

Navigating interest rates to get your business thriving

2024-06-06



Agenda



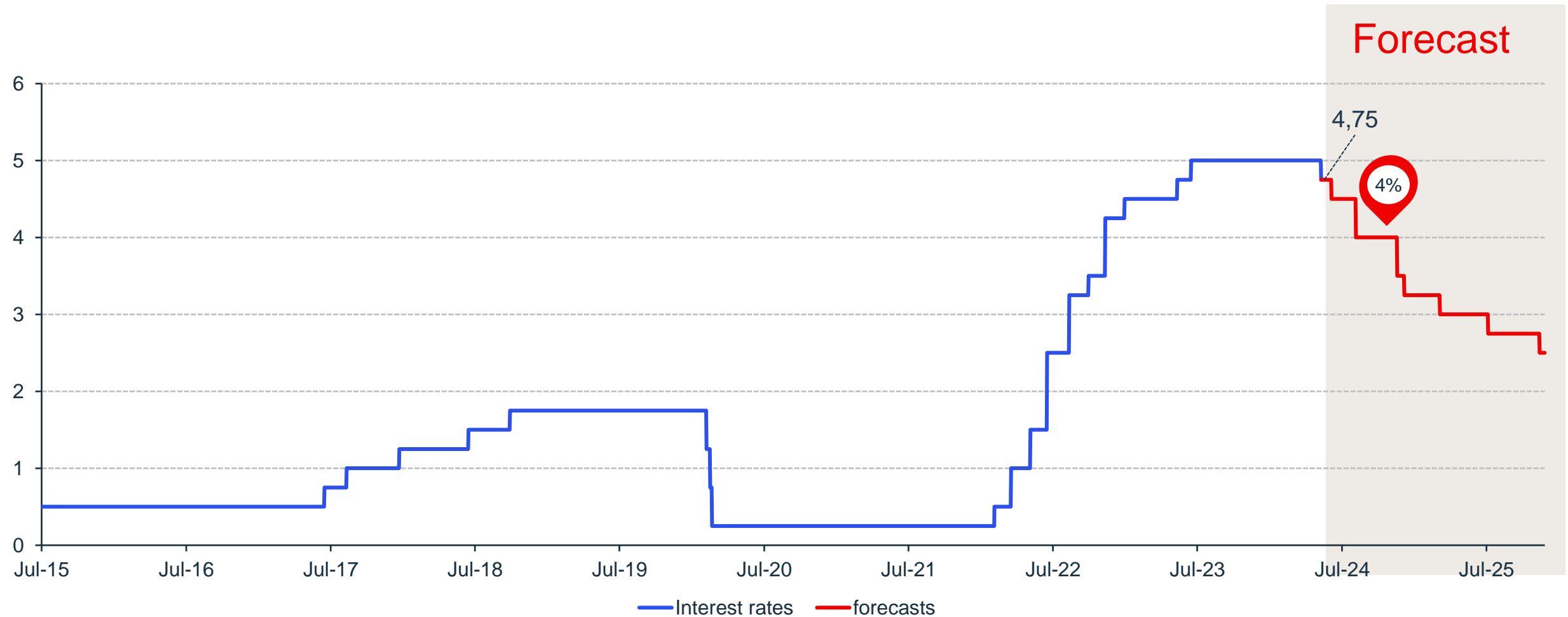
1. What does the interest rate announcement mean for entrepreneurs?
2. How to get your business thriving
3. Q&A



