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# Business Planning Workbook for Jail Industries

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ACQUISITIONS

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## Preface.

This workbook is a *companion piece* to two important reference works which you will need to refer to as you complete the answers to the questions posed throughout this workbook:

- (1) George E. Sexton, Rod Miller, and Victor J. Jacobsen. Operating Jail Industries: A Resource Manual. U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, May 1990.
- (2) Rod Miller, George Sexton, and Vic Jacobsen. Developing a Jail Industry: A Workbook. October, 1990 Fourth Draft.

Note: In this draft RES MAN refers to the May 1990 Operating Jail Industries: A Resource Manual, and WKBK refers to the 4th draft of Developing a Jail Industry: a Workbook (October, 1990)

For the purposes of this workbook, a jail industry is defined as "any activity that rewards inmates with pay, privileges, or other benefits to create a product or service that has value for a public or private client." (See RES MAN p. 2)

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## INTRODUCTION.

This workbook is intended to assist you to write a business plan for a jail industry program. This planning process will help you to clarify your thinking about important aspects of this program and will allow you to develop a plan which will enable you to communicate to other key individuals why such a program exists and its potential benefits to inmates, to the jail programs, and to your local community.

Worksheets are provided at the end of this text, allowing you to "fill in" the blanks, respond to questions, and develop your business plan consistent with the guidance offered in this workbook. The elements that are provided in the worksheets are *shown in italics in this text*.

A good business plan must address the following aspects of a jail industries program:

- WHAT the customer wants (the products/services offering)
- WHEN the customer wants it (delivery schedule)
- WHERE the products/services will be created or performed (the place)
- HOW MUCH the customer is willing and able to pay for the products/services (the price)
- HOW the customers will find out that your products/services are available and be encouraged to buy them (the promotion)

A good business plan:

- tells you WHERE you are going (specific objectives)
- tells you HOW you plan to get there (marketing strategy)
- gives you specific TARGET GOALS to aim for (useful in the evaluation stage)
- tells you how much it will COST to implement the plan (budget planning)
- provides a means of MEASURING your progress in answering the question: "How well are we doing?"
- allows CORRECTIVE ACTION to be taken to control the plan
- enables you to pursue your PROFITABILITY GOALS ("Will we be able to make a profit if we implement this plan?")

# I. ELEMENTS OF A BUSINESS PLAN

## A. Executive Summary

An executive summary is a 2-3 page description of the jail industry program you plan to implement. It should describe the specific type of industry you will enter, the products/services you will provide, the type of customers you hope to attract, the marketing strategy for attracting these customers, the place in which the work will be performed, the promotion strategy you will use to attract these customers, the pricing strategy you will use to make your products/services competitive, and key financial data which will enable the reader to understand the financial impact of implementing the plan.

*See Worksheet: Write the Executive Summary for your business plan.*

## B. Mission Statement

A Mission Statement is a 25-words or less summary of the overriding purpose of your jail industry program. It should be a concise statement of the reasons why the program exists so that anyone who reads your business plan can understand why you believe the program should exist.

*See Worksheet: What is the Mission Statement for your jail industry program?*

## C. Competitive Analysis

Unless you have a unique product or service to provide (a very unlikely possibility), it is highly likely that the potential customers you would like to attract to your program will already be buying the products/services you plan to offer from your competition. An analysis of your competition can help you to determine any competitive advantage your products/services have over your competition so that you can use this advantage to convince your potential customers to shift their buying habits from competitors to your program.

One way to begin a competitive analysis is to look in the Yellow Pages of your local telephone directory to locate competitors for your products/services offerings. You can then plot the locations of competitors on a map to determine which ones are within 25 miles or so of the location of your program, as you will very likely want to concentrate your initial customer recruiting efforts to businesses which are located nearby to your jail industry program.

A phone call to these competitors can provide you with brochures and catalogues which you can then use to analyze the types of products/services they offer, their likely target market customers, the promotions they use, and their pricing structure.

In studying these competitors, you should attempt to answer the following types of questions:

- What are each competitor's marketing objectives?
- What is each competitor's marketing strategy?
- Which target market segments is each competitor attempting to serve?
- What are the likely future marketing strategies of each competitor?
- What pricing structure is each competitor using?
- What type of advertising (Yellow Pages, newspaper, magazine, radio, television, billboard) is each competitor using?
- What promotion tactics is each competitor using?

A study of the local newspapers (dailies, weeklies, monthlies) and local magazines will provide you with examples of the type of advertising being used by each competitor. This type of background information is extremely valuable in developing an understanding of the marketing strategy that is being used by each competitor.

The following questions are likely to be extremely helpful in guiding your analysis of the competition:

- What are the strengths of each competitor? (number of years in business, loyalty of its customers, lower prices, convenient location, reliable delivery, etc.)
- What are the weaknesses of each competitor? (higher prices, unreliable delivery history, dissatisfied customers, inconvenient location, etc.)
- What are the competitive advantages that distinguish each competitor from its competition (e.g. sales promotion tactics, high quality of products, quantity discounts for large purchase orders, etc.)?

