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Basement Business 101

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**Basement
BUSINESS
101**



Note from the author:

So you want to start a business, but don't quite know how to begin? This booklet focusses on some basic tips and tricks to help you get your business up and running, from concept planning to financial modelling and advertising. Each section is paired with a real-life example from a small painting business I started in the summer of 2017, doing equestrian portraits. My goal is to share what I learned and hopefully keep you from making the same mistakes I did!

By far, the most important thing I learned is to PLAN AHEAD! I dove right in and started spending money before I worked out exactly how I was going to make a profit, or planned a budget, which made it so much harder for me to break even. So if you put this booklet down right now, and only take one thing away from it — plan, plan, plan before you invest! You will avoid so many mistakes by simply thinking ahead — which seems obvious, but when you're excited about your idea and just want to see it come to fruition, it can be hard to put in the boring but necessary background work to make it succeed. Just remember, the key to a great business is a solid plan!

Good luck!

Alex Busch



Identify a Need

The “need” is what will create the demand for your product or service. It’s what you’re basing the idea for your business around, because there is no point marketing something that no one needs or wants! Think about what sorts of problems or inconveniences your target market could be facing, and how your product or service would fix that problem — or fix it better than the competition.

Once you’ve identified a need, ask yourself the following questions:

- 1.) How does your product address this need?
- 2.) Who is your competition?
- 3.) Why should a potential client or customer choose your product or service over that of the competition?

2

Identify a Target Market

Who is going to use your product? Who is going to *buy* it? Keep in mind, these are not always the same. For example, if your product is intended for children, their parents will likely be the ones paying — something important to keep in mind when it's time to advertise.

How big is your target market? Do some research and try to find specific numbers — this will make it much easier to create your business model. Statistics Canada or a discipline specific organization might be a good place to start. (I got my numbers from the Canadian Equestrian Foundation.)

Do your potential customers have disposable income? This is an important question to consider because if your product is not essential to everyday life, and your target market has little disposable income, you may have trouble convincing them to spend their money on your product or service.

Try making a customer profile that considers the following questions: Who are they? How old are they? What are their other interests? Are they financially stable? Why do they need your product? How will they find out about your business? Where are they likely to shop or spend time?

Spotlight

Customer Profile:

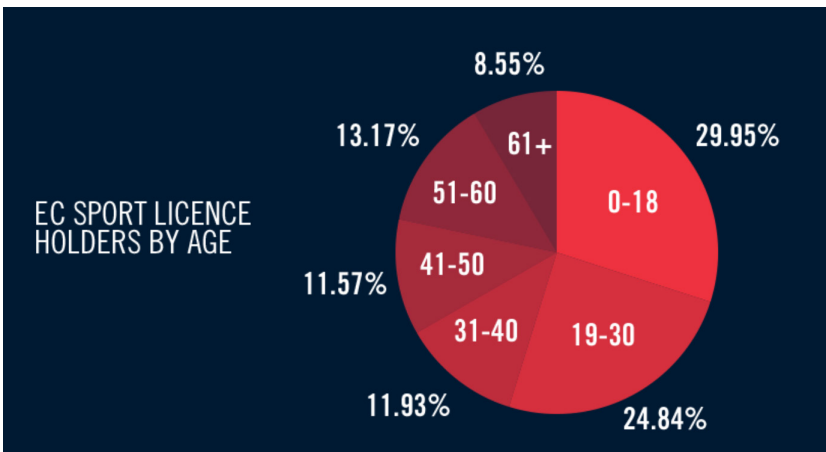
Meet my ideal customer, Anna. She is a lawyer with disposable income that she likes to spend on her horse, vacations, and decorating her new



house. She is slightly obsessive when it comes to her horse, and she spends all hours at the barn spoiling it. The majority of her social life revolves around the barn, and she likes to encourage her fellow equestrians. She is the sort of person who would spend upwards of a hundred dollars at the tack store without even thinking about it. A custom painting of her horse would commemorate the special bond they have, and be a unique art piece for her home. She also loves the idea of supporting a young local artist and fellow horse lover.

Size of Market:

According to the Canadian Equestrian Foundation, there are 90 000 Canadians registered with provincial sport licenses. This number does not include those who have insurance elsewhere, or choose not to register their horses because they do not plan to compete. In an attempt to avoid large shipping costs, I will restrict my target market to the 40% of CEF members who live in Ontario (36 000 people).



Of those Ontarians, my primary market is comprised of those aged 30 and up, as they are more likely to have disposable income. This age group makes up 45% of the Ontario equestrian population (16 200 people). My secondary market includes those aged 19-30, who may be interested in a cheaper painting or print for themselves or as a gift for a family member or friend. They make up 25% of the market (9000), but are less likely to spend money on original artwork than their older counterparts.



Is your idea viable?

Before you start investing your time and money into a potential business, you need to be sure you can make a profit.

Think about how much you will charge for your product or service. What are your direct expenses? (ie: How much will your product cost to make?) How much will people be willing to pay for it? How much would you be able to pay yourself per hour?

