Feasibility Study for the Development of a
Business Incubator or Marketing Cooperative in

Laramie, Wyoming

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## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table of Contents</td>
<td>i</td>
</tr>
<tr>
<td>Index of Figures, Tables, Diagrams and Appendixes</td>
<td>ii</td>
</tr>
<tr>
<td>Purpose</td>
<td>1 - 2</td>
</tr>
<tr>
<td>Methods and Procedures</td>
<td>3</td>
</tr>
<tr>
<td>Economic Base &amp; Target Market</td>
<td>4 - 6</td>
</tr>
<tr>
<td>Laramie and Wyoming Businesses</td>
<td>4 - 5</td>
</tr>
<tr>
<td>Target Market / Businesses</td>
<td>5 - 6</td>
</tr>
<tr>
<td>Small Business Support Network</td>
<td>7 - 14</td>
</tr>
<tr>
<td>Business Incubator Characteristics</td>
<td>15-17</td>
</tr>
<tr>
<td>Marketing Cooperative Characteristics</td>
<td>18-21</td>
</tr>
<tr>
<td>Small Business (Development) Survey Results</td>
<td>22-28</td>
</tr>
<tr>
<td>Development Survey Responses</td>
<td>22-27</td>
</tr>
<tr>
<td>Discussion / Conclusion of Development Survey Results</td>
<td>27-28</td>
</tr>
<tr>
<td>Craft Business Survey Results</td>
<td>29-42</td>
</tr>
<tr>
<td>Craft Survey Responses</td>
<td>29-41</td>
</tr>
<tr>
<td>Discussion / Conclusion of Craft Survey Results</td>
<td>41-42</td>
</tr>
<tr>
<td>The Marketing Cooperative: Financial Aspects</td>
<td>43-46</td>
</tr>
<tr>
<td>Marketing the Cooperative to Potential Members</td>
<td>47</td>
</tr>
<tr>
<td>Conclusion</td>
<td>48</td>
</tr>
<tr>
<td>Recommendations</td>
<td>49-52</td>
</tr>
<tr>
<td>Resources</td>
<td>53</td>
</tr>
</tbody>
</table>
# INDEX OF FIGURES, TABLES, DIAGRAM AND APPENDIXES

## Figures:

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Common Incubator Services</td>
<td>16</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Demand for Consulting Services</td>
<td>23</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Demand for Secretarial Services</td>
<td>23</td>
</tr>
<tr>
<td>Figure 4</td>
<td>Demand for Administrative Services</td>
<td>24</td>
</tr>
<tr>
<td>Figure 5</td>
<td>Demand for Proposed Incubator Facilities</td>
<td>25</td>
</tr>
<tr>
<td>Figure 6</td>
<td>Number of Hours Spent Producing Craft Items</td>
<td>29</td>
</tr>
<tr>
<td>Figure 7</td>
<td>Dollars Spent on Supplies / Materials</td>
<td>32</td>
</tr>
<tr>
<td>Figure 8</td>
<td>Gross Sales of Crafts by Survey Respondents</td>
<td>33</td>
</tr>
<tr>
<td>Figure 9</td>
<td>Estimated Gross Profit for Craft Businesses</td>
<td>34</td>
</tr>
<tr>
<td>Figure 10</td>
<td>Number of Years in Business</td>
<td>36</td>
</tr>
<tr>
<td>Figure 11</td>
<td>Percentage of Respondents According to Number of Employees</td>
<td>37</td>
</tr>
<tr>
<td>Figure 12</td>
<td>Type of Training Requested</td>
<td>38</td>
</tr>
</tbody>
</table>

## Tables:

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1</td>
<td>Craft Items Produced by Respondents</td>
<td>30</td>
</tr>
<tr>
<td>Table 2</td>
<td>Materials Used in Craft Production</td>
<td>31</td>
</tr>
<tr>
<td>Table 3</td>
<td>Joint Purchasing Materials</td>
<td>33</td>
</tr>
<tr>
<td>Table 4</td>
<td>Cooperative Interest and Financing Issues</td>
<td>38</td>
</tr>
<tr>
<td>Table 5</td>
<td>Cooperative Staff Expense</td>
<td>44</td>
</tr>
</tbody>
</table>

## Diagram:

<table>
<thead>
<tr>
<th>Diagram</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagram 1</td>
<td>Number of Craft Survey Respondents Located in Each County</td>
<td>39</td>
</tr>
</tbody>
</table>

## Appendix:

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
</table>
| Appendix A | Small Business Development Survey  
Craft Business Survey | 55 |
| Appendix B | Graph 1- Comparison of the Cost of Materials, Sales Volume, and Profit for Respondent Businesses | 57 |
PURPOSE

There is an ever-increasing demand for services incubators and cooperatives provide due to the large number of small businesses trying to start up and compete with larger firms. According to the Small Business Administration (SBA), small firms constituted about three quarters of the employment growth and 90% of the new business location growth in the 1990's (U. S. SBA, 2000). Changes in the economy have created major dislocations, discontinuities, and uncertainties—all of which are sources of opportunities for new entrepreneurial ventures (Rice and Matthews, 1995). As more companies continue to downsize, entrepreneurs arise and need assistance in developing and managing their companies. The type of assistance needed varies but surfaces because many times the entrepreneur has the idea for the product or service but does not have the management experience or know-how to operate the business venture.

