

AgPro: AgriBusiness Series

*Quick Business Plan*

Presented by: Steven Chiang, Director, UH’s Agribusiness Incubator Program.

schiang@hawaii.edu, 808-956-3530, <http://aip.hawaii.edu>

## Overview

Many people are familiar with the term “business plan,” and if starting a new business, think they need one. But what exactly *is* a business plan, and *why* might you need one?

A Business Plan is a document that describes the vision of a business and how it will achieve it. It has specific sections that describe various aspects of a business, like the relevant qualifications of key people, how much money is needed to get started, and how the business expects to sell its products or services. Much of the business plan focuses on two areas: financial and marketing.

People usually want a business plan for either external reasons (someone outside the company wants to see one before they invest, loan you money, or give you a grant), or internal reasons (to validate your business idea and assumptions, tell you what to expect as far as resources needed and profit potential, and/or flesh out a plan of action).

Simply *doing* a business plan will help your business, even if you throw it away when you’re done! Completing the document forces you to think through various areas more completely than you might otherwise and do research to validate your assumptions.

Let’s do this section by section…

## Executive Summary

Don’t write this section until you’re done with everything else. It’s especially important if your intent is to give the business plan to someone who might give you money. Basically recap your business model, highlights of your sales projections, what you are asking for (if seeking financing/investment), what the return to the investor is projected to be, and any key milestones (e.g., opening retail store, selling to first restaurant, reaching positive cash flow, etc.).

## Company

The basic legal and descriptive details about your company. If your company doesn’t yet exist, now’s the time to plan/make assumptions.

Practice: List the name(s), addresses, legal form, and ownership of your company. Add any history. Example (brief): *Acme, LLC. is a limited liability corporation, doing business as Dude’s Farm, and 100% owned by Dude Deudinksi. Mailing address and company office at 123 Aloha Lane, Waimanalo, Hawai'i. The farm is at 321 Paradise Avenue, Waimanalo, Hawai'i. Telephone: (808) 555-1234. E-mail: dude@dudesfarm.com. Website: www.dudesfarm.com. Founded in January 2011, Acme acquired a lease on the farm site in June, 2011, and sold its first products in March, 2012.*

### Management

This section often appears toward the end of most business plans. Not only does it fit under the Company topic in this plan, but figuring this out is super important! There’s a reason many venture capitalists look at the Management section first, and say they invest in people, not companies. You’re going to describe the key players in your company. They don’t have to have the title of Manager. What are their roles and what are their qualifications? The vast majority of entrepreneurs (if you’re a commercial farmer you’re an entrepreneur) aren’t sufficiently skilled in all areas to support the businesses’ success. Also consider aptitude and attitude--not everyone is comfortable selling/dealing with people or working with numbers. You’ll want to identify areas where, instead of you doing it, you should consider hiring the right person for the job.

Every leader (meaning you if you’re running your own business) needs an Advisory Team. This might be too formal a term, but you need a few people who can provide guidance to your business. The people on this team have to be willing to have this role.

Practice: List the key people who will be responsible for the roles listed. If you don’t have anyone identified, describe someone who would be a good fit. The roles are not limited to the ones listed. You could be the person performing multiple roles, which is okay, but list your qualifications relative to the role. In the Advisory Team section, identify people (or types of people) that you might turn to for direction, advice, and critique, and add a note about why they would be a valuable advisor.

Example (brief): ***Sales*** *– Joe Aloha. 3 years of experience selling fresh food products to the food service industry, 5 years experience in pure commission used-car sales. Noted for his integrity and responsiveness.*

**Management Team**

Overall business leadership:

Sales/marketing:

Production:

Financial management:

Advisory Team:

### Business Model

What is your business model? In other words, how will your business make money? In more words: What product or service does/will your company provide, how, to whom, and why do you get paid for that?

