

Setting Yourself Up For Success From Start-Up To Selling Your asset

When my partner and I started our business 10 years ago, I never had a vision of creating a job for myself, but I was very eager to build a lifestyle with an eventual retirement plan. Since my early 20's I have always dreamed about being a business owner, and being retired before the age of 65. In my family, I am a third generation entrepreneur. I am wired to be a business owner. That's not to say, that there have been days when I was ready to "throw in the proverbial towel". If I would have listened to the comments and laughter of friends and family when I said I wanted to start my own business, I still would be working for someone else and complaining about it every other day.

I had previously been an employee of big corporate multi-nationals which included holding various business development positions. Two of my past employers were Dow Chemical and Pfizer Pharmaceuticals. I am so grateful for the time spent with each of these giant multi-national corporations; I gleaned a lot of valuable experience within these colossal communities. I have had regrets over the years about not starting a business sooner, but the reality was, I picked up a lot of valuable experience along the way. Without that same experience, I am not sure I would still be self employed. There were a few times where my business partner had to talk me down from the ceiling to remind me of why we started our business in the first place. (Thank- you Paul).

Prior to starting our business, I had 25 years of business development experience. This past 10 years, we have been advising small business entrepreneurs in how to run their operation profitably, and efficiently. My role has evolved over the years. It was initially my responsibility to grow our business by seeking out new business clients. My position has slowly evolved over the years, and for many clients I now have brain storming sessions with them. These sessions involve a lot of dialogue about building and growing their own successful businesses. What I have personally experienced with a myriad of entrepreneurs has been the basis for this E-Book.

It never ceases to amaze me how many people are willing to risk it all to get into business with really no solid plans for staying in business, or growing their business. Time and time again I continue to shake my head, and ask myself "what

were they thinking?” Don’t get me wrong, there are a lot of really amazing business owners that we have as clients. I know many entrepreneurs that believe in and have a strong work ethic, they are ready to adapt to ongoing change, and seeing the importance of building a circle of influence of professionals. But, for as many successful business owners we partner with, there are many again that are holding themselves back by not properly planning for success in their business. It is my personal opinion that business owners don’t plan to fail, they just fail to plan for growing their business. The following is a step by step guide (if applied) that will help increase your chances of success in small business.

Step #1 Business Plan 101 – Why Do I Need a Business Plan?

A business plan is so important because it actually serves as a compass for the direction your business will take in the future.

The fact is, as many as half of new startups fail in year one, then 50 per cent of those won’t see the end of year five. That’s a high failure rate when you consider 98 per cent of Canadians work in small business.” “The speed at which you can get into business means people aren’t taking the time to consider what they need in place to run a profitable business or get funding. In fact, three in five SBOs started without any kind of business plan.” Financial Post, October, 2015

We all know that there is no magic solution that will guarantee business success. However, the following points will assist you in improving the chance of success according to **Dun and Bradstreet, March, 2015**. (They had a list of 10 points these are the top 2)

- Development of a business plan
 - Capturing accurate financial data about the business in a timely manner
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- **Tim Berry (business software founder of Palo Alto) was reported on some new data showing the value of business plans. (June 2010)** He asked 1000’s of its software users to fill out a survey regarding their businesses, their goals and business planning. The responses showed that those who completed business plans were nearly twice as likely to successfully grow their business or obtain capital versus those who did not write a plan. Here is a breakdown of the results of that survey:

(2,877 people completed survey)
(995 of those did a plan)

- 297 of them (30%) secured a loan
- 280 of them (28%) secured investment capital
- 499 of them (50%) had grown their business

In Summary, Why Write a Plan?

- It helps you think long term, about the big picture, not just about starting a business, but most importantly – **STAYING IN BUSINESS** and **GROWING THE BUSINESS**
- Secure funding – Some would say that presenting a plan will double your chances of obtaining funds for start –up or an expansion
- Increase business – It is my personal opinion, often entrepreneurs who do not have a plan for growth, can expect the same or decreased revenue year after year which could ultimately end up in business closure.

Based on my past 35 years of experience, in most cases business planning appeared to be positively correlated with business success. In soft economies, it has been my experience if you have a plan, your business will not erode like the business owner that does not plan for growth. I'm not saying that completing a business plan guarantees success; however, it sure gets you going in the right direction. Not only is it important to have a plan, but to track your results.

Step #2 - What Are The Most Effective Marketing Strategies?

The most effective strategies are the ones that you, or somebody you hired, will work consistently.

