

*Planning on going
into business?*

Disponible en français

2009

WHAT WE`VE DONE FOR YOU! This booklet has been written to assist you through the planning stages of establishing your new business. It is a guide through the “nuts and bolts” of setting up. However, businesses in different sectors have different considerations when starting a new operation, especially with respect to required licenses and permits. This booklet will provide you with contacts to find out about any specific obligations for your business.

1.0 BEING PREPARED

Most entrepreneurs understand that there is a great amount of work involved in starting their own business. However, five out of ten businesses don't survive the critical first years. Knowing why previous businesses have failed may help you to avoid the same pitfalls.

REMEMBER THE SIX P's WHEN STARTING OFF “PRIOR PLANNING PREVENTS PRETTY POOR PERFORMANCE”

Common reasons for business failure include:

- An inability to attract investors;
- Poor pricing of product or service;
- Poor choice of market segment;
- Poor location
- An underestimation of cash requirements;
- An overestimation of sales potential;

Successful avoidance of failure is quite probable if all factors are regarded carefully.

2.0 DISCUSSING YOUR IDEA WITH OTHERS

Before you go any further, you should set up introductory appointments with the professionals who will eventually become your most important colleagues throughout your business career. Some important ones are:

- **Your accountant** - bookkeeping, tax consulting, etc.
- **Your lawyer** - contracts, incorporation, counselling, etc.
- **Your banker** - financing, savings programs, etc.
- **Enterprise South East** - counselling, programs, business plan, etc.

When choosing a particular accountant, lawyer or banker, think of it as building a team. They may not always see eye to eye with you; however, they are experts in their fields and their advice can be invaluable during the start-up phase of your business. Remember that you can never get too much information about your business. Every bit you gather will eventually help you to make better decisions.

3.0 ARE YOU READY FOR BUSINESS?

There are many factors that you should consider before starting or buying a business.

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

Investment - How much money is at your disposal? Most entrepreneurs discover their businesses require more capital than anticipated. The need for adequate financing varies from business to business. You should ensure that you have enough money to allow for all possible contingencies so that you don't have cash flow problems or miss opportunities.

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

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

Family considerations - Will this new business adversely affect your family? Substantial sacrifices in time and money are required in the early stages of any business. You need to determine whether your savings or profits from the business will provide you and your family with an adequate standard of living – especially in the early stages of the business.

4.0 DOING YOUR MARKET RESEARCH

Preliminary market research is essential. Many people believe that if they have a "good" product or service it will "sell itself". This is very seldom true.

Before anyone starts a new business, a very careful assessment should be made of the market for the goods or services to be offered. What is the existing demand? What is the potential? Is it static, growing or shrinking market? Who are the customers? Who are the competitors?

There are some very practical steps that can be taken to examine and measure the market for the business you wish to start:

- Determine the boundaries of the area from which you can expect to draw customers – citywide, regional, national or international?
- Within the boundaries established, study the characteristics of the population to determine how they relate to your business. Look at this populace in terms of its social and economic traits, such as sex, age, occupation, income, marital status, average family size, ethnic customs, education, etc. This is known as demographics.
- Now, consider the buying habits of the populace. Are they price-sensitive or do they look for quality merchandise at regular prices? This will relate to how you promote your product.
- Determine the amount being spent annually for your product or service in this market area. How does this compare with planned sales from the first step? Is sales potential high enough to meet your anticipated needs?
- Consider whether there will be a high enough volume of sales to sustain another business in this market. What will be necessary to attract buyers from their present suppliers?
- Evaluate the strengths and weaknesses of your major competitors. Outline your competitive advantages and evaluate barriers.
- Using this information as a guide, prepare a plan covering the first two years for sales volume.