Practice: Describe your business model. Example: *Acme provides O'ahu restaurants (who) with fresh lettuce and other short-term crops (what) that they buy because the products are fresh, local, organic, and reliable in supply and quality (why). We ensure this by growing many small plots, using organic methods and materials, using hoops, and delivering four times a week (how).*

## Operations

In this section, you’ll describe the operational parts of your business—the parts that produce the products, execute the services, keep the books, etc. The point of this section is to show you have the parts in place to achieve your goals—for a business-to-be, it forces you to think through the parts you’ll need.

Practice: Describe the operational components of your business, how they impact its ability to perform, and any related risks and opportunities. Example (brief): *Location/Facilities – 5 acre farm at 321 Paradise Avenue, Waimanalo, Hawai'i. Irrigated using drip system that currently reaches 2 acres with ability to cover all 5. 100 sq ft of secure and weather-protected storage of field supplies and small tools. Field bathroom and hand wash station for food safety. Wash/pack shed is planned and will help with food safety, efficiency of post-harvest labor, and shelf life (due to cooling tank that will be part of the washing process).*

Location/Facilities:

Production/Quality control:

Supply/Distribution:

Order fulfillment/Customer service:

Equipment/Technology:

Financial control:

Other:

## Production Schedule

By crop and/or field, list the activities you need to perform in the appropriate week. Take into account growth cycles, seasonality, harvest periods, and fallow periods. *See table.*

## Yield Projections

We’re assuming you’ve already planned what you’re going to grow, how much, and on what schedule. Once you know that, *and* what your yields are expected to be (remember, they can vary over the seasons), you should map this into a yield schedule as we’ll be creating below. Knowing your production plan and yield schedule helps you estimate the amount and timing of expenses and potential sales, and also impacts your marketing efforts and timing.

Practice: By crop, list the expected amount you expect to harvest per week *in selling units if possible—meaning that if you sell by pounds, list in pounds*. We’ve shown a sample production schedule too (yours may differ in format) so you can see how they relate. Example: *See table*.

## Labor Projections

Based on the activities and their timing of your production schedule, you should be able to estimate the amount of labor needed each week. Your production schedule may be more useful if done by week instead of by month. The labor projections help you determine what labor is needed, when, how much, and ultimately, the associated cost. Note that you cannot always hire exactly the amount of hours you need, so by seeing the amount of hours per role, you can see where that person is underutilized and therefore have the potential to schedule other activities to use their time.

Practice: By role/person, list the expected amount of hours you expect to expend per week. We’ve shown a sample production schedule too (yours may differ in format) so you can see how they relate. Example: *See table*.

|  |
| --- |
| **Production Activity Schedule** |
| **CROP** | **Week 1** | **Week 2** | **Week 3** | **Week 4** | **Week 5** | **Week 6** | **Week 7** | **Week 8** | **Week 9** | **Week 10** | **Week 11** | **Week 12** |
| Beets (field 1) |  | Clear cover crop, prep land | Plant |  |  | Harvest | Plant |  |  | Harvest | Plant cover crop |  |
| Kale | Plant |  |  |  | Harvest | Plant |  |  |  | Harvest | Plant |  |
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| **Yield Schedule** |
| **CROP** | **Week 1** | **Week 2** | **Week 3** | **Week 4** | **Week 5** | **Week 6** | **Week 7** | **Week 8** | **Week 9** | **Week 10** | **Week 11** | **Week 12** |
| Beets (field 1) |  |  |  |  |  | 500 lbs |  |  |  | 600 lbs |  |  |
| Kale |  |  |  |  | 100 bunches |  |  |  |  | 120 bunches |  |  |
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| **Labor Schedule** |
| **ROLE & RATE** | **Week 1** | **Week 2** | **Week 3** | **Week 4** | **Week 5** | **Week 6** | **Week 7** | **Week 8** | **Week 9** | **Week 10** | **Week 11** | **Week 12** |
| Manager, $20 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Sales/delivery, $12 |  |  |  | 20 | 100 | 80 |  |  | 20 | 160 |  |  |
| Field labor, $10 | 80 | 80 | 80 | 40 | 80 | 160 | 80 | 40 | 40 | 160 | 160 | 40 |
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## Startup Costs

