

Financial Sustainability

Part 1: Setting-up your business

Produced through The Northern Rhode Island Conservation District 's *Providence County Urban Growers Leadership Program*, in partnership with the RI Food Policy Council and the Carrot Project.



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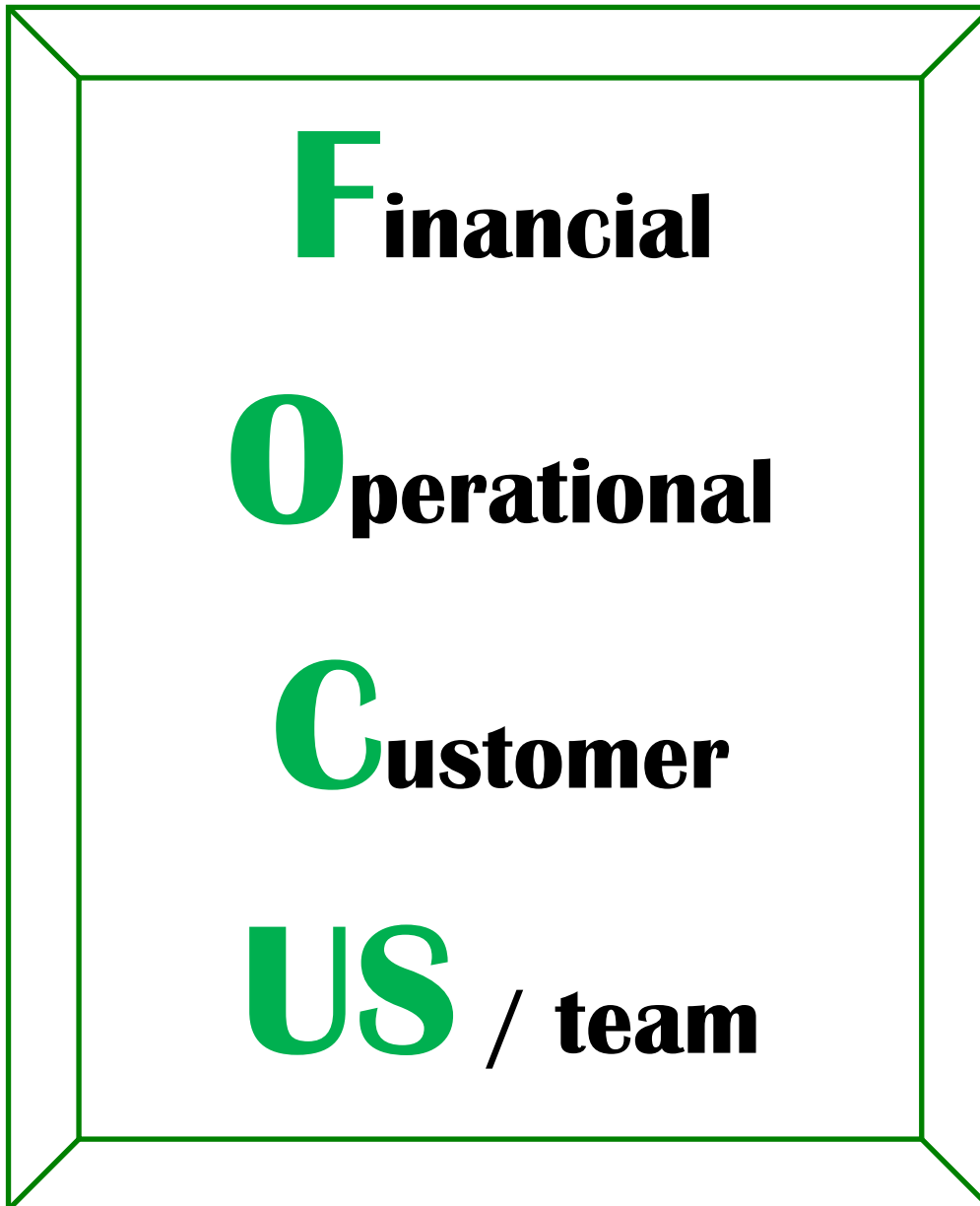


