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**BUS 290**

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**02/20/18**

**Feasibility Study Report**

A feasibility study report is a document giving a report on the definition of a project, exploring it and evaluating the possible ways of a plan to save on costs. Mate Cafe is a restaurant that offers a variety of dishes in Manitou Springs USA. Other than Yerba mate drinks, the organization also offers pastries and sandwiches.

**Project description**

It involves the exploration and explanation of business scenarios. Other than selling dishes, Mate Cafe can open a game reserve that will attract more clients. The organization will have to hire game rangers who will assist tourists around the sanctuary. Visitors will pay different fees depending on the number of animals. In addition to that, the project will pave the way for other activities like photography which is also an income-generating project. A feeding program for different animals will interest the visitors even more.

Given that Manitou Springs is a resort city with many other activities including rock climbing, the project is viable. Another viable plan for Mate Cafe is including fish in their menu. The good thing about fish is that it has no associated allergies, its affordability and the fact that it is a universal delicacy. The organization will build several fish ponds that will draw their water from the Manitou mineral springs. The restaurant will then specialize in well-trained chefs that deal with fish delicacies. The price of the fish will be similar but will vary according to the accompaniment.

The firm could also develop a project of entertainment while visitors enjoy the delicacies.Such would require an open tarmacked field that allows for skating and bike riding activities. Customers will hire the skating shoes and the bikes at a fee that will earn the company more income.

 After identifying the possible scenarios for the company, the next step is to eliminate projects that do not seem viable. Then follows the identification of the most feasible project and developing different ways in which it will generate profits for the company. In this case, Mate Cafe will develop a plan for rearing fish that it will incorporate into the dishes to attract more customers. The project will not require much advertising as the company can advertise on their website and other social media pages. Incorporating the fish dishes into the company’s menu is another way for the restaurant to market their new product. The company will require approximately 20,000 square feet of land for the development of the fish ponds. Relations with a fish rearing firm are vital for the supply of fingerlings that the company will raise. Specially trained chefs will focus on making delicious fish dishes whose unique taste will attract customers from all walks of life. The meals will increase the organization’s revenue and profits, and their prices will vary depending on the accompanying dish. The project will take one year to allow for the development of the first fingerlings to maturity age which is approximately 35 weeks.

The project will impact positively on the social and economic environment in that people will get employment for the construction of the ponds and the feeding of fish. Other than that, people will be healthier for eating fish which has many health benefits. Tourists both international and local will bring more money into the region which will raise the living standards.

**Market feasibility**

The overall foodservice industry in the United States accounts for a considerable proportion of the United States market. In 2014, the food industry including the food retailing segment accounted for about $1.46 trillion. The foodservice industry, however, accounted for about $731billion during the same year. The sector is expected to grow with people having increased disposable income. By 2022, the food and beverage market segment is expected to grow by 11.8% by the year 2022. The food and beverage sector of the food industry is stable and represents volatility of 6% higher than the overall market. The global food industry has been growing due to the increased interest in agriculture. However, the growth rate is anticipated to grow at a steady rate of 2.9% to 2022.

The fast-food industry faces an oligopolistic demand curve. The market concentration is low given that there are as many producers as there are consumers. Mate Cafe faces stiff competition for fish dishes. The main competitors include Bonefish Grill, Red Lobster, and the English Dockside Seafood-Grill. The race might not be direct, given that each of the competitors has a particular food which attracts tourists. The fast-food industry has no barriers to entry because the government intervenes to a tiny percentage. Also, the costs of setting up a restaurant are minimal as one can easily afford to pay rent for a minor premise. Some people sell fish by the seashores which requires them to pay no rent. There are many fish suppliers in the market though only a few meet the standards for large-scale operations. Fish is highly perishable and requires refrigerators that are expensive to buy. The local suppliers are however many, but heir concentration is low compared to the entire market for fish. There is barely a difference in the price of food in the industry. The cost of fish will be in the same range with other firms only that it will vary according to the accompanying food or drink.