Most marketers are not in a position to be forking out thousands or even hundreds of dollars, it is important to research the most cost effective and more importantly, the most effective marketing strategies **for your business**. Don't jump around from one thing to the next; this won't produce the desired results you are looking for.

Popular Types of Marketing Strategies

- Facebook
- Twitter
- Linked In
- Website (a definite must, especially if you are a new business)
- Online Marketing (SEO, coupons, Intro letter, newsletter)
- Direct Mail Marketing (sending a brochure)
- Writing Educational Articles
- Tradeshows
- Radio/Newspaper Advertising
- Networking Events or Sales Calls
- Referrals
- Stellar Customer Service
- Texting

When Do I Market My Business?

When I get asked this question, my answer is always “how long do you want to stay in business?”

- Diverse marketing strategies keep your company viable at all times. From start-up to preparing to selling.

Grow Your Business to Sell It:

It is always easier to sell a business whose sales are growing than one in a downward trend or even flat. Buyers generally want to invest in a company that will provide them with a good return, so they're willing to pay more for a business that has a positive trend and outlook.

Benefits of Marketing:

- Describes your product or service to potential buyers using a variety of techniques
- Establishes your brand and the benefits or values associated with it

- Gives you the opportunity to explain what needs are being met with your product and educate at the same time
- Develop relationships with possible future partners or possible clients
- Describe how your product or service is different than others on the market and who your ideal client is

Top Challenges as a Marketer:

- Dealing with budget restrictions
- Differentiating yourself from the competition
- Identifying market opportunities and targeting suitable clients for your business model

Marketing Within Your Budget:

A benchmark for determining the amount of advertising dollars you spend on marketing per year should range anywhere from 1 percent to 10 percent of sales, or possibly more, depending on several factors, including 2 very important ones:

- How much can you really afford?
- How established is your business?

Don't forget that some of the most essential marketing tools today are also some of the most cost-effective, such as your website, and social networking sites like LinkedIn, Facebook, and Twitter.

Get Maximum Mileage for Your \$\$\$

- Don't over-present yourself.
- Do not overpay for outside design talent (if at all).
- When you can, do the work yourself, or find somebody within your business that has the talent you are looking for
- Re-use existing advertising content and images to reduce further costs. You can cross promote with the same marketing piece or design.
- There is some very cost effective software design products for the newbie

Step #3 - How Important Is Customer Service?

As mentioned previously, the failure rate for new business start-ups is very high in the first year and approximately half of those who survive will still be in business the next 5 years. Customer service is the “lifeblood” of your business, this is what is going to separate you from your competition. Something I learned from a professor years ago, and it always stuck was “the difference between you and your competition will be service, service, and service”.

In a recent survey on entrepreneurship, 60 % of Canadian Federation of Independent Business members indicated customer loyalty is one of the most important factors for success. Loyal customers help a business thrive. "A customer is the most important visitor to our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so." Mahatma Gandhi

The above excerpt reminds me of a huge mistake I made in my past sales career. I was a dental sales professional. I called on all of the dental health care professionals for many years in a large territory. I had booked an appointment to see a dental office on what would have been my day off. It was a Friday afternoon and I drove an hour to visit this office. When I showed up I was told that the dentist had made a decision to go with my competitor. I was angry that they didn't have enough respect for me to call me and cancel the appointment. They had played me to get a better annual quote (in writing) which they used to get a bigger discount with my competitor. Needless to say, I didn't handle this very well. I should have thanked them for the education on not what to do in a situation like this on a go forward basis, but instead I took the easy way out and showed my displeasure at their lack of respect for me. What were the chances of me ever getting them as a client in the future? What if this dentist moved on to another bigger practice that I had as a valued client? He could potentially impact my future business elsewhere down the road. Never react negatively to a situation in business, this will happen, nothing personal. It's business. Don't spend too much wasted time agonizing on what could have been, but spend time on what could be, and that's building your business.

Retention of Quality Clients

This is a task that companies of all sizes and types must participate in if they are to thrive and grow. In order to hold on to a customer base, businesses must offer quality products at prices customers can afford, establish and maintain a relationship with those customers, and motivate the customer to feel personally invested in the company. In addition to that, their referrals will help you to grow your business.

Along with quality and price, building rapport with customers is very important. This means making it a point to get to know clients and proactively discuss what the products offered can do to help meet their business needs. One way to obtain that information is to engage the client in conversation. Most people enjoy talking about themselves and what they do. During those conversations, connections can be built that open the lines of communication in ways that allow salespeople (if you are the owner or partner of a business, you instantly become a sales person) to pick up on little things they would probably miss otherwise. This ongoing line of open communication can do wonders for retaining customers, who are more likely to turn a deaf ear to competitors, simply because of the personalized attention. This is what I like to call a customer centric position.

