

Region Five Development Commission Food Coop Coalition

Basics of Business Planning

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Biography

- BS & MBA in Finance from the University of Minnesota
 - Corporate experience with BCBS & Aetna
 - Financial & General Business Consulting for the SBDC
 - Independent Financial Consulting
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- Wife/Mom/Fitness Instructor/Runner
 - Gardener/Traveler/Sports Enthusiast!
 - Grew up on a family farm
 - First job – cucumber patch!



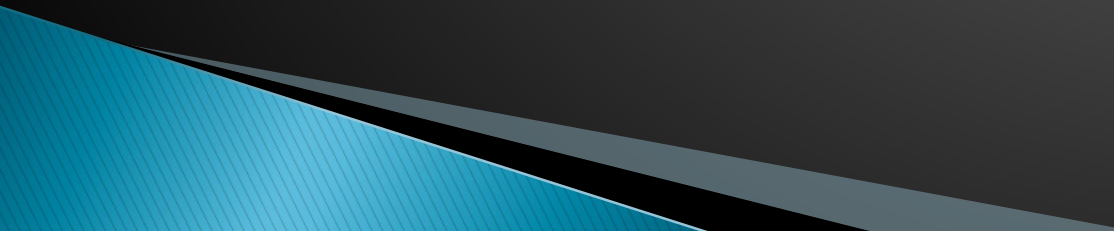
First Question...

Is this a **Hobby**?
or
a **Business**?

Hobby...

...defined as an activity or interest pursued for pleasure or relaxation and not as a main occupation.

Business is...

- ▶ ...the activity of making, buying, or selling goods or providing services in exchange for **money**.
 - ▶ **Goal is to make Money!**
 - ▶ **Financially Feasible**
- 

Is your business Financially Feasible? What is it?

Goal is to make money...will/do you?

It takes money to make money...do you have the amount you need?

It might make sense for your neighbor, but not for you. Why?

Need to answer this as a part of Business Planning!
How? Through financial projections.



Cash is King...
No Money...No Business



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Income Statement

Profit and Loss Statement or P & L

Tax Return

(over a period of time)

Sales (Revenue)

Less Cost of Goods Sold

Equals **Gross Profit**

Less Expenses

Equals **Net Income/Loss**



Sales:

Break down into profit centers
Into as much detail as is useful

Cost of Goods Sold (COGS):

Raw Material Cost
Direct Labor Costs
Use same categories as Sales

Gross Profit

Sales less COGS

Expense:

All the cost of business operations

Net Income/(Loss)

Gross Profit less Expense



Sales / Revenue

Example: Poultry Farmer & Apple Orchard

Profit Centers:

Live Chickens

Processed Chickens

Picked Apples

Pick your own Apples

Apples Cider

Are all your eggs in one basket?

Is all your Revenue coming from one source?



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Cost of Goods Sold (COGS)

Example: Poultry Farmer & Apple Orchard

COGS:

