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CREATION OF A HOME BAKERY: A BUSINESS PLAN

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HONORS PROJECT

Submitted to the Honors College
at Bowling Green State University in partial fulfillment of the
requirement for graduation with

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Research Questions

With all the complicated details of opening a business, what does one need to do to start? Particularly, what does one need to do to open a bakery? What are the steps that need to be completed to make it a legal business? What laws need to be followed, both for all businesses and specifically for those dealing with food? What are marketing and management practices that keep the business running successfully? How do entrepreneurs fund their business? Do entrepreneurs need a special mindset to deal with all the challenges that come with running a business? What advice can a young entrepreneur take from a successful entrepreneur?

Literature Review

There are many aspects of running a business. From creation to growth, laws and ethics, marketing to managing, self-doubt to confidence, it is a never-ending to-do list. There are successes and challenges every step of the way, but it can all be very rewarding if done right. Having the right support system and employees to help you is crucial, as well. It is a rollercoaster of tasks and emotions, but people get on them anyway. For the thrill, adrenaline rush, or pure excitement, it is a good ride to go on.

Starting a business requires a lot of work and planning. There are many legal and ethical considerations that need to occur for it to work, and Ohio Secretary of State has a list to follow. To start, one needs to register with the Secretary of State to make it a distinct legal entity. After that, an EIN needs to be created for the purpose of being able to have a bank account, hire employees, and file employment tax returns. Once that is complete, a business owner can open the business' bank account, register with the Department of Taxation, and hire its first employees. Next steps include determining requirements of other state departments and bureaus and obtaining licenses and permits. While there are many more steps that need to take place to start a business, these are the most important legal ones.

Ohio's Small Business Development Center (SBDC) created a more in-depth list of steps that need to be complete to start a business. In addition to what was already stated by the Secretary of State, SBDC also included information regarding IRS reporting and Ohio's Business Gateway for filing taxes and other transactions with the state of Ohio. This shows that some tasks that get done when a business is first started continue throughout the entirety of the business' life. SBDC did embed clickable links into their PDF to allow users quicker and easier access to state department sites.

Possibly the largest and well-known government association for businesses is the Small Business Association (SBA). On their website, they have so many tools for young entrepreneurs to use. They have many links for entrepreneurs looking to plan, launch, manage, or grow their business. Between these three sources, entrepreneurs should be able to start a business knowing exactly what they must do to make it legal.

Not only does the government assist in developing small businesses. Experienced entrepreneurs want to help those who are in their early stages, especially in the bakery industry. There are many sites that guide in building a website, improving baking and decorating skills, and selecting baking equipment (Kwiat, 2016). Sites like these go on step further for bakery owners because they are specific to the industry instead of giving generalized business formation

tips. Creating a name and some other things could also be found on the SBA website. These tips help not only the business side of the bakery, but also the heart of it: the baked goods.

Businesses cannot operate however they want; they have laws to follow. A big law is the Federal Civil Rights Act of 1964 where businesses cannot deny service based on race, sex, color, national origin, and religion. States can have their own laws prohibiting discrimination because of a protected class. In Oregon, a man and his wife were sued because they denied service of making a wedding cake for a lesbian couple, despite claims of not being anti-gay (“Oregon Bakery Owner,” 2013). Not only is it illegal, but it is ethically and morally wrong to discriminate because of who someone is.

Likewise in Macon County, Illinois an ordinance was passed for all home bakeries to follow. It allows all non-perishable baked goods to be made and sold to customers (Conn, 2016). Instead of prohibiting businesses to act a certain way, like the Civil Rights Act, this allows businesses to do something. While these are only two examples of business laws, it exemplifies that business owners must be aware of current and new laws, especially ones that apply to them and their industry.

Now that the business is formed and the laws are known, how do business owners fund their businesses? Loans and grants are some of the most common, but grants are the best because one should not use their own money to make money. The Amber Grant is a grant specifically for women business owners. In addition to having their own grant, they give a guide for entrepreneurs to find and get a grant (Grants for Women, 2019). It can be hard to find something you do not know exists, so this is an amazing page they have on their website. For someone who does not know how to find grants, this is an amazing resource.

Marketing and management are important to keeping the business alive. Marketing is changing for the best to better suit customers (Christensen, 2021). If not changing with the times, it will be hard for the business to survive. Good management is also crucial for survival. Communication, recognition, and personal motivators are the best ways to keep employees happy in their work (Entrepreneur, 2016). When happier, they tend to be more productive and efficient, which only helps you in the end. Being just two aspects of the business, management and marketing are some of the most important.

