

Chapter 6: The Operations Plan

Tab 1: Introduction

Within the business plan, the **operations plan** is where you describe how your business will operate. In this section, you explain things like where your business will be located, how you will make your product or provide your service, and how you will manage your business.

Parts of the Operations Plan

Business Location

The operations plan needs to include information about the physical location of your business. Will you rent space, or will you run your business out of your home? Do you own the building, or will you lease or make payments for the space?

Business Requirements

Every business has different legal requirements and required approvals in order to operate. These include things like registering your business name, getting a federal taxpayer identification number, and getting required permits and licenses for the business.

Costs

Every business needs money to get up and running. In this section, you describe how much money you need to get your business ready to open and your estimated fixed and variable operating costs.

Production Methods

This section describes what you will do to make your product or provide your service, and how you will sell it. For example, what tools will you use, how long will each product or service take to complete, how will customers purchase your product or service?

Management

Running a successful business is more than making a good product or providing a useful service. You also need to take care of many other tasks, such as bookkeeping, doing taxes, and cleaning your business space. It is important to know how these tasks will get done and who will do them. Some tasks you might do yourself, or you may have a family member, friend, or someone else help you.

We talk about each of these sections in more detail within the section tabs.

Tab 2: Business Location

The **business location** section includes:

- The physical location of the business
- A description of the building or lot where the business is located
- Ownership or lease arrangements

Depending on the type of business you have, you will describe each section differently.

Business Location Parts

Physical Location

The description of your business location includes:

- The physical address
- A map of the area
- Necessary approvals (such as zoning regulations or other restrictions)
- Advantages of this location
- Challenges of this location and how these challenges might be addressed

It is important to understand how local regulations apply to your business location. These will look different in every community. Be sure to seek appropriate approvals with city, county, and state departments.

Building and Lot

The building and lot specifications include:

- The building's current floor plan, including square footage of each room
- A drawing of the entire lot, including parking spaces
- A description of how the lot will be used for storage, delivery, and other business activities
- A description of how the building's rooms will be used
- A description of any other features of the building
- A drawing of any proposed remodeling of the building

You should also include advantages and challenges of the building or lot and how you will address any issues.

Site Ownership or Lease Arrangements

The site ownership and lease arrangements section includes:

- Information about who owns the building and land
- If you have a lease, include:
 - Monthly rent and utilities
 - Length of lease term
 - Who will pay for remodeling costs, property taxes, insurance, and maintenance costs (you or the landlord)

Site ownership and lease arrangements vary depending on your business location.

Example: Business Location

Jade wrote the following responses for Pizza Escape:

Physical Location:

- I have secured rental space at 111 18th Ave., Polson, MT 59860. It is zoned as general commercial space and no other zoning requirements apply.

Building and Lot:

- The lot size is .16 acres and the building includes 864 square feet.
- The interior space includes a large front room, with an accessible bathroom and storage area in the back. I plan to have a large counter near the front of the shop for single slice sales, with the kitchen taking up most of the main space. There is both a front entry for customers to use and a

side entry where drivers can exit the kitchen to make deliveries. The space includes a parking lot on the side of the building and two street parking spaces near the front that will easily accommodate 10 cars. I have included a diagram of the space and dimensions.

- The location is close to lunch-time customers. It is located in the downtown area and about one-half mile from Polson High School.

Site Ownership or Lease Arrangements

- The location is zoned as a business district.
- Rent for the space is \$1,200 per month, and includes utilities, remodeling costs, maintenance costs, property taxes and property insurance.
- The term of the lease is five years, but I can end the lease with three months notification without penalty any time after the first 12 months.
- The landlord will be responsible for renovating the space for commercial kitchen use. This includes some additional electrical wiring required for the pizza oven, plumbing for a commercial sink, and shelving over the work table.
- I will be responsible for providing the front counter, stainless steel work table, commercial sink, and pizza oven.

Tab 3: Business Requirements

The business requirements section of the operations plan focuses on meeting legal requirements for opening and running the business.