Economic Outlook

The Bank of Canada reduced its policy rate for the first time since 2020

Policy rate (%), Canada

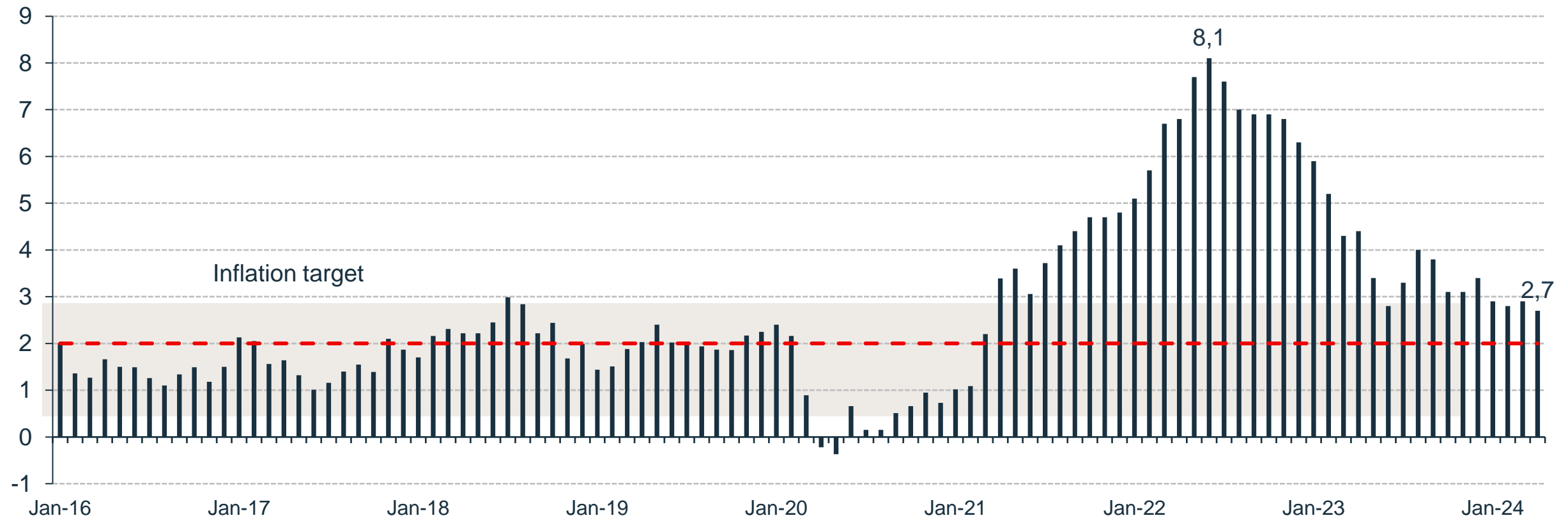


Sources: Bank of Canada, BDC.

Inflation is closer to target range



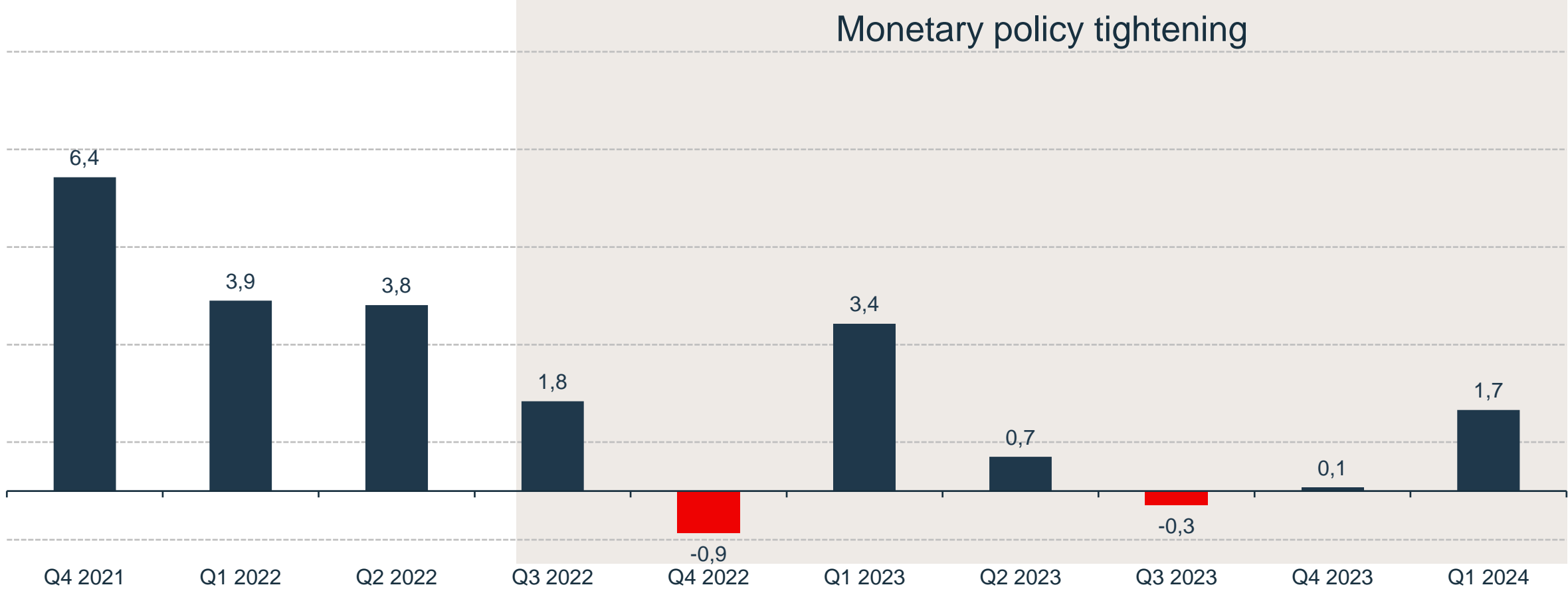
Consumer price index, year-over-year growth (%), Canada



