

Looking at the business plan: how can the FLAG check if the business proposal makes sense?



What do you need to understand about a business plan?

As a FLAG you may need to advise your local businesses, and sometimes to assess their business plans. For this you need to understand at least:

- 1. What is the project idea? Does it make sense?
- 2. Will the entrepreneur find a market for it?
- 3. Can he/she make money out of it or at least cover the costs?

For the more technical parts of the business plan you may need expert support!

Imagine a fisherman comes to the FLAG with a business idea...







1. The idea



My pal and me – 2 fishermen – would like to sell part of our catch to the fish frying stands in the tourist harbour of Aquar.

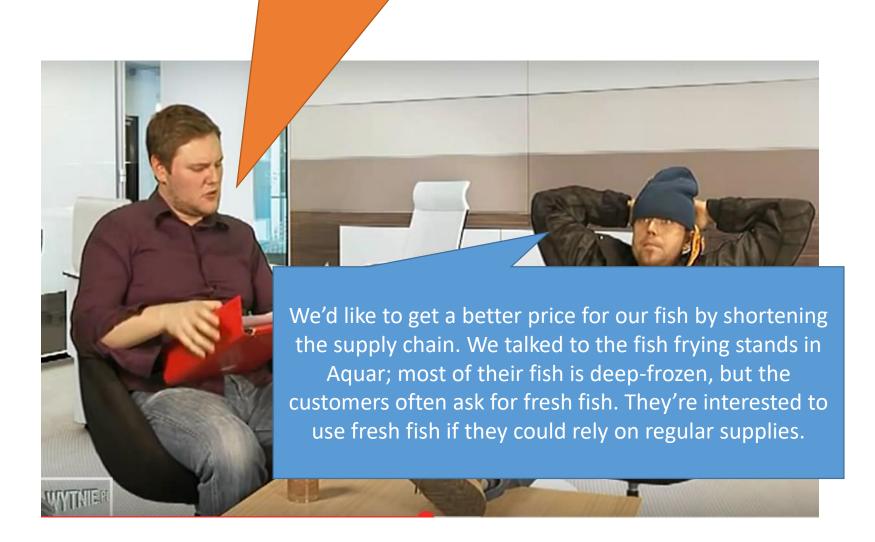


For this, we need a cooling van. Citroen Jumper, worth about €20.000. We can put up €10.000 ourselves (5000 each) and we need to find the other €10.000.





Let's start from the beginning. What would you like to achieve?





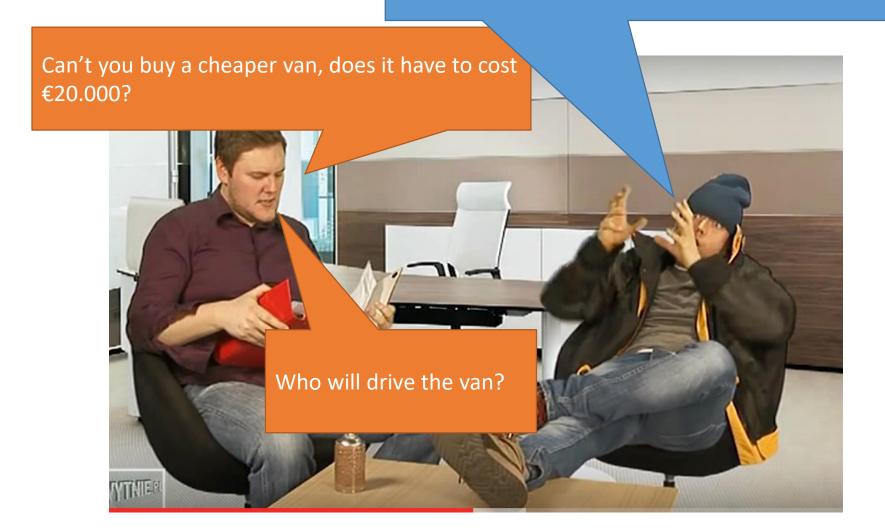
The two of us together, we can ensure about 200 kg of fish per day. We'd get a much better price than at the auction:

€3 per kg, compared to €1 – 1.5 per kg we are getting today.





Yes, but there is a risk: we would have higher costs of fuel and repairs – and it may spend more time at the garage.



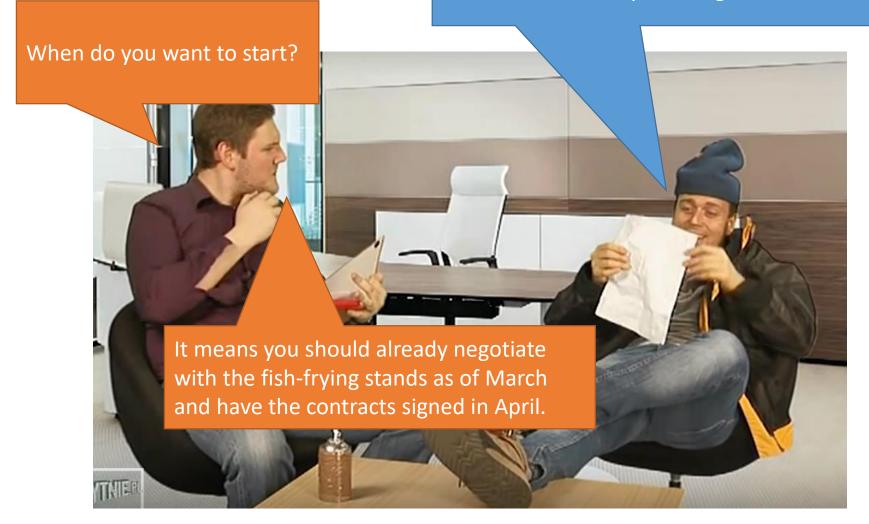


The other fisherman, Ed, has a son who has the right kind of driving licence. He's done a similar job for a local grocery for the last 2 years.