Live Chickens – Eggs/Chicks/Food/Medicine

Processed Chickens – Above plus Processing Costs/Packaging

Pick your own Apples – Seedlings/Care/"Pest Control"/Containers

Picked Apples – Above plus Harvesting Labor, Packaging

Apples Cider – Above plus Processing Cost/Packaging

Expense

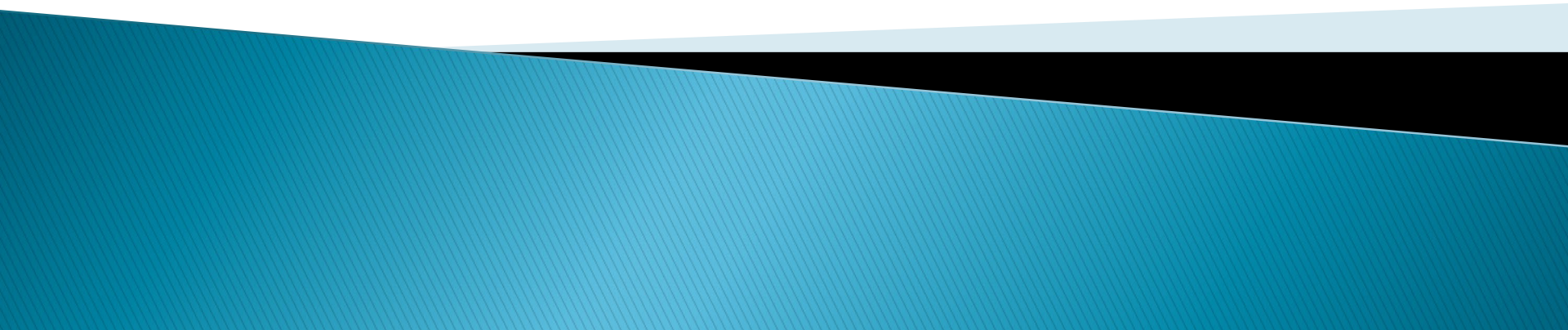
Example: Poultry Farmer & Apple Orchard

Expense:

Specific to Chickens:

Specific to Apples:

General:



It is better to
fail on paper,
then to fail
in the real world



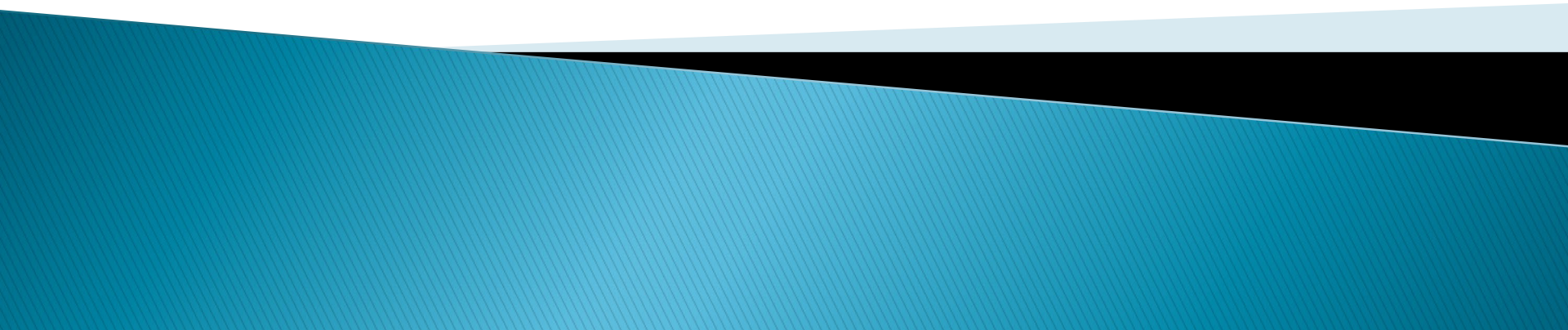
Planning can be difficult

(especially for farming)

