

Week One

Entrepreneurship Pros & Cons

Compare the pros and cons of owning a business versus being an employee

Entrepreneurs	Employees
1) You work for yourself	1) You work for someone else
2) In most cases, you more freedom to set your own schedule	2) Work on a set scheduled generally defined by someone else
3) Potential for greater income (“The American Dream”)	3) Mostly fixed income with slow, gradual incremental increases (You work for someone else living “The American Dream”)
4) Start up requires long hours with lots of Risk and limited initial financial security	4) Paid hourly wage or salary from the point you are hired with greater job security

In providing full disclosure, I am not an entrepreneur. My two biggest employers have been Memorial Care Healthcare System (a “non-profit” hospital systems that have a number of medical providers and business/healthcare administrators that earn large salaries) and SOCCCD (a public educational institution that also employ a large number of educators and academic administrators that earn “comfortable salaries.” I have dabbled in small entrepreneurship ventures on the side...independently providing home health physical therapy, landscaping, tutoring, doing surfboard repair, etc. I have had offers from physicians and other physical therapists to start my own business, but “Bennett Physical Therapy” did not have much of a ring to it and I have never been willing to take the leap of faith.

My Dad was a largely successful entrepreneur building homes on the Big Island of Hawaii. He ran his own construction business and had many financially successful years that lead to financial freedom to buy a 2nd home by the beach, a sailboat, send kids to private school, and fund elaborate vacations. There were also lean times and I can remember him saying that it was easy to have enough money and it was easy to have enough time, but it was hard to have both.

My parents divorced when I was young and my Mother made a career working in the public sector finding employment and improving the lives of others. She is incredibly smart and wickedly efficient and could have likely made a lot of money in the private sector if she were born a male or in a later generation, or not prioritized family over work/career goals. Indeed, now that she is retired from full-time work and no longer has the burden of raising young kids (she just takes care of her adult children now), she commands a large salary doing private work as a consultant.

I would like to share one last story prior to delving into entrepreneurship opportunities in health and wellness industries. I have a number of college students who work for the Adapted Kinesiology Program that I run at Saddleback. I jokingly say that many of them earn so little as hourly employees (certainly not livable wages here is South Orange County) that they might as well be volunteers. Every year, we have a fundraising event (largely to pay for our “volunteers”) and for the last couple of years, I have mentored student employees in organizing this event. During this past year, I had a young man run the event who I think will one day earn a lot more money than I with much less formal education. He is charismatic, works incredibly hard, has a good business sense and is not shy about negotiating a fair price. With much haggling on his part, he saved a little over \$200 or 20% on a \$1,000 fundraiser t-shirt order. It seemed to him, that if he saved this money and I was willing to pay the entire \$1,000 (and I remember saying a number of times as I overheard him in his negotiation that I don’t care if you have to double the amount we are paying for t-shirts, I just need to make sure the order is completed on time so that we could provide donors with the shirts we promised them on the day of the event), that at least part of the \$200 he saved should go into his pocket or at least provide him discretionary rights for some of the equipment we needed to purchase for the program. I had to inform my eager employee that he worked for a public institution and that was not how the game was played. I told him that I appreciated his hard work on increasing our fundraising efforts by a \$200, but that it would be illegal to pay him any of this money. I assured him

that his fellow employees would be happy to learn that part of the raise they were getting this year was made in part by the success of his fundraising effort and his ability to negotiate a competitive price, but that the \$200 he saved was not going to take the form of a bonus check made out to him directly. He, as is his right, did not seem to think this was fair. I did give him some opportunity to provide input on some equipment purchases (and “No, we are not going to purchase a dozen TRX units for our students who largely come to class in wheelchairs for exercise”) and suggested that he enroll in one of the many outstanding business and entrepreneurship classes on the Saddleback campus so that he might be able to find employment in arena that was more “fair”, suited his skill set, and provided an opportunity for him to earn more money. I think we finished the conversation with what a “good learning experience” this was and that I would gladly accept a large donation to the Adapted Kinesiology Program when he ran his Fortune 500 company, but from the look I got from him, I was left thinking that the \$200 check I was failing to write for him at this time would not likely lead to a \$20,000 donation check down the road when he made it big.

Health and Wellness Industry and Its Businesses

- a. **Main Ideas:** Provide short history of the industry. Where is it going? Give data on the industry in the local area and the business within it. Which types of business appeal to which types of individuals? Are some of these businesses serving other businesses? Or are they consumer oriented?

Rx of Healthcare

Health and Wellness, especially with individuals who have ailments has a long history. You can think of ancient Chinese healers that treated the sick over five-thousand years ago, Hippocrates (“The Father of Western Medicine”) who practiced in 400BC, witchdoctors hundreds of years ago in Europe, peddlers of snake oil in the early US, to French Chemist Louis Pasteur who developed world changing vaccinations in the late 1800’s and Austrian neurologist Sigmund Freud who developed the field of psychoanalysis in the early 1900’s, to a couple of British and American physicians who won the Nobel Prize for Medicine in 2002 for the Human Genome Project, and the millions of physicians, health care providers, personal trainers, and nutritionists that currently exist today.

Types of healthcare/wellness business for this course

To narrow the focus for this course, I would like to limit focus on businesses that provide healthcare advice, deliver services, and/or products to individuals who want to maximize health/quality of life and are willing to pay out of their own pocket (indeed there is an emerging field called a “Health or Wellness Coach” that some of you may have heard about). With some exceptions, I will entertain the idea of businesses that receive payment through third party payers like health insurers, but my guess and suggestions is that most of you look at goods and services that your clients will be willing to pay with their own hard earned money.

Payment for healthcare in our country through insurance is a highly sophisticated and heavily regulated area. In general, there is a fair amount of dissatisfaction with healthcare in the US. Many providers (doctors, nurses, therapists) believe they are inadequately paid, many insurers and companies that cover the financial burden of health care balk at the cost of that care, and a large number of patients are dissatisfied with both the quality and cost of healthcare and are highly critical of the profits made by healthcare insurance companies. A short article on “The 5 Biggest Problems with Healthcare Today” by Forbes magazine can be found on the following link:

<http://www.forbes.com/sites/leahbinder/2013/02/21/the-five-biggest-problems-in-health-care-today/>

I am certain that our healthcare industry is undergoing very rapid change at this time and that this change coupled with the dissatisfaction of all parties involved will lead to many opportunities for entrepreneurs.

