Self-Employment
The Business Plan

Self-Employment For One Stop Customers
THE BUSINESS PLANNING PROCESS

Before launching into the planning process, a person who expresses a desire to be self-employed should weigh whether this option and its lifestyle changes is right for them. There are many ways to discover what fits best with a person’s talents, their preferences and a viable business idea. This can be done through self-employment programs or through self-assessments. Once this is done, business planning can begin.

Faced with the prospect of producing a formal, complex Business Plan, many self-employment candidates may feel overwhelmed and abandon the goal. The plan should not be treated as a rigid requirement for individuals who have a sound business idea.

One approach might be for the individual to take some first steps, such as doing investigation on the size of the market; the need for their product or service; and the specific benefits that it offers the customer. If the outcome of these steps seems positive, the entrepreneur could begin the development of a plan that captures the essence of the business and is a flexible, working document. Some of the benefits include:

• Practice being in business on paper.
• Obtain some hands-on learning by interacting with potential customers, vendors, and personnel in related businesses.
• Gain insight into both startup and future business challenges.
• Develop a flexible course for opening, managing, and growing an enterprise.
Micro enterprises are smaller businesses that are owned by one individual. However, the business operation is often a family or “team” venture with shared responsibilities and participation.

A smaller business needs a business plan just as much as a larger one. This suggested outline for micro enterprises is a flexible, practical, working document. It can be tailored to the size, complexity, and goals of the business.

1. Executive Summary

While the Executive Summary appears first in the business plan, it is typically the last piece written. Who are the owner(s)? Where will the business be located? What are your goals? Any information relating to the product or service you will offer. If financial support or a micro loan is being requested, the amount you are requesting and your contribution should be outlined. The legal form of the business should also be stated.

2. Background

In this section, discuss the business or industry you are in. What are the trends in the market? Are there local factors that would affect the business?

3. Marketing

This is the heart of the written part of your plan for a business.
• Product or service. Describe your product or service in detail. What makes your product unique or service valuable?
• Target customers. Who will be your customers? Why will they be your customers? What is the size of your target market?
• Competition. Who are your competitors? Why are they your competitors? What will your competitive advantage be?
• Pricing. How will your pricing compare to the competition? If you intend to compete on price, prove that you can do so and still be profitable.
• Advertising/selling. How will you advertise? What media will you use? Newspaper? Fliers? Why have you chosen a particular tool?
• Financial projections. Your best attempt to predict expenses and revenues in the early months, or in the first year. Although some of these figures will be an educated guess, this is still a very useful exercise.

4. Operations/Production

The operations plan explains how the work will be done and how the business will be managed. What supports will you need? What are the areas in which you will need professional assistance?

5. The Future

What are your goals for the business? Do you intend to start small in order to learn the business and then expand as opportunities develop? Are there future directions that are planned for the business?
6. Finance

Cash flow projection: Statement shows how much cash the business will need and when it will be needed. It should be by month, and cover at least 12 months.

Income, or Profit and Loss Statement: Projects both income and anticipated expenses. A minimum of 12 months is generally required by loan sources.

These financial estimates (Sometime referred to as “guesstimates”), can be challenging, but are useful exercises. They are frequently modified during the planning process and are a good opportunity to get a reality check from an accountant.

The Standard Business Plan

For individuals whose business goal is more substantial, or who will be seeking bank financing, a comprehensive Business Plan may be required. The financial projections and the market research would be more extensive. There are numerous formats and models available as guides to the development of this type of plan. It is often 25 to 35 pages in length.

The Internet has extensive business planning resources available for every size of business venture. The SBA Small Business Development Centers and local economic development entities would be excellent resources for both counseling and business planning assistance. FAST TRAC, a national company operating here in Alaska, has both counseling and business planning courses available on a fee basis. The YWCA Women’s Fund has both classroom and on line business planning courses; a micro-loan program, and peer support.
BUSINESS PLANNING WORKSHEET

Below is an example of a hypothetical business idea and some of the questions you will need to think through to develop your Business Plan. This example is to help you get started. You can fill in answers for your own business in the spaces provided.

What type of business do you want to open?
Sale of unique Alaskan sleep masks

What business am I really in?
Hospitality

What products and/or services will I offer?
High quality sleep masks, some with an Alaskan motif.

What type of customer will be the primary purchaser?
Tourists who are unaccustomed to Alaska’s almost constant light and who have difficulty sleeping.
What makes your product unique? Why do you think it will sell?

Sleep masks are not readily available in the Alaska market. The products available in some pharmacies are of rigid material and of poor quality. The product that I will sell will be constructed of a comfortable satin, and will have an inscription that, for some tourists, will serve as a souvenir.

How will you market your product?

I will test market the product in gift shops that have large tourist volume, particularly the shops located in large hotels.

How will you expand your sales volume?

After establishing the value and sales potential of the product, I will establish a volume price, and market the product directly to hotels that may wish to supply sleep masks as a comfort item.
Any other expansion ideas?

Yes. I will be contacting Convention Planning companies to suggest my masks be included in the packet given at the time of conference registration.

How will you finance your business?

I have completed the Women’s Fund “Starting a Business “ course and have received approval of a $1500 micro-loan in order to finance the first phase of my enterprise.

Depending on the size and scope of the business, the entrepreneur should begin to develop the plan with more detail at this point. Before investing their resources, many financial support entities will expect to see a Cash Flow and Profit and Loss Projection. Others might expect you to provide a detailed marketing plan, sales goals, etc. If you need help developing your business plan, take advantage of the numerous local resources such as the SBDCs, online resources, or the Center for Human Development’s Self-employment project.
RESOURCES

For additional ideas on small business marketing, and for a valuable list of self-employment resources, please refer to separate Center for Human Development brochures on these topics. Other brochures include:

An Overview of Self-Employment

What We Mean By Self-Employment: “I Want To Be My Own Boss”

Disability Benefits and Self-Employment

Marketing and Sales: How To Market Your Small Business

Self-Employment Resources

Self-Employment Tips And Traps
JOE’S STORY
The Situation
Joe is a young man who has a full time job stocking shelves at a grocery store. He earns a decent wage, is a member of the union and receives full benefits. He has boundless energy and a very strong work ethic. A small group of family friends have asked him to help with lawn maintenance and odd jobs such as painting decks, hauling materials to the landfill, shoveling drives in the winter, etc.

Making it Work
Joe approached the UAA Center for Human Development for technical assistance in developing his own micro business. He received technical assistance in developing his business plan. He was able to access DHSS Micro Enterprise Development Funds from CHD for capital start-up expenses for licenses, insurance, fees, business plan development and equipment necessary for his business. These funds are available to Alaska Mental Health Trust Beneficiaries and require a 1:1 match. Joe was able to use a portion of his DMHDD Core Services Funding for his match. Joe has a steady group of 6-8 customers that he serves during his time off from his regular full-time job. His business work helps to keep him busy and supplements his income so that he may be able to get his own home sometime in the not too distant future.