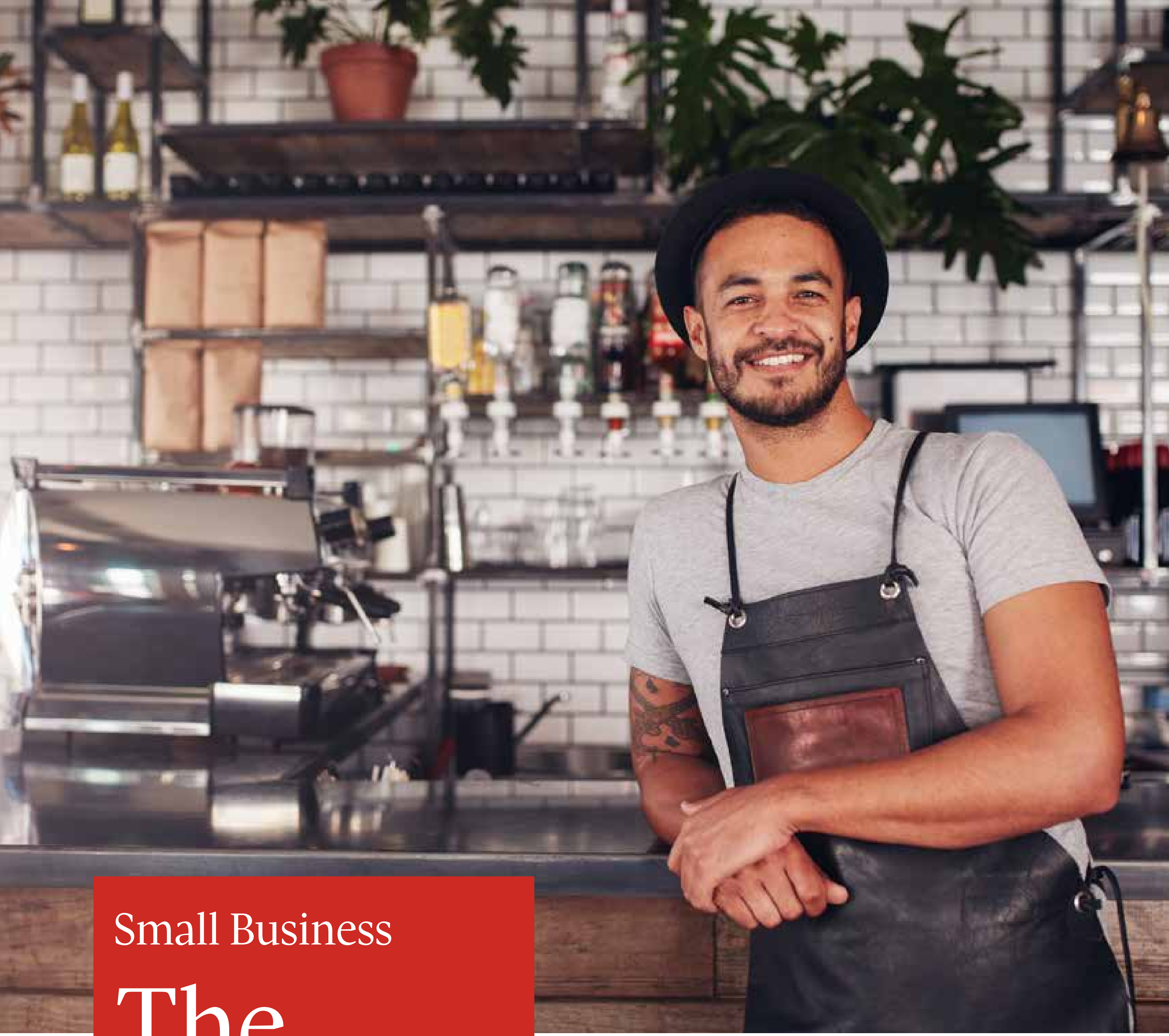


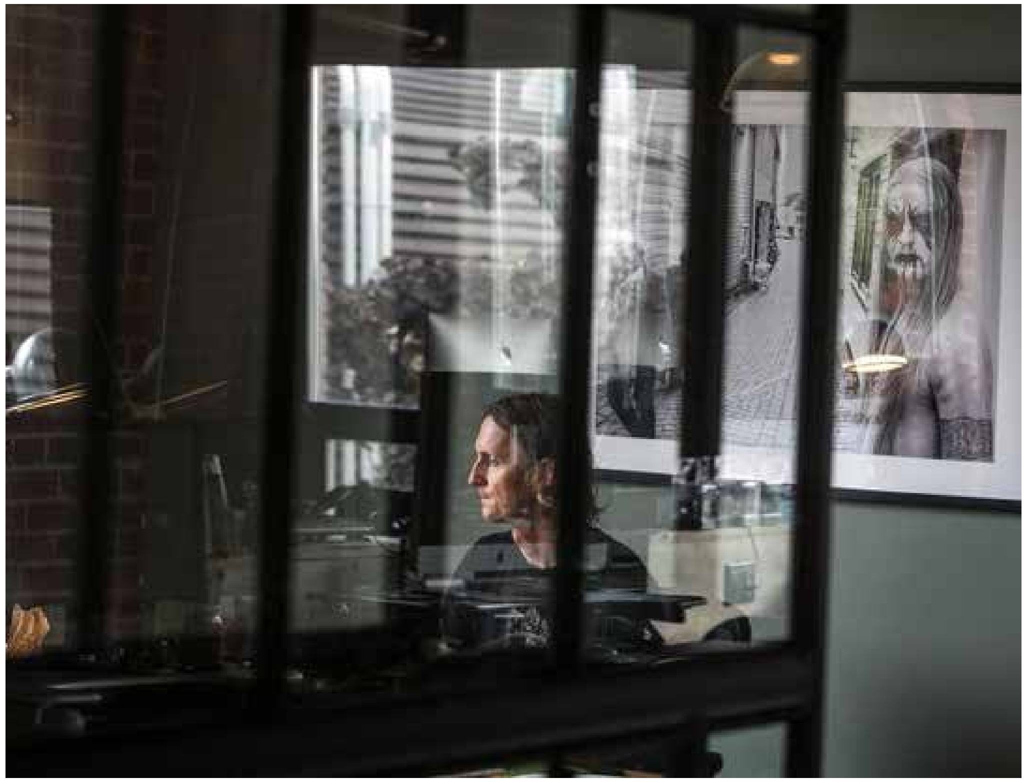
Small Business

The Resource Guide

BMO

THE GLOBE AND MAIL

Crowdfunding builds a buzz among heavy-metal fans



Sam Dunn of Banger Films in his office in Toronto. The company is working on a second season of Hip Hop Evolution, set to hit Netflix in October, as well as From the Vault, a musical history show that will debut on CBC in November.
GLENN LOWSON/THE GLOBE AND MAIL

PETER NOWAK
SPECIAL TO THE GLOBE AND MAIL

It's rare for someone to be an expert in both heavy metal and crowdfunding, but documentarian Sam Dunn qualifies as both.

The music expertise comes from making films and TV shows about the genre through Banger Films Inc., his Toronto-based production company. His crowdfunding knowledge is the result of several attempts at raising money for projects directly from fans – some successful, some not so much.

Banger Films' most recent effort, a campaign on the crowdfunding site Patreon this past spring to fund the creation of album review videos, was indeed a hit. The project passed its goal of US$2,666 a month in five days and sits at close to $6,200 as of this writing.

Aside from being able to recommend the quintessential Metallica and Mastodon albums to anyone who's interested, Mr. Dunn is also now well positioned to suggest the do's and don'ts of raising money online.

His best piece of advice to fellow entrepreneurs and small business owners: Don't try crowdfunding in a bubble.

"You have to build a relationship with the audience and you have to listen," he says. "Respect your audience and set your goals at an achievable level."

Banger Films' first foray into crowdfunding, in 2013, didn't go smoothly. The company was looking to fund an extra episode of Metal Evolution, a 2011 television series that documented the history of the genre. VH1 had funded the initial 11-episode series, but the U.S. channel passed on a 12th instalment, which would have focused on the darkest and heaviest elements of the music.

Believing that this "Extreme Metal" episode was integral to the overall history, Mr. Dunn and Banger Films co-founder Scot McFadyen went directly to their audience via Indiegogo. They asked for $135,000 but managed to raise just $39,000, or less than a third of the target.

Mr. Dunn says they made the same mistake that many entrepreneurs do when it comes to crowdfunding – they expected that the promise of a good final product would be enough to attract backers.

"The audience doesn't see all the cost that goes into it," he says. "Even with an audience that knew us and liked us, we had to win them over."

