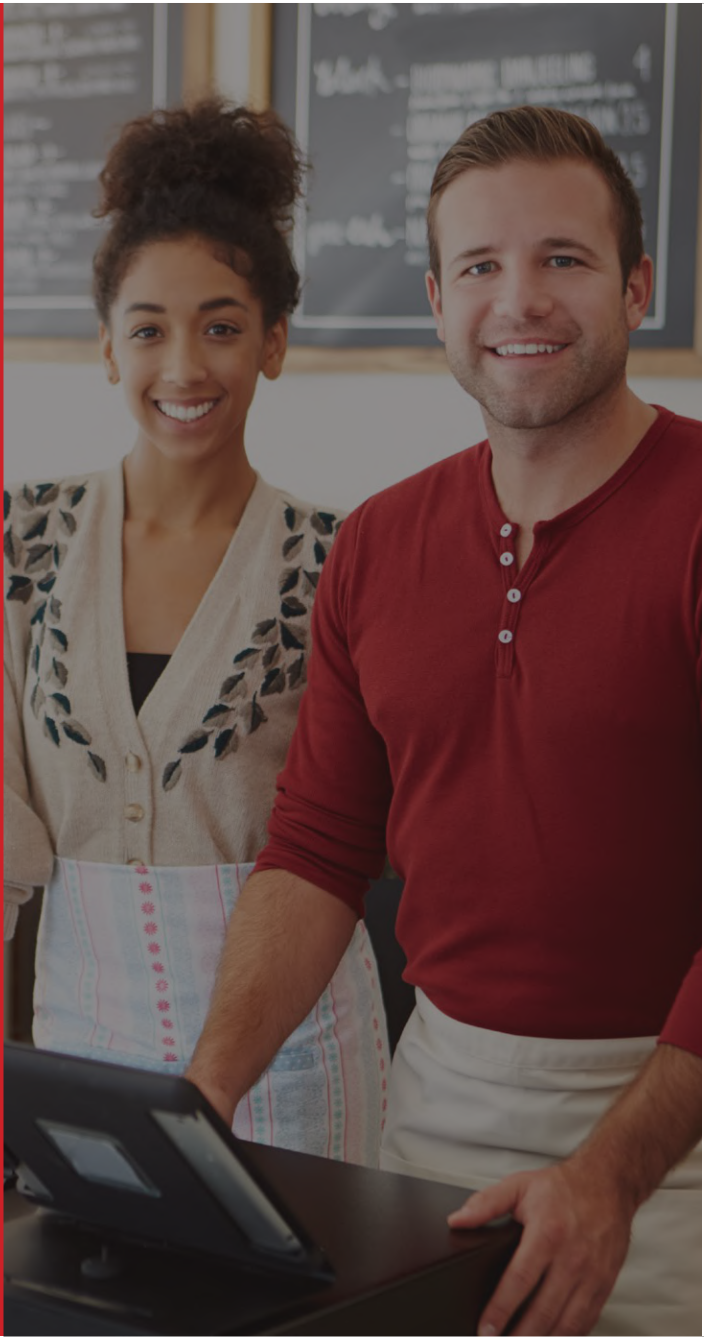
REPEATING

Avoid empty shelves and re-order often. Look back at your sales plan for items that sold quicker than anticipated in previous years. If sales trends are set to continue, these may be the items you want to re-order more frequently this year. Having these items in stock will keep your cash flowing, and your customers coming back often. But, be sure to look at your data carefully and analyze the current year's trends to prevent overbuying and overstock.

MARKETING

By now, you should know what your best sellers are for each season. Take advantage of these, and incorporate them into your seasonal marketing plan. Yes, there certainly is a lot of planning involved. But the more work you do to manage your inventory strategy ahead of time, the less time you'll spend later marking down unsold merchandise or trying to return it to the manufacturer.

As you move through season to season and year to year, the balancing act of inventory management will become more stable. The key is continually plan throughout each season, maintain detailed records and keep abreast of market trends. Make adjustments to your plans, where necessary, and be sure to engage with your customers. After all, they're the driving force behind your careful planning.



SUCCESSFUL BUSINESSES BORROW MONEY:

FIVE REASONS WHY

Small-business owners, even the most successful ones, will almost all reach a point in their career when they're short on funds. Whether it's to purchase new equipment, expand their enterprise, hire new staff or any other reason, many will opt to borrow money to cover such expenses. This decision is a common one, and a normal one! Below are five reasons why successful small-business owners will often choose to borrow money in order to make money.

EXPANSION

As a successful business, if you don't invest in your enterprise, someone else will. For this reason, many small-business owners will capitalize on their own growth instead of being overtaken by the competition. With the future in mind, many small-business owners will opt to borrow money to fund their expansion, rather than sit on the fence until they can fund it themselves. While expansions may come with a large price tag upfront, the intent is that they will drastically affect your business for the better, and pay off down the road.

