
The Feasibility Process:

from vision to business plan

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Cooperation Works! Training
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Does everyone have this book?



What's the difference?

Feasibility Study

Business Plan

What's the difference?

Feasibility Study

- More general
- Question
- Preliminary
- Go-No Go
- Outside perspective, verification of assumptions
- The egg

Business Plan

- Specific
- Statement
- Based on FS findings
- When, Where, Who, How
- Inside knowledge, commitment
- The Bacon

What do they have in common?

- Part of a continuum of development – *iterative not a linear process*
 - Each should have the other in mind
 - Outsiders and Insiders can be conflicted or appropriately dispassionate
 - Both process and product
-

Feasibility in particular is a journey more than a destination . . .



OR



What is your goal?

- Not just “Yes” or “No” but “**Under what conditions**” and “**Why?**”
- **What would have to happen . . .** *For this business to be successful*

In the end . . .

*A good positive feasibility study should deliver reliable evidence that **the co-op can become successful enough soon enough, and at a level acceptable to deliver meaningful value to its potential members***

Four key elements - *from vision to plan*

PRODUCT

MARKET

PEOPLE

RESOURCES
– time, money

Four key elements – *from vision to plan*

PRODUCT

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Understanding your product

and its relationship to markets . . .

- Things vs experience
 - Positive vs absence of negative
 - Insight vs innovation
 - What people buy is execution
-

Understanding your market

- What is the difference between a Need and a Demand?



Market Matrix

Same Product Same customer	Same Product Different Customer
Different Product Same Customer	Different Product Different Customer

Understanding your people

- Business is a social construct
 - For the analyst -- Are these the people who can make the right decisions?
 - For the members -- Are these the people you want to be in business with?
-

Supporting your people

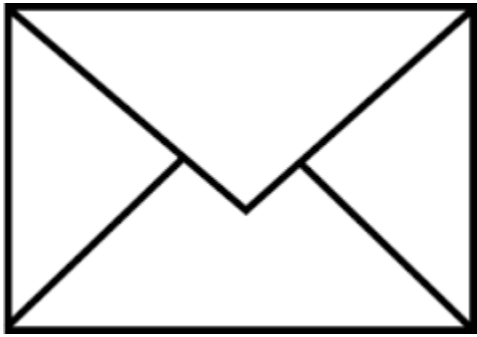
- Steering Committee *compared with* Board
 - Board *compared with* Management
 - Understanding the role of each – *not always clear*
 - Understanding when phases begin and end – mark them and celebrate them
 - Understanding the different skills, experience needed for exploration vs execution
 - Understanding how this might be different for different kinds of cooperatives
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Understanding your resources

“ We never lost a game, we just ran out of time”

Vince Lombardi (or Michael Jordan)

How do you start?



Two stories



One more story



2nd stage of financial thinking . . .

Sensitivity Analysis . . .

- Impact of Variables
 - Change in product volume
 - Changes in product price
 - Changes in key operating expenses
 - Changes in operating characteristics
 - Changes in economic environment
- Potential for changes
- Best Case / Worst Case Scenarios
- Develop Alternative Strategies
- THERE ARE USUALLY ONLY 3-5 KEY VARIABLES

and then – Full Projections

- Fixed vs Variable expenses

- *Examples*

What if you are building a market?

So what does it take to be viable?

