



Stacking Up the Numbers: Planning and Tracking Your Business Success

*The following is an extract from *Taking Care of Business: Tools for Success in the Alpaca Industry* by Deb Hill of Cloud Dancer Alpacas*

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.

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 business. 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 people 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, labour needs. Who is going to care for and train the animals, keep the books, build the 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 farm such as feed, vet bills, barns and fences, purchase of animals, marketing, education, equipment, supplies, breeding fees, expansion needs, etc.

Use the income vs. 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 operations.

When you have a draft plan completed, ask other business owners to review it and give you feedback. If there is a government office that assists small businesses, contact one of their staff and ask for a plan review.

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 solicitor, so that they can better understand the nature of your business and offer you more informed advice.
- Your plan provides a guide for others (family members, employees) 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!

"How do you know who's winning if nobody's keeping score?"
unknown

One of the biggest challenges in business is keeping good records. Almost everybody hates record keeping. We procrastinate more in this area than in any other part of business. No two ways about it: keeping records is time consuming and tedious work - if you only look at the recording part.

Instead, think about the reason why record keeping is the most essential part of your business: it is the only way to analyse your business progress. To put it simply, if you don't keep records, how will you know whether you are making any money? Or which part of your business makes you the most money? Or which type of marketing is working? The truth is, without the information contained in your records, you are not running a business - you are merely along for the ride, destination unknown.

There are three general types of records you will need to keep as an alpaca breeder: financial records, herd management records, and marketing records.

Financial records: The profit/loss statement is the ultimate scorecard for your business. Income minus expenses provides the critical piece of information you need to see how your business is performing. If you have no sales at all (which is common for the first couple of years), then obviously you are running in the red. On the other hand, a farm with many sales

transactions may seem very successful, but only the profit/loss accounting can show whether a profit was actually made.

Every sale costs money. The difference between the cost of doing business and the income created, as shown on the profit/loss statement, is your net profit. This number should guide your business decisions. If your net profit is increasing yearly, you are making good business decisions. If it is static or falling (or negative), you need to make some changes in the way you operate.

You will want to use your accounting records to help you reduce costs. Using these figures, you should be able to estimate most of your typical annual costs. That means you can plan in advance for certain expenses, and you can also use these figures to see where you can cut expenses. Can you find a less expensive way to feed? Learn to do some of your own vet work? Watch your records to see how changes in farm or business management affect the bottom line.

Herd management records: We have all heard about the importance of herd management records for the health of your alpacas, but why are these important for the health of your business? One obvious reason is that you can provide much more information, and therefore service, to your potential buyers if you have records for each alpaca. You will know, for example, how much each animal sheared last year and what its fibre statistics show. You will be able to tell buyers about the animal's general health, how many babies it has had, the health of those crias.

Herd management records also provide a way for you to assess your feeding programme, tailor medical treatments for the precise weight of each alpaca, and have critical information available to your vet, so you can avoid unnecessary feeding and veterinary expense.

But the most important reason of all for keeping herd management records is that it allows you to document the success of your breeding programme. All breeding programmes strive for continuous improvement of desired characteristics. Without records, you will not know whether the stud you have been using has had the desired effect, whether this year's crop of crias are better than last year's, or which animals need to be taken out of your breeding programme because they are not helping you achieve your goals.

Marketing Records: Marketing records tell you how well you are doing at attracting buyers and making sales. Most businesses start with the shotgun approach to marketing: throw a little money at every possible method and hope one or more hit the target. Not only is this inefficient, it is also expensive. Wouldn't you like to know which form of marketing is giving you the best results so you can focus your limited resources on what works? This is what your records will show you.

Different methods of marketing work better in different parts of the country, so at first you will have to do a little "trial and error" testing. Perhaps you decide to invest your marketing funds for this year in a print ad in a livestock magazine, two mailings of your alpaca sales list to prospects, and hosting an open farm day. The only way to know which of these was the best at attracting qualified buyers to your farm is to record the results from each. That means you need to keep track of the number of phone calls you get from people who saw your ad in the magazine vs. the number you get from people who received your sales list. How do you know what prompted a caller to phone? You ask! And then you record that information.

You will also need to keep track of how many visited your ranch, and how "qualified" they were (meaning can they afford to buy an alpaca and are they ready to do so). Your open farm day may have resulted in 70 people visiting, while only two people came after receiving your sales list. But if the two people were ready and eager to become alpaca owners and the 70 only came because they needed something fun to do on a Sunday afternoon, guess where you want to focus your efforts next year?

How you keep your records is not as important as finding a way that works for you. Whether you use a shoebox, file folders, ledger books or computer database programmes does not

matter, as long as you can find the information you want when you want it. The data you keep contains the answer to the question: "Where is my business headed?" Happy recording.

"If you don't know where you are going, you will probably end up somewhere else."

Ahhh, the blank slate of a New Year. Imagine the possibilities for the coming months. Imagine, too, the success the next fifty-two weeks will bring to your alpaca business. What if I told you there is something you could do right now that would make that success a certainty? Would you listen? Would you do it?

