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Submission to:

Standing Committee on Finance and Economic Affairs

COVID-19 Impacts on Small and Medium Sized Enterprises

August 24, 2020

Futurpreneur Canada

Futurpreneur Canada is a non-profit organization that has been helping diverse young entrepreneurs age 18-39 build and launch new businesses since 1996, with our unique model that combines early-stage financing, mentorship, and resources. With our pan-Ontario reach, Futurpreneur is the only organization in the province with the infrastructure and capacity to support the Government of Ontario's efforts to drive economic opportunity through direct and comprehensive support for young entrepreneurs.

Young entrepreneurs launching new businesses will play a critical role in the economic recovery from COVID-19. However, most young entrepreneurs, who do not have a track record or collateral, will not be able to access financial or other support from commercial lenders. Hundreds of young entrepreneurs each year, who are poised to play a role in Ontario's economic recovery, fall into a resource gap in the province's start up ecosystem. Without the support that Futurpreneur uniquely provides, those hundreds of young entrepreneurs would not be able to launch their businesses in Main Street locations throughout the province, contributing new jobs and economic development to rural and urban communities.

Read more about our flagship Start-Up Program in Appendix A.

Supporting Ontario's Young Entrepreneurs

To date, Futurpreneur has invested **more than $63M in Ontario**, with the following results:

Even in this challenging time, small businesses and young entrepreneurs continue to benefit from the accessible loan capital and wrap-around support Futurpreneur provides, enabling them to support local job creation and economic development across the province.

A recent survey of Futurpreneur's clients revealed some key data about the importance of our services to the start-up ecosystem:

- For 94% respondents, the main reason to coming to Futurpreneur was for the early stage, collateral-free loans we offer, and more than half did not receive any other financing.
- Of those Futurpreneur clients who were rejected for other financing, 78% stated it was either due to a lack of collateral to secure a loan or lack of business track record – the two key areas that Futurpreneur supports.
- 93% of respondents felt prepared when launching their business thanks to the skills they built through Futurpreneur's programs.
- Since the pandemic started, 88% of clients who sought out Futurpreneur support found it helpful, speaking to the importance of ongoing, consistent support for young entrepreneurs, who will be a driving force of the economic recovery.

Please refer to Appendix B for examples of businesses Futurpreneur has helped to launch across the province.

Understanding COVID-19's Impact on Small Businesses

The COVID-19 pandemic has caused unprecedented disruptions to businesses of all sizes across all sectors, but small businesses and young people have been particularly hard hit. Ontario business closures in April were up 150% (Stats Canada) year-over-year from 2019, leading to a record number of job losses in the province that month – nearly 690,000 (Government of Ontario).

The Ontario Chamber of Commerce reports that 84% of the provinces SMEs have been negatively impacted by COVID-19 (OCC) and small businesses faced significantly more challenges due to COVID-19 than larger companies (Statistics Canada). Futurpreneur is seeing this impact on our clients as well, as 70% reported revenue declines due to COVID in a recent survey.

The fallout of this economic impact affects jobs, tax revenues, and the culture of Main Streets throughout the province.

Futurpreneur's Response to COVID-19

At Futurpreneur, we have witnessed firsthand the pressing needs of our Ontario small business clients. To address the impact of COVID-19, we immediately paused payments on all outstanding loans and lowered our interest rate to reflect the Bank of Canada's interest rate decision.

After securing adequate resources, we were able to provide six months of loan payment coverage for all of our active clients, including **more than 770 Ontario small business**. In addition, we made available a $10,000 interest-free top-up loan, with one year of deferred repayment for all active Futurpreneur clients who did not qualify for the Canada Emergency Business Account.

To date, more than 175 of our Ontario clients applied for these top-up loans, leading Futurpreneur to provide more than $1.4M in additional capital to our Ontario small business clients.

Our team has worked hard to support young entrepreneurs who continue to start new businesses even in these incredibly challenging times, with Futurpreneur supporting over 65 new Ontario businesses to launch through our programs since March 18.

