

# Full Feasibility Analysis

From “Preparing Effective Business Plans” by Bruce R. Barringer

Note: All fields can be expanded to provide additional space to respond to the questions. A copy of this template, along with each of the assessment tools, is also available in PDF format at the authors’ Web site at [www.prenhall.com/entrepreneurship](http://www.prenhall.com/entrepreneurship).

## Introduction

- A. Name of the proposed business
- B. Name of the founder (or founders)
- C. One paragraph summary of the business

## Part 1: Product/Service Feasibility

### *Issues Addressed in This Part*

- A. Product/service desirability
- B. Product/service demand

### *Assessment Tools*

#### Concept Statement Test

- Write a concept statement for your product/service idea. Show the concept statement to 5 to 10 people. Select people who will give you informed and candid feedback.
- Attached a blank sheet to the concept statement, and ask the people who read the statement to (1) tell you three things they like about your product/service idea, (2) provide three suggestions for making it better, (3) tell you whether they think the product or service idea is feasible (or will be successful), and (4) share any additional comments or suggestions.
- Summarize the information you obtain from the concept statement into the following three categories:
  - \* Strengths of the product or service idea—things people who evaluated your product or service concept said they “liked” about the idea
  - \* Suggestions for strengthening the idea—suggestions made by people for strengthening or improving the idea
  - \* Overall feasibility of the product or service concept—report the number of people who think the idea is feasible, the number of people who think it isn’t feasible, and any additional comments that were made
  - \* Other comments and suggestions

## Buying Intentions Survey

- Distribute the concept statement to 15 to 30 prospective customers (do not include any of the people who completed the concept statement test) with the following buying intentions survey attached. Ask each participant to read the concept statement and complete the buying intentions survey. Record the number of people who participated in the survey and the results of the survey here.
- Along with the raw data recorded here, report the percentage of the total number of people you surveyed that said they would probably buy or definitely would buy your product or service if offered. This percentage is the most important figure in gauging potential customer interest.
- One caveat is that people who say that they intend to purchase a product do not always follow through, so the numbers resulting from this activity are almost always optimistic. Still, the numbers provide you with a preliminary indication of how your most likely customers will respond to your potential product or service offering.

How likely would you be to buy the product or service described above?

- \_\_\_\_\_ Definitely would buy
- \_\_\_\_\_ Probably would buy
- \_\_\_\_\_ Might or might not buy
- \_\_\_\_\_ Probably would not buy
- \_\_\_\_\_ Definitely would not buy

Additional questions may be added to the buying intentions survey.

**Conclusion** (expand fields and report findings, in discussion form, for each area)

- A. Product/service desirability
- B. Product/service demand
- C. Product/service feasibility (circle the correct response)  
*Not Feasible*                                  *Unsure*                                  *Feasible*
- D. Suggestions for improving product/service feasibility.

## Part 2: Industry/Market Feasibility

### *Issues Addressed in This Part*

- A. Industry attractiveness
- B. Target market attractiveness
- C. Timeliness of entry into the target market

### *Assessment Tools*

#### **Industry Attractiveness**

- To the extent possible, assess the industry at the five-digit NAICS code level your potential business will be entering. Use a broader industry category (less NCICS digits) if appropriate (<http://www.census.gov/epcd/www/naicstab.htm>).
- Assess the attractiveness of the industry the potential business plans to enter on each of the following dimensions.

### Industry Attractiveness Assessment Tool

(used to assess the broad industry, rather than the specific target market, you plan to enter)

		Low Potential	Moderate Potential	High Potential
1.	Number of competitors	Many	Few	None
2.	Age of industry	Old	Middle aged	Young
3.	Growth rate of industry	Little or no growth	Moderate growth	Strong growth
4.	Average net income for firms in the industry	Low	Medium	High
5.	Degree of industry concentration	Concentrated	Neither concentrated nor fragmented	Fragmented
6.	Stage of industry life cycle	Maturity phase or decline phase	Growth phase	Emergence phase
7.	Importance of industry's products and/or services to customers	"Ambivalent"	"Would like to have"	"Must have"
8.	Extent to which business and environmental trends are moving in favor of the industry	Low	Medium	High
9.	Number of exciting new product and services emerging from the industry	Low	Medium	High
10.	Long-term prospects	Weak	Neutral	Strong

### Target Market Attractiveness

- Identify the portion or specific market within your broader industry that you plan to target.
- Assess the attractiveness of the target market on each of the following dimensions.