Business Framing: Setting your business up to succeed

	Business Model	Business Plan
Summary:	Is the choice in the way you do business. A Business Model is the skeleton of how the different aspects of the business and how they interact to initiate the business plan.	Is the financial and business strategy road map of how the business intends to operate and succeed. A business plan is complementary to your business model.
Goals:	It is the way a business creates, delivers, and captures value.	Is a way to translates strategic action plans based on your business model.
Topics:	<ul style="list-style-type: none"> • Productions/ Operations (creating value) • Sales & Marketing (delivering value) • Financials (capturing value) <p>Think about the acronym FOCUS</p>	<ul style="list-style-type: none"> • Mission & values • Strategic objectives to meet your business goals (this relates to your business model)
Typical Questions to consider:	<ul style="list-style-type: none"> • How do you sell? • Who do you sell to? • What do you sell? • What are you better at than your competitors? • What is the financial model? • How do they pay you? • How often do they pay you? • What is the operational model? • What activities do you have to engage in? • Who is doing what? 	<ul style="list-style-type: none"> • Where is your business going? • Why does your business exist? • What are you going to do as far as your financials, operations, customers, and team wise?

Framing:

Business Planning is about doing your homework, knowing the business and industry you are getting into, knowing your market, and being prepared. It is about getting **FOCUSed**.



A Business Plan is a set of tools that you use to guide your actions that you are going to take to get you where you want to go in your business. It is the tool that gets you there but it does not to replace the actual action you are going to take to start and grow your business.

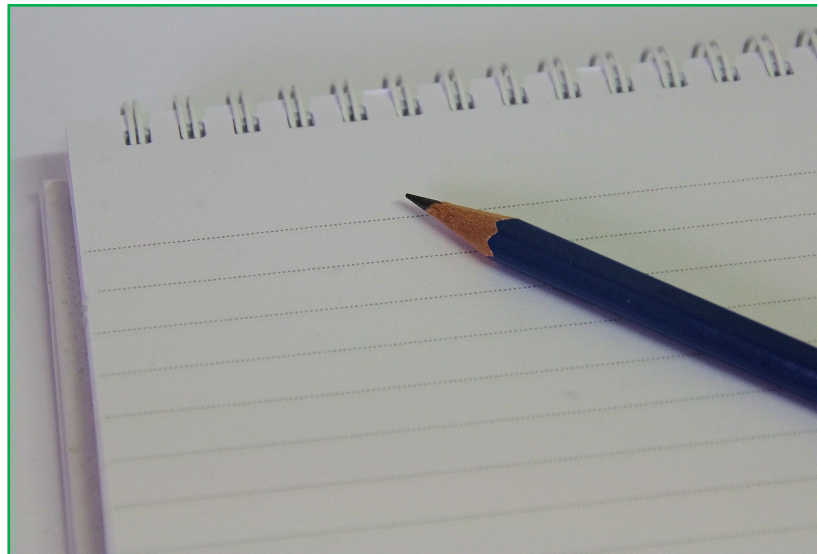
Nonprofits are also businesses. They are not-for-profit businesses.

What is a Business Model?

A Business Model is a layout of the way to do business.

When using a business model keep in mind:

- They are only as good as they are useful
- Use what works and adapt to what does not
- Ditch what does not work
- It is a tool like any other tool



A “Start-up” is a business in search of a Business Model. In search of a way they can find a customer, get the product or service to the customer, figure out that is something your customer actually wants (that is important), that they value it, figure out how they are going to make the business work on the back end, and the production and operations. They are in the process of figuring out how they are going to at least break even.

