



Entrepreneurial  
Assessment Program

## Program Outline

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### Day One

- Business Concept
- Market Research
- Industry Overview
- Competitive Overview
- Target Market Analysis
- Primary and Secondary Research

### Day Two

- The Survey
- Sales Process
- Sales Cycle
- Operations Overview
- Supplier prospects
- Risk Management

### Day Three

- Financial Planning
- Personal Net-Worth Statement
- Personal Financial Considerations
- Start Up Costs
- Operating Costs
- Sources of Capital
- Unit of Sale
- Financial Calculations
- Preliminary Sales Forecast





## Business Concept

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**Describe the business, giving as much detail as possible.**

### What?

What is the business all about? What specific product and/or service are you planning to sell? What type of business is it (retail, service, etc)? What will make this business special or unique?

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### Who?

Who are the key people required to run your new business venture?

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### Where?

Where will your business be located? Is it a store front, an office, or a home based business?

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### Why?

What inspired you to start this business? Why do you believe the business will succeed? Provide background on the formation of the business – how the idea emerged for the business idea?

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## Market Research

Assessing the market potential of your new venture concept is a critical component of any feasibility study. A serious miscalculation many entrepreneurs make is to assume that because their idea appeals to themselves and their family, other consumers will also like their product/service and therefore purchase it.

Comprehensive, unbiased market research will assist you in determining the true viability of your new venture idea. Research is the only way to “read” minds.

Market research includes:

- Industry Outlook and Growth Potential
- Competition and Cooperative Opportunities
- Target Market(s)
- Primary and Secondary Research
- The Survey
- The Sales Process



### Industry Outlook and Growth Potential

Determine what industry your business will operate in. The following are industry sectors based on **NAICS Canada (North American Industrial Classification System)**. Knowing what industry your business fits into will help you understand and measure the outlook and growth potential.

Real Estate and Rental and Leasing	Agriculture, Forestry, Fishing and Hunting
Professional, Scientific and Technical services	Mining and Oil and Gas Extraction
Administration and Support, Waste Management and Remediation Services	Utilities
Health Care and Social Assistance	Construction
Arts, Entertainment and Recreation	Manufacturing
Accommodation and Food Services	Wholesale Trade
Public Administration	Retail Trade
Finance and Insurance	Transportation and Warehousing
	Information and Cultural Industries
	Educational Services
	Management of Companies and Enterprises

What do you need to know about your industry?

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## Market Research- Industry Outlook and Growth Potential

- Give a brief description of the industry you are preparing to enter:

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- What are the most prominent (current) trends effecting your industry?

Describe what you know about trends in the industry, some history and projections. After more research, you will be able to use actual industry data from trade associations, government reports and trade journals to support the descriptions. Often there may be adverse trends emerging, which should be noted and an explanation of how your business will deal with this trend.

Trends	Advantages/Disadvantages to your Business

\*\*Sources of industry information:  
[www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca), trade and professional associations, trade journals, news coverage, newsletters, business magazines, Internet, etc.

\*\* It is important to footnote or back up statistical, biased, or printed reference statements regarding the industry, business or your product/service. This should not just be "your opinion".



## Market Research- Competition and Cooperative Opportunities

Analyzing your competition is one of the fundamental elements of market research. You need this information to determine what your own market potential will be.

Competition can be classified into two categories: direct competition and indirect competition. **Direct competition** occurs between marketers of the **same products**. **Indirect competition** occurs between marketers of **similar products** or those competing for the same dollar market. For example, indirect competition of soft drinks may be non-carbonated drinks, fruit juices, or milk products.

Name at least 3 of your competitors:

Competitor	Strengths	Weaknesses	Potential advantage for my business
1.			
2.			
3.			

What is your competitive advantage that sets your product or service apart from the competition?

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Name any direct or indirect companies that you may associate with or work cooperatively with?



1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_



## Market Research-Target Market(s)

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A good understanding of your potential customers is essential to the success of your new venture. When defining who your customers are, you may be tempted to describe them in broad terms; as “all individuals who might use your product/service”. Doing this it gives you the impression you have an exceptionally large market when in reality you may only have a small niche market. Since the success of your new venture depends upon your ability to meet your customer's needs and wants you must clearly break down the target market.

Many businesses serve more than one target market. When starting a new venture, it is essential to identify your possible target markets and then focus on the top two or three that will make you the largest percentage of your revenues. Additionally, target markets may be individuals or Business. They are described differently.

### Get to know your target customer

Understanding why and how your customer buys something is very important in determining how to market your business. We often call it “Testing our Hypothesis”! (*Webster's Definition: starting point for investigation or groundless assumption*).

