



Remington feasibility

Worksheets for a feasibility plan – Complete this analysis for the existing enterprise and for each potential enterprise.

1. *Description of products, services, and competition:* Detailed description of what the product/service does and what makes it special or unique, as well as potential markets.
2. *Enterprise operations:* Legal structure, human resource management, production/operation and maintenance, natural resources, and community considerations.
3. *Enterprise marketing plan:* Product(s)/service(s), target market(s), promotional and advertising plan; a distribution process; and the pricing strategy. (Note: distribution process refers to how you will get your product or service to the end user.)
4. *Enterprise funding plan:* Funding strategy – includes funding required, where financing will be obtained (debt and/or equity financing); and projected financial information.
5. *Profit/loss plan:* A projected financial plan should be developed for each of the first three years of enterprise
6. *Projected balance sheet:* A snap shot of how the business stands financially at a certain point in time
7. *Break-even point:* The point at which total costs equal the net sales.

Enterprise: ranch stays

1. Description of Product and/or Service and Competition		
Product and/or Service	What makes it unique or special?	Competition
<p>What is it? What does it do?</p> <p>Authentic western working ranch vacation</p>	<p>What makes it unique or special?</p> <ul style="list-style-type: none"> - allow participation in all ranch activities - ranch is adjacent to public land - original homestead is intact - ranch is along the historic outlaw trail 	<p>How does it compare with the competition?</p> <ul style="list-style-type: none"> - closer to public lands = more recreational opportunities for guests - only 1 other guest ranch in county - more of a direct connection to Western heritage than others - will focus on 2 target markets <ul style="list-style-type: none"> - Europeans - School teachers





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2. Enterprise Operations	Type	Resources	Cost	
			Money(\$\$)	Labor (hours)
Legal structure	What is the formation?	What expertise is needed?		
Limited liability	LLC	Attorney	\$2000	20 - Lance 20 - April
Labor	What do you need?	Who will do it?		
Target - 4 adult guests/wk. 12 week season June - August	Check in guests, cook, clean supervise guests doing ranch work	Family / hire Home Ec teacher part-time Lewis / Lance	\$240/wk	30/wk - hired 16/wk linens - Hilbary 16/wk cook - April 12/wk Lewis / Lance
Production/operation and maintenances	What is needed to produce selected product/service?	Where will it come from?		
2 trips to airport /wk 320 mi.	Food, laundry, gas	April - food orders, pickup Hilbary - laundry Lexie - pick up guests @ airport	\$600/wk	4/wk - April 10/wk - Lexie
Natural resources	What improvements/practices are needed?	What materials are needed?		
	General clean up landscape around cabin Fence off creek by H.Q.	Tractor / truck expense Top soil, seed & miles fence	\$200 \$450 \$2000	60 - Lance 60 - Lewis 60 - Chance
Community links/partnerships	What connections are needed?	Who provides it?		
	Op	April April April	\$100 gas to network \$50 drug pump	40 - April Hours 716
Enterprise Operations Totals			\$ 14,880	Hours 716





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3. Enterprise Marketing Plan

Product/service: Ranch stays
 Prepare an enterprise marketing plan for each service or product.

Target markets	Pricing strategy	Distribution	Promotion/advertising, frequency, and cost		
			Type	Frequency	Cost
Germany - families & individuals	\$1200/person/week	customers come to location	web brochures magazines	monthly annually 2 x/year	\$50 \$1000 \$2000
History educators in the U.S.	\$125/person/night	"	Guest ranch assoc. magazines	Annually 1 x/year	\$250 \$1000
Enterprise Marketing Plan Total					\$4,300



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4. Enterprise Funding Plan	Costs	Sources of funding Where will the money come from?	For debt financing: (Principle & interest) X month	Total Cost
Enterprise Operations	From # 2 above	<ul style="list-style-type: none"> Savings to initiate (5k) Income from guests thereafter 		\$14,880
Enterprise Marketing Plan	From # 3 above	Short-term loan	\$130/mo x 36 mo. P+I	\$4,680
Facilities				
Improvements				
Cabin	\$4,000	loan	\$100/mo. x 60 mo. P+I	\$6,000
Modifications				
Handicap Accessible	\$1,500	grant		0
New beds, sheets towels, dishes replace every 2 yrs	\$1,000 start-up \$300-annual	Out-of-pocket Cash		\$1,000 (plus \$300)
Enterprise Funding Plan Total				\$24,860





