GETTING STARTED!

Your Business Idea in 4 Nutshells

Dan Shaffer, Business Counselor, CAC-SBDC. (480) 777-0916

Your answers to these four questions describe what your business all about.

What will I do?

____

____

____

____

Where will I do business?

____

____

____

____

Who will my ideal customers be?

____

____

____

____

What will make my business special compared to my competitors?

____

____

____

____

At this point, you've got an interesting business concept, but is it feasible? How can you determine if it is worth investing your time and money? Would you be better off working for someone else and avoiding the expense and risk? Please move on to the next page.

The Nitty Gritty in 4 More Nutshells

Who will be my "Dream Team" of employees?

____

____

____

____

How will I get to my target customers and what will I charge (my Marketing Plan and Strategy)?

Pricing Strategy (e.g., "high end", "low end"?): ______________________

____

Selling Place (wholesale, retail, home, mobile, on-line, etc.): ______________

____

Product Line/Services Offered: ______________________________

____

Promotion/Advertising: ____________________________________

____

How do I know there is a revenue potential here (market opportunity)?

____

____

____

____

What will my start-up costs, overhead costs, and cost of sales be?

____

____

____

____

____

Now, lets run some estimated numbers and see if this business still looks good.

Does It Cut the Mustard?

Four things ultimately determine the economic feasibility of your business:

Overhead costs: the monthly expenses that you need to pay just to stay in business (rent, salaries, utilities, loan payments, insurance, etc.).

Contribution Margins: How much is left over from sales of your products or services after deducting all of your direct costs in creating or providing those products or service. (Sales price – direct cost = Contribution margin).

Sales Volume: What are realistic and achievable sales volumes, given your market area, demand for your products and services, and your competition?

Break-Even Point: This is the level of monthly sales that is needed to cover all of your overhead costs plus all of your direct costs of sales. Note that at this break-even point, you are not making a profit and not recovering your investment. You are just at a point where, on a monthly basis, you are not losing money. But now things are looking up!

Once you get to the break-even point, all of your overhead costs are covered, so 100 percent of your contribution margin on sales after that point are profit.

To estimate your break-even point and see if it is achievable, estimate what your typical or average sale per customer would be in dollars. (for example, $35.00 for the average restaurant check). Assuming your direct costs were $15.00, that would give you a contribution margin per average check of $20.00. Assuming your overhead costs come to $10,000 per month, that means you would need 500 average customer checks paid per month to break even ($10,000 divided by $20.00 contribution margin). To get your breakeven sales revenue, multiply the number of average checks by the average total per check ($35.00) which comes to $17,500 per month is sales. After that point, you start making a profit.