

Planning for Success: The All-Important Business Plan

by Deb Hill



“If you aim at nothing, you will hit it.”

– Anonymous

STARTING ANY BUSINESS, ESPECIALLY AN alpaca business, is exciting, challenging, and

maybe a bit overwhelming. Possibly the most important investment you can make in your new venture is the time and energy you spend creating a business plan.

Taking Care of Business

A good business plan provides the strategic vision for your operation. In it, you will present your ultimate goals and objectives, and describe the strategies and tactics you will use to achieve them. You will define who your customers are and how you will meet their needs. You will identify resources you have and resources you will need to reach your objectives. And you will create the financial projections that will guide your decisions for the next few years.

1. The first element of your plan is a description of your business. Be specific. Are you going to sell alpacas? Board alpacas? Train alpacas? Sell alpaca products? Think in terms of five years from now, and write down everything you will be doing as part of your alpaca ranching operation. This will help determine the size of operation and skills you will need.

2. Next, define your products, your customers, and your competition. Your research into the alpaca industry will be useful here, since you will need to explain where your market is and how you will differentiate yourself from other alpaca breeders. What is it that you do better than anyone else, and how does that help meet the needs of your customers? Be specific and realistic. How are you going to get the word out

about your alpacas, products, and services, and how will you make sure that the information gets into the hands of those folks who are your most likely customers?

3. Now you are ready to identify necessary resources. This doesn't mean funding, since that will be covered in the financial section of your plan. But it does mean, for example, labor needs. Who is going to care for and train the animals, keep the books, build the barns and fences, develop marketing materials, and so on. It also includes equipment, facilities, and space needs.

4. The final section of your business plan is a prediction of financial expectations. If you have not been in the alpaca business long enough to have such records, don't be afraid to call around and ask established breeders to help you project income and expenses for at least three years. Set realistic expectations, based on industry standards, using reasonable assumptions. For example, to project income from selling alpacas, you need to calculate how many alpacas you will have for sale in each upcoming year. If those alpacas are not born yet, you will need to guess the number of future male and female crias. You can assume equal numbers of males and females for a middle-of-the-road estimate, or you can take the best case/worst case approach and assume all girls or all boys in any given year.

Other income sources might include boarding fees, stud fees, sales of fleece and products, or fees from services you offer.

Your expense projections should include all conceivable costs of running your ranch, such as feed bills, vet bills,



barns and fences, purchase of animals, marketing, education, equipment, supplies, breeding fees, agisting, expansion needs, etc. Use the income versus expense figures to determine how much capital you need to start your operation. The standard rule of thumb is to have enough money on hand at the beginning to cover start-up costs and the first year or two of operation.

When you have a draft plan completed, ask other business owners to review it and give you feedback. The Small Business Administration (SBA) provides consultants at no charge to give such advice. Look in the phone book for the SBA office nearest you, or ask local alpaca breeders to read your plan. When you are certain the plan is sound, put it to use! This is your business guide, so refer to it often. Make revisions and updates, marking off goals as you achieve them and adding new ones to the list. Check and revise your financial projections. This plan should be a dynamic, living document.

Obviously you will not finish your business plan in one evening. It takes research and thought, and you will have to make some big decisions. But when you have it completed, here's what you will have achieved:

- You now have a plan that gives you goals, timetables, and a path to follow. It provides a guide to upcoming expenses, so you can be prepared, and projects income so you know whether you can afford to take advantage of unexpected opportunities.
- You have a plan that you can give to your banker, accountant, or attorney, so that they can better understand the nature of your business and can offer you more informed advice.
- In the event of a tax audit, a sound business plan can be an invaluable document in proving the "profit motive" aspect of your alpaca business.
- Your plan provides a guide for others (family members, employees, and potential investors, for example) so everyone shares a common understanding of the goals and timetables of the business.

Now congratulate yourself on having taken a key step toward your ultimate success in the alpaca industry!



ADDITIONAL RESOURCES

Looking for a little help in preparing your business plan? If so, here are a couple of recommended resources. Also check your local library for many other helpful publications.

Preparing a Successful Business Plan, 3rd Edition

by Rodger D. Touchie, MBA, Self-Counsel Press, 1998

How to Really Create a Successful Business Plan

by David E. Gumpert, Inc. Publishing, 1990

The Total Business Plan

by Patrick D. O'Hara, PhD, John Wiley & Sons, Inc., 1995

The Business Plan Workbook

by Gary A. Cooper, Prentice Hall, 1989

About the Author

Deb Hill has been raising alpacas on a small farm in northern Arizona since 1996. She ran her own business for seven years and currently assists with her husband's optical practice, works at a museum, and is involved in local and regional planning. She holds graduate degrees in biology and paleontology. Her business training is from the School of Hard Knocks.