Startup Costs refers to the money you will need prior to operating. These are usually one-time costs, or in the case of recurring items like insurance or fertilizer, the initial payment or supply. When you figure out your cashflow in a later section, you will often have months in the beginning where your cashflow is negative—meaning that you’re spending more than you’re earning. You will need some cash in the bank to get you through those times until your operations can earn enough to pay for itself and build up a reserve for future negative months. This is an important section as it shows you how much you’ll need to borrow/finance.

Practice: List all the things you’ll need to buy prior to starting operations. The categories are up to you and can be much more detailed than the example (overwrite the examples). Once you’ve completed the Cash Flow section later in this document, **come back and add in the Operating Cash** amount. Finally, list the sources and amount of funds you expect to cover your Startup Cost needs. Example: *See table*.

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount** | **Notes** |
| **EXPENSES** |  |  |
| Facilities | 1600 | Two sheds, irrigation ($16 x 100 ft) |
| Land | 1000 | Deposit and 2 mos rent |
| Equipment | 1100 | Used tiller, laptop |
| Supplies | 350 | Seed, amendments, hand tools |
| Beginning inventory | 100 | Fertilizer, weed mat |
| Vehicles | 7000 | My truck |
| Repairs | 400 | Fencing, existing shed |
| Utility deposits | 100 | Water |
| Prepaid insurance | 500 | 6 months GL |
| Pre marketing | 75 | Biz cards, color brochures |
| Licenses/fees | 45 | Biz registration,  |
| Services | 750 | Atty (llc), website/domain (12 mos), online acct (12 mos) |
| Salaries/wages | 0 |  |
| Operating cash | 5000 | Cover negative cashflow yr 1 |
| Other |  |  |
|  **TOTAL** | 13,020 |  |
| **SOURCES** |  |  |
| Self cash | 3520 | In bank |
| Self other | 7000 | My truck |
| Loan bank, personal | 5000 | Personal line of credit, 6% |
|  **TOTAL** | 13,020 |  |

## Operating Costs

In this section you’ll list the expenses you’ll incur on an ongoing basis. We’ll schedule this out when we do the cashflow, so just list what the expenses are, how much they will be per unit, and enough notes so you can figure out the timing and actual cost later. Direct Costs are those that are related to producing whatever you’re selling—these go up and down somewhat linearly with production and sales. Indirect Costs are expenses that apply to the entire business and, while necessary, are not directly related to production or sales.

Practice: List the recurring expenses in their respective categories, along with notes so you can figure out how much the expense will be when factoring in time, acreage, yield, etc. Use your own categories by overwriting the examples. Example: *See table.*

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount** | **Notes** |
| **DIRECT** |  |  |
| Fertilizer | $100 | Per bag. Good for 1 applications, 1 acre |
| Water |  |  |
| Seed |  |  |
| Weed mat |  |  |
| Amendments |  |  |
| Boxes |  |  |
| Field labor | $10 | Per hour, including WC tax and UI and other employment taxes |
| Sales/delivery labor |  |  |
| Other |  |  |
| **INDIRECT** |  |  |
| Fuel | $300 | Estimated monthly need for truck and rototiller @ $4.20/gal |
| Electricity |  |  |
| Insurance | $1500 | GL, medical for 3 employees |
| Cell phone |  |  |
| Internet |  |  |
| Auto repair/maint |  |  |
| Equip repair/maint |  |  |
| Office supplies |  |  |
| Lease rent |  |  |
| Marketing |  |  |
| Services |  |  |
| Licenses |  |  |
| Manager labor |  |  |
| Other |  |  |

## Cash Flow Projections

This is life and death for a business. Most business fail because they “go out of cash,” not go out of business. If you don’t have a good handle on your projected cash flow (and operate accordingly), running a business will be much harder and stressful, and you will be forced to make poor decisions simply to have enough cash *now* at the expense of profitability later.