*See Worksheet: Summarize the findings of your competitive analysis. What have you learned about your competition? What are the strengths and weaknesses of your competitors? Do you plan to have any competitive advantages over them which will make your jail industry program more attractive to potential customers than their present suppliers of the products/services which you hope to provide?*

**D. Potential Opposition**

Opposition to your jail industry program can come from within the industry program itself (inmates, custodial staff, supervisory staff), within the jail from those not involved with the program (other inmates, correctional officers, administrators), within the county government structure, and within the local community (local businesses, labor unions). The first step toward defusing potential objections is to identify all possible sources of opposition and to anticipate the concerns of each group. (See RES MAN pp. 6-8, See WKBK p. 17)

*See Worksheet: Fill in the chart on the Worksheets.*

**E. Advisory Board**

A broad-based Advisory Board can be an important asset to a jail industry program. While meeting with this board may seem to be a time-consuming activity, the time you spend with your board will save you countless hours trying to recover from the mistakes that you will certainly make if you try to manage a jail industry program without consulting with important constituents before you implement an important aspect of your program.

Such a board utilizes two important management principles:

- People are more likely to support programs they help to create
- Potential opponents can become supporters if they have meaningful opportunities to shape the program (See RES MAN p. 15, See WKBK pp. 28-29)

*See Worksheet: List the names of the Advisory Board members which you have already recruited to serve on this important committee (be sure the maintain a "balance" of areas of expertise, groups that are represented, political affiliations, and geographical locations):*

*Advisory Board members:*

In order for your Advisory Board to be able to work together effectively, you will need to establish its authority and responsibilities in writing.

*See Worksheet: What is the authority and the responsibilities of Advisory Board members?*

## F. Marketing Planning Objectives

The objectives of your marketing plan answer the questions: "Where are we going?" "What are we trying to accomplish?" They should be realistic and achievable or you risk promising more than you can deliver and, therefore, jeopardizing the continuation of your jail industry program. Objectives should be stated in terms that can be measured and evaluated whenever possible, as they can be the basis for an evaluation program for your jail industry program. You need to avoid risky terms such as "high profits" because you will not know if your program can be profitable until you gain some experience with customers, inmates, supervisory staff, and available budgets.

While specific objectives will vary from program to program, examples of areas in which specific objectives could be written would include:

- fulfillment of customer needs in the following areas....
- description of the target market segments to be served....
- exploiting a major competitor's weakness in the area of....
- increasing dollar sales to existing customers by....
- building the customer base to \_\_\_ customers by the following date \_\_\_\_
- filling a market void caused by a change in customer attitudes toward....
- ETC!!!

You should note that your objectives can relate to inmates, to the jail itself, to customers, and to your local community. (See WKBK p. 13 and pp. 31-32, See RES MAN p. 4 and pp. 8-9)

*See Worksheet: List the specific goals and objectives for your jail industry program (e.g. develop inmate work habits and skills, reduce inmate idleness, raise money for charity, teach the work ethic to inmates, etc):*

## G. Benefits To The County

Many counties have realized great benefits from their jail industry programs (e.g. reducing inmate idleness, relieving crowding in jails, providing positive publicity for the jail industry programs, etc.). (See WKBK pp. 3-4)

*See Worksheet: Complete the chart to determine the benefits and beneficiaries for your jail industry program.*

## H. Target Market Selection

Potential customers for your products/services offerings can come from city agencies, county agencies, and private sector businesses (medium to large companies within 25-miles of your jail industry program).

The first step is to determine if there are any legal constraints against your offering products/services to any of these possible customers.

*See Worksheet: List the legal constraints in your city, state, or federal government regulations against selling to certain types of customers:*

Will you be selling your products/services to public customers, to private business customers, or to both types of groups?

Next, you need to answer the following types of questions:

- Who will be likely to buy each product/service we offer for sale?
- In what quantity will they buy?
- How often will they buy?
- At what price are they likely to want to buy?
- What delivery requirements will they require?
- Will competitors be likely to respond to our entering the marketplace? If so, how?

*See Worksheet: What criteria will you use for selecting potential customers to recruit (e.g. location, no bidding process for purchases, non-threatening to unions, etc.)? (See WKBK pp. 44-45, pp. 62-64)*

*List the potential customers you plan to recruit as your first customers:*

## I. Marketing Strategy and Marketing Mix

The marketing strategy attempts to answer the question: "Now that we know where we are going (our objectives), how do we plan to get there?" The marketing mix defines the products/services offerings, the place in which they will be created or provided, the promotion strategy, and the pricing strategy. It is essential that the marketing mix be designed to appeal to the specific target market segments that you hope to attract to buy your products/services.



In other words, you are attempting to answer the questions:

- Which products/services do our potential customers want to buy from us?
- Where do we need to create or provide these products/services in order to satisfy our target market customers?
- What promotion strategy will we use to attract our potential customers to buy our products/services from us?
- What pricing strategy is likely to be successful in attracting our potential customers to buy from us and to continue to buy our products/services in the future?

Your marketing strategy attempts to summarize your plan to develop a competitive advantage in terms of the particular products/services you will offer, the place in which they are provided or created, the price at which they are offered, the on-time delivery record, or the quality which they represent.