Variables...weather & markets

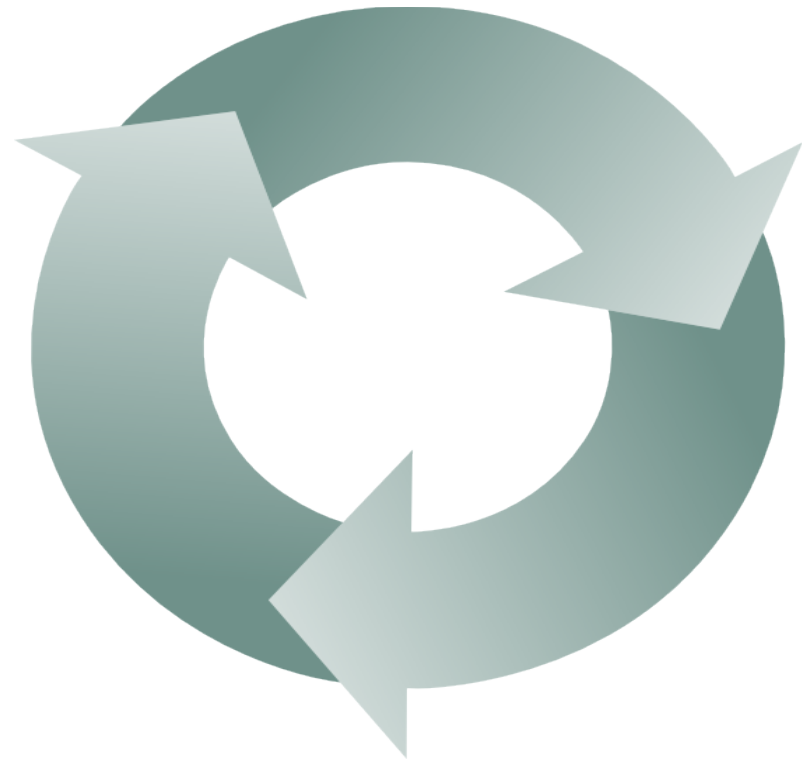
Seasonality...impact on pricing

Where to Start???

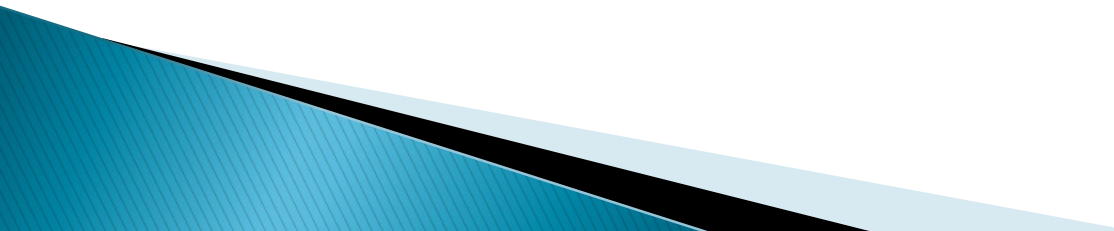


Financial Projection Process

- ▶ **Rough Draft** (with what you know)
- ▶ **Research** (get more/better info)
- ▶ **Fine Tune** (add new info)



Analysis should Answer...

- ▶ Do you have the “right” amount of money?
 - ▶ Is it Financially Feasible?
 - ▶ Is the timing “right”
- 

Business Plan

What...the story of your business

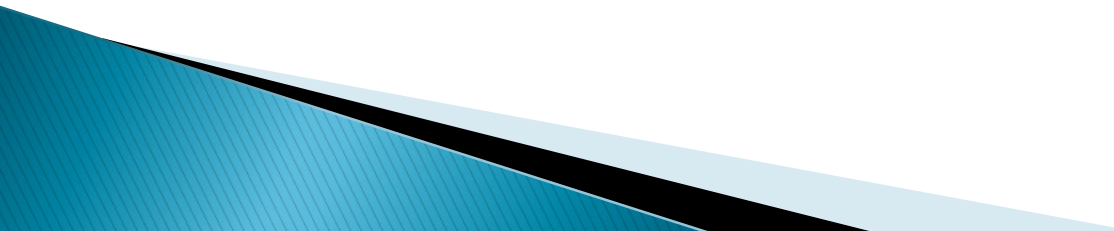
Why...lays out a plan and sets goals;
necessary for funding

How...written narratively, in a professional style
and appropriate length

This is what it may seem like!



Business Plan Outline

- ▶ Title Page
 - ▶ Executive Summary
 - ▶ Marketing Plan
 - ▶ Operations Plan
 - ▶ Organization & Management Plan
 - ▶ Financial Plan
 - ▶ Appendices
- 

Get Started...

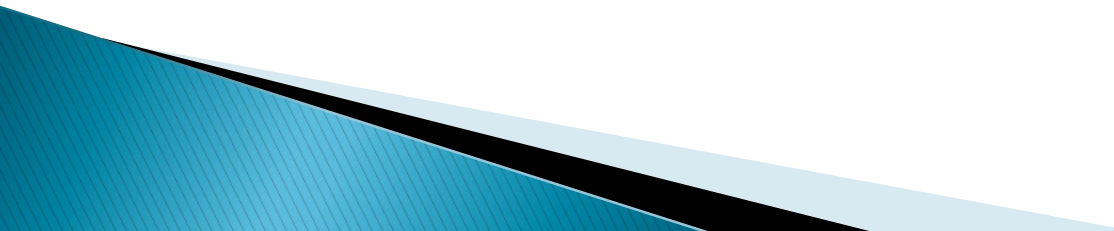


...but not like this!