Business requirements vary based on business type, business structure, and business location. **We highly recommend seeking help and advice from a lawyer, accountant, or local business mentor for this section, since requirements are unique for each business type.** Many states have an economic development office that can help you figure out what is required to open and run your business.

You can search the U.S. Economic Development Administration's [Economic Development Directory](#) to find local information for your state and area.

To get started, register your business name, and then think about requirements for taxes, licenses, permits, and insurance.

Registering Your Business Name

It is a good idea to register your business name with the state, whether or not it is required. When you register your business name, people can see and learn about your business, and other businesses can't use the same business name in your state. Contact your state's Secretary of State Office to learn about the laws in your state and to register your business name.

For more information about why you should register your business name, visit [U.S. Small Business Administration: Choose Your Business Name](#).

Business Licenses and Permits

Almost all businesses need some type of permit or license to operate. It can be complicated to figure out which licenses and permits you need because requirements vary across states, counties, and towns. To find out which requirements may apply for your business, reach out to the Small Business Development

Center in your state or a local business development agency. You can also search online, visit with a business mentor, or talk with local business owners to get some idea of what might be required.

The U.S. Small Business Administration website helps you identify what is required in your state. See [U.S. Small Business Administration: State Licenses & Permits](#).

Different types of permits and licenses include:

- Professional licenses, required for some professions, such as plumber or electrician
- Business licenses to operate in the specific location, such as a local business license
- Permits to operate a specific type of business, such as a food services permit, food handler's permit, or building health permit

Example: Business Licenses and Permits for Pizza Escape

Jade searched the Small Business Development Center website for Montana and learned that she does not need to get any specific business licenses at the state level. She also determined there were no *general* business license requirements for Polson, where she plans to operate her business.

She did an online search using the search terms "food service" "Polson" and "occupational license" and learned that she did need to apply for a food service permit. She needs a food service permit with the Lake County Environmental Health Department, since her business is located in Lake County.

Taxes

Federal Taxpayer Identification Number

For your business, you can probably use your Social Security number as your business tax ID. However, you might need an Employer Identification Number (EIN) if your business meets certain criteria or you need to open a business bank account.

You need to have an EIN if you can answer yes to any of these questions:

- Do you have employees?
- Is your business a corporation or a partnership?
- Do you file a tax form for employment, excise, alcohol, tobacco, or firearms income?
- Do you have a Keogh plan (a tax-deferred retirement plan for people who are self-employed)?
- Are you involved with a trust, estate, real estate mortgage investment conduit, nonprofit organization, farmers' cooperative, or plan administrator (someone who manages your retirement savings plan)?

Visit [IRS: Employer ID Numbers](#) find more information about EINs and how to apply for one online.

State Sales Tax License

States with a sales tax require that businesses have a state sales tax license. In general, if your state charges sales tax, you need to collect sales tax from customers in your state. Not all states collect sales tax, so check to see if your state does. For more information and a list of states that collect sales taxes, see [Wikipedia's Sales Taxes in the United States](#).

For an overview of what sales taxes are, types of products and services that are taxed, and how to charge sales tax, see [Small Businesses and Sales Taxes](#) on Debt.org.

Sales Taxes for Vendors and Online Businesses

Sales tax gets more complicated when you are making sales at multiple locations or online. For instance, if you have a booth at a craft fair you may need to collect different sales taxes based on the state, county, and city where each craft fair is located.

For sales tax information for businesses selling items at craft fairs or other community events, see: [State-by-State Guide to Sales Tax at Craft Fairs and Festivals](#). Some states require a sales tax license, and others have temporary licenses and permits.

Online businesses also have to pay sales tax. Usually this is based on the location of the customer, not the location of the business. For example, if your business is in Georgia and a customer in Ohio buys something from your website, you would need to charge Ohio sales tax on the product. Most e-commerce platforms (the software you use to sell things online) will automatically look up the customer's address and charge the correct rate.

For more information, start here:

[How to Handle Sales Taxes When You Sell Across State Lines](#)
[Should You Charge Sales Tax for Out-of-State Customers?](#)

Local Taxes

In addition to federal and state business income tax requirements, local jurisdictions and governments may also impose business taxes, such as a local sales tax.

