



Guide
2

Be Creative:

Business Ideas and Models

Starting a business in New Brunswick:
3 Guides for Immigrant Entrepreneurs

Guide
1

Guide
2

Guide
3

DISCLAIMER: While the Department of Post-Secondary Education, Training and Labour makes every effort to present accurate and reliable information, we hereby disclaim any liability for any errors, omissions or inconsistencies in this guide. Due to changes to policies or programs after the guide is printed, information included in this guide may not be current as of your reading. Please check before using information contained in this guide. Use of this guide and its contents is voluntary. The Department of Post-Secondary Education, Training and Labour is in no way responsible for your use of the information contained in this guide or the results of that use.

All information provided in this guide is for informational purposes only, and as such should not be construed as advice. You should seek independent professional advice from a person who is licensed and/or knowledgeable in the appropriate area before acting upon any information contained in this guide.

The recommendations contained in the tips were gathered from interviews with immigrant entrepreneurs and reflect their personal experience. They should not be construed as professional advice.

This guide features information from many sources, and should not be confused with official statements of policy and programming.

DATE OF PRODUCTION: March 2011

Introduction

Welcome to New Brunswick! This book *Be Creative: Business Ideas and Models* is the second of 3 guides for immigrant entrepreneurs who will own a business in this province. Are you interested in buying a business or opening a franchise? Would you like to enter a partnership or start your own new business? You may know the type of business you want to own or you may still be searching for a business idea. Guide 2 is full of information to help you choose the right business for you.

After reading Guide 1, you know about business regulations in New Brunswick and have the contact information to apply for permits and other business documents. As well, you know about the business sectors, regions and infrastructure. Now Guide 2 will help you to create good business ideas and to understand your business choices. Finally Guide 3 will show you the steps to plan your business.

Good luck as you choose the business you will own in New Brunswick!

Each guidebook is useful alone. But the best idea is to read all 3 guides in order so you learn how to become a successful business owner in New Brunswick. The basic contents of the 3 guides are:

• Guide 1

Be Prepared: Business Environment and Expectations informs you about the New Brunswick:

1. Government
2. Economy
3. Infrastructure
4. Business Culture
5. Business Relationships

• Guide 2

Be Creative: Business Ideas and Models informs you about:

1. Creating Good Business Ideas
2. Forms of Business
3. Business Models

• Guide 3

Be Successful: Planning Your Business informs you about:

1. Preparing for Success
2. Evaluating Your Business Idea
3. Staying in Business
4. Learning from Others

Table of Contents

Part 1: Business Ideas

Chapter 1 - Creating Good Business Ideas	1
Identifying Personal Strengths	2
Finding Business Opportunities	3

Part 2: Business Models

Chapter 2 - Understanding Forms of Business	13
Legal Forms of Business	13
Partnerships	14
Chapter 3 - The Business Models	17
Model 1: Buying an Existing Business	17
Model 2: Buying a Franchise	21
Model 3: Starting a New Business	27
Conclusion	33
Acknowledgements	34

PART 1: BUSINESS IDEAS

In Guide 1 you learned about the business environment and the types of businesses in New Brunswick. As an entrepreneur, you probably recognized some interesting business opportunities in the province. Possibly an opportunity here matches a business idea you had prior to coming to New Brunswick. Now it is time to develop this business idea into a plan.

The following information will help you to examine your personal business skills and the areas best-suited to your abilities. This guide also helps you identify the business environment and market factors that can help your business to succeed. Your business plan will develop as you learn more about the markets for your product or service and the people who will be your customers. This section contains practical ideas that you need to consider before starting your business.

As you read Part 1 of this guide, be prepared with a pen and paper. As you read, write every business-related idea that the information suggests to you. The ideas that you write will show your personal business preferences on each topic.

Some of the ideas that you write will be general information about starting a business in New Brunswick. Other ideas will be specific information about what strategies will be most effective for you as you start a business in a new place. The important point at this stage is to write down all your thoughts on each topic to review later when you make an operating plan for the business you will own. You will think more about your ideas and choices in Part 2 of this guide when you decide on a model for your business.

Chapter 1 - Creating Good Business Ideas

The next section helps you think creatively about types of businesses that you might own. Most businesses begin with creative ideas for products or services that can be sold to make a profit. Maybe you already know about a business sector in New Brunswick that is connected to your work experience in your home country. Or maybe you discovered a type of business that you would like to own as you toured and learned about the province. Now is the time to list all the possible businesses you could own. To begin you will want to think creatively, so you have a choice of good business ideas.

One way to think creatively about business ideas is to examine the people and the place where you now live. Reading about New Brunswick consumer groups and buying trends is a great way to find ideas for products and services that people will want to buy. A second way to generate ideas is to think about the province's



geographic regions, the places where people live and work. You can begin by making a list of New Brunswick resources or products that you could export from the regions. Or you could consider importing goods to fill a community need in a particular region.

As you read Part 1 of this guide, you will discover many methods to think creatively about your new business. First, it is important to identify your personal and business strengths. Good business ideas often develop when you examine your own experiences and abilities, so the following section helps you to ask yourself questions that will suggest good business ideas.

IDENTIFYING PERSONAL STRENGTHS

New immigrants bring a large variety of personal strengths to a community. Your background knowledge and abilities from your home country and past work are extremely important as you choose a new business. Some entrepreneurs decide to start a business that uses their own specialized skills or training in a particular sector, but first they need to recognize these personal assets. The following section will help you to examine ways to use your personal strengths in developing your business idea. To begin you will analyse your:

- Skills
- Training
- Education
- Experience

Skills

Your skills are the things you can do with quality and efficiency. Skills may be natural talents that you have or they can be learned through education. You may have general skills, such as being good at sports, and specific skills, such as repairing cars.

Think about your specific skills in the following 3 areas:

- 1) academic skills - example: accounting or computer programming
- 2) physical skills - example: baseball or sewing
- 3) trade skills - example: plumbing or carpentry

Skill areas can suggest business ideas. Start by asking yourself the following 5 questions and writing your answers to review later.

- 1) What skills do I have?
- 2) Do I need a licence or a certificate to use my skills in New Brunswick? To help you identify whether you need special licences or certificates you can consult the Department of Post-Secondary Education, Training and Labour online at www.gnb.ca/0381.
- 3) Are there products or services in New Brunswick that relate to my skills?
- 4) Is there a domestic, import or export market for these products or services?
- 5) Am I interested in this type of business?

Training

Training is a larger area than skills and refers to the courses or apprenticeships where you gained your knowledge or learned skills. Hands-on, practical training often takes place at technical colleges or polytechnics where people learn a trade, occupation or profession. Think about any programs you studied or skilled people with which you worked. Then ask yourself the following 5 questions and write the answers.

Tip

If you have special skills you can save money when you open a business. You do not need to hire people with those skills.

This tip is given by immigrant entrepreneurs in New Brunswick.

- 1) What training have I completed in New Brunswick or in other places?
- 2) Is my training recognized in New Brunswick? To help you identify whether your training is recognized in New Brunswick you should consult the Department of Post-Secondary Education, Training and Labour online at www.gnb.ca/0381.
- 3) Am I interested in a business related to my past training?

- 4) Is there a market for goods or services related to my training?
- 5) Would further training in New Brunswick help me to start or buy a business?

Education

Education is an even larger area and refers to activities that improve your natural abilities, skills and training. Learning institutions such as universities provide formal education. But



education can also be informal, such as the learning that occurs through culture, the Internet or travel. Following are 6 questions that can help you turn your education into a business idea.

- 1) What formal education have I completed? Degrees? Diplomas?
- 2) Is my formal education recognized in New Brunswick? To help you identify whether your education is recognized in New Brunswick you should contact the Population Growth Division, Settlement and Multiculturalism Branch, by telephone at **506-453-2491** or online at www.gnb.ca/population.
- 3) Can my formal education be recognized by taking certain steps?
- 4) What informal education do I have?
- 5) Are there goods or services related to my education that would make a good business in New Brunswick?
- 6) Am I interested in starting a business related to my formal or informal education?

