The goal of the "Food for Profit On-line" class is to provide participants with 24/7 access to information provided in the face-to-face workshop. Several paper tools are used during the workshop that could be beneficial to the on-line students, and so a welcome package is mailed when a participant registers in "Food for Profit On-line," containing hard-copy handouts. While not new handouts developed specifically for the on-line version, these tools allow the distance student to practice concepts taught, and so are an important part of the instruction provided.

Links to electronic versions of these handouts are also provided as the student progresses through the series of lessons, as follows:

Lesson 3 — Developing a Game Plan — Food Business Plan Workbook

Lesson 4 — Finding a Market Niche — Quick Marketing Plan Worksheet

Lesson 6 — Pricing Your Food Product — Breakeven Worksheets

The remainder of this document provides electronic copies of the worksheets and workbook listed above, in support of the NE SARE Project Report.

FOOD FOR PROFIT

BUSINESS PLAN WORKBOOK

This Business Plan Workbook contains worksheets to help you compile all the information necessary to prepare a complete and effective proposal, as well as a working management tool for your food business

Prepared by Winifred W. McGee
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This plan workbook was adapted for use of food entrepreneurs, by Winifred McGee, Extension Educator, Agricultural and Food Entrepreneurship, Penn State Cooperative Extension, from ***Farm Business Planning*** by Ben Beale, Shannon Dill, and Dale Johnson, University of Maryland Cooperative Extension

Electronic copies of this document are provided as a component of Food for Profit On-line, an Internet classroom developed with funding from NE SARE Sustainable Community Grant CNE 10-076 .

This publication is available in alternative media on request.

FOREWARD

Planning is essential to any business, no matter how large or small your inventory, payroll, and bank account. To be successful, a food business must know its current status and future plans. Having these plans in your thoughts is not enough! Taking time to formulate thoughts, evaluate your business goals and objectives (that is, the steps you will take to reach your goals), devise a set of strategies, and anticipate possible challenges you will face along the way will help your business to be successful.

This workbook is designed so that thoughts, goals and objectives for your business can be organized and thoroughly documented. In the long run your business plan will serve many purposes, such as:

- Supporting a loan application
- Defining a new business, fundamental goals and objectives
- Evaluating the effectiveness of business and marketing strategies used
- Setting a direction for the business for the next five years
- Growth and development for established businesses

A good business plan should be realistic, simple, specific and complete.

- √ Is your plan realistic? Are your goals, deadlines, and the objectives that you have planned to take realistic for a food business in the current economic climate?
- √ Is your plan simple? Can others understand what you have decided to do when they read your plan?
- √ Is your plan specific? Are the goals, objectives, and financial measures that you have set measurable (so you will be able to recognize their achievement)?
- √ (Realizing that planning is a continuing process) is your plan complete? Does it consider all aspects of your business?

The most useful plan will be one that can be implemented readily, and a document that is easy to read and understand. The business plan may be used by others, such as economic development corporations and financial institutions that may not have worked in the food industry, or with businesses like yours. By making the plan according to an established format and easy to understand, you will increase the utility for others.

As mentioned above, once a business owner has made the decision to create and use a written plan, the planning process is never complete. In your first plan, you will be creating a document that you will continue to use, review, and analyze as your operation grows and changes; by practice, you will determine just how often you will need to review and revise your plan for a successful, dynamic business.

EXECUTIVE SUMMARY

The Executive Summary is located in the front of the document, but it is the last task that you will do in writing your business plan. Write this when the rest of the workbook has been completed. It is an overall summary of your business goals and objectives and the strategies and tools you will use to meet them, over the next five years.

MISSION AND GOALS

MISSION

A mission statement is like a book cover. It provides the reader with a glimpse of the story that lies ahead.

Think about **who** you are, **why** you are here, **what** you do and **where** you are headed.

A mission statement for a food enterprise should be created to reflect the business's purpose to the public, customers, employees, lenders, and owners.

A good mission statement should clearly answer the following questions:

- √ Why does your business exist?
- √ What purpose does your business serve?
- √ Where is your business headed?

Mission statements must reveal more than a motive of profit. A mission should contain values, activities, and identity of the food enterprise. Write your statement in a short paragraph, with just enough detail to provide clear direction, while still being flexible.

GOALS

Goals need to be specific, measurable statements of what the business expects to achieve in the future (months and years).

To be truly usable, goals need to be **SMART**:

Specific
Measurable
Attainable
Rewarding
Timeline

Short-term goals are 1 year or less
Long-term goals are 1 year or longer

A business's goals can relate to:

- Production (volume, quality, efficiency)
- Marketing (sales, distribution, percent market share, advertising)
- Legal (estate, structure)
- Personnel (hiring or retaining employees, skill-building)
- Financial (return on investment, cost per unit of output)

MISSION

Remember: Mission and goal statements can be appropriate for use in marketing your business through advertising and promotional pieces.

GOALS

BACKGROUND INFORMATION

Business Name & Address:____

____

____

Email Address:______________________________

Web Site Address: ____

Telephone:

Business:______________________________FAX:____________________________

Home: ______________________________FAX:____________________________

Business Structure:

- ☐ Sole Proprietorship
- ☐ LLC
- ☐ Partnership
- ☐ Corporation
- ☐ Other __________________________________

Business Advisors:

Accountant	Attorney
Name: ____________________	Name: ____________________
Address: ____________________	Address: ____________________
City, ST, ZIP: ________________	City, ST, ZIP: ________________
Phone: ____________________	Phone: ____________________
Bank/Lending Officer	**Insurance Agent**
Name: ____________________	Name: ____________________
Address: ____________________	Address: ____________________
City, ST, ZIP: ________________	City, ST, ZIP: ________________
Phone: ____________________	Phone: ____________________

Who is involved in the business?

Name: ____________________	Position: ____________________
Name: ____________________	Position: ____________________
Name: ____________________	Position: ____________________
Name: ____________________	Position: ____________________
Name: ____________________	Position: ____________________

BACKGROUND INFORMATION

Background and Overview of the Enterprise

This section of your plan will be approximately one page in length; it will provide the history of the operation and a summary of current activities. It is helpful to have in the business plan so that the reviewer understands where your business started, and how it has proceeded to this point.

Some questions that should be addressed in this section include:

- Where is the operation located?
- How and when did the operation begin?
- How is the enterprise currently operating?
- What is the general productivity, management and situation of the enterprise?
- What are the product lines of this enterprise? How have they expanded/ changed?

FACILITIES LAYOUT

Provide a brief description of your production capacity and layout. You may want to include facilities sketches and descriptions of specific key pieces of equipment, as illustrations of your production capacity in the Appendix to your plan.

