



The
**Self-Employment
Workshop**



LDS EMPLOYMENT
RESOURCE SERVICES

EMPLOYMENT • EDUCATION • SELF-EMPLOYMENT

The
**Self-Employment
Workshop**

PARTICIPANT HANDBOOK

Published by
LDS Employment Resource Services
Salt Lake City, Utah

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Welcome to the Self-Employment Workshop!

The objectives of *The Self-Employment Workshop* are to help you :

1. Formalize a business idea and turn it into a successful business; or
2. Enhance an existing business through the development of a business plan.

Building a business could be likened to constructing a building or a house. Any building requires a solid foundation with four well-placed cornerstones.

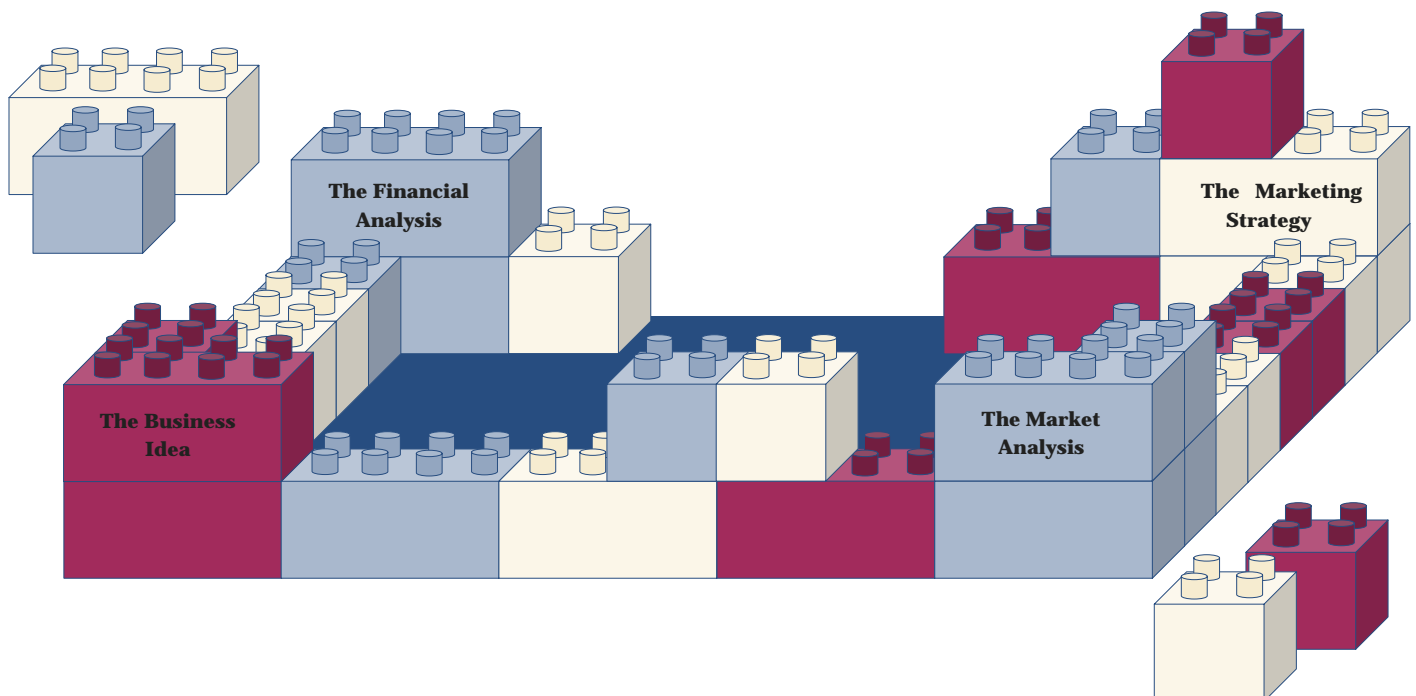
Similarly, *The Self-Employment Workshop* helps you lay your business's foundation by developing a business plan. Your plan, like this workshop, will be divided into four major sections or **cornerstones**:

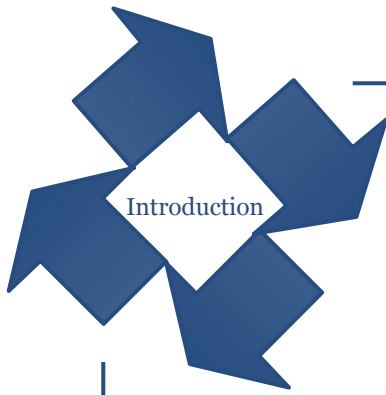
- *Cornerstone #1: The Business Idea*
- *Cornerstone #2: The Market Analysis*
- *Cornerstone #3: The Marketing Strategy*
- *Cornerstone #4: The Financial Analysis*

You will construct each cornerstone, as shown in the diagram below, by adding key elements to the basic structure. Those key elements have been identified in the *Table of Contents*.

To understand each cornerstone, the workshop will focus on three primary activities:

1. **Case Study:** You will read and discuss the business plan of an existing business as a class.
2. **Mock Business:** You will develop a business plan for a mock business, selling lemonade, in small groups.
3. **Personal Business Plan:** You will write the business plan for your own personal business.





Introduction

Introduction

“But verily, thus saith the Lord, let not your flight be in haste, but let all things be prepared before you..”

Doctrine & Covenants 133:15

I. The Value of a Plan — *The Village Water Story*

Successful businesses generally follow specific processes. Having a plan is the first key. The following story illustrates how planning can help you:

1. Get ahead of your competition; and,
2. Establish a viable business.

Once upon a time, there was a little village. It was a great place to live, except for one problem. The village had no water unless it rained. The village elders decided to pay people to deliver water to the village on a daily basis. It was felt that competition would keep prices low and ensure enough water. Oscar and David were both awarded contracts.

Oscar immediately bought two buckets and began making money hauling water along the mile-long trail from the lake to the village and emptying it into a large concrete holding tank he had built. Each morning he arose before anyone else and ran back and forth to the lake enough times to supply water for the entire village before they awoke. It was hard work, but he was very happy to be making money and to have one of the two exclusive contracts.

The second winning contractor, David, disappeared for several weeks. During that time, he talked to other villagers. He asked what they wanted their water to be like, how much water they needed, and when it was most needed. He also asked how much they would pay for available clean water. He then visited other villages to learn how they got clean water. David's disappearance made Oscar quite happy — he had no competition and was making all the money!