Canadian economy grows below potential



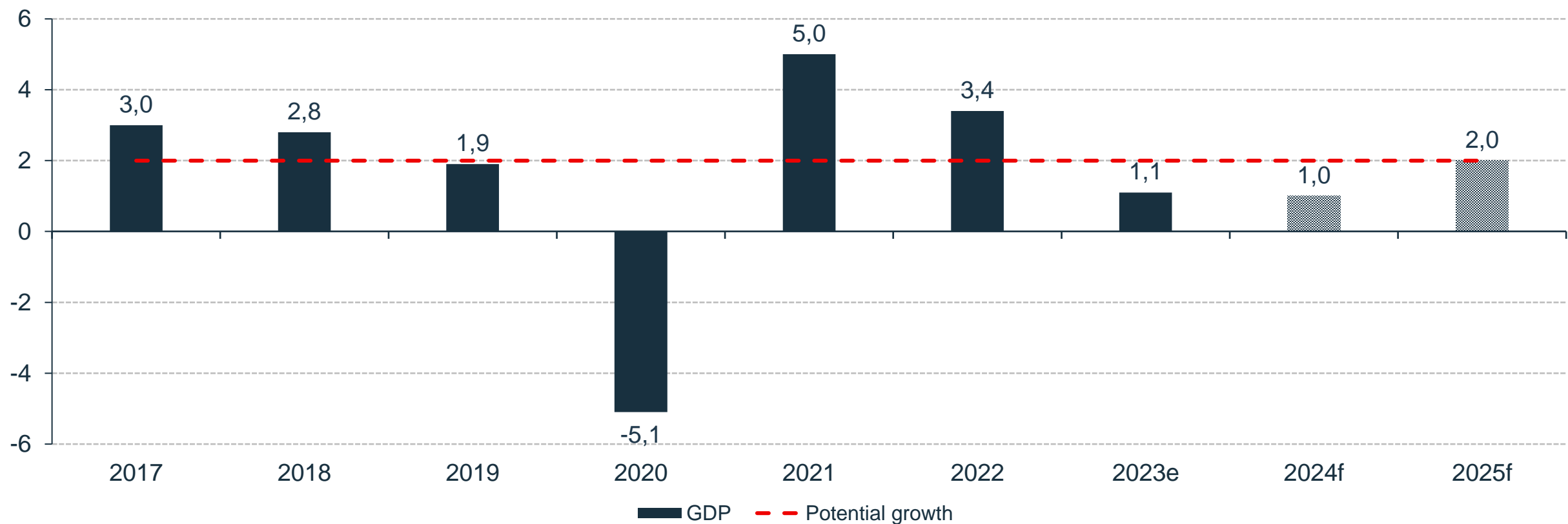
Real GDP growth, quarterly, (%), Canada



Canada's economy to slightly slow down this year



Canadian annual real GDP growth (%)



Sources: Statistics Canada, BDC.
e: estimated, f: forecast



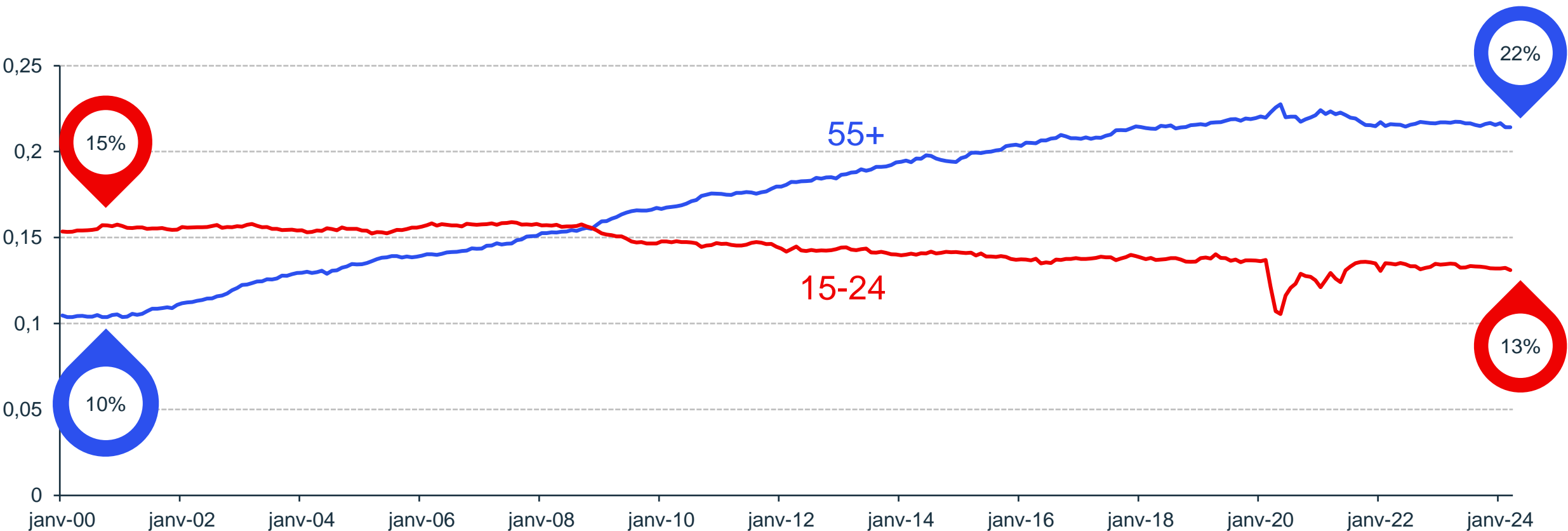
Major trends

Labour shortages

Labour shortages set to persist



Percentage of workers that are 55 years + and 15-24 years old, Canada



Sources: Statistics Canada, BDC.