Remember that how your business is structured (i.e., sole proprietorship, LLC, partnership), where your business is located, the type of business you are planning to operate, and your customer types (local or online) all shape your business requirements. Please consult a professional to make sure you are doing things correctly!

Insurance

You should have insurance for your business, business property, and business vehicle. Depending on your business and location, you might need some or all of these types of insurance:

- Fire
- Theft
- Vandalism
- Vehicle
- Product or service liability
- Flood

Home-Based Businesses

If you operate a business out of your home, you will still need to get insurance for your business. Your homeowner's policy **does not** usually cover your business. Also, your business equipment or products **are not** covered by your homeowner's policy when they are stored in your house.

For example, an artist's finished paintings are not covered for their value when stored at home. They are also not covered during transport to and from an art show, or while at the art show. You might need to obtain a rider (add-on insurance) to your homeowner's policy, or purchase insurance through a specialty provider to cover your business.

Tab 4: Costs

The **costs** section of the operations plan describes the main costs of running your business.

Costs are usually broken into three types:

- **Capital expenses** are costs for larger items (such as equipment, furniture, or remodeling) you need to purchase to get your business ready to open. These are usually one-time only costs for things that last a long time.
- **Fixed operating costs** are costs you always pay, even if you don't sell anything. These are costs you pay every month or year, such as rent, utilities, insurance, and accounting services.
- **Variable operating costs** are costs for materials to make your product or provide your service. These costs are higher if you make a lot of your product, and smaller if you make less.

You already estimated these costs for your first month of business on the **Start-Up Costs Worksheet** from Chapter 3: Business Feasibility.

Capital Expenses

Most capital expenses are for equipment, furniture, or fixtures. They don't include land or buildings. Examples include: machines, special tools, office furniture, computers, displays, signage, and vehicles.

Justifications

List each of your capital expenses with the following information:

- The item with make/model or reference number
- Why you need it
- Where you will get it, and why you chose that supplier
- Cost
- Terms and conditions (especially if the item has a payment schedule)

You already gathered most of this information back in Chapter 3 when you filled out the Start-Up Costs Worksheet. Look back at the Equipment, Furniture, Displays, Shelving, Remodeling, and Signs sections.

Example: JT's Tree Service

JT needs a laptop to keep track of his appointments, maintain his website, and to run accounting software for his tree removal business. He did some research about prices and suppliers and wrote this justification.

Item: Dell Precision laptop

Purpose: Needed to run accounting software, schedule appointments, and maintain website.

Supplier: I selected Best Buy because they have good customer reviews, offer free delivery, and have a competitive price. They also have refurbished and pre-owned laptops at lower prices.

Cost: \$589.99

Terms: Best Buy offers 12 month financing with low monthly payments, and no interest if paid in full within 12 months.

Fixed Operating Costs

Fixed operating costs are things you have to pay for even if you don't sell any product or service. They are sometimes called overhead costs. Fixed operating costs include:

- General supplies
- Rent or mortgage payments
- Utilities
- Advertising
- Business licenses/registrations
- Legal and accounting fees
- Insurance
- Property taxes

Justifications

For each fixed cost, list the following:

- Item
- Supplier or who you are paying for this item
- Cost per item
- Units needed (if appropriate)
- Total cost

You already gathered much of this information back in Chapter 3 when you filled out the Start-Up Costs Worksheet. Look back at these sections: Rent; Utilities; Advertising and Marketing; Business Licenses, Registrations, Permits; Legal and Accounting Fees; Insurance

Example: Camila's Salon Stop

Camila has a number of fixed costs for her salon business. Based on talking with another salon owner in town, she estimated her fixed utility costs for gas and electricity below. She will need to make similar estimates for her other fixed costs.

Item: Gas and electricity

Supplier or who you are paying: Mission Valley Power

Cost per item: \$60 per month on average

Units needed (if appropriate): Not applicable

Total cost: \$720 per year

Variable Operating Costs

Variable operating costs change based on how much product you sell or service you deliver. Because these costs can change, they are estimated by month, quarter, or by project to adjust for changes in sales.