BACKGROUND INFORMATION

LEGAL AND CONTRACTUAL SITUATION

This part of the business plan outlines the business's and owner's legal and contractual obligations (verbal and/or written). Be as detailed as you can, discussing areas where the enterprise in in a good position and where improvement can be made.

Assets/Contracts
Contracts include mortgages, marketing and sales agreements, consignment agreements, equipment leases, and any grants with deliverables that you must meet.

Insurance
Include any insurance policies related to property, product and other liability, health, auto.

Estate Plan/Will
Provide a brief summary of your business succession plans and how property/assets will be divided or liquidated. This summary should NOT take the place of a well-constructed will, but briefly summarize your thoughts on the matter of transition/disposal of the business.

Retirement
What are your retirement options and plans, related to this enterprise? Take into consideration your personal savings, Medicare, social security, IRA and other pension plans.

Food Safety
Any types of training and/or certification that you have, or will need, to legally make food items; Good Agricultural Practices, Good Handling Practices and you, or your suppliers, will follow; HACCP plans that you have put in place; registration with PDA, FDA or USDA as appropriate.

Other
Any other legal or contractual situations.

PRODUCTION CAPACITY

Use this section to explain the production aspects of your enterprise. It should include everything from sources of ingredients and materials (packaging, labeling), through manufacture of the product and its delivery to the consumer marketplace.

- From what location are ingredients/supplies procured?
- How are suppliers selected?
- How many different products/lines are created?
- Are products made at a home, commercial or shared-use kitchen?
- Are you the sole worker, or do you have employees?
- Are products made by a co-packer? How was this company selected?
- How are products packaged/labeled?
- How are products distributed (wholesale/retail/internet/consignment)?

Yield/distribution records can be kept in the appendix to your plan.

FORMULATE AN ENTERPRISE STRATEGY

Developing an overall enterprise strategy is an important component of business development, because it allows you to "see" on paper how the work will flow. This strategy includes a number of steps focused on market segments, attributes of those segments, and forming a strategy around the needs of each segment.

Developing a strategy involves a series of steps:

Step 1: Gathering information about competitors, and market research.

Step 2: Analyzing the external and internal components of your business using the S.W.O.T. analysis.

Step 3: Creating alternative plans of action and identifying areas of competitive advantage.

Step 4: Selecting the best plan that fits your overall business mission.

Step 5: Implementing the strategy, and evaluating its effectiveness.

This process is illustrated in the flow chart on the next page.

More detailed information on each step follows.

Step 1: Gathering competitive information and market research

Some small business owners already know exactly what it is they want to do, how they are going to do it, and why they want to do it. However, many entrepreneurs never take the time to consider what the *customer* wants, why the *customer* wants it, or how the *customer* wants it done. Many of these same enterprises never consider why their product or service offerings would be sought after more than their competitors. The notion of creating and maintaining a "competitive advantage" is a key component of the strategy formulation. It is no surprise that the first component of strategy building is to gather information about what others provide, and researching the market.

Market Research — Research the current and potential markets for your product(s) to identify industry trends, competitors, consumer needs and wants, and potential buyers. Be sure to take time to collect sufficient data to ensure a clear vision of the marketplace. When you obtain good data, you will be able to formulate an effective strategy. The better the information, the better your strategic plan will be.

Never rely only on your own opinion of what the market wants. There are a number of tools that you should consider using to research/collect data:

- *Focus Groups:* A small group of potential consumers who are asked specific questions about the product/service.
- *Surveys:* Written or oral surveys can be used to gather individual responses to key questions. A written survey can be utilized in a cost-effective manner to a wide range of the population, or can be targeted to a specific "niche market," depending on the distribution list. Consider using an incentive to increase survey response rate, such as cents-off or free item coupons.
- *Observation:* Going to locations frequented by your potential customers and observing what they buy, what they ask about, what they can't find is a valuable tool. What are competitors offering? What special service or product would make you stand out?
- *Interviews:* A one-on-one interview can also be helpful for generating ideas. Do not forget to interview other business owners or operators who may be able to provide good information on what has, or has not, worked for them. You may meet these individuals by attending tradeshows, conferences, and professional association meetings — providing the opportunity to network about market trends. Sales representatives are also good sources of information about "what people are buying."
- *Demographics:* Information about clusters of consumers, combined because of specific observable attributes. The U.S. Census is a great place to find this type of information.
- *Internet resources:* Explore your local library; many of them have business information sections, and may offer "free" access to market information data bases that would cost you thousands of dollars to independently use.

List the type of market research tools you plan to use.

List the results of your market research. Because this type of data may change or be updated, include the source and date of information.

Industry Trends and Analysis: In the space below, identify the major trends in the industry. Start with a broad overview (of food businesses), then get more specific to identify trends that are significant to your specific product or service.
NOTE: Trade journals, census information, government or educational institution studies, traffic surveys, and professional association data sources can be helpful.
List key industry trends here:

Step 2: S.W.O.T. Analysis

The S.W.O.T. analysis is an analytical tool used to collect information and guide the decision making process in order to identify areas that you can capitalize on, as well as areas that need remediation for your business to have the best chance of success.

S.W.O.T. is an acronym that stands for:

- **S**trengths
- **W**eaknesses
- **O**pportunities
- **T**hreats

Strengths and Weaknesses — Evaluation of the Internal Environment

.The strengths and weaknesses section of your analysis focuses on aspects internal to the business. It provides insight into the components that have the greatest potential to provide for competitive advantages. The number of competitive advantages that you can identify, and how you are able to capitalize on them, will be a key determinant of profitability.

By identifying your weaknesses, a business can begin to develop methods for improvement, and set priorities based upon future organizational direction. Examples of weaknesses that might be identified include internal operating problems, inexperience, lack of infrastructure, old or obsolete technology, poor equipment or facilities, lack of sufficient capital, poor reputation, or poor decision-making/leadership capacity.

The opposite of the weaknesses listed above may prove to be the most significant strengths to an organization — proven operational efficiency, applicable expertise, leading edge technology, excellent financial standing, a good name in the community, excellent brand image, and effective leadership and decision-making ability.

By listing their internal strengths and weaknesses, a business acknowledges the factors that it needs to build upon or exploit to grain a competitive edge in the marketplace. By being honest in your assessment (and often involving other family and outside reviewers), you will get the best assessment possible.