Business Model Canvas:

The 9 building blocks of your business model are:

- 1. Key Partners
- 2. Key Activities
- 3. Key Resources
- 4. Value Propositions



Production / Operations



- 4. Value Propositions
- 5. Customer relationships
- 6. Channels
- 7. Customer Segments

Sales & Marketing



- 8. Cost Structure
- 9. Revenue Streams

Financials

“Accentuate the positive, eliminate the negative, latch on-to the affirmative, don’t mess with Mr. In-between.”

Sales & Marketing:

Customer Segments:

Who are your target customers?/ Who are you trying to reach?

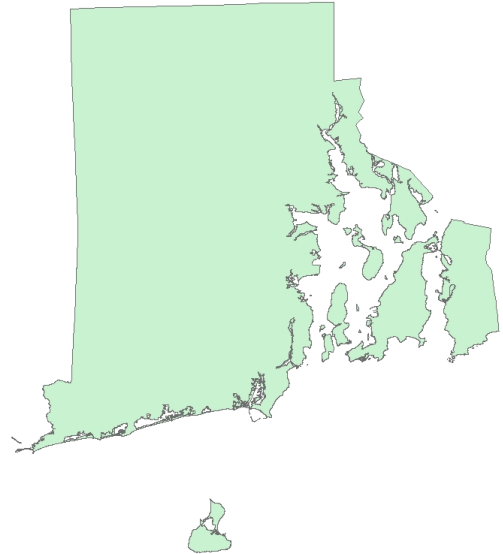
Business Structure:	Summary	Customer Base / Target Customers
For-profit	Business produces product to be sold to customers	<ol style="list-style-type: none"> 1. Customers/community they serve 2. Grantors/donors/ outside funding sources
Non-profit	Customers purchase services/items at low cost (expenses can be subsidized by grantors/donors/outside funding sources) and the income from the customers supports the business.	<ol style="list-style-type: none"> 1. customers/community they serve and those to will pay for services 2. grantors/donors/ outside funding sources
For Profit & non-profit	One section of the business is non-profit community centric, the other section of the business is for profit services.	<ol style="list-style-type: none"> 1. Customer base for the for-profit structure 2. Customer/community for the non-profit structure 3. grantors/donors/outside sources of funding for either structure

Sales & Marketing (continued):

Customer Segments (continued):

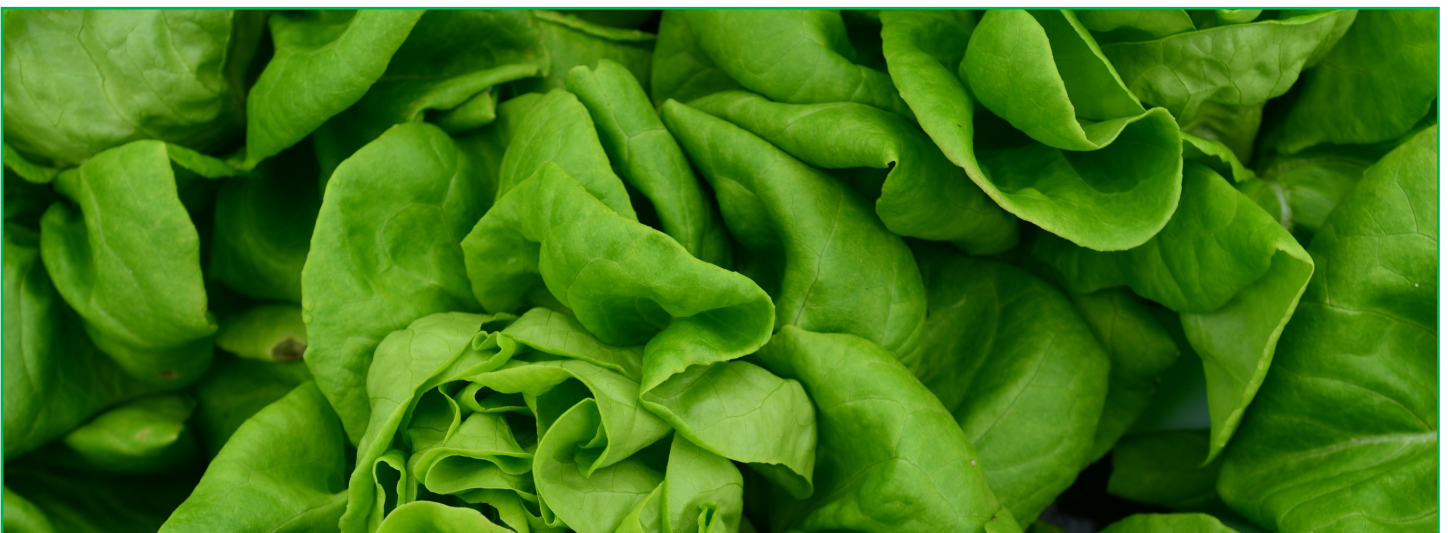
Consideration for target customers:

- Demographic
- Age range
- Gender
- Geographic location
- Psychographic (buying behavior on where they go to shop, what they look for, how often they shop, what are the values your customers care about, what are the other things they do/look for because of their values, etc.)



Consider target customer motivations / values & line-up your business model with your target customers. Typical motivations / values of:

- Grantors / donors / outside sources of funding like their mission, the impact that that business is having, tax benefits, social benefits, environmental benefits, etc.
- Consumers like the business product, it aligns with their personal values, accessibility, social values, environmental values, why do they want this business service, etc.



Sales & Marketing (continued):

Channels:

- How do I reach my customers?
- What/Where are the target customers going for your business service?
 - Examples: farmers markets, farm stands, grocery stores, restaurants, retail stores, online, CSA (Community Supported Agriculture), etc.
- Go where your customers are/already gathering.
- Your target customer (s) can change how you go about your business model



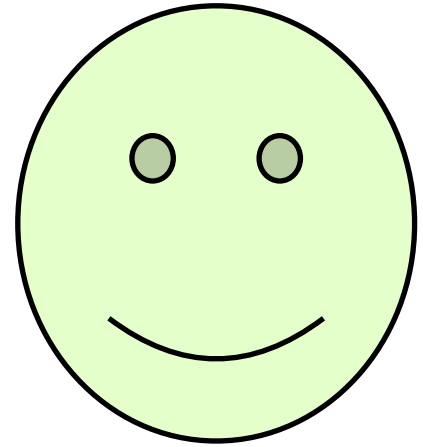
Value Proposition:

Come up with one, signal phrase about why your customers should choose your business. Think about:

- Competition (Why your business over other business they can choose from?)
- Relevance (Why do you matter? Why should I care?)
- Different (Why/how are you different from the competition?)
- Social Benefits [What specific benefits do you offer? How can you make their life better (Can you measure this)?]
- How do you change your target customers' behavior to support your business and not others?

Sales & Marketing (continued):

Customer Relationships:



Once you reach your target customers you want to think about how you continue a good relationship with them to keep them coming back. Key is to get customers to come back.

- How do you keep the new customers from coming back? You want to have a good continuous return of customers. This will in-turn bring in new customers and expand your business.
- How do you keep your customer's trust?
- Referrals & word of mouth
- Customer service (this comes after you get a customer)



Production / Operations:

Note: Your Business Model is customer centric because without customers you do not have a business.

- How do I produce in the best/most efficient way to meet my customers demands?
- Is what I am doing in my business lined-up with what my customers want?



Key Activities:

- What do you need to do to deliver value to your target customers consistently?
 - Marketing
 - Production
 - Financials

Examples: harvesting, sourcing products, deciding on price or quality of products, marketing, sales, keeping track of financials, etc.

Production / Operations (continued):

Key Partners:

- Who can help you add more value, create better products, reach more and better customers, complement your offerings, etc?
- Finding other people, groups, organizations, businesses that are already reaching/supporting/has trust in the same customer base and how you can partner with them to reach your customers. Who also has the same target market/customer base? What can you offer that is complementary to those partners?
 - Vendors
 - Farmers Markets
 - Cooperatives
 - Land Trusts
 - Etc.



