

What Does the Feasibility Study Need



James Matson
Matson Consulting

The Most Fundamental Question:

*Can the venture be
viable?*

The Value Propositions

Taking Cost Out of the System

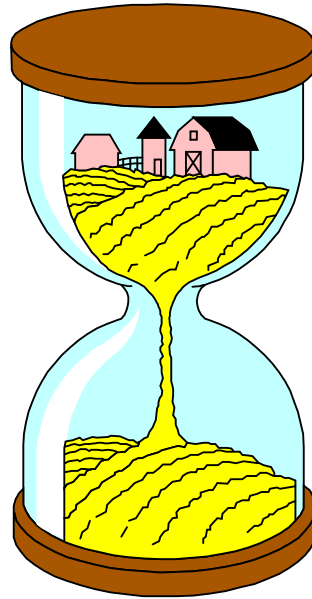
- Reinventing Processes
- Scale and Scope Issues

Adding Value

- Private Value
- Societal Value



Current Environment



ISSUES

Consumer “Pull” Issues

Identify Consumer Demand

- Surveys, Customer Profiles, Interviews, etc.

Consumer Assurance

- Certification/Branding
- Monitoring (e.g., testing, or site inspection)

Costly Monitoring of Consumer Satisfaction Ongoing

Identification of Emerging Preferences Difficult and Costly - Reduces ability to innovate effectively.

Retailer Issues

- 📄 Pricing Based on “Gross Margin” Concept
- 📄 Product movement monitored by meat manager’s personal knowledge and experience.
- 📄 Product price featuring “pushed” by perishability -
- sell it or smell it
- 📄 Inventory/Replenishment done on an as ordered basis rather than sales basis.
- 📄 Limited or non-existent historical data
- 📄 Strategic Ordering is Common

Firm Level Issues

- 📄 Base pricing in commodity market with premiums
- 📄 Limited feedback from consumer - price becomes distorted the farther removed from consumer.
- 📄 Asset specificity creates enormous production risk.
- 📄 Input procurement requires verification
- 📄 Input procurement may be done via contract or open market, although verification/supply assurance leads to contract.
- 📄 Contracts are long-term -- the risk of loss and search costs high.
- 📄 Contracts reduce response flexibility.

Key Feasibility Considerations

 Economic Feasibility

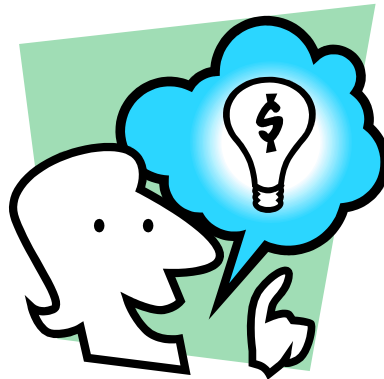
 Market Feasibility

 Technical Feasibility



 Financial Feasibility

 Management Feasibility







Part 1. Economic Feasibility








Information Related to the Site

-  **1.** Availability of Adequate Site (Acreage and Cost)
-  **2.** Political Issues: Zoning, Easements, Restricted Use and Water Availability and Rights






Availability of Labor

-  1. Labor Availability Analysis
-  2. Employment/Unemployment Historical Trends--Including Migration
-  3. Average Education and Skill Level
-  4. Cost of Labor/Competing Opportunities
-  5. Education Resources in Immediate Area Supporting Skills Required by Workforce
-  6. Adequate Housing and Support Services if Influx of New Labor Will be Required

Utilities

-  1. Electric
-  2. Gas
-  3. Water (Quality and Quantity Issues)
-  4. Fiber-Optics, Telecommunications, Satellite
-  5. Sanitary Sewer and Other Waste Disposal Options

Transportation Issues

-  1. Rail Survey
-  2. Airport Survey
-  3. Roadway and Load Limit Survey
-  4. Capacity of Bridges and Alternate Access During Emergencies and Severe Weather
-  5. Access Issues: Residential, Congestion, Potential Disruption of Existing Activities


Economic Impact

 Employment Impact

 Income Impact

 Taxation Impact





 Community Investment Requirements

 Related Activity Analysis (Inter-industry Mix and Stimulation)







Part II. Market Feasibility






Competitive Analysis

-  1. Competitive Analysis
-  2. Market Share Analysis
-  3. Demand Analysis
-  4. Social Analysis of Market