One way entrepreneurs can increase their chance of success is to become a member of a business incubator or a cooperative that provides assistance to start-up businesses similar to their own. Incubators can be the catalyst for business development. They can be an important part of the “support structure” to make sure development happens and to give start-ups the assistance they need to grow and be successful (Rice and Matthews, 1995).

Yin Industries is looking to develop either a business incubator or marketing cooperative in Laramie, WY. Yin Industries’ goal is to assist start-up or expanding craft or product oriented businesses in Wyoming by providing micro-loans, business and loan counseling, training, technical assistance, as well as networking opportunities throughout Wyoming.

According to the SBA Office of Advocacy’s report on Small Business Economic Indicators (2000), Wyoming had a 1.2% increase in the number of firms operating within the
METHODS AND PROCEDURES

The methods used for this analysis included a literature review, a survey of existing business incubators, a survey of 200 Laramie businesses, a survey of 156 craft or product oriented businesses across the State, as well as interviews of various economic development personnel, realtors, and pertinent agencies.

The participants of the Small Business Development Survey (hereinafter, development survey) were selected based upon the number of employees and the length of time in business. All participants had fewer than 50 employees and had been in business no longer than 3 years. All businesses selected for this survey were located in Laramie, Wyoming. All information obtained is presented as an average or range. (See Appendix A for actual surveys used in this study.)

The participants of the Craft or Product Oriented Survey (hereinafter, craft survey) were selected based on their type of business. All of the businesses are considered small product oriented businesses within the state of Wyoming. The list of businesses was obtained from the Wyoming Business Council, Wyoming First List. The participants in the craft survey were located in many communities across Wyoming. All information obtained was aggregated and presented as an average or range.

The survey process began with a letter explaining why the research was being conducted with the survey included. A week after the initial letter and survey were sent out, a reminder postcard was sent to all participants to thank them for their time and request that if they have not returned the survey to please do so as soon as possible. Most replies were received within three weeks of the initial mailing.
have been foreseen and corrected in the first years enabling the company to continue. These are the types of businesses that may benefit from the assistance provided by either the business incubator or marketing cooperative.

Target Market / Businesses

Yin Industries is focusing on the craft producer / craft industry for the proposed incubator or cooperative. The Craft Organization Directors Association (CODA) conducted a survey of the craft industry’s impact on the national economy. The survey indicated that the fine crafts market is a $13.8 billion industry. To put this in perspective with other industries, the craft industry is about half the size of the $19.9 billion toy industry, three times the size of the $4 billion organic foods industry, and just slightly smaller than the $16 billion retail floral market (CODA, 2001). The survey also indicated that 78.9% of craft businesses were located in or on residential property (CODA, 2001). It is also important to note that the CODA survey indicated 60% of gross annual sales that are generated by craft businesses occur within the home state providing a large economic impact to many local economies and their families.

According to the CODA survey, two-thirds of their respondents were female. It was also found that the median household income for families who derive part of their income from craft sales is $50,000, which is higher than the national median income of $40,800 as determined by the U.S. Census Bureau (CODA 2001). The CODA survey also determined that craftspeople provide about half of their total household income from selling their craft. The survey helped support the idea that the craft industry has become a major element to the national and local economy and the financial welfare of many households.

Craft businesses are an important part of many households in Wyoming as well. However, many craft businesses in Wyoming find it difficult to market their products beyond
SMALL BUSINESS SUPPORT NETWORK

The small business support network includes any classes, technical assistance, funding or services provided to individuals trying to start or expand a small business in an effort to increase the likelihood of success. Wyoming has an extensive number of resources available to business owners and entrepreneurs. An analysis of the small business support network in Wyoming is necessary to determine if the incubator or cooperative would be duplicating or providing unnecessary services. The largest resources are listed below along with a brief description of the assistance each agency provides.

Small Business Development Center (SBDC): (website: www.uwyo.edu/SBDC)

The Wyoming Small Business Development Center’s mission is to strengthen Wyoming businesses and create economic growth by providing excellent management assistance, educational programs and helpful resources for Wyoming small businesses and entrepreneurs. Services provided by the SBDC include:

- **Consulting**: Personalized consulting service to help entrepreneurs develop their business plans, weed out problems, find capital, brainstorm strategies and propel their businesses to a profitable future. SBDC consulting services are confidential and offered free of charge.

- **Training Programs**: Workshops, courses and conferences designed to provide information on specialized topics of interest to business owners. SBDC workshops, conferences and courses are designed to be affordable and conveniently located. The SBDC offers the NxLevel course throughout Wyoming on a regular basis.

- **Resource Library**: Books, videos, audiotapes, magazines and more are available for free checkout to Wyoming’s small business community.
Wyoming Women’s Business Center (WWBC): (website: www.wyomingwomen.org)

The Wyoming Women’s Business Center is a non-profit organization that assists individuals who want to start or expand small businesses in the state. WWBC strives to advance financial self-sufficiency by promoting economic justice and equality throughout Wyoming. WWBC serves any resident in Wyoming but targets those with the greatest need: women, minorities, and low-income individuals. WWBC provides the following services:

- **Financing** – Provide financing for start-up or expanding small businesses with loans up to $20,000.

- **Business Counseling** – Assistance with business planning and marketing ideas is provided by WWBC staff and through referrals.

- **Training** – The center offers business and computer workshops and other training. A nominal fee is charged for most of these programs.

- **Networking** – The WWBC hosts Women’s Business Connection Roundtable discussions throughout the state and monthly conference calls (WNET) offer networking opportunities for business owners.