Experience

Experience is the largest personal area to examine for business ideas. All of your skills, training and education are part of your life

experience. But experience goes beyond these areas to include family, culture and every other part of your life.

A person with much knowledge or experience in a specific field may gain a reputation as an expert without having formal training or education. For example knowledge can be gained from travelling to many places or having experience with business in a foreign country. Following are 5 questions that may help you use your life or career experience to develop a business idea.

- 1) What experience have I gained from my work, my life or my travels to other countries?
- 2) What experiences have I had since arriving in New Brunswick?
- 3) Could I use my experience to develop ideas for goods or services to sell?
- 4) Would my experience help me to sell goods or provide services to others?
- 5) Am I interested in starting a business based on my past experiences?

FINDING BUSINESS OPPORTUNITIES

Another way to find good ideas is to think about the people who will buy your products or services - the potential customers. This is not easy for a newcomer to the province. First, you need to know about the province's residents, who they are, what they like to buy and where they live. The following information on consumer groups and market trends gives you useful information about who lives in New Brunswick and how to discover what they buy. Second, you need to understand the places where people live. The following section suggests ways you can learn more about the markets and resources in the province's different regions. Remember to add the business ideas that you develop in this section to your list for later review.

Consumer Groups

Many businesses start by serving the needs of a particular group of people, known as a demographic. Demographics are a way to study people by one common characteristic. One example is age. You may decide to start a taxi business because you know that university students who do not own cars are 40% of the population in your area.

The most common demographic divisions used by marketers are age, gender, income and education. Statistics on various demographics are available on the Business New Brunswick website at www.gnb.ca/0398 and on the Statistics Canada website at www.statcan.gc.ca.

Entrepreneurs often like to sell goods and services to a demographic group that interests them. This may be a good idea for you because:

- you belong to and understand the group
- you like the group
- the group is easy to contact
- the group is large
- that group usually buys the goods or services you want to sell

The following information divides New Brunswick consumers into commonly recognized age demographics. Each of these groups - also called cohorts - experienced economic and social situations that are different from the other groups. As a result, each cohort has different values and consumer practices. Because people of similar ages usually buy similar things, businesses often target or sell to one particular cohort. You will find many possible business opportunities and ideas from the following cohort descriptions. Be sure to write these ideas on your list.

The 7 consumer cohorts you will find in New Brunswick are commonly known as the:

- 1) Depression cohort - born from 1912 to 1921
- 2) Pre-World War II cohort - born from 1922 to 1927
- 3) World War II cohort - born from 1928 to 1945
- 4) 1st Baby Boomer cohort - born from 1946 to 1954
- 5) 2nd Baby Boomer cohort also called 'Generation Jones' - born from 1955 to 1964
- 6) Generation X cohort - born from 1965 to 1980
- 7) Generation Y cohort also called 'Millennials' - born from 1981 to 2001

Members of the first 3 cohorts were influenced by the largest wars to involve Canada in the 20th century, the First World War or World War I from 1914 to 1918 and the Second World War or World War II from 1939 to 1945. The following information suggests common characteristics and consumer requirements for each cohort. Remember to add any business ideas you have to your list of business opportunities as you read about these cohorts as potential markets.

1) Depression cohort (1912 to 1921)

Canada experienced a major economic depression between the World Wars. As a result, this cohort:

- worries about financial security
- does not like risks
- likes products that have a long life
- likes comfort

This cohort requires:

- health care products
- personal care at home
- household services

2) Pre-World War II cohort (1922 to 1927)

This cohort:

- works for the common good
- is patriotic
- works well in teams

This cohort requires:

- health care products
- personal care at home
- household services
- travel
- restaurants
- household goods
- automobiles

3) World War II cohort (1928 to 1945)

This cohort:

- conforms to social expectations
- has conservative tastes
- has traditional family values

This cohort requires:

- services to maintain health
- leisure activities
- cultural entertainment
- house maintenance



- travel
- restaurants
- furniture and household goods
- automobiles

4) 1st Baby Boomers (1946 to 1954)

This cohort:

- is optimistic
- tries new products and services
- values individual freedom
- supports social causes
- has higher education
- has money to spend
- is ready to retire from work

This cohort requires:

- entertainment
- sports and leisure
- travel
- home maintenance
- furniture and household goods
- electronics
- automobiles
- vacation services
- retirement homes
- financial services

5) 2nd Baby Boomers or Generation Jones (1955 to 1964)

This cohort:

- questions accepted values
- is practical
- analyses motives
- is environmentally aware

This cohort requires:

- active health care
- vacations
- entertainment
- modern electronics
- travel
- restaurants
- furniture and household goods
- automobiles

6) Generation X (1965 to 1980)

This cohort:

- is informal
- is independent
- is entrepreneurial
- values emotional security
- is environmentally concerned

This cohort requires:

- regular restaurant meals
- up-to-date electronics
- entertainment
- sports
- outdoor adventures
- environmentally friendly products
- alternative medicines
- international travel
- household goods
- automobiles

7) Generation Y or Millennial Generation (1981 to 2001)

This cohort:

- likes physical activity
- accepts change
- knows technology
- fears environmental changes
- uses credit

This cohort requires:

- electronic communications
- internet services
- entertainment
- ecological products
- world travel
- exotic restaurants
- general consumer goods
- bicycles and cars
- sports
- alternative therapies and medicines

Consumer Trends

What is a trend?

Entrepreneurs often start businesses based on new consumer trends. Trends show changes in consumer thinking and purchasing habits. A trend is a general change in buying choices that reflects a new way for consumers to fulfill their needs. Consumer trends may be caused by changing technology, social values or economic conditions. A desire for only one item, not a group of related products or services, is called a fad, not a trend.



Why are trends useful in business?

Trends generate sales. Understanding what your customers want is necessary so you can sell it to them. Knowing about consumer trends is a good way to identify profitable goods, services or experiences, and helps you to keep your customers happy.

What are some current trends?

Following are 10 trends that may help you to identify business opportunities in New Brunswick. The trends are:

1. The desire to stay at home for entertainment
 2. The desire to be part of a group
 3. The desire for the best products
 4. The desire for many experiences in a short time
 5. The desire to stay young and healthy
 6. The desire to use technology for everything
 7. The desire for small, fast products
 8. The desire to be environmentally aware
 9. The desire for spirituality
 10. The desire to make and customize
-
- 1) **The desire to stay at home for entertainment**
 - a) Consumers want home delivery of goods and services, fast food, groceries, clothing, home goods and personal training.
 - b) Consumers want everything in their home; gyms, movie theatres, spas, internet, large screen TVs, specialized food preparation equipment and hotel-like accommodations.
 - 2) **The desire to be part of a group**
 - a) Consumers are interested in heritage, tradition, families.
 - b) Consumers want online groups, travel, clothing, books, music and musical recordings, research, adventures and training in traditional crafts, cooking and trades.
 - 3) **The desire for the best products**
 - a) Consumers want premium goods, services or experiences.
 - b) Consumers pay for expensive foods, cars, furniture, clothing, make-up.
 - c) Consumers like custom adventures, tours, accommodations, experiences.
 - 4) **The desire for many experiences in a short time**
 - a) Consumers have more jobs and longer careers.
 - b) Consumers pay for home maintenance, child care services, deliveries, home gym equipment.
 - c) Consumers buy products and services that save time.
 - c) Consumers want to feel safe; surveillance cameras, fences, alarm systems and gated communities.
 - d) Consumers want everything in their car: sound systems, filing systems, coolers, movie players, GPS systems.
 - e) Consumers want to work at home using the Internet and cell phones.

5) The desire to stay young and healthy

- a) Consumers use natural and non-traditional medicines to feel younger.
- b) Consumers act younger with rock concerts, career training, challenging adventures and eco-tours.
- c) Consumers buy trendy clothing and make-up to look younger.
- d) Consumers buy therapies and therapeutic services, vitamins, special foods.
- e) Consumers focus on exercise, fitness equipment and clothes.

6) The desire to use technology for everything

- a) Consumers communicate, research and buy online.
- b) Consumers want the newest phones, computers and electronics.
- c) Consumers want the latest services for music, research, content, training.