When David reappeared, he didn't buy two buckets to compete with Oscar. Instead, he wrote a business plan. He then began building a large-volume, stainless steel pipeline that connected the village to the lake. He also found some investors and hired a construction crew.

Because David had conducted research, he knew that the villagers had complained about 1) dirt in Oscar's water, 2) the availability of the water, and 3) its cost. At the grand opening of his pipeline, David confidently announced that his water was cleaner than Oscar's, that he could supply the village with water 24 hours a day 7 days a week (Oscar could only deliver water on weekdays), and that he would charge 75% less than Oscar for his higher quality and more reliable source of water. The villagers cheered and immediately ran for the faucet at the end of David's pipeline.

In order to compete with the cost and cleanliness of David's pipeline, Oscar immediately lowered his rates by 75% and

added covers to his buckets. He purchased two more buckets and began hauling four buckets each trip and hired his two sons to work nights and weekends.

Since David's pipeline did most of the work, he had no employee problems. Instead, he had time to think about expanding his business. He quickly realized that if his village needed water, other villages might need water as well. He conducted further research in nearby villages and amended his business plan. He went off to sell a high-speed, high-volume, low-cost, clean water delivery systems to villages throughout the region. David paid back his creditors and provided water to the villages.

Questions to Consider

- What were the major differences between Oscar's and David's businesses?
- What does this story teach about the value of creating a business plan?
- Who did David identify as important contacts?
- How did David interact with his contacts?
- Have you considered these factors as you have thought about your business? If so, which ones?

II. Talents and Skills

The Lord has counseled: *“there are many gifts, and to every man is given a gift by the Spirit of God. To some is given one, and to some is given another, that all may be profited thereby”* (Doctrine and Covenants 46:11-12).

Many small business owners are successful even though they may not have all the skills they desire. They have learned to leverage their strengths.

1. Ask yourself: *“What strengths do I have now and how can I leverage those strengths?”*
2. To answer, think of past employment or volunteer opportunities. Then, think of specific accomplishments of which you are most proud.

3. Write each accomplishment in the boxes below.
4. Once you have identified your past employment opportunities and/or accomplishments, check up to 10 talents, skills, or character traits required for you to have been successful.

As you do follow these steps, you may find that you have skills you didn’t realize you had. Until you list out your abilities it is easy to underestimate the amount of skills you possess.

Accomplishment	Accomplishment	Accomplishment

Possible Skills or Traits

- | | | | |
|--|---|--|---|
| <input type="checkbox"/> Ability to Work with Others | <input type="checkbox"/> Fairness | <input type="checkbox"/> Nurturing | <input type="checkbox"/> Teaching Ability |
| <input type="checkbox"/> Adaptability | <input type="checkbox"/> Faith | <input type="checkbox"/> Organization | <input type="checkbox"/> Thoughtfulness |
| <input type="checkbox"/> Analytical Ability | <input type="checkbox"/> Fearlessness | <input type="checkbox"/> Patience | <input type="checkbox"/> Thrift |
| <input type="checkbox"/> Artistic Talent | <input type="checkbox"/> Flexibility | <input type="checkbox"/> Persistence | <input type="checkbox"/> Tolerance |
| <input type="checkbox"/> Business Sense | <input type="checkbox"/> Forgiving Nature | <input type="checkbox"/> Personal Drive | <input type="checkbox"/> Trustworthiness |
| <input type="checkbox"/> Caring Nature | <input type="checkbox"/> Friendliness | <input type="checkbox"/> Persuasion | <input type="checkbox"/> Understanding |
| <input type="checkbox"/> Cheerful Attitude | <input type="checkbox"/> Generosity | <input type="checkbox"/> Positive Attitude | <input type="checkbox"/> Vision |
| <input type="checkbox"/> Collaboration | <input type="checkbox"/> Global Expertise | <input type="checkbox"/> Problem-Solving | <input type="checkbox"/> Willingness |
| <input type="checkbox"/> Confidence | <input type="checkbox"/> Good Character | <input type="checkbox"/> Quick Learner | <input type="checkbox"/> Work Ethic |
| <input type="checkbox"/> Courage | <input type="checkbox"/> Good Judgment | <input type="checkbox"/> Relationship-Building | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Creativity | <input type="checkbox"/> Gratitude | <input type="checkbox"/> Resourcefulness | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Decisiveness | <input type="checkbox"/> Honesty | <input type="checkbox"/> Respectfulness | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Dedication | <input type="checkbox"/> Industriousness | <input type="checkbox"/> Responsibility | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Dependability | <input type="checkbox"/> Intelligence | <input type="checkbox"/> Sense of Adventure | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Determination | <input type="checkbox"/> Intuition | <input type="checkbox"/> Sense of Humor | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Endurance | <input type="checkbox"/> Knowledge | <input type="checkbox"/> Service to Others | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Enthusiasm | <input type="checkbox"/> Leadership | <input type="checkbox"/> Social Interaction | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Experience | <input type="checkbox"/> Motivation | <input type="checkbox"/> Spirituality | <input type="checkbox"/> Other _____ |
| | <input type="checkbox"/> Negotiation | <input type="checkbox"/> Teachable | <input type="checkbox"/> Other _____ |

III. Laying A Business Foundation

Now that you have identified some personal skills, let's look at your business foundation. Are you an Entrepreneur, a Manager, or a Technician? Most small business owners may need to fill multiple roles. Many people are not skilled entrepreneurs when they first start a business – they are technicians. That is, they know how to do something but are generally not trained in managing a business or in understanding all dimensions of self-employment. You will need more than a skill or trade to become successful at starting and maintaining your small business.

Entrepreneurs

People with entrepreneurial skills are leaders with a vision of what they can do to add value to their potential customers' lives and make customers want to purchase their products or services. They work in the *future* and see opportunities before they materialize. Examples of entrepreneurial skills:

- You are able to see the big picture (have vision).
- You are highly self-motivated.
- You think often of ways to improve things
- You get energized talking to people about your ideas.

Entrepreneurs I Know:

Name Why are they an Entrepreneur?

Managers

People with managerial skills are generally good at creating order and managing resources, time, information, and priorities. They are also generally skilled in tracking income and expenses and making decisions based on that information. In this way, they study the *past* to manage their present and future business activities. Examples of managerial skills:

- You organize chaos into order.
- You have good time-management and planning skills.
- You like to know where every penny has gone.
- You have good decision-making skills.