#### i. Who are they?

**Consumers Demographic:** age range, income range, gender, occupation, marital status, family size, ethnic group, education, type of home, home ownership or any defining characteristic that is attached to that segment.

**Business Demographic:** industry, type of business, average annual sales, number of employees, type of employees, company ownership, shareholders, etc.

Describe who your primary target market(s) are:

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## Market Research-Target Market(s) cont.

### ii. How do they view themselves? Describe them as follows:

**Consumer Lifestyle:** family, entertainment activities, what newspapers or magazines, organizations they belong too, radio station they listen too, TV they watch, Internet use, daily activities, leisure activities, etc.

Responsible	Community-minded	Trend-setting	Smart Shopper
Family-oriented	Conservative	Health-conscious	Technically adept
Active	Environmentally friendly	Middle class	Status-conscious

**Business Style:** trade association memberships, publication subscriptions, community activities, management style, Internet usage, and goals.

Industry leader	Innovative	Conservative	Sound decision-maker
Team-focused	Sales focused	Brand conscious	Big Box
Home-based business	Discount branded		

How do you think your target market(s) would describe themselves?

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### iii. Where are they?

**Geographic Market:** neighborhood, local, regional, provincial, national, international, rural, urban, small town, large city, etc.

Where your customers will reside geographically?

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## Market Research-Target Market(s)

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### iv. Why they buy?

**Psychographics:** Generally people buy something to fulfill a need or a want. Often it is to solve a problem or find a positive solution to a situation. What brings them to their buying decision? Did they buy spontaneously or did they think about it for a long time, comparing options and asking for references?

EG: A customer buys a Starbucks coffee because of the aroma of the coffee when passing by the shop. The same customer may shop around and/or spend time doing research when purchasing a vehicle.

Too busy	Lack of capital	No time	Want recognition	Need to
be challenged	Underpaid	Not listened		
Disorganized	Good reference	Spontaneity	Physical appearance	

What are the primary reasons your target market(s) needs or wants your product or service?

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### v. How do they purchase? How often?

What are their purchasing behaviors?

How often? How much (volume/dollars)? Where? Do they have any special requirements? Will they budget for the item/service? How do they pay for the product? Who makes the purchase decision? Is it a one-time or a frequent purchase?

Can you provide a general understanding of how your primary market(s) purchase and some idea of their purchasing behaviors?

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## Market Research-Target Market(s)

### Who are your Target Market(s)?

P R I O R I T Y	Target Markets  (Groups with similar characteristics) Business or Individual	Demographic  Age, Gender, Income, Family, Marital, education etc. OR Size of company, # of employees, ownership, etc	Psychographic  Perceived opinions/Values What factors are important when making a purchase? How do they view themselves?	Geographic  Where do they primarily reside?	Behavioral  How frequently? Why would they buy? How much do they buy? Cash? Credit?



## Market Research- Methods

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### Market Research Analysis

Market research should be documented in a way that basically outlines what was learned from a thorough analysis of the primary and secondary research.

**Primary research** is research that you do by talking to people that will be associated with your business, most importantly, your potential customers.

**Secondary research** is research that another business or organization has done that is already documented or printed.

#### 1. Primary research

This is the research that is done specifically for your business. It is “custom” and provides information as to how potential clients react to your business idea (product/service). You will have gathered this information yourself.

Primary research gathered is done through surveys, focus groups, interviews, or discussions with suppliers, competitors, agents, mentors, etc.

Have you gathered any primary research about your business idea? What were the results?

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#### ***Primary research- The Market Survey***

The most powerful way to understand if your business concept meets the needs of your target market is to ask them directly! A survey is a research tool designed to help you obtain information that will enable you to evaluate customers’ needs and wants, their perceptions and whether it is likely they will spend the money on you product or service.

#### **The Survey Approach:**

1. is a form of an introduction to your business
2. allows you to show samples of your product line or carefully describe your service to as many people as possible from the target groups that are most likely to buy, and from the geographic areas in which you will operate
3. ask questions in the same order to improve data reliability.



## Market Research- The Market Survey

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### What to include:

- o Tell people why you are doing this research
- o Introduce yourself and let them know that their assistance is appreciated
- o Write, test, re-write the survey until all your questions are outlined
- o Use a combination of question styles to best elicit measurable information
- o Use simple words
- o Suggest how long the process will take (maybe 10 minutes of their time)
- o REMEMBER that you are looking for people from your target markets
- o Let them know that the information is for you to evaluate your business concept and is CONFIDENTIAL
- o When complete – THANK THEM!