The season starts in May. The highest number of tourists come in July and August.





What other questions would you like to ask about the project?





www.shutterstock.com · 69175699

2. The market





There are about 60 fish-frying stands, bars and little restaurants on the beach. Each sells about 50 kg of fish a day. Most of the fish comes from far away and is deepfrozen.

Some 20% of their raw material is fresh fish, but the quality is not satisfactory.

They would be very happy to buy fresh fish of good quality.

So far we talked to 3 stand owners, they say other fish bars in Aquar will all be interested.



So how much fish do you think you can sell?

The total fish used daily is ca. 3000 kg,.If half of it is fresh, they will need 1500 kg per day. We can supply some 200 kg per day, ca. 14% of the market.





That's the price at which they are currently buying their frozen fish from the wholesaler. We can get it if we provide good quality fresh fish every day.





Any other questions about the market?





3. The money



So you hope to sell 200 kg of fish each day? And what would be your costs?



Fixed costs

	per month	whole season (5 months)
Driver	1.400	
Fuel	300	
Car maintenance	300	
TOTAL		



And your expected income?



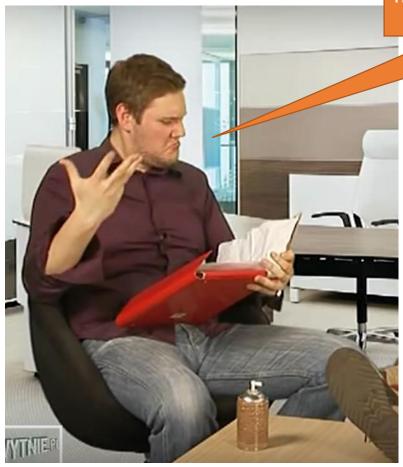


Expected income

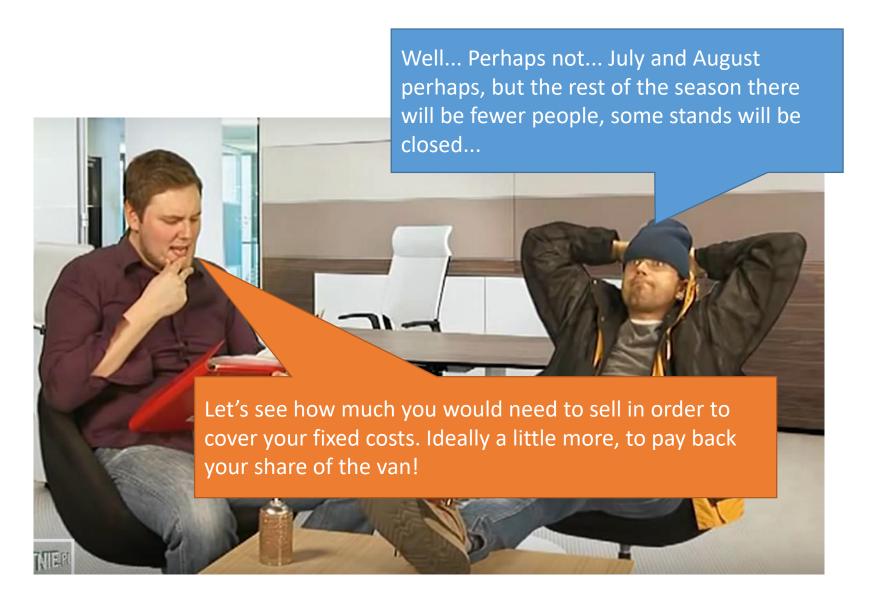
Additional income (as compared to selling fish at the auction)	€1.4 per kg
Sales per day	200 kg
Number of days in the tourist season	150
Income:	



Is this realistic? Can you really sell 200 kg of fish every day for 5 months?









Covering the costs (break even):

Sales in July- August	6000 kg
Sales in May, June and September	1800 kg
Total sales	
Total income	



But maybe some costs, e.g. fuel, will be lower with lower sales? This will leave us around €1000 income per season – before tax!





So, you would have to make sure that you sell at least 7800 kg in a season, only to cover your costs.



But be careful! It is not easy to get 14% of the market in the first year. And next year you may already face competition, other people may want to follow you! You have to maintain good relations with your customers and keep an eye on quality.



So what do you think about this business proposal? Would you support it?

Optimists vs. pessimists





Thank you for your attention!

urszula@farnet.eu

www.farnet.eu

follow us on

The content and views expressed in this presentation are those of the FARNET Support Unit and not those of the European Commission.