Areas for exploration include:

- Financial Resources
- Management Capability

- Human Resources Available
- Infrastructure: (including age and condition of equipment and facilities, production processes used)
- Location
- Point of Entry to the Product Cycle

List the internal strengths of your food business:

List the internal weaknesses of your food business:

A WORD TO THE WISE: Ask for Advice: Have you ever seen a business associate making an error that seemed to be so obvious to you? Why didn't they see the problem, themselves, or have someone advise them? It can be beneficial to have a third party (or more than one) provide a view of your operation to assess your strengths and weaknesses. Sometimes the most obvious strengths or weaknesses are not recognized by business owners due to denial, modesty, or overwhelming enthusiasm about the business idea. Finding an individual or a group of advisors who you can trust to give you an honest evaluation can be critical to an accurate assessment.

Threats and Opportunities — Evaluation of the External Environment

This part of the S.W.O.T. analysis focuses upon the external opportunities and threats that exist. With this portion of the S.W.O.T., the business can identify specific strategies to take advantage of opportunities for growth, while avoiding dangerous challenges.

Since threats and opportunities are, by definition, external to a business they often outside the area of influence and therefore cannot be readily changed by the enterprise. Rather, the business must change with and react to the changing external marketplace.

Examples of opportunities and threats include new markets, expanding market, government regulation or incentives, new technology, increasing competition, lower or higher barriers to entry, and economic conditions.

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A major focus of external analysis involves evaluating the competition. List all businesses that supply identical (or similar) products and services to yours, as well as those operating in your geographic area. List who their main customers are, the market share that they command, product offerings, pricing objectives, and their perceived marketing strategy.

Competitor # 1
Name:
Product Offerings:
Promotional Activities:
Location of Company:
Competitive Advantages:
% Market Share:

_

Competitor # 2
Name:
Product Offerings:
Promotional Activities:
Location of Company:
Competitive Advantages:
% Market Share:

Competitor # 3
Name:
Product Offerings:
Promotional Activities:
Location of Company:
Competitive Advantages:
% Market Share:

Competitor # 4
Name:
Product Offerings:
Promotional Activities:
Location of Company:
Competitive Advantages:
% Market Share:

Competitor # 5
Name:
Product Offerings:
Promotional Activities:
Location of Company:
Competitive Advantages:
% Market Share:

Competitor # 6
Name:
Product Offerings:
Promotional Activities:
Location of Company:
Competitive Advantages:
% Market Share:

List the external threats to the food business.

:List the external opportunities for the food business.

S.W.O.T. Analysis

Use this chart to summarize your S.W.O.T. Analysis

Internal Strengths	Internal Weaknesses
1. ______	1. ______
2. ______	2. ______
3. ______	3. ______
4. ______	4. ______
5. ______	5. ______
6. ______	6. ______
7. ______	7. ______
8. ______	8. ______
9. ______	9. ______
10. ______	10. ______
External Opportunities	**External Threats**
1. ______	1. ______
2. ______	2. ______
3. ______	3. ______
4. ______	4. ______
5. ______	5. ______
6. ______	6. ______
7. ______	7. ______
8. ______	8. ______
9. ______	9. ______
10. ______	10. ______

Step 3: Creating alternative plans of action and identifying areas of competitive advantage

At this point, you have collected information and identified external opportunities and internal strengths. Now is the time to bring these two together and develop alternate plans that will capitalize on your food enterprise's advantages (opportunities and strengths).

As you think through the strategic planning process, do not try to come up with the ultimate best strategy for your operation initially. Generally start-up ventures lack economies of scale and will not be able to compete with other businesses solely on price. Instead, you will want to compete based on some unique or differing attribute that offers the customer perceived value (this is often called "targeting a niche market").

You will need to consider all of the alternative strategies you could employ based on the findings from the information discovery (research) phase and the S.W.O.T. analysis. Compare and contrast the competitive advantages of the possible strategies that you can think of will offer, and select the one you consider best after reviewing all of the areas of competitive advantage. This way of selecting your preferred actions and activities should become an on-going creative process for you as an entrepreneur. If you find this phase difficult, break the business into separate sales methods (direct, wholesale, etc.) or into the individual products in your line, cluster the information that you discovered for each one of these subsets, and then focus on the marketing strategy for the enterprises one at a time ("divide and conquer"). If you do split your business into segments, remember that one segment may be effected by others — none of these artificial subsets of your business will stand alone, or operate in a vacuum.

HINT: Alternative strategies include specific areas that utilize your strengths with competitive advantages such as efficiency, market access, and market penetration.

Plan of Action — Combine your internal strengths with external opportunities.

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Things to Think About:

Businesses will create competitive strategies to set themselves apart from others in the marketplace. Types of competitive strategies involve cost and/or differentiation.

Least cost strategy focuses only on the price or cost of the product. Being the least expensive in the market gains the product competitive advantage, for many "everyday" food products. This strategy is achieved by cutting input costs as much as possible, so it is not appropriate for "gourmet" or "premium" items, which trade on having superior ingredients. In addition to cutting costs in ingredients and packaging, this type of strategy requires a focus on efficiency of operations. If your products or services are only comparable with everyone else's (meeting "the standard"), you might use least cost strategy.

A differentiation strategy, on the other hand, distinguishes the product from all others of its type, to make it more desirable to a specific market. The strategy works best when focused on products/ services where the consumer will agree to pay more for perceived better value. By using differentiation strategy, you set your product apart from the competition, offering the customer a unique or different product or service from those that other companies can, or will, offer. For food businesses that have "gourmet," "premium," or "one-of-a-kind" products, the differentiation strategy is most popular.

1) Start the process by using the questions that follow to assist you in outlining a differentiation strategy, what will include how your product is perceived, as well as the attributes and pricing of the product.

- What is unique or different about your product or service?
- What is the competitive advantage that you will garner from adopting a differentiation strategy?

2) The product/service attribute should be unique enough that other competitors cannot easily copy the attribute in their product or service.

List why your product or service will not be easily copied:

3) The price differential between your product and the standard product should not be so great as to outweigh the value of the difference. Many start-up businesses make the mistake of believing that their products or services are so much better than anyone else's that they price themselves out of the market before they have even entered. Carefully test your product, including its pricing structure, with focus groups and sampling offerings as part of your marketing strategy.

Based on your research, how much do your target customers value your product over those of your competitors? *HINT: Think about consumer benefits, market research, and the competition. What do your target customers want/need in the product and what are they willing to pay?*

Step 4: Selecting the best strategies for your overall food enterprise

It is now time to review the previous steps 1-3 and select the best strategy/ies that will fit your goals for your food venture. Keep in mind your business's strengths and weaknesses as well as external opportunities and threats. Once all alternative have been laid out and the best strategy chosen, review your goals and objectives to make sure that the strategies chosen are in concert. Can you visualize yourself still in business, in 5-10 years, having used the strategy/ies you have chosen to get there?

The overall business strategy will be a combination of your marketing strategy, production/ operational strategy, financial strategy, and management strategy. Be sure to include the main components of marketing, production, finances, management, and your key competitive advantage points when putting together an overall strategy.