I would like to note that as critical as most are about healthcare in the US today, there are many things we do in this country that are better than any other country in the world. Albeit at a very high cost, the US is a leader in developing pharmaceuticals that prevent or treat

some of the most harmful and deadly diseases. The quality of education we provide and require for physicians and other healthcare providers is arguably the best, and our hospitals are among the safest. And this is just a very short list of the things we do very well with healthcare in the US. A brief list of the positives of US healthcare can be read by clicking on the following link:

http://www.ehow.com/list_7614061_10-things-american-health-care.html

That being said, I will be encouraging most of you in this course who do not currently have a healthcare degree or a degree in healthcare administration to investigate business opportunities that would be paid for out of pocket (i.e. meaning that you will be billing your client directly and not some third party insurance company.) The reason for doing this is two-fold. First, the challenge of learning the rules for third party payer reimbursement is beyond the scope of what can be taught in this 8-week course and frankly, I am not the person you want instructing you in that class. There are many individuals with expertise and courses (generally post-professional or in professional graduate school programs) that deal with the legalese and nuances of Medicare and third party payer billing. Second, because of the amount of dissatisfaction in healthcare, there are a number of emerging niches that, in my opinion, provide ample opportunity for potential entrepreneurs like you to be successful in billing clients directly for the products and/or services you provide. Much more about this later.

Our healthcare system in the US is robust and largely lead by physicians and other licensed healthcare providers who have very specific scopes of practice. For example, a cardiac surgeon is trained and licensed to provide surgery on your heart. This training and license legally gives he or she the scope of practice to cut open your sternum and repair your heart. In the same way you don't want a brain surgeon to perform surgery on your heart, you don't want a dentist or physical therapist or a mechanic to do surgery on your heart. They don't have that training and legally do not have that scope of practice. In fact, if anyone but a licensed physician with advanced training in cardiac surgery was to perform such a surgery, they would be sued for malpractice, lose their license to practice medicine and likely any money or property they own. (Now if you were stuck on a desert island with all 3 of these individuals [a neurosurgeon, a mechanic, and a PT], it would be debatable which of the former two you would want to perform surgery, but unequivocally do not let the physical therapist perform the surgery).

Western medicine, especially in the US is defined by healthcare providers that have very specific scopes of practice. In general, physicians are licensed to provide a medical diagnosis and prescribe medication, a nurse dispenses medication and provides bed side care, a respiratory therapist provides breathing treatments, a physical therapist assists patients with mobility and rehabilitation, and a social worker provides plans for care after hospitalization. For more information about scopes of practice in healthcare, please click on the following link:

http://en.wikipedia.org/wiki/Scope_of_practice

As I previously mentioned, in formal medical care in the US (and most other countries) fees for medical services are paid for by health insurance companies in highly regulated fashion. This industry is going through rapid change at this time (just think of the controversial Affordable Health Care Act also known as Obamacare), largely because of the cost of care and an aging set of Baby Boomers that may bankrupt the nation. If I were to list the biggest drivers of that are pressuring our healthcare system, I would include:

- 1) Escalating healthcare costs
<http://www.aetna.com/health-reform-connection/aetnas-vision/facts-about-costs.html>
- 2) Providing universal care to those with disabilities, to those with pre-existing conditions, and to those in poverty
- 3) Longer life expectancy coupled with aging population that require more care than their younger counterparts
<http://medical-careers-review.toptenreviews.com/the-rising-health-care-needs-of-aging-baby-boomers.html>

http://www.huffingtonpost.com/visualnewscom/us-health-care-how-the-baby-boomer_b_3369175.html

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1464018/>

- 4) Higher levels of obesity and problems associated with unhealthy lifestyles
- 5) Secondary conditions that are more prevalent in disabled, geriatric, and medically compromised populations
- 6) Improvements in health care technology that leads to earlier diagnosis, more sophisticated interventions, and the ability to live longer with more severe medical conditions
- 7) Costs of long-term care
<http://www.logos4me.com/long%20term%20care/can%20bb%20avoid%20home.pdf>
- 8) Waste via redundant services, limited focus on preventative medicine, and ordering of unnecessary tests
<http://www.pwc.com/us/en/healthcare/publications/the-price-of-excess.jhtml>

Comprehensive article on drivers of healthcare costs:

<http://content.healthaffairs.org/content/15/4/93.full.pdf>

The high value that we place on health and quality of life in addition to the pressure to develop more cost efficient methods of healthcare delivery are providing unprecedented opportunities for entrepreneurs in health and wellness arena.

- b. Student Engagement (e.g. small group work; ideally small groups of 3-4 students) Brainstorm a potential businesses in health and wellness.** Do you want to run your own fitness gym? Do you want to provide advice to individuals about nutrition, healthy lifestyle decisions? Do you have an idea about a product that might keep someone who is disabled or aging more independent and mobile? Name products, services, customers that your potential business would target. How will you market this business? Today's options include much more than formal advertising and personal word of mouth referrals. Social media and the internet have completely changed the landscape on how to market your business. In fact, many businesses offer their services for free to gain huge following and then provide access to their free members to other businesses. How will you get money to get started? Your culminating assignment of this class will be to do a sales pitch to potential funders. How much money will you need? Who will control how decisions are made in your company if the majority of the funds you gain are from venture capitalists? How much money will you need to launch your business and how much control are you willing to give up? Is your business philanthropic and are there any grants that you can apply for? What is the future of this type of business in your industry? What niche will you fill? Are there any gaps in healthcare that you feel you could produce a better product or service at a lower cost and/or higher quality? Is it long time and well established? Phasing out? If so, how will you differentiate yourself from your competitors? Is there a way you can turn your competition into partners? Emerging as a new type of business?

The following website provides a short summary and projection of where the changes in healthcare and technology are coinciding:

<http://www.mediapost.com/publications/article/214610/top-trends-for-healthcare-wellness-marketers-in.html>

My suggestions would be to look at gaps where insurance does not provide for coverage, but there is high need. Some examples of this that I see in rehabilitation is in continued exercise for individuals who have a chronic condition, but are no longer eligible for insurance reimbursement of physical therapy services and cannot afford \$100+ per treatment session. Another area that exists is in long term care. Many individuals do not have long term care insurance and can no longer take care of themselves independently because of their age or because of a progressive or traumatic disability. Examples can also include social and behavioral training for individuals with autism or other cognitive disabilities. Of course

there are very healthy individuals who want to “look better” or maximize performance in athletics and there is a lot of competition amongst personal trainers for this group. Almost every disability has a National Foundation (i.e. Parkinson’s, Rheumatoid Arthritis, Stroke, Spinal Cord Injury...) would you be interested in providing personal training for a specific disabled population. There are also many individuals with very mild disabilities such as a joint replacement that wish to maintain active and healthy lifestyles. Do you have expertise and passion in a field that might help this target population out? Tai Chi, music, fishing, Pilates, horticulture, aquatics, etc.