5.0 DIFFERENT APPROACHES TO STARTING A BUSINESS

It's up to you to determine the best structure for your business. There are basically three ways of starting a business. All of these have their advantages and disadvantages. Here are some:

5.1 - Create a New Business

Advantages

- You select the location, product or service
- You build on the business depending on available money and time
- Start-up costs are usually lower than purchasing another business or franchise
- You select the inventory and suppliers
- You decide when to expand or diversify

Disadvantages

- Uncertainty about the market and no established clientele
- Many personal sacrifices have to be made
- Financing is difficult to obtain
- Uncertain financial projections
- Unproven location
- Greater risk

Steps to follow:

1. Pick a business name
2. Have a search conducted on the proposed name
3. Register the business name
4. Register for HST collection
5. Register for any other permits that would be required

5.2 - Purchase a Franchise

Advantages

- Franchiser has done market study for you
- Start-up costs are known and control systems are in place
- Layout of premises and equipment requirements are provided
- Financing is easier to obtain/less risky investment
- Benefit of national image and strong purchasing power

Disadvantages

- Profits and/or revenues shared with the franchiser
- Franchise contract may favour the franchiser
- Start-up costs are higher than creating a new business or buying an existing business
- Limited freedom to select suppliers
- One franchise getting poor publicity affects all other franchises

Steps to follow:

1. Find the appropriate franchise
2. Request detailed information concerning start-up costs, investment, required financing, etc.
3. Do your homework. Research the industry, start-up costs, profit margins, sales forecasts and other pertinent business plan information.
4. Have a lawyer review all documents before signing
5. Once the franchise agreement has been signed, the business name has to be registered or incorporated
6. Register for all tax collection permits
7. Register for any other permits that would be required (such as health, environment, etc.)

For more information on franchising, a booklet published by the Canadian Franchise Association, **Investigate Before Investing**, outlines steps to be taken before investing. It can be obtained from the address below.

Canadian Franchise Association

5399 Eglinton Avenue West, Suite 116

Toronto, Ontario M9C 5K6 Tel: (905) 625-2896 Toll free: 1-800-665-4232

5.3 – Buy an Existing Business

Advantages

- Established clientele
- Financing is easier to obtain with a proven track record
- Location has proven to be valuable
- Trained employees familiar with customers and product
- Suppliers are established
- Less risky investment

Disadvantages

- Rental and lease terms may not suit your needs
- Inventory may not appeal to your target market
- Business may have a poor reputation
- Premises may violate current legislation
- Key employees may not be willing to stay
- Purchase price may be too high

Steps to follow:

1. Locate possible opportunity
2. Request detailed information concerning year to date and historical financial statements, purchase price (and what this includes), detailed information on all accounts receivables, accounts payables, copies of all signed and binding contracts with either suppliers or customers, a listing of all assets and accumulated depreciation (if needed), and other information which would be relevant in evaluating the actual financial state of the existing business.
3. Do your homework. Research the industry, profit margins.
4. Review and understand buy-sell agreement.
5. Have a lawyer review all documents before signing.
6. Assume ownership.

6.0 DECIDING ON THE LEGAL STRUCTURE OF YOUR BUSINESS

There are three main types of business organisation: **sole proprietorship**, **partnership** and **corporation**. For additional information on all three types of organisations, please contact the Department of Justice - Corporate Affairs Branch in Fredericton (see section entitled "**CHECKLIST OF SMALL BUSINESS LEGAL REQUIREMENTS**").

6.1 - Sole Proprietorship - In a sole proprietorship, one person performs all the functions required for the successful operation of the business. The proprietor is held personally liable for the debts, obligations or acts of the business. The proprietor is said to be self-employed.

Advantages

- Low start-up costs
- Greatest freedom from regulation
- Owner in direct control
- Minimal working capital requirements
- Tax advantage to small owner
- All profits to owner

Disadvantages

- Unlimited liability
- Lack of continuity
- Difficult to raise capital

Costs for establishing a sole proprietorship would include:

- Fee for the proposed name search \$45 + HST
- Registration of the name \$110

6.2 – Partnership - In a partnership, two or more people or corporations combine their talents and resources to conduct business. Responsibility for all aspects of the business is usually shared among the partners, regardless of the amount of capital contributed by each individual. Each partner is also responsible for debt incurred by the other partner(s) within the limits of the business.

Advantages

- Ease of formation
- Low start-up costs
- Additional sources of venture capital
- Possible tax advantage
- Limited outside regulation
- Broader management base
- Distribution of risks/losses

Disadvantages

- Unlimited liability
- Lack of continuity
- Divided authority
- Difficulty in raising additional capital
- Hard to find suitable partners
- Distribution of profits

Costs for establishing a partnership would include:

- Fee for the proposed name search \$45 + HST
- Registration of the name \$110

6.3 - Corporation - Incorporating creates a legal entity that is separate and distinct from its members (shareholders). A corporation generally has all of the powers and capacity of an individual person.