HINT: At this point in the planning process, you may want to hold off on "finalizing" your overall strategy till you have analyzed marketing and financial aspects.

My Overall Food Enterprise Strategy: (This is a concise summary of your strategy — it should be 50 words or less).

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Step 5: Implementing and evaluating your enterprise strategy

An implementation plan is very important. This is how you will "get it done." The section following the financial strategy and plan focuses on how to implement your strategy.

MARKETING STRATEGY AND PLAN

Marketing products and services is essential to business profitability and viability, yet many food ventures lack a specific, organized plan. An entrepreneur should have a written description of how he/she will market products, services and/or events associated with the business.

Now that you have formulated an overall business strategy, much of your marketing homework has been done. You will have taken into consideration what customers value and why they would buy your product. The marketing section of your plan will describe in detail how you will create and convey value to the customer. The four Ps of marketing for ALL businesses are product, price, placement and promotion; they are the heart of your marketing strategy.

It is important to recognize that the marketing portion of your plan will cover much more than just advertisement of your product; it will encompass all actions you take to convey value, both real and perceived, to the customer. In this way, advertisement is only a piece of your overall marketing strategy.

When developing a marketing strategy, think about ALL possible alternatives. Be creative.

Target Market —You cannot be everything to everyone. In order to effectively market your product or service, you need to cater what you have to sell to a set of customers who will readily perceive value in what you have to offer. It is vital that you understand who will be your "first and best customer" and the attributes of this individual that can be generalized to describe a segment of the total marketplace to whom your efforts will be focused. *Who are you marketing to?*

A target market can be defined by:

- Demographics — age, gender, family size, education, occupation
- Geographic Boundaries — location, urban, suburban, rural
- Psychographic — behavioral patterns, lifestyle similarities, common interests, beliefs, or hobbies

By identifying a target market, you center your focus and energies on a group of people who you believe are most likely to purchase your product. When you use the appropriate marketing activities and strategies to reach this group, you give your business its best chance of success. The more you work to understand your target customer, the more effective your marketing efforts will be.

MARKETING SITUATION STATEMENT

Refer back to the "Developing a Strategy" section to remember the market research that you have already done. Use that information in your marketing plan, and to identify a specific target market.

According to your market research, which target market will you address in your plan?

What ideas do you have, about reaching this target market?

Components of a Marketing Plan

Product — What are you really selling? Your "product" includes how you produce what you sell, the packaging, and the quality of ingredients. Specific sizing, branding, and logos can be used help to define what the product is — and how the target market will perceive it. *What sets your product or service apart from all others? What are the main attributes that your customers need to know?*

Price — When you address price in marketing, it is not in a financial sense, but how the value and originality of your product is conveyed by what the customer will pay. Find a price that will satisfy both you, as the seller, and your target customer, as the buyer. Within the marketplace, the price that you set will be compared by the consumer to other comparable products or service offerings. If you are selling in a niche market, your price will most likely not be the lowest — nor should you try to make it lowest. A starting point in creating the "best" price is to determine your cost of production and break-even price. As a guide to the amount above break-even that you can set, use market surveys, competitor analysis, primary and secondary research, trial and error, or any marketing experience you have developed to set, evaluate, and change pricing. *How much value does your product offer for the customer? How are you going to set and adjust the price?*

Placement — Where your customer will find your product, and how it is distributed to one or more location(s) is the essence of placement. Small business owners selling directly to their customers capitalize on selecting the "perfect" marketing point. Remember that customers value convenience — which means that they should not have to hunt, or travel too far out of their way, to purchase your product. Logistical issues should be addressed such as transportation, warehousing, direct selling, wholesaling, storage, and inventory management. The distribution channels have been altered substantially in the last decade, due to the local food movement and Internet sales. Selling via the Internet and delivering to the customer's door (via UPS, USPS, or Fed Ex) is much easier than ever before. *Where will you sell your product? Where/how does your target market shop?*

Promotion — The methods you use to promote your business and what you offer connects your product to the customer. Advertising, market position, sales, and media are all aspects of promotion. You may use brochures, web-sites, print ads, signage, or social networking. Regardless of the tool used, promotional materials should focus on attributes, features, and benefits that your target customer will value. Think creatively about how you communicate about your product to the customer. Promotion of a product or service should be designed specifically with the target market in mind. *Where is the best value for your promotional money and efforts, and how will you be able to measure its effectiveness?*

Use the draft marketing strategy format on the following pages to plan your marketing strategy for each enterprise/distinct product within your business.

Market Plan for ______________________

Special Product(s)

Special Promotions

Specific Customer Segment

Special Pricing

Special Placement

Market Plan for ____________________

Special Product(s)

Special Promotions

Specific Customer Segment

Special Pricing

Special Placement

Market Plan for ____________________

Special Product(s)

Special Promotions

Specific Customer Segment

Special Pricing

Special Placement

Market Plan for ______________________

Special Product(s)

Special Promotions

Specific Customer Segment

Special Pricing

Special Placement

HUMAN RESOURCE STRATEGY

Businesses need people just as they need production facilities, equipment, and materials. Writing a human resource strategy will allow you identify when you will need to involve others, and define the jobs they will do. Having this clearly communicated within any business is an important consideration.

A human resource plan should try to capture the "people element" of what a food venture is hoping to achieve. It addresses these questions:

- Are the right people in place?
- Does the food venture have the right mix of skills?
- Do employees display the right attitudes and behaviors?
- Are employees developing in the right way?

A human resource plan also identifies legal and liability issues of hiring and managing employees. Depending on the type of business and employee structure, it is important to research Pennsylvania's employee laws and what may apply to your business before hiring.