### Survey Questions:

Design your questions around the information you need to know to prove the viability of your business idea. List the information you need to gather and create the question(s) that will best give you the data.

When your surveys are complete, you will know WHAT your customer wants, WHEN they want it, WHERE they want it and WHAT they are willing to pay for it.

This will enable you to provide the RIGHT PRODUCT/SERVICE at the RIGHT TIME in the RIGHT PLACE for the RIGHT PRICE!

### Typical questions you may wish to ask:

#### **Past Behavior**

- o Have you used this type of product/service in the past?
- o What has been your experience with this type of product/service?
- o If you were dissatisfied..... Why? \_\_\_\_\_
- o If you were satisfied..... Why? \_\_\_\_\_

#### **Future Behavior**

- o Frequency of use of product/service?
- o What would be the most important considerations when using this p/s?
- o Business hours best suited for you? Location?
- o What attracts you to a similar p/s?
- o Where would you look for this type of p/s to be advertised?
- o What is the average price you would consider paying for this type of p/s?
- o Is there a p/s not currently offered that you would like to see offered?
- o What would persuade them to try this p/s for the first time?
- o What key ingredient would keep them coming back?



## Market Research- The Market Survey cont.

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### Survey Questions:

What do you need to know?	What questions will you ask?

### How to conduct surveys:

**In person interviews:** Best method if time available, can see body language, demonstrate product

**E-mail or mail surveys:** Use a list of names and addresses representing a sample of your target market

**Telephone survey:** Hard to do as consumers are fed up with telemarketing; can't show product

**Focus group:** Quantitative data which cannot be expressed in numbers. Ability to elicit new ideas, perceptions and feelings towards a product or service that you may not get elsewhere



## Market Research cont.

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### 2. Secondary research

Secondary research is already documented or printed. Other businesses, government bodies or organizations have conducted this research for their own purposes. You will gather this research as backup to support, prove, modify or eliminate any assumptions that may have been made about your potential target markets.

Sources of secondary research are: Web sites, libraries, economic development offices, trade journals, Chamber of Commerce, associations, trade groups, etc.

- Have you gathered any secondary research about your business idea? What were the results?

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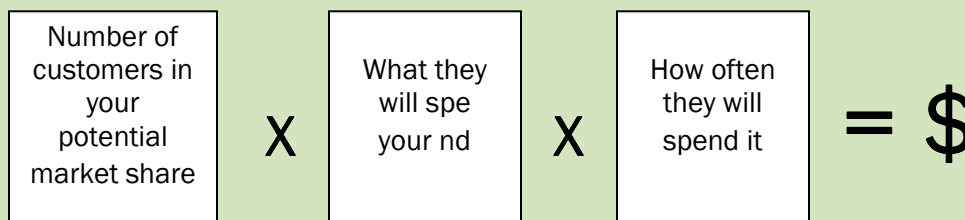
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Primary and secondary research is critical to your being able to prove the viability of your business idea! Together they will enable you to plan your first sales forecast.

When you can measure your market share, how much they will pay and how frequently they will buy, you will have a prediction of how much the business has the potential to do in sales!





## Sales process

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Success in sales involves planning, just like anything else in your business. You will need to understand the sales cycle and purchase process typical for your type of business, and effectively manage your sales funnel.

### The Sales Cycle

A sales cycle is the time between the initial contact and sale close. For example, if a photocopier sales rep makes a cold call from a list of prospects and reaches one, then that is the start of the sales cycle. When she finalizes the deal and makes delivery of the photocopier that is the end of the sales cycle.



The length of your sales cycle depends on your industry, target markets, suppliers, and many other factors. A sales cycle could be one day, or it could be one year or more; as a general rule, the larger the deal or the more complicated the product or service, the longer the sales cycle will be.

Outline the step by step purchase process for your product/ service.

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

3. \_\_\_\_\_

\_\_\_\_\_

4. \_\_\_\_\_

\_\_\_\_\_

5. \_\_\_\_\_

\_\_\_\_\_

6. \_\_\_\_\_

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## Sales process

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How long do you estimate your sales cycle would be? What is typical for your industry?

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**Prospect List:** Make a list of prospective customers that would buy your product/service.

Prospect Name	Contact Info	Planning to contact	Notes



## Operations Overview

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a) Briefly describe the ownership and management structure of your new business:

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b) What skills and/or experience do you have to manage your business?

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c) What will your operations requirements need? (Home Based business, Bricks and Mortar, Online, Warehouse, Storefront). Briefly describe your planned workspace.