Cash Flow refers to how cash comes into and out of your business over time. By projecting this flow into the future, you can predict cash shortfalls and financing needs, and plan the timing and method of expenditures and investments. Most new business owners fail to anticipate entire categories of expenses, so modify your cash flow by adding expense categories and update amounts to be more realistic as you gain experience with the actual expenses incurred.

Practice: **Beginning Cash** – Enter the cash you have at the beginning of the month.

**Cash In -** Using your Yield Projections as a guide, estimate the amount and timing of cash from sales using the formula: Yield x Percentage Sold x Price. “Percentage Sold” allows you to modify yield to allow for inability to sell everything and/or unsalable quality crops. Example: *100 pounds x 90% sold x $3.00 per pound =$270*.

You may want to create a separate line per crop and even per source (e.g., farmers’ market and wholesale). Also estimate any other sources of revenue. Note that you should record the cash in the month when you expect to *receive* it, not when you earn it. Sales on credit typically mean you get the cash in the month following the sale, for example. Subtotal all Cash In per week.

**Cash Out** - Using your Operating Costs, Labor Projections, and your Production Schedule as a guide, estimate the amount and timing of cash expenditures. To calculate labor, multiply the estimated hours (Labor Projections) by the hourly rate. To calculate something like fertilizer, you’ll have to determine how much you’re applying and when (see Production Schedule), and determine when you will run out of fertilizer (Notes from Operating Costs), and determine when you will need to buy more and how much.

Keep Direct and Indirect expenses grouped together and subtotal each group per week.

**Other** – Add any loan payments (Startup Costs), tax payments (GET, income tax), owner withdrawals, and “capital” purchases (purchases of large items not generally considered part of operating expenses). These types of cash outflows were not included on the Operating Costs worksheet as they are not an operating expense. Subtotal by week.

* Cash In – Cash Out – Other = Net Cash Flow
* Beginning Cash + Net Cash Flow = Ending Cash. Copy this number to Beginning Cash of the following week.

**Notes** – Use letters as an index for notes following the cash flow. Notes tell the reader (and remind you) how you arrived at the figures in that row. Almost every row should have a note!

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Weeks 1-12** | **Wk 1** | **Wk 2** | **Wk 3** | **Wk 4** | **Wk 5** | **Wk 6** | **Wk 7** | **Wk 8** | **Wk 9** | **Wk 10** | **Wk 11** | **Wk 12** | **Total** | **Note** |
| Beginning cash | 8520 | 7615 | 6610 | 5705 | 5138 | 4533 | 2728 | 3323 | 2675 | 2270 | 1025 | 920 |  |  |
| CASH IN |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Beet sales (wholesale) |  |  |  |  |  |  | 1500 |  |  |  | 1800 |  | 3300 |  |
| Kale sales (retail) |  |  |  |  | 300 |  |  |  |  | 360 |  |  | 600 | A |
| Other | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | 14,400 |  |
| Subtotal | 1200 | 1200 | 1200 | 1200 | 1500 | 1200 | 2700 | 1200 | 1200 | 1560 | 3000 | 1200 | 18,360 |  |
| CASH OUT |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Direct |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fertilizer (2 acres) |  | 100 |  |  | 100 | 100 |  |  |  |  | 200 |  | 500 |  |
| Water | 100 | 50 | 150 | 100 | 100 | 150 | 150 | 100 | 100 | 100 | 100 | 200 | 1400 |  |
| Seed | 50 |  | 50 |  |  | 50 | 50 |  |  |  |  | 100 | 300 |  |
| Weed mat | 50 | 50 |  |  |  |  |  |  |  |  | 100 |  | 200 | B |
| Amendments |  | 100 |  |  |  |  |  |  |  |  |  |  | 100 |  |
| Boxes |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Field labor | 800 | 800 | 800 | 400 | 800 | 1600 | 800 | 400 | 400 | 1600 | 1600 | 400 | 10,400 |  |
| Sales/delivery labor |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Subtotal | 1000 | 1100 | 1000 | 500 | 1000 | 1900 | 1000 | 500 | 500 | 1700 | 2000 | 700 | 12,900 |  |
| Indirect |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fuel |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Electricity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Insurance |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cell phone |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Internet |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Auto repair/maint |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Equip repair/maint |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Office supplies |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lease rent |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketing |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Services |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Licenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Manager labor | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 4800 |  |
| Other |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Subtotal | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 4800 |  |
| OTHER |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loan payment | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 1260 |  |
| GET |  |  |  | 162 |  |  |  | 243 |  |  |  | 259.2 | 664.2 | C |
| Income Tax |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Capital purchases |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Owner withdrawal | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 7200 |  |
| Subtotal | 705 | 705 | 705 | 867 | 705 | 705 | 705 | 948 | 705 | 705 | 705 | 964.2 | 9124.2 |  |
| Net Cash Flow | -905 | -1005 | -905 | -567 | -605 | -1805 | 595 | -648 | -405 | -1245 | -105 | -864.2 | -8164.2 |  |
| Ending Cash | 7615 | 6610 | 5705 | 5138 | 4533 | 2728 | 3323 | 2675 | 2270 | 1025 | 920 | 55.8 |  |  |