Mr. Dunn and Mr. McFadyen pared back the budget, then went back for another round. This time, they sought $35,000 and did a better job of explaining their costs through message boards, and they successfully hit the goal.

The episode was ultimately produced at a loss and released for free on BitTorrent and then YouTube, but it provided the company with valuable experience and a base to build an online video channel.

The company's heavy-metal album reviews have been a key part of the YouTube channel Banger TV since its launch in 2015, with funding coming mostly from the Ontario Media Development Corporation's Interactive Digital Media Fund and the Bell Fund. With gaps in that funding, Mr. Dunn put the reviews on hiatus late last year while he explored other options.

The idea to crowdfund the reviews didn't occur internally.

"It came from the audience," Mr. Dunn says. "That was a great thing to hear, a boost of confidence. It wasn't just one or two people. There were dozens saying, 'You should do a Patreon campaign.'"

The process was easier this time around because of the relationships that producers had built with fans over time, primarily by interacting through YouTube comments. The more modest financial goal also helped.

The company relaunched album reviews in the spring and is now looking at adding new types of video content.

"We didn't want to set [the goal] so high that we'd be inching our way there," Mr. Dunn says. "It made us feel good about the campaign and it was good for the contributors to see it happen so quickly."

Crowdfunding experts agree that successful campaigns depend heavily on building relationships with fans and potential contributors.

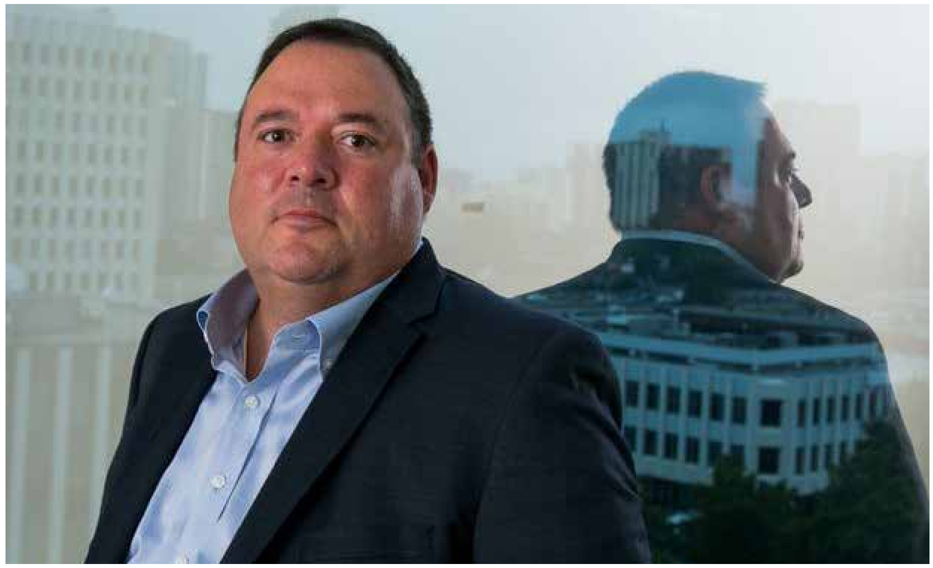
"This can't be a throwaway activity. It has to be something that you're devoting a lot of resources to," says Sean Geobey, assistant professor in the School of Environment, Enterprise and Development at the University of Waterloo. Crowdfunding campaigns should have at least one employee assigned to managing them for two or three months, he adds.

"It's important to get the word out to new customers, but also to mobilize your existing audience."

Nick Morey, who has helped clients raise more than $45-million in crowdfunding as head of Dynamo Communications San Francisco, also believes entrepreneurs need to devote at least three months to a campaign – one month both before and after the actual effort.

"You absolutely want someone to do it full time. Otherwise it's just too easy to get overwhelmed," he says. "People can easily become vocal detractors of your campaign if they feel they are being ignored."

The tax man cometh for small businesses, too. How to be ready



Paul McVean, a tax expert with Astute Strategies Inc. GLENN LOWSON/THE GLOBE AND MAIL

AUGUSTA DWYER
SPECIAL TO THE GLOBE AND MAIL

Setting up a new business can be as challenging as it is exciting. Entrepreneurs will want to take advantage of any breaks and credits offered by the Canada Revenue Agency, but they also need to stay on the right side of the tax man.

Here are seven things every small business owner needs to know about taxes.

KNOW WHAT'S DEDUCTIBLE

Sole proprietors naturally have high expenses, and that spending may be used to offset income, says Abby Kassar, vice-president of high-net-worth planning at RBC Wealth Management. "If you have a loss from your income, you can apply that loss to offset other sources of income."

Paul McVean, owner of Astute Strategies Inc., a financial, tax and estate planning consultancy, says that according to the Income Tax Act, "for any expense to be deductible, the money has to have been spent for the purposes of earning business income, and to be reasonable under the circumstances."

Purchases with long-term value, such as a computer or vehicle, need to be listed on financial statements as assets rather than expenses.

For meals and entertainment, he added, "only half of the expense is deductible, which impacts your bottom line accordingly. Another example is something like golf-course fees. Entertaining clients on a golf course is just simply a non-deductible. New business owners need to get up to speed on where we have these kind of special tax rules for certain categories."

KEEP RECORDS

Keep and organize your receipts and paperwork, says Ms. Kassar. "As a sole proprietor, it is sometimes difficult in your mind to separate this from the personal. But you do need to do that so you can report the income from the business, and the expenses incurred for business purposes, so you can support that on your personal tax return."

Receipts must be kept for seven years, says Mr. McVean, but receipts for assets that could later be sold should be kept for much longer.

"If you buy something that you capitalized, showing it as an asset on your books, if, when you sell it, you report the tax consequences, the CRA can say, 'How do we know the original cost of this item?' If you have gotten rid of your receipts, you have no way of proving what you originally spent on it."

KNOW YOUR FILING DEADLINES

Most small business owners don't have an in-house accountant, so it's crucial to have a grasp on tax reporting deadlines. They can vary depending on whether the business is incorporated or not.

"For individuals who are self-employed or in a partnership and not incorporated," says Mr. McVean, "they need to file their tax returns by June 15 instead of April 30. What a lot of people don't realize is that if there is tax due, it is still due by April 30. Interest starts accruing as of May 1, but a late penalty would not apply until after June 15."

Entrepreneurs also face varying deadlines for filing and remitting HST (harmonized sales tax) payments, depending on the company's reporting periods. They can be annual, quarterly – due by the end of the month following the quarter – or monthly. "The higher your revenue," he said, "the more often you need to report HST."

KNOW WHEN TO INCORPORATE

If the business grows, it might be time to consider incorporating and taking advantage of the small-business tax rate. That's 10 per cent, federally, with each province adding its own percentage.

"I would look at it in the context of how much extra the business is earning, over and above what you need to live on, as opposed to just looking at the business revenue," says Mr. McVean. That could mean incorporating when you have business income of as low as $10,000 or $20,000 after paying yourself.

"You have to assess what your personal cash needs are," said Ms. Kassar. "If you are generating income that you don't need for your personal use, by having it taxed in a corporation [instead of as personal income], you are taking advantage of a tax deferral, meaning more of your assets, more of your income, is left in the business to allow you to expand and to take advantage of those additional funds."

LEARN ABOUT TAX BREAKS, GRANTS AND DEFERRALS

If your company conducts scientific research related to the business, you might take advantage of writeoffs and tax credits beyond your usual business expenses if they fall under the Canadian government's Scientific Research and Experimental Development (SR&ED) program. Any company claiming the credit needs to provide a detailed breakdown of both expenditures and the types of projects it has carried out, or the claim could be delayed or rejected.

Meanwhile, according to Melanie Johannink, a financial advisor with Sun Life Financial Inc., "if your incorporated company has done very well before year end, you can actually defer a bonus." The business has 179 days to make the payment, so a bonus put on the books in November, for example, could be paid out in January and be declared as income the following year.

CALCULATE EMPLOYEE DEDUCTIONS CORRECTLY

Employers are responsible for remitting payroll deductions for their employees. The good news is that the CRA offers an online tool that allows the business owner to enter the employee's information and calculate how much to remit. The due date for remittances is the 15th of the month following the pay period, but if your payroll rises, you might need to remit sooner.

Employers also need to be mindful of the distinction between employees and self-employed contractors, says Mr. McVean. "Often business owners would rather have self-employed contractors because then they do not have to make source [payroll] withholdings. But if the fact pattern indicates that someone is really an employee disguised as someone who is self-employed, then the business owner can still be held liable for the source deductions that should have been remitted all along."