- **Women’s Certification** – The WWBC staff can also help women entrepreneurs obtain a Women’s Business Enterprise Certification through the National Women’s Business Owners’ Corporation.
Service Corps of Retired Executives (SCORE): (website: www.score.org)

SCORE is a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. SCORE is a resource partner with the Small Business Administration (SBA). SCORE Association volunteers serve as "Counselors to America's Small Businesses." Working and retired executives and business owners donate their time and expertise as volunteer business counselors and provide confidential counseling and mentoring free of charge.

Small Business Innovation Research (SBIR): (website: www.uwyo.edu/sbir)

The federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs provide more than $1.6 billion annually in research and development grants and contracts to qualified small businesses (U.S. owned, independently operated, for-profit entities of fewer than 500 employees).

Ten federal agencies are required by law to provide these funds by setting aside 2.5% of their annual extra-mural research and development budgets for use exclusively by U.S. small businesses for new product research and development. Hence, these programs provide a unique source of start-up and seed capital for small businesses to develop new innovative product concepts. There are few strings attached to these funds; there is no repayment requirement, no equity sacrifice, and most intellectual property rights remain with the small business.
backgrounds supply them with the ability to cut through red tape and get right to the business at hand - that of helping to build the local economy by bringing in outside money from government contracting.

GRO-Biz's government marketing specialists will help identify opportunities and understand the process from start to finish, so businesses can compete for a share of the government business. Resources at hand at GRO-Biz are computer bid information, copies of government specifications, databases of post procurement history that may help with pricing, as well as knowledge and understanding of government contracting procedures. Armed with these valuable tools and skills, GRO-Biz is ready to help any business or service grow through government contracting.

University of Wyoming (UW): (website: www.uwyo.edu)

Offers business classes on campus in Laramie, via the Internet, and through community colleges to residents across the state. UW also works in conjunction with other economic development agencies and state programs to provide assistance or research for businesses when possible.

Laramie County Community College (LCCC): (website: www.lccc.cc.wy.us)

LCCC is located in Cheyenne and Laramie. It provides a large number of business courses and programs geared to help educate and expand business knowledge as well as computer use for adult learners. These courses are typically less expensive, shorter and less stressful than a credit class. Many of the courses are offered during the evenings and on the weekends to allow for busy schedules. LCCC also offers custom training for businesses tailored to address specific issues requested by the business for a nominal fee.
BUSINESS INCUBATOR CHARACTERISTICS

The small business incubator is becoming an increasingly popular economic development tool utilized to improve the success rate of new firms. Incubators consist of a building where a number of new or expanding businesses can locate and operate at a much lower cost than if they were to operate on their own. Incubator facilities are characterized by providing access to shared services such as clerical and administrative help, receiving and shipping facilities, conference rooms, computers, mentoring, and technical assistance as needed by start-ups (U.S. Small Business Administration, 1986).

The ability of a community, university, business development organization, government agency, or private enterprise to offer flexible, advantageous space for fledgling businesses to develop and grow has become an integral component in economic development (Hurley, 2002). Economic development agencies utilize incubators to increase self-sufficiency for its local entrepreneurs as well as to provide jobs and opportunities for individuals in their communities. Incubators have created more than 500,000 jobs since 1980 (Sausner and Goral, 2002).

Most business incubators provide office space, funding, and basic services for its tenants. The more productive incubators also offer an extensive network of powerful business connections, enabling fledgling start-ups to beat their competitors to market (Hansen et al., 2000). The vast majority of business incubators offer office space, coaching, funding, information technology, recruiting, legal assistance, accounting and various basic services as shown in Figure 1 (Hansen et al., 2000).
Incubators not only help businesses to get started but they also are known for producing businesses that are more successful after leaving the incubator. According to the Small Business Administration, only 49.6% of small businesses that do not participate in an incubator are still open four years after beginning, whereas 87% of companies that start in incubators were still operating several years after graduating from the incubator (Van Der Werf and Blumenstyk, 2001). Business incubation provides the experience, networking, partnerships, and knowledge building aspects conducive to long-term business success.
Cooperatives operate under four principles according to the USDA publication. Each principle is discussed briefly to provide a better understanding of how cooperatives differ from investor-owned corporations.

The first principle is that ownership benefits and obligations are in proportion to use. Members of a craft cooperative own, finance, control and operate the business for their mutual benefit. Cooperatives are owned and financed by the members. The benefits are derived in proportion to the amount cooperative services are used instead of the amount invested. This differs from investor-owned corporations where the primary interest is not use of its services but returns on capital.

Second, the cooperative is operated under democratic control. This means that each member has one vote, regardless of the amount invested or the amount of use. This principle allows the cooperative to be more responsive to the needs of the total membership rather than that of a few members who invested the most capital.

Third, the cooperative is to provide supplies and services at cost. The primary purpose of the cooperative is to provide necessary services to the members. However, like any business, the cooperative must generate a sufficient gross margin to cover operating costs. Therefore, the cooperative typically charges competitive prices for all services and supplies provided to the members. After the coop has determined its actual costs at the end of the year, any profit is allocated back to the members in proportion to their use of the cooperative. The distribution can be in the form of cash distributions or credits for future services. This reinforces the idea that the benefit members receive from the cooperative is determined by use rather than by investment.