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d) Will you need to lease space? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes:

What size? \_\_\_\_\_

Where will it be located? \_\_\_\_\_

What is the cost of the lease? \_\_\_\_\_

Are any leasehold improvements necessary?

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## Purchasing and Suppliers

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### Purchasing and Suppliers (if applicable)

Identify the major suppliers that are being considered. Location is important because of shipping costs and delivery time.

Other considerations:

- o Are there any volume or bulk discounts, or credit terms that are favorable from specific suppliers?
- o Are there any subcontractors that will be used to provide services?
- o What lag time is expected between placing orders and receiving goods?
- o When evaluating suppliers, are there any alternative suppliers, in the event that problems arise?
- o How dependent will you be on your suppliers for key components?
- o Do the suppliers' chosen have a history of being efficient and reliable?
- o Consider how long they have been in business. What is their turnaround time from when the order is received to when the order is shipped and what is their return policy for damaged items?

### Supplier Prospects

1.

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2.

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3.

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## Risk Management

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What are the major risks are you facing and how do you plan to address them?

Risk	Way to Address



## Financial Considerations

This section will help you to find out:

1. How much money the business will require to start up and operate
2. Your personal net worth – an important number to keep in mind when borrowing money
3. Your personal income and monthly expenses – is there a balance? How much money will you need to take from the business in order to pay your bills?

### BUSINESS: Start-up & Operating Costs

Start-up Costs	Total	Equity (Own)	Require	Monthly Operating Costs	Require
Equipment - operating	\$			Owner/ manager salary	\$
Equipment - office/ computer/ software	\$			Other salaries/ contract fees	\$
Equipment - vehicles	\$			Rent/ facilities expenses	\$
Tools	\$			Automotive	\$
Inventory	\$			Advertising	\$
Leasehold improvements/ buildings	\$			Insurance	\$
Fees - professional, franchise, licenses	\$			Loan payments	\$
Marketing materials	\$			Telephone	\$
Other start-up costs	\$			Utilities	\$
				Maintenance and repairs	\$
				Legal and professional fees	\$
				Other	\$
<b>Total Start-up Costs</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Total Monthly Fixed Expenses</b>	<b>\$</b>
	<b>A</b>	<b>B</b>	<b>C= (A - B)</b>		<b>D</b>
				Direct Costs (inventory/consumables)	\$
					<b>E</b>
				<b>Total Working Capital</b>	<b>\$</b>
					<b>F = D + E</b>
				<b>Total Working Capital Requirements = (3 months)</b>	<b>\$</b>
					<b>G= (F x 3)</b>



## Financial Considerations

### BUSINESS: Total Capital Requirements

Using the table above, you can now calculate the **total financial investment required** for your business. The letters A, B, F, G represent \$\$ values you put in the table on previous page.

Total Start-up	\$ _____	A
Total Working Capital Requirements	\$ _____	G
Total Capital Required	\$ _____	H ( A+G)
Less Equity (cash, tools, equipment)	\$ _____	B
<b>Total Financing Required</b>	<b>\$ _____</b>	<b>J (H-B)</b>

- Are you able to arrange financing for your business? Yes \_\_\_\_\_ No \_\_\_\_\_
- How are you planning to finance your business? \_\_\_\_\_
- What security do you have available? (Details) \_\_\_\_\_
- Do you know your credit history? Yes \_\_\_\_\_ No \_\_\_\_\_ Have you obtained your Equifax report? Yes \_\_\_\_\_ No \_\_\_\_\_ (obtainable at [www.equifax.ca](http://www.equifax.ca))
- Have you spoken with your bank manager or the CFDC loans manager? Yes \_\_\_ No \_\_\_\_\_

Sources of Operating Capital		Sources of Long-Term Capital	
<input type="checkbox"/> Cash	\$ _____	<input type="checkbox"/> Leasing	\$ _____
<input type="checkbox"/> Credit Cards	\$ _____	<input type="checkbox"/> Investors	\$ _____
<input type="checkbox"/> Supplier Credit	\$ _____	<input type="checkbox"/> Family	\$ _____
<input type="checkbox"/> Line of Credit	\$ _____	<input type="checkbox"/> Bank – Term Loans	\$ _____
<input type="checkbox"/> Overdraft Protection	\$ _____	<input type="checkbox"/> Business Development Bank	\$ _____
<input type="checkbox"/> Barter	\$ _____	<input type="checkbox"/> Community Futures	\$ _____
<input type="checkbox"/> Deposits from Clients	\$ _____	<input type="checkbox"/> Other	\$ _____
<input type="checkbox"/> Other	\$ _____		

## Financial Considerations



### PERSONAL Financials: Net Worth

Once you know the capital requirements to start up and operate your business, you need to look at your personal financials. The first thing we will calculate is your **personal net worth**. That number is something a banker will require from you when you ask for a loan. Please use the chart below to calculate your net worth.