7) The desire for small, fast products

- a) Consumers want instant solutions.
- b) Consumers want fast food, small cars, mini vacations, drive-through banking and ATMs.

8) The desire for environmental awareness

- a) Consumers want environmentally sustainable goods and services.
- b) Consumers will pay more for environmental materials, food, clothing and furniture.
- c) Consumers want environmentally friendly cleaners, lawn maintenance, restaurants, hotels.
- d) Consumers want low impact adventures and travel.

9) The desire for spirituality

- a) Consumers want religious and spiritual experiences.
- b) Consumers want spiritual books, music, events, memberships, training and personal objects.

10) The desire to make and customize

- a) Consumers want to control goods, services and adventures.

- b) Consumers want to make their own music, videos, photo albums, books.
- c) Consumers customize jeans, T-shirts and home goods.

How can trends help you find business ideas?

Trends are opportunities for new businesses. Knowing about a trend or seeing it in daily life is an important first step. If you apply the trends to your business ideas it can help your business succeed. You may not want to plan your business on only one of these trends. Your business may want to use several of the trends to create a unique business. For example, a travel and tour service could feature:

- the comforts of home
- heritage cultural adventures
- premium quality foods
- Internet connections
- environmentally friendly hotels
- spiritual activities
- individual tour options

Questions to ask yourself about trends:

- Are there many consumers who are interested in the trend?
- What products or services will they buy? At what price?
- What products could I develop, import, export or sell locally to meet the consumer needs?
- What services could I develop and deliver to serve these trends?
- Will I have enough customers for this idea to work?

Regional Opportunities

Many people start a business that sells particular goods or services because they are popular with consumers in a specific region. The business might be based on regional resources such as maple sugar or fiddleheads that have an existing market. These businesses are:

- needed in the area where you live
- based on available resources in the area

Three ways to learn about regional business opportunities are:

- 1) Touring New Brunswick
- 2) Visiting businesses and business sites
- 3) Researching online

1) Touring New Brunswick

New Brunswick is a relatively small province. You can travel around the province in a few days by car, by bus, by train, by airplane and in some places by boat. Guide 1 provides useful background information about the geography, the transportation links and the communities, as well as the business sectors in the province.

In order to identify real business opportunities you will want to tour New Brunswick's cities, towns and countryside. It will be useful for you to organise your tour so that you can spend enough time to carefully assess what you are seeing.

When you arrive in a village, town or city that interests you, walk around instead of driving so that you can appreciate the sounds, smells and feel of the location. Ask yourself:

- What goods or services are not in the area?
- Are these goods or services available in other regions of the province? Why or why not?
- Could I use my skills, training, education or experience to start a business here?
- How can I learn if there is a market for my goods or services?
- Are there important business sectors here for my goods or services?
- Could I add value to any local goods or services?

As you tour the communities and rural areas, look for surprises or the things that you find unexpected and cannot explain. These interesting surprises are a great source of ideas about a new culture and are an opportunity to talk with local people when you ask for an explanation. Take many notes about the locations that you visit. Always visit:

- the town hall
- the tourist areas
- the town centre
- the local economic development office
- the industrial parks and areas



2) Visiting New Brunswick businesses and sites

The New Brunswick economy and business sectors are described in Guide 1. This information is very useful, but it is hard to understand fully without seeing some businesses first-hand, in person. With advance planning you can arrange to visit many New Brunswick businesses and plan for site visits in specific areas of the province. These are generally arranged through Business New Brunswick or the Population Growth Division.

To help you identify business opportunities, start a list of the types of business or business regions that you want to visit. To create this list, ask yourself the following questions:

- Am I interested in a particular sector such as mining, agriculture or forestry? Where are the best locations to see this industry?
- Am I interested in food service, accommodations or retail sales? What franchises or businesses would I like to see?

- Am I interested in providing a service or goods to the general population? Or would I prefer a business that sells to other businesses?
- Do I have a particular skill, training, educational background or experience related to a product or service in this province? Where?

When you participate in a site visit, find out:

- how to become a supplier to any sector that interests you
- what the prospects are for growth in this sector
- who the competitors are
- if there is an interest in your particular goods or services
- what business opportunities exist in the area

3) Researching online

Good business research can start on your computer. When you are looking for a business idea, much research information can be found by using the Internet. All locations in New Brunswick have Internet service and most are served by high speed connections. Try searching for business ideas and opportunities using key words, business names or types and locations. This guide lists many useful websites that you should also visit to learn about business opportunities in New Brunswick.

Following is a list of additional websites that can help you to better understand New Brunswick. They can be excellent sources of ideas for a business that you would like to own.

- Government of New Brunswick (GNB) Site - NB Business Climate www.gnb.ca/0398 gives community overviews, economic conditions, industry profiles
- GNB Site - NB Economics www.gnb.ca gives population statistics
- Canada Business www.canadabusiness.ca has a link for information on New Brunswick

- The Enterprise Network www.enterprise-entreprise.ca has links to Enterprise websites for every region of the province
- Industry Canada www.ic.gc.ca has a link for Key Small Business Statistics with current research results and information

Importing and Exporting

Another good way to develop business ideas is to consider importing or exporting. Immigrant entrepreneurs often start businesses based on experience with markets in another country. You may be familiar with products or services in your home country that are not available in New Brunswick. Similarly, you may see resources as you are touring the province that you know would sell in another country. It makes sense to start a business offering goods or services that you know well.

Following are 4 questions to help you think about import and export business opportunities in New Brunswick.

- 1) What products or services from other countries are not currently available in New Brunswick?
- 2) What products or services from other countries have competitive advantages over those currently available in New Brunswick?
- 3) What New Brunswick products or services are not currently available in another country or countries?
- 4) What New Brunswick products or services have competitive advantages over those currently available in other countries?

As you read the following sections about importing and exporting, remember to write down business ideas to consider.

Importing

- 1) *Imported products or services not currently available in New Brunswick*

You have expert experience and knowledge about one or more countries other than Canada.

This is an advantage over many business people in New Brunswick. You can see what products or services are not available here. To help you think about the potential for importing these products or services ask yourself:

- Are these goods or services suited to the climate and lifestyle in New Brunswick?
- Could these goods or services be imported at a competitive price?
- How much marketing would be required for New Brunswick consumers to choose this new product or service?
- What size of market could I expect?
- Could I extend my market into other provinces or the United States?
- What do I need to learn about importing to help me decide if this is a good idea?

2) *Imported products or services which have competitive advantages over those currently available in New Brunswick.*

You may know about products or services which are much better in other countries. Because “better” expresses an opinion, you will need to carefully study the market preferences in New Brunswick. To help you think about the potential for importing these products or services ask yourself:

- What are the competitive advantages of the products or services that I am considering?
- Are the prices better?
- Is the quality better for New Brunswickers?

- Is the selection better?
- Are these goods or services suited to the climate and lifestyle in New Brunswick?
- Have these goods or services been tried in this market in recent years?
- What market research would help me understand the consumer interest in these new products or services?
- What marketing efforts would be required for New Brunswick consumers to choose this new alternative?
- How much of the market could I expect to obtain?
- Could I extend my market into other provinces or the United States?
- What do I need to know about importing to decide if this is a good idea?

Exporting

1) *New Brunswick products or services not currently available in another country or countries.*

You are very knowledgeable about one or more countries other than Canada. This gives you an advantage over most New Brunswickers.

You can see which of the products or services from the province might not be available elsewhere. To help you think about the potential for exporting these products or services ask yourself:

- Could these goods or services be exported easily to other countries?
- How would I need to improve or change these products or services to meet the new market requirements?
- Could these goods or services be offered at a competitive price?
- What size market could I expect?
- What amount of marketing would I need to penetrate these new markets?
- What do I need to learn about exporting to decide if this is a good business idea?



- 2) *New Brunswick products or services with competitive advantages over ones currently available in another country or countries.*

You may have discovered New Brunswick products or services that are much better than those available in other countries. Because 'better' is an opinion, you will need to carefully study your target market's preferences.