KNOW WHEN TO SEEK PROFESSIONAL HELP

For Mr. McVean, that's when you set up your company. "It is important for people to at least get a grounding on how our tax system works and have somebody look at their particular situation," he said. "Far too often we see clients who have done things on their own that we then have to go back and fix," he added. "A little bit of advice on the way in may save a lot of pain and expense later."

What legal structure should your small business take?

DAVID ISRAELSON
SPECIAL TO THE GLOBE AND MAIL

AdmitKit partners, from left, Martin Cserhati, Braden Hill and Devin Golets opted to incorporate their startup. 'We chose that route because we could limit our own liabilities and because we hope to expand,' Mr. Golets says.

Devin Golets and his partners are aiming high with their new company, AdmitKit, but before getting started, they still had to contemplate their existence.

To incorporate or not to incorporate? That was just one of the questions facing Mr. Golets and his AdmitKit partners.

"It's been a long process putting things into place. It actually started nearly two years ago," says Mr. Golets, chief operations officer for the just-launched company in London, Ont.

Partners Braden Hill, who is chief executive officer, Martin Cserhati, AdmitKit's chief information officer, and Mr. Golets, 26, came up with the business idea of offering advice and assistance to high-school students trying to get into the postsecondary programs they want.

"Too often, students feel lost when navigating university websites, speaking to advisors or friends, chatting on message boards and looking at rankings. In most cases, this information is generic, often dated and not catered to the individual student," Mr. Golets says.

AdmitKit seeks to help students design a strategy to get admitted to their top school choices, and if possible, find available scholarships. One of the company's long-term goals is to digitize its service, so that students from all parts of Canada and abroad can get quick, effective admissions advice and help.

First, though, came the short-term tasks for a startup like AdmitKit. Setting up a corporation was just one choice – they could also have been individual proprietors, partners, or a co-operative.

Any decision about how to set up also brings its own set of further decisions, relating to taxes and employment rules, for example. So what to do?

"We decided to incorporate," Mr. Golets says.

"We chose that route because we could limit our own liabilities and because we hope to expand. It seemed to fit our needs."

Incorporation is a fine way to go for many new businesses, but it's not always necessary, says Gary Kudlow, a chartered professional accountant and partner at Kudlow and McCann in Toronto.

"The choice is usually between a sole proprietorship, a partnership or incorporating," Mr. Kudlow says. "Starting a co-operative is possible, particularly for social [not-for-profit] enterprises, but it's not done as often."

Entrepreneurs such as Mr. Golets and his partners might have considered entering into a formal partnership agreement, Mr. Kudlow adds, because "they have more than one person who originated the business."

One difficulty with partnerships is figuring out who does what. Partnerships sometimes start out rosy but falter when some partners think they do more work than the others, or some believe they should be in charge, without having set up formal roles.

One way around this might be to consider a joint venture. "That's where two sole proprietors get together to provide a service. It happens often in the arts world," Mr. Kudlow says.

Think of Lennon and McCartney's original agreement to share writing credit for Beatles' songs. (On the other hand, the Beatles' success led to all kinds of legal difficulties later, when the handshake agreement of two teenagers proved inadequate to handle the millions of dollars coming in from royalties and record sales.)

The two reasons that AdmitKit chose to incorporate make sense, Mr. Kudlow says. Having a corporation puts limits on the liability the individual shareholders might be responsible for, and if the company expects to make large profits, they can keep funds in the corporation and pay themselves reasonable salaries, so they don't get taxed too highly.

The advantages are not absolute, though, Mr. Kudlow warns. Courts will "pierce the corporate veil" to go after shareholders in many cases, and salaries paid to the main people doing the work in a private corporation have to be reasonable, or Canada Revenue Agency might consider them artificially low and come calling.

Before even considering whether to incorporate, Toronto lawyer J. Anthony Baker recommends that startup entrepreneurs step back and take care of the basics — starting with choosing a name for the business.

"A young entrepreneur might want to start as a sole proprietor because it's cheaper. He or she can register a business name for a couple of hundred dollars over the internet. It's also good to find a lawyer and get a half-hour of free legal advice. In Ontario, the Law Society has a referral service for this," Mr. Baker says.

Ultimately, the question of whether to incorporate should be discussed with both a lawyer and an accountant, Mr. Baker adds. Lawyers tend to like the idea of limiting liability, while accountants will be able to say whether incorporating will bring tax advantages or whether it will merely cost more money for little advantage.

Sandra Foster, a Toronto financial author and president of Headspring Consulting Inc., says that entrepreneurs should also be aware of the different types of corporations and the costs and responsibilities they involve.

"A private corporation is a separate legal entity with setup costs, as well as annual fees for annual reports and separate tax filing. A provincial or federally regulated corporation has shareholders," Ms. Foster says.

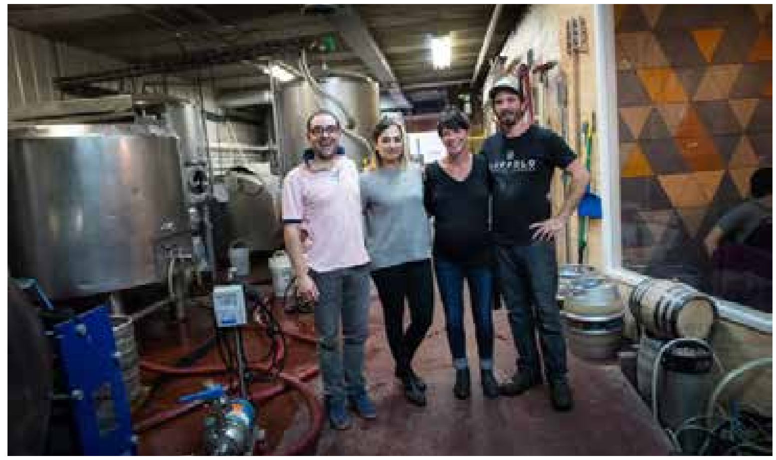
"A closely held private corporation [without outside shareholders] might issue only a few shares, borrow money, and does not have to make its financial information public. A public corporation is listed on a public stock exchange and must disclose financial information according to regulations."

If a small business like AdmitKit pays taxes on its corporate earnings, it might qualify for small-business deductions and exemptions on capital gains. On the other hand, a corporation can't write off business losses against personal income the way an unincorporated sole proprietor can.

Something all small businesses in Canada should be mindful of is to collect, pay and file documents for the goods and services tax or the harmonized sales tax, says Eric Gilboord, chief executive officer of Warren BDC, a Toronto-based business advisory service.

"A new business should set aside funds from what they collect right away for GST/HST," Mr. Gilboord says. "Remember, that's not your money."

A tale of two business plans: B.C. brewery and Calgary financial duo revise their road maps to succeed



Luppolo Brewing Co. co-owners are Federico Stucchi, left, Anique Ross, Eleanor Stewart and Ryan Parfitt. DARRYL DYCK/THE GLOBE AND MAIL

MATTHEW HALLIDAY
SPECIAL TO THE GLOBE AND MAIL

In the past few years, the old-school business plan – market research, revenue projections, some data-stuffed appendices – has started to look a little old-fashioned. We live and work in an age of lean startups and constant disruption. The titans of the tech economy, from Apple to Google, all started without any formal business plan. So why should anyone? Always be iterating, right?

Well, yes and no, says Michel Bergeron, senior vice-president of marketing and public affairs at the Business Development Bank of Canada.

First, most new businesses aren't speculative tech ventures, he points out, financed by risk-seeking venture capitalists. Secondly, "that misses the point of a plan. It's not a bible, and you shouldn't get hung up on it being perfect. The great value in developing it is to think through the key difficulties, and to challenge your own founding idea."

That latter point is critical. The No. 1 reason for failure in new businesses, he says, is overconfidence – producing something the entrepreneur is enthusiastic about but that the market isn't. All the iterating in the world can't fix that.

But that doesn't mean a conventional business plan works for everyone, and it doesn't mean that one size fits all.

Consider this tale of two businesses: Vancouver's Luppolo Brewing Co., founded in 2016, and Calgary's Finovo Financial, founded in 2017.

Luppolo is an Italian-inspired craft brewery in east Vancouver. Co-founders Anique Ross and her husband, Federico Stucchi, came up with the idea after moving back to Ms. Ross's home province after living in Mr. Stucchi's native Italy. They partnered up with two more friends and co-founders, and began planning.

Lean startup principles don't work at a brewery, which needs equipment, ingredients, building renovations and staffing. Luppolo cost the quartet more than a half-million dollars before it sold a single keg of beer. The lion's share of that money came from a Canada Small Business Financing loan, administered through Vancouver City Savings Credit Union, and for that the founders needed a pretty traditional, 45-page business plan.