### Target Market Attractiveness Assessment Tool

(used to assess the specific target market, rather than the broader industry, you plan to enter)

		Low Potential	Moderate Potential	High Potential
1.	Number of competitors in target market	Many	Few	None
2.	Growth rate of firms in the target market	Little to no growth	Slow growth	Rapid growth
3.	Average net income for firms in the target market	Low	Medium	High

		Low Potential	Moderate Potential	High Potential
4.	Methods for generating revenue in the industry	Unclear	Somewhat clear	Clear
5.	Ability to create “barriers to entry” for potential competitors	Unable to create	May or may not be able to create	Can create
6.	Degree to which customers feel satisfied by the current offerings in the target market	Satisfied	Neither satisfied or dissatisfied	Unsatisfied
7.	Potential to employ low cost guerrilla and/or buzz marketing techniques to promote the firm’s product or services	Low	Moderate	High
8.	Excitement surrounding new product/service offerings in the target market	Low	Medium	High

### Market Timeliness

- Determine the extent to which the “window of opportunity” for the proposed business is open or closed based on the following criteria.
- Determine the timeliness of entering a specific target market based on other criteria.

### Market Timeliness Assessment Tool

		Low Potential	Moderate Potential	High Potential
1.	Buying mood of customers	Customers are not in a buying mood	Customers are in a moderate buying mood	Customers are in an aggressive buying mood
2.	Momentum of the market	Stable to losing momentum	Slowly gaining momentum	Rapidly gaining momentum
3.	Need for a new firm in the market with your offerings or geographic location	Low	Moderate	High
4.	Extent to which business and environmental trends are moving in favor of the target market	Low	Medium	High
5.	Recent or planned entrance of large firms into the market	Large firms entering the market	Rumors that large firms may be entering the market	No larger firms entered the market or are rumored to be entering the market

**Conclusion** (expand fields and report findings, in discussion form, for each area)

- A. Industry attractiveness
- B. Target market attractiveness
- C. Market timeliness
- D. Industry/market feasibility (circle the correct response)  
*Not Feasible*                                  *Unsure*                                  *Feasible*
- E. Suggestions for improving industry/market feasibility.

**Part 3: Organizational Feasibility**

***Issues Addressed in This Part***

- A. Management prowess
- B. Resource sufficiency

***Assessment Tools***

**Management Prowess**

- Use the following table to candidly and objectively rate the “prowess” of the founder or group of founders who will be starting the proposed venture.

**Management Prowess Assessment Tool**

	Low Potential	Moderate Potential	High Potential
1. Passion for the business idea	Low	Moderate	High
2. Relevant industry experience	None	Moderate	Extensive
3. Prior entrepreneurial experience	None	Moderate	Extensive
4. Depth of professional and social networks	Weak	Moderate	Strong
5. Creativity among management team members	Low	Moderate	High
6. Experience and expertise in cash flow management	None	Moderate	High
7. College graduate	No college education	Some college education but not currently in college	Graduated or are currently in college

**Resource Sufficiency**

- The focus in this section is on nonfinancial resources. Use the following table to rate your “resource sufficiency” in each category.
- The list of resources is not meant to be exhaustive. A list of the 6 to 12 most critical nonfinancial resources for your proposed business is sufficient.

An explanation of the rating system used in the first portion of the table is as follows:

- 1 Available
- 2 Likely to be available: will probably be available and will be within my budget
- 3 Unlikely to be available: will probably be hard to find or gain access to, and may exceed my budget
- 4 Unavailable
- 5 NA: not applicable for my business

**Resource Sufficiency Assessment Tool**

Ratings	Resource Sufficiency
1 2 3 4 5	Office space
1 2 3 4 5	Lab space, manufacturing space, or space to launch a service business
1 2 3 4 5	Contract manufacturers or outsource providers
1 2 3 4 5	Key management employees (now and in the future)
1 2 3 4 5	Key support personnel (now and in the future)
1 2 3 4 5	Key equipment needed to operate the business (computers, machinery, delivery vehicles)
1 2 3 4 5	Ability to obtain intellectual property protection on key aspects of the business
1 2 3 4 5	Support of local and state government if applicable for business launch
1 2 3 4 5	Ability to form favorable business partnerships
Ratings: Strong, Neutral, or Weak	
	Proximity to similar firms (for the purpose of knowledge sharing)
	Proximity to suppliers
	Proximity to customers
	Proximity to a major research university (if applicable)