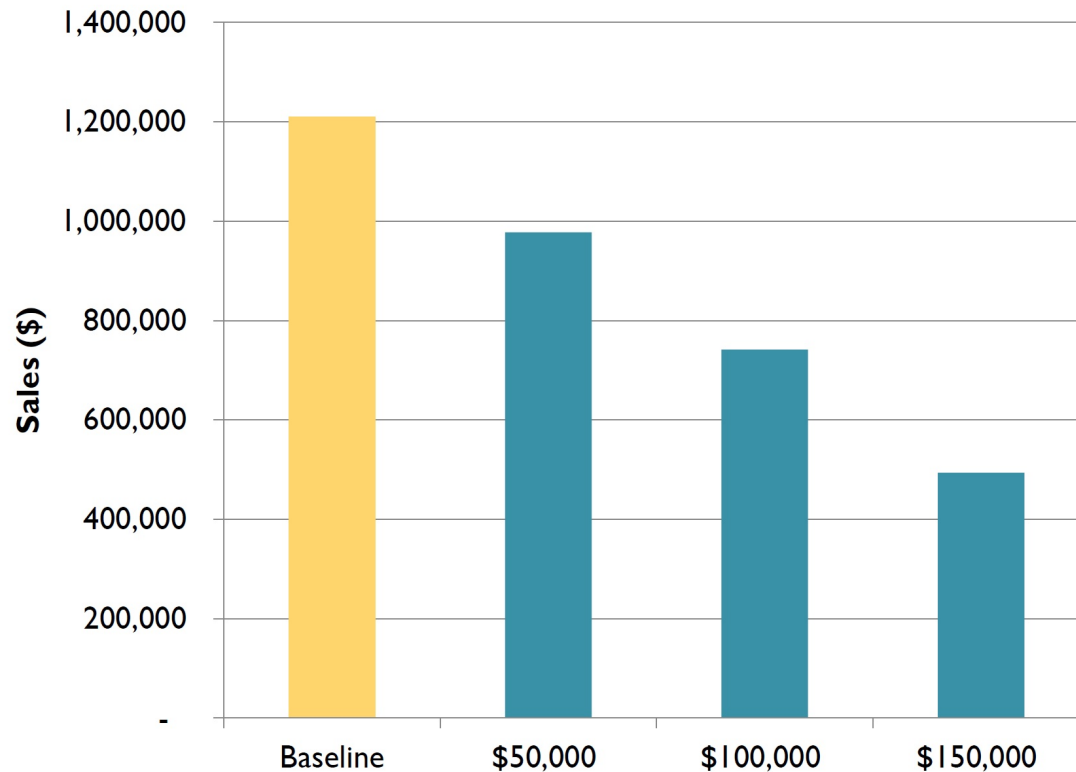
- USDA Food Hub Study . . . (Matson Consulting)
 - Three stages:
 - ❑ Breakeven – no longer losing money on every unit, but no funds for interest, depreciation, profit or savings
 - ❑ Growth – starts to be “profitable”; can meet expenses annually, but may need seasonal outside funding; sustaining day-to-day basis
 - ❑ Viability -- Can meet own capital needs and save for future opportunities; only the beginning stage
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Some illustrations from the Food Hub Study

- But concepts apply broadly, especially to marketing co-ops

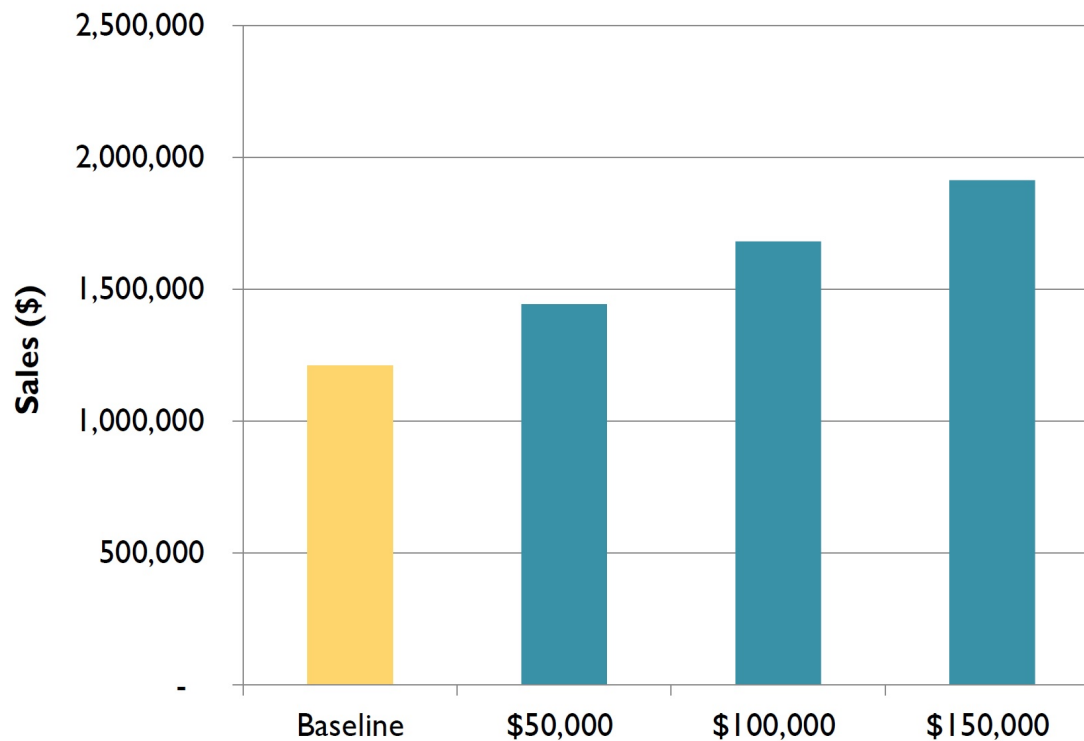
What if we can raise more equity?

