

How To Carry Out A Feasibility Study For A Social Enterprise

Before starting a social enterprise, a feasibility study is a **test** to see if your business idea will work. It is not a guarantee of success, but you can **reduce the risks** you take through research and **planning** before you commit yourself.

Feasibility studies are just as important for social enterprises as any other form of business. In fact, a good feasibility study will be very useful when looking for **funding** for an idea.

What is a Feasibility Study?

A feasibility study will look at the products or services you plan to sell and will indicate if the business is viable. It will look at the choices in operations, delivery, location, market for the services and outline the preferences from a social, economic and environmental point of view.

***TIP** – It is important to supplement the study with technical advice. For example, if the feasibility is around the refurbishment of a building, you are likely to need technical advice from an architect.*

How do you do it?

Carrying out a feasibility study is not as daunting as it might sound. Often most of the answers are already known and it is just a case of writing them down in a sensible order.

It is often a good idea to undertake primary research to prove that people want what you are offering. Surveys can be either qualitative (open ended questions to gain a understanding of how people feel) or quantitative (multiple choice questions to gain statistical answers).

Desk or secondary research can be useful to find out what has happened in the industry and learn from it. It is possible to undertake a lot of research using the internet. (See the list of websites at the end).

There are two main techniques for gathering new information, which have their pros and cons:

- 1) Questionnaires delivered door-to-door, via telephone, with focus groups or as online.
- 2) Face-to-face interviews either with individuals or focus groups

Feasibility Study Sections

Some of the basic questions you should be asking yourself are listed below but you will no doubt come up with others as well.

1) Customers

People often assume that they know their customers, but it is a good idea to research them and not make assumptions.



- Who are my potential customers?
- Where are they?
- How many of them are there?
- How much and how often do they buy my type of goods / services?
- What is the best way of reaching them?
- Who else is /will compete for their custom?

You may be able to answer these questions yourself, but it is likely you will need to undertake a survey to prove your assumptions.

2) Goods and services

Define what exactly you are trying to produce / provide.



- How much will it cost to produce / provide my goods or services?
- Can I afford it?
- Are they what my customers want?
- What do my products / services have which makes them different enough to give me the edge over my competitors? (This is often called the Unique Selling Point).
- How will I distribute my goods? Who will do it? How much will it cost?

TIP – *It is important to distinguish between what your end users (non – paying users of your activities) and your customers (who pays you) want.*

3) Competitor analysis



It is important to know who your competitors are.

- Who are they?
- Where are they?
- What do they charge?
- Is there any potential to collaborate with them?
- How will they react to competition?

TIP – Competitors are not only those who provide the same products or services you intend to provide. Competitors are those who provide to the same end users and customers as you. Remember, they may provide a completely different product to you; e.g. competition for a dance social enterprise might be a local rock-climbing wall.

4) Income and pricing



You will need to work out what level of income you can expect from providing the goods/services. Again, the end users of your activities may not necessarily be the paying customer. However, you will need paying customers to cover the costs of the activities you propose to deliver.

- What should I be charging my customers?
- What are my terms and conditions of sale?
- What are my competitors charging?
- Will my customers pay what I'm asking?
- Can I produce / provide as much as they want and when they want it?
- What 'mark-up' will I have? (i.e. how much will I charge above the costs of production)

You will need to survey your competitors and customers to find out what the 'going rate' is. This can be done simply by contacting them (although you may need to pretend to be a potential customer!) or through a more formal survey.

There are other sources of income that will need to be explored including:

- Public sector contract income from local authorities, health service and emergency services.
- Grant funding from regeneration agencies, national charities, the Community Finance Initiatives or private trusts.

TIP – Undercutting your competitors on price is a risky way to gain customers. It is more difficult to increase your price than decrease it.

- Consider what people may think if you offer goods/services a lot cheaper – e.g. is it poor quality?

5) Location



The location of a social enterprise is often linked to an organisation, but it is important to think about the effect of location on the viability of the business.

- Where should I be located?
- What are the advantages / disadvantages of being in that location?
- What will I need for the premises (machinery, equipment, fixtures and fittings, etc)?
- Will I need any vehicles?
- How much will it all cost me?
- What are the costs of refurbishing a building, if necessary?

TIP – This section may need technical input, from an architect or a builder.

6) Suppliers



You will need to understand what goods or services you will need to purchase.

- Will I need any suppliers?
- Do I know where they are?
- Do I know how much they charge and what their payment terms are?
- Are they reliable?
- Do I know anyone who uses them?

7) Staff



You need to be clear what people you will need to run the business.

- Will I need to employ anybody?
- Do I know what that involves?

- Do I know how much it costs?
- What skills will they need?
- Do I know anyone with the right skills?
- Where will I find the right people? Will I need to use an employment agency or advertise myself?
- What qualifications will my staff need, and what training will I need to provide for them?

8) Regulations



A licence is required for many businesses, not just the obvious ones like casinos or public houses. For example, you need a licence to run a hotel, a guesthouse, a mobile shop or a hairdressers. You should always check whether your business requires a licence to trade.

- Do you need to comply with any regulations? E.g. building use regulations, health and safety regulations, food hygiene, safeguarding etc.
- Do you need any licences?
- Will they cost me anything (in terms of time and/or money)?
- How long will it take to get the necessary licences?
- Have you contacted your local authority planning department?

9) Intellectual Property



- Do you need to protect your idea?
- How much will it cost?
- Do you need a patent/ trademark/ copyright?

TIP – You may want to take legal advice.

10) Constitution



Deciding on the constitution of your business can have an important impact on how it is managed and its relationship to any 'parent' organisation.

- What type of business should I be setting up (limited company, CIC, charity, co-operative)?

- What are the advantages and disadvantages of each option for me?
- What are the costs?

TIP – See factsheet ‘Selecting The Right Legal Structure For A Social Enterprise’.

11) Profit



Profit is often seen as a dirty word in the voluntary / community sector, but for a social enterprise to be viable it will need to make a profit. What it then does with that profit is another issue!

- What level of sales are needed to cover costs?
- How long will it take for me to achieve that?

TIP – You will need to produce a cash flow forecast for your business to show whether you have enough cash to run the business and a profit and loss account to project the profit.

Where to go for further help

- Advisory, Conciliation and Arbitration Service <https://www.acas.org.uk> 0300 123 1100
- The Environment Agency <https://www.gov.uk/government/organisations/environment-agency> 03708 506 506
- Government advice for businesses <https://www.gov.uk/browse/business>
- Government advice on employing staff <https://www.gov.uk/employing-staff>
- Government licenses advice <https://www.gov.uk/browse/business/licences>
- The Health & Safety Executive <https://www.hse.gov.uk> 0300 790 6787
- Intellectual Property Office <https://www.gov.uk/government/organisations/intellectual-property-office> 0300 300 2000
- The Key Fund - Social enterprise investors <https://thekeyfund.co.uk>
- Locality <https://locality.org.uk>
- NCVO <https://www.ncvo.org.uk>

- SASC - Social enterprise investors <https://www.socialandsustainable.com>
- SEE Ahead – business support <https://seeahead.co.uk>
- SIB - Social enterprise investors <https://www.sibgroup.org.uk>
- Social Enterprise UK <https://www.socialenterprise.org.uk>
- Social Enterprise Yorkshire & Humber <https://seyh.org.uk>
- Social Investment - Social enterprise investors <http://www.socialinvestment.org.uk>
- Social Value UK <http://www.socialvalueuk.org>
- Survey Monkey - market research templates <https://www.surveymonkey.co.uk/mp/market-research-survey-templates/>