Futurpreneur Spotlight: Canadian Shield

Entrepreneurs are problem-solvers by nature, and as the world faces the largest global health challenge of this century, we've been inspired by many small business owners in our network. Many of our clients have had to pivot quickly in the face of COVID-19. Our client Waterloo-based EdTech company InkSmith, which sells 3D printers and robotics kits, pivoted to developing 3D-printed personal protective equipment under their new spinoff company The Canadian Shield. Since the company's launch in March, the team has grown from a staff of 10 to more than 250 and is supplying two-thirds of the 16 million medical face shields that the federal government is procuring from Canadian companies.

The Government of Ontario's Response to COVID-19 for SMEs

The initiatives that the province has taken to date have mitigated impacts on small and medium sized business, but more needs to be done to ensure entrepreneurs and small business owners can weather the storm caused by COVID-19 and can access the resources they need to effectively contribute to the province's economic recovery.

Key initiatives by the province that have helped to mitigate small business closures include：

- The Ontario-Canada Emergency Commercial Rent Assistance Program (OCECRA)
- Provincial tax deferments
- Reduced energy consumption rates
- Digital Main Street investments to support online marketing and infrastructure
- The "*Shop Local! Shop Safe! Shop with Confidence*!" campaign

Taken together, these measures have made a material difference by helping many small businesses to survive the impacts of the pandemic. The Canadian Federation of Independent Businesses recently released a survey that found 84% of business owners that used a provincial COVID-19 response program found them helpful (CFIB).

Without the measures undertaken by the provincial government, business closures and job losses would have been even worse in Ontario.

Investing in Entrepreneurs Will Drive the Economic Recovery

The survival of small and medium businesses is just one part of the equation – supporting new businesses to launch is critical for Ontario's long-term economic recovery.

Ontario understandably saw far fewer businesses open in April 2020 compared to the previous year (Stats Canada). These figures are unlikely to recover to previous levels without additional support and accessible loan capital for entrepreneurs to start new businesses, creating a huge opportunity cost and lost economic potential for the province at a crucial time.

Supporting entrepreneurs to build and launch businesses is a strategic investment that will help to make up for the steep drop in new business openings seen this year. Enabling new businesses to thrive is a vital component of our province's post-COVID recovery, contributing to job creation and tax revenues.

Futurpreneur is committed to continuing to support young entrepreneurs to turn their ideas into viable businesses, supporting economic development in rural communities and urban centres across the province.

Recommendations

At Futurpreneur Canada, we have talked to and actively helped small businesses and young entrepreneurs who have borne the brunt of COVID-19 impacts. Our recommendations reflect this reality:

1. Extend current small business supports through December to mitigate business closures

Extending the current measures – such as OCECRA, tax deferments, and reduced energy rates – for small businesses will support their survivability and sustainability, mitigating further job losses and enabling more businesses to survive until the busy December holiday season and into 2021.

2. Provide additional support and invest in accessible loan capital for entrepreneurs looking to start new small businesses or acquire small businesses from retiring owners

The barriers to loan capital that existed for young entrepreneurs before COVID-19 have not gone away. Futurpreneur Canada addresses these barriers through our one-of-a-kind Start-Up Program, with most of our client entrepreneurs indicating that they would not have qualified for other forms of financing.

Ensuring that adequate loan capital is in place for Ontario's young entrepreneurs will reduce a key barrier, enabling them to build, launch, and continue new businesses, thereby contributing to the province's economic recovery.

Young Ontarians, whether in rural or urban areas, have been particularly hard-hit by job losses and business closures, yet small businesses led by young people are powerful job creators and record higher growth rates than other small and medium-sized businesses[1].

Finally, supporting mentorship and other wrap-around resources for entrepreneurs will improve the likelihood of long-term survival and success of new businesses.