Additional Funding (Wholesale: Breakeven Sales)



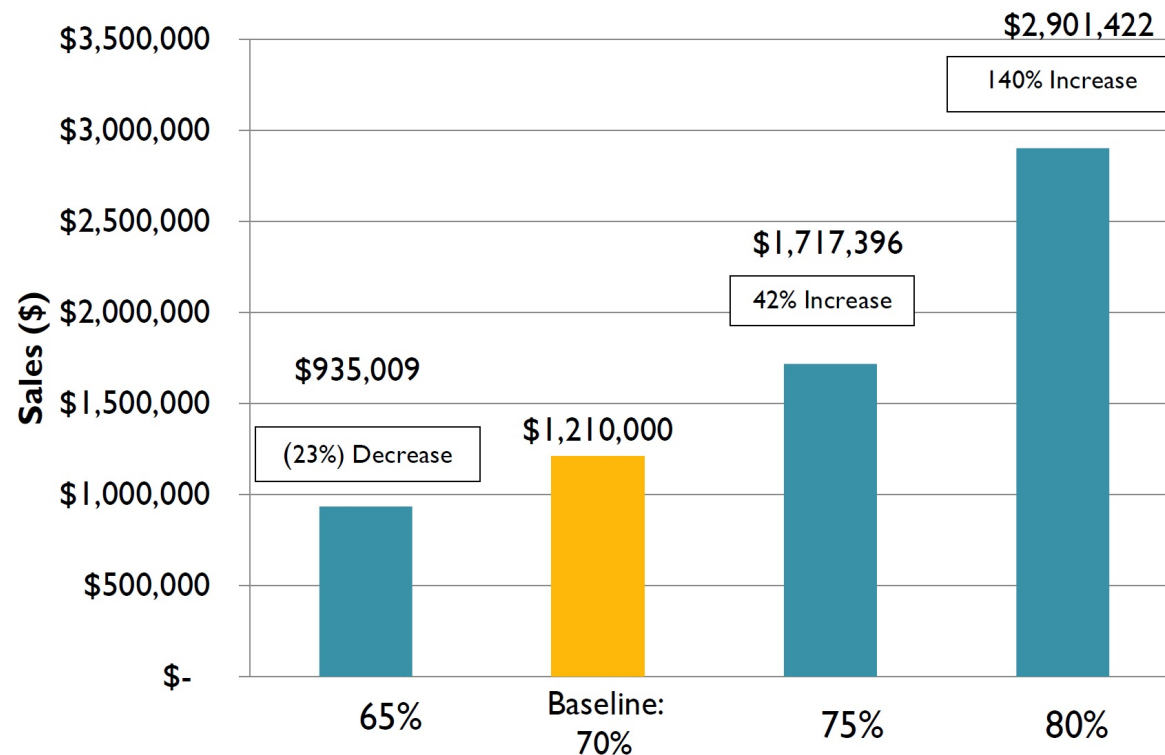
What if we can't control our expenses?