It was very typical, Ms. Ross says, and included "an executive summary, company profile, market research, sales and marketing strategy, operating financials and projections. We looked at other breweries and analyzed their pricing structures, their strengths and weaknesses."

They examined the growth of craft-beer market share in other cities in the region, performed a SWOT analysis (strengths, weaknesses, opportunities, threats), and actively tried to find the weak points in their assumptions. Finally, they had the plan reviewed by mentors at Small Business BC, a government-supported resource centre for entrepreneurs.

On the other end of the spectrum is Finovo, a two-man financial-coaching firm founded in Calgary last year. Co-founders Russ Dyck and Kevin Langman both came from the oil-and-gas sector, where, says Mr. Dyck, "we were always helping co-workers with RRSPs and TFSAs, and found that there was a real need for financial planning. Larger institutions really only help people in the top 10 per cent, once they have maybe $100,000 or more of investable assets."

Finovo concentrates on customers with lower net worth who are planning for their financial futures around four "life transitions" that tend to happen before the age of 40: a new job, a new home, a new spouse, and a child.

Without a bricks-and-mortar location and with minimal overhead, Finovo's startup costs amounted to less than $10,000 in its first year. Its business plan is just as lean: a Google doc shared between the two founders, as well as a lean "business-model canvas," a popular planning template based on nine building blocks (problem, solution, unique value proposition, etc.) made for on-the-fly revision (the one created by Mr. Dyck and Mr. Langman is a whiteboard covered in sticky notes).

As lean as it was, however, the pair still used it to challenge their initial idea, developing avatars of potential customers, and putting together market research from interviews with their target demographic, seeking to prove that initial hypothesis.

Both Finovo and Luppolo passed the first test: demonstrating a demand for their product.

But both stumbled early on. Their plans miscalculated how they would reach those customers. That, says Bridget Field, a client services manager with Small Business BC, is another common cause of small-business failure – and a major oversight in many business plans.

"I constantly see operations being underconsidered," she says. "That day-to-day, how do you actually run the business. Imagine a day in the life of a business and draw a flow chart."

In Luppolo's case, the early sales forecasts turned out to be off-base because of a misunderstanding of how consumers wanted to buy beer. Initially, the founders thought that growlers – refillable glass jugs that microbreweries fill on-site for customers – would account for around 50 per cent of their beer sales. It turned out that growler fills made up only 30 per cent of sales in 2017, and even less this year. Instead, sales of cans have taken off.

"So we've shifted," says Ms. Ross, "but that means there are more packaging costs we didn't account for." Fortunately, food sales – an unexpectedly robust revenue stream in the brewery's tap room – have helped offset added costs, and they built enough flexibility into their revenue projections to accommodate the unforeseen hit.

Finovo also made a major pivot in its first few months. Mr. Dyck and Mr. Langman assumed they would advertise on social networks and stage one-on-one workshops with clients. "But that market was inundated, and we got almost no response," says Mr. Dyck. They found their salvation almost by accident: A friend of a friend owned a small company and invited the pair to come in and give some financial coaching to employees.

The workshop was so successful that it changed the company's entire approach, from one-on-one counselling to group workshops. They'll do either, but their focus has shifted.

As has their marketing. After finding they couldn't spend enough on social advertising to be competitive, they began producing old-fashioned print brochures, bringing them to the offices of mortgage brokers, accountants, and more traditional financial planners who target high-net-worth clients.

"They might not serve people without major investments," says Mr. Dyck. "But instead of simply turning them away, they can refer them to us. Looking back, it seems like a no-brainer."

Finovo was smart to start lean – if they had signed a lease on a traditional office, with a waiting room and space for one-on-one consultation, they would have found it that much more difficult to pivot to the workshop model.

But that kind of flexibility can be built into more traditional business models, too. Especially, says Ms. Field, if entrepreneurs keep their optimism in check and build some caution into their financial forecasts. Luppolo's shift from growlers to cans is a case in point – cans cost the brewery more, but that's where consumer preferences lie.

Ultimately, says Ms. Field, a business plan, conventional or otherwise, should never really be finished.

"It's the owners' road map," she says. "Especially as a business grows and evolves and adds new products and staff, it should be the basis of your planning each year. And it's your most powerful communications tool. When you're bringing new employees on it's your manual: This is our mission, our objective, it's who we are."

When picking a name for your new business, ditch the thesaurus

These are among companies that were named well, according to the experts.

GAIL JOHNSON
SPECIAL TO THE GLOBE AND MAIL

The importance of an effective company name can't be overstated; it's the first thing potential customers and clients see and is an essential building block of future growth and success.

A ho-hum name will hamper people's ability to remember and talk about it. Getting it right is crucial.

The first piece of advice that Jay Jurisich, chief executive officer and creative director of Zinzin, a Berkeley, Calif.-based naming agency, offers to clients is to ditch the thesaurus.

The biggest mistake a company can make is using a name that describes exactly what it does, he explains. To do that, many look for synonyms to describe what they do. Say a business sells software and it wants people to know that the product is fast and agile.

"They'll look in a thesaurus for different synonyms for fast and agile then see that those are all taken because everyone else in the industry has already done that," Mr. Jurisich says. "Or they'll do mashups: Agilefast or Fastagile, Fasteo, Agilio … that's where about 80 per cent of companies will go with their naming."

The most successful brands don't play by those rules, he says. "Apple doesn't tell you anything about what Apple does. The same can be said for Caterpillar, Amazon and Oracle. Those are evocative names, names that map metaphorically rather than linearly. They demonstrate brand position rather than a product or company.

"Strong names express the story you want your brand to tell the world."

Strong names, as opposed to cold, anonymous or techie names, create poetic resonance that lodge in people's brains, he says. That's what gets people talking about your brand, telling their friends about it and sharing it on social media. (Zinzin's own name has multiple meanings. The word is colloquial French for "bonkers" or "loopy" and is the French slang equivalent of "thingamabob," a placeholder name you use for something when you don't know the actual name.)

Another common error business owners make is using a dull, run-of-the-mill name when they claim their business is game-changing.

"Why should people believe you when, in a very prominent form, you're demonstrating the opposite with a boring, standard name?"Mr. Jurisich says.

Some business owners rush through the naming process, considering it just one more item to check off a list, says Chris O'Shea, a business consultant at the Business Development Bank of Canada. Or, they may focus first and foremost on their logo and company colours and give their name less priority. Either way, the result is rarely an effective title.

"Naming doesn't have to be a painful process, but has to be a well-thought-out process, where businesses ask: Who are we? What do we represent? What's important to our market, our business, and our customers?" Mr. O'Shea says. "You really want to start the conversation as a brand conversation first, then get to the logistical details."

Some entrepreneurs know instinctively when the name is right; others prefer to give prospective names to focus groups or get feedback via online surveys.

Tim Silk, professor of marketing and behavioural science at the University of British Columbia's Sauder School of Business in Vancouver, suggests trying an implicit association test. Derived from the field of psychology, it involves having an individual say out loud, in private, the first things that come to mind upon hearing a name or seeing a logo. These responses are unfiltered and unbiased.

"If I do that with 100 to 200 people in your target market, we can do a frequency count of actual words and emotions about what your brand implicitly evokes," Mr. Silk says. "You can continue to measure that every six months or every year to see how a brand builds its meaning and associations over time."

While layers of meaning and story help to build personal engagement, entrepreneurs also face practical considerations when naming their businesses.

Besides doing a prescreening via Google, there's trademark prescreening. Mr. Jurisich urges business owners to hire a trademark lawyer to screen a name; "otherwise, you risk losing lots of time and money investing in a name that you ultimately can't trademark in your space." Business names must also be registered in the company's local jurisdiction and with the Canada Revenue Agency.

Another important step, particularly with made-up names, is what Zinzin calls "linguistic connotation screening." This ensures that a word that might be perfectly acceptable in English doesn't have inappropriate or offensive semantic meaning or usage in other languages.

Some business owners contemplate naming a business after themselves. There are drawbacks to this approach. For one, their company brand will become a personal brand, and people need to be comfortable with that in the digital age. "For a lot of people that's a step too far," Mr. O'Shea says.

Then there's the potential for a person's name to tarnish a company, Mr. Jurisich notes. Take Weinstein Co. This year, the movie production company co-founded by disgraced Harvey Weinstein was renamed Lantern Entertainment.

A few of our experts' favourite business or brand names:

Jay Jurisich, Zinzin: General Assembly, Warby Parker, Nest, Obo, and Éclair (Zinzin named the last two).