One group that has received a lot of attention and has multiple sources of external funding is veterans returning from service overseas. Many participate in larger programs like Wounded Warriors, but there are also smaller programs like Waves of Valor that serve Vets with PTSD and other service related disabilities to learn to surf and enjoy ocean activities. Athletes with disabilities also participate in established programs like the Special and Para-Olympics or larger new emerging programs like the Challenged Athletes Foundation. Do you like coaching? Do you like extreme sports?

[https://www.youtube.com/watch?v=7N\]vgT60-mk](https://www.youtube.com/watch?v=7N]vgT60-mk)

Can you think of combining a passion with a group that is underserved? The possibilities are limitless as are the potential to earn a living serving others by starting a business that can be financially lucrative and personally satisfying. Which business types are serving your local area? Do you want to establish your business in South Orange County? In any specific region of South OC? Do you want to grow your business statewide? Nationally?

Internationally? What are the characteristics of the region you want to serve? South Orange County is a mixture of affluent population with a large Spanish speaking immigrant group.

Let’s say I want to teach swim lessons to disabled youth in the area? How many other businesses are doing this? What do they charge? Who is their target population? How much are parents of disabled children willing to pay for the swim lessons I provide? If my target clients live in Cota de Caza, how much are they willing to pay? If they live in Santa Ana, how much can they afford to pay? Another niche are personal trainers and others providing corporate fitness and wellness activities. The idea is that moderate to larger size corporation will pay fitness trainers, massage therapists, yoga instructors to provide services to employee on-site generally at lunch or before or after work. Corporations know that happy employees are productive employees. Businesses also have the ability to save significant amounts of money on health care costs and fewer sick days by employing such measures. So when you hear that employees at Google have access to massage therapists and a gym with fitness trainers, don’t be fooled that they are doing it solely as an altruistic measure. Google knows that providing such services help them attract and keep good employees. In addition, Google has calculated that they have a positive return on investment keeping their employees healthy and that this helps their bottom line. Can you think of any large corporation in Orange County that might want to follow in Google’s footsteps? How would you go about pitching this idea?

If corporate fitness is a niche you are interested in exploring, I would highly recommend checking out the following website:

http://www.mplans.com/health_fitness_marketing_plan/executive_summary_fc.php

Are any types of businesses obviously missing? The answer to this question is emphatically yes. Is the type of business you are hoping to start missing? Are you willing to develop a business plan that can make this business profitable or at least financially sustainable? This exercise will feed an executive summary of a business plan. It is intended to spark enthusiasm and teamwork as well as introduce various components of the course.

c. Assessments

d. Assignments: Research your industry online. Obviously, you need to do as much research as you can prior to launching a business. Before you start a business, you need to do more than on-line research...you need to get on the phone and call organizations, you

need to network at professional meetings, you need to be willing to discuss your ideas in general terms with anyone willing to listen, in specific terms with trusted confidants. If you are having difficulty selecting a business and/or would like to brainstorm more options, here are a few useful websites that are worth looking at:

<http://www.entrepreneur.com/businessideas/industry/29.html>

<http://www.mytopbusinessideas.com/healthcare-medical/>

<http://money.cnn.com/galleries/2011/smallbusiness/1112/gallery.health-care-entrepreneurs/>

<http://frugalentrepreneur.com/2013/01/7-health-care-and-medical-business-ideas-that-you-can-start-today/>

<http://yourbusiness.azcentral.com/small-business-ideas-health-industry-15557.html>

Research the types of business you are interested in. “Failing to plan is planning to fail.” Don’t assume the business you are think of starting doesn’t already exist. If it does, how are you going to do it better? If it does not exist, are there similar business’s serving different populations? Are there businesses that serve a similar target audience that provide a similar service or product to the business you would like to start? Before spending your own money or the money of donors, do your homework. Will these established businesses view your start up as a competitor or as a potential collaborator?

At next weeks class, you will be required to bring in a 1-2 page paper, single spaced, in size 12 font with margins not to exceed 1 inch that cover the following:

- **Name your business**
- **Define what it is you will be doing? Paint a picture in words of what you would like to do. Are you selling a product or providing a service or both? Who are your target clients? Briefly, how will you launch and market your business?**
- **Include links to sites you found useful in researching your business**
- **If you did not have a chance to interview someone who runs a “similar business,” (this will be assigned during the 2nd week) discuss your business idea with a family member or friend. What are their thoughts and impressions? Did they have any advice? Were they encouraging? Skeptical?**
- **Lastly, explain why this business is a good personal fit for you. Why do you want to be an entrepreneur? Why do you want to start the particular business you are proposing? Is this a good fit for your financial and personal life time goals?**

Interview the owner of a business that is similar to what you want to start.

DO INTERVIEW 2ND WEEK OF CLASSES??? I THINK THEY NEED AT LEAST ONE WEEK TO LET AN IDEA GERMINATE. I WOULD LIKE THE PROCESS OF EXPLORING A FIELD OF INTEREST TO BE LONGER AS I THINK THAT MOST STUDENTS (WITH THE EXCEPTION OF THOSE WHO COME TO THIS CLASS WITH A VERY SPECIFIC IDEA OF WHAT BUSINESS THEY WOULD LIKE TO DEVELOP NEED MORE TIME TO RESEARCH AND EXPLORE THEIR OPTIONS.

Week Two

-Provide personal educational and professional background

Products and Services

- a. Main Ideas:** Provide information on the products and services provided by businesses in your industry. So the field that we are talking about is Health and Wellness predominately with Special Populations. I think that there are some untapped markets with “healthy populations” in corporate wellness that would be interesting to explore. You have to realize that when you are dealing with providing fitness to large corporations, the