Conclusion

The Government of Ontario's response to COVID-19 has helped many small businesses survive the economic fallout of the pandemic. As this committee considers policies and programs that will accelerate Ontario's post-COVID recovery, we encourage you to invest in organizations and financing options that support young people – whose futures have been perhaps the most economically impacted by the pandemic – to build and launch their own businesses. Futurpreneur Canada has over two decades of experience in supporting young entrepreneurs and we are ready to leverage our unique, wrap-around approach to work in partnership with the Government of Ontario to achieve your policy objectives in this area.

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Appendices:

A. **Futurpreneur's Flagship Start-Up Program**
B. **Examples of Futurpreneur-Supported Businesses in Ontario**

[1] In an OECD study, out of all new enterprises that survived after three years, the highest employment growth was in companies started by people under 30 (OECD,2012).

Appendix A: Futurpreneur's Flagship Start-Up Program

Futurpreneur's **flagship Start-Up Program** provides the following to help young Ontario entrepreneurs launch and acquire sustainable businesses:

a. **Pre-launch support,** including up to 15-20 hours of personalized coaching and extensive online resources to help young entrepreneurs plan and manage their business
b. **Up to $60,000 in collateral-free, low-interest loan financing:** $20,000 from Futurpreneur and up to $40,000 from the Business Development Bank of Canada (BDC), together available through one single application and adjudicated by Futurpreneur
c. **Up to two years of one-to-one mentoring** with an expert business mentor from our internationally recognized network of over 3,000 mentors across the country
d. **Post-launch support** through scheduled check-ins, personalized support and facilitated access to growth resources and networks, including Futurpreneur's own Growth Accelerator and the G20 Young Entrepreneurs' Alliance to support national and international growth

We directly and specifically support small business creation
Futurpreneur equips young entrepreneurs to successfully launch a small business, create jobs and subsequently build their community. All our programs, from loan financing to mentor support, are geared to ensure that youth can turn ideas into successful enterprises. Small businesses led by young people are powerful job creators and they record higher growth rates than other small and medium-sized businesses. We are proud that 46% of Futurpreneur-supported businesses are majority-owned by women.

We are unique in addressing a specific need in the entrepreneurial ecosystem
We offer a wraparound suite of programs that no other organization does with our focus on business coaching, mentorship, and loans to young entrepreneurs. Commercial lenders typically do not provide loans to the segment of the population we service, who have little or no collateral and who have yet to reach the two-year range of business performance.

We value collaboration
Futurpreneur is increasing its reach through partnerships with many of Ontario's entrepreneurial support organizations, ranging from incubators, not-for-profits, banks, and for-profit businesses. Further, Futurpreneur recently launched a long-term partnership with the Government of Canada, enabling us to build on our track record and use our innovative model to support local economic development.

We bring awareness and education about entrepreneurship all corners of Ontario
Our team engages young people across Ontario to raise their awareness of both the opportunity to create their own businesses and to improve their entrepreneurial confidence and skills. We are proud to engage hundreds of aspiring entrepreneurs, mentors and partners through our regular events, seminars, and personalized business coaching—and many thousands more through our digital outreach.

We are flexible and responsive especially in times of need
To address the impact of COVID-19 and provide some relief for our clients, we immediately paused payments on all of their outstanding loans for 30 days. We've also lowered our interest rate to reflect the Bank of Canada's decision, and ensure young entrepreneurs in business have an opportunity to weather this economic storm while those looking to start a business have the assurance and tools they need to partake into the long term economic solidification of their communities.

After securing adequate resources, Futurpreneur was able to provide six months of loan payment coverage for all active clients, supporting their survivability during this incredibly difficult time. Futurpreneur is committed to supporting entrepreneurs throughout the COVID-19 crisis and beyond.

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Appendix B: Selection of Futurpreneur-Supported Businesses in Ontario

Joanna Griffiths

Knixwear- Toronto

In 2013, Futurpreneur provided a loan to Joanna Griffiths that supported the launch of her underwear line, then known as Knixwear.