Chris O'Shea, Business Development Bank of Canada: Instant Pot, Steam Whistle Brewing, Shopify, The 7 Virtues Beauty, TenTree International.

Tim Silk, Sauder School of Business: Under Armour, Médecin Sans Frontières/Doctors without Borders, Haagen-Dazs, Gatorade.

The pitfalls of asking Aunt Martha to bankroll your business

MARLENE HABIB
SPECIAL TO THE GLOBE AND MAIL

Ask Kelly Farrell, a schoolteacher and entrepreneur, what lessons she has learned since launching her own business in 2012, and she will tell you.

The self-professed "social media maven and 21st-century teacher" has plenty of wisdom, especially for fellow entrepreneurs who are considering seeking financial support from family and friends. Those who start businesses often tap more personal sources for help because they are less likely to qualify for bank loans.

At first, Ms. Farrell, a 39-year-old single mother, was reluctant to accept financial help from her parents.

"We use the phrase 'it takes a village' when we talk about raising children, and I truly believe that also applies to starting and carrying a business. But borrowing money from my parents and then asking friends for help was never something that came easy for me," says Ms. Farrell, who six years ago founded Teach Me Social, a media marketing and advertising agency that helps entrepreneurs expand their online profiles.

Teach Me Social is now more of a hobby for Ms. Farrell, who operates it at minimal cost. But she has pumped more resources into a second business she started in 2016 – Oak Learners, a private alternative school in suburban Toronto.

She launched Oak Learners after offering music lessons from a rented room in the home of a couple she knew. She soon added tutoring, and enrolment expanded to the point that the entire house and backyard were being used. She then moved to a rented storefront in July of 2017 and incorporated the business as a non-profit.

Friends have consistently supported her, she says, such as by donating books. Her parents, Dave and Patti Farrell, lent her thousands of dollars to cover costs. They reassured her that they believed in her business venture, but she still felt stressed about borrowing from them.

Kelly Farrell's parents lent her money to start her business, Oak Learners, a private alternative school in Toronto.

"[Borrowing from family and friends] doesn't carry the same urgency as a loan from a bank, where you have to pay it back during a certain time period. And if a loan is from a bank, and my business folded, the banks have billions of dollars, so I don't think I'd feel as guilty. Whereas if my parents were ever to be out of that money … that is weighing more on my mind."

What eased her fears, though, is that their business relationship was set down in writing with the help of a lawyer and accountant. The documents include a rough timeline for repayment of the funds.

"Even though we're a close-knit family, having a plan is important," she says.

Experts advise entrepreneurs to put everything in writing. "You need to be 100 per cent transparent," says Dwania Peele, founder and executive director of Canadian Small Business Women, a resource for female entrepreneurs.

"Everything has to be outlined, whether it's through a lawyer or just on your own, and any repayment plan should be manageable and reassessed over time, as some small businesses may not do well at first," she says.

Dana Gordon, a Vancouver lawyer who started Benchmark Law Corp. in 2012 to serve small businesses, says it's particularly important that any agreement specify whether the money is a loan or a gift, "because even if it's a family member or friend involved – and it could be someone you knew your entire life and you trust – business changes things.

"I find disputes in these cases are much more acrimonious than between arm's-length parties," she says.

Some entrepreneurs worry about asking family members or friends to sign an agreement, but "you always want to approach it from the perspective that it's not a one-sided contract, and will include payment terms, interest and other terms to protect both sides."

For her part, Ms. Peele has received both financial and emotional support from her mother since the family moved to the United States from Jamaica when she was 11, and then to Canada at age 18. Working toward a chemistry degree from the University of Windsor in southwestern Ontario, she joined a pharmaceutical company that went out of business. She later started her own cupcake venture.

Five years ago she founded Canadian Small Business Women, which offers e-courses, seminars and expos to help entrepreneurs network, showcase their efforts and learn from other women in business.

Anyone thinking of lending money to an entrepreneur will likely be interested in how the business progresses. But entrepreneurs should tread carefully if they're thinking of giving investors a share in the company or a say in how it is run, says Ms. Peele, whose day job is as a quality-control manager at a lab in Toronto.

"My mother has invested in my future all my life and will continue to do so because she believes in what I'm doing," says Ms. Peele, 38. "But I don't have a partnership with anyone – that's touchy. … If someone says they want to partner with you, you need to lay out exactly what that means. There needs to be a clear outline of who's responsible for what and what happens if that partner isn't doing what's laid out in a document you both will sign."

Entrepreneurs should make it clear in an agreement whether it's a straight-up loan or an equity investment, or if shares in the company are involved, Ms. Gordon says. "But I always tell people to retain at least 51 per cent [of the business] if it's your passion and dream, and you don't want to give up control."

If a supporter is receiving shares in exchange for money, she adds, "you can define whether they are voting or non-voting – whether they're participating in the actual operations or are going to be a silent investor."

TIPS TO CONSIDER

There's no one-size-fits-all approach for accepting funding or other help from people you know. Here are a few points to consider.

Develop and present a business plan before any loan or other agreement is signed: A good plan will contain "clear and honest information, and projections," according to the website of Innovation, Science and Economic Development Canada. It should spell out terms of the loan, the interest rate, payment amount and repayment schedule. It should also be clear on how to manage late or missed payments, including any penalties. It should also detail if, how and when a loan would be paid should a business go under.

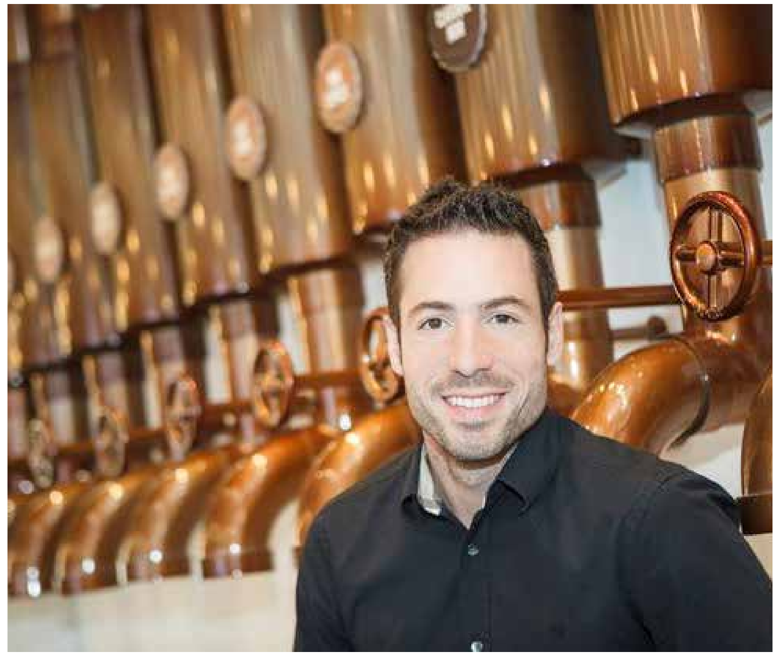
Don't accept money from someone who can't afford to lose it: Be especially cautious if the lender needs to borrow the money him or herself. "Ask upfront, if in three years I can't make it, are you okay losing $5,000?" says Ms. Peele. "I, for one, would never lend something I expect to get back." Ms. Gordon says, "What I've seen some of our clients successfully do is instead of borrowing a large sum of money from one person, they got small amounts from different people," to reduce the risk of one person losing a large sum if something goes wrong.

Determine and document whether it's a business or personal loan: "If you're a sole proprietor, any money lent to you is to you, but if your business is incorporated, the money is being lent to a separate entity – it does make a huge legal difference," says Ms. Gordon. "So if you lend money to a company, and if for some reason things go sour and the [lender] tries to get their money back or sue you, they can only go after the company's assets, not personal assets."

Consider bartering services: "An exchange of services isn't uncommon, especially when first starting out. It can be a good way to grow your business. But there has to be a mutual exchange – both sides need to be clear on what's going to be provided to the other side," says Ms. Gordon.

Don't neglect other funding, especially if it's free: Ms. Farrell says she regrets not applying for government grants earlier. "What I didn't realize before and what I have since learned is that a lot of grants are project-based and not for capital funding, like to pay for rent," she says. A recent application netted her a federal grant of $4,000 to hire a full-time university student for the summer.