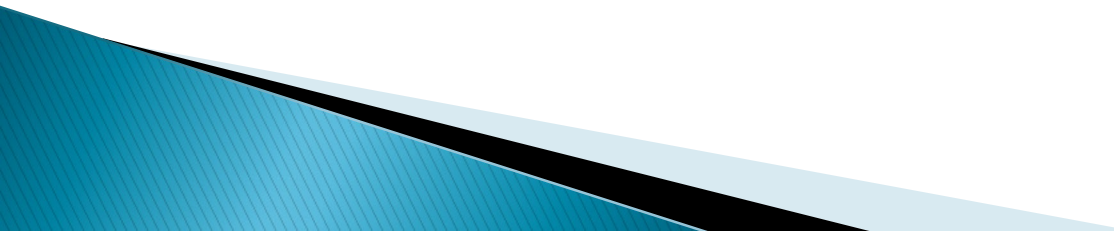


"Look what I found in the dumpster!
A perfectly good business plan!"

Title Page

- ▶ Pertinent Information
 - ▶ Name, address, etc.
 - ▶ Logo
- 
- A decorative graphic element in the bottom-left corner of the slide, consisting of overlapping blue and black geometric shapes.


Executive Summary

- ▶ Important! May be the only page read
 - ▶ Best to write last
 - ▶ Can include history and future plans & goals
- 

Keys to Marketing



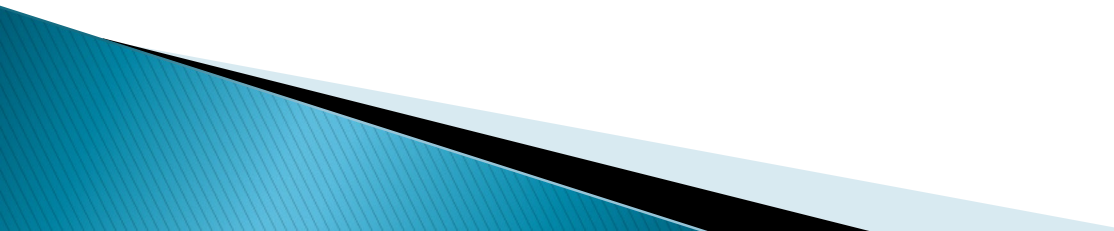
Marketing Plan

- ▶ Situation Analysis...defines product, competitors, etc.
 - ▶ Market Objectives...what you want to accomplish
 - ▶ Marketing Strategy...outlines how to achieve objectives
 - ▶ Marketing Tactics...budget & timeline
- 

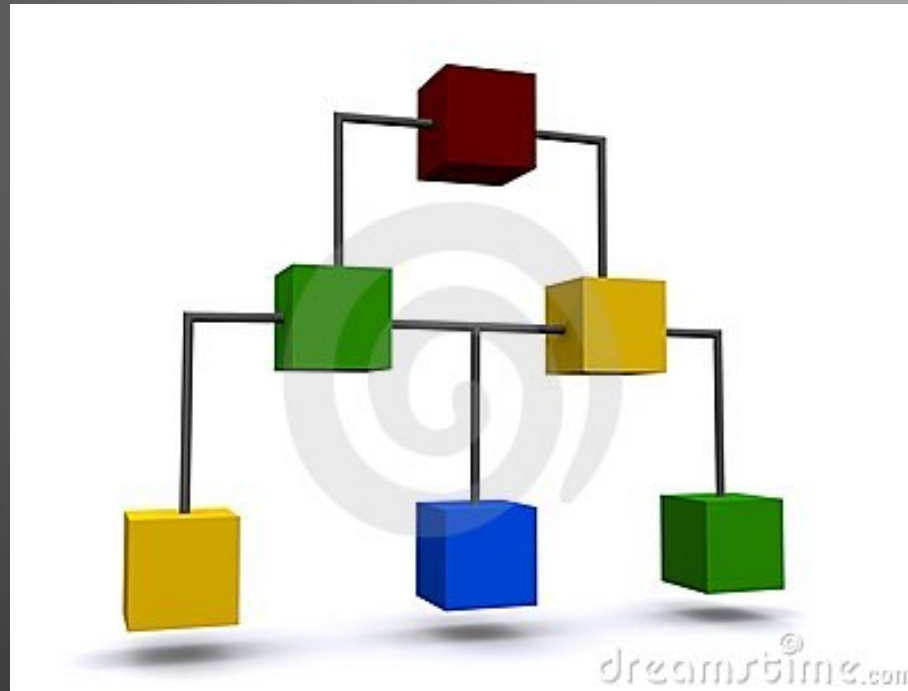
Operations...putting the pieces together