Examples of variable operating costs include:

- Gas to travel to a worksite or deliver a product
- Mailing/shipping costs
- Credit card fees
- Materials to make your product

Justification

For each variable operating cost, list:

- The item and its purpose
- Primary supplier and why this supplier was selected
- Costs (per unit costs, units needed, and total costs per month)
 - Costs can be separated into months or quarters to adjust for changes, such as production and sales increases over time or seasonal differences
- Terms and Conditions
 - Payment arrangements and terms established with each supplier, including a written copy of any contracts or payment agreements
- Secondary supplier in case something happens like a product shortage, delivery problem, or disagreement with the primary supplier

You have already gathered some of this information back in Chapter 3 when you filled out the Start-Up Costs Worksheet. Look back at the Materials and Supplies section.

Example: Flora's Wedding Flowers

Flora is starting a florist business. Although her variable costs will vary depending on the size of each job and flowers selected, she estimated costs for a typical medium-sized job.

- *Item and purpose:* Flowers for bouquets and table arrangements (100 daisies, 50 sunflowers, 3 bunches of baby's breath, 3 bunches of wild fern).
 - *Supplier:* Pacific Flowers - local wholesale supplier with good prices, high quality products, and good customer service
 - *Cost:* \$150
 - *Secondary supplier:* Benton's Florist - local supplier with a similar range of product. Prices are slightly higher than Pacific Flowers but the quality is good.
- *Item and purpose:* Ribbon (1 roll of white satin ribbon, 2 rolls of wide royal blue satin ribbon)
 - *Supplier:* Michaels - local store with good selection and reasonable prices.
 - *Cost:* \$15
 - *Secondary supplier:* Jo-Ann Fabrics - good selection and comparable prices to Michaels, but are in the next town so I will have to drive further.
- *Item and purpose:* Containers (5 glass vases; 20 ceramic vases)
 - *Supplier:* Michaels - fairly inexpensive and good selection.
 - *Cost:* \$100
 - *Secondary supplier:* Jo-Ann Fabrics - good selection and comparable prices to Michaels, but they are in the next town so I will have to drive further.
- *Item and purpose:* Other (2 roles of green corsage tape; 20 foam bricks)
 - *Supplier:* Pacific Flowers - floral design supplies at a good price.
 - *Cost:* \$30
 - *Secondary Supplier:* Michaels - more expensive than Pacific Flowers but have adequate stock.
- *Item and purpose:* Travel (Gas to the wedding venue for set up and tear down. Estimated round trip of 100 miles)
 - *Supplier:* NA
 - *Cost:* \$15
 - *Secondary Supplier:* NA
- *Item and purpose:* Labor 10 hours of temporary help

- *Supplier*: Michelle Lee, my cousin, will work part-time for floral arrangement preparation. We have worked together before and she has some floral design training.
- *Cost*: 1 person, 8 hours at \$15/hr = \$120 total
- *Secondary Supplier*: Judy Benson, my aunt, said she would be my assistant if my cousin can't help out.

Check Yourself

Question 1

Is the cost of shipping a product to a customer a fixed or variable operating cost?

Answer 1

Shipping costs are variable because they depend on having a customer place an order, and on having a product to ship.

Question 2

Is rent for a workspace a fixed or variable operating cost?

Answer 2

Rent is a fixed cost because it needs to be paid regardless of the production of any product or service.

Question 3

Is the cost of renewing a license a fixed or variable operating cost?

Answer 3

Renewing a license is a fixed cost because licenses need to be current as long as the business is operating.

Question 4

Which of these costs are capital expenditures?

- Storage containers
- Computer
- Office desk
- Wood to build a product

Answer 4

- The computer and office desk are capital expenses because they are not used up and have a useful life of one year or more. Also, they can be treated as assets for tax purposes.
- Storage containers are a general supply and fixed operating cost. General supplies are less expensive items that are not considered business assets, but are not used up when you make your product.
- Wood for building a product is a variable operating cost, because it is used up when you make the product. The amount you buy also changes depending on how many products you need to make.