Play around with some different pricing options. You need to find that happy medium where you are charging enough to make a profit, but not so much that you lose all of your potential customers.

If you need to make an initial investment for materials or equipment, you will also want to consider how long it will take for you to make the money back. In other words, how many items do you have to sell to break even?

Spotlight

Here is an example of price modelling. First I looked at the direct expense of different sizes of paintings.

Expense	Medium Canvas	Large Canvas
Paint	\$10	\$15
Canvas	\$30	\$50
Other Materials	\$5	\$5
Total Direct Expense:	\$45	\$70

Then I modelled different possible prices for each canvas size. The following table helped me land on a price for medium-sized paintings, with an estimated 20 hours of work put into each one.

Selling Price	\$200	\$300	\$400	\$500
Direct Expense	\$45	\$45	\$45	\$45
Profit	\$155	\$255	\$355	\$455
Wage/hr	\$7.75	\$12.57	\$17.75	\$22.75
Will someone pay that much?	Yes	Maybe	Unlikely	No

I then had to weigh each option. If I charged \$200, I would have more customers but I wouldn't even be able to pay myself minimum wage.

If I charged \$500, I would be able to pay myself much more than I could make at most entry level jobs, but it would be far more difficult to find clients.

I decided to begin by charging \$300 for a medium painting, and make almost minimum wage, but planned to increase my price to \$400 once I had more customers.



Year-long profit

Now that you know how much you want to charge for your product or service, take a look at the size of your target market. How much money would you make this year if you reached 1% of your target market? 5%? 0.5%?

If you plan on turning your business into your full time job, you need to consider whether you can make enough money to live on.

If your business is just something fun on the side, consider whether the amount of time and energy you are investing is worth it.

Spotlight

Based on my calculations of cost and profit, and assuming a target market of equestrians aged 30 and over who live in Ontario, the following table presents several possible business models. The profit per unit assumes I sell a combination of medium and large commissions.

Size of Market	Percentage Reached	Paintings Sold	Profit Per Unit	Total Profit
16 200	5%	810	\$290	\$234 900
16 200	2.5%	405	\$290	\$117 450
16 200	1%	162	\$290	\$46 980
16 200	0.5%	81	\$290	\$23 490
16 200	0.25%	41	\$290	\$11 745

Based on the table, if I could reach even 0.25% of the market each year, my profits would be an excellent supplement to my current part-time job. If I considered quitting my other job and only painting while I finish university, I would be seeking to reach 0.5% of the market.

If I wanted to paint full time, I would need to reach above 1% of the market in order to live. However, it would not be possible to pump out 400-800 paintings in a year when each one takes around 20 hours! I would need to consider hiring a team to help me, but that brings its own complications. With my current pricing scheme, my business is not a viable full time job.

5

Designing Your Website

Having an online presence is extremely important in today's market. Without a website, you may appear unprofessional or lose potential clients because they cannot access your information easily enough. Potential customers should not have to work to find you! Most customers will not pick up the phone to call you about your product if the information is not available online — they will simply turn to your competition.

So, a website is a must. There are a ton of online website builders you can use to set up your site, if you don't know how to code or don't want to hire a professional. Just make sure to design it carefully because a website that is poorly made or difficult to navigate will turn away potential clients!

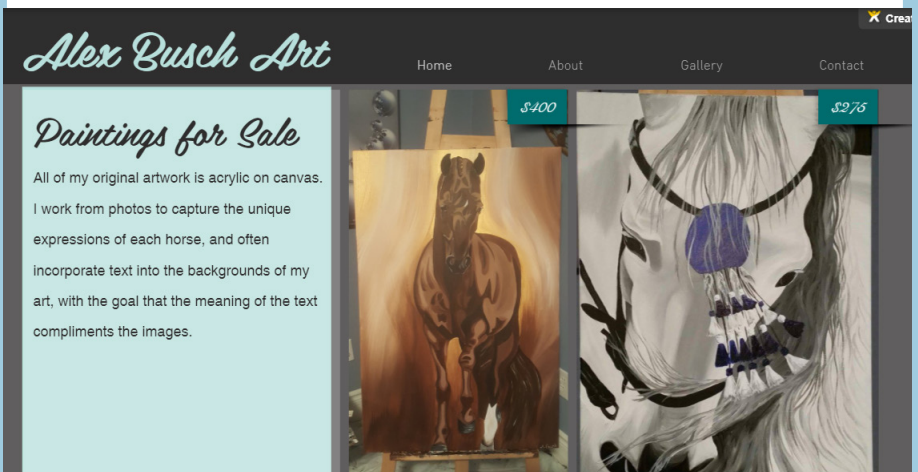
Some things to consider:

- Is your domain name easy to find or remember?
- Is your colour scheme easy on the eyes?
- Is your font readable?
- Does your page look cluttered or overwhelming?
- Is your website self-explanatory and easy to navigate?
- Have you included all important information?