Operations Plan

- ▶ “What you do and How you do it”
 - ▶ Location/Facilities
 - ▶ Labor Force
 - ▶ Hours/Seasonality
 - ▶ Operations/Manufacturing Process
- 

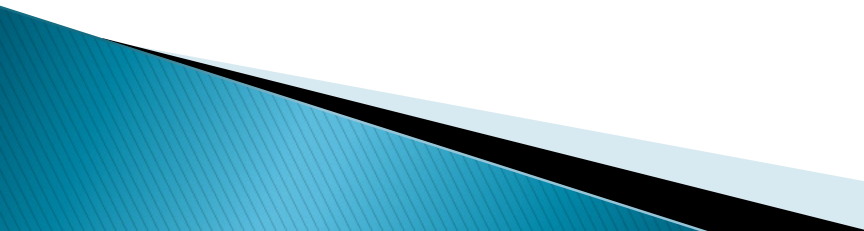
Structure ...a business needs it!



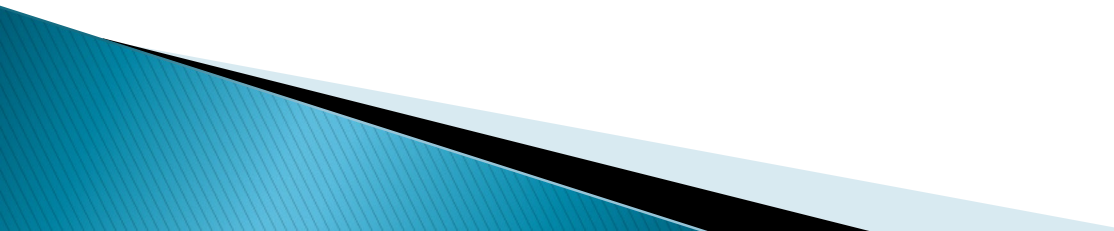
Organization & Management Plan

- ▶ Business Structure
 - ▶ Organizational Structure
 - ▶ Key Management Personnel
 - ▶ Professional Support
 - ▶ Laws & Regulations
- 


