



HELPING YOU TAKE YOUR BUSINESS TO THE NEXT LEVEL



DISCUSSION PAPER #9

**STARTING A BUSINESS ON-LINE**

**ADDING CLARITY AND VISION**

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### The Basics:

*The internet is the new Mecca, beckoning entrepreneurs to flock to on-line sales as the fast lane to untold financial security and affluence. The business model is centred around the website – the Golden Calf of the new millennium – and the belief that devotion to flashy graphics will bring the rich rewards. The concept, the plan and the quality of the product or service – these factors are secondary since the road to salvation is bandwidth.*

Well, sorry to burst your cyber-bubble, folks. The internet has NOT altered reality. It has just added a new dimension. Successful businesses still need solid foundations. The maxim, **Fail to Plan – Plan to Fail** is still true and perhaps more critical in these times when you can lose money in a nanosecond.

First off, you need to develop a business plan. Yes, it will slow you down on your way to the Promised Land. Sober thought has a way of doing that! That's the idea. You may need some advice at this point, or you can use some on-line resources developed by people who have started an on-line business to help aspiring cyber-entrepreneurs like you. (Hope you see the irony!). A budget is also important so that your business investment is managed properly.

A business plan will help you identify and understand the key success factors of your idea and also the key threats. It will also allow you to set realistic targets and document your objectives. Keep in mind that the internet can not make a bad idea profitable. Once you have prepared the plan, you should consider discussing it with someone whose advice you trust. Bankers and Chartered Accountants who specialize in independent business are very good sounding boards at this stage.

You'll also have to decide what "form of organization" you should have – proprietorship, partnership, corporation. Your Chartered Accountant can help you here and you may need to consult a lawyer as well. A lawyer can also advise you concerning and trademarks, licensing and contract issues you may have.

### Starting off on the right foot:

You have identified your products or services. You have your plan. You have adequate funding. You should be off to a great start! But, how exactly are you going to use cyber-space to your best advantage? Too many people starting a business and intending to go "on-line" make the mistake of thinking of the internet as just another advertising medium. They think of their business or their business idea in traditional "bricks and mortar" terms and see the internet as a place to make prospective customers aware of their products or services. As a result, their websites – "internet presence" tend to be flat and uninspired. The term for these sites is "Brochure Websites". A place where website visitors can view copies of print ads or sales material. These sites are not without value, but they certainly do not capture the excitement that can be brought to the small screen.

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### The On Ramp

The internet is the busiest shopping mall the world has ever seen. The opportunities available are seemingly endless and there are many challenges to surmount to ensure that prospective customers see your internet presence as their shopping destination. You may need some help in developing an interactive site with convenient and simple access. You can find assistance with this endeavour on the – internet (there's that irony thing again!). You need your website to provide a showcase for customers to learn about your Company and its products, a way of communicating easily with both customers and prospects, on-line payments and a database to ensure that you can track details of previous purchases and some demographic information to successfully mine your customer base for future opportunities. Your upfront attention to the infrastructure will payoff in spades once you are operating.

### The Super Highway

Now that you have your website designed and a maintenance program to keep it current, you'll need a web host with a secure server, a merchant account so you can accept credit cards, perhaps a PayPal account for on-line payments, a scanner and probably a decent digital camera and graphics editing software. You may also want a FTP (file transfer protocol) program if you'll be uploading information to your website. For shipping goods you will want to consider CanPar, UPS, FedEx and of course that old stand-by, CanadaPost. You may need to establish an account and arrange pick-up and delivery times.

### Cruising in the Fast Lane

You're in business! It's happening!! Orders are coming in, payments are accepted and the shipments are going out. You've made it this far, now you have to keep it. We need to spend a little time here talking about Accounting and Taxes. Oh yeah, you're thinking – How did I forget that? Well, it may not be the most exciting part of your new business venture, but good practices will make your life much easier and less costly. A good accounting program (like QuickBooks) will make it easy for you to keep track of your on-line transactions and make compliance with tax requirements like Retail Sales Tax and Goods and Services Tax (Ontario and the Western provinces, except Alberta and PEI), Harmonized Sales Tax (remaining Atlantic provinces) and Quebec Sales Tax. Your Chartered Accountant can advise you concerning these issues as well as more esoteric matters such as import duties and drawback claims.

A good accounting program will also let you compile useful business information such as sales histories, product mix analysis, and correlating your expenditures with your revenues to determine the effectiveness of your spending.

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Then, at the end of your fiscal periods, your CA can help you by preparing financial statements and the appropriate income tax returns. Good information will facilitate analysis, financial and income tax planning and will provide you CA with information he or she can use to give you the best advice possible. Remember that business plan you started off with? Well, the accounting information is what you'll need to measure your results and compare them with your original plans. Your Accountant can help keep your plan up-to-date too and modify it in the face of changing circumstances.

You'll appreciate having accurate and up-to-date accounting information if you have plans to attract investors or borrow funds to finance the growth of your business. The cost of professional accounting advice should be seen not as a cost, but an investment.

**We can help**

If you have questions or need assistance with this or other business or tax issues, please contact us at [info@sloangroup.ca](mailto:info@sloangroup.ca)

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*Adding Clarity and Vision to your management team*

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