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5. Profit/Loss Plan									
Year	Projected or Anticipated Income			Projected or Anticipated Operating Expenses					Net Profit or (Loss)
	Expected net sales	Cost of selling product or service	Gross margin	A		B			
One	\$46,800	\$	\$46,800	Salaries/Wages Payroll taxes Empl. benefits Rent Utilities Car/delivery Supplies Total	\$2880 \$230 \$- \$1000 \$1150 \$6750 \$12,010	Legal/Accounting Insurance Advertising Bad debts Interest Depreciation Other Total	\$500 \$200 \$4300 \$- \$527 \$840 \$- \$187	\$20,187	\$26,613
Two (expected 1090 ↑ in guests)	\$51,480	\$	\$51,480	Salaries/Wages Payroll taxes Empl. benefits Rent Utilities Car/delivery Supplies Total	\$3200 \$256 \$- \$1100 \$1150 \$7425 \$13,131	Legal/Accounting Insurance Advertising Bad debts Interest Depreciation Other Total	\$500 \$200 \$4500 \$- \$527 \$840 \$- \$387	\$21,518	\$29,962
Three	\$56,628	\$	\$56,628	Salaries/Wages Payroll taxes Empl. benefits Rent Utilities Car/delivery Supplies Total	\$4000 \$330 \$- \$1200 \$1725 \$8167 \$15,412	Legal/Accounting Insurance Advertising Bad debts Interest Depreciation Other Total	\$500 \$200 \$4000 \$- \$527 \$840 \$300 \$1187	\$23,599	\$33,029





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for German Ranch stay @ \$1200/person/week

7. Break-even point		The point at which total costs equal the net sales	
Costs			
Fixed Type	\$	Variable Type	\$
* Salary / payroll	2000	Salary - part-time help	880
* Car	230	Supplies	6750
Utilities	1000		<u>71630</u>
Insurance	2000	total cost for 12 weeks	
Advertising	4300	$71630 \div 12 =$	
Interest	527	<u>635.83/wk</u>	
Depreciation	860		
* Accounting	500		
Total Fixed Costs	\$11,417	Variable Cost per Unit	\$17,630
Fixed costs: Fixed costs have no relationship between a cost and the number of units sold. They are expenses you have to pay whether you sell zero, one, or many units.		Variable costs: Variable costs have a direct relationship between cost and the number of units sold. These costs change with the amount of units sold.	

Price per unit (product or each hour of service) \$ 1200 / week / guest

To calculate break-even point (BEP):

FC = Total fixed costs
 VC = Variable cost per unit
 P = Price per unit
 CM = Contribution margin per unit

CM = P - VC

BEP = $\frac{FC}{CM}$

① $1200 - 635 = 565$

② $\frac{11,417}{565} = 20.2$

Break-even Point 20 clients
 or
 Hours of Service _____





After examining the results of the feasibility of a working ranch stay enterprise, the Remingtons still had some questions and concerns:

- The first three years of projections may be too high or unrealistic. It seems too good to be true.
- Using all the cash on hand for start-up may not be wise. It may be better to look at other funding opportunities.
- The working ranch enterprise will take available labor away from the cattle enterprise, and it may be necessary to hire an additional person to help with the cattle operation. The pros and cons of this need to be discussed among the family members.

Because of these questions and concerns the Remingtons sought additional assistance from a cadre of technical advisors including professionals from the Small Business Development Center, the Cooperative Extension Service, Natural Resources Conservation Service and Wyoming Business Council to help review this feasibility study. After further review, if the ranch stay enterprise continues to look good, they intend to move ahead with the implementation of the enterprise, again using the cadre of advisors.





F. What if the potential enterprise is not feasible

Frequently, in spite of the time involved in writing a feasibility plan, the idea just isn't sensible or reasonable. If an idea isn't feasible, it doesn't mean failure. Many business ideas don't turn out for a number of reasons such as:

- a. Not the right idea (lack of adequate market)
- b. Not the right time
- c. Not the right location or place
- d. Not enough information to make a decision
- e. Not enough start-up or operating capital
- f. Doesn't fit with personal or family goals
- g. Doesn't fit with business goals
- h. Doesn't fit with income, time, or other resource requirements
- i. Not enough motivation or commitment
- j. Doesn't fit with individual's or family's risk tolerance

There are several options available to someone whose idea isn't feasible:

- Do nothing – sometimes the person decides to do nothing once he or she decides the idea is not feasible because it was the wrong idea or he or she has lost interest.
- Choose a new idea – a person might decide to investigate a new idea after realizing that the first idea wasn't the right one.
- Modify the idea – many people decide to modify their original idea so that it works. In fact, most new business ideas have to go through a process of modification until the idea is feasible.





G. Moving into the implementation stage

Preparing an action plan for selected enterprises: Once an enterprise has been selected and is worth pursuing, the person may want to turn the feasibility plan into a full business plan. If the person decides to use the feasibility study as the plan to develop the new enterprise, an action plan, should be developed to prioritize and schedule the myriad of tasks and details necessary to starting a business. The action plan, as it relates to agricultural diversification, includes the following elements: legal, financial, human resources, marketing, natural resources, and community issues.

The remaining sections of the guide provide technical information that can be used to help complete the planning process for new enterprises (*developing your client's map*) and for specific information related to new enterprise implementation and management (*staying on course and overcoming detours and roadblocks*).