clientele you would serve would be incredibly varied. You might be providing advice to an individual who was a college athlete and very knowledgeable about diet and fitness training, you may be working with someone who has never seen the inside of a gym before and thinks ordering diet Pepsi from McDonalds is a healthy choice, you might be working with someone who has chronic low back pain or has had multiple heart attacks and needs a program catered to his/her specific needs that may require communications with his health care provider, OR, largely because of ADA law, you may be working with someone who gets around in a powered wheelchair. So again, while my expertise is with "disabled populations", if you are doing corporate fitness you have to be a jack of all trades. Another potential niche would be working with able and/or disabled athletes to improve athletic performance. Know that this is generally a group that is willing to pay high dollars to enhance their performance, but they generally want to be the best at what they do and their expectation is to have a trainer or consultant that is extremely knowledgeable in their sport and condition. This market is also highly saturated in South Orange County. As you may be aware, there are lots of parents willing to pay top dollar to have someone work with their elementary to high school aged child so that little Jonny makes the starting squad and receives a college scholarship. With the competition of gaining an athletic college scholarship, that is a fairly risky investment, but with the price of post-secondary education what it is these days, it also has potential to have a large return on investment. I would like to provide some examples of business I have seen developed and/or proposed to give you some ideas of what is out there. I have a student helper in my program that is certified in Pilates. Other than an anatomy class and some general education college coursework, he has little in the way of college education, but he has a strong business sense and has done work in administration and promotion at a modeling agency. When he first started working with me, he was developing his own Pilates business where he would travel to his clients homes and provide hour long Pilates training sessions. Because of his charisma, knowledge of Pilates, and professionalism, he was able to develop a large number of clients that paid him between \$60-80/hour. As his knowledge developed in working with individuals with disabilities, he earned certification as a personal trainer (and in particular certification as an "Inclusive Fitness Trainer" through the American College of Sports Medicine (ACSM)). This gave him a nationally recognized certificate, access to liability insurance, and a more complete knowledge about training individuals with disabilities (particularly which activities and exercises to avoid). He continues to work in Pilates but the mix of his clientele is now predominately individuals with disabilities. He has carved a nice niche in this industry and is now looking at ways to hire on a couple other part-time employees because he is no longer able to meet the demand for his time. Other examples of individuals providing services in this field that I have heard about are professionals who work as travel agents for clients with disabilities. Essentially, they are in charge of making all travel and accommodation arrangements for someone who has a disability for a fee. Their client might be someone who uses a wheelchair as their primary means of mobility, but wants to tour the ruins in Mexico. Their job is to arrange accessible accommodations, travel, and perhaps a tour guide that allows their client to enjoy their dream vacation. As you might imagine, this can be a challenge when working in third world countries with limited to non-existent laws around accessibility. Examples of entrepreneurs wanting to develop and sell products in this industry might include:

- Developing an app for individual with traumatic brain injury that provides reminders of daily appointments and directions so that their clients can function more independently in the community.
- There are thousands of examples of individuals who have developed and patented assistive devices that allow persons with disabilities to lead more active and independent lives. Right now, I have a blind student that has taken on a passion for swimming, but because he has been totally blind since birth, swimming multiple laps in a 25-yard pool by himself presents a serious hazard every time he approaches the concrete wall. A couple of my aides have worked to provide an

auditory device to let him know when he is approaching the wall, but this requires that he swim at least part of his laps with his head out of water which (as any of you swimmers know) is a very inefficient stroke technique. There are GPS devices and there are waterproof in-ear headphones that combined would allow him to know when the wall is coming up...not sure if there is a large market for this market...any takers?

Describe changes that are happening due to technological advances, lifestyle preferences, demographics. I have described a couple of ways technology has changed the lives of individuals with disabilities for the better. There have been huge changes along this front in the last couple of decades that include everything from improved prosthetics to robotic legs that help individuals with complete loss of motor control to their lower limbs to walk upright. Advances in computer technology have led to changes that vary from making braille an almost obsolete language with voice activated technology to mouses that allow individuals with no fine motor skills in their upper extremity to have full access to the internet.

Below are a couple links that may give you some ways to conceptualize the impact of technology on the disabled:

http://en.wikipedia.org/wiki/Computer_accessibility

<http://www.ncbi.nlm.nih.gov/books/NBK11418/>

http://en.wikibooks.org/wiki/Assistive_Technology_in_Education/Physically_Handicapped

I believe that bioengineering and computer technology has just begun to tap into what is possible in this arena and billions of dollars will be made by individuals who develop and market advances in this field.

For example, is an area of exclusive homes being developed?

Here, I would like to discuss some changing demographics. As previously mentioned, South Orange County (& the entire nation) has a growing population of seniors. The baby-boomers want to stay healthy and active as they age. Some of this group (particularly those in more affluent areas like South OC) has disposable income that they are willing to use to maintain "young" lifestyle. Does this market interest you? Can you think of ways to find out what their specific needs are and how much they are willing to pay for products and services that keep them independent and active?

The other growing trend I see, particularly in South Orange County are group homes (akin to college dormitories) that allow young adults with disabilities to live independently.

Nation-wide, the prevalence of autism is on the rise. It is now estimated that one in every 68 individuals will be diagnosed on this spectrum disorder. Parents of autistic children are willing to pay to have their children treated, socialized, and educated to become as high functioning as possible. Do you have an interest in doing entrepreneurial work for the growing demand in this field? Click on the links below for more info:

<http://en.wikipedia.org/wiki/Autism>

<http://www.iidc.indiana.edu/?pageId=416>

What businesses would cater to high-income families? Low income families?

South Orange County is unique in that there is a combination of highly affluent individuals with a large population of that live below the poverty line.

Diversity and change in Orange County:

<http://labor.ucla.edu/wp-content/uploads/downloads/2014/07/FINAL-OC-report-for-Web.pdf>

Disability Demographics:

<http://www.disabilitystatistics.org>

Senior demographics in Orange County:

<http://officeonaging.ocgov.com/resources/demo>

Orange County demographics:

http://www.occhildrenandfamilies.com/images/pdf/OCCIR_2014_Report.pdf

<http://quickfacts.census.gov/qfd/states/06/06059.html>

http://en.wikipedia.org/wiki/Orange_County,_California

<http://www.point2homes.com/US/Neighborhood/CA/Orange-County-Demographics.html>

- b. Student Engagement (e.g. small group work):** Continue brainstorming in groups from Week One.

Niche markets I would recommend exploring in this course:

- Health/Wellness Coach or Life Coach
- Personal Trainer for disabled or special populations
- Counseling on nutrition and diet (generally the purview of a registered dietician, which requires a bachelors degree to do this in a hospital or clinical setting...but like a physical therapist not being the only professional that can provide advice about exercise, there is no law about prohibiting the layperson about providing nutrition counseling and getting paid directly for this advice.
- Behavioral aide for children and adults with emotional challenges
- Tutor/practical skills aide for individuals with cognitive challenges
- Developing/selling/distributing a product that promotes independence, improved functioning and well-being
- Corporate fitness trainer
- **Add more options**

- c. Assessments**

~~**d. Assignments:** Research a product or service. Who provides these? What are the annual revenues for that product or service? All of week #2 assignments moved below for simplicity.~~

- e. Resources:** Instructor PowerPoint; handouts; web sites

Business Organization Models

- a. Main Ideas:** Show and describe a few basic organization models. Discuss pros/cons of each.

Most individuals start business on their own or perhaps with one or two partners. This essentially makes things pretty easy, because if you are, say starting your own coffee cart business by yourself, in addition to being the owner or CEO of the company, you will also be the purchaser, the front line sales person and the individual that cleans up the cart at the end of the day. As a business grows, you may purchase more carts and hire other staff and then have to determine how to organize your business. Page 437 of your text discusses terms such as *line organization*, *line and staff organization*, *span of control*, and *chain of command*.