Mate Cafe will sell its fish in a differentiated market to distinguish the products from their competitors. It will use chefs that are specially trained in making fish dishes to enhance quality. Fish remains the most abundantly traded food commodity in the world with an increase in the productivity of aquaculture that has been growing very fast over the last twenty years. The rising income in developing countries has contributed significantly to the increasing international demand for fish.

The restaurant’s revenue will be approximately 500,000 USD in the first year. It will sell an approximate of 120 pieces of fish in a day each at the cost of $6. The total revenue per day will be $720 for fish. On an annual basis, Mates Cafe will sell an estimate of $8640.

**Technical feasibility**

The organization only needs fish ponds to rear the fingerlings that take approximately 35 weeks to maturity. The company might require increasing the size of their kitchen to accommodate the fish specialists. Fish needs refrigeration because it is highly perishable. The firm involves refrigeration facilities to ensure that the fish is always fresh.

The only technology that is required for the organizational operations is refrigeration. Such providers in the United States are Fish USA, Continental refrigerator, and Trauslen. Although Trauslen lockers are a bit expensive, they are of high value, durable and reliable. However, the technology does not come in different colors as there is only one type.

The raw materials for the project are fish which is readily available at the restaurant’s fish pond. However, it is not very easy to find a supplier of fingerlings who will deliver the first batch that will reproduce to pave the way for the business. The initial quantity is estimated at one million fingerlings some of which will be sold as food and others will reproduce to generate more. There can never be a deficiency of seafood because there is a high population. As a result, the future supply of the product is not at stake. Fingerlings are quite cheap given their small size and 100 of them cost an average of 3 dollars in the United States. Tilapia is the most cherished type of fish in the world. The organization will specialize in high-quality tilapia breeds which will make delicious meals. Mates Cafe will require approximately 30,000 dollars to purchase the fingerlings.

Labor in the restaurant industry doesn’t require a wide range of skills. The organization will need manual work in the construction of the fish ponds. It will, however, hire chefs for the fish stew who must possess skills in cooking. The wages for the manual laborers will be on a daily basis approximated at $10 per individual. The chefs will get a compensation rate of approximately $15 while the new management staff will attract a compensation of roughly $20 owing to their full range of duties. The labor force for the hotel and restaurant industry is readily available even at a lower compensation rate. However, attractive benefits for the employees assist in their retention and save the company on costs related to training. Such benefits also attract qualified personnel both in the managerial and general fields.

**Financial income feasibility**

The initial cost of capital for the organization approximates at $6m. The money for facilities equipment and inventories would estimate at $2million. The working capital needs will be estimated at $100,000. For revenues to attain full capacity, the organization needs to be in business for approximately two years. The working capital needs for two years will, therefore, be $1million. Due to construction delays, the company will require an additional of $1million in contingency capital needs. Other capital needs include insurance and medical cover for employees estimated at $1m on an annual basis.

The company could draw the capital from its savings accounts. Alternatively, they could sell their shares at a low price so that they attract customers. Consequently, the company could take a loan from a bank which it will repay at an interest. The expected annual revenue for the company estimate at $8640. Costs estimate at $2340 while the net profit is $6300 per year. The profit margin is expected to be 2% which is slightly lower than the industry average which was lately 3.5%. The limitation to the economic analysis includes lack of professionals to assess the needs of the organization appropriately. Corruption in the management of the project may also hinder the economic analysis.

**Managerial feasibility**

The most suitable legal business structure is sole proprietorship because the company is not significant. The owner of the organization will be the company’s CEO. He will foresee the general operations of the business. He will engage in selecting a committee that will oversee the completion of the project. The finance manager will ensure timely payments for the company’s products. Finally, the general manager will foresee the performance of the entire restaurant and offer advice where necessary while the HR department will hire and provide training to new employees.The CEO is the founder of the business. Despite his knowledge on a wide variety of issues, he cannot manage on his own. He has not developed a previous project as he is young. His position at the last place of employment was a junior manager who does not have that expertise.