See Worksheet: *State your marketing strategy in 25-words or less:*

## J. Products/Services Offering

The selection of the specific products/services which you plan to offer to potential customers should be guided by the following questions:

- Are some potential customers dissatisfied with their present suppliers?
- Are some products/services priced too high by our competitors?
- Are shipping costs too high for some customers?
- Should we advertise in local newspapers/magazines to ask potential customers to identify themselves to us and to suggest products/services which they need and which we may be able to supply?
- What is the minimum number of units of each product that we can realistically expect to sell each month?
- What should be our tentative selling price per unit?
- What basic manufacturing operations would be required?
- What are the minimum space requirements for production?
- What are the sources for raw materials and their prices?

- What are the equipment needs and costs?
- What are the other space requirements needed (e.g. office, restrooms, raw materials storage, storage of finished goods, etc.) (See WKBK p. 10 and p. 51, See RES MAN p. 5 and pp. 54-56 and pp. 75-77)

See Worksheet: *List the potential products/services which you want to consider seriously in terms of providing them to potential customers (e.g. assembly of electronic parts, painting, bakery products, parks maintenance, etc.):*

The next step is to reduce this list of possible products/services to a manageable number of products/services which you can realistically create and deliver to customers on-time and of sufficient quality to encourage repeat buying behavior.

What screening criteria will you use to reduce the list of possible products/services offerings to a more manageable size (e.g. annual sales potential, ease of production, equipment needs, start-up capital required, space needs, security hazards, health and safety risks, skills required by the inmates, etc.)? (See WKBK pp. 63-64, See RES MAN pp. 56-57)

See Worksheet: *List the screening criteria you will use to reduce the list of possible products/services offerings to a more manageable size:*

The final step in this section of the marketing plan is to select the specific products/services you plan to offer to your potential target market customers.

See Worksheet: *Select the specific products/services you plan to offer to your potential target market customers.*

## K. Place Decisions.

Place decisions have to do with the selection of the specific location in which products/services will be created or provided, the physical layout of the production space, the production schedule for the inmate shift(s), places for quality control inspections, storage and shipping of finished goods, and the incorporation of health and safety considerations in all of these activities. (See WKBK p. 65)

See Worksheet: *Fill in the matrix to determine which products/services will be created or provided within the jail perimeter, outside of the jail perimeter but close by, or away from the jail site.*

## L. Pricing Strategy

The pricing strategy must be related to the specific pricing objectives you select for your marketing strategy. Here are some of the many pricing objectives which you could select:

- to match prices set by our competitors
- to set our prices \_\_\_ % below our competitors in order to obtain a price differential advantage for our products/services
- to set prices to obtain annual revenues of at least \$\_\_\_
- to set prices which would allow an operating profit margin of at least \$\_\_\_
- to set prices to allow a 10% return on our initial investment of \$\_\_\_ at the end of the first year of operations
- to set prices at our production cost plus a markup of \_\_\_ %
- to set prices to allow for a likely response from our competitors to our initial entry into the marketplace (Remember: Your competitors are not passive players in the business arena; they have their own marketing strategies and are not likely to ignore your sudden appearance as a competitor to them.)

See Worksheet: *List your pricing objectives.*

Once you have set your pricing objectives, you can set the price for each product/service in your offering to match these objectives.

See Worksheet: *Fill in the chart to set the prices you intend to charge your customers for each product / service in your offering.*

Note: In pricing a service, you need to find "the multiplier" before you can set the price. For example, if you divide your annual sales projection (e.g. \$100,000) by your total labor costs (e.g. \$20,000), this gives you a multiplier of 5. If the job takes two hours to complete and your labor rate is \$4.00 per hour, then you should take the total labor cost for this job (\$8.00) and multiply it by the multiplier (5) to get a price to the customer of \$40.00. The final step is to add the cost of your raw materials needed to produce the product to this \$40.00 figure to find the final selling price to the customer.

## M. Promotion

Promotion is the act of telling the target customers about your product/service offerings so that you can persuade them to buy your product/service instead of those offered by your competitors. Promotion includes advertising, personal selling, sales promotion activities, and publicity.

The first step in developing a promotion strategy is to determine the objectives for the promotion of your product/service offerings. What ideas do you want to communicate to your potential customers about your product/service offerings?

Here are some sample objectives that you can consider as you try to answer these questions:

- to inform our target customers that a new jail industry program is open for business
- to build a positive image of our jail industry program in the local community
- to introduce specific product/service offerings to specific target customers
- to reduce seasonal sales fluctuations through special promotions during months which are expected to have slower sales
- ETC!

See Worksheet: *List the promotion objectives for your jail industry program.*

Based on whatever promotional objectives you set for your jail industry program, you will need to develop a promotion budget which will permit you to accomplish these objectives. You will also need to develop a plan for the promotional mix you plan to use: the blend of advertising, personal selling, sales promotion activities, and publicity which you plan to use in your marketing plan.

Developing a media plan, for example, will involve answering these types of questions:

- Should we use a direct mail campaign? If so, which target customers should we pursue? How will we tailor our cover letter and brochures to meet their needs and expectations?
- Should we advertise in local newspapers? Which ones? (daily, weekly, monthly suburban newspapers?) What should we stress in our ads (customer benefits, price, product/service offerings, etc.)? Should we use introductory ads which invite potential customers to identify

themselves as sales leads so that we can focus our initial recruiting efforts on potentially valuable customers? Is there an advertising theme or slogan we will use in every ad?