- b. Student Engagement (e.g. small group work):** Students will create a model for a business they know. Please form groups of 3 or 4 & your not allowed to meet with the same individuals you did during Week #1, take out your text and refer to section on page 437 titled "Determining Organizational Structure." Briefly refresh yourself by re-reading this section and then discuss in your groups your preferred organizational model if you plan to scale up your business. If you plan on running and owning the business individually, be prepared to justify why that model is the best for what you desire to achieve in your business.

- c. Assessments:**

- d. Assignments:** Students will create a model for their proposed business. Show them how to create one in PowerPoint. Use templates at:
<http://www.vertex42.com/ExcelTemplates/organizational-chart.html> or
<http://www.orgplus.com/products/orgplus-professional/chart-template-samples.htm>

Next week you need to turn in your organizational chart for where you envision how you envision your company to be structured during the first 1-2 years of build up, a mid-term plan between 5-10 years down the road, and a

structure for when you plan to retire or sell your company perhaps 30 years in the future.

You also need to read chapter 11 in your text and determine the business's legal structure. At each of the above three stages, identify if your business is going to be a:

- 1) *sole proprietorship***
- 2) *partnership, or***
- 3) *corporation***

In addition to your organizational chart, you will be required to turn in a 1 page paper, single spaced, in size 12 font with margins not to exceed 1 inch that cover the following:

Interview the owner of a business that is similar to what you want to start.

Are you a member of Linked In? In many cases they offer access to individual and their profiles that may be in related fields. Do online research for similar businesses. Are there professional journals in your prospective field you should be checking out? Do they have meetings or seminars you can attend? Do you have any family or friends in similar businesses? Do you have any family or friends that have launched their own business and could share advice about what went well and not so well? Network, network, network. Who you know can often be as important as what you know.

When interviewing this individual ask them about their **Research a product or service. Who provides these? What are the annual revenues for that product or service?**

e. Resources: Instructor PowerPoint; handouts; web sites (see above)

Putting your plan to action. The following links will provide resources for small businesses in Orange County:

<http://ocsbdc.org>

<http://www.score114.org>

They will help you take your business from a plan to a reality. It isn't a bad idea to start making these contacts during the planning stage.

Week Three

Market Segments and Market Research (pg. 129; Ch. 4)

Main Ideas: Present information on target markets (Pgs. 39-42, 47-48, 93, & 168)

according to your Mariotti and Glackin text, target markets are the "groups of interest to a business that are defined by common factors such as demographics, psychographics, age, or geography." So if your business is dealing with exercise for individuals who have Multiple Sclerosis (MS) and you are opening a gym in San Clemente, your target market will likely include individuals with MS who can either drive themselves or get public to your gym in San Clemente. Because MS is commonly diagnosed in late 20's or early 30's and is twice as common in females, the demographics you are likely to reach out to and serve will be predominately adult females. MS is also more likely to occur in individuals who live further from the equator and have Northern European descent.

Psychographics is the "study of personality, values, opinions, attitudes, interests, and lifestyles."

<http://en.wikipedia.org/wiki/Psychographic>

So while, values and interests of those diagnosed with MS may vary considerably, it may be worth looking into how much young adult females with chronic conditions that effect their mobility value their health and well-being. Safe to assume, that this group, like most previously healthy adults in the US and Southern California place an extremely high value on their health and well being which in turn means that they are willing to pay money out of

pocket for things that will continue to maintain an optimum quality of life. MS is an incredibly devastating diagnosis and even the best physicians have trouble slowing the progression of this disease in individuals with severe non-relapsing forms of the disease, but almost all medical providers agree that moderate exercise and healthy diet become even more essential when being diagnosed with MS. So the demographic and psychographic information gives you a good idea of who you might market to, but perhaps just as important, is that it provides insight into the types of individuals that will be coming to your gym and the ambience and sensitivity you will need to provide at your place of business to not only sign up new members, but keep them coming.

And segmentation (pg. 142-) According to your text, market segment is “a group of consumers or businesses that have a similar response to a particular type of product or service.” So you may discover in your market research that there are not enough individuals with MS in the area to justify purchasing specialized equipment and leasing space to open a gym. You may also discover that women with disabilities don’t particularly like to work out with males. You may decide that in order to open a gym, you need to reach out to a larger group or “segment” of the population. This larger segment may include all individuals with autoimmune diseases (which might include diagnosis such as lupus, fibromyalgia, Crohn’s disease, etc. When you do your market research, you may find that although there are not currently enough individuals with MS in your area, there are more than enough individuals with autoimmune disease that would like access to a gym that caters to their needs and, from your surveys and psychographic studies, you may decide that it would be better to target only females with autoimmune diseases because females are more likely than males to have autoimmune illnesses and they don’t want to exercise with males present. Distinguish between primary and secondary markets research (Pg. 131-). According to Mariotti and Glackin, primary research is a “type of research performed directly on a subject or subjects.” This can include personal interviews, telephone surveys, written surveys, focus groups, observations, and tracking. Secondary research is a “type of investigation carried out indirectly, through existing resources” and includes such inquiries as online searches, database searches, review of books and records, investigating competitors’ websites, and looking into information provided by industry associations, chambers of commerce and public agencies. What primary and secondary research do you think would be most beneficial to undertake for your business? If you were going to pick 2 primary research methods and two secondary methods to start out with, what would they be?

For market research, ask: How can you turn people into paying customers. If you don’t know what they want? And how do you know what your target market wants unless you ask them?

- a. Student engagement (e.g. small group work):** Create a profile of the primary and secondary markets **WHAT IS THE DIFFERENCE BETWEEN PRIMARY/SECONDARY MARKET VS. PRIMARY/SECONDARY RESEARCH? for your business.**

IS THE DEFINITION IN THIS LINK CORRECT?

<http://www.fullbrainmarketing.com/blog/identifying-primary-and-secondary-target-markets>

As a group, decide who you think your primary and secondary target markets are. Determine in what city (or area of a larger city) your business will be located. Research the ZIP code(s) near your business location or target area. Use www.city-data.org and/or <http://www.claritas.com/MyBestSegments/Default.jsp>

- b. Assessments:**

- c. Assignments:** Using the statistics and information you find on these sites, create a profile of your target customers. Be creative with how you put together your profile. Conversely, how do the #'s of your target audience influence where you locate your business or perhaps influence your decision regarding the physical size

of your business. If you are serving clients and they have disabilities and transportation challenges, would it be smarter to meet them where they live?

For Market Research, collect your primary research data (pg. 131-):

- i. Create a five-question survey of questions to ask member of your target market
 - ii. Collect at least 20 surveys from people in your target market.
 - iii. Analyze your findings. What do they tell you about your target market? Create charts or graphs in Excel to summarize your findings and/or share a brief written summary of your findings
- d. **Resources:** Instructor PowerPoints, handouts, URLs
Pg. 202 of text has a section on “Selling as a Great Source of Market Research” including “Selling is Teaching” and the “Principles of Selling.” Remember that even if you are providing a service, you are selling something and this engagement with a customer provides you an opportunity to gain rapport and understand the value of what you are providing.