Advantages

- Limited liability
- Specialised management
- Ownership is transferable
- Continuous existence
- Legal entity
- Possible tax advantages
- Easier to raise capital
- Distribution of risks

Disadvantages

- Closely regulated
- Most expensive form to organise
- Charter restrictions
- More expensive for record keeping

The following additional characteristics distinguish a corporation from a partnership or proprietorship:

- **Limited liability** - normally no shareholder can be held personally liable for the debts, obligations or acts of the corporation beyond the amount of share capital the shareholder has subscribed;
- **Perpetual succession** - because the corporation is a separate legal entity, its existence does not depend on the continued membership of any of its shareholders; and
- **Shareholder** - changes are easily made, as ownership of shares in the corporation may be transferred (sold, etc.) without affecting the corporation's existence or its continued operations.

Incorporation Process : As the incorporation process is very involved, it is recommended that you seek the advice of both a lawyer and an accountant. This option will usually cost in the vicinity of \$1,000. Please consult your lawyer for an estimate on the actual costs. Accountants will also charge an hourly basis for consultation.

For individuals choosing to complete this process by themselves, the following costs are the least that will need to be incurred:

- Search of the name
- Registration of the name
- Purchase of seals and books
- Purchase of Share Certificates

Whichever form of business is chosen, a lawyer should still be consulted concerning all legalities, contracts and liabilities.

7.0 STARTING THE BUSINESS

Once you've decided to proceed with the establishment of a new business, many steps will have to be taken to properly set-up the venture.

7.1 - Choosing a name for your Business

The name of the firm is important. It is more important than the name of its owner or owners. When choosing a name for your business, you should follow some simple rules:

- Make it short, simple and easy to remember
- Let it tell the customers what you offer them
- Avoid family names or first names unless you are already well-known
- Avoid worn-out words and phrases in the firm's name, such as "Quality" and "Discount Store"
- Be sure that you are not using someone else's name.

Name Search Companies in the Greater Moncton area

The following firms offer name search services. Prices can range in between the \$42 to \$45 (plus HST) bracket.

| | | |
|---|--|---|
| Dye & Durham Co. Inc. 40 Hennessey Road Moncton, NB E1A 4W8 Tel: (506) 383-8299 Toll free: 1-800-668-9011 | Maximum Search House 80 Gordon Street Moncton, NB E1C 1M2 Tel: (506) 857-2997 | Power Plus Technology Inc. 2731 Mountain Road Moncton, NB E1G 2W5 Tel. (506) 857-9212 FAX (506) 854-9227 Toll Free: 1-877-797-7587 E-mail: jplutes@nbnet.nb.ca |
|---|--|---|

7.2 - Registration of a Business Name

Forms for the actual registration of a business name are available at:

| | |
|---|---|
| Service New Brunswick 770 Main Street Assumption Place (Ground Floor) Moncton, New Brunswick E1C 1E7 | Tel.: (506) 856-2204 Fax: (506) 856-2987 |
|---|---|

7.3 - Taxation Issues

Depending on the nature of your particular venture, you will have to get appropriate permits to collect taxes and source deductions.

7.3.1 - Harmonised Sales Tax

Effective April 1, 1997, the federal and provincial governments harmonised their sales tax. Although the new tax will retain much of the GST operational guidelines, you should call Revenue Canada to get the most up to date information on this tax that will impact your business.

It should be noted that for businesses expecting less than \$30,000 of revenue per year, the registration and collection for the HST remains optional. Please bear in mind that under that revenue ceiling, there are advantages and disadvantages to both registering and not registering. A review of your particular circumstances with an accountant or a taxation specialist would help you make the right decisions regarding this very important matter.

Additional information on the HST can be obtained by calling the Revenue Canada office in Moncton at 50 King Street, telephone 1-800-959-5525.or at www.cra-arc.gc.ca

7.3.2 – Business Number and Integrated Services

The Business Number (BN) gives you a unique identifier that remains unchanged no matter how many or what types of accounts you have.

