



From Vision to Viability: Break-Even Analysis in Economic Development

This presentation explores how break-even analysis serves as a critical tool for economic development professionals in Washington State.

We'll examine practical applications, success stories, and implementation strategies that strengthen local business ecosystems.

M by Mike Darrow



My Background



40 years of business experience

Domestic & International
(Import and Export)

Degrees

A.A.S. Int'l Business and Global Studies

B.S. Business - Sales and Sales Mgmt.

M.S. IT Information Management

Experience

- Managed \$80 million division of Fortune 200 grocery products company
- Written dozens of business plans including SBA loan package applications. Decades of expertise in finding “*solutions to problems*” through cash flow and root cause analysis. Experience in marketing and strategic planning as well as operations, sales and general management.
- Owner of specialty foods company (10 years) and a SaaS company (6 years)
- GM for two manufacturing facilities

Business Plans Don't Drive Growth

Demonstrates Professionalism

A clear business plan shows potential investors and partners that you are **prepared and serious about your goals.**

Highlights Growth Potential

Profit and loss projections in the plan reveal expected positive financial trends, **suggesting strong growth possibilities.**

Inspires Investor Confidence

Well-presented financial forecasts **inspire trust and motivate investors to support the business.**



Break-Even Analysis Insight

Assessing Cost Coverage

Break-even **analysis** shows if a **business can cover its costs and stay sustainable**. This assessment is crucial for long-term planning.

Determining Minimum Sales

It helps entrepreneurs know the **minimum sales needed to avoid losses**, guiding pricing and sales strategies.

Informed Investment Decisions

By clarifying if profitability is achievable, break-even analysis saves time and resources before new investments.



Operational and Financial Tools are the most Critical

Role of Breakeven Analysis

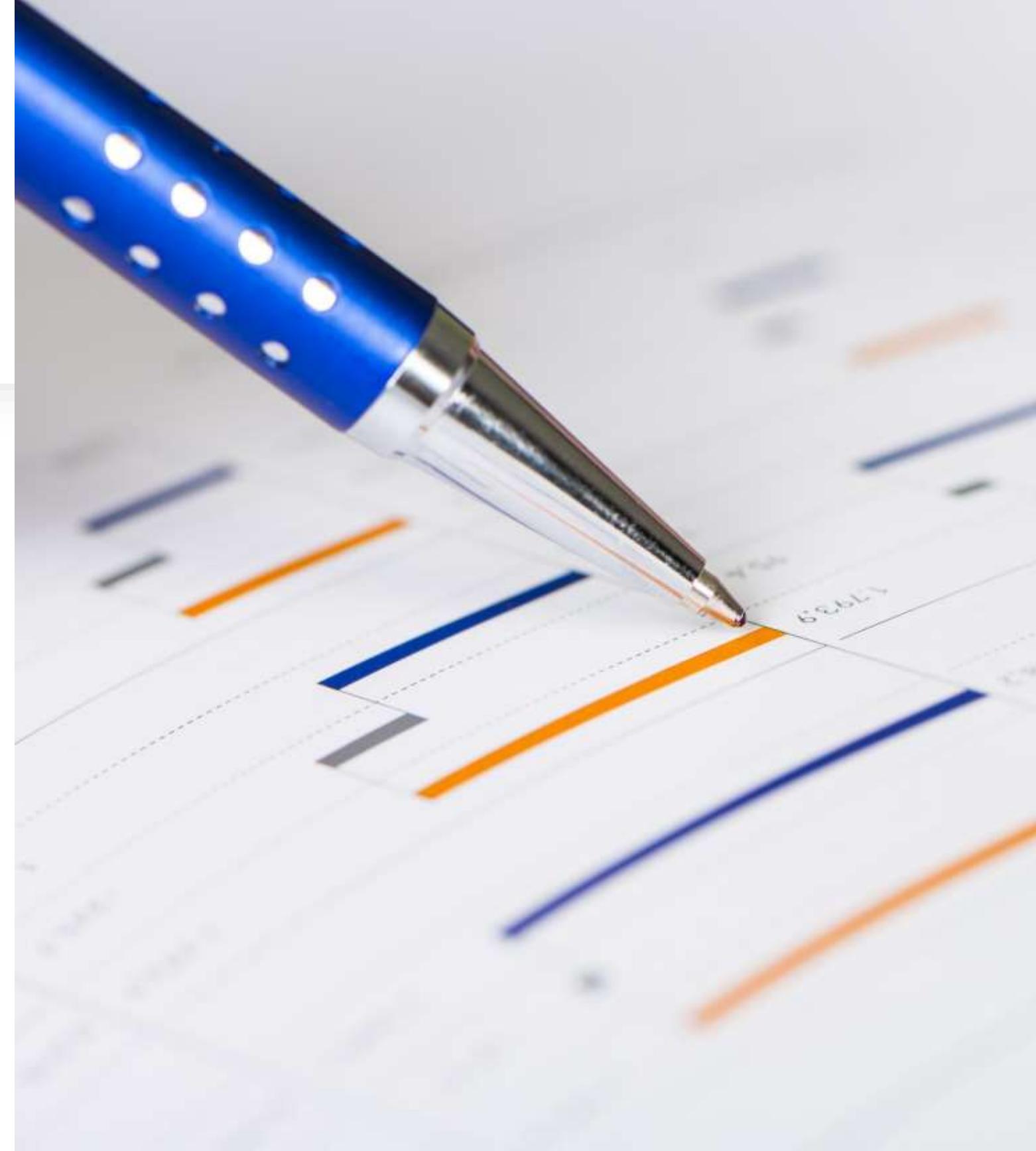
Breakeven analysis offers realistic financial projections and identifies **when a venture is expected to become profitable and if it is sustainable.**