While all that keeps a business running, none of it matters if an entrepreneur lacks the mentality. Running a business can be scary, but there are ways to overcome it. Humans push through problems in life, so this is nothing new for an entrepreneur (Dagostino, 2021). A reminder of why you got into the business can be a huge motivator going forward. Nothing is more encouraging than having extremely successful entrepreneurs tell you how they got to where they are now (Thomas, 2020). A couple examples include using your business knowledge to leverage your business and encouraging your team to dream as big as you. While there are plenty more, tips like these can truly transform a business.

A lot of factors go into a business, yet they all overlap. You see pieces of managing, marketing, and financing work together to achieve a common goal. Passion and knowledge about the business and business in general go a long way to contributing to success. There is no right or wrong answer for problems in business as all businesses are unique. All it takes to start a business is to just dive in because you do not know what could happen until you try.

Methodology

My methodology for research of creating a business plan was through secondary sources. These include both classes I took and the things I learned in them, and online sources used to answer my research questions. These were the most suitable methods as there is not right or wrong answers to a business plan because it depends on uniqueness of the business. These sources come from experts in the field of business through research, and those who are active business owners. I would consider the online sources reliable and valid as they aligned with things learned in my field of study.

I will use these sources to answer my questions in my proposed activity. Most will involve some sort of business knowledge in marketing, management, and finance. Others will involve what I see possible for goals of the business and what the business can do for me and my life. Using as much detail as possible, I will try to create a plan that others would be able to visually see my dream, too. Business plans need to be descriptive to keep the business on track for success.

The following were the sections included in my business plan: general, marketing, management, equipment and inventory, taxes, insurance and regulations (TIR), and finances. General discusses business name, idea, location, type, and goals. Marketing discusses potential customers, buying habits, location factors, competition, competitive advantage, pricing, market need, advertising, and distribution channels. Management includes personal background/experience, organizations, positions and paperwork, and record keeping. Equipment and inventory discuss equipment owned, needed, and potential suppliers. TIR include tax types, insurance types, and local, state, and federal regulations. Finances include income needed, collateral, cash flow projections, business ratios, and co-signers.

A business plan has no right or wrong answers. It is tailored specifically to a business and its owner. Business plans are unique but should always make sure it contains plenty of information for the owner and potential lenders. This business plan is filled with credible secondary sources from class lectures and online reliable resources from both government sites and bakery owners. This business plan combines multiple fields of study into one place. As stated previously, marketing, management, and finance (to name a few) are included. It is helpful to have all the business aspects I need for my business into one formal document.

This business plan is interdisciplinary in nature. "A business plan is a written document that describes in detail how a business—usually a startup—defines its objectives and how it is to go about achieving its goals. A business plan lays out a written roadmap for the firm from marketing, financial, and operational standpoints." It combines many branches of business knowledge into one. It also allows for internal and external people who should be aware of the business plan. These people include company executive teams and investors/lenders. These are the people who should know about every aspect of the business and should care the most about the business performing well.

Conclusions

After spending several weeks putting together this business plan, I have learned many things. A business plan is a lot of work. To be done correctly, it can take up to several months with a lot of effort to complete it. It must also be very descriptive. This is a document that will be shared with people putting their own money into someone else's business and they need to know every detail of what they are investing in. A business plan is an ever-changing document. Like a resume, it should always be getting updated whenever something changes and creating a business plan is not just for startups. A business plan allows the business to come to life. Before completing one, I had separated thoughts and ideas about my future business. After putting all the details together, I can visualize what my business will look like way easier. Research is crucial for completing a business plan. If sharing with investors, there must be real information and data to back up what the owner is stating. There is a lot of legal, industry, and business tool information that an entrepreneur needs to know. For me, this business plan was just a starting point so one day I can re-evaluate it and execute my business plan.

Nothing exemplifies business knowledge more than creation of a business plan, and subsequently, creation of a business. Both pull together business knowledge of marketing, management, accounting, business law, supply chain, and finance. Business knowledge is then tied together with the mentality needed of an entrepreneur to tackle challenges and thrive for the moments when everything works out perfectly. Completing a business plan will organize my ideas and help me see my business clearly. It will help me identify areas that I need to research more as well as areas I cannot figure out until I start it. My business plan will tie together everything I learned in the Schmidthorst College of Business during my four years at this university.