Managers I Know:

Name Why are they a Manager?

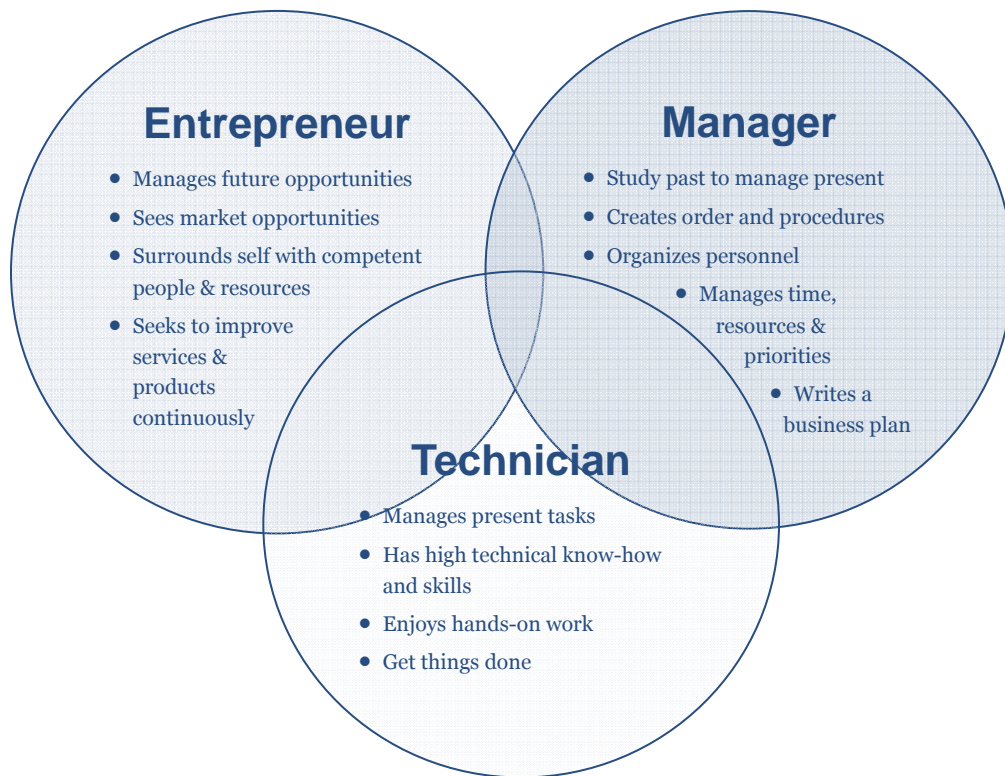
Technicians

Technical skills are abilities or expertise in a particular area that people can use to produce products or services that others will buy from them. People with technical skills work in the *present* and use and refine their skills and areas of expertise regularly. Examples of technical skills:

- You know how to cut hair.
- You bake delicious pies and pastries.
- You are good at talking with people.
- You have successfully raised chickens.
- You know how to network computers together.
- You can repair cars and other motorized vehicles.
- You grow excellent vegetables.

Examples of Technicians I Know

Name Why are they a Technician?



Questions to Consider

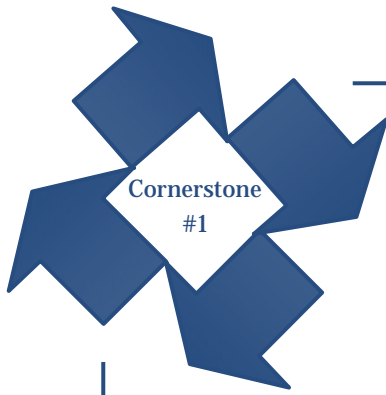
Review the following diagram and describe how it applies to you and your business.

- Would a person need all three characteristics in order to be successful?

- Refer back to the *Skills List* you created on page 3. To gain a clearer picture of your personal business foundation write an E, M, or T next to each skill you previously checked.
- Which of the three best reflects you? Why?
 - Entrepreneur _____
 - Manager _____
 - Technician _____
- How will you develop or compensate for the skills that are weak or that you don't possess?

- Who can help you develop the skills you don't currently have?

- What questions could you ask successful businesses like yours in order to determine the skills you should further develop?



My Business Idea

“To every thing there is a season, and a time to every purpose under the heaven.”

Ecclesiastes 3:1

I. Business Plan Review — *The Business Idea*

During this section of the workshop, focus will be placed on how a business plan is started. You will refine your goals and business ideas to:

1. Create a Business Summary
2. Identify your Keys to Success
3. Outline your Management Summary

A successful business plan tells your story in a way others will understand and support. Any profitable business venture requires disciplined work *and* disciplined thinking. Remember the *Village Water Story*? Don't be fooled into thinking that there is not enough time to plan...those who fail to plan, plan to fail.

Your business plan should:

1. Direct your decisions and help you stay on track with established strategies.
2. Reduce risk by outlining your research findings (discussed in greater detail on page 15).

Questions to Consider

As a class, review the Business Idea of an existing business (see case study) and discuss the following questions:

- As you read the *Business Summary*, what specific things do you remember about the business?

- Do you think the business will be successful? Why or why not?

- What other ideas or *Keys to Success* can you come up with to help the business?

- Success in today's market requires a business to set itself apart from the competition. How did this business set itself apart?

- Powerful first impressions are key to any successful business. What did this business plan say about the owner and those assisting the business?

- Were you left with a powerful impression? Why or why not?

- The owner recruited other people to help. These recruits are known as mentors. Why would it be important to have mentors?

II. Practicing Business Plan Basics

1. As a team, complete the preliminary work of a business plan for a mock business—a **Lemonade Stand**.
2. This team should also help you develop your business plan.

Members of My Team

Name

Contact Information

Name	Contact Information

1.1 Mock Business Summary

Every time you interact with people (either by phone, in person, or in writing) you must present yourself in a memorable and professional way. Be clear, confident and to the point.

My Business in 30-Seconds statements are the perfect tool. They help you develop a concise message to impress potential customers, partners, and others who might be able to help you. Place this concise message up front in your *Business Summary*.

Each statement typically has four parts:

1. Simple description of the business and the need for its offering.
2. Clear concise description of the product or service in layman's terms.
3. Description of target audience and why they need the product or service.
4. Emotional hook: how and why the business will succeed; the product or service's competitive advantage; or how the product or service is better than what is currently on the market.