The BN includes Revenue Canada's four major business accounts:

- Corporate income tax
- Payroll deductions
- Harmonised sales tax
- Import/export

You can get one-stop service from Business Windows located in Revenue Canada tax services offices. The Moncton office is located at 50 King Street, telephone 1-800-959-5525 or at www.cra-arc.gc.ca

7.3.3 – Employer's Number

If you will be hiring employees, you will need to obtain an Employer's number. It allows for deductions such as Canada Pension Plan and Unemployment Insurance. To register, contact the federal Department of Revenue Canada, Regional Taxation Office at 1-800-959-5525.

7.4 – Employee Related Issues

Having a clear understanding of the rights and responsibilities enjoyed by employees and employers will go a long way to establish a good work environment for both.

7.4.1 – Employment Standards

For information on government regulations regarding statutory holidays, vacation pay, paid leave, etc., contact the provincial Department of Training, Employment & Development, Employment Standards Branch 1-888-452-2687, for an information kit or visit the Web Site at: www.gnb.ca **Moncton Office (506) 453-3902.**

7.4.2 – WorkSafeNB

If you will be employing three or more persons at any one time you are required to register with WorkSafeNB at 1-800-222-9775 or Dieppe Office 30 Englehart Street at (506) 867-0525.

If you will be hiring employees, you will also be required to have a copy of the Workers' Compensation Act and the Occupational Health and Safety Act.

If you will be hiring employees, you must be aware of the obligation to ensure proper health and safety training as well as to ensure the safety of employees. For more information or to obtain copies of the Workplace Health, Safety & Compensation Act and Regulations, contact WorkSafe NB at 1-800-222-9775 or visit the Dieppe Office at 30 Englehart Street at (506) 867-0525.

7.5 – Other Important Issues

There are many things to consider when starting and operating a business. Although the following list is not all-inclusive, it does include some important ones.

7.5.1 – Department of Health

Anyone considering opening a business in one of the categories listed below should contact the provincial Department of Health & Wellness for information on any regulations that would apply. In Moncton, please contact [Public Health Services](#) at 856-2401.

- Food manufacturing
- Day Care
- Special Care Homes
- Any type of establishment that handles food
- Nursing Homes
- Restaurants
-

Vandalism and theft : There is always the possibility of vandalism or theft. You should be insured accordingly.

Liability : If you operate a type of business where customers come to your place of business, you should be insured against liability. This would include people falling down on icy sidewalks, wet floors, etc...

Personal disability : Personal disability plans are designed to provide a monthly income to those employees confronted with loss of income during a lengthy or permanent disability.

Benefits (group and medical) : Group benefits can be a great enticement for your employees. Although many people view these as expensive and optional, they do provide a certain amount of assurance of basic health needs for your employees and possibly their dependants will be covered.

Home (business assets) : If you will be conducting business from your home, you will need to insure the business assets separately from your regular residential policy. This would include furniture, computers, office equipment and any other specialised equipment you might have.

Vehicle (business coverage) : If you will be using your personal vehicle for business purposes, you will probably need additional insurance coverage.

For all of the above-mentioned items, you should contact your insurance agent to find out what coverage would be required and what best suit your needs.

7.5.5 – Environmental Regulations and Requirements

If your business will be involved in any of the following general areas you should seek more information. A summary of Environmental Requirements is available at the local provincial Department of Environment & Local Government at 856-2374.

- mining minerals, peat or aggregate
- processing of roundwood timber
- altering a watercourse by dam, culvert, or water removal
- importation of non-native plants or animals
- private solid waste disposal site or recycling business
- discharge of smoke or fumes to air
- discharge of wastewater to the environment (not sewer)
- handling of CFC's (refrigeration/air conditioning)
- water or sewer system for sub-division
- storage of petroleum over 2,000 litres
- selling or commercial application of pesticides

For individuals seeking to commercialise a product, service or solution to an environmental problem, the following organisations could assist in the development of your venture.

