



# TVR Business Development: What does it take to break-even?

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## Presenters:

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# Learning Objectives:

- Through hands on activities, participants will learn about:
  - Business planning
  - Variable costs, fixed costs, and capital costs
  - How to use a break-even worksheet
  - How to use a sales forecast worksheet

# Value of Business Planning

- Learning about your customers and their likes and dislikes
- Learning about the business you are starting
- Thinking critically about how you will run the business
- Thinking about all your costs and how you will cover them until your business is making a profit
- Developing a sales forecast (estimate) so you know when money is likely to come in and go out
- And the list goes on



# Measures of Business Success



- Product or Service
- Customers
- Management and Operations
- **Financing**

# Parts of the Business Plan

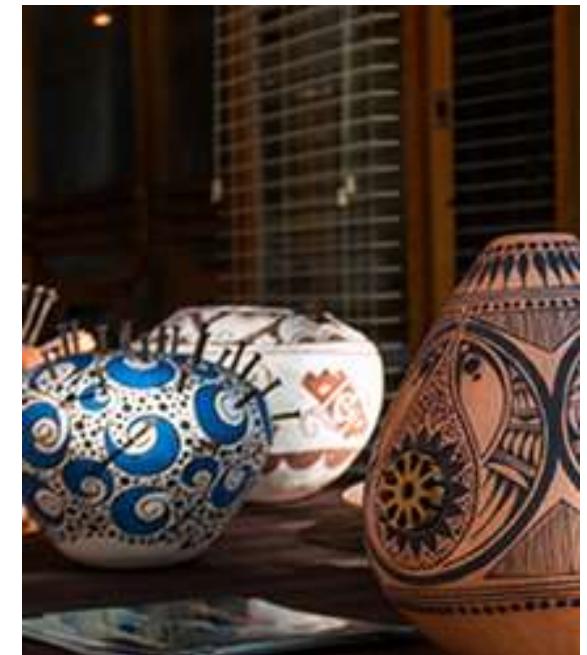
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- Executive Summary (Chapter 4)
- Business Description (Chapter 4)
- Marketing Plan (Chapter 5)
- Operations Plan (Chapter 6)
- Financial Plan (Chapter 7)



# Table Exercise

- Pick an “inspiration item” from the bag
- Use the item to develop a business idea
  - The item is just for inspiration for the business; you do not need to include the item in the business unless it makes sense to do so
- Report out
  - What is your table’s business idea?
  - Why do you think this business will be successful?



# Business Costs



- **Capital expenses (large expenses)**
  - Equipment, furniture, computers, etc.
  - Typically, one-time purchases (excludes real estate)
- **Fixed operating costs**
  - Rent, utilities, business licenses, legal and accounting fees, etc.
- **Variable operating costs**
  - Supplies to make your product or deliver your service, such as raw materials, gas, shipping costs, credit card fees, etc.
  - These change based on how much you make and sell

# Up-Front Cash

- Cash needed to get the business started AND cover costs until the business earns a profit
- Pre-opening costs (start-up costs to open the business)
- Post-opening costs (ongoing costs to run the business)
  - Inventory and ongoing production costs (e.g. raw materials, mailing fees, gas, etc.)
  - Wages
  - Rent and utilities
  - Equipment repair or replacement
  - Advertising
  - Services (e.g. accounting, bookkeeping, legal)
  - Other business costs (e.g. fees, taxes, insurance)



# Group Exercise – Describing your Product

- What is the product or service your business will provide?
- How much does this product or service typically cost?
  - How did you arrive at this estimate?
- What variable costs (raw materials) are required to make this product or service?
- What monthly fixed costs are required for this business to operate?

# Break-Even Analysis



- **Step 1: Operating costs**
  - Variable costs per unit (materials, labor, etc.)
  - Fixed costs per month (rent, utilities, insurance, etc.)
- **Step 2: Profit per unit**
  - Price – variable costs = gross profit
- **Step 3: Break-even point**
  - Fixed costs ÷ gross profit = break-even sales
- **Step 4: Profit goal**
  - Profit goal ÷ gross profit = profit sales
- **Step 5: Total sales needed**
  - Break-even sales + profit sales = total sales

# Break Even Analysis – Jade's Pizza Express

- Step 1: Operating cost estimates (NOT START-UP COSTS)
  - Variable costs to produce one-pizza (dough, cheese, meat, veggies) - **\$4**
  - Monthly fixed costs (utilities, insurance, advertising, bookkeeping) - **\$400**
- Step 2: Gross profit per unit
  - Price (**\$15**) – Variable costs (**\$4**) = **\$11** gross profit per pizza
- Step 3: Break-even point
  - Monthly fixed costs (**\$400**) divided by gross profit (**\$11**) = break-even sales (**36 pizzas** per month)
- TEST YOUR UNDERSTANDING

# Table exercise: Break-Even Worksheet

- Determine:
  - The **variable costs** to make one of your product or service
  - The **price** you will charge per unit (pick a low, medium, and high cost)
  - The **fixed operating costs** (monthly) to run your business
  - A monthly **profit goal**
- Use these estimates to see the break-even worksheet in action

# Sales Forecast Spreadsheet

- Track sales by month to estimate:
  - Seasonal trends
  - Growing customer base
- Requires price estimates
- Can help determine if you are making your planned sales



# Jade's Pizza Express Sales Forecast

Table 1: Product or Service 1

Large Pizza	Jan	Feb	Mar	Apr	May
Price	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Number of customers	20	40	60	80	80
Number of units sold per customer	1	1	1	1	1
<b>Monthly Sales: Product or Service 1 (calculated)</b>	<b>\$ 300.00</b>	<b>\$ 600.00</b>	<b>\$ 900.00</b>	<b>\$ 1,200.00</b>	<b>\$ 1,200.00</b>

Table 2: Product or Service 2

Pizza by the slice	Jan	Feb	Mar	Apr	May
Price	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Number of customers	40	60	60	60	60
Number of units sold per customer	1.5	1.5	1.5	1.5	1.5
<b>Monthly Sales: Product or Service 2 (calculated)</b>	<b>\$ 240.00</b>	<b>\$ 360.00</b>	<b>\$ 360.00</b>	<b>\$ 360.00</b>	<b>\$ 360.00</b>

# Carl's 12-month Sales Forecast – Live example

- Services
  - [Lawn mowing](#)
  - [Snow removal](#)
  - [Grounds clean up](#)
  - [Fertilizing](#)
- Customers for each service vary by season
- Number of units sold vary by types of service and season
- Number of customers increases over time

# Table Exercise – Thinking about your Business

- How many sales will you need per year to break-even?
- Do you expect any seasonal trends for this business (e.g. certain months that will have more or fewer sales)? Which months?
  - What services or products might help you cover costs in slow months?
- Do you think you will have enough customers to break even?
  - How will you increase the number of customers?
- Based on the exercises, do you think this business will be successful?

# Want to learn more?

- Regional training TBD – planned for August, 2026.
  - More information will be forthcoming
- NWIC course
  - Fall, 2025 (dependent on enough student registrations)



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