3 Strategies



1. Invest in technology and automation

2. Develop a people strategy

3. Expand your talent pool



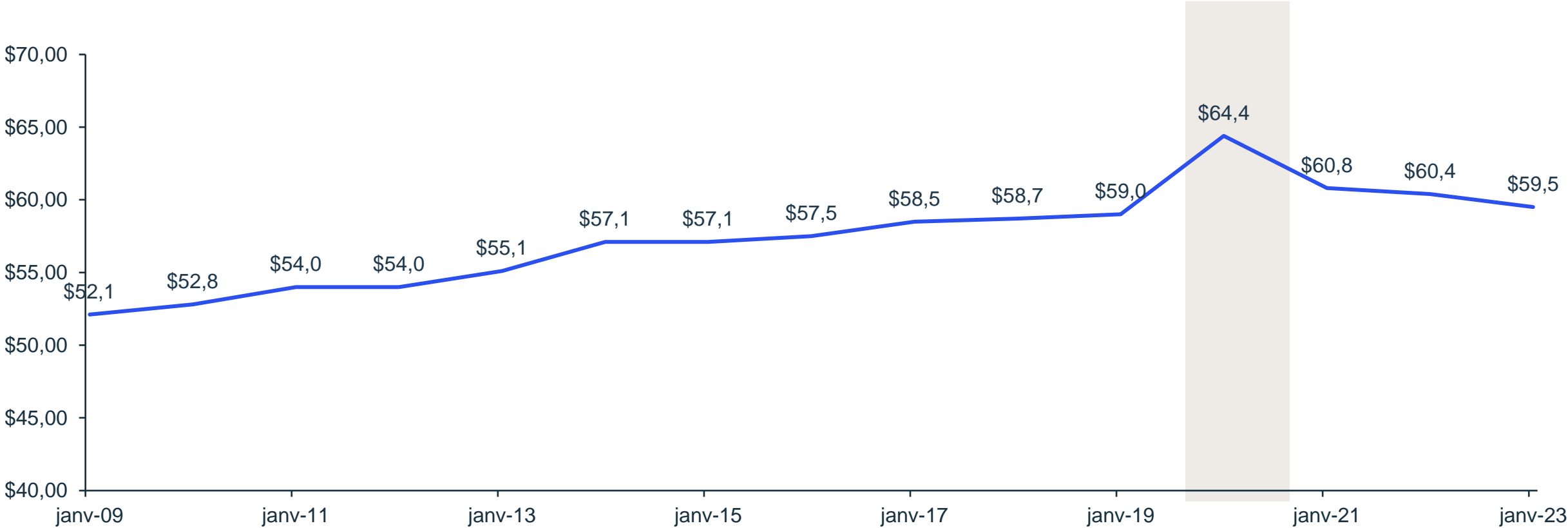
Major trends

Productivity

Labour productivity on a decline



Labour productivity, real GDP in \$/hour worked



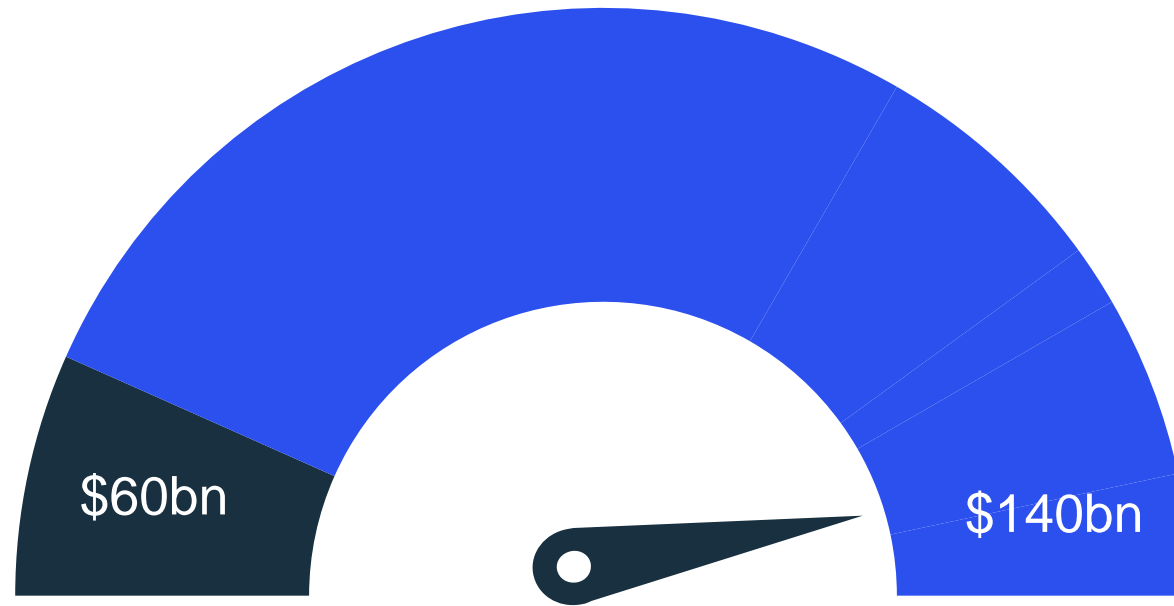
Sources: Statistics Canada, BDC.