- Should we advertise in the Yellow Pages of our local telephone directory? If so, what type of ad should we use? What will be the copy of the ad (the layout and words we use to communicate our product/service offerings and customer benefits to our target customers)? If you have a competitive advantage over your competitors, can you stress it in your ads?
- Should we advertise on local radio stations? If so, which ones are our potential customers most likely to listen to? at what times of the day? What benefits will we stress in our ads?
- Should we advertise in local magazines? If so, which ones? How often should we run our ads?
- What time schedule and budget should we set for this important aspect of our marketing plan?

Probably the most effective form of advertising for your jail industry program will be "word-of-mouth advertising" from current and former customers. You need to be constantly alert to opportunities to encourage satisfied customers to recommend to their friends, family, and business associates that they buy the product/service offerings which you are willing and able to provide. This form of advertising costs you zero budget dollars, and it is likely to be the best single source for the development of new customers.

*See Worksheet: List the places you plan to advertise, the frequency of the ads planned, and the budget needed to complete this media plan in the chart.*

The topic of publicity is also important for your jail industry program. You should ask yourself:

- What type of publicity should we try to create for our jail industry programs?
- Since this type of advertising costs us zero budget dollars, are there any special events which we can use to encourage publicity articles or coverage?
- Can we hold a press conference to announce the opening of our jail industry programs?
- Can we write a press release announcing our new programs and send it to local newspapers and magazines?

- Can we write a press release announcing new promotions or hires for our programs and send it to local newspapers or magazines?
- Can we write an article for a local business magazine describing our programs and get it published?

*See Worksheet: List the publicity activities you plan to use in your marketing plan.*

An additional aspect of the promotion strategy is the planning of the special sales promotion activities you will use to promote your program based on these types of questions:

- What types of sales promotion activities should we use?
- When should we schedule these activities?
- How much will these activities cost?
- Should we give "introductory price discounts" to new customers who sign a contract with us during the first three months we are open for business?
- Should we offer tours of our facilities to potential customers so that they can see first-hand how our program operates?

*See Worksheet: List the sales promotion activities you plan to use during the first year of your program.*

## **N. Organization Chart**

An organization chart defines the management team for the jail industry program and answers the basic question: "Who reports to whom for what?" It should list the important job titles and the reporting relationships among the managers and supervisors and inmates in the program. (See RES MAN pp. 257-260, See WKBK p. 56)

*See Worksheet: Draw a diagram of the organization chart for your jail industry program.*

*List the areas of responsibility for the managers and supervisors in your jail industry program. (See RES MAN pp. 258-260)*

In planning your management team, you should give careful consideration to the potential outside resources available in your local community, especially those resources which can be manned by volunteers since they cost you zero budget dollars.

Which of the following are possible outside resources which you could use:

- retired business executives
- SCORE (Service Corps of Retired Executives)
- Private Industries Councils
- Chamber of Commerce
- Small Business Administration (SBA)
- ETC! (See RES MAN pp. 9-16 and Appendix 1-1)

See Worksheet: *Fill in the chart to list the outside resources you plan to include in your program.*

All of your management team -- managers, supervisors, inmates -- will need training for their responsibilities, not only to ensure their productivity, but more importantly, to ensure their personal safety. All staff involved with your program, both paid and volunteer, must be trained in safety practices and be fully conversant with the policies and procedures in your program. Staff will need to be trained both in proper correctional supervision techniques within a jail but also in technical production methods. Local agency trainers are the best source for security and custody training, while business managers and educators are likely to be the best source for technical production training.

See Worksheet: *Describe the training schedule and training programs you plan to use to orient your staff and inmates to their responsibilities within the program. (See WKBK p. 79)*

## O. Budgets

Budgets, for both expected revenues and expected expenses, are an essential ingredient to a successful jail industry program.

A projected revenues budget can demonstrate the ability of the program to "pay for itself" or to generate revenues which can be used by other aspects of the jail's programs. If a bank is to be sought out to provide "start-up funds" for the program, such a budget can be useful in assisting bank personnel to see the financial viability of the program and its potential financial risks in terms of repaying the loan. (See WKBK p. 69, See RES MAN p. 232)

See Workbook: *Fill in the chart to prepare a revenue projection for the number of units to be sold by the program.*

Then, convert this chart to a dollar revenue chart by multiplying the number of units sold by the average selling price of one unit to produce the

following revenue dollars projection chart:

See Worksheet: Fill in the following chart--

### REVENUE PROJECTIONS

Product/Services Offerings (Dollar Sales)	Year				
	1	2	3	4	5

A similar set of projections needs to be made for each major expense item in the budget, such as the cost of raw materials, labor, supervisory salaries, administrative salaries, supplies, telephone, equipment, maintenance, etc. Start-up costs for the program (especially capital equipment expenditures) also need to be included in the first year's projections. (See WKBK p. 69, See RES MAN p. 233)

See Worksheets: Fill in the chart to project the expenses of operating the jail industry program.

Once you have prepared a revenue projections and an expenses projection for your program, you can graph the relationship between income and expenses. (See RES MAN p. 234)

See Worksheet: Show the graphic relationship between revenues and expenses on a graph (hopefully, the revenue line is above the expense line, or you will be operating at a loss!).