Fourth, members should expect limited return on their equity capital (investment). The last principle insures that the cooperative retains its service orientation. Equity
A variety of business training and assistance programs may also be provided by the cooperative. Other training may include:

- Information about governmental regulations regarding labeling, licensing, and taxation
- Assistance securing loans to purchase equipment or other supplies
- Training in design, production, and business skills
- Information on new books, periodicals, seminars, and other activities that may contribute to members' professional growth

The goal of all services provided by the cooperative is to improve the members' ability to successfully operate their craft businesses. As the cooperative and its members continue to grow and change, the services and training should also be imaginative, dynamic, and responsive to the members' changing needs. A cooperative tends to be an evolving business that reflects the growing and changing needs of the membership.
The respondents were also asked what type of secretarial services they would like to have available. Telephone answering was the most popular required service with 9 respondents indicating interest. However, 7 of the respondents did not indicate a need for secretarial services. Figure 3 illustrates the demand for all of the secretarial services.
Incubators typically provide office and/or retail space for client companies. However, 17 of the 24 respondents indicated they would not benefit from office space located in the incubator, 6 indicated they would, and 1 did not respond. They were also asked if they would benefit from retail space. The overwhelming response from 20 of the respondents is that they would not benefit from retail space located in the incubator, 3 respondents indicated they would be interested in retail space, and 1 did not respond.

Survey participants were then asked if they would like to be contacted if an incubator is developed. Of the 24 respondents, 11 indicated they would like to be contacted, 10 said they would not, and 3 did not respond.

The next set of questions was designed to determine if Laramie businesses would be interested in participating in a cooperative. Business owners were asked if they would like to participate in a combined marketing effort for Wyoming businesses. Out of the 24 respondents, 10 indicated they would benefit from a combined marketing effort, 13 responded they would not, and 1 did not respond. Part of the cooperative effort would also include joint
unit retains method with 9 indicating they would, 13 responded they would not, 1 was uncertain, and 1 did not respond.

If a cooperative were developed in the Laramie area, 11 of the respondents would like to be contacted with further information for possible admission into the cooperative. The remaining 13 indicated they would not like to be contacted with any further information about the cooperative.

Discussion / Conclusion of Development Survey Results

The results from the development survey of Laramie businesses indicate that there is little demand for the services of a business incubator. Small business owners in Laramie have access to a large spectrum of assistance as discussed previously in the small business support network section of this report. This may be part of the reason for the lack of interest as well as the lack of responses from businesses overall. Therefore, it is recommended that a business incubator not be developed in Laramie at this time due to lack of demand and commitment for the services it would provide.

The survey results did indicate that there is slightly more demand for the marketing aspect of a cooperative. However, the demand for such services is still very low for Laramie businesses. If a cooperative is to be successful, the members must be willing to invest capital to get the cooperative up and running. There are very few respondents that would be willing to contribute capital to a cooperative at this time. Therefore, if a cooperative is to be further investigated, it is important to educate those who are interested in becoming members about the benefits of the cooperative and the minimal amount of investment needed. A cooperative will also need a larger membership in order to cover operating expenses and be able to participate in joint purchasing and marketing efforts. According to this survey, only 11
CRAFT BUSINESS SURVEY RESULTS

The craft survey focused on small businesses in Wyoming that produce a craft item or handmade product. A marketing cooperative would ultimately be directed at helping craft producers to better market their products while helping them to obtain high quality materials at reduced or bulk prices. The craft survey was mailed to 156 craft and product oriented businesses in Wyoming. Of the 156 surveys, 59 were returned. Out of the 59 returned, 4 were unanswered or blank, resulting in a response rate of 35%. The response rate is low but is considered sufficient to determine the demand for a craft oriented cooperative in Wyoming. All results analyzed below are representative of the 55 completed surveys.

Craft Survey Responses

The first survey question determined how many hours the respondents typically spend producing their crafts per week. Figure 6 illustrates the frequency of respondents' hours spent producing their craft items. A majority of the respondents work between 10 and 30 hours a week. Most indicated that they spent a lot more time producing their crafts during craft fairs.

Figure 6: Number of Hours Spent Producing Craft Items

<table>
<thead>
<tr>
<th>Hours/Week</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>14</td>
</tr>
<tr>
<td>11-20</td>
<td>12</td>
</tr>
<tr>
<td>21-30</td>
<td>10</td>
</tr>
<tr>
<td>31-40</td>
<td>6</td>
</tr>
<tr>
<td>41+</td>
<td>2</td>
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</table>
Table 2: Materials Used in Craft Production

<table>
<thead>
<tr>
<th>Materials Used in Production</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood</td>
<td>14</td>
<td>25.45%</td>
</tr>
<tr>
<td>Fibers</td>
<td>4</td>
<td>7.27%</td>
</tr>
<tr>
<td>Natural Oils, Herbs, Additives</td>
<td>5</td>
<td>9.09%</td>
</tr>
<tr>
<td>Antlers, Twigs, Rocks</td>
<td>4</td>
<td>7.27%</td>
</tr>
<tr>
<td>Cattails, Dogwood</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Jade &amp; Rocks &amp; Stones</td>
<td>5</td>
<td>9.09%</td>
</tr>
<tr>
<td>Wax</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Clay</td>
<td>3</td>
<td>5.45%</td>
</tr>
<tr>
<td>Gold or Silver</td>
<td>7</td>
<td>12.73%</td>
</tr>
<tr>
<td>Glass</td>
<td>7</td>
<td>12.73%</td>
</tr>
<tr>
<td>Leather / Rawhide</td>
<td>15</td>
<td>27.27%</td>
</tr>
<tr>
<td>Fabrics</td>
<td>15</td>
<td>27.27%</td>
</tr>
<tr>
<td>Other Metals</td>
<td>9</td>
<td>16.36%</td>
</tr>
<tr>
<td>Various Food Items</td>
<td>10</td>
<td>18.18%</td>
</tr>
<tr>
<td>Interior / Outdoor Cement</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Oils for Soap / Lotion Base / Shower Gel</td>
<td>3</td>
<td>5.45%</td>
</tr>
<tr>
<td>Turquoise &amp; Polished Stones</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Magnets &amp; Pins</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Photography Supplies</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Paper</td>
<td>5</td>
<td>9.09%</td>
</tr>
<tr>
<td>Art Materials &amp; Paint</td>
<td>3</td>
<td>5.45%</td>
</tr>
</tbody>
</table>