Major trends

The green transition

To reach net zero by 2050: large investments are needed



Range of average yearly investments needed per year



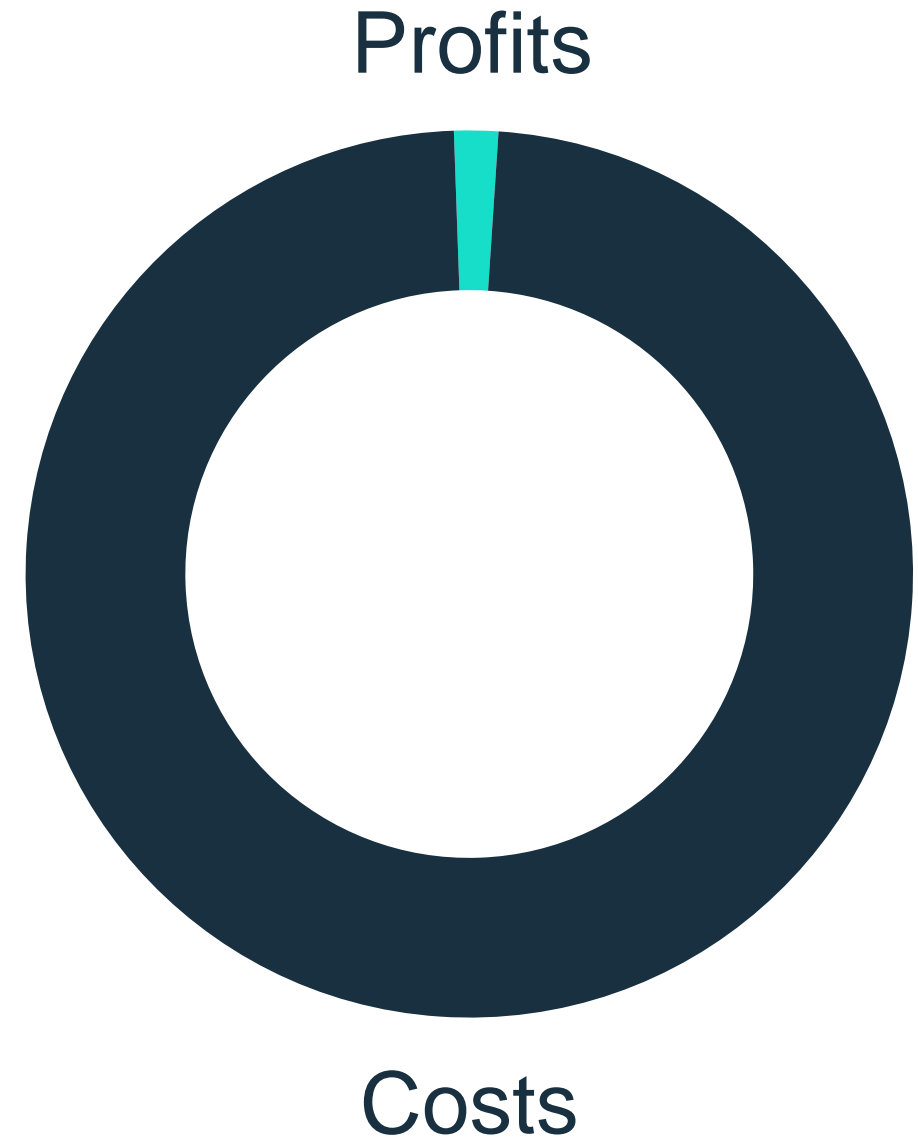
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Devesh
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How do you get
from here....





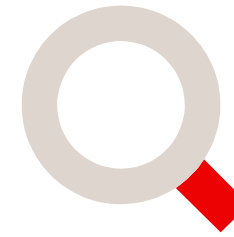
... to there?





How likely are you
to invest in a new
project following
a rate decrease?

Start by looking at your current state to identify the right investment projects



Sales and marketing

- Do you have enough sales? Are you meeting your targets?
- Do you know your customer acquisition costs or the return on marketing investments?

Operations

- Are your processes as effective as they need to be?
- Are your production costs competitive?

Financial management

- Are you making decisions based on financial information?
- When is the last time you reviewed all your costs?
- Are your interest and tax costs well managed?

People

- Is payroll sustainable? What about your turnover rate?
- Do you have the right people in the right roles?

Technology

- Do you have the right tools to get the work done?
 - Could new tools make you more efficient and profitable?
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A plan will help you
focus on the right priorities
to protect and expand
your profits.