To help you think about the potential for exporting these products or services ask yourself:

- Could these goods or services be exported easily to other countries?
- What are the competitive advantages of the products or services that I am considering?
- Are the prices better?
- Is the quality better?
- Is the selection better?
- What size market could I expect?
- How much marketing effort would I need to penetrate these new markets?
- How would I need to improve or change these products or services to meet the new market requirements?
- What do I need to learn about exporting to decide if this is a good business idea?



There are many non-governmental organizations and businesses that can be very useful as you develop importing and exporting business ideas. For example, you can consult websites for private customs brokers, shipping companies and international wholesalers. As well, there are several government agencies or departments that provide information related to importing and exporting. You will find useful information at the following websites:

Business New Brunswick, Export Development Branch: www.gnb.ca/0398
Canada Business: www.canadabusiness.ca
Industry Canada: www.ic.gc.ca
Canada Border Services Agency: www.cbsa-asfc.gc.ca

This is the end of Part 1 and the suggestions for creating good business ideas. At this point, you should have a long list of possible business ideas related to the topics in this section. Now it is time to review your list and to choose the 2 or 3 best business opportunities for the business you would like to own in New Brunswick. Remember, for you to succeed with a good business idea you must have:

- 1) interest and knowledge in the area
- 2) a consumer market
- 3) the potential for profit

Next, Part 2 of this guide describes the legal forms of business in New Brunswick and gives details about the 3 main business models: existing businesses, franchises and new businesses. Remember your business ideas as you consider the possible business models in the next section.

PART 2: BUSINESS MODELS

Before you choose a business to own in New Brunswick, you need to understand the legal business forms and models. Part 2 of this guide describes the business forms then explains the business models that you can choose. The following information will help you to understand the best choice for you as you begin your business in the province.

Chapter 2 - Understanding Forms of Business

Are you planning to buy a business alone or will you have a partner? Should you incorporate? Do you want to own a franchise or make a new business from your own ideas? Often immigrant entrepreneurs want to buy an existing business or a franchise. These models appear easier than making all the decisions involved in starting a new business. Some businesses are even advertised as a 'turn-key operation' where the new owner only needs to unlock the door to start operating a business. But every business model has strengths and weaknesses. The information about business forms and models in this section can help you to make an informed decision about your own business.

LEGAL FORMS OF BUSINESS

There are 4 legal forms of business in Canada. This is true for buying an existing business or starting a new business. Your business can be large or small and sell a product or a service, but it must be one of the following:

1. sole proprietorship
2. partnership
3. incorporated company
4. cooperative

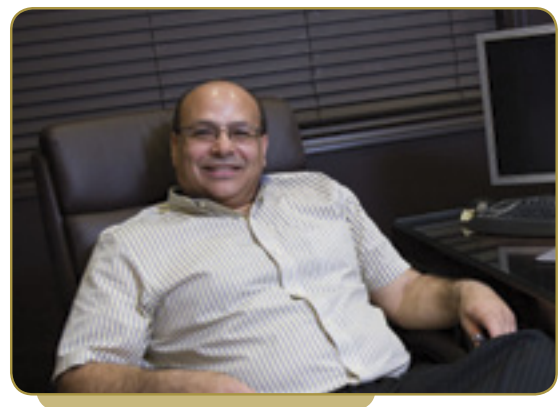
What type of business is correct for you? Your choice depends on the number of people in your business, your product or service, your finances, the taxes and the legal concerns.

Before you choose, talk to a lawyer who can clearly explain Canadian business laws to you. Also talk to an accountant who can explain the business taxes you will pay.

The following information outlines the 4 basic business forms. For more detailed information, consult a lawyer who is an expert in your business area.

Sole Proprietorship

- simplest business form
- one person owns the whole business with no partners
- no legal difference between you and the business
- all business earnings are taxed as personal income
- owner is responsible for all of the debts and legal liability
- business license comes from the provincial government
- business name, if not the same as your name, is registered with Service New Brunswick (www.snb.ca)



Partnership

- two or more people own the business
- partner may work in the business or be a 'silent' investor
- each partner is legally responsible for all partners' decisions
- lawyer can recommend a Limited or a General partnership
- a written legal agreement must be signed by all partners
- agreement states how partners work, make decisions and share profit
- agreement states amount of investment by each partner and how much of the business each partner owns (the share size)
- income tax and legal liability are based on share size

Incorporated Company (Corporation)

- one or more business owners legally incorporate the business
- owners are called shareholders
- a separate legal entity, like a person
- taxes are separate from the owner's personal taxes
- advantages for business taxes and legal liability
- more expensive to start and has more annual costs

Co-operatives

- owners are members and share resources to provide goods and services
- business organized and controlled by the members
- democratic business model where one member has one vote
- business pays dividends to members
- voluntary membership

PARTNERSHIPS

Instead of being a sole proprietor, some entrepreneurs prefer to form a partnership to buy an existing business, to purchase a franchise, or to start a new business. Partnerships can be complicated, especially if the two partners are not from the same culture. A business may have two partners or more, but all partners need to know each other's:

1. goals
2. work ethic
3. personal values
4. financial situation

You should also ask about any past experience and skills or knowledge related to your business sector.

Clear Communication

Clear communication is the key to a successful partnership. Do not assume that your partner thinks like you, especially if you have different cultural backgrounds. In Canadian business you need to explain your meaning clearly in writing and verbally.

Partnership Agreements

There are legal requirements for partnerships in Canada. The following six points of information must be included in a Canadian partnership agreement.

1. The amount and form of each partner's investment

Partners can invest equal amounts in a business or the amounts can be different. The amounts can be cash only or they can include physical assets such as equipment, inventory or buildings. A partner's investment can also include a person's specialized expertise, unique recipes or other knowledge-based investments, known as intangible assets. You should hire an independent expert to assess the current value of all assets before you finalize the agreement.

2. How profits will be shared

Profits can be shared in many different ways, based on what the partners want. For example, profits can be shared according to the amount of each partner's investment. Or a profit sharing formula can include the amount of work that will be provided by each partner. You need to state exactly how profits will be shared in the partnership agreement.

3. How profits will be distributed or received from the business

Keeping a sufficient amount of cash in the business is always important. The partnership agreement should outline a plan for paying shares while maintaining a good cash balance. A partnership agreement might state the following:

- a) the percentage of profit that must remain in the business
- b) the salary to be paid for work performed in the business
- c) the dates when money can be taken out by partners

4. How decisions will be made

Partners sometimes disagree when making decisions about the business. For example, some partners may want profits immediately. Other partners may want to wait for the business to grow before receiving profits. Partners may disagree with each other about:

- a) buying new equipment
- b) offering new services or products
- c) hiring more employees

The partnership agreement must state exactly how decisions will be made. Two common decision-making methods are:

- a) consensus where all partners must agree on decisions
- b) majority where all partners vote and majority rules

The money invested, the time worked and the responsibilities accepted can all help to decide how much power each partner has in the decision making process.

5. The partners' responsibilities for the daily operations

When entering into a partnership you may choose to actively work in the business or you can simply invest and not make the daily decisions.

Partner is active in the business

When you are active in the business you participate in the daily decisions related to operating the business.

These decisions can be about :

- what products or services to offer
- where to buy products or services
- the amount of money to pay employees
- what hours the business is open
- how to display goods for sale
- what type of advertising to buy

Partner is not active in the business

When you are not active in the daily business you still participate in major decisions. These decisions are less frequent but more important and usually involve spending larger amounts of money. Some examples are:

- Renovations to business premises
- Hiring key employees
- Investing in equipment

The amount of involvement that you have in decisions should be stated in your partnership agreement.

6. How a partner can leave the partnership

The partnership agreement should describe the process to end the partnership. Over time, the value of each partner's interest in the business changes as the business value changes. The following items all can affect the value that the partner should receive for his or her share.

- a) original investment
- b) amount of work
- c) amount of money previously received
- d) profits of the business operated by the partnership

The partnership agreement should discuss these issues, as well as how the partner will be paid for his or her share.



Advantages & Disadvantages of Partnerships

Advantages

- Partners can bring assets such as money or equipment.
- Partners can share ideas and share the work.
- Partners can bring different skills or knowledge.
- Partners can share the losses as well as the income.