Tab 5: Production and Management Methods

The **production methods, management methods, and worker** sections of the operations plan describes what you will do to make your product or provide your service, how you will sell it, and how you will manage other aspects of your business.

Production Methods

In the production methods section, you describe things like:

- Your methods, tools, and equipment and how and when you use them
- How long it takes to produce your product or service
- Where you will do your work, and how much room you need to do each work activity
- How you will store and protect valuable items (such as in a locked safe or out of the elements)
- The labor needed to produce your product or provide your service
- How you will maintain the quality of your service or product
- How you will meet environmental and safety regulations
- How you will manage and track your inventory
- How your product or service will be distributed or sold

Some of these will not apply to your business. For instance, a gift shop does not produce a product. They purchase products at wholesale and then sell them. Similarly, environmental and safety regulations do not apply to many types of businesses.

Sally's Rocks & Talks – Production Methods Example

I will sell rocks and gems to locals and tourists visiting the area. I will buy product from two primary distributors (Minortown and Topgem) and visit two regional gem shows each year to look for unusual gems and rocks. In my store, I will display rocks in bins set on tables and gems in glass display cases. There will be reference books on a corner table that customers can use to look up information about different stones.

In the front of the store, I will have a computer that I can use to research specific rocks or gems for customers. I will also use the computer to make sales. In the back room, I'll have a work computer and printer for day-to-day accounting and other business activities.

My computer has software that lets me track sales by product type. This will help me keep track of which rocks and gems I need to order. It will also show me which ones are selling the best. This information will help me keep track of customer preferences and sales, and help me see if I am meeting my pricing goals. My shop will have an alarm system and I will lock up the valuable gems in a safe every night. At the end of each month, I will also take a manual inventory of my products so I can see if anything has been stolen or if my sales records have errors.

Management Methods

The **management methods** section describes how you will manage your business and take care of all the parts of the business that don't include making your product or providing your service. It is also where you explain who will help you with tasks, if you're not doing them yourself.

It includes descriptions of how you will do things like:

- Create an invoice

- Keep track of receipts and other paperwork
- Keep track of money received and money spent (bookkeeping)
- Pay the business's bills, like rent and utilities
- Pay your business's taxes
- Keep personal and business expenses separate

Sally's Rocks & Talks – Management Methods Example

All of my sales will be paid in full. Customers can use a credit card, debit card, or cash. I won't accept checks because I will have many customers who are tourists, which could make it risky if a check bounces. I won't carry accounts receivable, so I don't need to worry about billing customers. I will use Microsoft Quickbooks to track sales, inventory, business expenses, and accounts payable. I will take care of day-to-day bookkeeping and will be responsible for paying all bills. I will hire an accountant to help with business taxes and help establish a system for keeping personal and business expenses separate.

Workers

You may use different types of workers to complete some things that are required to run your business. For example, you might hire an accountant to help you with your taxes or temporary workers during your busy season.

Unpaid workers

Unpaid workers are people who work for you for free. They could be family members or friends who help you do things to run your business. If you will be using any unpaid workers, you should describe:

- Who they are
- Their qualifications
- What they will do
- How those things will be done if they cannot continue to do them

Professional services

Professional service people provide an outside service to your business, like legal or accounting services. These people are not regular employees, but people you pay for a service. If you will be using any professional services, describe:

- Who they are
- The services they will provide
- Their qualifications
- How those duties will be done if they cannot continue to do them

Temporary labor

Temporary workers are people you pay to do work for you, but not on a regular basis. For example, you might pay someone to help you put up fliers for your grand opening or package your products during a holiday rush. If you will be using any temporary labor, describe:

- The services they will provide
- Their qualifications
- How you will hire them

Employees

Employees work for your business on a part-time or full-time basis. If you will have employees, describe:

- What they will do

- Their qualifications
- How they will be paid and compensated
- How you will hire them

Most businesses supported by VR will use unpaid workers, professional services, and sometimes temporary labor. Many new businesses do not have regular employees when they first start out. If your business will have employees, your business must have an employer identification number (EIN).