Buying an established business? There are right ways and wrong ways to do a deal



Dominique Brown was attracted to Chocolats Favoris, which he noticed would often have lineups, especially in the summer. FRÉDÉRIC BERGERON

BRENDA BOUW
SPECIAL TO THE GLOBE AND MAIL

After leaving Beenox, the video game company he founded and ran for nearly 13 years, Dominique Brown was looking for a different type of business to sink his teeth into. The entrepreneur had a non-compete agreement that prevented him from going back into the video-game industry for a year, so he turned his attention to another passion: chocolate.

In 2011, he bought Quebec-based Chocolaterie de l'Île d'Orléans, which he later sold, and in 2012 he bought the Chocolats Favoris chain, which he expanded from three stores in Quebec to 42 across British Columbia, Ontario and Quebec, according to the company.

"I'm now having fun in another form of entertainment – chocolate – sharpening my skills as an entrepreneur," says Mr. Brown, who is also a dragon on Dans l'oeil du dragon, the Quebec version of Dragons' Den. Earlier this year, he broadened his palette to purchase another company, La Boulange bakery.

Having both bought and sold businesses, Mr. Brown believes there are right and wrong ways to do a deal. He recommends buyers do a lot of due diligence before making an offer, hire the right professionals to help out and treat founders who are selling with respect.

DOING DUE DILIGENCE

Mr. Brown was attracted to Chocolats Favoris, his main business, as a customer, but he also noticed the stores would often have lineups, especially in the summer.

"It smelled [of] success," he says. Mr. Brown approached the owner at the right time, given that the owner's plans to pass along the business to someone internally had recently fallen through.

Based on his entrepreneurial background, Mr. Brown had a good idea of what to look at before making an offer for the business. "I'm not an accountant, but I have looked at so many businesses over the years, I know immediately by looking at the financial statements if it's in good health," he says.

For example, he considers whether the business will still be desirable to its customers in five to 10 years and projects how much cash the business can generate, while also adjusting for inflation and other long-term factors such as demographics and consumer trends.

Due diligence should always go beyond the financial statements, says David Clough, assistant professor in the entrepreneurship and innovation group at the University of British Columbia's Sauder School of Business. Potential buyers should also look at agreements the business has with customers, suppliers, manufacturers, landlords and other parties. The owner looking to sell the business should supply most of this information. "It's up to the seller to provide some way to give you confidence in the business," says Dr. Clough.

Customer information can be as critical as the financial statements and legal documents when buying a business, says John DeHart, co-founder of the Nurse Next Door and Live Well Exercise Clinics franchises.

"If you have a business that's reliant on a small number of customers, that can be very risky," says Mr. DeHart, who bought into Live Well with his wife Gayla with the goal of helping founder and business partner Sara Hodson build and scale the business into a global brand.

Mr. DeHart recommends potential buyers talk to customers to get a sense of what they like and don't like about the business, which can either be a red flag or an opportunity for improvement.

Part of his attraction to Live Well was that it had numerous, happy and recurring customers with memberships to the gyms.

MAKING AN OFFER

The next hurdle is to determine a price to offer for the business. There are two main approaches, depending on the company being considered: book value, which includes adding up the assets and liabilities, and earnings-based methods, which are based on how much profit it will generate in the future.

Dr. Clough said earnings-based methods are the most common assessment, especially for companies with a steady cash flow. The price would be determined by a multiple of recurring annual earnings, which can range from about three to seven times, depending on the business.

The price is then usually open to negotiation. "At the end of the day, the seller will try to argue for a higher multiple, while the buyer will try to argue for something lower," Dr. Clough says.

It is after agreeing on an initial price, and signing a letter of intent, that buyers like Mr. Brown will bring in professionals, such as an accountant and lawyer, to dig deeper into the business.

While accountants look into the financials, lawyers can review contracts and pinpoint any potential legal issue that might come up in contracts with suppliers, employees or landlords, if the business has a property that is being leased.

"Some people don't want to invest money for this additional due diligence process [because of the cost], but I see it as an insurance policy for my investment," says Mr. Brown.

Dr. Clough also recommends using professionals to handle the acquisition. "For most people purchasing a business, it's something they do once in their life. For these professionals, it's something they do day in and day out," he says.

Buyers and sellers should also set up a transition plan. A seller may be needed to help the owner in the first few weeks or months, especially if they have a strong connection with customers and suppliers. That said, there's a risk the seller may have trouble letting go of the company, which is why experts recommend the terms be put in writing.

ADVICE FOR BUYERS

While all business transactions are different, Mr. Brown recommends a slightly softer approach with founders of a company who are likely to have a strong emotional connection to the business. "Put yourself in the mindset of someone who is essentially selling his or her child," says Mr. Brown, speaking from experience with Beenox.

Often, founders want to hear what plans a potential seller has for the business, before talking about price. "If you talk about numbers too fast you may lose the deal," Mr. Brown says.

He also reminds buyers that they are not just buying a business but a company culture, which can be either good or bad. Any changes a new owner wants to make to that culture will take time and patience.

"Changing the culture of a company is one of the few things I have never been able to accelerate," says Mr. Brown, who recommends giving it at least two years, based on his own experience. "You're talking about changing how people think and behave inside a company. It's a process … and one that should not be underestimated."

Research matters - make sure you nail down your small-business niche

BRENDA BOUW
SPECIAL TO THE GLOBE AND MAIL

When it comes to researching a new business idea, health-care entrepreneur John DeHart doesn't cut corners. Even long after he launches a business, the co-founder of the successful Nurse Next Door franchise, whose latest venture is Live Well Exercise Clinics, continues to analyze the market and his competition to find new products and services that will help the business grow.

"I do a lot of research before I do anything. It's a constant process for me," says Vancouver-based Mr. DeHart. He checks out the competition, both online and in person, pores over industry research and drills into market data. He also tests products on a small number of potential customers by using the latest online data-analytics tools.

"It's about doing enough research to be comfortable taking the jump – and actually doing something with it," Mr. DeHart says. "I think research is paramount. It's about knowing who your customer is, and maybe who it isn't."

Too often, early-stage entrepreneurs become so excited about their idea that they don't try to figure out whether it's already being done or how to make it different, says Hussam Ayyad, senior director, programs and partnerships at Ryerson University's Digital Media Zone (DMZ), a business incubator.

"When people tell me it's not out there, it's not in the market, usually, my first reaction is, 'Are you sure? Have you done the research?' " says Mr. Ayyad, who has held a variety of business leadership roles within the banking and IT sector. "The era of originality is over. Chances are what you're building has been built somewhere else. You have to ask yourself: What's the value proposition here and how does it stack up against the competition?"

Mr. Ayyad adds: "People tend to start selling their product before they understand if there's an opportunity for it or not. They end up with a hammer, just looking for nails."

The consequence of not doing enough research is that the business is forced to pivot, or worse, it fails. "If you're lucky, you pivot," says Mr. Ayyad, but adds that the new direction also needs to be backed up with research.

CHECK OUT THE COMPETITION

When Mr. DeHart wants to launch a new product or business, he starts by doing days of online research about the competition including what products and services they offer, what makes them unique and where there might be a gap that his company could fill.

An example is Live Well, which offers physician-prescribed fitness care at its locations in British Columbia and Ontario. Mr. DeHart and his business partner Sara Hodson visited a number of different types of fitness venues to see what worked, and what didn't. For instance, they visited Soul Cycle, a popular indoor cycling franchise, and noticed that the instructors would crank up the music when the ride became more difficult, to inspire its members to work a bit harder.

Live Well now does the same when its workouts get a bit more intense. Instructors were also hired on their ability to inspire customers, which motivated Live Well to name certain employees "Joy Masters," with a goal to bring joy to their own clients. "By doing all of this research, we were able to formulate what our product should look like," Mr. DeHart says.

When it comes to market research, Mr. DeHart mines the internet for analyst reports, looking for information such as customer acquisition costs, sales per square foot and other financial metrics in his industry. He also listens to public company earnings calls in the health-care space to hear what executives are saying about market trends and other factors affecting their businesses.

"It gives me industry data and trends and allows me to benchmark numbers," Mr. DeHart says. "From there, I can start to model how to make money doing what I want to do."

FIGURE OUT WHAT THE CUSTOMER WANTS

Mr. DeHart also researches what the customer needs and wants, including their motivations for buying, what they're willing to pay and consumption habits. He'll do this by playing host to focus groups, sometimes over a dinner party, or by conducting online surveys using free classified sites such as Craigslist.

"There are so many ways to get people to give you information to drive your decision on who your customer is and if they're willing to buy your product or service," Mr. DeHart says.

It was through these types of customer research that Live Well discovered a new target market for the business: baby boomers who don't like to work out in traditional gyms. Since then, the company has focused some of its marketing on this key demographic.

