Business Planning for the Alaska Seafood Industry
Part 1: Getting Started

Anchorage Alaska
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Alaska Sea Grant Marine Advisory Program
Getting Started

4 steps prior to a full-blown business plan

1. Self evaluation
2. SWOT Analysis
3. Back of the envelope pro forma
4. Pre-business environment review
Self-Evaluation

- Let's focus on the entrepreneur.
- What is that?

Common definition: A person who organizes and manages any enterprise, esp. a business, usually with considerable initiative and risk.

- Are you an entrepreneur?
- Are you entrepreneurial?
Everyone has a little entrepreneur in them.

- People are made to believe starting a business is some mystical thing. Not true.
  - You need vision, an ability to take risk and some initiative, but after that you’ll need –
  - Managerial and technical skills

- Succeeding in business is often about building the best team possible.
  - Honestly understand your strengths and weaknesses and build the right team to fit around you.

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Fishbiz
The SWOT

- **S**trengths
- **W**eaknesses
- **O**pportunities
- **T**hreats
The SWOT

- A SWOT analysis is a brainstorming exercise where you determine what is good and bad about your business, and how your business is positioned compared to things beyond your control.

- Strengths and weaknesses are internal to your company. You have control over these items.

- Opportunities and threats are external to your company. You may not be able to control these items, but you can alter your business to take advantage of or mitigate the risk from them.

- Seeking help in this exercise is good because we are often blind to aspects of ourselves.
The SWOT: **S**trengths

- Particular aspects of your idea/operation that are superior or on par with other businesses.
  - An internal measure.
  - Production levels, location, machinery, facilities, financial condition, alliances, partnerships, employees, management, family, operational efficiencies, and your strategic plan.
The SWOT: Weaknesses

- Particular aspects of your idea/operation that are inferior with other businesses.
  - An internal measure.
  - Production levels, location, machinery, facilities, financial condition, alliances, partnerships, employees, management, family, operational efficiencies, and your strategic plan.
The SWOT: Opportunities

- Circumstances beyond your business – such as the marketplace or changing regulations – that present a potential to improve your position.
  - An external measure.
  - Technology, legislation and political changes, regulations, globalization, cultural and demographic trends, or changes to your input suppliers.
The SWOT: Threats

- Circumstances beyond your business – such as changing consumer preferences or regulations – that may be detrimental to your position.
  - An external measure.
  - Technology, legislation and political changes, regulations, globalization, cultural and demographic trends, or changes to your input suppliers.
Back of the Envelop

- Initial Investment
- Determine timeline
- Running the numbers
Prior to initiating an in-depth review of your business idea, it is useful to determine the potential range of profitability the business idea may have.

Based on your current knowledge, determine initial investment costs and potential returns.

Not intended to be completely accurate, but should give you an idea if the project has any potential to be successful.

Will undoubtedly change after a more thorough review.
Initial Investment

- Estimate all your initial start-up costs including:
  - Building, land, remodeling
  - Inventory
  - Raw materials
  - Production equipment
  - Office equipment
  - Regulatory fees – prepaid taxes, permits
  - Marketing costs
  - Overhead – rent, utilities, insurance
  - Patents, trademarks, acquisitions

- Determine initial working capital needs
  - How much money will be needed until my revenues start coming in? These expenses include some of the items above – overhead, marketing, inventory, and also include:
    - Labor
    - Accounting
    - Sales
    - Taxes
Determine a Timeline

- Regulatory requirements
- Build/remodel
- Production equipment purchase & installation
- Production cycle
- Obtain adequate financing
- Source materials
- Hiring personnel
- Obtain markets
Running the Numbers

- Estimate a sales price for goods
- Fixed expenses
- Variable expenses
- Arrives at a breakeven production number
- Will the market purchase more than your breakeven volume ...
  ... will there be enough to survive?
Breakeven Analysis

Fixed Costs
(Revenue per unit - Variable costs per unit)

Example:

\[
\frac{\$50,000}{($3.50 - $2.80)} = \frac{\$50,000}{($0.70)} = 71,429 \text{ units}
\]

You will need to sell at least 71,429 units to breakeven. You will still sell many more to cover your initial investment costs and make a living.
Business Environment Review

- Take a longer look at the business environment.
  - Markets and competition
  - Government regulations
  - Availability of raw material
  - Places to operate
  - Available funding sources
- Talk with trusted counselors and partners in the industry
- Does this change your SWOT, timeline, and financial projections?
Alaska Sea Grant 
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