#### P. Break-Even Point

The point at which your revenues exactly match your expenses is the time at which you "break-even." Obviously, if you price your product/service offerings so that you do better than simply break-even, this will make the program much more attractive to those individuals whose support you need to launch the program and to continue its operation.

Thus, break-even analysis is an excellent way to test the appropriateness of your pricing strategy in terms of whether or not your "business" (i.e., the jail industry program) is financially viable.

The mathematical formula for break-even point is:

$$\text{Break-even point (BEP) (number of units sold)} = \frac{\text{Total Fixed Costs (TFC)}}{\text{Average contribution margin per unit sold (CMU)}}$$



The Total Fixed Costs (TFC) are found by adding up the costs that you must pay whether or not you sell a single unit of the product/service offering (e.g. rent, insurance, administrative salaries, supervisory salaries, telephone, postage, etc.).

The CMU is found by taking the average selling price of one unit and subtracting the average variable costs associated with producing that one unit. For one unit of a manufactured product, for example, the variable costs to produce that unit would be the sum of the raw materials costs and the labor costs needed to create that unit.

The formula for CMU, therefore, is:

$$\text{CMU} = \text{SPU} - \text{VCU}$$

where

SPU = the average selling price to customers of one unit of the product/service offering

VCU = the total variable costs (raw materials costs plus labor costs) needed to generate one unit of the product/service offering

Let's suppose that you have only one product to sell to your customers.

Thus, for example, if SPU = \$35.00 and  
VCU = \$20.00, the  
CMU = \$15.00

Continuing this example, if the Total Fixed Costs (TFC) of operating your jail industry program for one year are \$100,000, then the number of units of this product that you need to sell to break-even is:

$$\begin{aligned} \text{BEP (units sold)} &= \frac{\text{TFC}}{\text{CMU}} \\ &= \frac{\$100,000}{\$15} \\ &= 6,667 \text{ units} \end{aligned}$$

You need to be alert to how sensitive the BEP is to changes in your selling price to customers.

For example, suppose that you changed your SPU from \$35.00 to \$30.00. If all other costs remained the same, what would be your new BEP? (Answer: 10,000 units)

As a second example, suppose that you changed your SPU from \$35.00 to \$40.00. If all other costs remained the same, what would be your new BEP? (Answer: 5,000 units)

Note that this \$10.00 change in your selling price to your customers changes the BEP from having to sell 5,000 units of your product to 10,000 units of your product! This is an enormous difference in your selling efforts, and it can have a major impact on your profitability (or lack of it!).

An additional accounting principle that is worth mentioning at this time is that once you have passed the BEP in sales dollars, you can afford to negotiate lower prices with some customers based on special job orders which they need because you will have already earned a profit for the business.

See RES MAN p. 235 for a graph of the relationship between TFC and BEP for Revenues and Expenditures of a business. The point at which the Revenue line and the Expenses line cross is the BEP (note that it is about 800 units on this graph).

#### Q. Profit and Loss Statements (P&L)

A Profit and Loss Statement is a formal statement of how well the jail industry program is performing financially. A hypothetical statement is given below:

		Percent of Sales
Sales Revenues	\$100,000	
Variable Costs (raw materials, inmate labor)	30,000	30%
Gross Margin (subtract the above two lines)	70,000	70%
Fixed Costs (rent, insurance, phone, etc.)	50,000	50%
Operating Profit (subtract the above two lines)	20,000	20%

Note that we have converted the dollar amounts to the percentage of sales which each line represents. This statistic can be very useful at the end of the fiscal year to see if these percentages changed in any important way and, thus, affected the profitability of the jail industry business.

These statistics are known as "operating ratios" and are defined as follows:

$$\text{Gross margin ratio} = \frac{\text{Gross Margin}}{\text{Sales Revenues}}$$

$$\text{Variable costs ratio} = \frac{\text{Variable Costs}}{\text{Sales Revenues}}$$

$$\text{Fixed costs ratio} = \frac{\text{Fixed Costs}}{\text{Sales Revenues}}$$

$$\text{Operating profit ratio} = \frac{\text{Operating Profit}}{\text{Sales Revenues}}$$

You should note that it is possible, even desirable, for you to prepare a P&L Statement each month for each product/service offering that you sell to customers so that you can determine which products/services are profitable over time. This treats each product/service offering as a profit center in itself. The P&L Statement for the entire jail industry program is, therefore, the sum of the individual P&L Statements for each product/service offering in your product line.

*See Worksheet: Fill in the chart to project the sales revenues, expenses, and operating profit expectations for the Jail Industry Program for the next three years to create a Pro Forma P & L Statement.*

## R. Balance Sheet

A Balance Sheet is a snapshot of the jail industry program on a given day to determine its assets, liabilities, and equity. The basic accounting formula for a Balance Sheet is:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

See RES MAN Appendix 5-2 p. 5-7 for an example.