Sally's Rocks & Talks – Workers Example

My mom will help me clean my shop once a week. If she is busy or sick, then my sister will help instead. My dad will help me build display shelves for my store. He is a retired carpenter, and will help me make sure my shelves are sturdy and safe. My family will work for free. When the business is profitable, I will pay my dad as temporary labor on an as-needed basis if I need help with any small building projects.

I will hire Weaver Accounting to complete my taxes and to help me set up my Quickbooks accounting system.

If my business grows or I want to expand my hours of business, I will hire a part-time worker.

Tab 6: Review

The **operations plan** is where you describe how you will make and deliver your product or service.

A good operations plan describes:

- Your business location and building facilities
- Business licensing and insurance requirements
- Your business operating costs and other related costs
- A description of your production process
- A description of your management methods and workers

Prepare

The **operations plan** is where you show your understanding about how to run your business. Use the information in this chapter to help you write the operations plan section in your **Business Plan Outline**.

Start by describing the location of your business and necessary approvals.

- Physical location and ownership terms
- Licenses, permits, taxes, and insurance

Next, list out your costs, which include:

- Capital expenses
- Fixed operating costs
- Variable operating costs

Finally, outline your production and management methods.

- How will you produce your product or provide your service?
- How will you sell your product or service?
- How will you manage your business?
- What labor and services will you need?

- Will you have any workers?

Write down any questions you may have or help you may need, and share these and your updated business plan outline with your VR counselor.

Counselor Review

Business Requirements

It is important for the counselor to make sure the consumer is aware of all the required business registrations, licenses, taxes, and approvals. These vary depending on the type of business, how it is structured, and where it is located. To determine business requirements, connect the consumer with a small business development professional or other local business mentor.

Production and Management

- Did the consumer explain all aspects of the production process, from making and selling the product to ordering inventory and make sure that all production processes meet legal requirements?
- Did the consumer demonstrate that they are aware of various business management activities required to run a business?
- Are there gaps in operations and management that could be improved with additional training or other supports?
- Would the consumer benefit from shadowing a business mentor to see first-hand what is required for day-to-day business operations?

Contract Workers

Many small businesses will pay for professional services, such as a lawyer, accountant, or graphic artist to help with business operations and advertising. Some of these services are important to use before the business plan is completed to help the consumer understand how to structure the business and determine business legal requirements.

Unpaid Workers

Many businesses started by VR consumers will not have paid employees. If they do have workers, they will often be unpaid family or friends who help out with certain business tasks. The counselor should make sure the consumer has a back-up plan in case an unpaid worker can no longer provide that service.

Check Your Understanding

Tab 1: Checking the Operations Plan

Read each of the three scenarios for Len, Tommy, and Jade. Each scenario asks about different parts of the operations plan. Use information from this chapter to answer the questions. Write down your answers and then check how your answers fit with the answers provided.

Tab 2: Len's Lawncare Costs

Scenario 1: Len's Lawncare Costs

Len has listed out costs for his lawncare business. He already owns some lawncare equipment. Go through his list and figure out which costs are capital expenses, which are fixed operating costs, and which are variable operating costs. Explain your decisions and note if there are costs that might be missing.

- Truck repair
- Trailer
- Gas for traveling to customer's properties
- Gas for lawncare equipment
- Dump fees
- Lawn edger
- Hedge trimmer
- Fertilizer
- Grass seed
- Aerator
- Advertising
- Computer for keeping books
- Accounting software (Quickbooks)

Compare your answers below.

Len's Lawncare Costs

Len's Capital Expenses

Capital expenses include truck repair, trailer, lawn edger, hedge trimmer, aerator, computer, and software. These are capital expenses because Len will only need to pay for these items when starting his business and they should last for a year or more.

Len's Fixed Costs

Advertising is a fixed cost because Len will have to pay for this regardless of how well his business does, and it is not used to provide his service.

Len's Variable or Operating Costs

Variable costs include gas, dump fees, fertilizer, and grass seed because they are used when he takes care of lawns. The amount he buys also changes depending on how many customers he has and jobs he completes.