Disadvantages

- You do not control all of the decisions.
- You may be liable for business decisions your partner makes.
- You will have to share the profit.
- You may not like the way work, responsibilities and profits are shared.

Chapter 3 - The Business Models

There are 3 main business models to choose from when you start a business in New Brunswick. You can buy an existing business, buy a franchise, or start a new business. Each model offers exciting possibilities. You need to examine the choices and decide which model will best suit your plans and needs. The following information will help you to understand the nature, requirements, advantages and disadvantages of each business model in New Brunswick.

MODEL 1 : BUYING AN EXISTING BUSINESS

One way to enter business in New Brunswick is to buy an existing business. First, you need to find a business that you like. Be prepared to spend some time learning about the local community and the business environment. New Brunswick has many private owner-managed businesses. Often the owners do not have children or employees who are interested in buying the business when they are ready to sell and will seriously consider an outside buyer. This situation provides an excellent opportunity for immigrants to buy an existing profitable business.

Before deciding to buy a business, you need to know the fair market price. Naturally, the seller will ask for the highest price he or she thinks the business is worth. Sometimes sellers think that immigrants do not know local business values and will pay more than the market price. Do not accept the seller's price without doing your own research. Find out what similar businesses in the area have sold for in recent years and what existing businesses are worth in today's marketplace. Expect your real estate agent or business broker to show you the real value of similar businesses and ask for all information in writing. In North American business, there is a common expression that sums up the approach to business: "Let the buyer beware".

Tip

Convenience stores are one of the easiest businesses to buy but the value is very hard to evaluate. Hire professionals to help you.

This tip is given by immigrant entrepreneurs in New Brunswick.

Communicating Clearly

Clear communication is the key to success. Do not assume that your business associates, suppliers, employees and customers think like you, especially if you have different cultural backgrounds. In Canadian business you need to explain your meaning clearly in writing and verbally.

Finding a Business

Following are 3 steps to help you find a business to buy in New Brunswick. Think about the personal strengths and business opportunities that you identified in Part 1.

1. Consider business sectors that match your ability as an entrepreneur.

- Do you have experience with this type of business?
- Will your personal skills, knowledge and attitudes help you to run this type of business?
- Are your hobbies or favourite activities related to this type of business?
- Look for business sectors and locations that are strong and have potential for continued strength.
- Do local businesses and major employers look strong and prosperous?

- Are housing prices increasing or decreasing in this location?
- Is the market size big enough for this business to grow?
- Does the business sector have too much competition?
- Does this sector have enough suppliers and customers?

2. Use many different sources to find businesses that are for sale.

- Ask local accounting firms if any clients want to sell their businesses.
- Speak with local bankers who may know of businesses for sale.
- Read the Business for Sale section in local newspapers.
- Contact business brokers and real estate agents who represent businesses for sale.

Tip
Use a commercial broker or realtor to help you find a business to buy.
This tip is given by immigrant entrepreneurs in New Brunswick.

3. Visit businesses in the sector that interests you.

- For example, if you want to buy a hotel, ask hotel owners and managers about businesses for sale in your desired location.
- Personally contact the owners of businesses that you find interesting.

Analysing the Business

After you find a business you like, the next step is to analyse its strengths and weaknesses. Remember that professional advice from experts such as a trustworthy lawyer and accountant can help you to make good decisions and save you money in the long term. Your real estate agent and the local Enterprise agency should also provide you with reliable information on local business markets and values.

Ask the vendor the following questions about the business finances, marketing, management, human resources, assets and liabilities. Then check the information with your experts to ensure that the numbers are logical and credible.

Tip
Find out the reputation of the business owner before you buy.
This tip is given by immigrant entrepreneurs in New Brunswick.

Finances:

It is very important to obtain financial advice from independent real estate appraisers, professional accountants and business brokers. By using more than one professional you have a better chance of getting the best value for your money.

- What is the total investment for purchase and improvements to the business?
- What is the company's financial record for recent years?
- Are the financial records accurate and trustworthy?
- What is the profit margin to make the products or provide the services at today's costs?
- What expenses will change if you buy the business?
- What taxes will you pay to buy and operate the business?

Marketing:

- Is the customer or client base big enough for the business to be profitable?
- Is the business location good?
- Is the current marketing effective? How much will new marketing cost?
- Can you improve the advertising or promotions to increase business?
- Are customers loyal to the business? How will a different owner affect customer loyalty?
- Is there competition from other businesses? What is the competitive advantage of this business?

- Will the location be good in the future? For example, if a new road is built in the future it could take customers away from your location.
- Will the municipal by-laws permit this type of business in this location in the long term?

Management:

- Will the management team stay? If not, can you hire people with the necessary skills?
- Do you have the skills needed to manage the business? If not, can you learn the skills quickly?
- What management improvements can increase efficiency?

Human Resources:

Often the people who work in a business are one of its major assets. They know the business and have existing relationships with customers. It is important to enquire about the reliability of the existing staff when you consider buying a business. Most theft in retail operations is by the store employees and sometimes the seller has not recognized the problem. Examine the human resources carefully and be aware of the need for internal business controls. Ask the following:

- What key employees help make the business successful?
- Will the key employees stay after you buy the business?
- Is the existing staff reliable? Has the business lost money to theft recently?
- Will your language skills cause a communication problem with current employees?
- Are there other people you could hire in the local area?
- Will human resource costs increase after you purchase the business?
- Do you understand employee expectations regarding hours of work and benefits?
- Do you know all the costs related to having employees in New Brunswick?

Business Assets:

- What assets are included in the purchase price?
- Are major assets, such as the building and equipment, in good condition and is the price reasonable in the local market?
- Is the inventory worth what you will pay for it?
- Are accounts receivable amounts accurate and honest?

Business Liabilities:

- Do you know all the liabilities of the business, such as any liens, mortgages and outstanding debts?

Agreeing to Purchase

The final step in buying an existing business is a legal agreement to purchase. The buyer and the vendor will negotiate the terms of the purchase and sale agreement. But the two sides usually have different preferences and tax positions, so it is wise to hire reliable specialists who know Canadian business practices. An accountant, a tax practitioner, an appraiser and a lawyer can all contribute valuable advice.

Vendor Continuing to Work in the Business:

In certain cases, the vendor can become a mentor for a new business owner. The previous owner may agree to continue working for a short while, sometimes up to one year, helping the owner become familiar with and operate the business. The previous owner can help the new owner to adjust to the staff, suppliers and customers. This special mentoring situation is not always possible, but it can be a good idea to ask the vendor as a formal part of the negotiations. A vendor who agrees to stay will expect to be paid a salary while still working.

Assets vs. Entire Business:

When buying an existing business you can:

- buy the entire business so that you own the name, the assets and all the liabilities.
- buy only the assets that you want.

Deciding whether to buy only some assets or all the assets requires a careful analysis of all the factors involved. You need to know exactly what you will receive and what it is worth. Many assets are very specialized and their value can be difficult to assess.

Goodwill

Goodwill is one of the common assets that may or may not retain value when the ownership changes. Goodwill can be the result of the owner, the location, the product or service, or a combination of all these factors. Evaluating goodwill is best left to your professional accountant. There are many ways of calculating this value and also of structuring the payment for this asset.



Income Tax Position

The different income tax positions of the vendor and yourself may also impact your professional accountant's advice. When you buy only the assets of a business, the vendor pays more income tax than if he or she sold the entire business.

For that reason, most vendors prefer to sell all of the business. The tax situation is often the opposite for purchasers who generally have a better tax position if they buy only the assets.

Debts

It is important to realize that when you purchase a business you also purchase all of its debts. It can be difficult to establish

all of the debts and to understand exactly what a business owes. This work, sometimes called due diligence, is generally performed by a lawyer along with your professional accountant.

Tip

Look for a lawyer and an accountant who have experience with immigrants.

This tip is given by immigrant entrepreneurs in New Brunswick.