Week Four

Competitive Analysis...Competitive Advantage??? (Pg. 97-)

- a. **Main Ideas:** Differentiate between direct and indirect competitors According to the following website:

<http://www.wisegeek.com/what-is-the-difference-between-direct-and-indirect-competitors.htm#didyouknowout>

A direct competitor is “a company that offers the same primary services to the same customer base.” An indirect competitor is “a company that offers the same or similar services as part of a wider service offering, or that offers a good or service that can serve as a viable substitute.”

I think that these definitions are interesting and I have a vague memory learning about them in a graduate course I took as part of PT school that intended to teach my classmates and I about starting our own business, management styles and medical practice laws relating to referrals. I can see how 24 Hour Fitness would be a direct competitor say to LA Fitness or a small hometown gym. I can also see how 24 Hour Fitness might be an indirect competitor to college students looking to take a weight lifting course on campus (i.e. student would weigh the cost and convenience of working out on campus versus a local gym on factors such as whether or not they need more unit credit, where the cute girl in your English class exercises, if they have the ability to repeat the weight lifting course on campus, etc. So with our example say of a gym that caters to individuals that have disabilities, if another gym with similar specialized equipment and staff knowledgeable in training the same clientele opened up in the same town, that would be a direct competitor in the same way that two PT clinics that service athletes with orthopedic injuries would be direct competitors with one another. One thing that is unique (at least right now) is that there is very little competition for with facilities to that serve disabled populations in exercise. I think that there are a number of reasons for these, including but not limited to:

- Challenges in making such gym profitable (Equipment is costly, space needed is large, many individuals with disabilities are on limited fixed incomes, etc.)
- Limited number of individuals who have expertise and/or interest in providing exercise with persons who have disabilities
- We are treading in new territory, according to a group conducting a longitudinal study on Aging with Disability, we are essentially experience our first generation of individuals who live into older adulthood with disabilities. That is, in previous

generations, many individuals with chronic disabilities died earlier in adulthood from their condition or a secondary complication

So with that said, if we are talking about indirect competitors of individuals providing fitness for persons with disabilities, there is very little competition. I will be happily wrong about this, but generally individuals with new or long-term disability receive services until they “plateau” in their progress and their insurance company is no longer willing to reimburse for physical, occupational, or other types of rehabilitation. Some PT businesses will allow patients to continue to come to their clinic after they have been discharged from formal therapy and pay a fee either per visit or per month for access to the facility and equipment. However, most rehabilitation clinics are set up to do individual rehabilitation and lack the room to allow patients to continue on as “gym” members after they have been discharged. Those that do would be considered indirect competitors, but because the reimbursement they get through insurance and the cost of providing formal therapy is so high, “gym” members at PT clinics are generally not large drivers of income for the clinic.

Other competitors would be Emeritus Programs (that largely offer group classes to relatively “able-bodied” seniors), Adapted Physical Education Programs like the one offered at Saddleback and other post-secondary educational institution, adult day care centers, churches, and some senior centers and hospitals that offer activity classes for some older adults or individuals with medical conditions that cause mild disability. Although this is slowly starting to change, able-bodied fitness gyms generally do not have the staff or the equipment to handle individuals with moderate to severe disability. So there are some indirect competitors that in my humble opinion do an average job on their better days of providing access to fitness and wellness to the disabled.

I think it would be important, especially in this business, to include *collaborators* or *partner* in the mix with direct and indirect competitors. A collaborator would be someone who serves the same individual or target market at a different point in their recovery or rehabilitation. Lets take for example, a young man who suffered a spinal cord injury playing football. In his first 2 months to possibly 1 year (length and quality of rehabilitation unfortunately is much more dependent on insurance type and financial resources than medical or personal need), he would spend time at the hospital to stabilize his condition. If he is lucky, he will be able to go to an Acute Rehab Unit where his progress is monitored both by a physician and a group of therapists. More likely, he would be discharged from the hospital to a nursing home or directly to his own home where he would receive home PT. When he is able to navigate in the community, he would be progressed to outpatient therapy where he would learn skills to function as independently as possible and a home exercise program to maintain his strength, ROM, and prevent secondary complications like pressure sores. As I mentioned, this entire process, may take place in as little as two months up to possibly two years. It is very rare that individuals with spinal cord injury or any chronic condition for that matter work with a medical therapy team for longer than 6 months to a year unless they have exceptional financial resources as each therapy visit is approximately \$100/hour.

So now you have an individual who was previously very active that is no longer able to exercise in the way he is used to and generally still very much struggling to come to terms with his new disability and lifestyle months after he has been discharged from therapy and his medical support net.

In instances like these (and I would argue that the same would be true for individuals born with chronic disabilities), there are very limited quality options for exercise, fitness, wellness, and psycho-social re-integration.

This gap in care for the elderly and disabled is projected to continue to grow and will continue to add stress to an overburdened healthcare system. There are strong pressures for medicine in the US to switch from a system that puts out fires (i.e. fixes the heart problem after someone has had a heart attack) to one that prevents fires (i.e. provides education and opportunities for activity/lifestyle changes that would prevent the heart attack from happening in the first place.) A prevention system is a win-win for almost everyone (maybe

except the heart surgeon) in that the patient stays healthier, enjoys a more productive and higher quality of life and the costs of medical care are reduced.

Physicians, physical therapists, other allied health care providers, counselors, educators of those with disabilities, and association that represent certain disabilities (i.e. American Heart Association) then become potential collaborators or partners that would refer their patients to your business. Don't turn a blind eye to your competitors, but I would strongly urge that you consider building partnerships in the community for any business you develop serving individuals with disabilities. If you can find a profitable and/or sustainable model to serve someone with a long-term disability in their wellness needs, I think that you will find a number of medical providers that will seek out your services and gladly refer their patients your direction.

- b. Student Engagement: (e.g., small group work) Class discussion: Identify direct and indirect competitors of a particular business known to students (McDonald's, Kinko's, Ford, Apple, etc.). Consider who might be a collaborator or partner of this business as well.**
- c. Assessments**
- d. Assignments Identify direct and indirect competitors and collaborators/partners of your proposed business.** Where are they physically located in relation to the area you hope to serve? Create a spreadsheet that categorizes each into direct competitor, indirect competitor, and collaborator. Include contact information such as address, phone number, and service provided for each.
- e. Resources**
<http://www.wisegeek.com/what-is-the-difference-between-direct-and-indirect-competitors.htm#didyouknowout>

Week Five

Branding (Pgs. 101, 159-161, Ch. 14)

Branding is "the idea or image of a specific product or service that consumers connect with, by identifying the name, logo, slogan, or design of the company who owns the idea or image...when that idea or image is marketed so that it is recognizable by more and more people, and identified with a certain service or product" despite the fact that "there are many other companies offering the same service or product."

