

Writing a business plan your banker will love

Before you can expect someone to lend you money, you need to show you know what you're doing

CAMILLA CORNELL

SPECIAL TO THE STAR

When Ann Kaplan started iFinance Canada (then called Medicard) 18 years ago, she was a single mother with two kids, no way to support herself, and an idea for an entirely new business — providing unsecured loans to people who would otherwise have to pay out of pocket for medical procedures.

"I asked everybody and their brother for money," she admits.

In the end, though, it was the Bank of Montreal that came through for her — to the tune of a \$5 million loan. It took six months of due diligence, but Kaplan credits her success with the bank to the fact that she had a meticulously thought out business plan.

"I learned from everyone who turned me down," she says.

"If I didn't have an answer to a question that time, I made sure I could answer it in the future. The bank would ask and I'd give them a bound book laying out my answer and the reasoning for it."

Kaplan — who now has seven children — went on to build her company into a multimillion dollar enterprise.

"I started when laser eye surgery was new on the scene and at the beginning of a greater acceptance for cosmetic enhancement," she says.

She recently expanded into loans for veterinary bills and home renovations.

"When I complete my annual bank negotiations, I immediately start working on next year's plan," she says. "I prepare a year in advance and I know I have to defend every request I have."

Perhaps the first thing your business plan must be able to do is answer a predictable array of questions, says Kaplan, and "those things don't change." Your banker will want to know: What is your target market and customer profile? What trends are affecting that market? What is your projected market share? Who are your competitors and how will you differentiate yourself? How will you market your product? What are your revenue streams, pricing structure and expenses? And finally, how much money do you need to get the business off the ground and how will you use it?

PLAN continued on F7



NICK KOZAK FOR THE TORONTO STAR

Matthew von Teichman, president of Greenspace Brands, suggests a business plan explore potential pitfalls and explain why you won't fall into them.



Leaders Stephen Harper and Park Geun-hye celebrate the agreement.

Capitalizing on South Korea trade deal

Small, medium-size companies will benefit from deal, experts say

ROSEMARY WESTWOOD

SPECIAL TO THE STAR

When Prime Minister Stephen Harper and his South Korean counterpart Park Geun-hye announced their countries' free trade deal last spring — with an expected \$1.7-billion boost to Canada's economy and a 32-per-cent pump in Canadian exports to Korea — small business owners wondered how much they actually stand to benefit.

"These trade agreements aren't just for the big multinationals," says John Weekes, senior business adviser at Bennett Jones, formerly Canada's chief negotiator for the NAFTA agreement, and author of a report on the impact of the South Korean deal on the Canadian agri-food industry.

"The big multinationals know how to take care of themselves," he says. "Small- and medium-sized companies that benefit most from the clarity and predictability that comes from the trade agreement."

"It's a comprehensive agreement by comparison to most typical ones," notes Monique Moreau.

TRADE continued on F5

Experienced advisers can reassure a potential lender

PLAN from F1

Simply answering isn't enough, though.

You'll have to back up your answers with research, says Kaplan, which can be difficult when you're launching a brand-new business. You can't show lenders your sales history, and projections can sound pie-in-the-sky.

When Kaplan was launching, there were no statistics on private financing for medical procedures, for example, because no one yet offered it. Neither was there much data on billings for cosmetic surgery.

"That's private billing and the government only shows what is billed to the government," she says.

So she hired a market research company to track down just how much money people were paying out of pocket for medical procedures.

"I was prepared to defend all of my assumptions," Kaplan explains. "Rather than just stating that the company planned to do 100 loans a month, I made my case from a logical point of view."

Her research was extensive, but she kept her message concise: There isn't an option, she told her bank. People have to either pay out of pocket for medical procedures or put it on cred-

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MATTHEW VON TEICHMAN
CEO OF GREENSPACE BRANDS

it cards. She would provide a welcome alternative.

"If I have one regret, it's that I didn't think even bigger," she says.

By all means think big, says Matthew von Teichman, president and CEO of Greenspace Brands, a manufacturer of all-natural, organic foods, but you might want to tone down those blue-sky projections for the bankers.

"Bankers know that entrepreneurs are optimistic people but they want to see that the plan shows a measure of realism," he says.

Even if you believe you're going to go from zero revenues to \$100 million in a few years, saying so will likely turn off your bankers "as it almost never happens," he points out.

What's more, he urges, make sure your business plan deals with the risks as well as the potential rewards.

"The plan must look at the strategic threats to the business," says von Teichman. "Explore the potential pitfalls and why you won't fall into them. Show you've thought about what could go wrong and you've considered how to avoid the big issues."

Kaplan put together a 40-page report on her disaster recovery program alone, detailing how she would restore data in the face of an unexpected event.

"I was very organized," she says.

Ultimately, though, you can't rely on your business plan alone to get you a loan. The bank is investing in you, as well as your business. That means you have to maintain a professional demeanour and reassure them in every way that you're a good bet.

Your previous experience is going to play a role, says Kaplan. Although she had no direct financing expertise, she had at least run her own successful interior design business.

"Talk about your experience," advises von Teichman. "And if you have no experience, get an advisory board together and then talk about your 'advisers' who bring experience to the table."

Every banker wants to know that the entrepreneur is getting good advice from people who've been



Ann Kaplan says her success is due in large part to putting together a solid business plan and "learning from everyone who turned me down."

through it before, he says.

"People who already have the scabs," says von Teichman, "are a huge asset in any start-up and bankers know it."

Finally, says Kaplan, keep in mind

that if you actually get to the due diligence phase with a bank, "they want to loan money to you."

Your job, she says, is "to remove barriers and give them every reason to say yes."