Preferred Arrangements

Another issue to consider when buying a business is the possibility of special deals under the current ownership. There may be preferred arrangements with certain customers and suppliers. The impact of these special arrangements needs to be quantified as a money value and their impact on new owners properly determined. It is strongly recommended that you rely on the judgement of your professional advisors such as lawyers, tax specialists and appraisers. It is important to inform them fully of your negotiating points and concerns. Do not, under any circumstances, rely on the advice of people who represent the vendor.

Before you sign an agreement you need to know:

- the current value of the assets.
- the effect on your income tax of buying the assets compared to buying the entire business.
- the legal responsibilities you accept when buying a business.
- the best business model for you to operate the business.

Advantages and Disadvantages of Buying an Existing Business

Advantages:

- no need to develop a new business idea
- no need to find the building, equipment and other assets required to operate the business
- you can start operating the business immediately after purchase
- few immediate operating decisions to make while learning the local business culture

Disadvantages:

- often more expensive to buy an existing business than to start the same business
- you may not like some decisions made by the previous owner
- you must build new relationships with customers, employees and suppliers
- you must learn the business quickly to start operating immediately
- you must rely on employees who know more about the business
- you will find surprises, both good and bad

MODEL 2 : BUYING A FRANCHISE

A second way of entering business in New Brunswick is to buy a franchise. When you buy a franchise you are buying the right to copy an existing business in a new location or locations. Examples of well known franchises are:

- Hilton hotels
- McDonald's restaurants
- Tim Horton's coffee shops

Franchises are generally considered to be an easy way to enter business because you buy both the name and the business practices. There are many opportunities available for franchised businesses. Each franchised business has its own method of selling its franchises. It is important to understand and to carefully consider all the facts related to a franchise opportunity.

Before you consider buying a franchise, think about the following 3 questions:

1. Do I have the necessary capital for the investment?
2. Do I fully understand the work involved in operating this franchise?
3. Do I or my partners have the education, experience, attitudes and skills required to succeed?

Communicating Clearly

Clear communication is the key to success. Do not assume that your business associates, suppliers, employees and customers think like you, especially if you have different cultural backgrounds. In Canadian business you need to explain your meaning clearly in writing and verbally.

Deciding on a Franchise

When you buy a franchise you become a franchisee. You will pay the franchisor (the company that owns the original business) a franchise fee to purchase the franchise. What you receive depends on the franchise agreement but could include:

- the use of a business name
- signage and other promotional material
- staff uniforms
- recipes, processes and methods
- equipment, blueprints, start-up manuals
- training and training manuals

Franchise agreements generally state that you must operate your business as described in the contract. For example you usually cannot change the business' appearance without permission.

Most often you will continue to pay fees to the franchisor for various services and products as long as you are a franchisee. You may also need to pay the franchisor a percentage of your profits that is called a royalty payment.

If you want to buy a franchise you should consider a few key questions:

- What type of business would I like to have?
- What type of business is succeeding right now?

- Will this type of business have continued success?
- What franchises suit my answers to the first three questions?

If you are still interested in a franchise and willing to accept the limitations of a franchise system, then you should consider:

- Attending franchise trade shows
- Reading franchise journals
- Working at a franchise that interests you
- Checking the classified ads in the newspapers for business opportunities

For more information contact the Canadian Franchise Association (CFA) at **1-800-665-4232** or www.cfa.ca. The CFA represents over 350 franchise businesses that follow the Association's code of ethics.

Purchasing a franchise can be very expensive but can offer excellent value because of the expected return on your investment. A franchise has to be carefully considered before buying. Research the franchisor in detail, including the financial state of the parent company and the success enjoyed by other franchisees. Franchise agreements are generally very complicated. It is necessary to have the help of your own lawyer and professional accountant if you are thinking about buying a franchise.

Tip

You may need to prepare a presentation to prove you can succeed as a franchisee.

This tip is given by immigrant entrepreneurs in New Brunswick.

Choosing a Franchise

Franchises come in all price ranges. You can pay as little as \$1,000 and as much as \$1,000,000 or more. Franchises are available in many different sectors and represent many different products and services. If you are considering buying a franchise you will need to carefully evaluate the following:

1. the franchise offer
2. the costs compared to the expected return
3. the franchisor support
4. the value of the brand
5. the contract requirements

1. Understanding the Franchised Offer

A franchisor's offer generally includes a description of the brand you are buying, the products and services you will receive, the way the business operates and the support you will receive at the start and in future. The offer also details the purchase costs and the royalties you will pay. You can find this general information from franchisor websites, franchise trade shows, specialty magazines and the Canadian Franchise Associations at www.cfa.ca.

Two very important areas to consider before buying a franchise are:

Location and Sales Territory
Personal Suitability

Location and Sales Territory

When evaluating the location or sales territory of a franchise you need to know:

- a clear definition of your franchise territory. Is it exclusive? For what amount of time?
- market information and statistics that support the franchisor's estimated sales potential for the territory.
- reliable information that shows the future growth potential for your territory.
- who your competition is in the area.
- the franchisor's standards for the location and the premises.
- the terms for leasing or purchasing the premises from the franchisor.

Personal Suitability

Before buying, you should also consider whether the franchise you are considering is the best choice for you. Ask yourself:

- Am I interested in this product or service?
- Do I have experience, knowledge or skills related to this franchise's product or service?

- Do I have enough money to purchase and to operate the franchise?
- Will there be cultural or language barriers with the organization I will be purchasing the franchise from? If so, how will I deal with them?

2. The Costs Compared to the Expected Return

Some franchises cost very little to buy, but you can make very little in profit in return. Other franchises appear to cost too much, but they may make a lot of profit in return. There is no fixed rule. You need to include all of the costs and compare this amount to the profit expectations. If you evaluate several different franchises at the same time, the differences between them will be clearer.

There are two types of costs:

1. *Initial or start-up costs*
2. *Continuing or on-going costs*

Initial or start-up costs

The initial costs generally relate to:

- purchasing the franchise
- purchasing or constructing the premises
- purchasing any specialized equipment, materials, manuals, services or other items that are required in the start up but not included in the purchase price

Continuing or on-going costs

The continuing costs can include the following:

- lease payments or rent for the premises
- royalty fees, which are usually a percentage (%) based on franchise earnings
- charges paid to the franchisor for marketing, including promotional materials, a share of advertising costs and new signage
- product development and intellectual property permission
- ingredients, uniforms and other supplies

When trying to determine the amount of return you will make on your initial investment you will need to:

- ask existing franchisees how well their franchises are performing
- calculate the sales volume you can expect for the first 3 to 5 years
- estimate what you believe your total cost will be for selling the goods or providing the services
- obtain and analyse the financial statements of a similar franchise for the last 5 years

You should hire a professional accountant to help you determine the return on investment.

It is customary for you and the franchisor to each use your own accountants and lawyers in a negotiation. You should ask your accountant to:

- evaluate the reliability of the financial information that you received from the franchisor
- calculate costs for the next 3 years based on reasonable assumptions
- calculate your expected rate of return on the franchise

3. The Franchisor Support

The key to a successful franchise is a successful franchisor. Different franchisors have different backgrounds, experience, finances and business ethics. It is very important to know the following facts about the franchisor.

- financial strength and profitability
- number of years in the business
- relationship with other franchisees
- commitment to franchisee success

Ask the franchisor the following 6 key questions:

1. How long has the franchisor been offering franchises?
2. Who is involved in the organization and what are the backgrounds?
3. How many franchises are operating successfully at this time?

4. Have any franchises closed in the past 5 years? Is it possible to speak with them? What were the reasons that they closed?
5. Are new locations being opened? How often?
6. Is it possible to meet with existing franchisees?

Sometimes the best source of reliable information is existing franchisees. You need to visit several to make sure that you have as much useful information as possible. The franchisor should be able to give you a list of franchisees in your area.

Ask other franchisees the following key questions:

1. If you could start again, would you still buy this franchise?
2. What was the total investment required by the franchisor?
3. Were there any unexpected costs?
4. Are you making as much profit as you expected?
5. What do you feel is the major weakness of this franchise?
6. What is its major strength?
7. Are you satisfied with the level of service you receive from the franchisor?
8. Are you satisfied with the quality of the goods you purchase from the franchisor?
9. What kind of management and staff training was provided?
10. Are you happy with the marketing effort provided by the franchisor?
11. Do you receive helpful advice and answers to questions promptly?
12. Have you had any major disagreements with the franchisor?
13. What have you done to make your franchise successful?