Well, there is something you can do, and that is to sit down and plan for the coming year. Sounds simple, doesn't it? Yet an amazingly large number of business people fail every year, in part because they did not plan for their success. Avoiding that trap is as easy as taking the time, right now, to work out where you want to be at the end of the coming year. Then plan backwards from there to the present, so you will know exactly what steps to take each day, week, and month along the way. Here are some ideas to incorporate in your plan:

Calendaring: Yes, this is yet another trendy term. It just means the act of putting events on your calendar. At the end of each year I like to begin my planning with simple logistics. I find out when all the events I want to participate in will be happening in the coming year and get them on the calendar. This includes shows, auctions, conferences and workshops, plus my own farm events. I also enter the delivery dates for all our pregnant females, deadlines for ads and articles, routine committee meetings and the like.

While this is just a simple recording function, it provides a framework for most of the other planning I need to do. Right away I can see whether there are timing conflicts, when I will have space to fit in new activities and events, the times of year when I will need extra help and where the slow (ha!) periods of the year will be.

Marketing Plans: The best thing about the end of a year is that you will have a whole year's worth of data to help you in planning for the next year. I assume you are tracking your marketing results, such as the number of phone calls, emails and farm visits during each month, and that you are relating that to your marketing. Now you will put it all together. Look at the months (or weeks) when you had the most contacts, and figure out what sort of marketing you were doing at the time. Since these methods worked, you will no doubt want to continue them. Look at the months (or weeks) when you had the lowest number of contacts and do the same thing. Think about what else you can do during the slow periods to improve the results, and whether you are happy enough with the busy periods or want to improve on them as well. Add into this mix any special events marketing that you need to do (for auctions, open houses, conferences, etc.). Adding this all up will give you the beginning of your marketing plan for the New Year.

Predicting Farm Income: It is always helpful to start the New Year with an estimate of expected income, broken out by month. Use the prior year as a starting point. Now look at your income goals for this year. How many sales will you need to make to achieve those annual goals? How many sales is that each month? Based on the prior year's returns, decide whether you can use the same amount and type of marketing or whether you need to try something new and different. If your goal is to improve sales over the prior year, probably you need to try something new and different. Now is the time to create those new plans. If you did not have any sales in the prior year but you expected to have some, it is definitely time to re-evaluate your marketing plan.

Predicting Farm Expense: Last year's expenses will tell you a lot about this year's, in most cases. But perhaps last year you had a few unexpected expenses, or had some bills that were untimely. If you want to limit those unpleasant surprises this coming year, use your calendar of events well. Since you now know when you will be shearing, travelling to events,

or advertising, you also know when the bills for those activities will arrive. Can you plan the expenses so they do not correspond to times when income is low? Ways to achieve this are varied but include things like pre-purchase of materials and supplies, pre-payment of travel or advertising costs, delayed payment of costs through use of credit, or making do without some other big ticket item for a bit longer.

Breeding Plans: Some gardeners spend snowy winter days with seed catalogues, dreaming of floral showcases. I bet you look at stud male ads, and dream of show stopping crias. Now is the time to decide whom to pair with whom in order to get those crias. Contact stud owners to ask for their production records and samples of breeding contracts. Check out discounts for multiple breedings. Carefully weigh the advantages and costs, and make your decisions. Plot travel time on your calendar. Add breeding expenses to your Predicted Farm Expenses. If you are using your own studs, list tentative breeding dates on your calendar and add costs of pregnancy confirmation to your expense list.

Putting It All Together: Ok, now that you have the basics finished, it is time to add some creative planning to the mix. The most successful businesses are those where opportunities are both recognised **and** realised. Looking at your plan for the coming year, what opportunities jump out at you?

For example, perhaps you plan to attend the big livestock event and take some animals to the show. You know that the big farm down the road is also planning to be at this event. Can they haul your animals for you, perhaps saving you some transport costs? Can you bring that female that you want to breed to a stud who lives some distance away, and have the stud owner take her home from the event? What marketing needs will you have for the event- is there another breeder going with whom you could team up to share materials and costs?

Another example might be that you notice your first farm event is planned for the same weekend as a big livestock show near you. Knowing that the show draws a lot of public, can you capitalise on that in any way? Or would it be better to move your event to another date? The nice thing about planning is that you can tweak it to your heart's content, and no one but you will know how many versions you went through to get to the one that worked.

Finally, remember that the best plans in the world are worth only the paper they are written on if there is no follow through. Once you have your goals and timelines for the coming year, the rest is up to you. You can change your plans when necessary, but if you have given careful thought to the details you probably will not find many reasons to modify your work. The most important thing is that you start, and having said that - will you excuse me while I go take care of a few things so I can meet my goals for this month?

Taking Care of Business: Tools for Success in the Alpaca Industry (70 pages) book can be ordered from the author priced at US\$35, which includes shipping. To order please contact Deb Hill at: clouddancer@infomagic.net

For questions or comments please do not hesitate to contact Deb at: clouddancer@infomagic.net .