A Balance Sheet for a jail industry program might look like the following:

=====

ASSETS

Cash on hand or in bank  
 Accounts Receivable outstanding (less an allowance for doubtful accounts  
 that you do not expect to be paid by your customers)  
 Inventories (the sum of raw materials on hand, work-in-process, and  
 finished goods available for sale)  
 Buildings (less accumulated depreciation)  
 Equipment (less accumulated depreciation)

Total Assets

LIABILITIES AND EQUITY

Accounts Payable  
 Accrued salaries and benefits  
 Accrued other expenses  
 Notes Payable  
 Retained Earnings

Total Liabilities and Equity

A Balance Sheet should be prepared for your jail industry each month, and a summary should be prepared for the entire year at the end of your fiscal year period.

S. Cash Flow Chart

"Cash flow" is the name of the game in running any business. If you do not have sufficient cash on hand to pay your employees and to pay your creditors, the chances of your remaining in business (not to mention getting promoted) are somewhere between slim and none.

Before a single dollar of revenue arrives at the jail from the jail industry program, the industry director must expend funds for equipment, raw materials, staff and supervisory wages, utilities, and the like. Cash flow problems arise because of the time lag between the production of the products and the payment from the customers after they are billed.

This "management of Accounts Receivable" (i.e., the prompt payment by your customers of the bills which you send to them for products shipped or services rendered) can make the difference between the success and failure of your industry program. Follow-up second and third notices of bills, phone calls, letters, an personal visits can all help you to make sure that you have sufficient cash on hand to remain in business -- an important aspect of your responsibilities!

A monthly cash flow projection is needed for at least the first year of operation of your jail industry program so that you can track deviations from this cash flow plan and anticipate the need to borrow additional funds from a bank should this become necessary. (See RES MAN pp. 228-231 and Appendix 5-2 on p.5-7)

A sample CASH FLOW CHART might look like the following:

Item	Month of Operation					
	1	2	3	4	5	6
Beginning Cash Balance	\$5,000					
Add: Cash Receipts expected from customers	6,000					
Less: Cash Disbursements for Accounts Payable, Operating Expenses, etc.	4,000					
Net Cash from Operations	7,000					
Less: Purchase of Assets (equipment, computers, buildings, etc.)	1,000					
Add: Cash contributed by the Jail operating budget	2,000					
Less: Cash used to repay short-term loans (due within the next year)	1,500					
Less: Cash used to repay long-term loans (not due to mature within the year)	2,000					
Ending Cash Balance	\$4,500					

See Worksheet: Fill in the Cash Flow Chart for the first year of the program.

## II. CONTROLLING THE MARKETING PLAN

There are a variety of "control procedures" which you could utilize to determine the effectiveness and the efficiency of your jail industry program. It is important to note that "effectiveness" is stated in terms of goals without considering the costs necessary to attain them (e.g. total customers served, total sales revenues, rate of repeat purchases by customers, the number of documented complaints, etc.). "Efficiency," on the other hand, focuses on the use of resources in the jail industry program (e.g. costs of specific operating expenses, cost of raw materials, labor costs, supervisory salaries, etc.) associated with each product/service offering, its profitability, and the overall profitability of the business as a whole.

The use of a P&L Statement (as discussed earlier in this workbook) is one control procedure that is essential to the sound management of a business. Prepared monthly, this statement allows you to compare your budgeted revenues and expenses against the actual revenues and expenses in order to determine where your actual performance differs in important ways from your projected revenues and expenses. Careful monitoring of these P&L Statements each month will give you important feedback about the success or failure of your jail industry program.

It is essential that you compute the financial ratios related to the P&L Statement (Gross Margin ratio, Operating Profit ratio, Variable Expenses ratio, Fixed Expenses ratio) that were described earlier in this workbook when we first discussed the creation of a P&L Statement. These ratios will give you valuable clues about where your expenses are greater than what you had planned so that you can take steps to control your expenses more effectively. These ratios can assist you in asking yourself important questions each month such as:

- Are revenues less than what we had budgeted? If so, what can we do to attract more customers? to increase sales to our current customers? to add new product/services to our offering? to increase our advertising and sales promotion activities?
- Are our Variable Expenses greater than what we had budgeted? If so, how can we obtain raw materials at a lower cost? Can inmate workers become more productive and thus reduce our labor costs needed to produce the same amount of output of finished goods?
- Are our Fixed Expenses ratios greater than what we had budgeted? If so, how can we reduce our operating expenses?
- Are our competitors doing anything which affects our sales negatively? Should we be doing what they are doing? How can we become more competitive and attract new customers? How can we increase sales to our current customers?

One way to do a more detailed analysis of your performance is to prepare a P&L Statement each month for each product/service in your offering. In this way, you can track the revenues and expenses associated with every product/service that you sell in order to determine which ones are profitable and which ones are more trouble than they are worth.

In a similar fashion, your monthly Balance Sheets, monthly Accounts Receivable collection report, and monthly inventory control reports (raw materials, work-in-process, finished goods) allow you to gain valuable insights into how well your business is performing financially. A careful study of these reports each month will give you ideas about how you can increase revenues and reduce expenses to improve your profitability as a business.