Ask yourself and your accountant the following 7 key questions:

1. Is the franchise financially stable?
2. Is the franchise continuing to develop new products and methods?
3. Are the franchises marketed well?
4. Do franchisees meet together regularly?

5. Is the franchisor available to franchisees and actively involved in the franchises?
6. Does the franchisor provide local, on-going training for franchisees?
7. Is it difficult to qualify to buy the franchise or does the franchisor appear to accept anybody?

4. The Value of the Brand

Brand recognition is a key factor when choosing a franchise. For example, there are many restaurants that sell fast foods. Some are well-known brands and others may be locally-owned with very little brand recognition. When you pay for a franchise you want to buy a brand that already has a lot of market recognition and a good reputation.

Following are 7 key questions to ask yourself, your accountant, and other franchisees.

1. Is the brand well known? Look for market research to support the franchisor's claims.
2. Is there currently a good demand for this product or service?
3. Are sales increasing or decreasing?
4. Is the product or service priced competitively?
5. Is the product protected by a patent, trademark, or copyright?
6. Is the product or service unique, appealing and useful?
7. Can the franchisor guarantee a supply of the raw materials or finished goods that can meet the market demand?

5. Reading the Contract

The franchise agreement is a business contract that defines the roles and responsibilities of the franchisee and the franchisor. You, your lawyer and your accountant should carefully review the agreement. Following are some of the questions that you need to consider carefully.

1. Are the rights and obligations of the franchisee and the franchisor clearly defined?

2. Are the payments to the franchisor clearly specified? Payments can include:
 - a franchise fee
 - royalty payments
 - marketing payments
 - fees for ongoing services
3. Does the contract state that you must buy supplies or merchandise every year? Is there a minimum amount?
4. Does the contract specify the type and size of operation you are expected to operate?
5. Are the nature, duration, cost and extent of your training stated in the contract?
6. Do you automatically have the right to any franchisor innovations or do you have to keep investing for new advances?
7. Do you have to meet annual sales quotas to keep your franchise?
8. Does the contract clearly include all the promises the franchisor made?
9. Can the contract be renewed or broken? If so, on what terms?
10. Are you permitted or expected to develop the territory by opening multiple locations? If so, how many and how soon?
11. Can you sell the franchise? Under what conditions?
12. Can you keep any profits made from the sale of the franchise?
13. Can you terminate the contract and is there a penalty cost for contract termination?
14. When and how can the franchisor terminate your franchise?
15. If your franchise terminates, will you be compensated for the goodwill you have built up in the business?
16. Are you prevented from engaging in any other business activity for the duration of the contract?
17. Does the contract prevent you from establishing, owning, or working in a competing business for a certain number of years after termination of the franchise?

Advantages and Disadvantages of Buying a Franchise

Advantages

- You can actually see the business operating in another location.
- You can visit to closely study the strengths and the weaknesses of the business.
- Seeing a franchise allows you to evaluate your suitability for the type of business.
- Most franchisors provide significant start-up support which can mean:
 - a) a faster business start-up than starting your own business
 - b) a reduced investment risk
 - c) fewer initial decisions to make on your own
 - d) help finding a good location for your outlet
- You may have excellent on-going support from the franchisor on major issues related to:
 - a) Marketing
 - b) Product/service development
 - c) Human resources
 - d) Pricing
 - e) Management
 - f) Inventory control
- The franchisor may also provide support through:
 - a) periodic newsletters
 - b) a toll-free telephone number
 - c) a website
 - d) scheduled workshops or seminars



Disadvantages

- You usually need to pay a large fee for the rights to a franchise.
- You cannot change certain aspects of the business because of your contract with the franchisor.
- You must rely on the franchisor for the purchase of certain products or services.
- Your franchisor may not continue to invest in and improve the brand.
- You may be required to expand your franchise size or number of locations in order to keep your franchise.
- You may disagree with the franchisor's future decisions regarding methods, processes, raw materials, and other concerns.

Canada Business provides excellent information on buying a franchise. Their website is www.canadabusiness.ca.

MODEL 3 : STARTING A NEW BUSINESS

A third way to enter business in New Brunswick is to start a new business. Your new business may be a sole proprietorship, a partnership or an incorporated business. Starting a new business of your own is certainly exciting. You will need to make many decisions, but you will be following your own dream. It is very different from buying an existing business or a franchise where many decisions have already been made without your input.

Tip

First go to your local Community Enterprise Development Agency. They will help you.

This tip is given by immigrant entrepreneurs in New Brunswick.

Communicating Clearly

Clear communication is the key to success. Do not assume that your business associates, suppliers, employees and customers think like you, especially if you have different cultural backgrounds.

In Canadian business you need to explain your meaning clearly in writing and verbally.

Choosing a Business Idea

To start a new business you first have to have a good idea and a vision of what you want to create. Part 1 of this guidebook gives you ways to create good business ideas. You should be prepared to take time to develop the business idea that you choose. One very important step before you decide on an idea is learning about the local business communities.

You may also want to pay for professional services to help you find the best background information. Advice from a lawyer and an accountant can save you a lot of money and prevent disappointment.

The process of starting a new business can take a month or it can take a year or more, depending on your business idea.

Deciding the Type of Business

Each business sector has its risks, rewards and requirements. Starting a service business usually requires less time than starting a retail operation. A manufacturing business may take a few years to start because of the time required to obtain permits and to build and equip the production facility.

Your business could provide a service or goods to individuals or to other businesses. Following are some examples of business opportunities.



1) Services for individuals:

- carpet and upholstery cleaning
- yard maintenance and snowplowing
- food preparation and catering
- a restaurant
- hairstyling and esthetics
- language and tutoring
- storage units
- taxi and limousine
- hotels, motels and other accommodations

- 2) **Services for other businesses:**
 - commercial cleaning
 - document management and shredding
 - IT development and services
 - wholesaling or manufacturing
 - construction or building site preparation
 - environmental studies and services

- 3) **Retail businesses:**
 - clothing store
 - business supplies store
 - grocery or convenience store
 - service station
 - building supplies store
 - home goods store

Following the 10 Steps

To start a new business in New Brunswick, you need to follow 10 basic steps. Use the chart below to make personal notes about important information for each step.

Tip
It takes time to start a business. Allow more time than expected to develop contacts and find information.
This tip is given by immigrant entrepreneurs in New Brunswick.

STEPS TO START YOUR BUSINESS	NOTES, DATES & CONTACTS
1) Decide the type of business and study the business sector.	
2) Decide if your business will be a sole proprietorship, partnership, incorporation or cooperative.	
3) Begin assembling the information you will require to write your business plan.	
4) Calculate the costs to start the business and to operate it for at least one year.	
5) Assess profitability, decide if you need financing.	
6) Conduct preliminary market research.	
7) Meet with counsellors who know the region and discuss your business plan. Plan to meet with them again.	
8) Select an accountant and a lawyer and meet with them to discuss your plan.	
9) Choose and register your business name.	
10) Learn what permits and licences you will require and who issues them.	

1) Study the business sector.

There are many ways to study a business sector. The most useful way is to visit businesses that are similar to the one you are interested in starting. When you visit you should be carefully studying and noting:

- the choice of location
- the products or services
- the pricing of the products or services
- the main suppliers
- the organization of the premises
- the number of employees and how busy they appear to be
- how the products and services are displayed or promoted
- what type of customer is entering and purchasing products or services
- the average size of purchases
- how the service is delivered or the product is sold

Some good sources of information on specific sectors and businesses include:

- a) Canada Business – New Brunswick:
1-888-576-4444
www.canadabusiness.ca/nb
- b) The Enterprise Network
506-453-6141
www.enterprise-entreprise.ca
- c) The Community Business Development Corporations
1-888-303-2232
www.cbdc.ca

2) Decide if your business will be a sole proprietorship, partnership, corporation or cooperative.