Project Strengths

There were several strengths of creating this business plan. The first is that the information in it is a central location for home bakery information. When doing research, there were many sites used for each question in the business plan. Doing this project allowed me to pool information together from all over and combine it into one informational document. This is also beneficial in the future when I look back onto the business plan; it will allow me to pick right back up from where I left it.

Another strength is that it sheds light on the bakery industry. There are many different types of bakeries all over the world, but overall, it is a relatively small industry. Therefore, it was hard to find some data for certain parts of the business plan. However, the industry is expected to grow to \$152,305.3 million by the end of 2025. This is small compared to other industries but will be the largest this industry has ever been. To be part of a growing industry one day will be exciting yet challenging.

The last project strength is the fact that it encompasses capstone. The purpose of capstone is to serve as a completion marker at the highest level of a student's coursework within their program. It encompasses everything they learned and allows them to apply it into one project. This project combines everything I learned from the Honors College and the Schmidthorst College throughout my college experience.

Project Limitations

As mentioned briefly, a limitation of this is that it may not be used immediately after it is created. I need to figure out other aspects of my life before being able to establish a business. Specifically, I need to find a permanent residence before I start a business; it will do no good if my spouse finds a job in another state 3 months after I open my bakery, for example. Without knowing exactly where I will be living, I do not know exactly who my target market is and, therefore, cannot create a product for them yet.

Since it will not be used immediately after being created, some aspects of the plan would not be included. If they were to, there is a good chance they would need to be completely readjusted at the time of creation, like funding. Other parts have no way of being implemented without creating the business, like cash-flow projections and a co-signer. Again, this is okay as the business plan should constantly be evolving.

Another limitation is not being able to devote all my time to this project. Most people spend months creating a detailed plan that will be used immediately. There was no need for me to go into as much depth as someone who wants to start their business tomorrow. Because of this, my research could have been more in depth than what it was, could have been better quality, and could have spent more time talking with those who know the industry well.

The final limitation is that some parts of the business plan were omitted. When creating it, there were some parts that I did not know how to answer or could not find the answer I was looking for. Those are questions I hope to be able to answer one day, but in terms of this plan, were not needed to finish it. They were items that were specific to the industry, which does not have a lot of information available compared to other industries, like automobiles and technology.

Annotated Bibliography

Christensen, C. M., Cook, S., & Hall, T. (2021, March 4). *Marketing malpractice: The Cause and the Cure*. Harvard Business Review. Retrieved December 6, 2021, from <https://hbr.org/2005/12/marketing-malpractice-the-cause-and-the-cure>.

The article discusses marketing practices for businesses. Harvard professor and other contributors on the article discuss how the fundamental paradigms of marketing are broken. They agree that the principles of marketing segmentation need to be reconfigured. First, they discuss the broken paradigms in detail then they discuss that marketers need to determine the job of their products, not profiling the characteristics of their potential customers, generalizing them into categories.

Once the product job is determined, they discuss that product categories can grow giving it new jobs. Purpose and product job need to align or else they give no value to the customer. If your product cannot do so, they will find another company's product who can. Building a brand is not done through advertising; advertising is for telling people about an existing branded product's ability to do a job well. They next discuss how businesses need to carefully propose extending a brand's equity to other products. Lastly, they discuss why purposeful brands are so rare. These new marketing principles are important for a new business to succeed.

Dagostino, A. (2021, December 3). *You got this: Why Running Your Own Business Doesn't Need to Be So Scary*. Entrepreneur. Retrieved December 6, 2021, from <https://www.entrepreneur.com/article/397827>.

Being an entrepreneur can be scary. Unlike most jobs, you must be to be expert in almost every aspect of the business, you work at unusual hours, and are some of the most resilient people. There are many scary parts about doing that, however. There is a quote that says, "So far you've survived 100% of your worst days." A section in the article sheds light on this saying that all humans have persevered through doubts and problems they have had, so doing this is nothing new to an entrepreneur.

During challenging times, sometimes you need to ask yourself if your old life of working a 9-5 was satisfying and who you are doing this business for. Sometimes reminding yourself why you got into the business in the first place will give you the momentum to keep pushing forward. After all, fear is normal as it usually accompanies new experiences. Humans are creatures of habit and feel confused/reluctant when we do not have that. That does not mean something is wrong, it just means you are human and that feeling will eventually fade away.