Enviro-Access: Enviro-Access supports the start-up and growth of businesses involved in the development and commercialisation of environmental technologies, in order to solve environmental problems at the national and international levels. Expertise includes:

- Business plans
- Search for financing
- Market research
- Search for partners
- Creation of alliances with other companies for specific projects

They can be reached at: 45 Alderney Drive, Dartmouth, Nova Scotia B2Y 2N6
Telephone: 902-426-7231 TTY(Hearing Impaired): (819) 994-0736
Fax: 902-426-6348 http://www.atl.ec.gc.ca/index_e.html

7.5.6 – Other Permits

Depending on the specific nature of your business, other permits might be required in order for you to open a business venture. Additional information on permits may be obtained from the Canada-New Brunswick Business Service Centre at 1-800-668-1010.

A few examples would include: selling milk, selling propane, selling cigarettes.

8.0 DO YOU NEED FINANCING?

In order to successfully operate a business, proper financing must be in place. This could include term loans, lines of credit, venture capital, credit from suppliers, etc. The following is a brief list of some sources of financing.

- Commercial Banks
- Trust Companies
- Credit Unions
- Caisses Populaires
- Leasing companies
- Business Development Bank of Canada
- Venture Capital
- Angels/Friends/Family
- Government Loans

9.0 TECHNOLOGICAL ISSUES

Technology plays an increasingly important role in today's world. Equipment that was considered luxury items a few years ago has now become a necessity. The means of doing business is also changing very rapidly. The Internet, e-commerce and debit cards are but some of the new emerging trends.

You should investigate how you could put technology to work for you in order to become more competitive. Numerous companies in the region offer their services for many types of technical work. These services include business plans, marketing plans, market studies, Internet access, web site development, engineering, consulting, environmental, drawings, etc. You should consult the telephone directory for companies specialising in the specific services you are looking for.

9.1 - New Product development and inventions

If you have come up with a great new idea for a product, the following organisations could assist you in the evaluation of various issues regarding your product.

9.1.1 - For information on patents, copyrights, trade-marks, industrial designs, or integrated circuit topographies, contact:

Cécile Klein, Intellectual Property Regional Advisor
Canadian Intellectual Property Office (CIPO)

1575 Brunswick Street

Halifax, Nova Scotia, Canada B3J 2G1 Toll free: 1-800-668-1010

E-mail: klein.cecile@dbsc.icgc.ca Tel: (902) 426-8604 Fax: (902) 426-6530

Web: www.cipo.ic.gc.ca

9.1.2 - For technical information on products, manufacturing processes, equipment sourcing, contact:

Research & Productivity Council (RPC)

921 College Hill Road, Fredericton, NB E3B 6Z9

Telephone : 506-452-1212 Free Call

Website : www.rpc.ca

9.1.3 - For preliminary market evaluation services, contact:

Canadian Industrial Innovation Centre/Waterloo

295 Hagey Blvd., Suite 15

Tel.: (519) 885-5870

Waterloo, Ontario N2L 6R5

FAX: (519) 513-2421

Toll Free: 1-800-265-4559

9.2 – Product Certification

Inventions and new products that have any type of electrical or electro-mechanical components inside must be certified before you will be able to sell it.

The following organisations are able to conduct this testing and establish if your product meets or exceeds the legal safety standards.

9.2.1 - CSA

The Canadian Standards Association (CSA) can assist you with product certification, management system registration, and information products.

They can be reached at: Toll free: 1-800-463-6727
Internet: <http://www.csa.ca>

9.2.2 - Universal Product Code (UPC)

GS1 Canada is a not-for-profit organization that promotes maintains global standards for the identification of goods, locations and related e-commerce communication, such as bar code issuance and maintenance. GS1 Canada is the only authorized source for globally unique company prefixes in Canada.

GS1 Canada
Suite 222, 885 Don Mills Road
Toronto, Ontario M3C 1V9
Internet: www.gs1ca.org

Toll free: 1-800-567-7084
Tel: (416) 510-8039

9.2.3 - Entela

Entela ICS offers cost-effective and efficient product certification process. They can be reached at:

QPS Evaluation Services Inc.
1133 St. George Blvd., Suite 400
Moncton, NB E1E 4E1

Tel: (506) 858-7880
Fax: (506) 855-7015
Internet: www.qps.ca

10.0 DO YOU HAVE NETWORKS?

There are many organisations that offer services to new or existing businesses such as reduced fees, group buying and activities that promote networking. The available services vary from organisation to organisation and you should individually contact them to find out what they have to offer.