Spotlight

I chose to use WIX.com to design my website. WIX allows you to create your website for free, using their templates or starting from scratch, and you can either link it to a domain name you have purchased or use the one they give you. The downside is that they advertise on your site (and in the domain name), but for my purposes it was good enough.

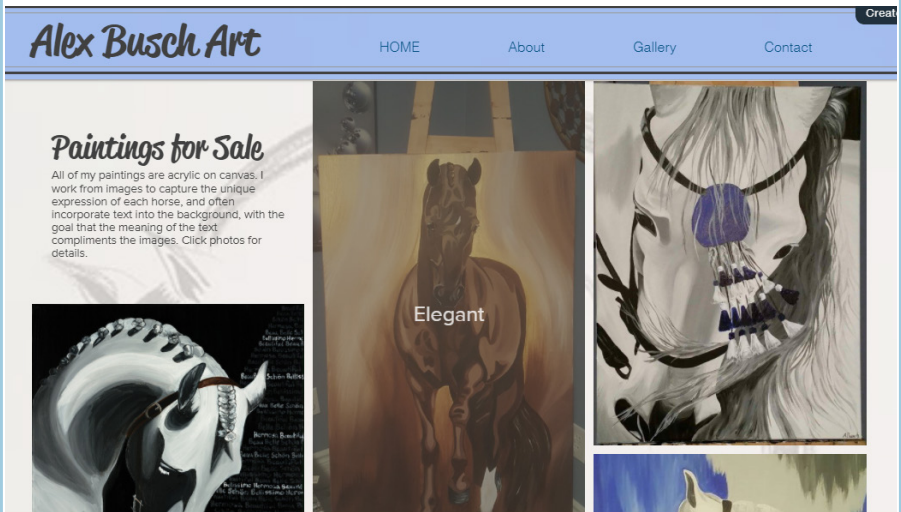
Here is a look at my initial design:



As you can see, I chose a relatively dark colour scheme and a large, childish font. My layout was simplistic and boxy, and the navigation bar was easily accessible at the top of the page.

I consulted with my art teacher, who also does graphic design. He explained that displaying my paintings on a

charcoal background makes the colours appear more muted. He suggested I switch to a white background, and a smaller, more sophisticated font to make my website look more elegant, like an online art gallery. Here is the redesign of the same page:



As you can see, when you hover over each painting, it's name appears and you have the option to click for more information, which takes you to a new page with the pricing and dimensions.

Making use of links and interactive features helps make your website look more professional, and avoid clutter!





Marketing

Now that you have identified your target audience, planned out your business model, and designed a website, it's time to think about advertising!

How are you going to let your potential customers know that your business exists? There are many different platforms you can take advantage of. You might want to consider:

- social media ads (paid or organic)
- flyers or posters
- TV and radio ads
- sample products in stores
- discounts for referrals
- discipline specific conventions or conferences

Using a combination of marketing strategies will help increase impact and reach a wider variety of potential customers. Some strategies will be more effective than others based on your target audience and your marketing budget. Start by considering where your target audience spends their time, both online and in person, and try to focus your energy on those locations.

Social media platforms in particular can be extremely useful advertising tools, especially for small start-ups, because you can get high exposure at a low cost.

Social media ads can be either paid, meaning you pay for the platform to “boost” your ads and get a wider viewership, or organic, meaning your ad will function like a regular social media post and be shown only to your followers. There are benefits to each, and to using a combination of both.

Paid ads will be shown to a random selection of social media users, so there is no guarantee that they will be part of your target audience or even remotely interested in your product or service. However, it does get more eyes on your ad in a shorter period of time. Organic ads reach a smaller selection of people, but since they are already following your business, they are more likely to be interested in what you have to say. Advertising on social media is also beneficial because it is quite affordable: organic posts are free, and paid ads can start as low as a couple of dollars.

Often times, the platform will help you track how many views your paid ad attracted, how many people clicked for more information, and how many actually followed through to view your website. You can then use this data as a tool to help design more effective ads, and to determine whether paid ads are effective enough to be worth your money.

Spotlight

I used a combination of paid ads and organic posts on Facebook to spread the word about my business. I noticed that paid ads attracted more views and lead to more people liking my page, but most of my sales came from organic posts that reached people who already knew or followed my art.

I also spent several weekends at horse shows where I set up a booth with my art. I did not make as many sales as I had hoped, but it was



great advertising to be there in person, talk to people, and hand out business cards. I had direct access to my target audience, but they were busy with their competition and not really thinking about shopping. In the future, I would rather set up a booth at a venue where equestrians come to shop — something like the CanAm or Trillium Championships.

I also considered posting flyers and sample paintings in tack stores, feed stores and vet clinics — all places equestrians frequent — to make my brand known.

A word of encouragement:

As we cannot predict the jobs of the future, the skills you develop in setting up a business are invaluable and will help prepare you for future endeavours, even if your first attempt doesn't go quite as planned.

Hopefully this introductory booklet has given you something to think about as you prepare to launch your initiative.

Be tenacious. Your idea could change the world!