Sales with Additional Costs (Wholesale: Breakeven Sales)



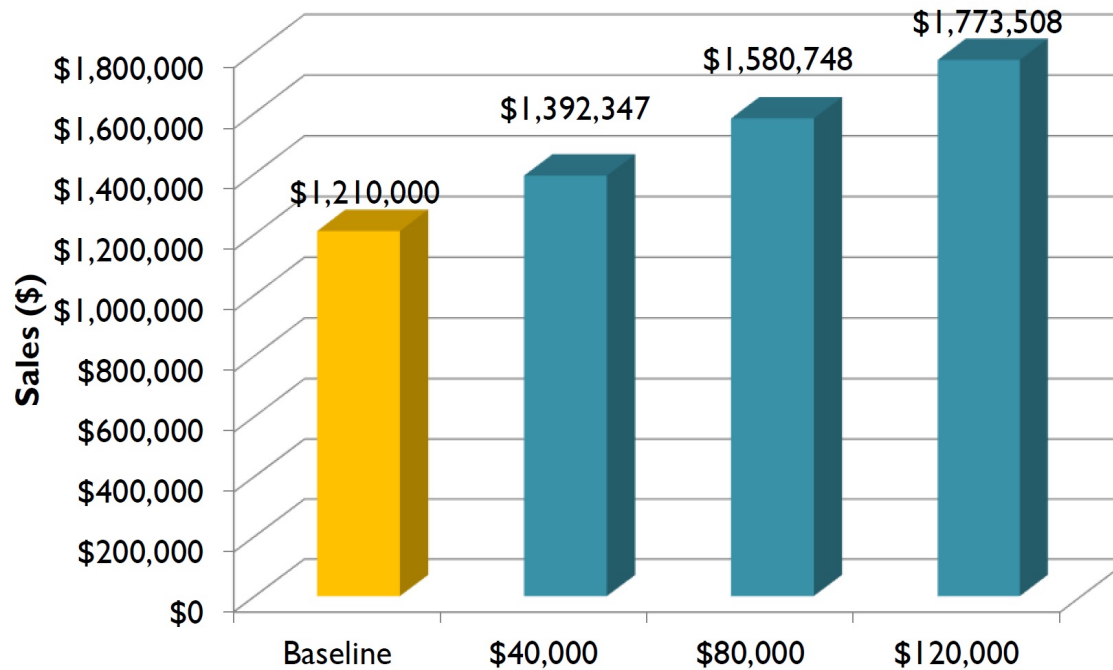
Shouldn't we always pay farmers more?

Payments to Producers (Wholesale: Breakeven Sales)



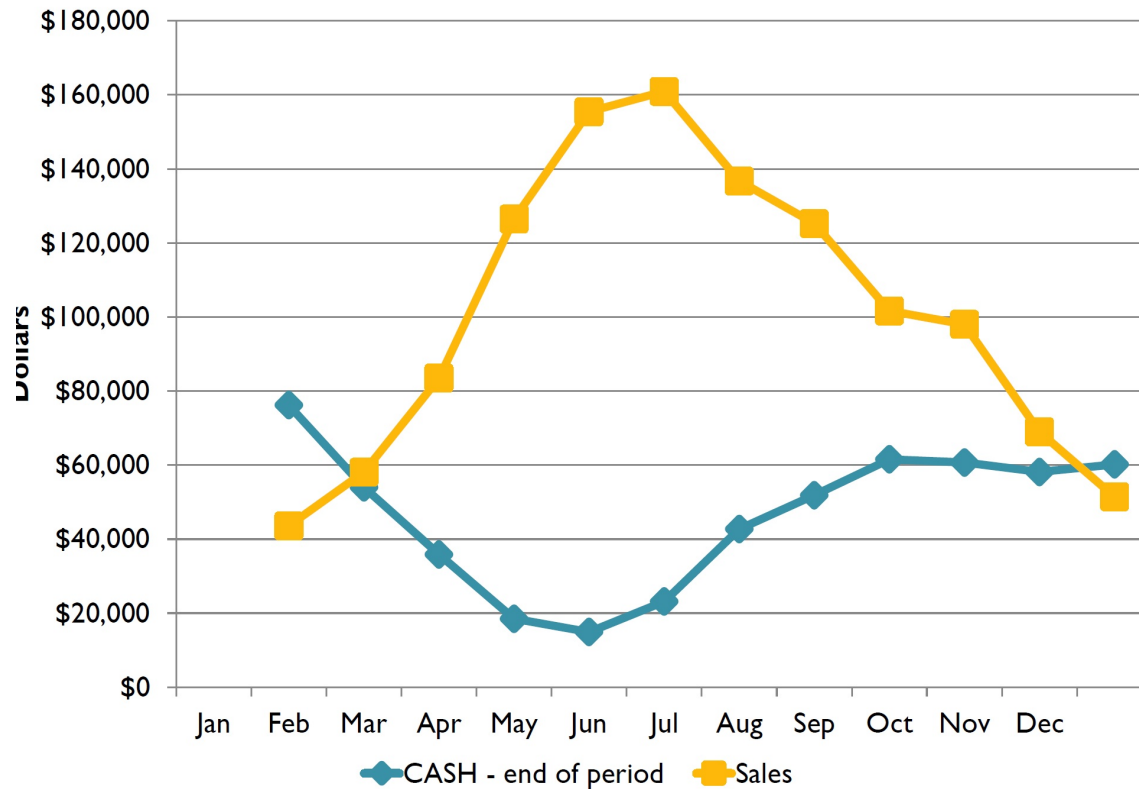
What if we don't watch our labor?