Notes: A) Experimental plot 100 sqft

B) Replace every other harvest

C) Monthly payment schedule

## Cost of Production

While not a part of most business plans, calculating your Cost of Production is critical for any agribusiness and so is included here. Your Cost of Production (COP) reflects the dollar amount associated with producing a specific crop *for sale*. It is usually expressed in the selling unit quantity (e.g. $1.34 per pound if you sell by the pound).

Your COP includes both the direct costs associated with producing the product (seed, fertilizer, water, field labor, machinery time, etc.), as well as an allocation of the indirect costs (office, advertising, insurance expenses, etc.). It also includes the cost of capital expenses which you aren’t currently making payments on but need to consider in the cost of production.

Understanding your COP helps you:

* + Determine optimum product pricing
	+ Determine breakeven sales volume
	+ Forecast the impact of changing costs and/or pricing
	+ Determine individual product profitability for product mix selection
	+ Prioritize cost cutting efforts

Practice: Determine the Direct Costs *per year* for each crop and total them in $A and $B respectively. Use the Indirect Cost subtotal from your Cash Flow for $C. Determine the annual “cost” for capital investments and total them for $D. The costs related to capital investments can simply be considered the purchase price divided by the number of useful years. So if a truck was purchased in cash for $7,000, and the useful life is seven years, you would put $1000 as the annual “cost.”

Allocating Costs: With multiple crops, allocate a percentage of Indirect Costs to each crop. The allocation percentages in %E and %F will total 100% and usually represent relative acreage for the crops. For example, if Crop takes up three acres and Crop 2 takes up one acre, then Crop 1 would be allocated 75% of the indirect costs and Crop 2 would be allocated 25%.

Add the Direct Cost and the allocated other costs and divide that by the number of units you expect to sell (not just grow) for a crop, and that is your COP for one selling unit for that crop.

Sales Price per unit is the *average* sales price for one unit of that crop. So if 70% of the bunches of watercress are sold wholesale at $1/bunch, and 30% is sold at the farmers’ market at $2/bunch, then the average sales price is $1.30/bunch ($1 x 70% + $2 x 30%).

Determine your Contribution Margin by subtracting Direct Cost Per Unit from the Average Sales Price.