Most people know how important sales are to the success of a small business. That's why the sales function is so critical to any business. Not enough people understand just how important building and maintaining the customer base, responsible for that revenue, really is. It should be the number one objective of every single person in the business.

But while most small businesses are focused on the sales they generate, not as many focus enough time on the current customer base that represents those sales. It is the customer base that is also the lifeblood of the company's future success. The relationship you build with that base determines how you grow...or not.

A Customer Today Is Job Employment Tomorrow

While the customer is a source of revenue from their initial purchase, they have the potential for additional revenue from new sales in the future. Its way easier

and more profitable to up sell an existing customer than develop a new one, and far more cost effective versus going out and marketing for a new customer. That customer relationship can almost be viewed as a distribution channel for future business revenue. It depends exclusively, on how well that relationship is nurtured and managed.

Creating a Personal Experience for the Customer

Every prospective or current customer wants and expects a live, friendly person ready to help them when they are looking for assistance. Your goal should be to provide a great and lasting first impression. That's where the building a customer base begins.

This reminds me of another sales experience I had several years ago. I was calling on a hygienist I would only see a few times a year because of her remote area she practiced in. I could tell she wasn't into the business meeting. I sensed there was something wrong, and I wasn't sure if she had an issue with me, so I asked her. It turns out that she had just found out her husband was divorcing her, for another woman. I was so shocked that she would share something so deeply personal with me. As it turned out, I had just gone through a similar situation a few years prior. I could relate to how painful her current experience was. At that moment I shut my briefcase and shared my personal story. I told her this (and I sincerely meant it) was far more important than business and I shared how I overcame and grew from a very painful divorce myself. I didn't do this to look like a hero, but we connected on a whole different level. After an hour, I left sincerely hoping that I was able to give another hurting woman some hope for her future. I left without an order that day, but I simply didn't care. I felt good about being able to provide someone with a hint of hope when life looked so bleak for her that day. The reason I am sharing this story is that hygienist never forgot what happened. I had travelled to her remote area in northern Alberta in the middle of winter and could care less that I had left empty handed. As it turned out, unbeknownst to me, she was a hygienist in two other offices. These were 2 offices that I had never been able to grow my business in for years. Because of what she viewed as a kind and sincere gesture, she helped me to build my business in other areas where I couldn't on my own. You see, this is a perfect example of why you never burn bridges, ever.

Another situation comes to mind. Many years ago, I was making calls on Valentine's Day. I was a single mother and thought of all of the people that would be receiving roses that day. I knew I wouldn't be, so I thought wouldn't it be nice to purchase a dozen red roses that day for every dental office I would visit that day, I would present the dental health care professionals with a single red rose. This way I enjoy the roses all day, and hopefully brighten someone else's day. I was so moved and inspired with the reception I got from all of the people I dealt with that day. My clients talked about that gesture for years to come. I didn't do that to make myself look good to others; I did that because I genuinely wanted to brighten my day, so I would forget how lonely I would be on Valentine's Day. I was blessed beyond comprehension. Genuine, random acts of kindness are a beautiful way to bless others, and it helps you to view the world in a more positive way.

A Word of Caution

- Avoid being too sales-y. Give your customers honest facts as to why your product should be their choice over others. If they politely refuse, don't push it. You risk upsetting customers and scaring away business if you push too hard, so learn to suggest rather than force.
- Be genuine

Step #4 - Understanding and Growing Your Numbers

Sales Forecasting For Success

A sales forecast is a prediction based on past sales performance and an analysis of expected market trends and conditions. The true value of a forecast is that it makes us look at the future objectively and it also makes us accountable. The business that makes note of the past, is aware of the present, and analyzes that information to plan for the future.

Sales forecasting is also a self assessment tool for your business. You have to keep taking "inventory" of your business to know how healthy your business is. It really can make the difference between surviving and being highly successful in business.

All too often I am finding that entrepreneurs do not have any concrete business growth plans. They know they want to grow the business, they are just not sure how, and more importantly, how to get that on paper and track the results.

If you get too busy to plan for growth and tracking the results, next thing you know, you have shelved the plan altogether. Sometimes, we get too busy working in the business, and not planning for “**growing the business**”.