The two most common inputs include leather/rawhide and other fabrics. A significant number also utilize various forms of wood or lumber in the production of their craft items. The third most popular materials included food items for the production of jellies, jams, salsa, candy, and other canned foods.

Respondents were asked how much they spend annually to purchase supplies necessary to produce their craft items. Supply / material expense ranged from $200 to $45,000 annually with the average expense being approximately $6,385 a year. Figure 7 illustrates respondents’ responses with 38% spending between $1,000 and $5,000 annually to purchase supplies.
Table 3: Joint Purchasing Materials

<table>
<thead>
<tr>
<th>Joint Purchasing Materials</th>
<th># of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Oils &amp; Butters</td>
<td>5</td>
<td>9.09%</td>
</tr>
<tr>
<td>Tissue, Bags</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Invoices / Office supplies / Biz cards</td>
<td>5</td>
<td>9.09%</td>
</tr>
<tr>
<td>Fabric / Vinyl / Felt / Basket reed / Leather</td>
<td>18</td>
<td>32.73%</td>
</tr>
<tr>
<td>Horse Shoes</td>
<td>3</td>
<td>5.45%</td>
</tr>
<tr>
<td>Steel</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Antlers / Rawhide</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Clay / Glazes / Ceramic Materials</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Lamp Shades</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Beads</td>
<td>4</td>
<td>7.27%</td>
</tr>
<tr>
<td>Wax</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Jewelry Findings / Buckle Findings</td>
<td>6</td>
<td>10.91%</td>
</tr>
<tr>
<td>Bottles / Jars</td>
<td>6</td>
<td>10.91%</td>
</tr>
<tr>
<td>Shipping Supplies</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Film / Photography Supplies / framing</td>
<td>4</td>
<td>7.27%</td>
</tr>
<tr>
<td>Wood Products / Lumber</td>
<td>2</td>
<td>3.64%</td>
</tr>
<tr>
<td>Mat Board</td>
<td>4</td>
<td>7.27%</td>
</tr>
<tr>
<td>Different kinds of beans</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Drinking Glasses</td>
<td>1</td>
<td>1.82%</td>
</tr>
<tr>
<td>Wire Sheet, Other Metals</td>
<td>2</td>
<td>3.64%</td>
</tr>
</tbody>
</table>

Craft producers in Wyoming typically work out of their homes and sell their products at craft fairs or other trade shows. All but one of the respondents sold products last year.

Figure 8: Gross Sales of Crafts by Survey Respondents
order, Ebay®, consignment, and wholesale to catalogs. Craft fairs were the most popular venue for selling products with 40 respondents indicating craft fairs were used.

A major obstacle for all small businesses is marketing the product or service to their respective target markets without spending a large portion of profits. A majority of the respondents do not actively market their goods, reflected by 40 respondents (72.7%) indicating word of mouth (or no marketing) is their primary marketing tool. Other marketing tools are used by a few of the survey respondents. For example, 10 respondents use newspaper advertisements, 4 use radio advertisements, 24 use the internet, 13 use flyers, 6 have advertisements in trade magazines, 2 use direct mailings, 9 use craft fairs or trade shows, and 2 make sales calls and provide samples.

Cooperatives often hire a sales representative to represent members at various trade shows and retail opportunities, as well as web page designers to give the member businesses more exposure to a wider range of markets using the internet and connections with search engines such as Yahoo®. This allows for customer diversity, as well as reduced marketing cost as member businesses share the overhead involved in hiring sales representatives and web page designers. Forty-eight (87.3%) of the respondents indicated they would be interested in participating in a combined marketing effort with other Wyoming craft businesses. There were 2 respondents that indicated no interest in a combined marketing effort, 3 were uncertain, and 2 did not respond.

Business owners were asked a few questions to provide information on how long they have been in business, how they operate, and what type of assistance they would be interested in receiving. Figure 10 illustrates the number of years respondents have been in business. A majority of the respondents have been in business 10 years or less with the average time in business being approximately 8.9 years. This is typically the target group of
Respondents were also asked where their business is currently located. An overwhelming majority, or 45 (81.8%) respondents, operate their business out of their home. Other locations include 4 respondents renting or leasing commercial space, 5 purchased buildings, 1 sells products out of their Café, 1 leases time from a commercial kitchen, and 2 work out of their garage or other building outside the house. Many small businesses start as home based operations to minimize overhead cost as well as to avoid long-term leases and financial commitments if the business venture were to fail. It is also common to begin a small craft business out of the home due to the products initially starting as a hobby or part-time job opportunity.

According to the survey, 46 of the respondents taught themselves how to produce the craft item, 8 were taught by a friend or family member, 3 learned how to make the craft item in either high school, vocational or technical school, 4 learned at a college or university, and 9 attended workshops or training sessions.
50 respondents, by county, interested in participating in the marketing cooperative. Currently, 20% of the respondents are located in southeast Wyoming and 29% are located in northern Wyoming. However, it is anticipated that membership will grow and will cover most of Wyoming by the time the cooperative is started.

