



COMPU Moor SOLUTIONS PROJECT



SCHOOL OF INFORMATION  
MANAGEMENT & SYSTEMS  
UNIVERSITY OF CALIFORNIA, BERKELEY

# Economic Feasibility Analysis

Patrick Riley  
InfoSys 208A  
Professor Yale Braunstein  
3.09.04



The following report represents an economic feasibility study for the proposed CompuMoor Solutions Project (CSP). Economic feasibility, for purposes of this analysis, will be defined as a comparative analysis of one potential scenario of anticipated costs of implementation of CompuMoor Solutions Project to the resulting revenues expected from said project.

## A. General Assumptions

### 1. Economic Feasibility Cash Flow

The economic feasibility cash flow has been created to identify the amount of discretionary resources available to fund the CompuMoor Solutions Project's online and paper troubleshooting services, future programs and events, and CSP staff salaries and administrative costs.

- a) The revenue sources identified for CSP include estimated one-time donations, potential Rossmoor HOA dues income, income from providing door-to-door advanced services and webpage referrals. No other funding sources have been identified or assumed for purposes of this EFS. A 2% inflationary increase has been assumed in the projection of the costs shown.
- b) Expenditures presented in Table 1 are restricted to the funding sources shown and annual expenditures in any given year may not exceed the amount of resources available. To the extent necessary, resources are carried forward into the subsequent year in order to ensure that adequate funding is available for future expenditures. A 2% inflationary increase has been assumed in the projection of the costs shown.



- c) It was assumed that the value of CSP is low enough that calculations for tax increments or gross tax increment revenue do not need to be made.
- d) It is further assumed that potential staff members of CSP would be U.C. Berkeley undergraduates who qualify for work-study funds. CSP would be responsible for paying for 60% of their salaries. This is accounted for in Employment costs.

## **B. Estimated Total Project Costs**

A determination of economic feasibility requires an identification of the potential costs associated with CSP. CSP could request significant participation from the parent organization, Rossmoor Retirement Community, in activities to promote and achieve the goals and objectives of the Plan and to address blighting conditions. The estimated total costs for the first year of CSP (2004-05) would be \$18,410.00. The significant part of that total cost comes from varied expenditures in the operations and administration of CSP. The first year, it is likely CSP would have higher computer equipment and software acquisition costs than the following year. However, we expect CSP to receive more requests for paid advanced services by residents, which will require higher costs of transportation, marketing, and employment costs. The estimated total costs for the second year of CSP (2005-06) would be \$23,715.00.

## **C. Estimated Total Earnings**

By estimating what CSP could effectively lobby from the Rossmoor Retirement Community, we calculate that a low figure for our share of HOA dues would be \$1 per resident or \$8,000 per year in revenue for CSP. We feel that our services would be seen as highly valuable for the majority of the Rossmoor population, and feel the community would potentially increase this amount in future years.



The majority of CSP's revenue could potentially come from the offering of an advanced, pay-per-visit, troubleshooting service that would charge a resident for advanced troubleshooting solutions. This is also why CSP would potentially need staff members, office supplies, computer equipment, marketing and other administrative costs.

There is also a potential source of funding from referring users of CSP's web services to other webpages such as Amazon.com, etc. who a % for every click-through purchase. Considering these offerings from online commerce companies have been offered consistently throughout the last five years, we assume such income will also be available in the future. We have projected a conservative \$75 income for the first year, and \$130 for the second year, when we anticipate higher CSP website traffic.

Lastly, we also anticipate the likelihood of one-time donations for the first few years of service, which we have estimated at \$500 for the first year and \$1000 the second.

#### **D. Risk Factors**

There are a few issues which may potentially skew our calculations for the economic feasibility study. First, costs may have been underestimated. (However, we did compare our costs to a comparable service's startup costs). Furthermore, although we hoped to exhaust the potential list of project costs, there will likely be items that we must purchase that we did not expect.

More importantly, we are heavily relying on the potential for Rossmoor to contribute part of their resident HOA fees to our services (at \$1 per resident per year). This is less than 10 cents a month, and we feel this is an underestimate of what we could potentially receive from the Rossmoor community. Further study should be done to find the optimal pricing of CSP services.



CSP is also heavily relying on income from advanced services requested by Rossmoor residents. Given that no market research has been performed as to how much service would be requested at varying monetary amounts, we had to estimate based on the percentage of the population that have computers.

Other potential risks to CSP could be project delay and lack of marketing effectiveness. Equipment failure, additional usability studies, delays content composing could all greatly delay the release of CSP and reduce the income of said services. We see little danger in staff resistance since there is currently no similar service available to Rossmoor residents from the community. There are, however, private services which charge Rossmoor residents, and such corporations may react to our services with a price-war or other tactics which are difficult to predict and that may greatly change our EFS conclusions.

## **E. Cost Benefits**

The Rossmoor residents, the users of the CSP system, are expected to appreciate the benefits immediately. An increase in efficiency, a lower duration of “down-time” due to increased troubleshooting ability, and a potential for new computer users are all benefits of the system. It would be difficult to place a contingent valuation on the value of saving time for residents who are in all likelihood retired, but we feel we could save at least 100 business hours total from all the residents who use CSP per month. There is also a value to having Rossmoor residents appreciate the freedom of having cost-free solutions in the form of paper or web interface, and the option of advanced services for a discounted fee over competitors’ services. There is also a value to reducing the amount of times residents need to contact outside family and friends for computer assistance. The proposed system will be designed for the elderly user in mind, so Rossmoor residents could use the system independently of outside help.

It is also expected that more efficient residents will want to learn more about their computers, in which case we could offer a free yearly event/conference to peek the interest of residents and also provide the potential for paid lessons at the comfort of their own homes.