Importance of Implementation Plans

Implementation plans **detail actionable steps and clear timelines, ensuring business goals are systematically achieved beyond just planning.**

Ensuring Comprehensive Planning

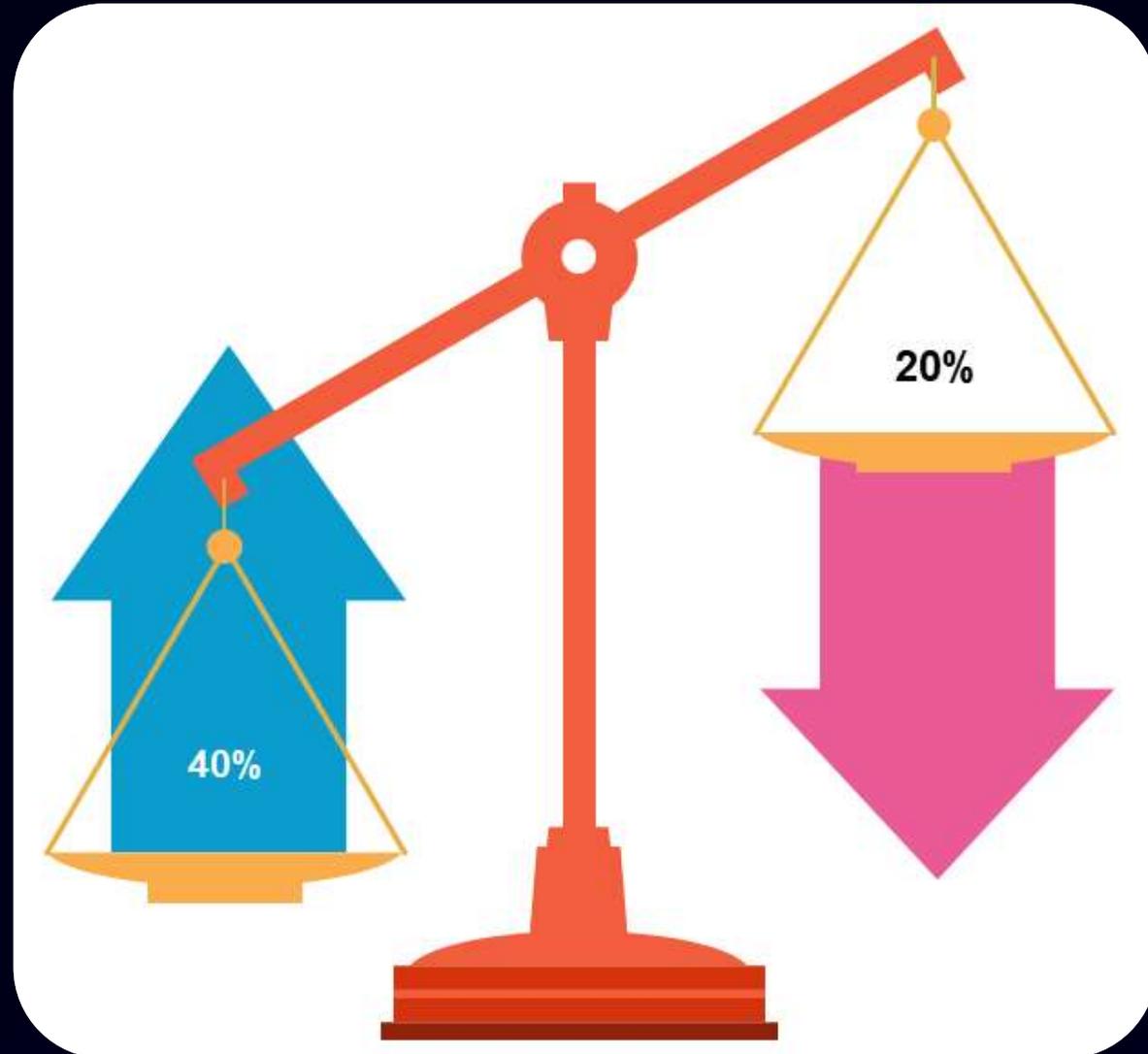
Combining operational and financial tools ensures **thorough planning and sets the foundation for successful business execution.**