**Diagram 1: Number of Craft Survey Respondents Interested in Cooperative Per County**

- Sheridan: 1
- Crook: 0
- Park: 5
- Bighorn: 1
- Campbell: 2
- Washakie: 2
- Johnson: 2
- Weston: 0
- Hot Springs: 2
- Niobrara: 0
- Fremont: 4
- Natrona: 5
- Converse: 0
- Goshen: 2
- Lincoln: 1
- Carbon: 0
- Platte: 4
- Sweetwater: 3
- Uinta: 1
- Albany: 5
- Laramie: 8

A marketing agreement would be essential for accurate planning as well as quality assurance by the coop management and members. Marketing contracts would also be beneficial in establishing the cooperative as a reliable, high quality producer of craft and related items in the public eye. Currently, 17 of the respondents indicated they would be willing to sign a marketing agreement, 4 would not, and 34 were uncertain. Uncertainty is partly due to minimal information about the marketing agreement and the fact that many...
upfront. Instead, the cooperative would receive payment when sales are made, thus, both the cooperative and member would benefit resulting in less risk and financial commitment for the member. However, per-unit retain are only useful once a cooperative is fully operating as it will provide operating capital when products are sold. Initial investments from the membership will still be required to finance the start-up portion of the cooperative.

**Discussion / Conclusion of Craft Survey Results**

The results of the craft survey indicate that there are at least 50 businesses across the state that would be interested in participating in a marketing cooperative. The main goal of the cooperative should be to assist in the marketing and distribution of the craft products. This is supported by 33 of the respondents indicating they would like more training or assistance with marketing their craft items.

Given the nature of Wyoming and the vast separation of communities and populations, the most common marketing tool used by Wyoming craft businesses, the word of mouth, provides limited exposure and most likely does not reach customers outside their respective communities. Very few of the respondents use more than one marketing tool thereby limiting their exposure to multiple target markets. This may result in craft producers marketing to a very small population and eventually saturating the market, which usually results in closing or downsizing of the businesses due to lost sales. This problem can be addressed using a cooperative as an alternative to develop a larger customer base outside their community.

The other service to be provided by a cooperative is a joint purchasing program. This should be considered carefully and planned with the majority in mind. There are a few respondents that have very specialized products and therefore require specific materials that would not be beneficial for the cooperative to purchase. However, there are many
THE MARKETING COOPERATIVE: FINANCIAL ASPECTS

Projecting the cash flow as well as profit and loss statements is critical to the operation and start-up of the cooperative. An actual projection is not included in this report as it is important for the planning committee (Yin Industries) to take an active role in determining the financial goals and projections. Therefore, this report will provide some guidelines as well as a list of considerations as the planning committee begins preparing the projected financial statements. A few of the initial questions to consider are listed below:

1. How much capital, for fixed assets and operating capital, will be required to start the cooperative?
2. How much capital can members provide? And on what basis?
3. What are the other potential sources of capital?
4. Is there a clear path established from start-up to financial self-sustainability?

The first consideration is to determine the total amount of capital required to start the cooperative and how much will be contributed by the members. The Bank of America advises that most banks will not consider providing credit for more than 50% of the necessary capital to begin a business (Binion and Ely, 2000). Therefore, the members of the cooperative must be prepared to contribute 50% of the necessary capital if the cooperative is to be established.

The amount of financing depends on the desire of the planning committee and cooperative members to purchase or lease real estate as well as the established operating procedures. For example, a marketing program that includes a retail facility will probably require more capital than a program based on wholesale sales from a small warehouse facility (Binion and Ely, 2000).
is not required but would be responsible for assisting the manager in keeping records and
daily operations if the manager feels it is necessary to fill the position. A marketing assistant
would not be necessary initially. The marketing assistant would become more beneficial as
the membership grows and the marketing representative becomes more involved in marketing
a larger inventory of craft products. The manager and marketing representative would fill this
position on an as needed basis. Other positions may be necessary depending on the structure
and goals of the cooperative as decided upon by the membership and Yin Industries. For
example, if the membership or Yin Industries decides that the cooperative will also operate a
retail store the addition of retail salespersons as well as a store manager may become
necessary.

Other major expenses that must be included in the projections include: real estate
expenses (whether lease, mortgage or other monthly obligation), facility operations and
maintenance costs, security, insurance, taxes, travel (especially for the marketing
representative), telecommunication systems, computers and software, office equipment, office
supplies, and any other expenses incurred to establish the cooperative such as filing fees,
attorney fees, accountant fees, or other consultants as needed. Many cooperatives seek
donations of office furniture and equipment from local supporters in order to reduce the
amount of start-up capital required.

Member fees and per-unit retaines are two forms of income for the cooperative.
Cooperatives also charge minimal fees for purchasing of supplies or other services provided
to members. An additional source of income includes fees for training seminars, trade shows
or craft fairs sponsored by the cooperative. A cooperative can charge discounted prices for
members and higher prices for non-members to participate in trainings and craft fairs thus
providing additional income and encouragement for non-members to join.
MARKETING THE COOPERATIVE TO POTENTIAL MEMBERS

The cooperative has had a high level of interest by business owners across Wyoming. The first strategy for obtaining members would be to contact the survey respondents that indicated further interest in a cooperative. A list of addresses is available by email upon request. Second, it would be beneficial to hold membership meetings in various communities across the state. Attendees should include current interested business owners as well as anyone they would like to invite. Third, roundtables, craft fairs, and other business training seminars are great sources for members as well. News releases in local papers across the state will also be beneficial in reaching craft people who work from their homes or that have not been contacted by another means. The goal of marketing a cooperative should be to reach as many small business/craft people across the state as possible. The more interest the cooperative has the better chances it will have of succeeding and providing the services members need to improve their business.