GETTING STARTED

You will need to take into account sales growth expectations. For small business owners, using sales forecasts requires accessing your past results, taking into consideration the market you are selling your product to, and any expected or recent corporate changes, as well as being aware of economic trends in your area.

You also need to consider building into those plans new products you have added to your portfolio, etc. Forecasting is the key to monitor, manage and control change in your business environment.

Benefits/Results of Forecasting

- Enhances your cash flow = increased revenue
- In-depth knowledge of your type of customers and the type of ads they buy from you. Why would you want to know that? You know where to spend your advertising dollars
- The ability to identify the pattern or trend of sales (focus on what’s generating revenue for you)
- Increase customer retention
- identifying markets to grow your business

What good is a forecast if you are not measuring your performance against the plan? You need to know the results in order to adjust your methodologies. If you are really down in an area that is usually viewed as your bread and butter, you may have to put more efforts into that product/service. Especially, if you have peaks and valleys in your fiscal year. If you do quarterly reviews, it may be too late to capture lost sales because you were simply too busy.

Step #5 - Building a Solid Forecast Needs Tracking

What good is a plan if you do not utilize it? All too often people have good intentions and build a forecast, and then get too busy to track results, the next thing you know, they have shelved the plan altogether, and they cannot figure out why they get stuck and never grow their business. They are too busy “working in the business” and not planning for “growing the business”.

- Tracking your results is important because if you can't measure it, you can't use it
- This is a simple task that is often skipped over when going through the day to day activities of running a business and that is tracking information.

You can't reach your sales goals without knowing where you are now. I suggest you track everything from the number of customers you see, presentations you do, dollars spent on advertising and of course deals you make.

Step #6 – Knowing How to Turn Your Business Into a Profitable One

Knowing Your Gross Margin

- **Gross margin** is the difference between revenue and cost of goods sold, or COGS, divided by revenue, expressed as a percentage. Generally, it is calculated as the selling price of an item, less the cost of goods sold.

The higher the percentage, the more the company retains on each dollar of sales, to service its other costs and debt obligations.

Break Even Point

What is a breakeven point, and why is this an important measurement?

It is a simple calculation. With this information, you will know how many sales, clients, or dollars you will need to break even... and how many you need to make your profit goals.

Break even is a measurement (a revenue point) in which your fixed costs have been covered and any additional revenue will begin to generate you a profit. If your sales and revenue are operating below the breakeven point... you will not have a business for the long run.

HOW IS MY BREAKEVEN POINT CALCULATED?

| PROFIT AND LOSS | BREAK EVEN CALCULATION | |
|-----------------|-----------------------------------|----------|
| A | REVENUE | \$ _____ |
| B | COST OF GOODS SOLD | \$ _____ |
| | | |
| C (A-B) | GROSS PROFIT | \$ _____ |
| D (C/A) | GROSS PROFIT MARGIN | % |
| | SALES, GENERAL, & ADMIN. EXPENSES | \$ _____ |
| | WAGES & SALARIES | \$ _____ |
| | OTHER EXPENSES | \$ _____ |
| F | TOTAL EXPENSES | \$ _____ |
| | | |
| G (C-F) | NET PROFIT | \$ _____ |
| H (G/A) | NET PROFIT MARGIN | % |
| | BREAK-EVEN CALCULATION | |
| F/D | TOTAL FIXED EXPENSES/GROSS MARGIN | \$ _____ |

Strategies to Minimize Your Tax Liabilities

- In certain circumstances, the CRA will allow income splitting which is transferring income from higher income earners to lower income earners that are tax at a lower marginal rate.
- Align yourself with an accountant that understands small business and all of the deductions that go along with that
- Contribute to a retirement plan
- If possible, defer income

- Structure your business the proper way. Sole prop. vs. Incorporating
- Be informed as to what the best compensation is for you and your business. Salary versus dividends?
- Look at creating a health plan within your business

Step #7 - Plan To Be a Success In Business

To increase your chances for success in business today, and to obtain winning results, you need to have a plan for growth, a winning mind, be open to change; you must have thick skin and have a warrior spirit. Bottom line, nothing comes easy, and that includes building a successful business.

If you are up to the challenge, you have a strong work ethic, and are committed to make things work, success in business is possible. Surround yourself with positive business people, loyal friends and exceptional staff. Always be open to constant learning, constructive criticism and finding a mentor that understands what it takes to build a successful business. Most importantly, don't get so busy that you forget to enjoy the ride.

“Many of life’s failures are people who did not realize how close they were to success when they gave up”Thomas Edison