Determine Breakeven Volume by dividing the number of units sold by the Contribution Margin. This is the number you need to grow to pay for non-direct costs.

|  |  |  |  |
| --- | --- | --- | --- |
| Direct Costs per Year |  | Crop 1 | Crop 2 |
|  | Labor (plant, spray, irrigate, harvest, pack, etc.) |   |   |
|  | Materials (fertilizer, water, seeds, pesticide) |   |   |
|  |   |   |   |
|  |   |   |   |
|  |   |   |   |
|  |   |   |   |
|  |   |   |   |
|  |   |   |   |
|  |   |   |   |
|  |  | Total | **$A** | **$B** |
| Indirect Costs per Year |  |  |  |
|  | Machinery and equipment |   |  |  |
|  | Utilities |   |  |  |
|  | Insurance |   |  |  |
|  | Rent |   |  |  |
|  | Administrative labor |   |  |  |
|  | Other Business Expenses |   |  |  |
|  |   |   |  |  |
|  |   |   |  |  |
|  |   |   |  |  |
|  |   |   |  |  |
|  | Total | **$C** |  |  |
| Capital Investment "Costs" per Year |  |  |  |
|  | Tractor |   |  |  |
|  | Vehicle  |   |  |  |
|  |   |   |  |  |
|  |   |   |  |  |
|  | Total | **$D** |  |  |
|  | Total Non-Direct ($C+$D) | **$N** |  |  |
|  |  |  |  |
|  | Allocation percentage by share of acreage (totals 100%)  | **%E** | **%F** |
|  Total Allocation of Non-Direct ( $N x %E or %F ) | **$G** | **$H** |
|  Total Crop Cost per Year (Direct Cost + Total Allocation) (e.g., $A+$G) | **$I** | **$J** |
|  Crop Sales per Year (in selling units, e.g., pounds, bunches, cases) | **K** | **L** |
|  Cost of Production (Total Crop Cost / Crop Yield) ($I/K or $J/L) | **$P** | **$Q** |
|  Sales Price per unit (average selling price) | **$R** | **$S** |
|  Direct Cost Per Unit ($A/K or $B/L) | **$T** | **$U** |
|  Contribution Margin ($R-$T or $S-$U) | **$V** | **$W** |
|  Breakeven Volume (K/$V or L/$W) | **X** | **Y** |

**Marketing Self-Assessment**

SALES

What do you do to reach new customers?

What do you do to keep existing customers?

What do you do to influence buying?

Do you currently have a marketing plan?

Do you have a brand name, logo, etc.? What is it and where does it appear?

MARKETING

What do you do currently to promote of your brand/product/service?

What makes you and/or your product/service different from the competition?

Describe the various customer types you have:

MARKET

Describe the type of business/consumer that would want what you offer:

Who is your biggest competitor and what do they do better and worse than you?

IDEAS

What ideas have you had to increase sales?

## Marketing

Marketing can generally be thought of as the efforts your company undertakes to encourage potential customers to buy your products or services. Marketing/Sales should be a *function* of your business, instead of something you think about once in a while. Furthermore, if you want your marketing efforts to be successful, they should be based on a *plan*, which is in turn based on real information (versus intuition). Marketing is one of the main elements of a business plan, and in practice, is what separates the successful farms from the ones just getting by.

Your marketing decisions stem from knowing two things: Your Positioning and Target Market. Know also that the environmental factors (see *Environment* section above) should influence your marketing decisions. Your current objective (market share, profit, etc.) will also matter.

### Target Market

Knowing who your current and desired customers are is key to marketing to them in the most effective and efficient manner. Repeat the exercise below for each target market you intend to serve.