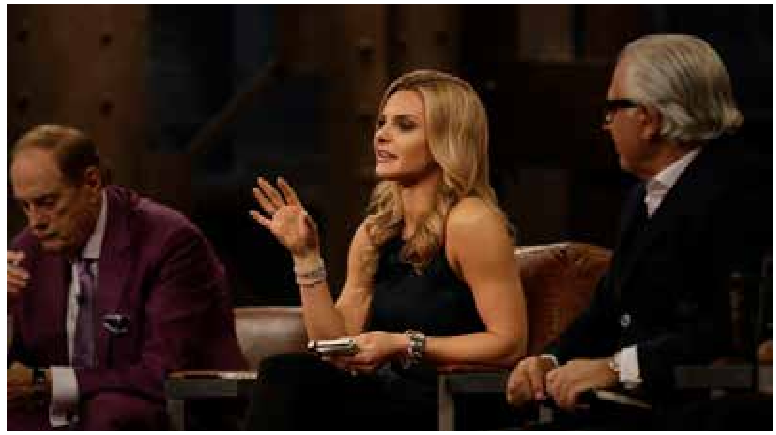
Live Well also uses online tools such as Facebook to test new products. An example is a new online program, tentatively called "7 Healthy Habits," separate from the gym membership, which helps people to improve their daily habits to live a healthier life. The company is spending $5,000 on Facebook advertising to promote the product, giving consumers the opportunity to try it out for free.

"With the data we get back, we will know quickly things like how many people are interested in it, how many will convert to the actual product and how long they will spend using it," he says.

The information will help Live Well determine whether it should build out the product, make changes, or go back to the drawing board. "Today, with Facebook and Google Ads you don't have to spend a lot of money to see if you have a minimum viable product," Mr. DeHart says.

ADVICE FROM A FOUNDER AND INVESTOR

Facebook can be a critical tool for entrepreneurs looking to test their products, says venture capitalist and entrepreneur Michele Romanow, whose latest venture is Clearbanc, which provides revenue-based financing for entrepreneurs. She also uses other types of data analytics, including A/B testing, which is a randomized experiment with two variants that many companies use to find out which products work best.



One research method used by Michele Romanow of Dragon's Den is A/B testing, a randomized experiment with two variants that many companies use to find out which products work best. HANDOUT

When it comes to customer feedback, Ms. Romanow believes some surveys can be misleading and prefers instead to rely on online engagement metrics such as comments, video views or product sign-ups.

As a venture capitalist, Ms. Romanow also looks at research that a prospective company has undertaken before deciding whether to make an investment. She looks for traction in areas such as sales from both paid advertising and repeat buyers, as well as online engagement through social media.

"There's something about when early data is really exciting. It's a big indication for what's to come," says Ms. Romanow, who also appears on CBC's Dragons' Den. "It doesn't always prove true, but I still think you're better off having exciting early data than unexciting."

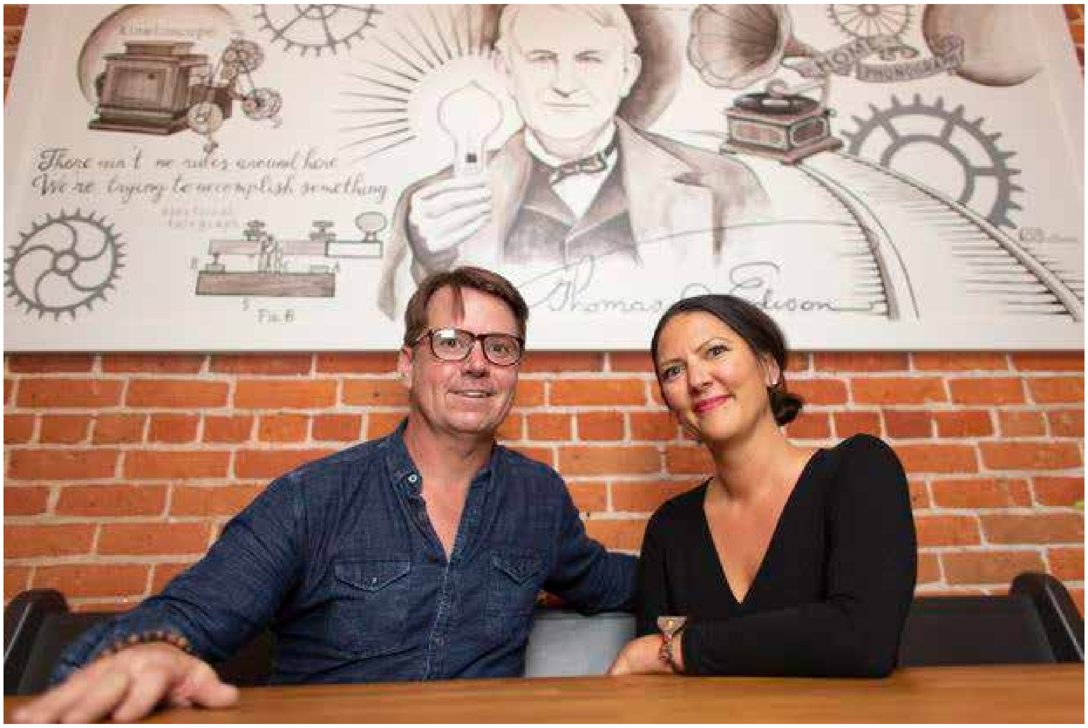
TAKE IT TO MARKET

While pre-product launch research is critical, Mr. Ayyad cautions investors not to spend too much time studying. At some point, it's time to take it to market to see what potential customers think.

"The most precious asset we have is time. The more time you spend on research, the less time you're spending outside talking to potential customers. At the end of the day, you have to use your judgment," Mr. Ayyad says.

"You can learn a lot by doing and from errors," he adds, encouraging entrepreneurs to heed the well-known adage to fail fast, then move on to solving the next problem.

Gut-check time: Should you be an entrepreneur?



Bruce Whitaker bought a historic building to open his inn in Stratford, Ont. Buffy Illingworth owns and operates Edison's Cafe Bar as a separate business within Mr. Whitaker's building. GEOFF ROBINS

DIANE JERMYN
SPECIAL TO THE GLOBE AND MAIL

What qualities make someone a successful entrepreneur?

Bruce Whitaker says you must have a creative mind, be able to see opportunities and innovate. Then you need to put together the necessary resources.

Mr. Whitaker, who worked in international finance for Toronto-Dominion Bank and consulting for Ernst & Young, dreamt of running a small inn where visitors could find respite from today's hectic world. His inspiration was a hotel in New Delhi that offered simple, uncluttered calm in contrast to the chaos outside.

To make his entrepreneurial dream a reality, Mr. Whitaker bought a two-storey historic building in Stratford, Ont., where a young Thomas Edison once lived while working as a telegrapher. Edison's Cafe and Inn opened in 2016, and today it enjoys five-star reviews.

But the journey wasn't easy.

The biggest challenge was the building itself, which was built in the 1840s. Well into an expensive six-month renovation, Mr. Whitaker found out he needed an additional exit for each of the rooms as well as separate stairwells, something the architect had missed and didn't know how to resolve.

"That meant that I'd only have one room in the inn when I needed three to make it financially viable," says Mr. Whitaker. "The building code and city inspectors here are very stringent because we're in a heritage city."

The solution presented itself when his son happened to come home after geometry class. Mr. Whitaker picked up the boy's Grade 12 textbook and started calculating rise and run, the parameters for stairway design.

"To solve it, I realized that we had to take out the whole second floor of the building and lower it two feet," Mr. Whitaker says. "So that's what we did. When you're at a critical juncture, you've got to ask yourself: Do I retreat? In this case, I'd already invested a lot of money. I had to go forward."

Most entrepreneurs hit a wall at some point and have to decide whether to go on, says Eric Morse, professor of entrepreneurship and executive director of the Morrissette Institute for Entrepreneurship at the University of Western Ontario's Ivey Business School at the in London, Ont.

"And it's not just for startups," Dr. Morse says. "I think private business owners in the $100-million-revenue range have those moments as well."

He suggests entrepreneurs surround themselves with people who will speak truth to them. That usually needs to come from other business owners, not family and friends.

"Entrepreneurship can be a scary and lonely thing at times, so getting that peer group, that team of people who are supporters but willing to speak the truth, is really critical," Dr. Morse says.

People considering entrepreneurship should ask themselves this question first, he says: Do I love this idea? Is this something I want to spend my waking hours on and contribute a lot of resources to, whether that's time or money or connections?

After answering "yes," they should run the idea past prospective customers and make sure that they get just as excited about it.

In succeeding as an entrepreneur, Dr. Morse says, character trumps personality. "Am I hard-working? Am I a quick learner? Am I willing to put myself out there?"

