

Feasibility Study

A study to analyze and evaluate your business idea:

- Describing the information required to make your decision
- Determining whether your idea is viable and potentially profitable
- Discovering and considering alternative approaches and solutions

After completing this study you should be prepared to write your business plan. It should be written by you, and not adapted from a form or a template in language and terminology you can relate to. The plan should adequately describe your idea...but what is most important is that it should be in “YOUR OWN VOICE.” This document will then become your road map and direction finder for your journey ahead! Following are some subjects you will want to consider – you probably have already thought about some – or all – of them... but perhaps not!

1. THE BUSINESS IDEA

How would you describe your business idea? What is it – will it work – how will it be different from existing competitors, and what market will be your target? Can you put your idea on paper? It is not enough simply to say “a service business” or “a coffee shop.” Paint a picture of your business idea so clearly that anyone reading your description will know exactly what you are talking about. After putting your business idea on paper, discuss it with others and revise it as you obtain additional information and ideas.

2. PROFILES – KEY PEOPLE

It is not enough to have a good idea – you will need people who are capable of implementing your plan. Who are they? You, your family, partners, and potential employees, these are the people upon whom your business will rely. What are your and their job skills and strengths? Will their background benefit or hinder your idea? Create a one page resume for each key person – not merely a job history, but a portrait of each of them, showing their applicable and appropriate strengths, skills, experience, training and qualifications. It will show you, and your potential lenders, suppliers, partners, and agents, the operational and management strengths of you and your team. You will also be able to identify any missing skills.

3. PERSONAL OBJECTIVES

Why do you want to go into business? The answer, hopefully, will be to make money! Remember, business is principally a means of allowing people to achieve things they want in their private lives – a home, cars, holidays and a comfortable lifestyle. You need to set personal objectives. Do you know what you want in your private life? Consider Short term – up to one year; Medium term – one to three years; Long term – greater than three years. You should first determine these personal desires to be able to avoid potential conflicts between your private and business lives.

4. THE MARKET

Customers: You cannot sell to everyone, so who are your potential customers? Make a list of your market segments or target groups. What knowledge do you have of them, how many of them are there, what could the customers in these areas buy, how often, what could you expect their average purchase to be?

Products & Services: Create a list showing the products and services you plan to offer and look at how long it will take to produce or procure them. Determine how much it will cost to buy or produce, then decide upon and initial pricing structure.

Suppliers: Prepare a list of preferred and alternative suppliers showing products, services, and prices. Collect catalogues from these vendors and their competitors to assist you in this research.

Competition: List your competitors and show their apparent strengths and their weaknesses. For each main competitor, in your opinion, list two of their strong points and two weak points. You need to understand why they will be competition to your proposed business. What can you learn from them and how might you attract customers. Price alone will, and should not, be the answer.

Map: Using a map, define your proposed market area, your proposed location and the location of your competitors, suppliers, and any other demographic information that your research has discovered.

5. YOUR BUSINESS OVERVIEW

Location: Identify your business site. Will it be rented/leased, owned or home based? Why did you select this location and what are the advantages and disadvantages of this location?

Floor Plan: Draw up a proposed site plan. Sketch the floor plan, identify the furnishings and equipment and, for comparison, try several alternative plans.

Additional considerations:

- Identify the assets you require
- Place a value on each asset
- Identify resources you will be bringing to the business
- Identify your financial requirements
- Staffing – Do you need a staff and why? Who will do the banking, buying, open and close the business each day and allow you to take holidays and well-earned vacations?
 - ✓ What will their duties be?
 - ✓ What will it cost in salaries and benefits?
 - ✓ What training will be required for them?
 - ✓ What alternatives are there – contract labor, outsourcing?

6. LEGAL CHECKLIST

What assistance do you need – what will this advice cost? Who will check your contracts, agreements, leases, etc? An accountant will help sort out your numbers and keep you on a (hopefully) profitable fiscal course.

Business License Information: Check with your city, county and state to be certain you have all the proper licenses and permits. If you are a corporation, you will need an attorney and an accountant.

Insurance: Compulsory insurances include Workers' Compensation, Professional Liability, Product Liability, General Liability, etc. List what you feel you need and consider the potential cost for this.

7. WORKING CAPITAL

When calculating how much working capital you need, you should prepare at least six months. You will need to consider lower sales than you initially projected, having to extend credit, over-buying and overheads higher than anticipated... and for some unexpected surprises.

....TIME FOR A COMMERCIAL INTERRUPTION....

Your answers, based upon the recommendations covered in this study, regarding the viability of setting your business idea into practice should be honest, short and direct. They should not simply “yes” or “no”. Objectively they should be “Yes, if...” or, “No, unless...” and you should be able to use the results of this feasibility study to help answer the question: “WILL THIS BUSINESS IDEA WORK FOR ME?”

8. SOURCES OF HELP

In preparing to write your Business Plan, go to others for help and information. Don't try to do it all on your own. There are many resources available, and here are some:

Accountants and Attorneys can advise you on the financial issues, help you with your feasibility study and selection of an appropriate legal structure, assist in determining your financial requirements, locate sourcing options, file for permits, make applications and check the books if you are buying an existing business. They will also help you with contracts, leases and offer legal representation if this becomes necessary.

Business Advisers and Consultants will provide advice, counseling, negotiations and training. Here are a few sources:

Government Organizations

Small Business Administration (www.sba.gov)

SCORE Counselors (www.scorela.org or www.score.org)

Trade Associations will provide membership and support, group synergy, training, advice, research, industrial relations expertise, and networking.

Potential Suppliers will provide information, back-up, promotional support

Local Chambers of Commerce

9. SOURCES OF INFORMATION IN ADDITION TO YOUR RESEARCH

Internet search engines such as www.google.com will lead you to publications and directories.

Competitors: Check your competition, their customers, location, layout and advertising. This can be a great source of ideas. You will see what you believe they are doing right and wrong.

REMEMBER, an amazing amount of information is available on the internet and from many other sources. Much of this information will be available at no cost.

FINALLY

Don't confuse efforts with results! Identify your goals and be certain that all your efforts are clearly focused on reaching them.

There is an old saying that is the reason for going through this study: "He was very good at what he did, but what he did was not very good!"

Be sure that your "Great American Idea" is going to be worthwhile and potentially profitable!