Sales Required for Breakeven with Additional Labor Costs (Wholesale: Breakeven Sales)



What pays the bills?

Monthly Cashflow vs. Sales (Wholesale: Breakeven)



Feasibility of co-op conversions . . .

- Product

- Market

consistently profitable

- People

- Resources (money, time, relationships, what else . . .)

but also

- Price and terms . . .

WAGES case study

- From a Cooperation Works peer . . .

What is WAGES? (now Prospera)

- Incubation model co-op developer
- Social purpose co-ops (*some ongoing subsidy from nonprofit parent*)



WAGES

- Had five successful projects already
 - Can success of one site be transferred to another
- (what are the key elements of success?)*



Four key elements

- Product
 - Market
 - People
 - Resources
-

Sources of data for market feasibility analysis

- **Primary Research** – *exclusive to the project*
 - Surveys
 - Focus groups, meetings
- **Secondary Research**
 - Industry standards (but not alone! – all markets are local)
 - Demographics, census data
 - Can be public sources or private market information
- **Analog Studies** – similar projects, peer data (sectoral strategies help here!)
- **Analysis and Synthesis**
 - Bringing information together
 - Projections, financial modeling
 - Sensitivity analysis – possible effects of changes in key variables

Miriam's Analysis . . .

- **Primary Research** – *exclusive to the project*
 - Surveys – **partnered with existing co-op**
 - Focus groups, meetings – **used CW contacts**
- **Secondary Research**
 - Industry standards (but not alone! – all markets are local)
 - Demographics, census data – **not just income but density**
 - Can be public sources or private market information
- **Analog Studies** – similar projects, peer data – **had this in-house**
- **Analysis and Synthesis**
 - Bringing information together
 - Projections, financial modeling
 - Sensitivity analysis – possible effects of changes in key variables

Conclusions . . .

- Marin County residents loved the idea of a worker-owned cleaning company
- Marin County residents loved the idea of a green cleaning company
- Many county residents paid to have their houses cleaned
- WAGES was the market leader in “greenness”

BUT

Conclusions continued . .

- Most were loyal to their existing cleaners and would not change
- There was little market definition in what “green” cleaning meant
- WAGES was relatively expensive compared with the competition
- They offered more job security to workers, but not more immediate income so attracting workers depended understanding of long-term value
- Ultimately the density was just not there

Conclusions continued

- Sobering and disappointing, but . . .
 - Learned a lot
 - May move forward in some way at a later date

What Tolstoy has to say about feasibility analysis . . .

*“All happy families resemble one another, each
unhappy family is unhappy in its own way”*

Tolstoy

Some parting thoughts

- Much depends on the ability to acknowledge and embrace less desirable information
 - Multiple, creative, avenues of information increase the quality of the overall analysis
 - If you want to change the world, it is unlikely you will be right 100% of the time
 - Sometimes timing is everything
 - Nothing prevents you from incorporating cooperative practices in a different legal structure
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Sometimes feasibility is all about starting where you are at . . .