There's been a lot of research on whether one's personality makes a difference in entrepreneurship, and it shows that there's not a single successful personality type. "You have introverts who are very successful and extroverts who are very successful. Personalities are not as critical. You need to enjoy what you're doing."

That comes easily to Buffy Illingworth, who owns and operates Edison's Cafe Bar as a separate business within Mr. Whitaker's building. She owned a floral-design studio before creating the café to indulge her passion for holistic nutrition.

Her main concern about starting the café, where she works alongside her husband, Greg, was how to make it work as a family. It helped that their three children – ages 9, 12 and 14 – were a bit older, but running a business does take a lot of one's energy and attention away from home, Ms. Illingworth says.

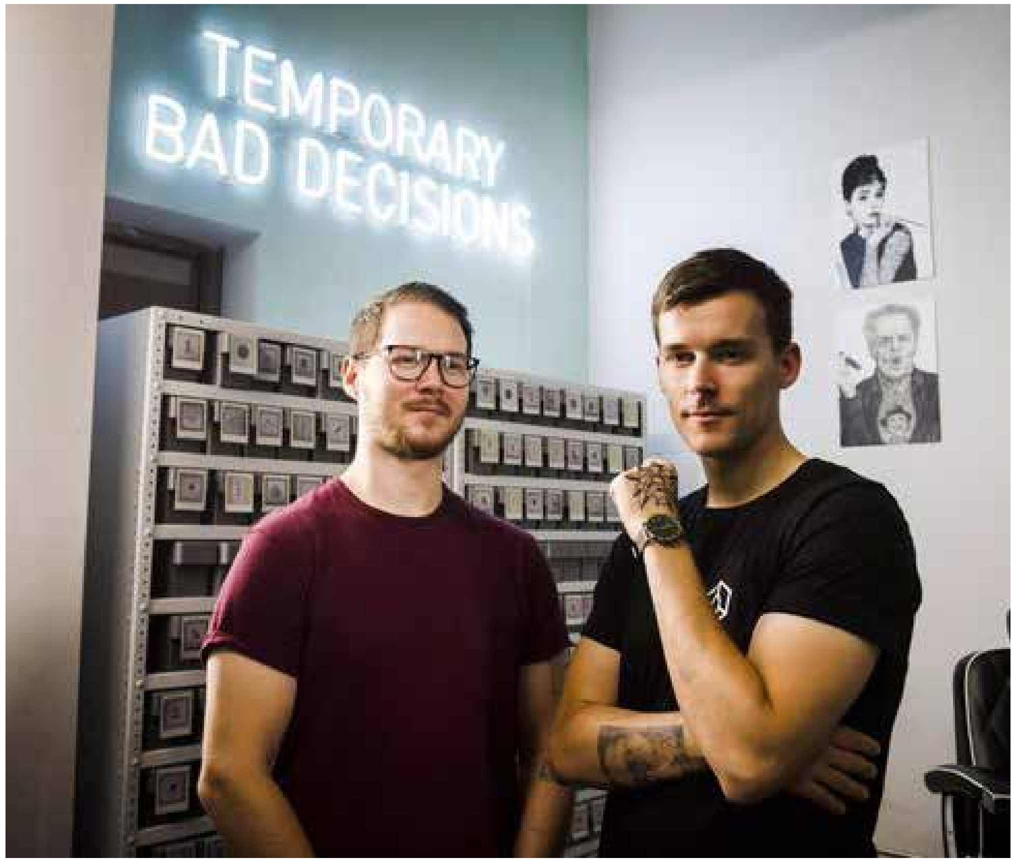
"Our biggest risk was our family dynamic," she says. "Is it going to affect our home life? And it did. There's a personal cost."

The couple decided not to work evenings, and they took Mondays off. "There were some trying times, but we all got through. The kids are happy and better off because they watched us persevere throughout this challenge. I'm sure it's made the family stronger."

Despite the challenges, entrepreneurship can be tremendously rewarding, Dr. Morse says.

"There's nothing more satisfying than seeing the results of something you created that is creating value for other people and hopefully providing you with the sort of lifestyle you're looking for," says Dr. Morse. "That said, it's also an awful lot of fun."

How to put social media to work for you and your business



Co-founders of Inkbox are Braden, left, and Tyler Handley.CHRISTOPHER KATSAROV/THE CANADIAN PRESS

PETER NOWAK
SPECIAL TO THE GLOBE AND MAIL

Setting up a new business can be as challenging as it is exciting. Entrepreneurs will want to take advantage of any breaks and credits offered by the Canada Revenue Agency, but they also need to stay on the right side of the tax man.

It's not exactly normal for a company selling a product to have an Instagram account before it has a website, but that's the route Inkbox took on its way to success.

The Toronto-based company, which sells self-applicable temporary tattoos, launched on the social media platform in 2015, three months before setting up a proper online store.

It was a calculated move that served as both a marketing effort and focus group.

"It gave us good feedback on what kind of designs people wanted to see," says co-founder Tyler Handley.

Inkbox's products are better than traditional temporary tattoos, he says, because the ink sinks into the top layer of the wearer's skin. The tattoos, which take about 15 minutes to apply, look realistic and last between eight and 18 days, depending on how quickly the skin exfoliates.

To get their Instagram account up and running, Mr. Handley and his co-founder brother Braden recruited friends and family members to pose for photos bedecked in the company's tattoos.

The brothers interacted with followers, gaining insights on designs, pricing and product names. By the time they finally launched their website they had acquired 2,000 Instagram followers. That translated into $500 of sales on their first day and rapid growth thereafter.

The company has since raised US$13-million in equity financing from Maveron LLC, Golden Ventures Partners and Founders Fund, among others, and has sold more than half a million tattoos. Whoopi Goldberg named Inkbox tattoos among her favourite things, and the company's products have appeared on the Netflix show Stranger Things and the movie *The Greatest Showman.*

Mr. Handley attributes the success to proper research of his social media audience. Instagram sees high engagement with 18- to 34-year-olds, which is exactly Inkbox's target market. The company's product is also highly visual, which makes it perfect for the photo-oriented app.

Inkbox, which has 70 employees, is also active on Facebook and Pinterest, but neither platform fits as well since they skew toward text and video or to older users.

"We like to say we have a product platform fit, in that our product matches very well with Instagram," he says. "It doesn't seem like people are going [to Facebook] to follow brands they like."

Mr. Handley's advice on social media usage to other entrepreneurs and small businesses is to keep it real. On Instagram, consumers are looking for products and brands they can identify with. Too much gloss can turn them off.

"That authenticity, customers actually like it. You don't have to be perfect," he says. "They're not looking for highly polished brands."

He also urges communication with followers – actively listening to them and respecting their comments. "Don't speak down to your consumers, don't ever act like you're smarter than them," he says. "They want to feel like they're part of the business."

Social media experts agree with that approach.

Entrepreneurs need to figure out exactly what they're selling and go to where the correct audience for that product or service resides, says Amber Mac, president of AmberMac Media Inc. and author of Power Friending: Demystifying Social Media to Grow Your Business.

Consumer-oriented products, whether they be temporary tattoos, fashion and beauty items or pet toys, are more likely to draw attention on Instagram. Business-to-business services may fare better on LinkedIn.

"So many people spend time on platforms where their audience is not," she says. "You need to be playing on the platform where your audience is spending the most time."

Ms. Mac also suggests that businesses consider creating and posting videos, since many social networks – including Facebook and LinkedIn – are increasingly boosting them in users' news feeds. Short videos about a minute in length don't have to be expensive to produce, with online tools such as Magisto making it relatively cheap and easy.

"Every platform is making videos a priority with their algorithms," she says. "It's a great way for people to get a sense of what you're doing."

Cher Jones, a social media trainer whose past clients include the Canadian Imperial Bank of Commerce and the Toronto Region Board of Trade, also suggests focusing on LinkedIn, which is increasingly becoming a significant promotional platform.

But rather than communicating about products on LinkedIn, entrepreneurs should position themselves as experts on their given subject matter.

"You are showing up as someone who understands the business; you become the person behind the business," she says. "Ultimately you'll build credibility, name recognition and connections."

Ms. Mac and Ms. Jones also both urge frequent posting regardless of which platforms a business might choose to focus on. Algorithms tend to favour those users who post often and who are seen to be engaging with others.

"If you do not have time to engage, do not waste your time on social media. It will not work for you. That means prioritizing it," Ms. Jones says.

"When you show up, your clients become used to it. They know they don't have to look anywhere else for answers. Gone are the days when you can just expect people to follow you."