A strong closing should compel the listener to:

- Ask questions
- Visit the business
- Purchase product/service

Review the following business summary:

proCUTS® is dedicated to providing a quality, cost-effective and consistent haircutting experience where residents of Queensland, South Africa can “let their hair down” in a professional yet relaxing establishment without the worries of high prices or incompetent service.

In your team, discuss the elements of the sample business summary. Next, discuss ways to improve the summary. Finally, turn to page 10 and write a *Business Summary* for your lemonade stand.

1.2 Mock Business Keys to Success

Successful businesses must also be able to define what they do, distinguish themselves from the competition, and describe their ultimate value for the customer. **Value Statements** can help. The following questions will guide you in developing *Value Statements*:

Questions to Consider

- What customer need are you addressing with your product or service?
- Why would a customer want your product or service?
- What are the benefits that your product or service can provide the customer?
- Why would they buy that product or service from you?
- How do you plan to be different from the competition?

Value Statements have three parts:

1. **Product or Service:** A brief statement that identifies the product or service and how it addresses a customer need or want.
2. **Feature:** A description of the feature(s) that distinguish the product or service from others: what sets the business apart or what customer needs will be satisfied.
3. **Value:** A description of the value to the customer. Value must be based on customer need.

Review the following Keys to Success:

- The **proCUTS**® residential location will provide quick and cost-effective haircuts within walking distance of the majority of the residents living within the north east section of the city.
- A residential location requires minimal operating costs. Operational savings will be passed to customers through competitive prices.

In your team, discuss the elements of the sample Keys to Success. Next, discuss ways to improve them. Finally, turn to page 10 and write at least 5 *Keys to Success* for your lemonade stand.

1.3 Mock Business Management & Staff Summary

An effective **Power Statement** will draw attention to your personal strengths and those of your management team. They highlight key accomplishments with specific results. They are statements of fact.

Use the following steps when developing **Power Statements**:

1. Identify a value, skill, strength, or accomplishment you want to highlight. Refer to the *Skills List* you completed during the *Introduction* (page 3).
2. Give a specific, brief example of that skill.
3. Show the results of your actions (if possible, use percentages, dollar amounts, or numbers to reinforce your claim).
4. Make sure your statement can be applied to the needs or goals of your customer.

Use the following pattern to develop your own **Power Statements**:

- I am creative. For example, I developed a sales strategy that directly increased customer base by 20%.
- I am results-oriented. For example, I entered 5 new markets increasing market share.

In your team, discuss the elements of the sample Management & Staff Summary. Next, discuss ways to improve them. Finally, turn to page 10 and write at least 5 *Power Statements* for your lemonade stand's management & staff.

In Review

As you present your **My Business in 30-Seconds** statement to potential customers or investors, they will naturally have questions.

- Answer questions about the *business* using **Value Statements**.
- Questions about *you* are answered using **Power Statements**.

My Plan—Applying What I've Learned

Congratulations! You have now finished the first section of your mock business plan. Your group will be given an opportunity to present your mock business idea. As you hear and discuss other plans, take notes that will help you as you prepare your own business idea.

Now, turn to page 11 and write a *Business Summary*, *Keys for Success* and a *Management & Staff Summary* for your own personal business.

Business Name _____

Lemonade Stand Business Idea

1.1 Business Summary

1.2 Keys to Success

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

1.3 Management & Staff Summary

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Business Name _____

My Business Idea

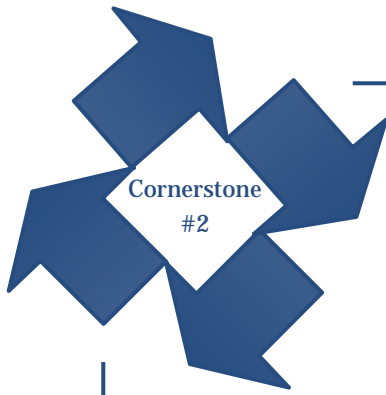
1.1 Business Summary

1.2 Keys to Success

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

1.3 Management & Staff Summary

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____



My Market Analysis

“If ye are prepared, ye shall not fear.”

Doctrine and Covenants 38: 30

I. Business Plan Review — *The Market Analysis*

During this section of the workshop, focus will be placed on developing a business strategy by understanding:

1. Current Market Conditions
2. Your Industry's Background
3. Your Customer Base
4. Your Competition

Market research is the foundation of a winning business strategy. As a business develops its strategy, it will:

- Distinguish itself from the competition
- Attract more customers
- Identify suppliers

- Sell more of its product or service

Remember David's approach. Unlike Oscar, who immediately purchased a couple of buckets, David first identified customer needs and wants. As a result of an initial investment on research, his business had great results. Yours will too.

Questions to Consider

As a class, review the Market Analysis section of an existing business (see case study) and discuss the following questions:

- As you read the *Market Summary*, what impressions did you have about the potential market?

- Do you think the business will be successful? Why or why not?

- Based on the *Industry Background*, is there a potential for the business?

- Can you see any potential pitfalls?

- Has the business identified the right customers? Why do you think they will (will not) be interested?

- Why does the business need to know what the competition is doing? How will this information affect the business?

- Does the business set itself apart from the competition? How?

Identifying Resources

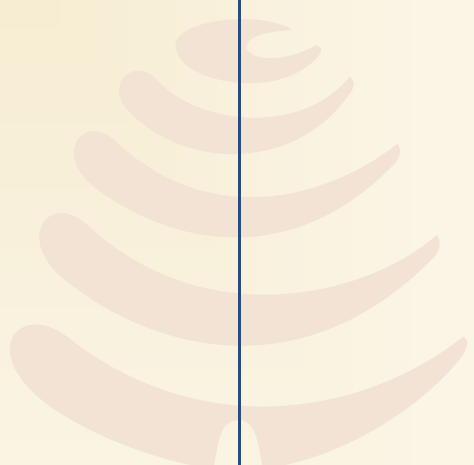
After being awarded his *Village Water* contract, what did David do first? He identified available resources. Resources are people, organizations, or programs that:

- Help businesses directly improve their business idea;
- Lead them to mentors who can help improve their business idea; or,
- Lead them to information that can help them improve their business idea.