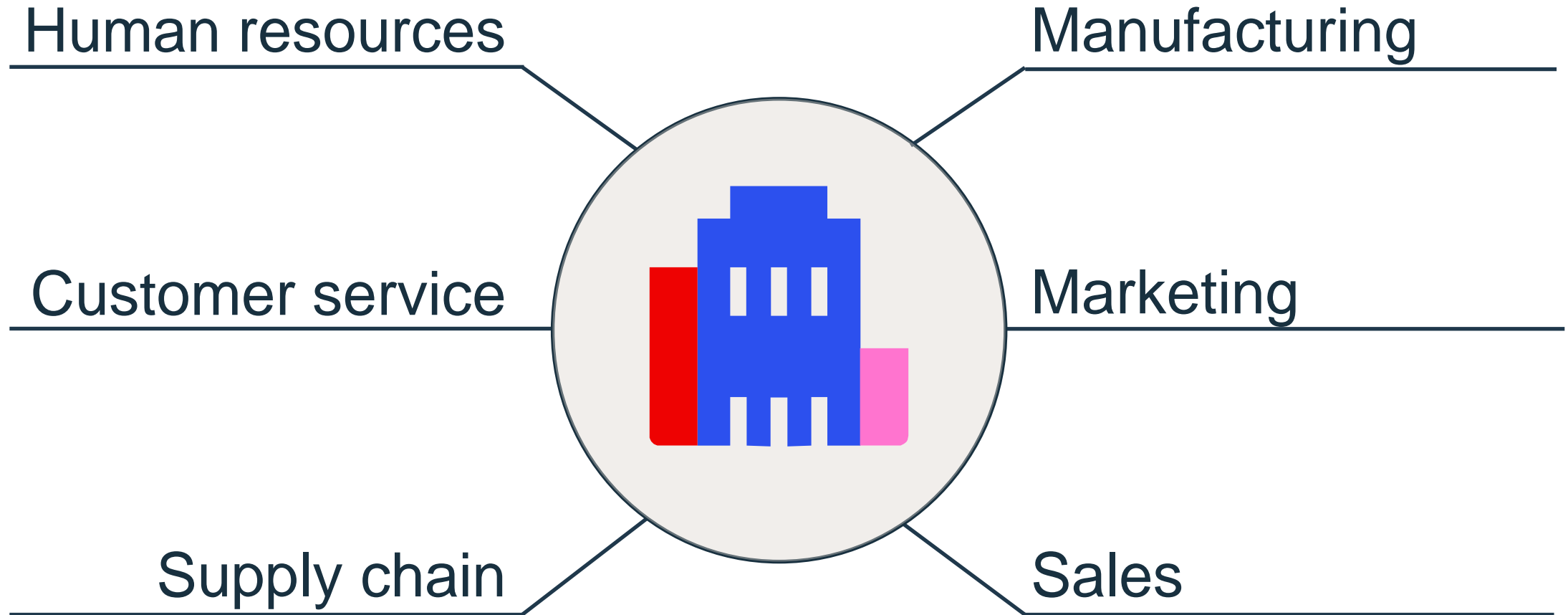


Concrete actions to improve your margins

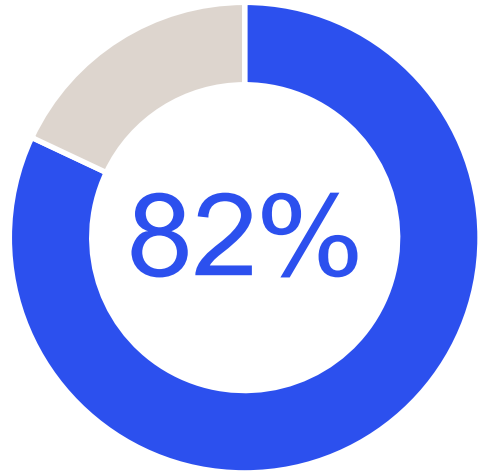


		Levers	Tactics
Profitability		Sales and marketing	<ul style="list-style-type: none">- Focus on high-margin products and services- Review branding- Dynamic pricing
		Operational improvement	<ul style="list-style-type: none">- Lean practices- Supply chain optimization
		Financial management	<ul style="list-style-type: none">- Review expenses- Improve financial processes
		People	<ul style="list-style-type: none">- Roles and responsibilities- Company culture
		Technology adoption	<ul style="list-style-type: none">- Automation and AI- Data analytics

What about AI?

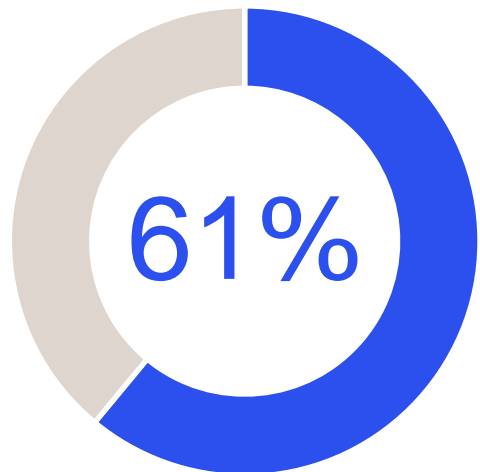


A focus on sustainability can give you an edge with clients



of major buyers in Canada require that their suppliers meet at least one ESG criterion.