<http://www.brickmarketing.com/define-branding.htm>

The best example, I can think of is an activity I grew up doing in the 70's. The sport is named "Body Boarding," but almost everyone even to this day thinks and calls it "Boogie Boarding" because when Tom Morey developed the Boogie Board in the early 1970's it so dominated the market that the name of the sport took on the name of the product. Just so I maintain some air of credibility with you all, my boogie boarding or "sponging" days were short lived, and by 1980 I was wearing neon Gotcha shorts and trying to stand up on a board way to small for my 6 foot + frame. I am still occasionally seen boogie boarding on a soft top fun board at Linda Lane with my 7 and 10 year old daughter...the surf is always overhead when you are riding a boogie board.

<http://www.theinertia.com/surf/boogieboarding-bodyboarding-whats-in-a-name/>

Let's read the section on page 160-161 on "How to Build your Brand." In sum, a brand evolves, but it challenges the entrepreneur on how big they are willing to think we they develop a product or service...think:

Steve Jobs and Apple

Mark Zuckenberk and Facebook

In some instances, it is the person that promotes the product, that becomes the face of the brand...think:

Michael Jordan and Nike

Kelly Slater and Quiksilver

and Marketing (Ch. 5 and in particular Pgs. 48-49, 91, 130, 142, 147, 202)

A **market**, according to the text is a “group of people or organizations that may be interested in buying a given product or services, has the resources to purchase it, and is permitted by law and regulation to do so.” **Marketing** is “the development and use of strategies for getting a product or service to customers and generating interest in it.” A **market segment** is “a group of consumers or businesses that have a similar response to a particular type of product or service.” **Positioning** or **Market Positioning** is “distinguishing a product or service from similar products or services being offered to the same market.”

5.1 Promotional (Pgs. 49, 158, 166-174)

According to the text **Promotion** consists of things such as

- 1) **Advertising**- “paid promotion through media outlets”
- 2) **Public Relations**- “community activities that are designed to enhance an organization’s image”
- 3) **Publicity**- “free promotion”
- 4) **Direct Marketing**- “a promotional method that includes telemarketing, direct mail, in-person selling, and other personalized marketing tools”

5.2 Website (Pgs. 21, 134, 168, 331, 341-342, 411-412) Internet (Pgs. 132, 137-38, 165-66, 177)

5.3 Social Media (Pgs. 177-178)

On-line social media include network sites such as Facebook, MySpace, and LinkedIn. I think that I have accounts on each one of these. Facebook allows me to know more about what my 2nd cousin living in Alaska who I met once when I was 5 years old is up to more than what my own kids have done in the past week. MySpace allows me to listen to free music and keeps me current so that I know a little more about the hosts on The Voice when I watch the show with my 10 year old daughter. LinkedIn gives me a profile that (despite paying for a short-lived paid subscription) has done nothing to help me hire any new employees, but, in theory, has provided me a forum to let other colleagues know that I think what they do professionally is cool and has linked me in to individuals who are in professions that are at least 5 or 6 degrees removed from what I do and whom I have very little to no chance of ever meeting in person.

I am biased toward YouTube as a means of social media as it provides a way to communicate with others and provide educational tools for students. I have not joined Twitter or Instagram so I would be considerably behind the curve. What am I missing? What ideas do you have to use social media to promote your business?

a. Main Ideas: Distinguish among various types of marketing. Explain “branding” in your industry.

b. Student Engagement (e.g. small group work): Have students create taglines that would help brand their business. Focus on benefits. Have any of you watched “Mad Men.” *Get a short clip of the advertising/marketing “brain trust coming up with a tagline to show before this small group work.*

c. Assessments

d. Assignments

Define and re-confirm your target market. What promotional strategies do you think are best for this group? Can you think of how your business might turn in to a brand if it were to scale up to a national or international company?

Design a 3-5 page website for your business. Easy to use design templates can be found at www.weebly.com, www.wix.com, or webs.com. Include pages such as:

Home, About Us, Products/Services, Video or Photo Gallery, Menu, Testimonials, Fun Facts, Frequently Asked Questions, Contact Us, etc. Be creative!

Create some social media profiles for your business. On your web site, be sure to include links to social media sites such as Facebook, Instagram, Twitter, Vimeo, Vine, Pinterest, LinkedIn, Yelp, etc.

[Really want to jazz up your Target Segmentation sections with some really great looking infographics? Organize your data into an Infographic template using http://visual.ly, http://www.easel.ly, http://piktochart.com, https://venngage.com, or http://infogr.am](http://visual.ly)
e. Resources

Week Six

Financials 1

6.1 Start Up Costs (Pgs. 51-52, 232-235) According to the text, the financial part of a business plan is essentially a numerical representation of the executive summary. Lenders will generally read your executive summary and then read your financials. If these two items don't add up, the lender or venture capitalist will likely look no further, but don't let this tempt you to inflate your numbers. The financial analysis needs to be brutally honest. Investors know that most companies start in the negative for the first few months to few years and if this is the case with your business, your financial plan should reflect this. The financial plan of your business section should include:

- *Sources and uses of capital*
- *Cash flow projections:* A **cash flow statement** is "a document that shows cash receipts less cash disbursements for a business over a period of time."
- *Balance sheet projections:* A **balance sheet** is "a financial document that summarizes the assets, liabilities, and net worth of a business." **Assets** are "any item of value." **Liability** is a "business debt." **Net worth** is "the difference between assets and liabilities" and is synonymous with an owner's equity.
- *Income statements for three years:* An **income statement** is "a financial document that summarizes income and expense activity over a specific period and shows net profit or loss." It is synonymous with a profit and loss statement.
- *Breakeven analysis:* The **breakeven point** is "the moment when the volume of sales in a business exactly covers the fixed costs."
- *Ratio Analysis*
- *Risks and assumptions*

Seed capital or start-up investment is a "one-time expense of opening a business." Page 233 of your text has a table that shows the seed capital for opening up a 24-Hour Fitness Gym. Mariotti and Glackin also suggest that a start-up investment include a cash reserve of at least one half of the start of investment so if your total start-up will cost \$10,000, you should seek \$15,000 in seed capital. Two of the advantages of having this reserve are:

- 1) being prepared for the unanticipated and starting a new business is generally full of surprises
- 2) the cash reserve will provide finances that may allow you to take advantage of unforeseen opportunities

6.2 Pricing (Pgs. 49, 158, 162-164) the product or service has to be priced such that customers can afford it and the business will be able to make a profit. According to the text, pricing should "reflect your vision, strategy, and policy." Some useful definitions related to pricing follow:

- **Value pricing** is "a strategy in which the quality of a product is emphasized in relation to its price."
- **Prestige pricing** is "a strategy in which a firm sets high prices on its products or services to send a message of uniqueness or premium quality."
- **Cost-plus pricing** is "a strategy that takes the organization's product cost and adds a desired markup."
- **Markup pricing** is "a cost-plus strategy in which a predetermined percentage is applied to a product's cost to obtain a selling price."