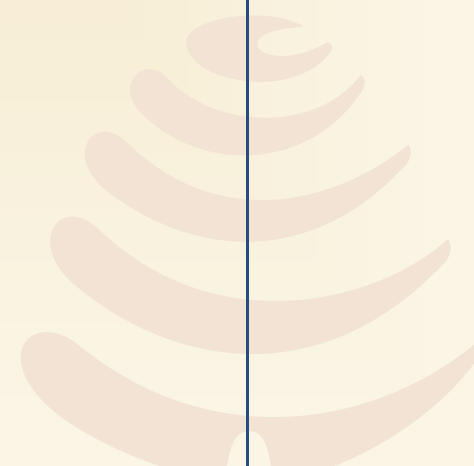
Resources can be labeled as either a personal, professional or community contacts. Most mentors are willing to help; they just need to be asked.

Take a minute to fill out the following Resource Lists and begin identifying your network. Be sure to include contact information. As you create your list, don't be exclusive. If you need additional help finding or contacting resources, ask people in the workshop. *The Career Workshop*, available through LDS Employment Resource Services, also provides tools that might help.

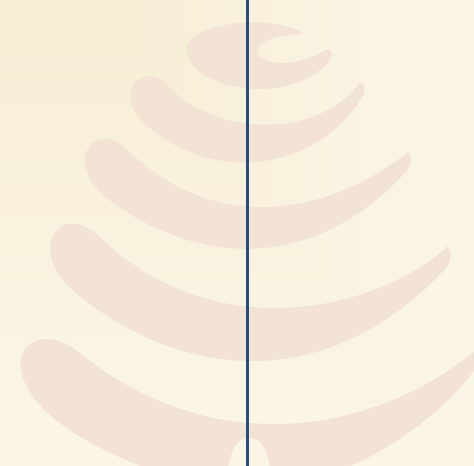
My Personal Network

Name	Contact Information
	

My Professional Network

Name	Contact Information
	

My Community Network

Name	Contact Information
	

II. Practicing Market Analysis Basics

In your team, continue your mock business plan by conducting market research for your **Lemonade Stand**.

1. Identify ways to gather the information needed.
2. Conduct the necessary research.

Remember, this team should also assist you in conducting the market research for your own business.

2.1 Mock Business Market Summary

As a group, discuss what you will do in order to identify the nature of the local business market. Next, meet together and develop your lemonade stand's Market Summary. Write the summary in the space provided on page 16.

2.2 Mock Business Industry Background

Develop a plan to determine the state of the lemonade stand industry in the local market. Consider contacting local chambers, online resources, universities, competitors or others who could help you capture needed data.

Develop a list of questions that could be used to help collect all of the needed data. The following list will help you get started:

- Who are your customers and potential customers?
- Where do they live or work?
- Are your prices consistent with what buyers view as the product's value?
- Are you offering the kinds of goods or services they want?
- What are the steps needed to ensure success?

Finally, record your group's industry findings in the space provided on page 16.

2.3 Mock Business Customer Profile

Is your group aware of who your potential customers are, what they are willing to buy and how much they are willing to pay? Do not assume that you have customers...find out by randomly approaching people in the most logical place for your business concept. Describe your business by using a **My business in 30-Seconds** statement and **Value Statements**. Tell them the likely cost of your product or service and ask whether or not they would buy it from you. Make sure you ask those surveyed what they look for in your

particular product or service. This will help you design an even better product or service. Like David's experience in the *Village Water Story* this research will help your group:

- Understand customer expectations
- Spot current and upcoming problems in the market
- Identify sales opportunities
- Develop effective action plans

As a team, write questions you will use in your customer survey. Refer to the questions already developed in section 2.2. Now, determine who to contact and conduct the customer survey. Record your findings by providing a brief Customer Profile on page 16.

2.4 Mock Business Competitor Profile

Identify a minimum of three competitors to research and interview. Referring to the questions already developed in section previous sections, create a list of questions. Find out: what they are selling, where they sell, how much they charge, and what makes them unique.

As a group, determine how you will differentiate your lemonade stand from the competition so people will buy from you. Record your findings by providing a brief Competitor Profile on page 16.

My Plan—Applying What I've Learned

Congratulations! You have now finished the second section of lemonade stand's business plan. Your group will be given an opportunity to present its market analysis. As you hear and discuss other findings, take notes that will help you as you conduct your own personal market research.

After conducting your research, turn to page 17 and write the *Market Summary*, *Industry Background*, *Customer Profile* and *Competitor Profile* for your own personal business.

Lemonade Stand Market Analysis

2.1 Market Summary

2.2 Industry Background

2.3 Customer Profile

2.4 Competitor Profile

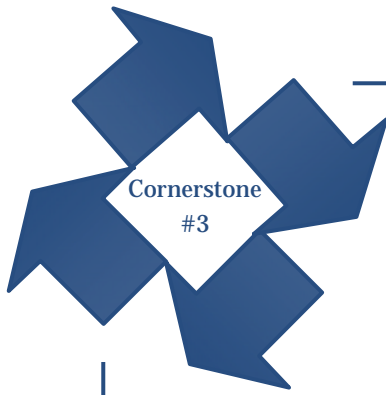
My Market Analysis

2.1 Market Summary

2.2 Industry Background

2.3 Customer Profile

2.4 Competitor Profile



My Marketing Strategy

“For a dream cometh through the multitude of business; and a fool’s voice is known by multitude of words.”

Ecclesiastes 5:3

I. Business Plan Review — *The Marketing Strategy*

This section of the workshop will help you identify, develop and refine your marketing strategy (the four P's):

1. Product
2. Price
3. Place of Business
4. Promotion

To better understand what is meant by a *Marketing Strategy*, picture a cake mix. All cakes contain eggs, milk, flour, and sugar. However, you can alter the final cake by altering the amounts of mix elements it contains—for a sweeter cake, add more sugar!

It's the same with your marketing strategy or mix. Alter your strategy by varying the elements. For a high profile brand, increase the focus on promotion and desensitize the weight given to price.

Questions to Consider

As a class, review the Marketing Strategy section of an existing business (see case study) and discuss the following questions:

- As you read the description, what did you learn about the business's product or service?

- What are the benefits to the customer?

- What impressions do you have regarding how the business gets its supplies? Has anything been forgotten?

- Review the business's price list and refer back to the Market Analysis. How do you feel about the profit margins?

- Has the business identified the proper location? Are there potential drawbacks?

- What is the overall promotional strategy? Does the business create a unique presentation of the product or service?