Entrepreneur. (2016, January 8). *The 10 Golden Rules of Effective Management*. Entrepreneur. Retrieved December 6, 2021, from <https://www.entrepreneur.com/article/254547>.

Managing employees is crucial for business success as they are the people who help every entrepreneur's vision a reality. There are some rules to guide a manager into being an effective manager. Communication is a huge part of that as you want to be consistent, thorough, accurate, transparent, encouraging, and listening to what your team has to say. You need to publicly recognize their hard work and customize each employee's motivation to allow them to enjoy their work.

This article is important to me because as a future entrepreneur, I want to create an environment that my employees enjoy being in. In my past I have had some great managers and some not so great. I enjoyed work more with the great managers as I was more motivated, wanted to do everything I could to help the business and coworkers succeed, and loved doing my job. There is truth to this article, and I want to use these tips when opening my business to allow my employees to feel the same way I once felt in a job.

How do I get A small business grant?: Business grants for women. Grants for Women in Business | Small Business Grants. (2019, March 4). Accessed December 1, 2021, from <https://ambergrantsforwomen.com/free-grant-tips/>.

Amber Foundation provided six steps to find a grant. This is a useful tool for any business owner as many ask, "How do I get a small business grant?" Many businesses look for grants, so owners use less of their own or the business' money to keep it running. The steps they give are analyze your organization's needs, research various types of foundations, look for fund matches, compile a list of prospects, review and refine your list, and select the most appropriate

funding prospects. They also include a free report of 16 grants for women business owners, which includes their own grant for women.

As a future woman business owner, the report and steps they provide are useful. Finding “free” money is not always easy and I like how this Foundation understands that as well. Grants are some of the best ways to get money for a business because they do not need to be paid back. Any assistance in finding funding like grants will help any business owner.

Justin Conn. "Home bakeries rise to another win". *Herald & Review (Decatur, Illinois)*, November 11, 2016 Friday. advance-lexis-com.ezproxy.bgsu.edu/api/document?collection=news&id=urn:contentItem:5M4X-3T01-DYNS-34JD-00000-00&context=1516831. Accessed November 28, 2021.

The article discusses an ordinance that was passed in Macon County, Illinois on November 11, 2016, called the Cupcake Law. It allows all nonperishable baked goods to be made at home by bakers and can be sold directly to customers. Sales, however, are limited to \$1,000 monthly. No registration or permit is required, although the city of Decatur requires a food handler certification, such as ServSafe.

This article was informative as it gave me insight as to what laws/ordinances Ohio may have for home bakeries. I can use this article to explore the fight home bakers in other states had to run the business they wanted. Research on topics like this for Ohio is crucial as different states/counties/cities have different rules and guidelines especially.

Lucas Kwiat. "Starting-A-Bakery.com Create A New Guide On How To Start A Bakery Business". *MarketersMedia News Hub*, November 3, 2016 Thursday. advance-lexis-com.ezproxy.bgsu.edu/api/document?collection=news&id=urn:contentItem:5M3B-S0C1-F03R-N09P-00000-00&context=1516831. Accessed November 30, 2021.

Mable Willis from Alabama created a website in 2016 for her students at a bakery school who want to start their own business but do not know where to start. It guides in building a website, becoming a pastry chef, creating a name, selecting bakery equipment. Paid classes are also offered as well as courses for creating better cakes and decorations. She must make some adjustments to make it the “go-to” site for bakers who want to be profitable entrepreneurs.

This journal article will be useful after I graduate and have financial resources to start my business. Resources like this are useful because it can be hard to find guides from the state as opposed to people who have done it and succeeded in it. The website perfectly combines my bakery business vision I have had all throughout college. There are other sites I will need to look at, but the one she created is a good place to start.

"Oregon Bakery Owner Aaron Klein Denies Lesbian Couple A Wedding Cake". *The Huffington Post*, February 4, 2013 Monday. advance-lexis-com.ezproxy.bgsu.edu/api/document?collection=news&id=urn:contentItem:57NV-P8X1-JCMN-Y164-00000-00&context=1516831. Accessed November 28, 2021.

A woman was refused service by husband-and-wife owners of a bakery in Oregon in 2013. The lady wanting to order had previously ordered a wedding cake for her mother, but this time it was for her and her future wife. They were denied because the owner believed that this was not in accordance with his religious belief. Also stated is that he is protected by his Constitutional right to practice his religion as he sees fit. The owner claimed he was not anti-gay, and that marriage is between man and woman. At the time, Oregon had an Equality Act of 2007 prohibiting discrimination against people based on their sexual orientation and gender identity.