The initial meetings should be informative and should provide details about membership fees, benefits, and the goals of the cooperative as they pertain to members. One goal of the membership meeting should be to provide potential members adequate information necessary for them to be willing to provide initial investments for the development of the cooperative. The financial support of the members is a primary concern and also a primary requirement for a cooperative to be successful.
RECOMMENDATIONS

This report is intended to assist Yin Industries in the planning and start-up phase of the cooperative, as there is still a lot of work to be done. The planning committee (Yin Industries) should address the following points if they decide to proceed with the development of the proposed cooperative.

♦ **Recruit a few potential members to participate in Yin Industries during the planning stage.** The members need to be a key participant in the development of the cooperative as it is ultimately owned and operated by the membership. Membership meetings need to be held frequently throughout the development stages to keep members interested and committed to the cooperative.

♦ **Determine if the cooperative is going to purchase, lease or otherwise obtain a facility or retail space.** The location of the facility would be most beneficial in a high tourist area such as Cody, Cheyenne, or Jackson for optimal sales. The cooperative may wish to lease warehouse space initially, from which products will be shipped to buyers. Office space for management and other staff will be necessary but can be rented or home space may be used if necessary to reduce the overhead costs initially.

♦ **Determine if other services are going to be provided by the cooperative.** Other services may include, training seminars, sponsoring regular craft fairs, or other services based on the needs of the membership. It should also be determined if additional fees will be charged for such services and if the services will be available to non-members. If non-members are allowed to use cooperative services additional or higher fees may be charged.
board should make the overall decision based on sound business principles.
Will a small fee be added to the cost of materials to cover operating expenses for the cooperative?

- **Job descriptions and personnel policies.** The development of job descriptions and personnel policies will help the board to know what kind of responsibilities and capabilities will be needed for the management and other staff positions. The board typically hires the manager. In this type of cooperative is it also recommended that the board and manager participate in hiring the marketing representative. The manager will then hire additional staff as needed.

- In addition to the above, if the decision is to form a cooperative, the following will be needed:
  - **Issuance of stock, or other means of acquiring member equity for start-up.** The amount of stock to be issued, as well and the rights and obligations of the members will need to be established. The par value of stock, voting v. preferred stock, etc will also need to be determined with the assistance of a knowledgeable attorney.
  - **A membership / equity drive should be conducted.** Once a business plan has been completed, an equity drive should be conducted. An open period should be specified when members have the opportunity to apply for membership into the cooperative in order to purchase stock in the proposed cooperative. Once the needed capital, as specified in the business plan has been raised, the business should be formed.
RESOURCES


Sausner, Rebecca and Tim Goral. "Incubation is Alive and Well" Business. May 2002. 30-34.
APPENDIX A

Small Business Development Survey

Craft Business Survey
Business Development

A Survey of Small Businesses To Determine Technical Assistance Needs

Conducted By:
Farrah Rhea, M.S.
Business Consultant

Funded Through The:
Wyoming Women’s Business Center

WWBC Is a Project of the Wyoming Coalition Against Domestic Violence and Sexual Assault. WWBC Is Supported by the U.S. Small Business Administration, the University of Wyoming, the Wyoming Business Council, and the Wyoming Small Business Development Center.

Send Completed Survey To:
WWBC, PO Box 3661, Laramie, WY 82071
BUSINESS INCUBATOR QUESTIONS

Please refer to opposite page for explanation of a business incubator before proceeding:

1. Would you and/or your business benefit from business counseling and/or training on issues such as marketing, management, finance, and entrepreneurial concerns?
   - Yes
   - No

2. Which of the following Consulting / Training services would you and/or your business utilize if provided by the business incubator? Please mark all that apply.
   - Business Planning
   - Marketing
   - Accounting
   - Business Management
   - Human Resource
   - Space design and Layout
   - General Consulting
   - Loan Packaging
   - Access to Grants & Loans
   - Introduction to Venture Capitalists
   - Other Counseling (specify)
   - None of the above

3. Which of the following Secretarial services would be of the most benefit to your business if provided by the business incubator? Please mark all that apply.
   - Word Processing
   - Typing
   - Photocopyer
   - Telephone Answering
   - Secretarial / Clerical Help
   - Notary
   - Filing
   - Other service (specify)
   - None of the above
MARKETING COOPERATIVE QUESTIONS:

Please refer to the inside front cover for explanation of a marketing cooperative before proceeding with this section of the survey:

9. Would your business benefit from a combined marketing effort for Wyoming made products and businesses as provided by a marketing cooperative (via internet - web page / craft fairs / tradeshows and other sources)?
   □ Yes
   □ No

10. Would you be interested in joint purchasing of supplies and/or inventory items with other members of the cooperative?
   □ Yes
   □ No – Skip to question 12

11. What type of inputs (supplies) would you be interested in purchasing through the cooperative? Please list as many as you would like in the space below.