- What other ideas do you have for the business?

II. Practicing Marketing Mix Basics

In your teams, continue your business plan by identifying an appropriate marketing strategy for your **Lemonade Stand**. As you develop ideas, remember to take notes on those that will help your personal business. Your team will also be a great resource to you as you develop your own personal marketing strategy.

As a class, read and discuss the marketing strategy of the following business.

Case Study #1: *Doctor Billz*

Doctor Billz, Inc. is a company specializing in billing services. As our name suggests, we cater to physicians; however, the products we offer are better suited to auto shops. Our pricing is geared to very large companies. We advertise and promote our services primarily through magazines subscribed to by senior citizens.

Each of the following stories will help introduce a specific marketing concept helpful in developing your lemonade stand's (and your own personal business's) marketing strategy.

3.1 Mock Business Product or Service

Case Study #2: *Sweaters, Inc.*

I have a wonderful product that I have developed over the years. I knit beautiful sweaters using local wool that is very warm. Everyone remarks on their beauty and high quality, but no one seems to want to buy them. I have decided that my color scheme does not have the impact it should so I have come up with different schemes and will come out with a new product line next month (October) when the cold season hits. It is rumored that this will be the coldest winter in years; it should get down to 24 degrees Celsius (72 degrees Fahrenheit)!

Poorly thought out assumptions can ruin any business. In your group, answer the following questions as you develop your product description:

- What customer need or expectation will your product or service satisfy?
- Why do you think people will buy from you and not somebody else selling a similar product or service?

Write your product description in the space provided on page 23.

3.1.1 Mock Business Sourcing

Sourcing is how a business gets the raw materials and products needed to deliver its finished product to its customers. Sourcing is critical as it helps determine quality, variety, timeliness of delivery, and price.

For example, a restaurant could buy needed ice from any of these three sources:

- One delivers, but a close look reveals ice that is not clean.
- Another sells large quality quantities at a discounted rate, but is more than is needed.
- The last supplier also sells quality ice in smaller quantities, but it costs much more than the others.

As a group, discuss who you would buy from and why.

Questions to Consider

- What advantages do you see with the sample business's sourcing plan?
- Do you see any weaknesses?
- What is the advantage of having a variety of sourcing options for your business?
- How do you plan on having supplies sourced to your business?
- What could you do to improve your sourcing plan?

Now, create a plan for obtaining the needed supplies for your mock business. Remember to have a few different suppliers on hand in case one of them cannot deliver. Write your sourcing plan in the space provided on page 23.

3.2 Mock Business Pricing

Case Study #1: *Watermelons*

Two watermelon farmers decided to quit farming and go into the watermelon selling business. They began by purchasing watermelons from a nearby town and selling them on their own. They bought a small truck to transport the watermelons. They bought the watermelons at \$1.00 each, went back to their town and sold them for \$1.00. To their delight, they sold all of the watermelons they had purchased. They were very happy but they wondered where their profit was. They tried one more time . . . bought a truckload of watermelon for \$1.00 each and sold them again for \$1.00. Again they sold out, but still there was no profit. They thought about it again – really hard – and finally thought of a solution. They went and bought a bigger truck.

Price almost always factors into a customer's purchasing decision. It is directly related to the value customers place on products or services. Therefore, it is essential to price products or services carefully. The goal is to set products and services at a price that will sell, while still providing a reasonable profit.

Here are four reasons a business may not get the price it wants:

1. Fails to deliver a powerful marketing message. The perceived value of their product or service is lower than the asking price.
2. Attracts the wrong customer. When advertised prices are too low, the company will typically attract price shoppers rather than loyal customers.
3. Supply costs are too high and do not allow the business to compete effectively.
4. Fails to differentiate itself from other like-products. Customers usually prefer existing brands unless they see value in the unknown commodity.

Common Pricing Errors

- Assuming that you should have the lowest prices
- Trying to compete head-to-head on price with larger, more established businesses
- Basing prices on current, artificially low overhead costs vs. anticipating how expenses may rise over time
- Failing to include an allowance for warranty costs, future service, research and development costs, cost of capital (interest on loans), dealer discounts and sales commissions, labor costs, taxes, etc.
- Ignoring how customer demand will change at different price levels

- Not having a pricing markup

Questions to Consider

- Why is a lower price not necessarily the best approach?
- What can you do to ensure a higher price and profit?
- What is your pricing strategy (i.e. how will you determine your price)?
- Where could you gain additional help for your pricing strategy?

As a group, list how you will overcome pricing challenges for your lemonade stand. Next, create a pricing plan. Write your plan in the space provided on page 23.

3.3 Mock Business Place of Business

Case Study #4: *Bread Delivery*

My wife and I have had a small bakery for years and we truly enjoy talking with and seeing our customers when they come in to pick up their bread. Often, we will sit down with them and have something to drink while they eat some of their bread. We bake traditional breads that are of high quality and we have loyal customers. We learned that we could sell more if we considered delivering bread to other locations. We have purchased a bike to make the rounds in our town and it took seven hours to deliver to everyone. After about six weeks we began to see a decrease in our delivery orders. We are not sure why this happened but those same customers did not leave us but preferred buying at our storefront. We think that we may need another bike.

Place includes the location(s) where a business produces and sells its products or services. In today's economy, the Internet could be a business's location just as easily as a warehouse outside of town, a storefront downtown, or a section of sidewalk where goods can be displayed.

No matter the situation, consider location as a value to customers, vendors and suppliers. A business may believe it sells bread, for example. But in reality, it is selling shopping convenience. Convenience is what location may allow.

Questions to Consider

- What locations are you considering for your mock business?
- Why are they appealing to you?
- Which is most appealing to your customers? Why?
- Are there other options?

Questions to Consider

- How will you make your lemonade stand unique from the competition?
- How will you advertise?
- Why will customers purchase from you?
- How will your marketing ensure repeat business?
- Are there other options?

As a group, discuss the location options for your lemonade stand. Select the best option and provide a brief description on page 23.

In your groups, discuss ways you could present your lemonade stand in a more unique way. Remember, you do not always have to spend money. What will be your promotional strategy and who could you ask for help? Record your strategy in the space provided on page 23.