Parts of the Human Resource section of your plan:

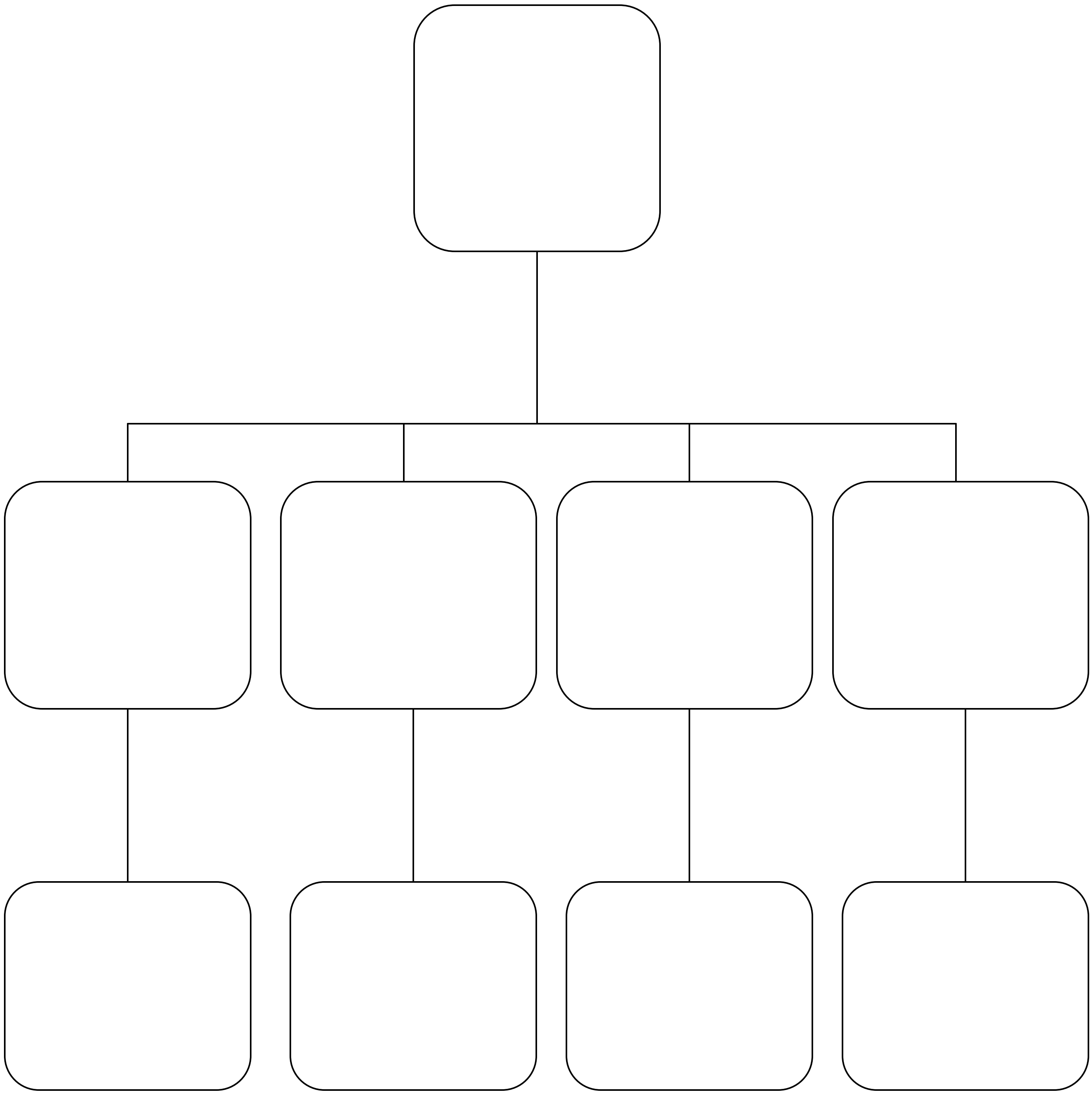
- Positions and Duties
- Organizational Chart
- Skills and Training

Use this chart to layout positions within your food business, the duties of each position, and who is responsible.

Food Business Positions and Duties				
Position/Name	Duties/ Responsibilities	Skills/Talents	Salary/Wages	Work Schedule
1.				
2.				
3.				
4.				
5.				
6.				
7.				

Food Business Organizational Chart

An organizational chart arranges the structure of a business by rank. This chart is helpful to know who is responsible for parts of the business.



The last component of the human resource section is skills, training and continuing education. What skills are needed or necessary for the business to operate? Are there any new technologies or skills that can be adapted to the food business?

Skills and Training		
Skill	Training Available	Responsible Party

FINANCIAL STRATEGY AND PLAN

Most small businesses will consist of several different enterprises/product lines that contribute to the whole business operation. For instance, a business may have a variety of salsas, sauces, and condiments to offer — each requiring specific attention. Or, a business may have a standard product that is sold in several ways — direct to the customer, through neighborhood restaurants, through a local foods cooperative, and by Internet. It is important to understand the various costs, returns, and ultimately the profitability of each enterprise, as a separate (yet interconnected) activity.

By doing a series of enterprise budgets, you separate and allocate the various business expenses and receipts to those “engines” to which they relate. As a result of this process, you will be able to understand the break-even, and pricing, points for each enterprise. The enterprise budget forces you to analyze the profitability of each enterprise so that the proper mix of activities and production can take place for ultimate business profitability.

In order for enterprise budgets to be effective, you must work to gather accurate and complete information to use. Past records (for existing enterprises) or industry averages (for start-ups) will enable you to create a detailed projection of the anticipated outflows and inflows of cash related to the activities of planned enterprises.

Take a minute to list potential sources of revenue (cash inflow) and expense (cash outflow) on the chart below:

Cash inflow categories	**Cash outflow categories**
1.	1.
2.	2.
3.	3.
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Projecting Financial Statements

It may be important or necessary for your business to project financial statements for the next 3-5 year, depending on a loan application, long-term goals, or a new enterprise decision. Projected financial statements are also referred to as *pro-forma* budgets. By projecting your business's financial statements, you discover whether your business will anticipate a profit over the long term.

Commonly, cash flow statements are used to make projections. These projections are your best estimate of income and expenses over a period of time. Being conservative and realistic with your projections will help your business more closely match what actually happens, and this will help your business in the end.

The best way to start making any projections is to review any past records (actual cash flow budgets) that you have from your established business. If you are a start-up enterprise, you will need to talk to others in the business, or to a small business consultant, to determine what industry standards (income and expense) might be. Your implementation strategy and sales projections should be reflected in the pro forma financial statement.

Along with projections, your lender may want to develop financial ratios based on your budgets. This will assess, long term, your potential liquidity (ability to pay your bills), profitability, and ability to pay down your debt.

The budget or enterprise analysis is calculated on a one-year time frame for a specific unit of production, such as jar of jam, or pound of cheese. Study the sample Pro-forma Enterprise Budget for a farmstead cheese business, then use the attached blank enterprise budget forms to develop your own enterprise projections. Three sets (for the first two years' projection) are provided. When you finish filling out two or more sets of cash flows, combine the inflow and outflow amounts (for each category, each month) to create a Pro-forma Whole Venture Budget that allows for the give-and-take between enterprises in your business.

IMPLEMENTATION STRATEGY

You have done your homework, conducted market research, and developed areas of competitive advantage. All that's left is collecting the paycheck, right? Not so fast. The formation of an absolutely optimal strategic business plan is useless, unless the plan is implemented. In other works, a correctly devised business plan is often said to be "The right thing to do," while the implementation of the plan is considered "Doing things right." An organization must be able to accomplish both if it is to remain successful.