Source: BDC, *ESG in Your Business: The Edge You Need to Land Large Contracts*, 2023.



of Canadians believe that companies should put more emphasis on the environment and sustainability.

Source: BDC, *Top Consumer Trends In Canada*, 2023.

What does this look like in real life?



Actions to take

Example

Focus on high-margin products

→ Gross margin analysis to check if products or services are profitable

Dynamic pricing

→ Price of a fish in a restaurant
→ Manufacturer hedging prices for commodity market

Review roles and responsibilities

→ Ensure all your employees know their responsibilities

Automation and AI

→ Update website with new clean vector content with the help of ChatGPT

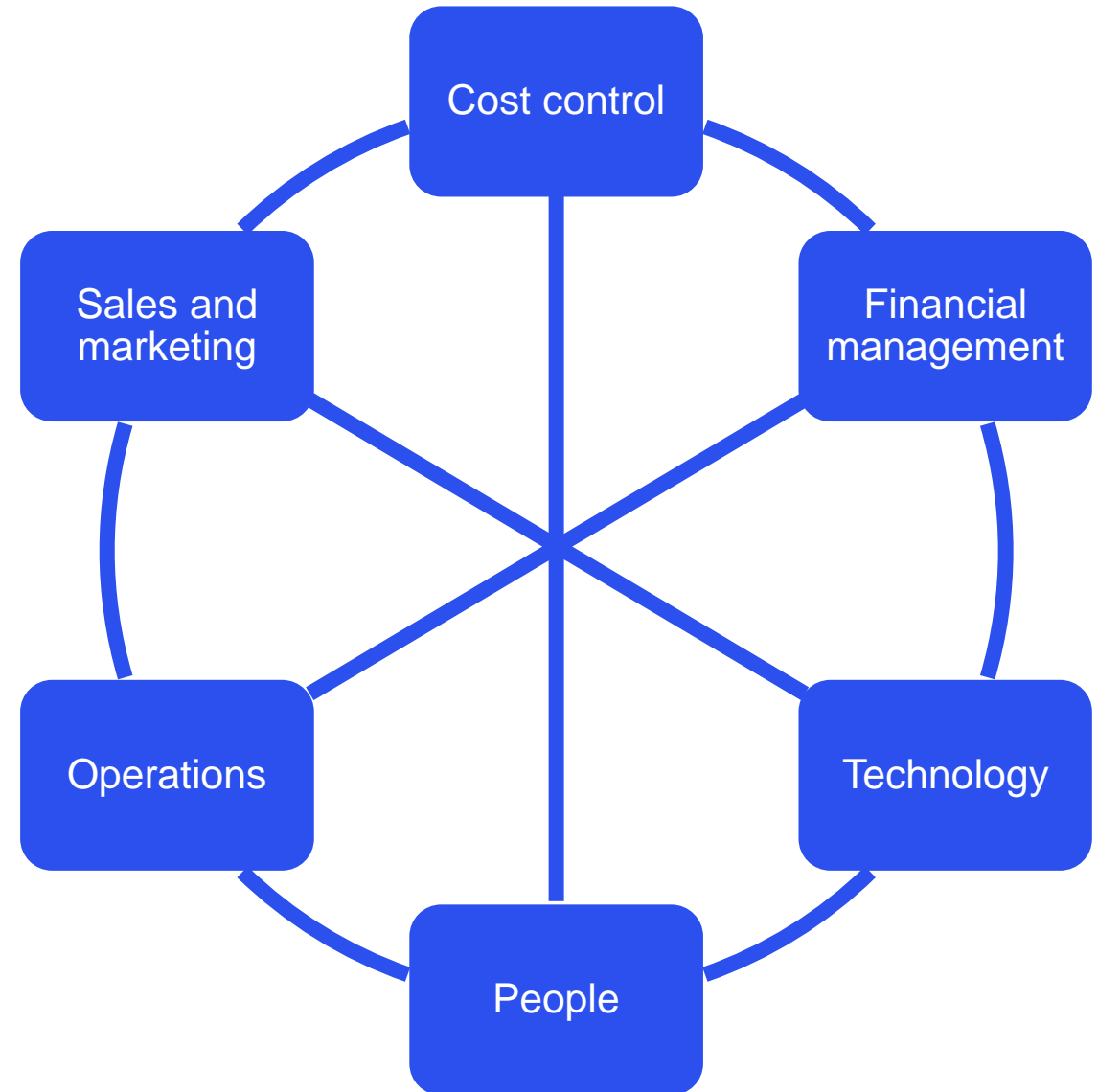


Small
improvements
can add up
to make a huge
difference





Your actions
are interrelated



Identify priority actions



Classify actions according to their effort-to-benefits ratio



Create your action plan



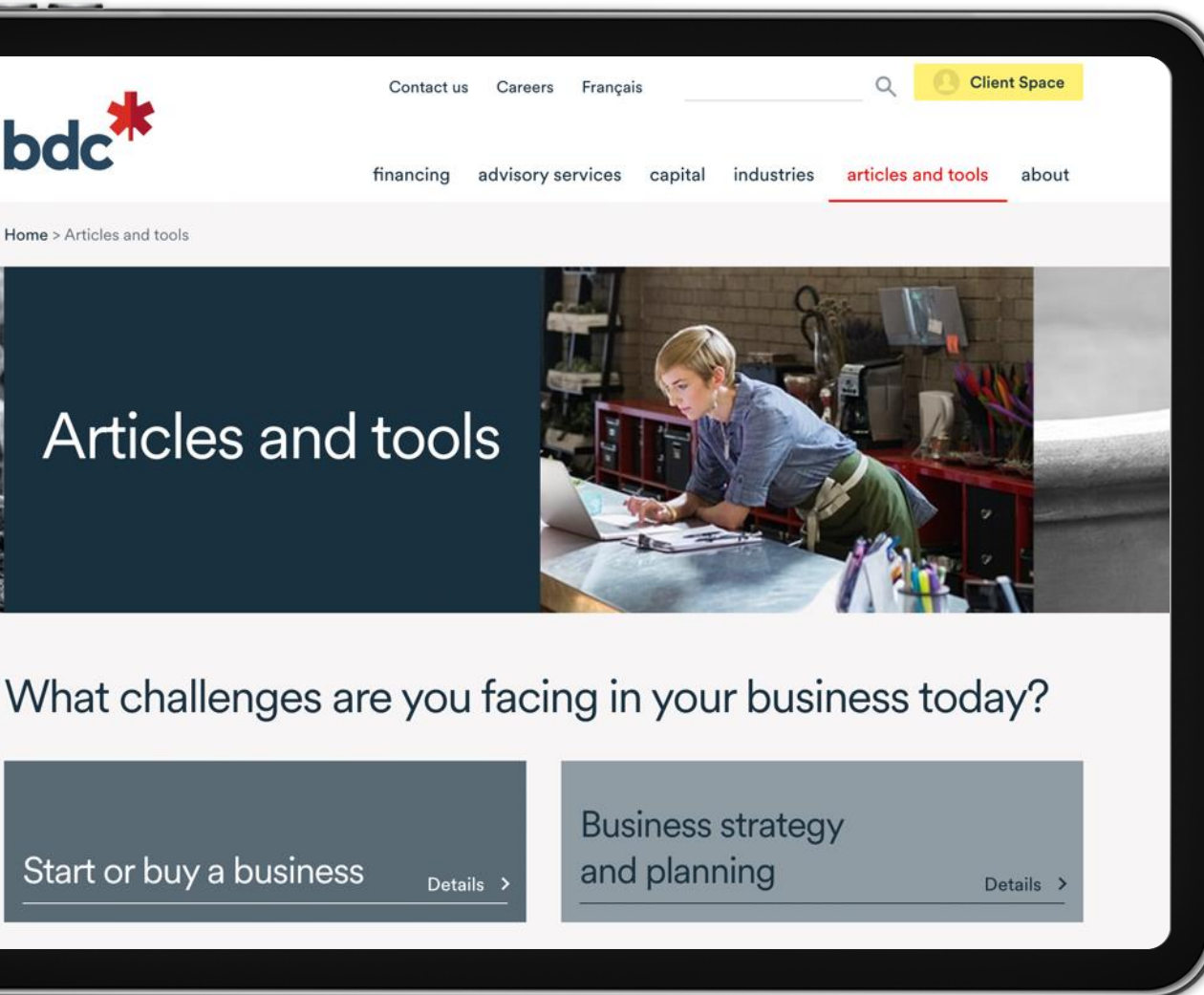
Action plan						Planning		In progress		Completed		Deadline					
Key priorities		Strategic Objectives		Lead	Timeline												
					1	2	3	4	5	6	7	8	9	10	11	12	
Priority 1 : Focus on high-margin products																	
	1.1	Review current offering and market demand	Grow top line		Marc												
	1.2	Website redesign based on new positioning			Marc												
	1.3	Social media and digital strategy			Marc												
	1.4	Translation of website content			Marc												
	1.5	...															
Priority 2 : Implement dynamic pricing																	
	2.1	Gather data analyze feasibility			Julie												
	2.2	Build dynamic pricing model			Julie												
	2.3	Prepare team for launch			Julie												
	2.4	Launch test project			Julie												
	2.5	Measure effectiveness			Julie												



A systematic approach to get the most from rate decreases

1. Document and communicate your plan
 2. Prioritize low effort, high benefit initiatives
 3. Surround yourself with expert help
-

Free tools and resources



➔ eBooks

➔ Template tools

➔ Entrepreneur's toolkit



BDC is here to help

→ Loans

- To invest in your projects.
-

→ Advisory Services

- To build a leaner, more profitable company.
-

Q&A session



Thank you



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