   __________________________________________
   __________________________________________
   __________________________________________

12. Do you feel your business would benefit from rented retail space located in a marketing cooperative?
   □ Yes
   □ No – Skip to question 14

13. How much retail space would your business require?

   Retail Space: _________________________ Square feet

   Future Needs due to expansion/growth: ______________ Square feet

14. Are you willing to sign a marketing agreement committing yourself to sell all or a portion of your crafts/products through the cooperative?
   □ Yes
   □ No – Skip to question 16
   □ Uncertain
21. What is the breakdown of ownership for your company?

- 100% female owned
- 100% male owned
- 50/50 by you and another individual
- Other (please specify)

22. How long have you been in business?

__________ Years _____ Months

23. Where is your business currently located? (Physical address or location)

________________________________________ Location of business

24. Is the current location of your business adequate?

- Yes – Skip to question 26
- No

25. If the location is not adequate please explain why not or what location would improve your business.

________________________________________

________________________________________

________________________________________

________________________________________

26. How did you acquire the current building or location for your business?

- Purchase with cash (no loan or mortgage)
- Purchased with loan or mortgage on property
- Renting or Leasing
- Working out of your own home
- Other - Please specify

27. What is the monthly cost to your business for the use of the building or location? (i.e. monthly rent or mortgage payment)

$ __________________________ Monthly payment or cost
34. What problems/issues is your business currently facing or struggling with? Please list issues and be as revealing as possible. (This will help us determine what kind of consulting the incubator or cooperative would need to provide to be of the most benefit to your business.)

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

35. Have you sought help to address these issues?

☐ Yes
☐ No – Skip to 39

36. If yes, whom did you contact for assistance? Please mark all that apply.

☐ Small Business Development Center
☐ Wyoming Women’s Business Center
☐ Laramie Economic Development Center
☐ Wyoming Business Council
☐ Local Bank or Financial Institution
☐ Accountant
☐ Lawyer
☐ Friend or Relative
☐ Internet / Other
☐ Other (specify) ____________________________

37. Was the help you received adequate? (i.e. is the problem solved?)

☐ Yes – Skip to question 39
☐ No

38. If no, what was wrong with the assistance provided? Please Explain.

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

7
Thank you for taking the time to complete this questionnaire. Your assistance in providing this information is very much appreciated. If there is anything else you would like to tell us about this survey, or your organization, please do so in the space provided below.
Product Businesses:

A Survey of Wyoming Businesses To Determine Demand For A Marketing Cooperative

Conducted By:
Farrah Rhea, M.S.
Business Consultant

Funded Through The:
Wyoming Women’s Business Center

WWBC is a project of the Wyoming Coalition Against Domestic Violence and Sexual Assault. WWBC is supported by the U.S. Small Business Administration, the University of Wyoming, the Wyoming Business Council, and the Wyoming Small Business Development Center.

Send Completed Survey To:
WWBC, PO Box 3661, Laramie, WY 82071
1. About how much time do you spend a week making your craft/product items?

________________________ Hours / Week

2. If a cooperative is formed, would you be willing to expand your production?

☐ Yes
☐ No
☐ Uncertain

3. If yes, would you need assistance in producing an increased number of your crafts/products?

☐ Yes
☐ No
☐ Uncertain

4. What craft or product items do you currently produce? Please list below.

________________________ (Primary product)

________________________

________________________

5. What materials do you work with? Please mark all that apply.

☐ Wood
☐ Fibers
☐ Natural Items (specify)
☐ Clay
☐ Gold or Silver
☐ Glass
☐ Leather
☐ Fabric
☐ Other Metals
☐ Food items (specify)
☐ Other (Specify)
13. What was the price range of the three most important items you produced?

<table>
<thead>
<tr>
<th>Item</th>
<th>Price Range</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$_________ to $_________</td>
</tr>
<tr>
<td></td>
<td>$_________ to $_________</td>
</tr>
<tr>
<td></td>
<td>$_________ to $_________</td>
</tr>
</tbody>
</table>

14. How do you currently market your craft/product? Please mark all that apply.

- Television Advertisements
- Newspaper Ads
- Radio
- Internet (company web page)
- Flyers
- Word of mouth
- Other (specify) ______________________
- I am currently not doing any marketing

15. Would you benefit from a combined marketing effort for Wyoming Made Products (via internet - web page, craft fairs/ trade shows / other sources) as provided through the proposed cooperative?

- Yes
- No

16. How long have you been in business or selling your craft/product?

____________________ Years in business

17. Where is your business currently located?

- Working out of your own home
- Renting/leasing space
- Purchased a building/location downtown (or in business district)
- Other (specify) ______________________

18. How many employees do you have? Include yourself.

____________________ Number of employees
24. In order for the cooperative to be able to obtain financing for operation, the bank generally requires respective members to invest between 20-50% of the initial capital needed to begin operations (purchase facilities etc.). Are you willing to make an initial investment in the cooperative in proportion to your projected use?

☐ Yes
☐ No

25. Per-unit retains are a method of supplying continuing equity capital to the cooperative. They are deducted from patrons' proceeds in proportion to the volume of products they market through the cooperative. Are you willing to finance the cooperative with per-unit retains?

☐ Yes
☐ No

26. If a marketing cooperative is developed and you would like us to contact you to apply for membership please provide your contact information below:

______________________________

______________________________

THANK YOU!
APPENDIX B

Graph 1 – Comparison of the Cost of Materials, Sales Volume, and Profit for Respondent Businesses
Graph 1: Comparison of the Cost of Materials, Sales Volume, and Profit for Respondent Businesses

- Cost of Materials
- Gross Sales
- Estimated Profit

Respondents