CASH FLOW

Do you enlist the services of third-party suppliers, such as maintenance crews, cleaners, distributors, manufacturers and more? Often, small-business owners will pay these suppliers before they settle their debt. This can affect cash flow. To keep the cycle moving, a certain amount of working capital needs to be readily available. This can often be financed through profits, but what happens during your slow season? Oftentimes, small-business owners may opt to borrow money to avoid any cash-flow interruption.

SEASONAL GAPS

Depending on the nature of your business, you may have a season (or two) when your sales are through the roof. And, while you're still successful, you may also have a stretch of time where transactions slow down. Having funds available during this time may be beneficial for you to look at office renovations, upgrading equipment or other purchases that will benefit your business in the long run. If you don't have cash immediately available during your slow season, borrowing funds can help you take advantage of this downtime to focus on growth opportunities.

UNFORESEEN EVENTS

Even if you're miles ahead of the competition, unexpected events happen, and all of them require extra cash. Sometimes it can be a great scenario: a product launch that surpasses your expectations, requiring additional production and distribution just to keep up with customer demand. Unfortunately, sometimes the scenario can be detrimental, affecting your entire operations and your cheque book. You may need a quick loan just to stay afloat. Plan for the unexpected; consider having a line of credit available to help you through these times in a pinch.

PERSONAL FUNDS

While some may delve into their personal funds to cover unforeseen costs, it's best to keep your business accounts and personal accounts separate. Funds set aside for your family, education or travel, should stay where they are. Borrowing money for your small business ensures your transactions are kept separate, and that your personal life doesn't enter into debt as well.

Ultimately, the choice of whether to borrow money or not is up to you as the business owner. All factors considered, debt can be a valuable development tool; but it's definitely not for everyone. We all know there's a cost to borrowing money, and too much debt (or poorly managed debt) can quickly escalate into a large problem for your business, no matter how successful you are.

LINE OF CREDIT VS. SMALL BUSINESS LOAN:

WHAT'S THE DIFFERENCE

Whether you are in the early stages of operating a small business, planning for growth or making large investments, you'll need money. Small-business loans and lines of credit are two options you might consider, but which one is right for you? Read on to see how various factors differ among the two.

QUALIFICATIONS

When obtaining a loan, the amount you apply for is not the deciding factor for approval. Important considerations when applying for additional financing include your organizational skills, knowledge of your industry and the loan's intended purpose.

For a line of credit, unfortunately, many businesses won't qualify due to their credit scores, length in business or their particular industry. Banks tend to view some sectors as "unstable" or "risky," such as the restaurant, retail and auto industries.

TIMING

Upon securing a small-business loan, its funds would typically be received when needed, as they're normally granted for one specific purpose. However, a line of credit is normally set up in advance, as it doesn't necessarily fund just one specific item. For this reason, money from a business loan is used one time, but a line of credit is revolving and can be used multiple times.

In addition, it takes time to receive a line of credit and, when you need money quickly, small business loans can be in your bank account within 24 to 48 hours.

PAYMENTS

If you've been granted a small-business loan, you'll make consistent payments from month to month. Take pride in having peace of mind that your payments will remain the same with no surprises. This is because you were only lent one amount with a fixed interest rate. On the contrary, with a line of credit, you make payments on the money you draw, so this figure will fluctuate.

With small-business loans being predictable, the payments go towards principle and interest. With a line of credit, you control the payment—which has its benefits—but can leave you paying just the minimum (i.e. just the interest and never getting out of debt). Small-business loans offer you the advantage of an end date and a clear repayment plan.

INTEREST RATES

While loans may have higher interest rates, they are normally fixed and based on the full amount of the loan. Lines of credit will have lower rates, but they will vary and are dependent on the amount you draw. This means that if you're late on a payment or go above the credit line, your interest rates will go up.

DRAW SCHEDULE

With a loan, the funds—in their full amount—are issued when all documentation with your lender is signed. However, with a line of credit, a business is able to draw amounts as needed, and as often as needed, so long as the established credit line amount is not exceeded.

Bottom line? The choice is yours, as the owner of your small business, to select the financing option that works best for you and your cash flow needs. Both loans and lines of credit can help to fund your operational needs, but each business' situation is unique.

At iCapital, our funding process is simple and straightforward. We give you the money you need today, and an agreed upon payment is remitted from your bank account five days a week until the amount is paid off. And, you can get the money in as few as three days.
Contact us to learn more.

ABOUT ICAPITAL FINANCIAL SERVICES

CANADA’S MOST RELIABLE AND RESPONSIVE BUSINESS LOAN ALTERNATIVE PROVIDER

iCapital is the best small business loan alternative in Canada. The “i” stands for “intelligent” and it really is the smartest and easiest way for entrepreneurs to get access to the money they need. The funds are repaid over time and there are no restrictions on how the funds are used—it can go to anything from purchasing equipment and advertising to buying out a partner, expanding, and solving cash flow challenges. The customer care team work directly with business owner to determine which of the two funding options is best for the client. Unlike applying for a bank loan, iCapital’s program is hassle free and stress free.