Marketing Plan

-  1. Sales Objectives by Product
-  2. Sales Objectives by Strategically Critical Products
-  3. Distribution Channel Analysis and Plan
-  4. Marketing Strategies Including Product Lines, Commodity Production and Offal
-  5. Pricing Strategies and Contracts
-  6. Promotion Strategies




Market and Market Area

-  1. Target Market Analysis by Product
-  2. Target Market Analysis for Strategically Critical Products
-  3. Consumer Demographics by Strategically Critical Products

Committed Sales

-  1. Contract Proposals
-  2. Committed Production
-  3. Retail and Wholesale Targets
-  4. Sub-products Targets





Sales Organization and Management

-  1. Personnel Count and Experience
-  2. Projected Expenditures
-  3. Sales Force Analysis

Part III. Technical Feasibility



Site Suitability Issues

-  1. Distance from Residences, Churches, Public Recreation, Public Meeting Places, Streams, Drainage, Privately Planned Future Developments
-  2. Underlayment Soils, Sand Layers, Leaching Potential
-  3. Evaluation of Previous Reclamation and Disturbed Soils at Site
-  4. Suitability of Site for Waste Handling

Site Suitability Issues Cont.

 5. Endangered Species Impact

 6. Adequate Means for Limiting Visibility of Site, Landscaping and Final Proposed Grades to Ensure Safe Mowing and Maintenance of a Business-like Appearance

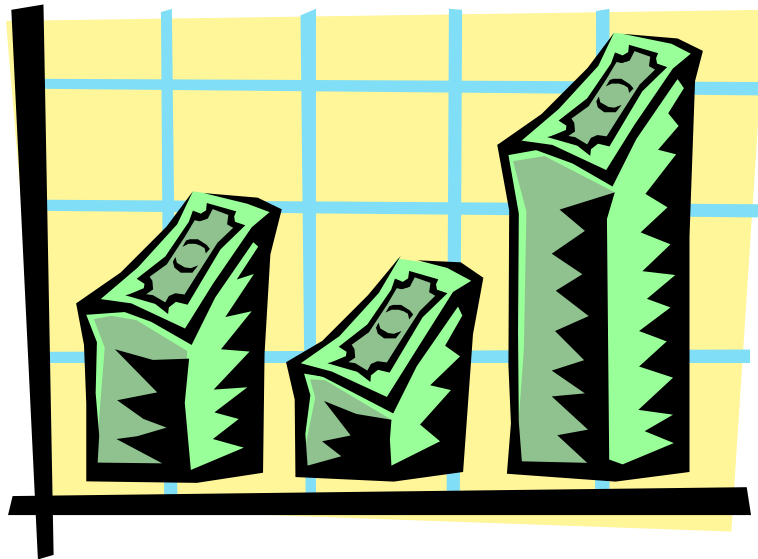
Community Acceptance

- 📄 Community Based Decision Process
- 📄 Support of Key Decision-Makers
- 📄 Adequate Public Relations at All Points in the Process
- 📄 Follow-through on Commitments






Constraints to Achieving Targets

- 📄 Availability of Raw Materials Consistent with Product Mix and Branding
- 📄 Commitment of Raw Material Providers
- 📄 Flexibility to Evolve Product Characteristics
- 📄 Equipment Specs in Line with Proposed Product Mix
- 📄 Start Up and Operating Cost Issues
- 📄 Scalability

Part IV. Financial Feasibility



Reliability of Cash Flow Estimates

-  Income Issues
-  Start Up Issues
-  Realistic Projections
-  Predatory Attack and Options
-  Alternatives: Plan “B” and “C” etc.







Accounting and Information Systems

 Adequacy

 Regulatory Requirements

 In-house and Outsourcing Issues






Financial Workability

-  Sources of Cash
-  Seasonality of Operations
-  Competitive Attack
-  Adequate Equity
-  Operating Line Adequacy
-  Debt Structure

Part V. Management



Management Issues

-  **1. Evaluation of Adequacy and Continuity of Proposed Management**
-  **2. Management History and Experience**
-  **3. Proposed Salary and Benefits and Their Competitiveness**
-  **4. Community Profile Adequacy to Support Management**
-  **5. Recreation and Amenity Opportunity Consistent with Management Lifestyle**