Break-even analysis is a financial tool used to determine the point at which a business's revenues exactly equal its costs, resulting in **neither profit nor loss.**



Why Break-Even Analysis Matters



Reduces Failure Risk

Helps businesses understand minimum operational requirements before launching.



Supports Local Lending

Provides critical data for lenders so they understand the probability of getting their money back



Builds Fundability

Demonstrates financial readiness to lenders and investors.



Smarter Business Attraction

Allows ADOs/EDO's and Advisors to vet and coach business proposals effectively.

Break-Even Formula Simplified

$$\text{Break - Even Point} = \frac{\text{Fixed Costs}}{\text{Price} - \text{Variable Cost}}$$

BREAK EVEN POINT

UNIT FORMULA



fixed costs



sales price per unit

-



variable costs per unit

Fixed Costs

Expenses that remain constant regardless of sales volume.

- Rent
- Insurance
- Base utilities

Variable Costs

Expenses that change directly with sales volume.

- Raw materials
- Production labor
- Shipping

Price

What customers pay for products or services.

- Market research
- Competitive analysis
- Value proposition

BREAKEVEN ANALYSIS

AMOUNTS SHOWN IN U.S. DOLLARS

SALES	
SALES PRICE PER UNIT	\$6.99
SALES VOLUME PER YEAR (UNITS)	14,400
TOTAL SALES	\$100,656.00

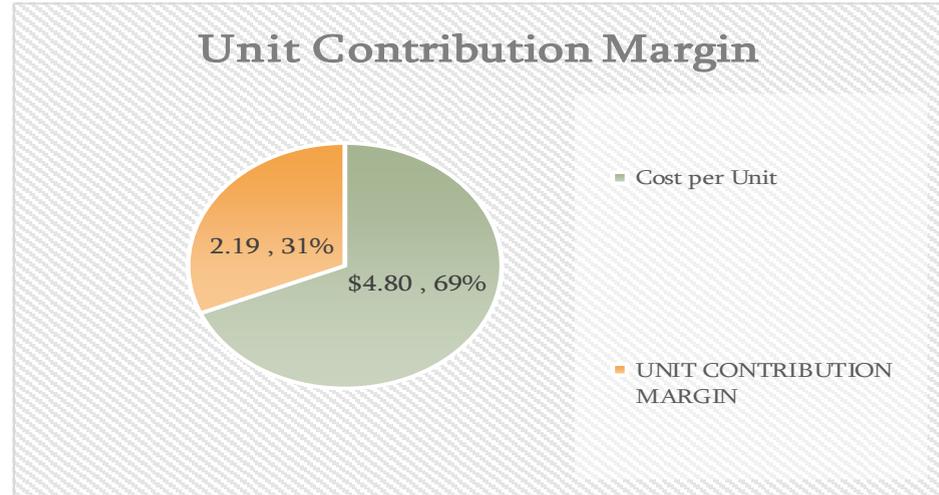
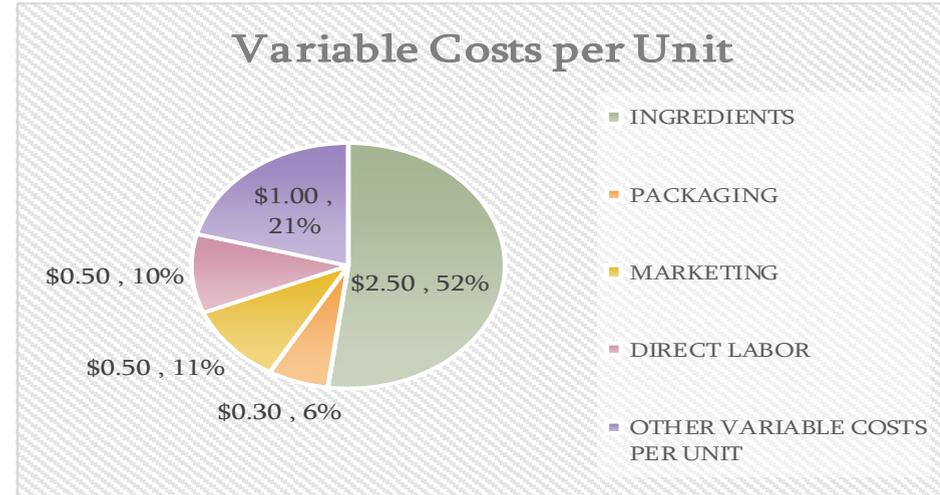
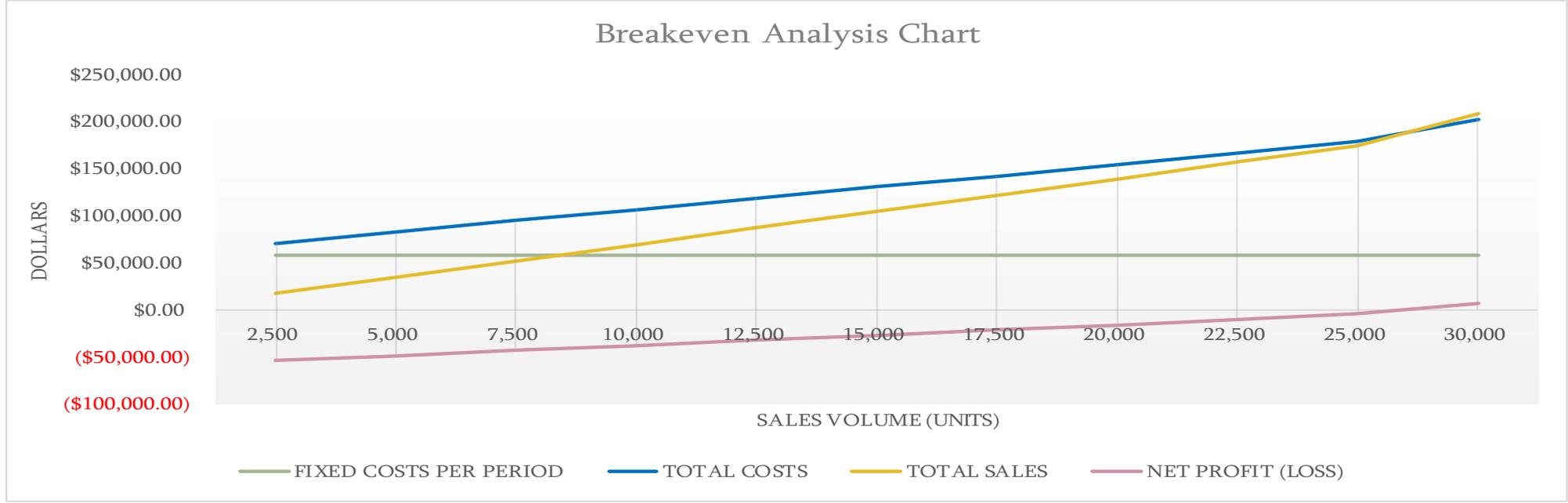
VARIABLE COSTS	
INGREDIENTS	\$2.50
PACKAGING	\$0.30
MARKETING	\$0.50
DIRECT LABOR	\$0.50
OTHER VARIABLE COSTS PER UNIT	\$1.00
Cost per Unit	\$4.80
Total Cost per year	\$69,120.00