Today, Knix is one of the fastest growing intimate apparel brands globally, with almost $50 million in sales this year. A Knix item is now sold every 7 seconds in large part due to the brand's focus on product innovation and its mission to empower women to be unapologetically free. Knix was recently named the 6th fastest growing company in Canada with over 3800% 3-year growth.

This past November, Futurpreneur was excited to announce that Joanna Griffiths has joined our Board of Directors. With more than 45% of our supported businesses being female-owned and led, we value being able to foster diversity and inclusivity.

Emile Salem & Blair Kilrea

Collab Space- Nepean

Collab Space is the dream of Ottawa entrepreneurs Emile Salem and Blair Kilrea, who believe it takes a community to raise a successful business. Their vision – to create a space where entrepreneurs and small business owners can come together and support each other, came to life with Futurpreneur's financing and mentorship.

"At Collab Space, we take a personal interest in the growth and success of every business. We don't simply provide our members with a place to work; we offer a community of mentors and a wide range of tools and supports to help small businesses thrive."

Futurpreneur is proud to be part of Emile and Blair's entrepreneurial journey to support other entrepreneurs across Ontario.

Jordan & Stephanie Malka

Beacon Bike + Brew Creating- Picton

Blending their love of great coffee, food and cycling, Jordan and Stephanie Malka successfully accessed Futurpreneur Start-Up loan and built a space open to all, offering local fare and a unique retail experience. Working with a variety of local and regional suppliers, Jordan and Stephanie's business provides well-crafted items, including custom bike bars, cold-pressed juice and smoothies, fresh baked goods and tea. Not only are Jordan and Stephanie able to offer a unique experience for their customers, but they are helping to strengthen the economy in rural Ontario.

Since having opened their doors in June 2019, Beacon Bike + Brew has been growing. Currently a team of five, they are looking to expand their team as their business continues to grow into 2020.

Ryan Landon & Daniel Thomson

Ye Old Chip Truck - Kenora

At the age of 20, Ryan and Daniel purchased a long-time feature of Kenora, and through a succession plan, breathed new life into it. Ye Olde Chip Truck has had several different owners over the course of its 60 plus years, with its popularity standing the test of time. With the help of Futurpreneur, Landon and Thomson purchased Ye Olde Chip Truck and have expanded from two to four locations open seven days a week all summer, while also catering many special events.

Their hard work hasn't gone unnoticed. It has led to several accolades, including being nominated for the local chamber of commerce's youth entrepreneur award and being named one of Canada's "Top Ten Food Trucks Worth Stopping For" by Food Network Canada.

Elle AyoubZadeh

Zvelle - Toronto

Launched in 2015, Zvelle is an accessible luxury fashion and footwear brand for ladies sold exclusively online at Zvelle.com, as well as in their Toronto showroom and retail pop-up stores. Elle describes their collections as "unique, fearless and chic" and they aren't released for a specific season but instead transcend seasons and go beyond borders.

Recently, Zvelle encouraged followers to nominate healthcare heroes, who could then receive a pair of sandals designed in honour of Canada's first female physician and the founder of Women's College Hospital, Emily Stowe. The company's #WalkHowYouWant campaign also celebrates diverse women, encouraging them to be proud of who they are.

Angel & Michelle Videaux Mencias

El Habaneiro & Churro Box - Scarborough

When Angel immigrated to Canada to unite with his wife Michelle, he left behind a 15-year career working as a chef in top restaurants in Cuba. In Canada, with no credit and very little English, he had to adjust to a dramatically different culture. Determined to not let barriers hold Angel back, Michelle saw an opportunity to offer the authentic taste of Cuba here in Canada.

Combining their strengths, she and Angel launched a successful business, offering catering in their local neighbourhood. With the support of Futurpreneur's Newcomer financing and mentorship program, they have grown from catering to a mobile churro bar soon-after, and now they are opening their own restaurant.