Example: PVDonuts started with a pop-up at bars. They used their kitchen during the day, and provided donuts as a service in the evening for the bar. They did not have to commit to a long-term lease, helped develop a customer base, supported a partner business, and expanded their business all at once.

**Think outside the
box!**

?



Production / Operations (continued):

Value Proposition:

Note: Thinking differently about key activities and resources and change how you meet the demand of your customers through your business's production and operation plan.

- Product Quality
- Service Quality
- Selection
- “Brand” / Experience



Financials:

Revenue Streams:

- How do you make money? How Often? Etc.
- How do you have more money coming in, than going out and what the timing of that?
- Think about what the different channels you are selling to.
 - Farmers Markets
 - Fee for profits (customers are paying you for the product)
 - Fee for service
 - Buy-one, give-one model
 - Subscriptions (Example, CSA)
 - Etc.



Cost Structure:

- What are the different costs associated with your production and operations of the business?
- Different production models have different costs associated with your business.
 - Labor
 - Land
 - Capital
 - Rent / Lease / Buy
 - One time vs. reoccurring
 - COGS vs. overhead expenses

Overview of the Business Model Canvas:

Feasibility:

Your business is desirable for customers, but can you actually make/produce what the customer wants?

Desirability

Do you have a customer base?

Viability

If your business is both desirable and feasible, can your business revenue be more than your business costs consistently and reliably?



Business Plan:

Mapping out what you are going to do in your business to meet the business model goals (aka your overall business plan). A business plan helps break down your goals into an action plan for a set time period.

Parts of the business plan includes:

1. Mission & Values:

- Why you do what you do and how do you define that?

2. Key Objectives:

- What are the high level goals you have for your business? - base this on how often you want to revise this Business plan (every yr, 3yr plan, 6 year plan, 10 year plan, etc.)
- Key level objective can (don't not need to be) broken down by the parts of your Business Model

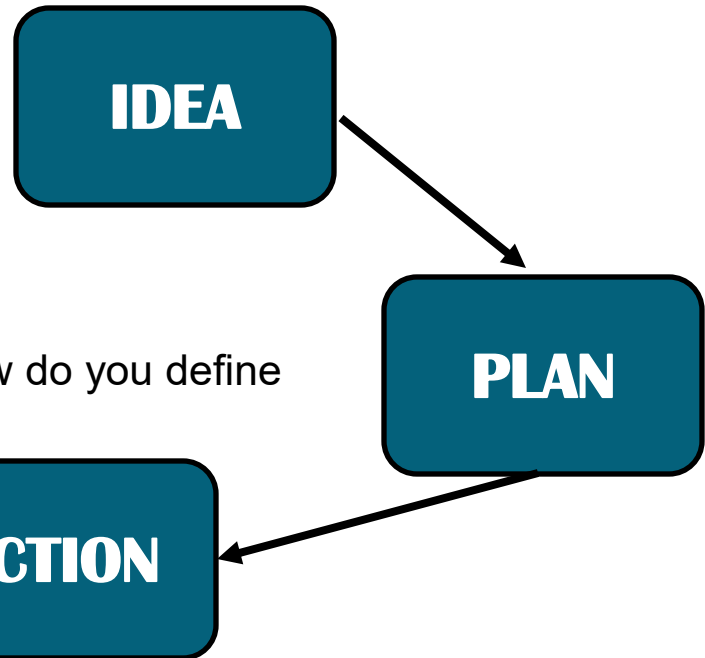
Financial

Operational

Customer

US / team

- Break down each of the objectives into specific, obtainable (practical and based on your timeline), and measurable goals