Financial Plan

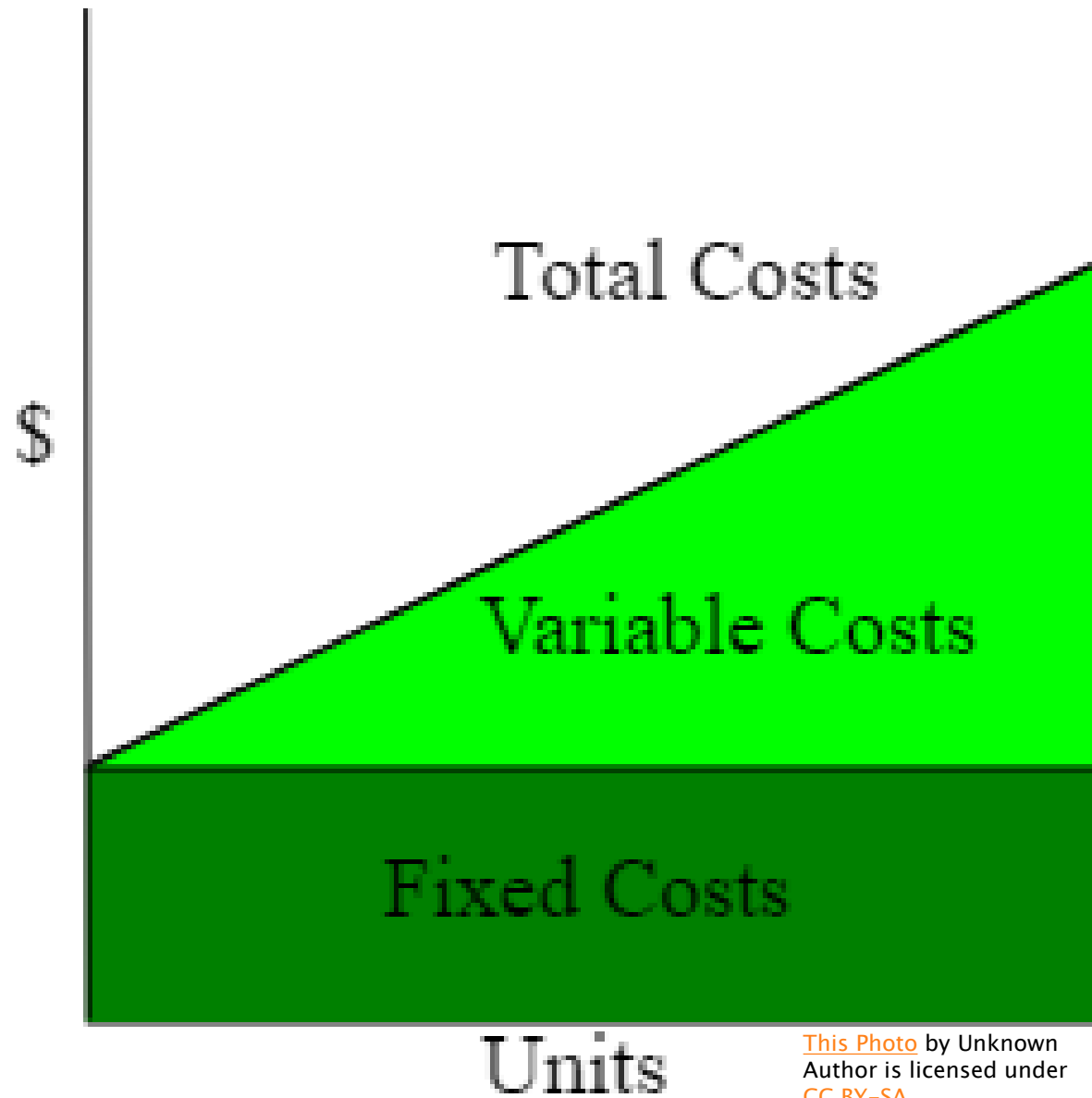
- ▶ Historical Financial Statements
 - Profit & Loss
 - Balance Sheet
 - ▶ Financial Projections
 - Two Years
 - Assumptions
- 

Appendices

- ▶ Floor Plan
 - ▶ Organization Chart
 - ▶ Pricing Sheet
 - ▶ Advertisements
 - ▶ Pictures
 - ▶ Financial Information
 - ▶ Other...
- 

Business Plan Summary

- ▶ Complete one!
 - ▶ Board review
 - ▶ Review periodically
 - Meeting goals?
 - Following the plan?
 - Need to adjust?
 - ▶ Update once a year or when required
- 