Assets		Liabilities	
Cash - Bank	\$	Credit Cards ( <i>please itemize</i> )	\$
Cash - Other Institutions		1.	
Life Insurance C.S.V.		2.	
		3.	
		4.	
		5.	
Retirement Accounts		Bank Loans ( <i>Schedule attached</i> )	
		1.	
		2.	
		3.	
Marketable Securities		Automobile loans	
		1.	
		2.	
		3.	
Accounts & Loans receivable		Mortgages on Real Estate	
Real Estate		Other debts	
		1.	
Automobiles Make/yr		2.	
Make/yr		3.	
Business Interests		<b>(J) Total Liabilities</b>	\$
Other Assets		<b>(N) Net Worth (H minus J):</b>	\$
1.		(Assets minus Liabilities)	
2.			
3.			
4.			
5.		Are you personally supporting contingent obligations not listed above (ie: co-signor/guarantor/endorser?)	
Personal Goods			
1.			
2.		If yes, please indicate liability & provide details on amount, to whom and nature of obligations below:	Yes No
3.			
4.			
5.		1.	
<b>(H) Total Assets:</b>	\$	2.	
		3.	
		4.	
		5.	



## Financial Considerations

### Personal Revenue & Expenses

This information is very important when you are determining the viability of your business. You will see how much money you spend a month for personal needs, and how much income you have. That information helps you to estimate **what amount you will need to take from your business for personal needs** every month. Will you be able to generate that much income with your business?

Income: (Net Monthly)		Expenses:(Monthly)	
Monthly salary or wages		1st Mortgage	
Commissions and bonuses		2nd Mortgage	
Dividends & interest		Rent/ room and board	
Rental income		Property Tax ( <i>Div. By 12</i> )	
BC bonus		Consumer loans	
Child Tax Benefit		Credit cards	
GST refund ( <i>Div. By 12</i> )		Insurance	
Other income		Maintenance	
		Alimony/child support/maintenance pmts	
		1.Food	
<b>Subtotal:</b>	\$	2.Clothing	
Spouse's net income:		3.Medical	
Monthly salary or wages		4.Child care/ day care	
Other income: (Please Itemize)		5.Life insurance	
		6.Recreation	
		7.Car insurance ( <i>Div. by 12</i> )	
		8.Transportation	
		9.Tobacco/ alcohol	
		10.Laundry	
		11.Utilities	
		12.Other expenses ( <i>Please Itemize</i> )	
		a)	
		b)	
		c)	
<b>Total Monthly Income: (MI)</b>	\$	<b>Total Monthly Expenses: (ME)</b>	\$
Income I need to draw from the business every month [M = (MI) - (ME)]			
If the amount is negative, I would need at least as much \$\$ from my business to cover personal expenses every month			\$
If the amount is positive, I have other sources of income to cover personal expenses, and don't need to take \$\$ from my business			
			<b>M=MI - ME</b>

## Break-even Exercise

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### Unit of Sale

Unit of Sale: \_\_\_\_\_ Selling Price: \$ \_\_\_\_\_  
Direct Cost: \$ \_\_\_\_\_

Unit of Sale: \_\_\_\_\_ Selling Price: \$ \_\_\_\_\_  
Direct Cost: \$ \_\_\_\_\_

Unit of Sale: \_\_\_\_\_ Selling Price: \$ \_\_\_\_\_  
Direct Cost: \$ \_\_\_\_\_

### Gross Profit

Selling Price/Unit: \$ \_\_\_\_\_ - Direct Cost/Unit: \$ \_\_\_\_\_ = Gross Profit/Unit: \$ \_\_\_\_\_

### Break-Even Analysis

Break-Even Volume = Fixed Costs \$ \_\_\_\_\_ / Gross Profit/Unit \$

Break-Even Volume = \_\_\_\_\_ Units

Notes:

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**Preliminary Sales Forecast – Year One**

Month													Total
Unit #1													
Unit #2													
Unit #3													
<b>Total Sales</b> Units x Selling Price													<b>Total Annual</b> \$ _____

Sales Growth Strategy

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Do you have a complimentary product/service mix that allows for add-on sales? Please Explain:

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Do you have any pre-sales?

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