UNIT CONTRIBUTION MARGIN	2.19
GROSS MARGIN	\$31,536.00

FIXED COSTS	
RENT	\$3,000.00
INSURANCE	\$1,000.00
WAGES/CONSULTING	\$0.00
OFFICER SALARIES	\$50,000.00
OTHER FIXED COSTS	\$5,000.00
TOTAL COSTS PER PERIOD	\$59,000.00

NET PROFIT (LOSS)	(\$27,464.00)
--------------------------	----------------------

RESULTS	
BREAKEVEN POINT (UNITS):	26,941



SALES VOLUME ANALYSIS:

SALES VOLUME PER PERIOD (UNITS)	2,500	5,000	7,500	10,000	12,500	15,000	17,500	20,000	22,500	25,000	30,000
SALES PRICE PER UNIT	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99	\$6.99
FIXED COSTS PER PERIOD	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00	\$59,000.00
VARIABLE COSTS	\$12,000.00	\$24,000.00	\$36,000.00	\$48,000.00	\$60,000.00	\$72,000.00	\$84,000.00	\$96,000.00	\$108,000.00	\$120,000.00	\$144,000.00
TOTAL COSTS	\$71,000.00	\$83,000.00	\$95,000.00	\$107,000.00	\$119,000.00	\$131,000.00	\$143,000.00	\$155,000.00	\$167,000.00	\$179,000.00	\$203,000.00
TOTAL SALES	\$17,475.00	\$34,950.00	\$52,425.00	\$69,900.00	\$87,375.00	\$104,850.00	\$122,325.00	\$139,800.00	\$157,275.00	\$174,750.00	\$209,700.00
NET PROFIT (LOSS)	(\$53,525.00)	(\$48,050.00)	(\$42,575.00)	(\$37,100.00)	(\$31,625.00)	(\$26,150.00)	(\$20,675.00)	(\$15,200.00)	(\$9,725.00)	(\$4,250.00)	\$6,700.00

AMOUNTS SHOWN IN U.S. DOLLARS

SALES

SALES PRICE PER UNIT	\$15.00
SALES VOLUME PER YEAR (UNITS)	8,000
TOTAL SALES	\$120,000.00

VARIABLE COSTS

INGREDIENTS	\$2.50
PACKAGING	\$0.75
MARKETING	\$0.50
DIRECT LABOR	\$0.00
OTHER VARIABLE COSTS PER UNIT	\$1.00
Cost per Unit	\$4.75
Total Cost per year	\$38,000.00

UNIT CONTRIBUTION MARGIN	10.25
GROSS MARGIN	\$82,000.00

FIXED COSTS

RENT	\$12,000.00
INSURANCE	\$1,000.00
WAGES/CONSULTING	\$34,000.00
OFFICER SALARIES	\$10,000.00
OTHER FIXED COSTS	\$3,000.00
TOTAL COSTS PER PERIOD	\$60,000.00