The implementation plan will contain a timeline for steps that need to be taken in order to meet the objectives that will build toward realizing your goals. Consider the implementation plan your ultimate "to-Do List." The timeline will cover both the production and marketing goals that are set forth in the business plan. These sales goals and production figures will match the pro-forma financial statements. As you develop the implementation plan, you may begin to notice areas where the best made plans have no practical way to be implemented. Taking time to go through this process will help you identify bottlenecks and avoid these pitfalls. The implementation plan should contain the following information:

Production
Timeline of equipment and facility purchases or upgrade
Timeline of production changes, new enterprise development
Projected production

Management
Decision making
Division of duties and responsibilities
Defined structure and the hierarchy for making decisions

Marketing:
Sales projections
Expected price
Market entry — promotional activities

Human Resources:
Labor sources
Labor management plan — training, skills development
Plan for payroll, taxes, and benefits

Finance/Accounting:
Identify funding mechanisms
Timeline of when capital will be needed
Method of accounting and recordkeeping
Method of paying taxes and meeting expenses

Implementation Strategy

Production:

Management:

Marketing:

Human Resources:

Finance/Accounting:

Exit Strategy

Operating a business requires that you take risks. Though you may never intend to quit, sometimes it may be the best decision for your business and your family. Common reasons for exiting the business can include illness, death of a partner, generational, financial, and age.

It is prudent to consider an exit strategy even as you are starting your business, or writing this plan. This exit plan should include a set of criteria that signal to you that it may be time to exit the business. Such signals can include:

- Business profitability problems
- Attaining a specific age
- Estate plans and business transfer
- Change of markets
- Business value (signaling the time to sell)

Exit Strategy

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OPERATIONAL RESOURCES

Gathering and analyzing resources is an efficient and prudent exercise for any business. By keeping track of the equipment you own, you will be able to evaluate what resources are available to carry out the goals of the business. You will also be able to determine when/if new equipment will be needed.

Equipment Inventory

Equipment Name	Model	Size	Year Purchased	Age	Condition G F P	Ownership O L B	Book Value	Market Value

Condition — G = Good, F = Fair, P = Poor
Ownership — O = Owned, L = Leased, B = Bought

APPENDIX

Documents that can be included in your Business Plan Appendix:

- Corporation or partnership documents
- Personal resumes of owners and key people
- Credit report
- Floor plans of facilities
- Copies of leases, significant agreements, and contacts
- Enterprise budgets
- Other documents relevant to the business plan

My Contact List

Name	Address	Phone	Email	Website

Marketing Plan Worksheet

A sample mini-plan

Market Plan for *Harvest-Fresh Pies*

Special Product(s)

Caramel Apple Pie
Fruit of the Forest Pie
Blueberry Crisp Pie
Strawberry Rhubarb Pie
Apple Dumplings
Peach Praline Pie
Cherry Berry Pie

Special Promotions

Order-ahead for the holidays
Special flavor of the week
8" pies for small families
Apple, Strawberry, and Peach
Festival weekends

Specific Customer Segment

Farm Market Customers who need to have a "special" yet homemade dessert without the fuss of making it themselves.

Special Pricing

Buy one/get one half price (in-stock)
"Special "pie each weekend (reduced price)
Senior citizen pricing on sugar-free and 8" pies
"Gourmet" pricing for specialty items

Special Placement

Pie shelf across from the cash register (impulse)
Pies highlighted in web site and on special weekend promotional ads
Mental placement:
Seek to make our farm market "the place for pies" by linking them to seasonal events and flavors

Market Plan for ____________________

Special Product(s)

Special Promotions

Specific Customer Segment

Special Pricing

Special Placement

Breakeven Worksheets and Answer Keys

Pricing and Break-Even Exercise – Sweet Wine Vinegar

You make and bottle Sweet Wine Vinegar, which you sell in your stand at a local farmers' market. None of the other stands sell anything like this, but at nearby stores, a similar product could be purchased for around $5.00. You would like to sell your wine vinegar for $7.00 a bottle, trading on its *uniqueness*. You will need to do some computations to see how many bottles you need to make, and sell, to pay for your fixed and variable expenses (in other words, to "break even").

You know that your expenses are:

Raw materials -- $1.50/bottle
Market Stand Fee -- $50/month
Hourly labor -- $1.00/bottle
Insurance per month -- $50.00

Loan payment per month -- $150.00
Telephone/DSL line per month -- $90.00
Packaging costs -- $1.90/bottle
Transport 8Xs a month -- $95.00

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
Total Variable Expenses (per unit)	$____________	*Total Fixed Expenses (per month)*	$____________

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a bottle of Sweet Wine Vinegar? $____________

What are the Variable Expenses associated with one bottle? (-) $____________

What is the Contribution Margin per bottle? (=) $____________

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a bottle, how much is it contributing toward paying for your fixed expenses? $____________**

What are your total Fixed Expenses for a month? $__________ per month

What is your Contribution Margin per bottle sold? (÷) **$__________**per bottle

How many bottles must be sold to pay for your monthly Fixed Expenses? (=) _________ **bottles**

(Fixed Expenses divided by the Contribution Margin equals the number of bottles it will take to "break-even.")

What happens to the "break-even" number of bottles if you raise the price to $7.25?

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Pricing and Break-Even Exercise – Sweet Wine Vinegar

You make and bottle Sweet Wine Vinegar, which you sell in your stand at a local farmers' market. None of the other stands sell anything like this, but at nearby stores, a similar product could be purchased for around $5.00. You would like to sell your wine vinegar for $7.00 a bottle, trading on its *uniqueness*. You will need to do some computations to see how many bottles you need to make, and sell, to pay for your fixed and variable expenses (in other words, to "break even").

You know that your expenses are:

Raw materials -- $1.50/bottle
Market Stand Fee -- $50/month
Hourly labor -- $1.00/bottle
Insurance per month -- $50.00

Loan payment per month -- $150.00
Telephone/DSL line per month -- $90.00
Packaging costs -- $1.90/bottle
Transport 8Xs a month -- $95.00

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
Raw materials	$ *1.50*	*Market Stand Fee*	$ *50.00*
Labor	$ *1.00*	*Insurance*	$ *50.00*
Packaging	$ *1.90*	*Loan payment*	$ *150.00*
	$	*Telephone/DSL Line*	$ *90.00*
	$	*Transportation*	$ *95.00*
Total Variable Expenses (per unit)	$ *4.40*	*Total Fixed Expenses (per month)*	$ *435.00*

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a bottle of Sweet Wine Vinegar?		$ *7.00*
What are the Variable Expenses associated with one bottle?	(-)	$ *4.40*
What is the Contribution Margin per bottle?	(=)	$ *2.60*

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a bottle, how much is it contributing toward paying for your fixed expenses? $** *2.60*

What are your total Fixed Expenses for a month?		**$** *435.00* per month
What is your Contribution Margin per bottle sold?	(÷)	**$** *2.60* per bottle
How many bottles must be sold to pay for your monthly Fixed Expenses?	(=)	*167* **bottles**

(Fixed Expenses divided by the Contribution Margin equals the number of bottles it will take to "break-even.")