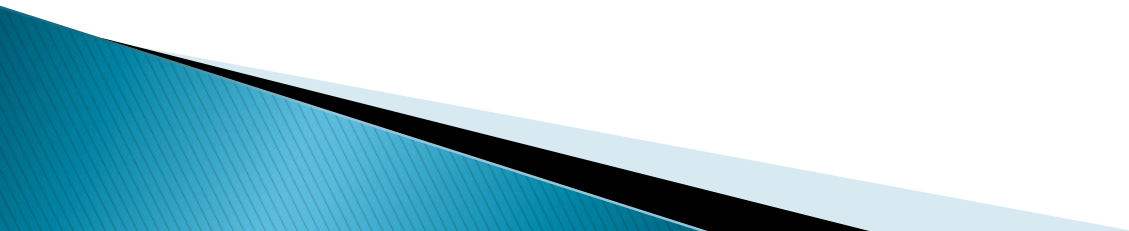


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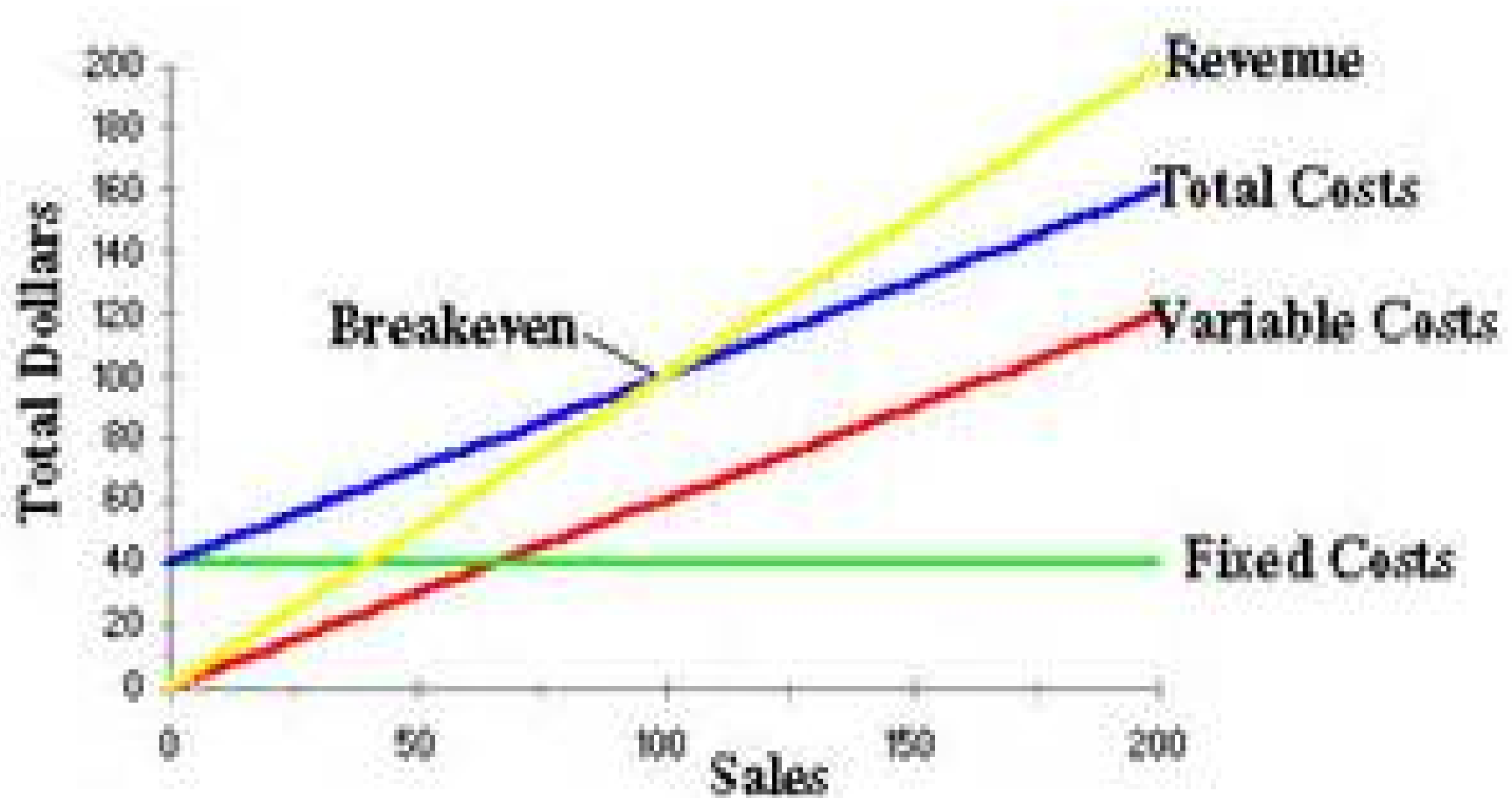
Breakeven Point

Point where revenue = costs = no profit or loss
Revenue needed to cover all costs

Profit made after this point!



Breakeven Point



Finally...

PUT YOUR

P L A N

INTO

A C T I O N