



Business Development and Social Impact in Detroit

GLOBAL IMPACT ARTICLE SERIES

Many organizations create social impact through their actions, such as creating jobs, supporting local farmers, and supporting people from diverse backgrounds. However, one of the main challenges these organizations face is expanding in a sustainable manner. Recommendations for organizational leaders include ensuring that social impact increases as the business grows, carefully monitoring the quality of products or services, and identifying methods to reduce costs.

RECOVERYPARK FARMS

RecoveryPark (RP) is a non-profit organization based in Detroit that strives to create jobs for people with barriers to employment, such as parolees. One way RP does this is by supporting start-up businesses initiated by this population. The student team collaborated with RecoveryPark to develop a business and communication strategy for RP Farms, the first of a family of for-profit companies under the RP umbrella.

RP Farms grows produce in Detroit's abandoned neighborhoods, and supplies it to local restaurants. Growing food in these areas serves the dual purposes of providing jobs, while transforming a previously blighted neighbourhood.

REDUCING COSTS AS PRODUCTION INCREASES

Using data from RecoveryPark, academic research, and relevant business case studies, the project team tested assumptions and considered a sustainable approach to growing RP Farms' business. The project team proposed two main recommendations to scale RP Farms' operations:

1. Increase the growing season, grow speciality vegetables, and focus on producing vegetables that grow year-round. Similar organizations, like GrowingPower, produce lettuce and herbs throughout the year. Identifying and growing speciality herbs or vegetables desired by restaurants can distinguish RecoveryPark from other produce options.
2. Promote and market produce as locally grown, and thus preferable over mass produced options. The additional benefit to local communities is having access to fresh produce in areas where there are few, if any, options for fresh vegetables.

The team also recommended reducing per-unit costs as production increases to deliver produce at lower prices to customers. However, one of the main challenges for urban farms is that growth is limited by using small plots of land. Further, many small scale local producers have a narrow set of customers (e.g., high-end restaurants). Considering a wider set of customers, like grocery chains and schools, will likely provide increased opportunities for growth.

EFFICIENT DISTRIBUTION SYSTEM

In order to reduce costs, RecoveryPark needs to have an efficient distribution network. The project team noted that as production increases, distribution costs will likely rise steeply. For instance, increasing average delivery distance by 5 miles in Year 1 adds about \$2,000 in costs. However, a 5 mile increase in delivery distance in Year 5 would add over \$22,000 in total costs, due to other projected rising costs.



To reduce delivery costs, RP Farms may partner with other local producers to develop a cooperative distribution network. Other options include:

- Eliminate middle men, and supply directly to restaurants.
- Combine distribution from multiple farms in Detroit by having storage facilities in central locations for a wider distribution radius.
- Strengthen producer-consumer relationships to help expand business.

SUBSIDIES, TAX CREDITS & PRIVATE INVESTORS

Employing previously incarcerated individuals in Detroit creates lasting social impact. Individuals released from prison often identify employment as the most important factor that helps them stay away from crime. Therefore, the project team recommended that RecoveryPark take advantage of policies to reduce costs and earn tax credits, such as:

- Michigan Prisoner Re-entry Initiative subsidizes businesses employing newly released offenders.
- Federal Work Opportunity Tax Credits Program to reduce labor costs.
- Michigan's program matching private investors to support businesses creating a social impact.

EXPANDING MARKETS

Currently, RP Farms is targeting high-end restaurants that are able to sustain higher costs of premium quality locally-grown produce for discerning customers. However, in order to grow their market, it is wise for RP Farms to consider other market segments as well. With an efficient distribution system and strong local partnerships, RP Farms is well-positioned to expand their business to local schools and hospitals, improving public health in the process.

Many residential areas in Detroit do not have access to fresh produce at reasonable prices. Thus, readily available and cheap processed foods are the norm. The low quality of these foods (e.g., high sodium, high fat, and little nutritional value) affects the health of residents and can be harmful to quality of life.

SUPPORT SERVICES

RP Farms expects to employ 12 associates with barriers to employment (e.g., parolees) within the first 5 years. Along with employment, it is important to consider other support services, such as access to mental health, substance abuse counseling and affordable housing. The project team recommended choosing a target neighborhood to locate all support services. Also, partnering with formal and informal community organizations to provide a wide range of support services will help stabilize struggling neighbourhoods.

NEW TECHNOLOGY

By using mobile technology, emerging markets are well positioned to deliver a significant portion of the world's agriculture produce and make farming more efficient. Food buyers, exporters, farmers and other stakeholders will likely benefit from using a mobile network. An organized and connected system allows for more efficient and effective farming methods and provides information about problems to reduce risks to farmers and consumers.

SUPPORT

Made possible by The Dow Chemical Company, the Dow Sustainability Fellows Program at the University of Michigan supports full-time graduate students and postdoctoral scholars at the university who are committed to finding interdisciplinary, actionable, and meaningful sustainability solutions on local-to-global scales. The program prepares future sustainability leaders to make a positive difference in organizations worldwide.



PROJECT PARTNERS

University of Michigan and RecoveryPark Detroit

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READ MORE

- Full Project Report: Recovery Park, Sustaining Detroit, 2014, University of Michigan Dow Sustainability Fellows Program
- Dow Masters and Professional Fellowship Project Reports
- Recovery Park Farms