Conseil économique du Nouveau-Brunswick

236 St. George Street, Suite 314

Moncton NB E1C 1W1

Contact: Paul Aucoin

Tel: (506) 857-3143

Fax: (506) 857-9906

Toll free : 1-800-561-4466

Business Round Table (Voice mail-box)

Tel: (506) 857-8177

11.0 WHERE CAN YOU GET INFORMATION?

11.1 – Enterprise South East

Enterprise South East promotes entrepreneurship within the region encouraging new business to establish in the area, and existing businesses to expand. To this end, Enterprise South East provides entrepreneurs with counselling in all aspects of their business activity, including:

- Information on government services and programs
- Manufacturing and processing
- Training
- Trade
- Financing
- Marketing
- Tourism

For an appointment, please drop in or call:

Enterprise South East
337 A rue Main,
Shediac, NB E4P 2B1

Tel: (506) 533-3390
Fax: (506) 533-3393
Internet site: www.enterprisesoutheast.ca

11.2 – Canada - New Brunswick Business Service Centre (C/NBBSC)

The Canada-New Brunswick Business Service Centre (C/NBBSC) provides information and advice on federal and provincial government programs, services and regulations. The following services are available from the CNBBSC:

- Direct contact with other government departments for details on programs, services and regulations;
- Fax on Demand: information on government programs and services which can be sent directly to your fax machine 24 hrs/day;
- Directories, databases and pamphlets on various business topics.

Canada / New Brunswick Business Service Centre
570 Queen Street

Fredericton, NB E3B 6Z6

Internet site: www.canadabusiness.ca

General inquiries: 1-888-576-4444 Fax: (506) 444-6172

Fax on demand: (506) 444-6169 TTY for hearing impaired: 1-800-457-8466

11.3 – Statistics Canada

StatsCan has statistics on demography, health, education, justice, culture and household incomes and expenditures. This information is produced at the national and provincial levels and, in some cases, for major population centers and other sub-provincial or small areas. For example: the **Family Expenditures Survey** provides a breakdown of annual expenditures by type e.g. food, clothing, automobile, household etc.

For more information on Statistics Canada:

Statistics Canada Inquiries and Research: 1-800-263-1136

1888 Brunswick Street Order line: 1-800-267-6677

Halifax, NS B3J 2G7 Fax: (902) 426-9538

TTY for hearing impaired: 1-800-363-7629 Internet site: www.statcan.gc.ca

11.4 - Strategis... Industry Canada On-Line

Strategis is Canada's largest business information Web site that provides you with easy, direct access to Industry Canada's extensive expertise and information resources.

The business information products on Strategis will help you identify new markets, explore opportunities for growth, find partners, form alliances, discover and develop new technologies or processes, or assess the risks of new ventures. Strategis also provides you with information ranging from getting loans through the Small Business Loans Act to incorporation, patents and trademarks, and bankruptcy.

Key Information Categories

- Company information
- Business information by sector
- Technology, Innovation, Licensing
- Marketplace services, laws and regulations
- Consumer information

Help desk Toll Free: 1-800-328-6189

Internet site: www.ic.gc.ca

Fax: (613) 954-2340

TTY : 1-866-694-8389

Tel: (613) 954-5031

11.5 – Government of Canada On-Line

The Government of Canada site provides you with access to all federal government departments and agencies, and to information not available through Strategis.

Internet site: <http://canada.gc.ca>

11.6 – Government of New Brunswick – www.gnb.ca

11.7 – Sources and Sources Select Online features 5,000 contacts from more than 1,000 organisations and companies offering expertise and views on over 12,000 subjects. Check local libraries for hard copy edition or the internet at www.sources.com.

Libraries (Public regional, Universities, etc.) You have access to newspapers, magazine, trade magazines, industry association publications, national and international directories, and possibly specialised documentation such as studies and government or world statistics.

Internet There is a vast amount of information available on the Internet. Depending on your needs, you could possibly access some interesting data from the net. Public libraries offer access to this new and emerging medium.