

Canadian Association of Movers

Taking Your Company to the Next Level

November 18, 2008

Small Business Banking



Agenda

- About Scotiabank
- Economic Update
- Importance of a good business plan
- Sales & Marketing
- Building Operations
- Managing Money for Growth

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About Scotiabank

Scotiabank is one of North America's premier financial institutions and Canada's most international bank.

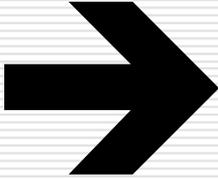
- ❑ 60,000 employees
- ❑ Approximately 12.5 million customers in some 50 countries around the world.
- ❑ Diverse range of products and services including personal, small business, commercial, corporate and investment banking.
- ❑ \$462 billion in assets (as at July 31, 2008), Scotiabank trades on the Toronto (BNS) and New York Exchanges (BNS)

- ❑ Over 1,000 branches in Canada
- ❑ A network of approximately 650 small business advisors located in 431 branches delivering expert advice, information, tools and resources to help small business owners improve their bottom line

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Volatility – In the last 5 months...

- | | | |
|---|--|---|
| <input type="checkbox"/> TSX Index* |  | <input type="checkbox"/> Decreased by 37% |
| <input type="checkbox"/> Oil Prices** | | <input type="checkbox"/> Decreased by 45% |
| <input type="checkbox"/> Canadian Dollar* | | <input type="checkbox"/> Decreased by 23% |

*From 5/30/08 to 10/24/08, Source: Bloomberg

** From 6/01/08 to 10/24/08, Source: Bloomberg

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Importance of a Business Plan

Number one reason small businesses struggle or collapse is due to a lack of planning

- ❑ Preparing and following a good business plan is the best way to mitigate risks
- ❑ Business plans provide a framework to assess areas such as existing/potential competitors and customer demand

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Other Reasons...

- ❑ To formalize the owner's vision and to stay focused on goals.
- ❑ To guide and align stakeholders and advisors.
- ❑ To forecast and anticipate problems.
- ❑ To leverage the owner's strengths and mitigate weaknesses.
- ❑ Is an essential aid when applying for financing.



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How do you get to that next level?

Understanding the three pillars for growth:

- ❑ Sales & Marketing
- ❑ Building Operations
- ❑ Managing Money for Growth

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Sales & Marketing

The more you know about your customers the better.

Take some time to review your customer:

- Do you have a data base?
- What do you know about them?
- Who have been your most profitable customers?

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Sales & Marketing

Who are your ideal customers?

Consumers

- Where they live
- Family size
- Age
- Gender
- Income
- Other traits specific to your customers

Business

- Where they operate
- Industry
- Size of company
- Who is the decision maker
- Who influences the decision

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Sales & Marketing

Your Business Model

- Why has your existing business model been successful?
- What is it that continues to attract and keep customers?
- Review areas where performance can be improved.
- Understand what is making you profitable & what needs to be done for future success.
- Put a sales and marketing plan together for growth.

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Sales & Marketing

The Plan

The Plan should include:

- Sales targets
- Sales and marketing budget
- Branding
- Marketing promotions
- Sales strategies

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Sales & Marketing Implementation

- If your company is working well you may not want to launch into any radical changes.
- Determine how to implement change that is least disruptive for your customers and staff.
- Develop a time line for change.
- Choose the right sales & marketing tactics.

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Building Operations

Operation Expenses

Think of Operations in terms of:

- Operations necessary for revenue.
 - Help deliver on sales.
- Operations that are overhead.
 - Keep the company humming.

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Building Operations

Identifying Needs

As business grows, the main elements of operations are:

- People
- Equipment
- Facilities
- Systems

Ensure you have the proper controls and management in place.

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Building Operations

Productivity & Service

Delivering the service that has been sold is critical.

- Manage inventory & understand the connection to sales.
- Maintain quality.
 - Customers have an expectation - plan for it.

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Building Operations Support

- Technology
 - Can increase operational efficiency.
 - Reduce the number of employees.

- Human Resources
 - Growth impacts valued employees.
 - Do you have an HR plan?

- Administration
 - What should you look at to maximize efficiency?

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Building Operations Implementation

- ❑ Decide what needs to be done first.
- ❑ Understand how the projects or tasks are interrelated and place a timeline in parallel.
- ❑ Ensure one project does not interfere with another.
- ❑ Determine who is responsible for each project.
- ❑ Give people authority and responsibility and define the reporting procedures.
- ❑ Communicate regularly with everyone involved or affected by the project.

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Managing Money for Growth

Manage Your Cash Flow.

