FARMERS ALLIANCE NETWORK

Supporting Central Indiana Farm Families in New Income Opportunities

Rural Business Start Up Decision Making – Risks and Rewards Evaluation Tool

In the early stages of a new rural business, taking smart risks can mean great rewards in terms of sales and profit. See the below Risk and Reward Spectrums that suggest some Low Risk and Reward and some High Risk and Reward factors in start-up decision making.

RISK Spectrum

Low Risk >>	High Risk
Using already owned equipment	Buying expensive new equipment
Product in high demand	Product in low demand
Family employees/volunteers	Highly paid employees
Product knowledge	Starting with little knowledge
Conducted research on/with like businesses	No research
Free media, grass roots marketing Joint marketing	High advertising expense
Test market before major expansion	“Bet the farm” approach
Well prepared business plan	“Seat of the pants” with no plan

REWARD Spectrum

Low Reward >>	High Reward
Low margin product	High margin product
Low buyer traffic	High buyer traffic
Generic product	Branded product
Undifferentiated product	Product uniqueness

Exercise: Discuss other Risk and Reward factors for an “early stage” rural business start up