### III. EVALUATING YOUR MARKETING PLAN

Evaluation is an essential component of a marketing plan for a jail industry program because such programs are considered "optional" by some managers who are on the lookout for activities to criticize and eliminate from their list of responsibilities. In addition, a jail industry program must perform satisfactorily in the eyes of those responsible for jail security as well as those interested in the business performance of the jail industry program (in other words: "Is it making or losing money?"). Running a secure facility is a very different ball-game from running a business, but both sets of criteria must be performed at a satisfactory level if the jail industry program is to be permitted to continue to operate.

Writing down your objectives for your jail industry program is essential, not only to communicate to others what the program is intended to accomplish, but also to make it possible to evaluate the success of the program. Clear objectives make it easier to evaluate the program. To the extent that the objectives are stated in measurable terms, this also makes it easier to evaluate the program.

An evaluation plan should include the questions that will be asked, the assignment of primary responsibility for answering each question, and deadlines for the collection of information and the writing of the reports. (See WKBK p. 68, See RES MAN pp. 85-91 and pp. 265-266)

*See Worksheet: Complete the table to define the evaluation plan that you will be using to assess the performance of your jail industry program.*

#### IV. OBTAINING START-UP FUNDS

If you are preparing to begin a jail industry program for the first time, then you will need to obtain a source of funds for expenses which you will incur before you sell a single unit of your product/service offering. Expenses such as raw materials purchases, supervisory salaries, utilities, telephone, rent, and the like must be paid even though you are merely getting ready to sell products/services to potential customers. In particular, if you need to use any special equipment or tools in your production process which you need to purchase, those costs can be high and require a substantial amount of capital.

There are a number of potential sources of funds for launching (or expanding) a jail industry program:

- the Jail budget
- county funds
- state funds
- federal funds for pilot programs (U.S. Department of Justice)
- private banks (loan or line of credit)
- Private Industry Council (See WKBK p. 52 and pp. 70-71)

*See Worksheet: Complete the chart to outline your plan to obtain the start-up funds you will need to start or to expand your jail industry program.*



## V. PILOT STUDY

If you are planning to begin a jail industry program for the first time, it would be very helpful to plan a small-scale pilot program so that you can obtain valuable experience in managing the many details that will need to be managed well if the program is to be successful. A pilot study is really a small-scale effort which contains all of the activities of the jail industry program, but on a small scale so that you can learn how the program needs to be modified before you have the more difficult task of managing dozens or hundreds of inmates.

Working with one or two customers and a small group of inmates and supervisors will give you valuable feedback about how the production process needs to be modified, how security checks can be done more efficiently, how to orient and train both inmates and supervisors, and how to track the performance of the program financially. (See WKBK p. 80)

*See Worksheet: describe the type of pilot study you will carry out before you attempt to launch the full jail industry program:*

## VI. EXPANDING TO FULL OPERATIONS

The final step in implementing your business plan is to expand your pilot project into a full-blown jail industry program using the number of inmates that you need to meet the demands of your customers and their needs for your product/service offering.

This full-scale program will allow you to find out how the program needs to be modified and changed so that it will work in the practical arena of the jail space available to your program. Don't be surprised if you need to make many changes from what you have written in this business plan. a "plan" is merely a guide to helping you to accomplish your goals and objectives, and, as such, it will necessarily be incomplete and in need of modification as you learn what works and what does not work in the realities of your situation. (See WKBK pp. 81-82)

*See Worksheet: Complete the final chart to plan the implementation of your full-scale jail industry program.*

## VII. PRODUCTION SCHEDULING

The next step is to set up the production schedule for the manufacturing operations in terms of the security constraints of the jail. The production schedule should take into account:

- the demand for the product from your customers
- equipment capacity for your available space
- availability of inmate labor hours
- availability of raw materials
- number of units that can reasonably be produced per day
- storage space required for finished goods before shipping to customers
- likely need to re-work defective units before storage
- quality control requirements throughout the production process
- availability of overtime hours by inmates
- production flow constraints (See RES MAN pp. 74-84 and p. 6-32 (Appendix 6-9A) and 6-33 (Appendix 6-9B))

See Worksheet: *If you will be using a manufacturing production process, draw a diagram of the production layout including work stations).*

**WORKSHEETS:****Business Planning Workbook for Jail Industries**

*The following worksheets accompany the text of the Workbook, providing an outline for your work.*

**A. Executive Summary**

Write the Executive Summary for your business plan.

**B. Mission Statement**

What is the Mission Statement for your jail industry program?

C. Competitive Analysis

Competitive Analysis summary:

D. Potential Opposition

Fill in the chart below:

Potential Opponent

Potential Issues/Concerns

**E. Advisory Board**

1. List the names of the Advisory Board members which you have already recruited to serve on this important committee (be sure to maintain a "balance" of areas of expertise, groups that are represented, political affiliations, and geographical locations):

Advisory Board members:

2. What is the authority and the responsibilities of Advisory Board members?

### F. Marketing Planning Objectives

List the specific goals and objectives for your jail industry program (e.g. develop inmate work habits and skills, reduce inmate idleness, raise money for charity, teach the work ethic to inmates, etc):

### G. Benefits To The County

Complete the chart below to determine the benefits and beneficiaries for your jail industry program:

	Beneficiary		
Industry Benefit	The Public	The Jail	The Inmates



**I. Marketing Strategy and Marketing Mix**

State your marketing strategy in 25-words or less:

**J. Products/Services Offering**

1. List the potential products/services which you want to consider seriously in terms of providing them to potential customers (e.g. assembly of electronic parts, painting, bakery products, parks maintenance, etc.):
2. List the screening criteria you will use to reduce the list of possible products/services offerings to a more manageable size:



3. The final step in this section of the marketing plan is to select the specific products/services you plan to offer to your potential target market customers. Fill in the chart below:

---

Our products/services  
offerings

---

Target Market

---

### K. Place Decisions.

Fill in the matrix below to determine which products/services will be created or provided within the jail perimeter, outside of the jail perimeter but close by, or away from the jail site:

Products/Services Offerings	Within the jail perimeter	Outside the jail perimeter but close by	Away from the jail site

L. Pricing Strategy

1. List your pricing objectives here:

2. Fill in the chart below to set the prices you intend to charge your customers for each product/service in your offering:

Product/service Offerings	Cost per unit to manufacture or deliver	Selling price to customers

### M. Promotion

1. List the promotion objectives for your jail industry program here:

2. List the places you plan to advertise, the frequency of the ads planned, and the budget needed to complete this media plan in the chart below:

Places we plan to advertise our jail industry program	Cost per ad insertion	Frequency of ads each type	Budget Needed for
--	--------------------------	----------------------------------	----------------------

3. List the publicity activities you plan to use in your marketing plan here:

4. List the sales promotion activities you plan to use during the first year of your program here:

#### N. Organization Chart

1. Draw a diagram of the organization chart for your jail industry program in the space below:

2. List the areas of responsibility for the managers and supervisors in your jail industry program here:  
See RES MAN pp. 258-260

3. Fill in the chart below to list the outside resources you plan to include in your program:

Resource	Services to be provided
----------	-------------------------

4. Describe the training schedule and training programs you plan to use to orient your staff and inmates to their responsibilities within the program:  
See WKBK p. 79

O. Budgets

1. Fill in the chart below to prepare a revenue projection for the number of units to be sold by the program:

UNIT SALES PROJECTIONS

	Year				
Product/Service Offering (Units sold)	1	2	3	4	5

2. Fill in the chart below to prepare a dollar sales revenue projection for the program:

REVENUE PROJECTIONS

	Year				
Product/Services Offerings (Dollar Sales)	1	2	3	4	5



3. Fill in the chart below to project the expenses of operating the jail industry program (you will need to adapt these expense items to fit the special requirements of your jail industry program):

EXPENSES PROJECTIONS

Expense Items	Year				
	1	2	3	4	5
Staff salaries					
Inmate worker wages					
Admin. salaries					
Sales commissions					
Advertising expenses					
Publicity expenses					
Sales promotion expenses					
Insurance costs					
Raw Materials					
Equipment					
Shipping costs (in and out)					
Tools					
Repairs and maintenance					
Depreciation of equipment					
Supplies					
Postage					
Utilities					
Rent					
Interest expenses (bank loans)					
Benefits (Social Security taxes, dental plans, etc.)					
Telephone					
Miscellaneous					
<b>Total Amount of Expenses</b>					

4. Show the graphic relationship between revenues and expenses on a graph below (hopefully, the revenue line is above the expense line, or you will be operating at a loss!):

**Q. Profit and Loss Statement (P & L)**

Fill in the revenue, costs, and operating profit projections for your Jail Industry Program for the next three years of operation:

---

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
	<b>% of Sales</b>	<b>% of Sales</b>	<b>% of Sales</b>

---

**Sales Revenues**

**Variable Costs** (raw materials, inmate labor)

**Gross Margin** (subtract the above two lines)

**Fixed Costs** (rent, insurance, phone, etc.)

**Operating Profit**  
(subtract the above two lines)

S. Cash Flow Chart

Item	Month of Operation											
	1	2	3	4....	12							

Beginning Cash Balance

Add: Cash Receipts  
expected from  
customers

Less: Cash Disbursements  
for Accounts  
Payable, Operating  
Expenses, etc.

Net Cash from Operations

Less: Purchase of Assets  
(equipment, computers,  
buildings,  
etc.)

Add: Cash contributed by  
Jail operating budget

Less: Cash used to repay  
short-term loans  
(due within the  
next year)

Less: Cash used to repay  
long-term loans  
(not due to mature  
within the  
year)

Ending Cash Balance

III. EVALUATING YOUR BUSINESS PLAN

Complete the table below to define the evaluation plan that you will be using to assess the performance of your jail industry program:

=====

Evaluation Question	Task to obtain needed information	Individual with primary responsibility	Due date for completion
---------------------	-----------------------------------	--	-------------------------

=====

**IV. OBTAINING START-UP FUNDS**

Complete the chart below to outline your plan to obtain the start-up funds you will need to start or to expand your jail industry program:

=====

Sources of Funds	Amount to be requested
=====	

**V. PILOT STUDY**

Describe below what type of pilot study you will carry out before you attempt to launch the full jail industry program:

**VI. EXPANDING TO FULL OPERATIONS**

Complete this final chart to plan the implementation of your full-scale jail industry program:

Program Task	Initial start-up date

**VII. PRODUCTION SCHEDULING**

If you will be using a manufacturing production process, draw a diagram of the production layout here (including work stations):