NET PROFIT (LOSS)	\$22,000.00
--------------------------	--------------------

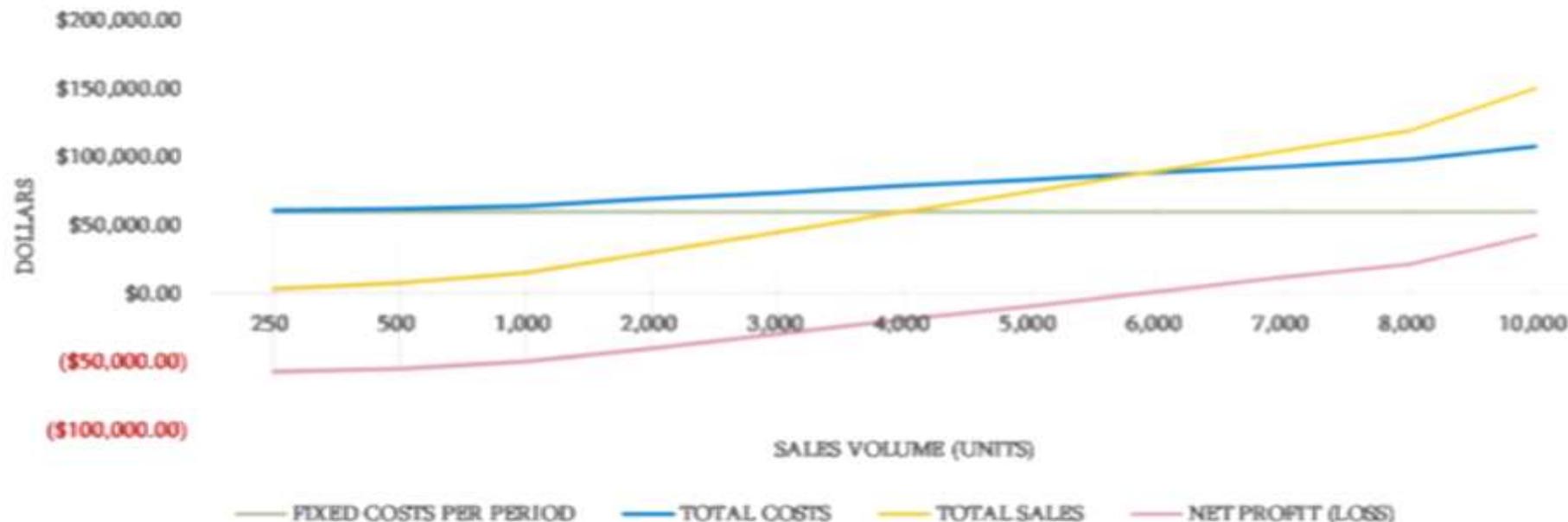
RESULTS

BREAKEVEN POINT (UNITS):	5853.66
---------------------------------	----------------

SALES VOLUME ANALYSIS:

SALES VOLUME PER PERIOD (UNITS)	250	500	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	10,000
SALES PRICE PER UNIT	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
FIXED COSTS PER PERIOD	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00
VARIABLE COSTS	\$1,187.50	\$2,375.00	\$4,750.00	\$9,500.00	\$14,250.00	\$19,000.00	\$23,750.00	\$28,500.00	\$33,250.00	\$38,000.00	\$47,500.00
TOTAL COSTS	\$61,187.50	\$62,375.00	\$64,750.00	\$69,500.00	\$74,250.00	\$79,000.00	\$83,750.00	\$88,500.00	\$93,250.00	\$98,000.00	\$107,500.00
TOTAL SALES	\$3,750.00	\$7,500.00	\$15,000.00	\$30,000.00	\$45,000.00	\$60,000.00	\$75,000.00	\$90,000.00	\$105,000.00	\$120,000.00	\$150,000.00
NET PROFIT (LOSS)	(\$57,437.50)	(\$54,875.00)	(\$49,750.00)	(\$39,500.00)	(\$29,250.00)	(\$19,000.00)	(\$8,750.00)	\$1,500.00	\$11,750.00	\$22,000.00	\$42,500.00

