

Session 1

Business Planning For A Lavender Business

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Benefits of a Business Plan

1. A Business Plan helps you grow by at least 30% and grow faster.
2. Vital to secure funding such as bank loans or helps sell your business to potential buyers by showing them your business plan.
3. Test the feasibility of your business idea to see if it is feasible or not.
4. Develop contingency plans for business.
5. Estimate startup costs to wisely allocate funds.
6. Helps you move strategically to **work out the goals you want to achieve and their strategies to achieve.**
7. A business plan can highlight new opportunities.
8. Set your goals and forecast your business's progress.
9. Helps to make decisions on major purchases.
10. Helps you measure business growth.
11. Establish business milestones and develop a game plan.

Section I

Business Plan Worksheet

Your business may be just getting started or perhaps it is time to break out and revise the old plan. Creating a business plan is one of the most important steps you will take because the plan serves as your road map for the early years of your business. The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

The business plan generally projects increments of 6 months to 5 years ahead and outlines the route a company intends to take to reach its yearly milestones, including revenue projections. A well thought out plan also helps you to step-back and think objectively about the key elements of your business venture and informs your decision-making on a regular basis.

Cover Page

Company Name: _____

Name of Owner(s): _____

Address: _____

I. Executive Summary Section

An executive summary is an introduction to your business. It will provide a high-level review of your business that will help readers and potential investors understand your business model. This section should be clear, concise and to the point. It is recommend that you revisit this section to review your work after completing the other sections of the business plan to assure consistency and maintain accuracy.

I.1 What products or services will your business provide?

I.2 Who are your target customers? (Consumers, business to business wholesale customers, through sales channels such as Amazon, Etsy, EBay.)

I.3 What sales method will you use? (Online, farm events, off-site events, etc.)

II. Company Description Section

II.1 What is your mission statement? Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles.

II.2 What is the legal structure of your company? Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

II.3 Who are the principal members of your company and what are their roles? List the background, experience, skills, and strengths these key players bring to this new venture.

II.4 Describe your most important strengths and core competencies. What factors will make the company succeed?

II.5 List Your Company Goals and Objectives. Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement.

III. Market Research Section

Provide detailed information to show that you have a solid understanding of the industry within which your business will operate. If you have any further questions it may be useful talking to a mentor who could offer you specific guidance.

III.1 Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

III. Market Research Section, Continued

III.2 What regulations apply to your company and any legal requirements impacting your company and industry?

III.3 Who are your target customers? Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

Note: The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell. You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile.

For Consumers: <ul style="list-style-type: none">• Age• Gender• Location• Income level• Social class and occupation• Education• Other (specific to your industry)	For business customers, the demographic factors might be: <ul style="list-style-type: none">• Industry (or portion of an industry)• Location• Size of firm• Quality, technology & price preferences• Other (specific to your industry)
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III.4 Who are your competitors? What products and companies will compete with you? List your major competitors:

III.5 What do you think your major competitive strengths will be?

III.6 What advantages do you think you have over your competition? What could be your niche?

III. Market Research Section, Continued

III.7 Complete the following Competitive Analysis Worksheet for a detailed analysis.

Use the Competitive Analysis table to compare your company with your two most important competitors. In the first column are key competitive factors.

In the column labeled **Me**, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you.

This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important

Factor	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

IV. Product/Service Line Section

IV.1 What products or services will your company provide?

Describe in detail what your product or service is and how it will meet the needs of your customers. Explain the benefits of your product or service, the advantages it has over the competition, and its current development stage (e.g., idea, prototype).

IV.2 What will be the pricing and fee structure of your products or services?

IV.3 What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

V. Marketing and Sales Section

V.1 Describe how your company will focus on its customers through its marketing and sales strategies.

V.1 What is your plan to grow your company?

V.2 What is the growth potential and opportunity for a business of your size? Trends in target market, growth trends, trends in consumer preferences, and trends in product development.

V.3 What barriers do you face in entering this market with your new company? Some typical barriers are: high capital costs, high production costs, high marketing costs, consumer acceptance and brand recognition, training and skills, shipping costs

V.3.1 How will you overcome the barriers?

V.3.2 How could the following affect your company?

- Change in technology
- Change in government regulations
- Change in the economy
- Change in your industry

V.4 How will you communicate with your customers?

V.5 How will you sell your products or services?

VI. Financial Information (Financial Projections) Section

This section describes six recommended spreadsheets to include in your business plan. You can find spreadsheets similar to these on the Internet. These financial spreadsheets are in the "Financial Worksheet" Section

Let's start by explaining what the financial section of a business plan is not. Realize that the financial section is not the same as accounting. Many people get confused about this because the financial projections that you include: profit and loss, balance sheet, and cash flow look similar to accounting statements a business generates. But accounting looks back in time, starting today and taking a historical view. Business planning or forecasting is a forward-looking view, starting today and going into the future. If you do not have any financial information prepared, research industry statistics to estimate what the profits and costs will be for your company.

The important reason to compile this financial forecast is for your own benefit, so you understand how you project your business will do. This is an ongoing, living document. It should be a guide to running your business. If there is a rule of thumb when filling in the numbers in the financial section of your business plan, it's this: Be realistic. The way you come up with a credible financial section for your business plan is to demonstrate that it's realistic.

1. Sales Forecast

Set up a spreadsheet projecting your sales over the course of 12 months in the beginning and then over three years.

2. Start-up Expense Projections

You're going to need to understand how much it's going to cost you to actually make the sales you have forecasted. Differentiate between fixed costs (i.e., rent and payroll) and variable costs (i.e., most advertising and promotional expenses), because it's a good thing for a business to know. Lower fixed costs mean less risk, which might be theoretical in business schools but are very concrete when you have rent and payroll checks to sign. This is a forecast, not accounting, and you're going to have to estimate things like interest and taxes.

3. Profit and Loss Projection/Income Projections

This is your pro forma profit and loss statement, detailing forecasts for your business over the course of 12 months in the beginning and then over three years. Use the numbers that you put in your sales forecast, expense projections, and cash flow statement. Sales, less cost of sales is gross margin. Gross margin, less expenses, interest, and taxes, is net profit.

4. Cash Flow Projection

Displays the operating, investing, and financing activities of your company by detailing the money coming in to and going out of your business. You base this partly on your sales forecasts, balance sheet items, and other assumptions. If you are starting a new business and do not have these historical financial statements, you start by projecting a cash-flow statement broken down into 12 months.

5. Projected Balance Sheet

A projected balance sheet indicates the future financial health of your business. Using your profit and loss and cash flow spreadsheets, you can project what your balance sheet will look at the end of your first year. You have to deal with assets and liabilities that aren't in the profits and loss statement and project the net worth of your business at the end of the fiscal year.

6. Breakeven Analysis

A breakeven analysis indicates when your business will be able to cover all of its expenses and begin making a profit. The breakeven point is when your business's expenses match your sales volume.

**Bio - Christine Teeple
Red Rock Lavender**

Christine Teeple has been running the marketing, event planning, product development, production and business management side of Red Rock Lavender located in Concho, Arizona since 1998. Christine is a Founding Member and former Board Member of the USLGA.

Those of us in the business have a passion for growing lavender but we also need the crop to repay our efforts. We have succeeded in creating our field of dreams but they are just dreams if we don't have a viable business plan to monetize our investment and hard work.

Creating your business plan is one of the most important steps you will take because the plan serves as your road map for the early years of your business and helps you grow by at least 30% and grow faster.

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