On June 26, 2015, the U.S. Supreme Court ruled it was illegal to deny marriage licenses to same-sex couples and made it impossible to discriminate against someone based on their sexual orientation. This came only two years after the Oregon case. This is relevant as a business owner that I need to keep up with state and federal laws, especially if something new is passed so I do not get sued. This was a known law the day it was enacted, but there are less popular laws that I need to make sure I follow in my business.

Small Business Administration. (n.d.). Retrieved December 3, 2021, from <https://www.sba.gov/>.

The Small Business Administration's (SBA) website provides so much information for small businesses. Upon arriving to their website, they have a sub header titled "Business Guide." From there is a drop-down menu with many links to other pages on their site for planning, launching, managing, or growing your business. While it is not specific for a state as it is a federal website, Ohio has its own guides through the Secretary of State and Small Business Development Center.

Going through some of the information on SBA's website, I did read through some information that I have learned already in business courses. There are so many links that I could spend so much time either learning or refreshing my memory when I go to start my business in the future. Given that 99.9% of all U.S. businesses are small businesses, it is reassuring that the federal government gives guides and steps for entrepreneurs just starting or wanting to continue their business.

Starting a business - Ohio secretary of State - ohiosos.gov. (n.d.). Retrieved December 4, 2021, from https://www.ohiosos.gov/businesses/information-on-starting-and-maintaining-a-business/starting-a-business/?__cf_chl_jschl_tk__=vJtGonHuzFJh6wzaXlf1wbdOdOBoe013oJzfWJd9K0w-1636036005-0-gaNycGzNCKU.

There are many steps involved in starting a business. Ohio's Secretary of State has a Business Road Map that guides entrepreneurs with all the necessary steps of getting it legally formed. They are: register with the Secretary of State, obtain a federal EIN, open a bank account, register with the Department of Taxation, report new and re-hired employees to the New Hire Reporting Center, determine requirements from the Bureau of Worker' Compensation, identify requirements with the Department of Job and Family Services, obtain proper licenses and permits, file Annual Report of Unclaimed Funds, discover growth opportunities.

These steps are important to have a legal business. There are a lot of details within these steps so it is not something that can be completed quickly. For me, some of the most important things to do besides some of the specifics listed would be to obtain food handling and safety licenses and permits from both the health department and companies like ServSafe. Not only will I have to follow steps like every Ohio business has to, but I will also have to follow food business specific steps for the state.

Starting your Business in Ohio. (n.d.). Retrieved December 4, 2021, from <https://clients.ohiosbdc.ohio.gov/Documentmaster.aspx?doc=2462>.

Just like the page above from the Secretary of State, this lists things that every entrepreneur needs to get done to be a legal business. Contrast to Ohio's Secretary of State page, this PDF gives a lot more detail regarding all the steps and details within the steps. It includes many links to sites such as IRS, Worker's Compensation, and Ohio's Business Gateway, for example. This is helpful as it takes you exactly to where you need to be to file for certain things.

In addition to all that, it also gives a sample worksheet to fill out to get an idea for how to formulate a business plan. The business plan is important to attract investors, better understand your competitors and customers, and understand your business' financial need. Depending on what business one has it may not be as important to do, but it may be very useful to understand the needs and goals of the business for the owner.

Thomas, J. (2020, January 23). *15 success secrets from female founders with \$1 billion companies.* Entrepreneur. Retrieved December 6, 2021, from <https://www.entrepreneur.com/slideshow/345666>.

The article gives success tips from successful women entrepreneurs with \$1 billion companies, also known as "unicorn" status. Some of these notable women are the owners of Canva, Stitchfix, and 23andMe. Some of the secrets include encouraging your team to dream as big as you, picking the right investors and partners, creating a product you need, and using knowledge you already have in business to leverage your business.

While I am not striving to have my company valued at \$1 billion, these tips are useful to anyone wanting to have a successful business. This article also does a great job explaining that both business knowledge and your mindset will determine the outcomes of your business. You can have all the business knowledge and experience but when something goes wrong, you need the mental ability to fix the problem and move forward. In fact, 8 out of 15 tips were about an entrepreneur's mentality proving that being one is a mental game.