<i>Operating Expenses</i>	<i>Amount</i>
Legal, accounting, and professional services	_____
Advertising and promotions	_____
Deposits for utilities	_____
Licenses and permits	_____
Prepaid insurance	_____
Lease payments	_____
Salary and wages	_____
Payroll taxes	_____
Travel	_____
Signs	_____
Tools and supplies	_____
Starting inventory	_____
Cash (working capital)	_____
Other expense 1	_____
Other expense 2	_____
Total Startup Cash Needed =	_____

**Comparison of the Financial Performance of Proposed Venture to Similar Firms**

- Use the following tables to compare the proposed new venture to similar firms in regard to annual sales (Year 1 and Year 2) and profitability (Year 1 and Year 2).

**Comparison of the Financial Performance of Proposed Venture to Similar Firms Assessment Tool**

**Annual Sales**

Estimate of Proposed Venture's Annual Sales—Year 1	Explanation of How the Estimate Was Computed
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Estimate of Year 1 Sales \_\_\_\_\_

Summary: How proposed annual sales, on average, compares to similar firms (circle one)

Below Average    Average    Above Average

Estimate of Year 2 Sales \_\_\_\_\_

Summary: How proposed annual sales, on average, compares to similar firms (circle one)

Below Average    Average    Above Average



## Net Income

Estimate of Proposed Venture's Net Income—Year 1	Explanation of How the Estimate was Computed
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Estimate of Year 1 Net Income \_\_\_\_\_

Summary: How proposed net income, on average, compares to similar firms (circle one)

Below Average      Average      Above Average

Estimate of Year 2 Net Income \_\_\_\_\_

Summary: How proposed net income, on average, compares to similar firms (circle one)

Below Average      Average      Above Average

### Overall Financial Attractiveness of the Proposed Venture

- The following factors are important in regard to the overall financial attractiveness of the proposed business.
- Assess the strength of each factor in the following table.

### Overall Financial Attractiveness of Proposed Venture Assessment Tool

	Low Potential	Moderate Potential	High Potential
1. Steady and rapid growth in sales during the first one to three years in a clearly defined target market	Unlikely	Moderately likely	Highly likely
2. High percentage of recurring income—meaning that once you win a client, the client will provide recurring sources of revenue	Low	Moderate	Strong
3. Ability to forecast income and expenses with a reasonable degree of certainty	Weak	Moderate	Strong
4. Likelihood that internally generated funds will be available within two years to finance growth	Unlikely	Moderately likely	Highly likely
5. Availability of exit opportunity for investor if applicable	Unlikely to be unavailable	May be available	Likely to be available

**Conclusion** (report finding for each area)

- A. Total startup cash needed
- B. Financial performance of similar businesses
- C. Financial feasibility (circle the correct response)  
       *Not Feasible*    *Unsure*    *Feasible*
- D. Suggestions for improving financial feasibility

**Overall Feasibility: Summary and Conclusion**

	Overall Feasibility of the Business Idea Based on Each Part	Suggestions for Improving the Feasibility
Product/Market Feasibility	Not feasible	<input type="checkbox"/>
	Unsure	<input type="checkbox"/>
	Feasible	<input type="checkbox"/>
Industry/Market Feasibility	Not feasible	<input type="checkbox"/>
	Unsure	<input type="checkbox"/>
	Feasible	<input type="checkbox"/>
Organizational Feasibility	Not feasible	<input type="checkbox"/>
	Unsure	<input type="checkbox"/>
	Feasible	<input type="checkbox"/>
Financial Feasibility	Not feasible	<input type="checkbox"/>
	Unsure	<input type="checkbox"/>
	Feasible	<input type="checkbox"/>
Overall Assessment	Not feasible	<input type="checkbox"/>
	Unsure	<input type="checkbox"/>
	Feasible	<input type="checkbox"/>

**Conclusion**—briefly summarize your justification for your overall assessment.