3.4 Mock Business Promotion Strategy

Case Study #5: *Scooter Mechanic*

I grew up in a small town in a rural part of the country. Having spent time around farm equipment I became pretty good at fixing small engines. I am now retired and live in a large city and decided to open a scooter repair shop so I could generate a bit more income. A sales person came to me and suggested I advertise my services in his monthly coupon mailer. He told me his mailer went all over the city and businesses got a pretty good response from it. I have now paid him for three months of mailers and have not seen or heard from one person responding to my coupons.

Promotion is the way that businesses advertise or present their products or services to attract new customers and to retain existing customers. Promotional efforts should be targeted to existing and potential customers while highlighting the aspects of the product or service that most appeals to them.

Promote products and services through signs and banners, flyers or advertisements, media channels, and other means. Presentation of products and services is also critical. Presentation involves anything related to the senses: the product's taste, smell, touch, quality, and visual appeal. Thus, how you display the product is important.

My Plan—Applying What I've Learned

Congratulations! You have now finished the third section of your lemonade stand's business plan. Your group will be given an opportunity to present your marketing strategy. As you hear and discuss other findings, take notes that will help you as you conduct your own marketing mix.

Turn to page 24 and write the Product, Pricing, Place and Promotion Descriptions for your own personal business.

Lemonade Stand Marketing Strategy

3.1 Product Description

3.1.1 Suppliers

3.2 Pricing

2.3 Place of Business

2.4 Promotion

My Marketing Mix

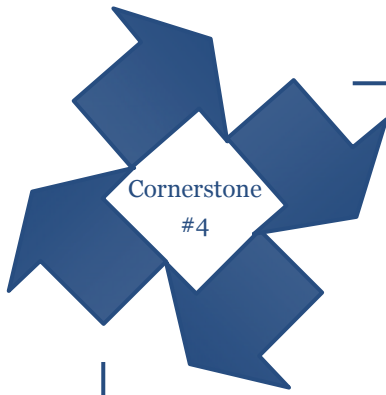
3.1 Product Description

3.1.1 Suppliers

3.2 Pricing

2.3 Place of Business

2.4 Promotion



My Financial Analysis

“But verily, thus saith the Lord, let not your flight be in haste, but let all things be prepared before you...”

Doctrine and Covenants 133: 15

I. Business Plan Review – *The Financial Analysis*

During this section of the workshop, focus will be placed on how much it will cost to start and sustain a business. You will identify your:

1. Start-Up Costs
2. Monthly Expenses
3. Financing Options
4. Sales Forecast

In order to run a successful business, you will need to pay careful attention to the “numbers” of the business and the “numbers” of your home. In other words, what income do you need in order to live and what should the business provide? You can accomplish this by:

- Knowing how much money you need in order to

provide for yourself and your family

- Recognizing what expenses your business will incur
- Understanding how much income you need in order to cover your expenses and still make a profit
- Identifying potential sources of funding to start or improve a business

Questions to Consider

As a class, review the Financial Analysis of an existing business (see case study) and discuss the following questions:

- Do this business’s expenses appear realistic? Why or why not?

- What other start-up expenses should have been considered?

- What other ongoing expenses should have been considered?

- What other financing options could have been considered?

- Does the sales forecast reflect prior market research? Why or why not?

- How do you think the business discovered its average unit sales?

- Now that you have seen this business’s entire plan, do you think the business will be successful? Why or why not?

II. Practicing Business Numbers Basics

In your teams, continue your mock business plan by identifying the costs and financing associated with your **Lemonade Stand**. This team can also help you determine the costs and financing options best for your particular business.

What are your personal monthly expenses? As a team, use the following table to create a personal budget for the fictitious owner of your lemonade stand. Try to be as accurate as possible. This budget will help determine how much money the business will need to generate. Feel free to add other categories as needed; everybody's budget categories are different based on location and lifestyle. For the sake of simplicity, you can guess and use whole numbers at this point.

Personal Budget Worksheet	Planned Expenses
Tithes and offerings	
Savings	
Food	
Mortgage or rent	
Utilities	
Transportation	
Debt Payments	
Insurance	
Medical	
Clothing	
School expenses	
Entertainment	
Other:	
Other:	
Other:	
Other:	
Total expenses	
Income less expenses	

* Budget for a specified period of time (such as weekly, biweekly, monthly) and review it regularly.

4.1 Mock Business Start-up Costs

All businesses require some capital to begin operations. As you meet with mentors and interview other successful business owners, ask them what costs you will need to consider in order to successfully launch your business. Consider, for example: equipment, furniture, business cards, letterhead, accounting and legal advice, licenses, fees, the number of months it will take to meet sales targets, loan servicing, advertising costs, etc.

To determine start-up costs, identify all the expenses you will incur during the start-up phase. Some of these expenses will be one-time costs, such as the fee for incorporating your business and the price of a sign for your building. Other business expenses will be ongoing monthly expenses, such as the cost of utilities, inventory, insurance, franchise fees, etc. These expenses will be discussed later.

Complete the table on page 30 by totaling the expected cost of each item or service listed, adding additional items or services your business will need, then subtracting owner contributions.

4.2 Mock Business Monthly Expenses

Knowing its monthly expenses will help a business understand what it must accomplish on a day-to-day basis to reach its profit goals. For a start-up budget, these figures also help the business understand how much capital it will need to launch the business. Many businesses fail because they lack adequate funding. A business might choose to plan for a few additional months worth of expenses in their start-up budget. If unused, the money could be used to pay back a loan sooner or to further expand the business. Businesses must use funds prudently and according to plan.

You should become familiar with the following concepts as they will help you improve your chances of success:

- Fixed and variable costs
- Break even point/analysis

- Price Margin
- Cash flow analysis

With your group, complete the monthly expense table on page 30 by totaling the expected monthly expenses listed and adding additional items or services your lemonade stand will need.

4.3 Mock Business Funding

Financing a business is very challenging. Many small businesses don't endure simply because they are not profitable. Obviously, they need to make at least as much money as they spend on a regular basis. Additionally, they need to make money beyond their expenses in order to make a profit – to have some money left over to save and to keep the business running and growing.

When starting, a business will need capital. Capital is the money invested in a business. Capital can be raised in multiple ways.

1. **Personal Savings:** the preferred method of obtaining capital.
2. **Friends and Family:** a second choice for most borrowers.
3. **Equity Financing:** Basically, investors contribute money to help finance the business. These investors are then granted an “interest” or ownership in the business.
4. **Debt Financing:** The business borrows money from a loaning entity. The loan, with interest, is paid back without granting the loaning entity ownership or interest in the business.