Practice:

1. Give your target market a descriptive label (e.g., *Rich Hipsters*)
2. List their customer type (Consumer, Industrial, Reseller, Government, International).
3. List the characteristics that differentiate this target market from the overall population (for Consumer / Business types). **Demographics** - Geography, Age / Business stage, Sex / SIC or NAICS code, Household income / Annual revenue, Ethnicity, Education, Occupation / Industry, Family size / Number of employees, Marital Status (this can often be found using secondary research sources, see *Research*). **Psychographic** - Lifestyle, Personal behavior, Self-concept, Buying style, What do they value in comparable products/services? (This may take primary research such as surveys or interviews). Example*: Female homeowners age 30-55 with children, living on the North Shore of O’ahu, with household incomes of > $50k, who place a premium on freshness and health aspects of food they purchase and are willing to sacrifice convenience and price for what they value.*
4. Determine the market opportunity for this target market. **Market size -** the number of potential customers in the target market in the geographic area you intend to serve. See *Research* section to calculate the population of the target market as closely as you can. **Pricing –** What is the average price paid by this target for similar products/services? **Volume** - How much (volume) does the target purchase in a year? You might be able to estimate this by: Annual volume per target individual = total market sales / population of market.
5. Calculate the Market Potential: Market size x Average price x Annual consumption = Market Potential (for this target market).

Target Market Label:

Demographics:

Psychographics:

Market Opportunity:

Market Potential:

### Branding Elements

Knowing your desired Positioning and your Target Market(s), describe any existing branding and any necessary realignment needed, including any name changes.

|  |  |  |
| --- | --- | --- |
| **Brand Element** | **Current** | **Realigned** |
| Brand name:  |  |  |
| Tagline: |  |  |
| Logo: |  |  |
| Color scheme:  |  |  |
| Font: |  |  |
| Spokesperson/character/voice:  |  |  |
| Packaging/labeling: |  |  |
| Other: |  |  |

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### Tactics

Your marketing tactics are how you will implement your marketing effort. For each target market, brainstorm tactics that can achieve your marketing objectives (such as more unit sales) in the context of your positioning. Whittle down the tactics to those that you intend to execute (including pay for) over the next year. FYI, other strategies for increasing sales (while not marketing, per se) could include partnerships, licensing, and use of agents.

Practice: Brainstorm each of the four “P’s” of marketing and then underline the ones you intend to execute this year. Examples: *See below.*

**Product** – physical changes in product, packaging, labeling, quality, service/warranty, etc. Examples*: Label each pumpkin. Offer only first quality products for sale.*

**Pricing** – changes in pricing, including promotional and volume pricing. Examples*: Price premium over standard round pumpkins.* Note: Example methods of determining pricing (these are not pricing tactics):

**Place** (Distribution) – changes in how and where your product will be sold, transported, etc. Examples*: Sold on farm (in field via u-pick, farm shed for visitors who don’t pick). At roadside stand. At supermarkets via distributor for Oahu (where we don’t distribute directly) and neighbor islands that is willing to handle POP material and merchandizing. At Price Busters during holidays. To Foodland Oahu direct.* Things to consider when selecting Place:

**Promotion** – advertising, trade shows, other forms of marketing communication. Examples: *Holiday advertising on radio and newspaper. Road signage near farm. In store signage where sold and at Price Busters. Participation in Farmers’ Markets. Website with regularly updated blog. Email newsletter. On-farm events during holidays. School field trip hosting. News releases whenever have on-farm events. In store POP displays.* Some categories of promotions:

### Personal Selling

Personal Sales is not, strictly speaking, marketing. However, it is generally grouped together with marketing and is a very important method to sell to restaurants and retailers. Personal Sales involves a salesperson communicating directly with the buyer. The salesperson role may involve identifying potential customers, communicating with potential customers (understanding their needs and offering information and solutions), executing sales orders, and follow up after the sale. It is most often used when the number of customers is finite, and/or the value of the products/services is high, and/or the customers in that industry are accustomed to dealing with salespeople.

Practice: Based on the key role identified in the Management section, identify what potential customers they would be responsible for calling on, how their performance will be measured, and what the compensation system would be (e.g., commission-only, salary/wage, some combination thereof, and what the dollar amounts would be). Remember to incorporate compensation into your cash flow assumptions.