- ❑ Spot potential problems early so that you can take steps to avoid them.
- ❑ Anticipate financing needs and make arrangements for them before you are desperate.
- ❑ A couple of small changes can have a huge impact on cash flow.
- ❑ Prepare a cash flow.

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Manage Money for Growth

Know your Financing Options

Best financing option will depend on what is to be achieved.

Two options:

- Capital for expansion
- Working capital for cash flow

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Manage Money for Growth

Capital for Expansion

- Options for Financing:
 - Term Loan
 - Government Guaranteed Loan
 - Operating Lease
 - Investor or Partner

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Term Loan

Benefits:

- Ideal for customer who wish to claim the CCA.
- Business has practical ownership/control of the asset for potential trade-in/sale.
- Asset appears on the balance sheet.
- Generally covers all fixed assets.
- Blended payments (principal plus interest) – generally on a floating rate basis.
- Payments can be structured to meet irregular payment schedules depending upon cash flow.

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Manage Money for Growth

Government Guaranteed Loan

- ❑ Canada Small Business Financing Act (CSBFA):
 - ❑ Program is designed to assist with the purchase of equipment, premises and land.
 - ❑ Loan is 85% guaranteed by the Federal Government of Canada.
 - ❑ Customer can have more than one CSBFA loan as long as total loans under the SBLA and [CSBFA](#) programs do not exceed \$250M.
 - ❑ Assets financed under the program must be used primarily in Canada.
 - ❑ Only 10% down payment required.
 - ❑ The 2% Loan Registration Fee (Fee) can be added to the loan if total loan including the Fee is within \$250,000 program maximum.

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Managing Money for Growth

Leasing

□ Benefits

- Accounting – the lessee is the “owner”.
- Tax – the lessee is the “renter”.
- Equipment appears on the balance sheet.
- Could be a tax advantage in deducting 100% of the lease payment over claiming CCA.
- Faster write-off against income tax than a loan.
- PST/GST spread over the lease term.
- No down payment – 100% financing.
- Payments are equal blended (principal plus interest) – fixed & floating rate pricing available.
- Customized payment streams available to match lessee’s cash flow (skip/step/irregular payment streams).

- There are restrictions on what can be leased i.e. – buildings, personal vehicles. Single axle trucks

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Manage Money for Growth

Investor or Partner

Business owner's looking to invest extra cash in a growing business.

- Generally looking for a strong business plan, proven business model and a clear exist strategy.
- Want a share ownership.
- Some want to be involved with management decisions – others are silent.

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Manage Money for Growth

Working Capital for Cash Flow

- ❑ Improve cash flow:
 - ❑ Negotiating longer terms from suppliers.
 - ❑ Shorten time frames of accounts receivables.

- ❑ Credit Line/Operating Loan:
 - ❑ Provides working capital to finance the day to day operation of the business.
 - ❑ Generally finances inventory and account receivables.

- ❑ Government Incentives:
 - ❑ Research grants or wage subsidies should be explored through various levels of government.

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Manage Money for Growth - Cash Flow Management -Words of advice.

- Create solid relationships with suppliers.
- Remember the impact of expansion on a cash outflow schedule.
- A change in economy or marketplace can affect cash flow.
- Invoice immediately after the completion of a sale.
- Accounts receivable collection must be watched closely.
- Outsource collections to a professional if your efforts have not worked.
- Offer clients early payment discounts.
- Change credit terms and do credit checks on all new non-cash customers.
- Turn inventory regularly.
- Sell unused company assets for cash.

*Your Scotia
Blueprint™ for business*

*These strategies have been exclusively designed to help
your business reach its financial goals*

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Surround Yourself with the Right Team of Advisors

- ❑ They can highlight potential risks in your business plan.
- ❑ Can assist the business owner, who is working “in” their business, with working “on” their business.
- ❑ These may include your Accountant/ Bookkeeper, Lawyer, Business Banker, as well as a coach or mentor experienced in your business.

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Prepare for Success

- Update your business plan.
- Communicate clear targets.
- Know your business inside and out.

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What's Available at Scotiabank

- Visit our Website designed for small business at:
 - www.getgrowingforbusiness.com
 - www.scotiabank.com

- Features our leading edge tools such as the **Scotia Business Plan Writer *for business***, **Scotia Cash Flow *for business* tool** and the **Get Growing Sales & Marketing Tool**

- Visit your local Scotiabank branch and talk to one our Small Business advisors and ask about:
 - Get Growing Guide on How to Grow Your Business to the Next Level
 - In-branch tools and resources such as the *Blueprint for business*

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