What happens to the "break-even" number of bottles if you raise the price to $7.25?
Variable Expenses stay the same; contribution margin increases from $2.60 to $2.85; by dividing this into the 435 fixed expenses (which don't change), you learn that you need to sell 153 bottles per month to begin making a profit (down from 167 bottles).

Pricing and Break-Even Exercise – Fresh Vegetable Dip with Dill

You make an herbal mixture that customers can mix, to create a dill flavored vegetable dip – made in your home and sold wholesale to farmers' markets (you represent your own product). Other similar herbal mixtures sell for between $2.00 to $3.50 per pack. You would like to sell your single dip mix pack for $3.00. You will need to do some computations to see how many packs you need to make, and sell, to pay for your fixed and variable expenses (to "break even").

You know that your expenses are:

R*aw materials* -- $.25/pack
Hourly labor -- $.55/pack
Marketing trips per month (total of 120 miles at 50¢ per mile) -- $60.00
Insurance per month -- $20.00

Loan payment per month -- $240.00
Telephone line per month -- $90.00
Packaging costs -- $.60/pack

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
Total Variable Expenses (per unit)	$____________	*Total Fixed Expenses (per month)*	$____________

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a pack of dip mix? $____________

What are the Variable Expenses associated with one pack? (-) $____________

What is the Contribution Margin per pack? (=) $____________

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a pack, how much is it contributing toward paying for your fixed expenses? $____________**

What are your total Fixed Expenses for a month? **$_________** per month

What is your Contribution Margin per package sold? (÷) **$_________**per package

How many packs must be sold to pay for your monthly Fixed Expenses? (=) _________packs

(Fixed Expenses divided by the Contribution Margin equals the number of packages it will take to "break-even.")

What happens to the "break-even" number of packs if you decide to stop traveling and hire a sales rep at a fee of 10% selling price per unit? -- take into consideration labor cost being reduced to 25 ¢ per pack (your marketing time redirected to mixing/packaging of product)?

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Pricing and Break-Even Exercise – Fresh Vegetable Dip with Dill

You make an herbal mixture that customers can mix, to create a dill flavored vegetable dip – made in your home and sold wholesale to farmers' markets (you represent your own product). Other similar herbal mixtures sell for between $2.00 to $3.50 per pack. You would like to sell your single dip mix pack for $3.00. You will need to do some computations to see how many packs you need to make, and sell, to pay for your fixed and variable expenses (to "break even").

You know that your expenses are:

R*aw materials* -- $.25/pack
Hourly labor -- $.55/pack
Marketing trips per month (total of 120 miles at 50¢ per mile) -- $60.00
Insurance per month -- $20.00

Loan payment per month -- $240.00
Telephone line per month -- $90.00
Packaging costs -- $.60/pack

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
Raw Materials	$ *.25*	*Marketing trips*	$ *60.00*
Labor	$ *.55*	*Insurance*	$ *20.00*
Packaging	$ *.60*	*Loan payment*	$ *240.00*
	$	*Telephone*	$ *90.00*
	$		$
Total Variable Expenses (per unit)	$ *1.40*	*Total Fixed Expenses (per month)*	$ *410.00*

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a pack of dip mix? $ *3.00*

What are the Variable Expenses associated with one pack? (-) $ *1.40*

What is the Contribution Margin per pack? (=) $ *1.60*

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a pack, how much is it contributing toward paying for your fixed expenses? $** *1.60*

What are your total Fixed Expenses for a month? **$** *410.00* per month

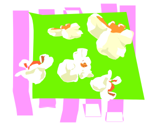
What is your Contribution Margin per package sold? (÷) **$** *1.60* per package

How many packs must be sold to pay for your monthly Fixed Expenses? (=) *257* packs

(Fixed Expenses divided by the Contribution Margin equals the number of packages it will take to "break-even.")

What happens to the "break-even" number of packs if you decide to stop traveling and hire a sales rep at a fee of 10% selling price per unit? -- take into consideration labor cost being reduced to 25 ¢ per pack (your marketing time redirected to mixing/packaging of product)?
You subtract 30¢/pack labor but add 30¢/pack at 10% commission; this seems like "a wash," till you realize you don't have to make marketing trips — this reduces the fixed expenses to $350 each month, and that, divided by the $1.60 contribution margin results in 219 packages sold (reduction of 38 per month) to "break-even."

Pricing and Break-Even Exercise – Colorful Popcorn



You grow popcorn that you take to the local shared kitchen, to treat with coloring and package for sale in specialty food and gift shops. There are a number of other gourmet snack products that the stores where your product is placed, carry as novelty food items, selling for between $6.00 to $8.50 per unit; since the stores want to have 100% markup, your price must be between $3.00 and 4.25. You would like to sell your 16 oz. package for $3.75. You will need to do some computations to see how many packages you need to make, and sell, to pay for your fixed and variable expenses (in other words, to "break even").

You know that your expenses are:

R*aw materials* -- 50¢/package
Shared kitchen fee -- $100/month
Hourly labor -- 15¢/package
Marketing rep fee (10% of price) — 38¢/package
Insurance per month -- $40.00

Shipping costs — 5¢ per package
Loan payment per month -- $100.00
Telephone/DSL line per month -- $35.00
Packaging costs -- $1.00/package

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
____________	$__________	____________	$__________
____________	$__________	____________	$__________
____________	$__________	____________	$__________
____________	$__________	____________	$__________
____________	$__________	____________	$__________
Total Variable Expenses (per unit)	$__________	*Total Fixed Expenses (per month)*	$__________

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a package of popcorn? $__________

What are the Variable Expenses associated with one package? (-) $__________

What is the Contribution Margin per package? (=) $__________

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a package of popcorn, how much is it contributing toward paying for your fixed expenses? $__________**

What are your total Fixed Expenses for a month? $__________ per month

What is your Contribution Margin per package sold? (÷) $__________per package

How many packs must be sold to pay for your monthly Fixed Expenses? (=) ________packages

(Fixed Expenses divided by the Contribution Margin equals the number of packages it will take to "break-even.")

What happens to the "break-even" number of pkgs if you decide to raise the price to $4.25?