For detailed information on these 4 choices, please review the first section of Part 2, Legal Forms of Businesses.

3) Start writing your business plan.

For detailed information about how to prepare your business plan, please refer to *Guide 3, Be Successful: Planning Your Business*. This guide helps you to evaluate your business ideas and make them into an effective plan.

4) Calculate the costs to start the business and to operate it for at least one year.

As soon as you choose an idea that you really like, you need to research specific information about the cost of starting that business. Divide your costs into one-time costs for goods and services you need to start your business and operating costs that you will need to pay regularly to run the business.

One-time costs can include:

- legal fees to incorporate the business or to prepare a partnership agreement
- the cost for buying or constructing a building and other site preparation costs such as landscaping
- the cost of renovations, additions and furnishings
- the cost of equipment, shelving and other specialized materials
- the connection and set-up cost for services such as power, water, Internet and telephone
- the cost of licences, permits, registrations and inspections (some of these will also be repeated annual costs)
- the cost of market research and designing promotional materials
- the purchase of initial inventory

You will not know the exact final costs, so it is important to try to list everything and to use higher rather than lower price amounts. The total amount of these one-time costs will give you an estimated dollar figure for the cost to start your business. This total will help you to determine if you have enough capital or if you need to borrow money to start your business.

Operating costs can include:

- salaries and other employment costs
- rent, lease, heat, lights, telephone, Internet, insurance
- taxes for property, water and sewage and income

- loan interest and other banking charges
- supplies, maintenance and repairs
- annual permits and licenses
- legal, accounting and taxation advice

This second group of costs will help you determine how much it will cost to operate your business on a monthly and yearly basis.

Tip
It will take longer than expected to open your business. You need to plan a budget because no money will be coming in to the business before the business is open.

This tip is given by immigrant entrepreneurs in New Brunswick.

5) Assess profitability to decide if you need financing and consider possible lenders.

To assess profitability, compare the operating costs to the expected income from the sales of goods or services. You will have more accurate income figures after you conduct market research. But you can still estimate the number of units (goods or services) you need to sell to equal the operating costs. This is called the 'break-even point' because the expenses equal the income. The break-even point tells you what business volume you must have to make a profit. The required business volume compared to the expected volume shown by market research will help you decide if you need financial help. If you need outside financing, think about possible lenders.

6) Conduct preliminary market research.

You need to know your customers and competitors to estimate sales volume. Market research will help you to learn about the people you want to sell to, the competition

you might face, the industry trends, and your potential market share.

Wait until you do your business plan to conduct detailed market research.

First, ask yourself if the market will want your product or service. Then consult with other people, such as a group of potential customers or a business counsellor, to learn what they think about offering your product or service to your chosen market. You may want to ask yourself and others the following questions:

- Who will buy the product or service?
- Where do the consumers live?
- What are their characteristics (age, gender, income)?
- Why would they buy your product or service?
- How often would they buy it?
- Where would they buy it from? A store? A tradeshow? On the Internet?
- Do your buyers have preferences regarding your product or service?
- Will you be able to build customer loyalty?
- What image do you want your product or service to have?

Some useful market research information is available for free through the following sources:

- Provincial financial statistics: New Brunswick Department of Finance **506-453-2451**, www.gnb.ca/finance
- Research strategy and statistics: Canada Business – New Brunswick **1-888-576-4444**, www.canadabusiness.ca/nb
- Federal statistics: Statistics Canada **1-800-263-1136**, www.statcan.gc.ca

7) Meet with counsellors who know the region and discuss your business plan.

Plan to meet with business experts several times for general advice and to ask specific questions about your business plans. Business counselling services are available through:

- a) Canada Business – New Brunswick
1-888-576-4444,
www.canadabusiness.ca/nb
- b) The Enterprise Network
506-453-6141
www.enterprise-entreprise.ca
- c) The Community Business Development Corporations
1-888-303-2232
www.cbdc.ca



8) Select an accountant and a lawyer and meet with them to discuss your plan.

Professional advice from a trustworthy lawyer and accountant can help you to make good decisions and save you money in the future. It is best to make enquiries about your professional advisors' qualifications and experience. You also need to ensure that you are comfortable communicating with them.

The professionals that you choose should have an excellent reputation in the community and be able to tell you about the types of work they have performed for other clients. See the Business Relationships section of Guide 1 for further information.

9) Choose and register your business name.

When you know the type of business you want to start and have completed some market research, it is a good idea to choose a name for your business. In New Brunswick, the business name usually describes the products or services you will be offering. Generally the names should be easy to remember. It is not customary to use only the owner's name as the business name unless the person's name is well-known in the marketplace.

Registering Business Names

You must register your business name (unless it is your personal name) with Corporate Registry. You can do this online at the Service New Brunswick website www.snb.ca. You can also get forms from the website or your local Service New Brunswick office and mail your information to Corporate Registry. To find a Service New Brunswick office near you, visit www.snb.ca or call **1-888-762-8600**.

Name Searches

Before you can register your business, you must conduct a name search to make sure that no one else is using the same name.

You will receive assistance in this matter through Service New Brunswick and the Corporate Registry. The contact information is listed above.

Registering a name takes only one day unless the name you chose is already being used. Then you will need to select a different name and continue checking.

Once your business name is approved, you can register your business. Corporate Registry will mail you a Certificate of Registration. If you plan to have business locations in a province or territory outside New Brunswick, you must also register your business for that region.

10) Permits and Licenses

Learn what permits and licences you will require and who issues them.

Every type of business in New Brunswick has different legal requirements for permits and licences. You need to know what licenses and permits your business must have early in your business planning. Contact the following organizations for more information:

- Canada Business – New Brunswick
phone: **1-888-576-4444**
website: www.canadabusiness.ca/nb
- Service New Brunswick (SNB) has locations throughout the province. To find the location nearest you, telephone **1-888-762-8600**, or check the SNB website at www.snb.ca. Through BizPaL, www.snb.ca/bizpal, you can access information on business permits and licenses online.
- Your local municipal government has contact information in the blue pages of your phone book. Municipal information is also available through Canada Business – New Brunswick.

Advantages and Disadvantages of Starting a New Business

Advantages

- the freedom to use your own ideas
- the freedom to be the boss
- the freedom not to be fired
- the freedom to set your own salary

Disadvantages

- long work hours, usually more than when employed by others
- risk of failure
- start-up is a lot of work
- lack of experience in the business (owner, employees, partners)

CONCLUSION

By reading this guide, you learned how to develop good business ideas and to choose one for your business. You also learned about the business types and models that you can use in New Brunswick. It is time to start planning your own business. A good business plan will help you to identify the strong and weak points of your business idea and make it a reality. Guide 3 will help you to make a plan so you know what to expect as you prepare to buy or start a business and hire employees. You will need this plan to start your business and will continue using it for many years. Good luck as you plan your business for success!

ACKNOWLEDGEMENTS

Many provincial and federal government websites and related business agencies provided useful background information in creating Guide 2 - *Be Creative: Business Ideas and Models*. These sources are mentioned throughout the guide and websites are provided for further reading and contact information. Special recognition is due to Business New Brunswick for authorizing use of their online information in preparation of this guide.

Resource Websites:

Bank of Canada:
www.bankofcanada.ca

Invest NB:
www.inbcanada.ca

Canada Business NB:
www.canadabusiness.ca/nb

Government of New Brunswick –
Communications New Brunswick:
www.gnb.ca/cnb

Community Business Development Corporations:
www.cbdc.ca

Industry Canada:
www.ic.gc.ca

Government of New Brunswick –
Tourism and Parks:
www.gnb.ca/tourism

Government of New Brunswick –
Local Government:
www.gnb.ca/localgovernment

Enterprise Network:
www.enterprise-entreprise.ca

Government of New Brunswick –
Population Growth Division:
www.gnb.ca/population

Solutions New Brunswick:
www.solutionsnb.ca

Statistics Canada:
www.statcan.gc.ca



Be Creative in New Brunswick

Find out more about starting a business, visit www.gnb.ca/immigration