- **Penetration pricing** is “a strategy that uses a low price during the early stages of a product’s life cycle to gain market share.”
- **Skimming the price strategy** is “an approach that seeks to charge high prices during the introductory stage of a product, when it is novel and has few competitors, to take early profits, and then to reduce prices to more competitive levels.”
- **Meet-or-beat the competition pricing** is “a strategy that entails constantly matching or undercutting the prices of the competition.”
- **Follow the leader pricing** is “a strategy that is similar to a meet-or-beat-the-competition method, but uses a particular competitor as a bench mark.”
- **Personalized (dynamic) pricing** is “a strategy in which a company charges a premium above the standard price for a product or service to those customers who are willing to pay it.”
- **Variable pricing strategy** is “an approach that provides different prices for a single product or service.”
- **Price lining** is “the process of creating distinctive pricing levels.”

6.3 Mark Up

Markup “is the difference between the cost of a good or service and its selling price. A markup is added onto the total cost incurred by the producer of a good or service in order to create a profit.”
[http://en.wikipedia.org/wiki/Markup_\(business\)](http://en.wikipedia.org/wiki/Markup_(business))

a. Main Ideas: Use Q & A to elicit students’ knowledge of the costs involved in starting a particular business in a particular location.

Provide information on approaches to pricing.

Review pricing strategies used in their industry or business of choice.

b. Student Engagement (e.g. Small group work): Students will experiment with pricing their product(s) or service(s) by calculating the cost to buy the supplies for the product (Cost of Goods Sold [COGS] or Cost of Services Sold [COSS]) and what percentage of mark-up you would add. See <http://www.calculatorsoup.com/calculators/financial/price-calculator.php>. This tool will show how costs and mark-up affect the price for your customers.

c. Assessments:

d. Assignments: Determine a business price list. Create a price for each product or service. Include cost of each product, markup on each, and profit on each.

e. Resources:

Crowd funding is a new way to get business investors:

<http://en.m.wikipedia.org/wiki/Crowdfunding>

You may also want to look also at Indie GoGo and Kickstarter, 2 of the big ones. Check for sites that specialize in health and wellness start ups.

Week Seven

Financials 2

7.1 Fixed Costs (Pgs. 186-189, 236, 240-242, 246, 258) and Variable Costs (Pgs. 164, 236-239, 246, 258)

Fixed Costs are “business expenses that are not dependent on the level of goods or services produced by the business. They tend to be time-related, such as salaries or rents being paid per month, and are often referred to as overhead costs” or indirect costs. According to the text, fixed costs are costs that do not vary with sales and can be remembered by the acronym USAIRD (utilities, salaries, advertising, insurance, interest, rent, and depreciation). For a business to survive, it must at least cover its fixed costs.

Fixed costs are not static. The salary you pay your employees overtime may increase as you give them raises or decrease when you replace a long-time employee with a new employee who is paid less per hour. Another simple example of how a fixed cost may change is the cost of utilities. Our

climate is Orange County is mild, but heat waves in summer may require that you spend more fixed cost dollars on air conditioning as would heating costs during a cold wave in the winter. Fixed costs can be challenging for a business because they need to be paid whether or not you sell one year book or one million yearbooks. Fixed costs have to be paid whether you serve one client per day or twenty. On the other hand, variable costs will change with the volume of business you do. **Variable Costs** are “volume-related (and are paid per quantity produced.)”

http://en.wikipedia.org/wiki/Fixed_cost

Variable Costs fall into one of two subcategories:

- 1) COGS or COSS (Cost of Goods/Services Sold) which include the cost of materials and labor used to make the product or deliver the service
- 2) Commission (compensation based on sales volume) and shipping and handling charges

7.2 Breakeven Point (Pgs. 53, 187-188)

The **breakeven point** is “the moment when the volume of sales in a business exactly covers the fixed costs.” According to Mariotti and Glackin, when you reach this point, you have demonstrated that there may be viability for the business you are developing. There is a formula on page 53 of your text that will help you with this calculation. To simplify things, the authors use an example in which you need to sell 2,500 yearbooks at your school to reach your breakeven point, but you only have 1,500 students. In this case, you would either have to increase the price of each year book or hope that each student purchases two year books (highly unlikely) for your business to be deemed viable. Note though that just because you can project or just because you have hit a breakeven point, it does not mean that your business is profitable. Doing a breakeven calculation is a good way to determine whether or not you need to revise your business plan and/or should proceed with further market research.

7.3 Sales Forecast

A **Sales Forecast** is a “projection of achievable sales revenue based on historical sales data, analysis of market surveys and trends, and [or] salespersons’ estimates...it forms the basis of a business plan because the level of sales revenue affects practically every aspect of a business.”

<http://www.businessdictionary.com/definition/sales-forecast.html>

The following link has some basic and helpful tips on developing a sales forecast for your business plan:

<http://www.entrepreneur.com/article/77674>

Be forewarned that forecasting sales is generally much more difficult than forecasting weather and even here in temperate Southern California, our weather forecasts are consistently off the mark. Large companies spend incredible amounts of money on sales forecast before rolling out a product and often miss the mark.

a. Main Ideas: Help students understand the concepts of fixed and variable costs and the breakeven point. Let’s go over some examples in your text on pgs. 187-189 that you have previously read, so that we can better understand fixed/variable costs and breakeven point. Show them some sales forecasts and discuss how they might forecast sales in their proposed business. Discuss variables that add complications, such as seasonality. Discuss the value of a sales forecast in figuring out how much the business can spend on marketing, employees, and growing the business. Stress how difficult accurate forecasting can be.

b. Student Engagement (e.g. small group work): Students will create a list of fixed and variable costs, identify each, and estimate the cost of each for their proposed business.

Students will calculate the breakeven point for their proposed business. See

<http://www.entrepreneur.com/calculators/breakeven.html>

c. Assessments:

d. Assignments: Have students create a sales forecast chart for one month of operation of their proposed business.

e. Resources

Week Eight

Final/Pitch (Pg. 179): Final exam? Project completion? 3-minute “shark-tank” style pitch?

Students will do 3 minute presentations and be graded by their classmates or open book exam that will test terms and concepts related to starting a business or turn in business plan. Project or presentation could be offered as extra credit.