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Financial Capital and the New Enterprise

LEARNING OBJECTIVES

- Determine the amount of funds needed to start a business
- Describe available funding types for startups
- Explain the benefits of attending a business-pitch event
- Outline the role venture capitalists can play for the entrepreneur
- Recognize how the needs of a business are linked to the development of a business plan

Case Study: Is \$15,000 Enough to Start Cone Crazy?

Cone Crazy Project Startup Costs	
Rent (one month)	\$2,000
Ice cream ingredients (5 cases x \$60)	\$300
Two 20-hour employees (\$15/hr x 40 hrs)	\$600
Insurance (one month)	\$200
Internet service (one month)	\$200
Cell phone (one month)	\$100
Equipment, used (one-time cost)	<u>\$4,000</u>
MONTH ONE TOTAL:	\$7,400

Willa had personal savings of \$15,000.

It was scary to consider using it all, but after listing what she'd need for the first few weeks—\$7,400—she was ready to start her ice cream adventure.

Initial Startup Expenses

- These are the funds needed to acquire the initial resources required to start a business.
- The Business Development Bank of Canada (BDC) can help you identify expenses and funding sources.
- There are two types of expenses:
 - Fixed
 - Variable

Initial Startup Expenses (cont.)

Fixed Expenses

- Legal paperwork
- Computer equipment
- Business insurance
- Utilities
- Licences and permits
- Machinery
- Rent
- Website design/services
- Internet/cellular service
- Furniture
- Office supplies

Initial Startup Expenses (cont.)

Variable Expenses

- Labour
 - A fixed expense in the short run
 - A variable expense if there's turnover or expansion
- Advertising/marketing
- Cleaning fees, especially in hospitality and food service
- Credit card fees (per sale)
- Shipping and transportation
- Ingredients and raw materials

Funding Sources for Startups

- Bootstrapping
 - Personal savings
 - Current income
- Angel investors
 - Mentoring
 - Startup funding
- Venture capitalists
 - Seeking revenue-generating startups
- Startup loans
 - BDC can help
- Crowdfunding
 - WeFunder
 - Kickstarter
 - Equitynet
- Business competitions
- Family and friends

Funding Sources for Startups (cont.)

Pitch events

- Collegiate level
- Community incubators
- Business-plan competitions
 - Regional, national



ACTIVITY

You want to buy a \$700 electric bike, but you have only \$300. Prepare a pitch deck aimed at acquiring the needed \$400.

Address the following benefit(s) to the family member/investor (and to you):

- Provides transportation for the family
- Lowers fuel costs
- Provides entertainment
- Increases independence from family rides
- Allows you to run errands for the family
- Can provide family fun

Funding Sources for Startups (cont.)

- The Role of the Venture Capitalist
 - Provides startup or expansion funding
 - Allows a startup to secure a revenue source
 - Serves as a mentor to the business owner
- The VC process
 - Pre-investment screening
 - Market timing, amount sought
 - Development of the details of the investment
 - ROI potential
 - Post-investment monitoring and mentoring
 - Growth analysis



Video: "Shark Tank Update: Tom + Chee"



The Business Plan

- Executive Summary: Overview of value proposition
 - Is similar to an elevator pitch
 - Includes the company's mission statement (if applicable)
- Company and Product Overview: Outlines what the company does and why as well as key features of the new product
- Market Analysis: Analysis of internal strengths and weaknesses and external opportunities and threats (SWOT)
 - Includes competitor information

The Business Plan (cont.)

- Marketing Strategy: The plan to reach, acquire and convert customers to sales dollars
- Operations: What one does 8AM–5PM (and beyond)
- Team: Those making the business tick
- Financial Projections: Projected earnings and expenses
- Appendix: Clarifying documents

The Business Plan (cont.)

Resources

Government of Canada: [“Business Plan Guide”](#)

BDC: [“How to Write an Effective Business Plan”](#)

SCORE: [“Business Plan Template for a Startup Business”](#)



Business Plan

Your business slogan here.

Prepared By:

[YOUR NAME]

[YOUR JOB TITLE]

Phone 555.555.5555

Email info@yourbusiness.com

www.yourbusiness.com

CHAPTER SUMMARY

- Evaluate both fixed and variable expenses when determining startup funding needs.
- Funding options include bootstrapping, angel investors, VCs, startup loans, crowdfunding, competitions and people you know.
- Pitch events are great networking opportunities as well as a potential source of funding.
- VCs can provide funding, strategic advice and mentoring.
- A business plan is the blueprint of a business and is a requirement when seeking funding.