A major difference between equity and debt financing is the borrower's responsibility in case of loan default. Debt financing requires the borrower's personal guarantee. Equity financing does not require a personal guarantee.

There are many ways of acquiring capital. Some of the most common are outlined below. Regardless of your funding source, don't over invest yourself. Start small and grow your funding as your business grows. Don't invest more than you can afford to lose. Most businesses fail because they start too big and can't manage the cash flow.

Use your Own Assets

Finding outside money for a new business isn't always easy. Determine your current assets, and determine what you're able to put into your business. Consider the following:

- Take money out of your savings account
- Sell some of your personal investments
- Sell some assets

Borrow from Friends and Family

Borrow from friends and family with carefully set conditions so you don't damage your relationship. To help set conditions, a

lawyer can draw up a formal agreement including payment schedule, interest rate, and recourse the lender has if the loan is not paid. Be true to your commitment.

Borrow from Financial Institutions

Look for banks, micro credit institutions, credit unions and like institutions that specialize in lending to small businesses. Small business organizations often offer programs to help obtain loans. Sometimes they will even provide a loan guarantee to the bank.

Borrow from Micro Credit Organizations

Micro credit organizations can be a great source for funding a small business even though the interest associated with micro-credit institutions is rather high. The goal of most micro-credit institutions is to help you succeed in your business. Many successful businesses make their start with loans from micro-credit institutions.

These organizations are found in almost every community. Talk to friends before choosing a micro credit organization to find out what experiences they have had using them.

Borrow from Organizations that Specifically Lend to People In Your Situation

For example, for women, many organizations have been established to help start and finance a business. Talk with your local government authorities or small business organizations to find out about organizations and financing sources that are available to you.

Partners

Partners are a good way to get some capital or expertise. Be very careful though. You will need to set very clear expectations. Define the relationship so that all are aware of what each person is responsible for and what to expect in return.

For example, you may have a partner who has the capital you need and he may provide those funds for a percentage of the business. This may or may not be good for you. You will not know until you calculate the numbers and define if he wants to be involved in the day to day administration of the business and to what degree. As you can see this could be complex but many companies have had silent partners and it has worked well.

Investors

Investors are people who invest some of their capital in order to make more money. They will generally want to see a plan to make sure that their investment will be protected. With their interest in profit, you need to carefully investigate what level of ownership they want and how they want to be paid. As with partners, you need to take time making sure that both you and the investor feel comfortable with the conditions being set.

Remember, with partners as well as investors, all parties need to have a clear understanding of each others roles,

responsibilities and expectations. Leave as little as possible to chance. What you do not define may ruin your relationship and possibly your business.

In your group, discuss possible funding options for your lemonade stand. Once decided, write a brief funding description in the space provided on page 31.

4.4 Mock Business Sales Forecast

Simply stated, without sales a business cannot survive! Not only does it need sales, it must know the average dollar amount of each sale and the number of sales needed. With a budget created, businesses can begin to see what they will need to do to be most successful.

Take some time with your group to discuss the following sections as they relate to your lemonade stand. At this point, it will be guess-work. Later, as you conduct your own research and interviews, your information will become a foundation from which you will determine whether your initial estimates were correct. You will discover how to modify your initial plan and expectations based on the reality of the market.

Questions to Consider

- How much will it cost to produce your goods or services?
- How much of a monthly profit do you need in addition to what you pay yourself?

Now add these two together in order to determine your monthly expenses:

- What will be your average price of sale?
- What are your profit goals?
- How much product or service do you have to sell each week in order to meet your goals?

You will need to find the average unit cost and compare it with the average unit sale in order to determine your profit margin.

After discussing these questions as a group, fill in the table on page 31 to complete the business plan for your lemonade stand.

My Plan—Applying What I've Learned

Congratulations! You have now finished the final section of your lemonade stand's business plan. Your group will be given an opportunity to present its financial analysis. As you hear and discuss other findings, take notes that will help you as you calculate your own financial analysis.

Turn to page 32 and define your Start-up Costs, Funding and Sales Forecast for your own personal business.

Before the Next Workshop Session:

- Create lists of people and businesses to contact
- Develop a list of questions to help with your market research
- Conduct market research with the tools you developed throughout this workshop
- Create the first draft of your business plan

If you are unable to successfully contact the people and companies you have identified, don't hesitate to contact additional resources to obtain the needed information.

By conducting ample research, you will most likely identify the *Entrepreneurial*, *Managerial*, and *Technical* skills required for your business and which skill you lack. For example, you may not have taken into account that you may need to make sales calls, manage the work of your staff, or keep your books.

It is important to continue conducting research and refining business plans. The market constantly changes. As you continue practicing the skills taught by refining your business plan, you will be able to keep up on these changes and continue enjoying success in your business.

Lemonade Stand Financial Analysis

4.1 Start-up Costs

Start-Up Costs	Cost	Owner Contribution
Fixtures, Equipment & Installation		
Decorating & Remodeling		
Starting Inventory		
Utility Deposits		
Legal & Professional Fees		
Licenses & Permits		
Advertising		
Insurance		
Franchise Fees		
Cash		
Other:		
Other:		
Other:		
Total One-Time Start-Up Costs		
Owner Contributions		

4.2 Monthly Expenses

Monthly Expenses	
Salary	
Rent	
Advertising	
Delivery Expenses	
Supplies	
Utilities	
Insurance	
Taxes	
Loan Payment	
Maintenance	
Legal & Professional Fees	
Other:	
Other:	
Other:	
Total Monthly Expenses	
Estimated number of months needed to find customers and get established: 2	
Total start-up funds (XX month monthly expenses + One-Time Start-up Costs)	
Total loan amount required (start-up costs – owner contributions)	

Lemonade Stand Financial Analysis, continued

4.3 Business Funding

4. Sales Forecast

Year	Unit Sales Per Week	Average Sale	Weekly Gross Income (sales per week x avg. sale)	Annual Gross Income (52 weeks)	Annual Expenses	Annual Profit
Year 1						
Year 2						
Year 3						

My Financial Analysis, continued

4.3 Business Funding

4.4 Sales Forecast

Year	Unit Sales Per Week	Average Sale	Weekly Gross Income (sales per week x avg. sale)	Annual Gross Income (52 weeks)	Annual Expenses	Annual Profit
Year 1						
Year 2						
Year 3						

