

# 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**
  - $\text{Price} - \text{variable costs} = \text{gross profit}$
- **Step 3: Break-even point**
  - $\text{Fixed costs} \div \text{gross profit} = \text{break-even sales}$
- **Step 4: Profit goal**
  - $\text{Profit goal} \div \text{gross profit} = \text{profit sales}$
- **Step 5: Total sales needed**
  - $\text{Break-even sales} + \text{profit sales} = \text{total sales}$

# 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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This research is supported by the National Institute on Disability, Independent Living, and Rehabilitation Research (Grant No. 90RTCP0007) within the Administration on Community Living, U.S. Department of Health and Human Services. The contents and opinions expressed reflect those of the authors, are not necessarily those of the funding agency, and should not assume endorsement by the Federal Government.