

# Feasibility Study

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## Section 1: introduction to feasibility study

- Learning objectives :

- 1. Determine the economical meaning of feasibility study.**
- 2. Important of Feasibility Studies.**
- 3. The Components of a Feasibility Study**
- 4. Reasons Given Not to Do a Feasibility Study**
- 5. Reasons to Do a Feasibility Study**
- 6. Pre-Feasibility Study**

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## Definition of Feasibility Studies:

- As the name implies, a feasibility study is an analysis of the viability of an idea.
- The feasibility study focuses on helping answer the essential question of “should we proceed with the proposed project idea?”
- All activities of the study are directed toward helping answer this question.

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## Definition...

- Before you begin writing your business plan you need to identify how, where, and to whom you intend to sell a service or product.
- You also need to assess your competition and figure out how much money you need to start your business and keep it running until it is established.
- Feasibility studies address things like where and how the business will operate.
- They provide in-depth details about the business to determine if and how it can succeed, and serve as a valuable tool for developing a winning business plan.

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## Important of Feasibility Studies

- List in detail all the things you need to make the business work;
- Identify logistical and other business-related problems and solutions;
- Develop marketing strategies to convince a bank or investor that your business is worth considering as an investment; and

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## Importance ....

- Even if you have a great business idea you still have to find a cost-effective way to market and sell your products and services.
- This is especially important for store-front retail businesses where location could make or break your business.

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## Importance....

- A lease may limit business hours/days, parking spaces, restrict the product or service you can offer, and in some cases, even limit the number of customers a business can receive each day.

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## The Components of a Feasibility Study

- Market Feasibility:
- Technical Feasibility:
- Financial Feasibility:
- Organizational Feasibility:

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## Part 1 : **The Components of a Feasibility Study**

- **Market Feasibility:** Includes a description of the industry, current market, anticipated future market potential, competition, sales projections, potential buyers, etc.

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## **Questions of Market feasibility ...**

- What type of industry is the decision maker planning to enter?
- What are its primary features?
- What are the possible target markets for the decision maker 's product?
- What demographic characteristics do they possess?
- How large are these markets?
- Where are they located?
- Is the market expected to grow in the future?
- Will the decision maker be competing in a mature industry or a growth industry?

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## Part 2 : **The Components of a Feasibility Study**

- **Technical Feasibility:** Details how you will deliver a product or service (i.e., materials, labor, transportation, where your business will be located, technology needed, etc.).

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## Importance of technical feasibility

- What type of equipment and technology will the business need to produce its product?
- What are the costs involved? This includes both the initial purchase and installation costs of the equipment as well as the operational costs of running the equipment.
- Who are the potential suppliers of this equipment?
- Where are they located?
- What sort of service and warranties do they provide?
- How long will it take to acquire the equipment and begin operations?
- Based on its projected business volume, how much raw product will be required by the decision maker?
- What are the quality specifications?

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### Part 3 : **The Components of a Feasibility Study**

- **Financial Feasibility:** Projects how much start-up capital is needed, sources of capital, returns on investment, etc.

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### Questions of financial feasibility:

- What are the total start-up costs required in order to begin operations?
- For instance, what are the capital costs of the land, plant and equipment, and other start-up costs such as legal and accounting costs?
- What are the operating costs involved? These include the daily costs involved in running the business, such as wages, rent, utilities, and interest payments on outstanding debt.

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#### Part 4 : **The Components of a Feasibility Study**

- **Organizational Feasibility:** Defines the legal and corporate structure of the business
- (may also include professional background information about the founders and what skills they can contribute to the business).

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#### Part 5 : **The Components of a Feasibility Study**

- **Conclusions:** Discusses how the business can succeed.
- Be honest in your assessment because investors won't just look at your conclusions they will also look at the data and will question your conclusions if they are unrealistic.

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## Conclusions...

- The conclusions of the feasibility study should outline in depth the various alternatives examined and the implications and strengths and weaknesses of each.
- The project leaders need to study the feasibility study and challenge its underlying assumptions.

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## Summary:

- Feasibility studies contain comprehensive, detailed information about your business structure, your products and services, the market, logistics of how you will actually deliver a product or service, the resources you need to make the business run efficiently, as well as other information about the business.

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## **Continue : Reasons Given Not to Do a Feasibility Study...**

- We know it's feasible. An existing business is already doing it.
- Why do another feasibility study when one was done just a few years ago?
- Feasibility studies are just a way for consultants to make money.
- The feasibility analysis has already been done by the business that is going to sell us the equipment.
- Why not just hire a general manager who can do the study?

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## **Reasons to Do a Feasibility Study**

- Conducting a feasibility study is a good business practice.
- If you examine successful businesses, you will find that they did not go into a new business venture without first thoroughly examining all of the issues and assessing the probability of business success.

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## **Continue : Reasons to Do a Feasibility Study**

- Gives focus to the project and outline alternatives
- Narrows business alternatives
- Surfaces new opportunities through the investigative process
- Identifies reasons not to proceed
- Enhances the probability of success by addressing and mitigating factors early on that could affect the project
- Provides quality information for decision making
- Helps to increase investment in the company
- Provides documentation that the business venture was thoroughly investigated
- Helps in securing funding from lending institutions and other sources

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## **Continue : Reasons to Do a Feasibility Study**

- The feasibility study is a critical step in the business assessment process. If properly conducted, it may be the best investment you ever made.

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