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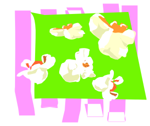
Pricing and Break-Even Exercise – Colorful Popcorn



You grow popcorn that you take to the local shared kitchen, to treat with coloring and package for sale in specialty food and gift shops. There are a number of other gourmet snack products that the stores where your product is placed, carry as novelty food items, selling for between $6.00 to $8.50 per unit; since the stores want to have 100% markup, your price must be between $3.00 and 4.25. You would like to sell your 16 oz. package for $3.75. You will need to do some computations to see how many packages you need to make, and sell, to pay for your fixed and variable expenses (in other words, to "break even").

You know that your expenses are:

R*aw materials* -- 50¢/package
Shared kitchen fee -- $100/month
Hourly labor -- 15¢/package
Marketing rep fee (10% of price) — 38¢/package
Insurance per month -- $40.00

Shipping costs — 5¢ per package
Loan payment per month -- $100.00
Telephone/DSL line per month -- $35.00
Packaging costs -- $1.00/package

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
Raw Materials	$ *.50*	*Kitchen Fee*	$ *100.00*
Labor	$ *.15*	*Insurance*	$ *40.00*
Marketing Rep	$ *.38*	*Loan Payment*	$ *100.00*
Shipping	$ *.05*	*Telephone/DSL Line*	$ *35.00*
Packaging	$ *1.00*		$
Total Variable Expenses (per unit)	$ *2.08*	*Total Fixed Expenses (per month)*	$ *275.00*

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a package of popcorn? $ *3.75*

What are the Variable Expenses associated with one package? (-) $ *2.08*

What is the Contribution Margin per package? (=) $ *1.67*

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a package of popcorn, how much is it contributing toward paying for your fixed expenses? $** *1.67*

What are your total Fixed Expenses for a month? **$** *275.00* per month

What is your Contribution Margin per package sold? **(÷) $** *1.67* per package

How many packs must be sold to pay for your monthly Fixed Expenses? (=) *165* **packages**

(Fixed Expenses divided by the Contribution Margin equals the number of packages it will take to "break-even.")

What happens to the "break-even" number of pkgs if you decide to raise the price to $4.25?
Variable expenses increase from $2.08 to $2.13 (because the marketing rep fee goes up) — the contribution margin rises from $1.67 to $2.13; this should mean that you need to sell $275.00 divided by $2.13 or 130 packages. Perhaps the decrease from 165 to 130 packages would mean less time spent in the shared kitchen, reducing the monthly tenant fee, but the $100 per month listed is not specific enough to allow calculations.

Pricing and Break-Even Exercise – Apple Apricot Jam

You make a one-of-a-kind Apple Apricot Jam. Although the flavor is unique, there are many other gourmet jams on the market – with 12 oz. jars selling for between $6.00 to $9.00. You would like to sell your jam for $8.00 a jar. You will need to do some computations to see how many jars you need to make, and sell, to pay for your fixed and variable expenses (in other words, to "break even").

You know that your expenses are:

Raw materials -- $2.50/jar
Shared kitchen fee -- $500/month
Hourly labor -- $.75/jar
Marketing coop fee (15%) -- $1.20/jar
Insurance per month -- $50.00

Shipping costs -- $.40/jar
Loan payment per month -- $100.00
Telephone/DSL line per month -- $100.00
Packaging costs -- $.90/jar

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
____________________	$____________	____________________	$____________
Total Variable Expenses (per unit)	$____________	*Total Fixed Expenses (per month)*	$____________

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a jar of Apple Apricot Jam? $____________

What are the Variable Expenses associated with one jar? (-) $____________

What is the Contribution Margin per jar? (=) $____________

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a jar, how much is it contributing toward paying for your fixed expenses? $____________**

What are your total Fixed Expenses for a month? $____________ per month

What is your Contribution Margin per jar sold? (÷) **$**____________per jar

How many jars must be sold to pay for your monthly Fixed Expenses? (=) ___________ jars

(Fixed Expenses divided by the Contribution Margin equals the number of jars it will take to "break-even.")

What happens to the "break-even" number of jars if you decide to lower the price to $7.00?

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Pricing and Break-Even Exercise – Apple Apricot Jam

You make a one-of-a-kind Apple Apricot Jam. Although the flavor is unique, there are many other gourmet jams on the market – with 12 oz. jars selling for between $6.00 to $9.00. You would like to sell your jam for $8.00 a jar. You will need to do some computations to see how many jars you need to make, and sell, to pay for your fixed and variable expenses (in other words, to "break even").

You know that your expenses are:

Raw materials -- $2.50/jar
Shared kitchen fee -- $500/month
Hourly labor -- $.75/jar
Marketing coop fee (15%) -- $1.20/jar
Insurance per month -- $50.00

Shipping costs -- $.40/jar
Loan payment per month -- $100.00
Telephone/DSL line per month -- $100.00
Packaging costs -- $.90/jar

Sort out the expenses into variable and fixed expenses:

Variable Expenses		*Fixed Expenses*	
Raw Materials	$ 2.50	*Shared kitchen fee*	$ 500.00
Labor	$ .75	*Insurance*	$ 50.00
Marketing co-op	$ 1.20	*Loan payment*	$ 100.00
Shipping	$ .40	*Telephone/DSL line*	$ 100.00
Packaging	$ .90		$
Total Variable Expenses (per unit)	$ 5.75	*Total Fixed Expenses (per month)*	$ 750.00

The "Contribution Margin" is the Selling Price per unit minus the Variable Expenses per unit.

What is the Selling Price of a jar of Apple Apricot Jam?		$ 8.00
What are the Variable Expenses associated with one jar?	(-)	$ 5.75
What is the Contribution Margin per jar?	(=)	$ 2.25

The Contribution Margin represents how much is "contributed" from each unit of sales toward paying for fixed expenses and profits. **Every time you sell a jar, how much is it contributing toward paying for your fixed expenses? $** 2.25

What are your total Fixed Expenses for a month?		**$** 750.00 per month
What is your Contribution Margin per jar sold?	(÷)	**$** 2.25 per jar
How many jars must be sold to pay for your monthly Fixed Expenses?	(=)	334 jars

(Fixed Expenses divided by the Contribution Margin equals the number of jars it will take to "break-even.")

What happens to the "break-even" number of jars if you decide to lower the price to $7.00?

Variable expenses stay the same EXCEPT the Marketing Coop Fee, which, since it is a percentage, is reduced to 1.05 per jar. This reduces the Total Variable Expense to $5.60, and decreases the contribution margin to $1.40, since the selling price is a dollar less per jar. This new contribution margin divided into the $750 fixed expenses means 536 jars to break even. (in comparison to the 334 jars at $8 a jar).