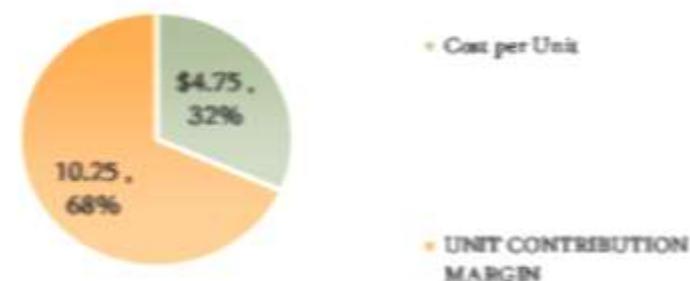
Breakeven Analysis Chart



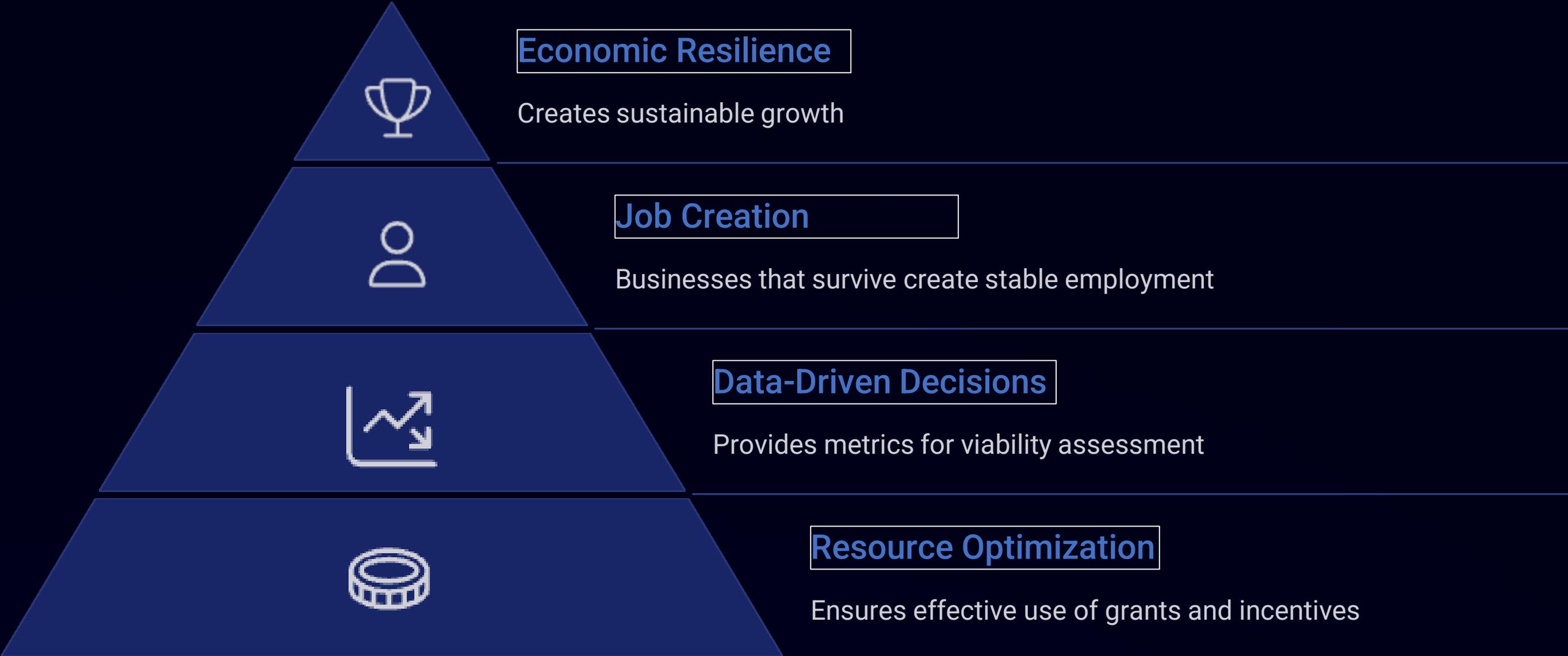
Variable Costs per Unit



Unit Contribution Margin



Supporting WEDA's Key Goals





Success Story: Yakima Food Processor

Challenge

New food processor struggling with consistent losses despite growing sales.

Couldn't understand why revenue growth wasn't leading to profitability.

Analysis

Break-even analysis revealed they needed 20 more accounts to cover fixed costs.

Current pricing structure couldn't support operational expenses.

Outcome

Adjusted pricing strategy and targeted specific wholesale accounts.

Reached profitability within six months and added five new jobs.

Success Story: Gig Harbor Coffee Shop

1

Initial Analysis

Coffee shop discovered walk-in business alone couldn't reach break-even.

2

Strategy Shift

Added catering services with higher margins to existing operations.