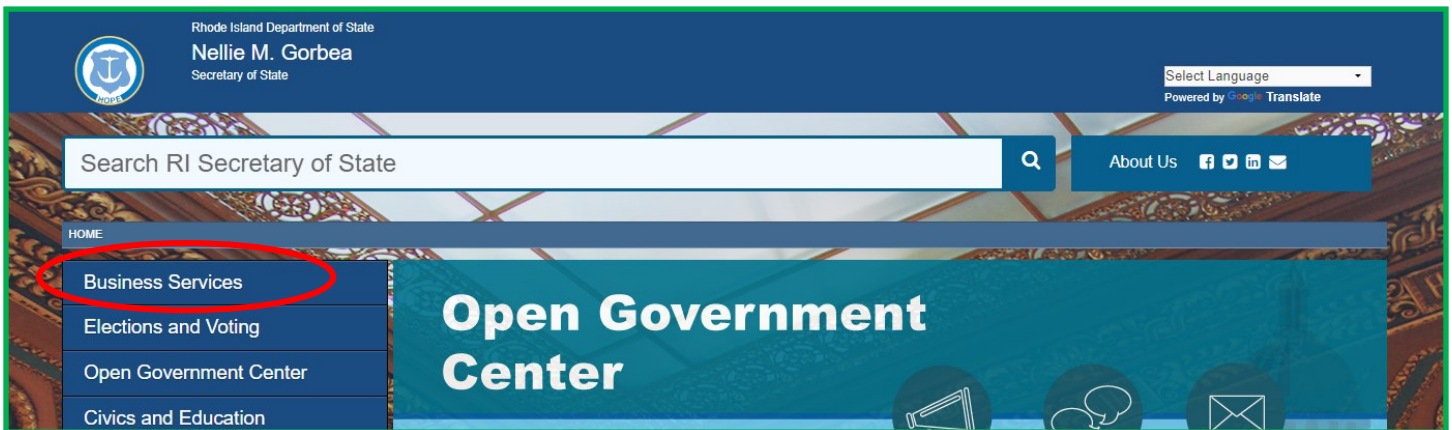


RI Secretary of State Office:

www.sos.ri.gov

This website has many resources for Rhode Island businesses. Under “Business Services” and “Plan for Success” it provides you a set of business plan template, how to register your official business name in the State (this is not a trade mark), and “Your Structure” is how to decide which legal business structure might be right for you.

Note: you can do a trade mark search through www.uspto.gov/trademarks



Start, maintain, or close your business or non-profit



For RI Businesses →

- **Plan for Success**
- Start a New Business
- Maintain Your Existing Business
- Close Your Business



For Foreign Businesses →

- Plan for Success
- Register Your Business in Rhode Island
- Maintain Your Business
- Withdraw Your Business



For Non-Profits →

- Plan for Success
- Start a New Non-Profit
- Maintain Your Existing Non-Profit
- Close Your Non-Profit

RI Secretary of State Office (continued)

Different Business Structures:

<p>Unincorporated (either as an individual or general partnership): No separate business entirely. Meaning you are doing business as you.</p>	<ul style="list-style-type: none"> • You don't have to register with the state • You might have to register with the town/municipality • Pro: You don't have to register your business • Con: legal liability, if something happens as a business, someone can sue you directly as the individual
<p>Incorporated [either as a corporation, workers cooperative, benefit corporation, limited liability company (LLC or L3C)]</p>	<ul style="list-style-type: none"> • They can consist of having one or more members • The business must have an operating agreement • All contracts & activities done are through the business (keep your business and personal separate!) • You have to register with the state and local town/municipality • Pro: your business is separate then you as an individual. Therefore if something happens in your business and someone sues you, they can only go after your business not you as a person
<p>Non-profit (not owned by anyone)</p>	<ul style="list-style-type: none"> • No one gets profits from a non-profit • You do not own or direct the business. The business has a board of directors that runs the business (executive director, secretary, treasurer, etc.) • You incorporate with the State • You can also incorporate federally (but not required), this is the federal tax designation as a non-profit

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