Len's Forgotten Costs

Len forgot at least two important costs: a business license and insurance. Both of these are fixed costs because a business license needs to be renewed each year and insurance needs to be paid every month. They are not variable costs because they must be paid regardless of the number of jobs he completes.

Tab 3: Tommy's Legal Requirements

Scenario 2: Tommy's Legal Requirements

Tommy is starting a business making wooden signs. He plans to sell them online and at craft fairs and community events. He lives in North Carolina, and plans to travel around the state and occasionally out-of-state for his business.

What are some business registration, licensing, and insurance requirements that Tommy needs to consider before he can start his business?

Compare your answers below.

Tommy's Legal and Insurance Requirements

Business Requirements

Some business requirements that Tommy needs to figure out include:

- If he needs a **business license**
 - Tommy's not sure about how to figure out how to get a business license, so he and his VR counselor sit down together and Google "North Carolina business license." They explore the North Carolina Secretary of State website and find forms for applying for a North Carolina business license.
- How to **register his business name** with the state
 - Tommy goes online and Googles "how to register a business in North Carolina." He finds a link to the North Carolina Secretary of State, which has links to where he can register his business and business name. He wants to register his name so his business is not confused with any other businesses in the area.
- If he needs a **professional license**
 - Tommy looked at the craft wood carving industry to see if there were any required professional licenses. He learned that he does not need a professional license.
- If he is responsible for collecting **sales tax for the state or other states**.
 - Tommy will be making his product out of his home in North Carolina. However, he will be conducting sales in multiple states. Tommy will need to figure out how selling at different locations impacts the sales taxes he will need to collect. He is planning to work with a business mentor who has sold art at craft fairs.

Insurance Requirements

Tommy also needs to figure out what kinds of **insurance** he needs for his business. These could include general liability coverage, product or professional liability coverage, coverage for business property and vehicles, and worker's compensation.

- Tommy determines he needs coverage for his materials, finished signs, and his vehicle. With his VR counselor's help, he looks into adding on this coverage to his existing home and car insurance.

Tab 4: Jade's Production and Management

Scenario 3: Pizza Escape Production and Management

Jade wrote the following production and management sections for her business plan to describe how she will make and sell pizzas and manage her business. Read through this example and think about what might be missing or how you could improve her descriptions.

Pizza Escape: Production Description

I will sell pizza to locals and tourists visiting the area. I plan to purchase crusts from Tynell's Breads, a local bakery. Tynell's Breads has good name recognition in the area and offers a medium priced and good-tasting product. I will purchase vegetables and meats from the local farmer's co-op when I can. When that is not an option I will use the local grocery store because they have a quality butcher shop and produce section. I have partnered with Dave's Dairy nearby to supply cheese. I will make my own sauce, a family recipe that I have used for several years.

I have looked into various types of pizza ovens and have been able to locate a used fire pizza oven that I can purchase at a good price. The commercial kitchen that I am sharing with another business already has a freezer with plenty of space to store fresh food.

Pizza Escape: Management Description

In the front of the store I will have a tablet with Square payment software and a cash drawer so I can accept various types of digital payments (like Apple Pay), credit and debit cards, and cash. I will not accept personal checks because they could bounce.

I will be responsible for the majority of tasks including stocking supplies, baking pizzas, and serving customers. My younger brother can work for me during the busy summer months and my friend has agreed to help as needed. The other business I'm sharing space with already pays a service to clean, so we have agreed to split the costs.

Compare your answers below.

Jade's Production and Management

Additions to the Production Description

Jade did a good job of describing how she would make pizzas, but didn't explain her service or how she would sell them. Is it dine-in, take out, or delivery? Is she selling full pizzas or slices? What kind of variety will she offer? Will she sell anything besides pizza, like drinks?

Additions to Management Description

Jade described her payment system and the different types of workers she will have and their tasks. However, she didn't explain how she will pay her bills, keep track of business expenses, or track sales and inventory. She also did not describe how she will do her taxes and accounting. Will she do her own taxes and keep her own books or will she hire professionals to do that?