3

Cross-Threshold

Reached break-even with combined revenue streams.

4

Expansion

Eventually opened second location based on refined business model.



Success Story: Spokane Daycare



Financial Challenge

Break-even analysis showed current capacity couldn't support operations.
Needed additional space to accommodate more children.



Grant Application

Used break-even data to justify capital grant application.
Demonstrated financial viability with expanded capacity.



Facility Expansion

Secured \$75,000 grant for renovation and expansion.
Increased capacity by 35%.

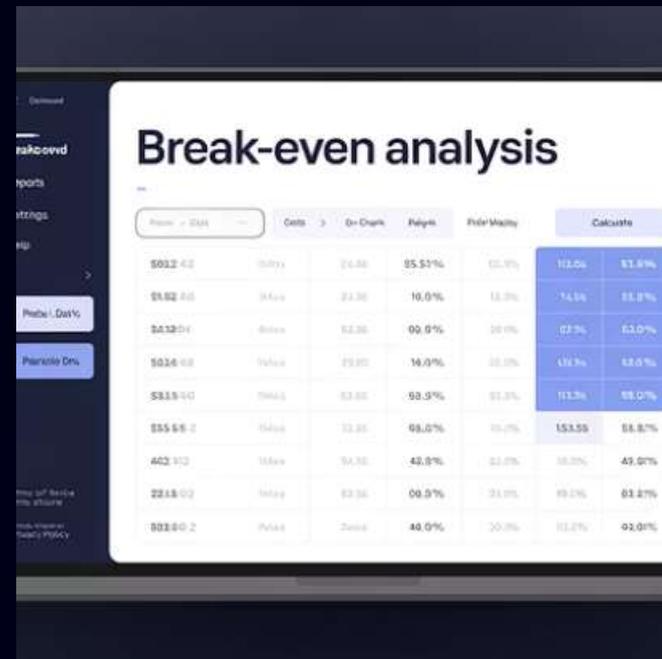


Sustainable Operations

Crossed break-even threshold with new capacity.
Created six new childcare jobs in underserved neighborhood.



Tools ADOs/EDOs/Advisors Can Offer



Workshops

Host or co-sponsor break-even training sessions for local entrepreneurs.



Templates

Provide simple break-even calculators and spreadsheets for startups.



SBDC Referrals

Connect businesses with free SBDC financial planning services.

What Businesses Need for Break-Even Analysis

Fixed Cost Inventory

Complete list of all costs that don't change with sales volume

Sales Projections

Realistic estimates of potential sales volume



Variable Cost Analysis

Understanding of costs that scale with each unit sold

Pricing Strategy

Well-researched price points based on market and value

Integration with Other Tools

Break-Even Analysis

Core financial viability tool

Growth Planning

Guides expansion timing and resource allocation



Implementation Plan

Clarifies revenue streams and how you are going to hit revenue targets

Lean Business Plan

Incorporates break-even in financial projections

Funding Proposals

Demonstrates sustainability to potential funders

Before/After Impact Story

Before Break-Even Analysis



- Pricing based on competitor rates only
- Unclear path to profitability
- Growth decisions made on intuition
- Difficulty securing financing
- Unpredictable cash flow

After Break-Even Analysis



- Strategic pricing structure
- Clear profitability targets
- Data-driven growth decisions
- Strong funding proposals
- Predictable financial milestones



Implementation Benefits by the Numbers

73%

Success Rate

Businesses using break-even analysis before launch

42%

Funding Increase

Improved access to capital with break-even planning

2.5x

Growth Factor

Faster scaling for businesses with clear break-even targets

68%

Risk Reduction

Lower failure rates in first two years of operation

WEDA Member Action Steps



Learn the Tool

Attend a break-even training session or webinar specifically for EDOs.
Request SBDC partnership for staff development.



Share Resources

Distribute break-even templates to local businesses.
Host workshops in your community.



Integrate into Programs

Add break-even requirements to funding applications.
Use analysis to strengthen business recruitment efforts.



Small Business Development Center

Mike Darrow

2520 W. Washington Ave Suite 1
Yakima, WA 98903

mike.darrow@wsbdc.org

