

GUIDELINES ON FEASIBILITY STUDY PREPARATION

FEASIBILITY STUDY GUIDELINES

1. Title Page

2. Table of Contents

3. Executive Summary

This is the summarised version of the feasibility study. It must adequately cover the major points of the feasibility study on one or two pages.

4. Introduction

- Justification
- Study objective
- Scope of study

5. Product/Service Description

Describe your product/service here

6. The Promoter

- Name
- Address
- Telephone number/Email address
- Qualifications
- Work history and background in brief
- Status of promoter – whether company, or individual
- More detailed information on qualifications and career history can be included in the appendices.

7. Market Assessment

In this section you provide an assessment of the market demand for your product or service. The analysis reveals who will buy how much of your product and what they are willing to pay for it. It consists of identifying your markets, determining market factors that create demand for your product, and forecasting the potential demand for your product. It should identify opportunities or threats facing the proposed business. Describe the market research technique that you used to find answers to the questions below. The techniques can include telephone surveys, personal interviews, sales figures on existing products, statistical and published information in your target area, informed opinion of knowledgeable people and test marketing.

Questions to answer in the market assessment

- What is the size of the market?
- What is the sales volume?
- What is the production volume?

- Who is buying the product or service i.e. who is your target market?
- How many customers are there? Who are they?
- Where are they currently buying the product or service?
- Are the customers satisfied?
- How is your market segmented currently?
- What are the major trends affecting your market?
- What is the growth rate of the market?
- What would the buyers like to see changed about the products they are now buying?
- What are the market trends for your product?
- How is your target group changing?
- Are other groups starting to use your product?
- How do factors such as age, gender, family income, brand loyalty, lifestyle, etc. affect your product?
- How do customers view warranties and packaging of the products? What is the price structure on your product?
- How has the price changed in the last year? Last five years?
- What determines price on your product – quality, size, demand, tourist trade?
- What promotional methods are most effective in reaching your target customers?
- What is your conclusion about your expected market share?
- Are there any legal, environmental or economic factors, which may impact on the business?

8. Competition Analysis

- Who are your major competitors?
- What are the major strengths of each?
- What are the major weaknesses of each?
- What are their production capabilities?
- Are you familiar with the following factors concerning your competitors:
- Price structure?
- Product lines (quality, breadth, width)?
- Location?
- Promotional activities?
- Sources of supply?
- Image from a consumer's viewpoint?
- Do you know of any new competitors?
- Do you know of any competitor's plans for expansion?
- Have any firms of your type gone out of business lately?
- If so, why?
- Do you know the sales and market share of each competitor?
- Do you know whether the sales and market share of each competitor are increasing, decreasing, or stable?
- Do you know the profit levels of each competitor?
- Are your competitors' profits increasing, decreasing, or stable?

- Can you compete with your competition?

9. Marketing Strategy

Note: Depending on the outcome of the feasibility study your business plan will include a detailed marketing strategy. For the feasibility study a briefer outline of your strategy will suffice.

- How will the market be accessed? What distribution methods will you use?
- What is the competitive advantage of your product or the benefits of your product in relation to the competition?
- What will attract customers to your product?
- How is your product differentiated from the competition?
- What pricing methods will you probably use?
- What promotional methods will you use (i.e. tradeshow, advertising, etc.)?
- Outline any commitments you have received from customers already.
- Outline export potential if any.

10. Technical or Production Analysis

This portion should be based on verifiable data and contain sufficient information and analysis so that a determination may be made on the technical feasibility of achieving the levels of income or production that are projected in the financial statements.

Depending on your particular business idea it may include the following considerations:

- Determine the suitability of the production site including site environmental impact analysis (provided by architect, engineer or person with the necessary expertise to make the determination).
- Does the site have the desired characteristics and available utilities and transportation facilities, etc.?
- What are the technology needs for the proposed business?
- What are the equipment/resource requirements?
- When and where can the technology/equipment be obtained?
- What does the technology or equipment cost?
- What are the production costs (to be included in the finance section).
- Will the technology achieve the intended production levels?
- What will the production process be?
- What are the product storage requirements etc.?
- Is there availability of local labour?
- Are there any legal or environmental factors or other developments which may impact on the business?

11. Prototype or sample product

If you need to develop a sample product or prototype as part of the feasibility a description should be given here.

12. Management Capability

Describe the requirements for the management positions and responsibilities for those personnel.

Describe the skills/expertise you will need to bring to the business.

Describe existing capabilities within the business (related to qualifications and experience of promoter).

13. Financial Analysis

Include preliminary financial projections (with a clear understanding of assumptions) and an estimation of all variable and fixed (overhead) costs will be necessary to estimate the profitability of the proposed venture. The accuracy of your revenue projections and costs will be dependent on the reliability of the marketing predictions and production information.

Important considerations to determine profitability include:

- Are you sure that you have considered all costs, variable and fixed, that should be allocated to the new enterprise?
- Do you have enough information to prepare projected statements for the next three or more years i.e. cash flow forecast, profit and loss, balance sheet?
- Have you done a “sensitivity” analysis to predict the impact that possible variations in costs and revenues will have on profitability?
- When will the enterprise reach the break-even point?
- When will the business become profitable?
- Is there enough profit to allow for growth of the business?

14. Required Financing

Required funding to enter this market and feasibility of raising capital (if necessary).

15. Economic Impact

Show the potential economic impact of the proposed venture e.g. job creation, salaries of employees, sourcing local suppliers, etc.

Limits and constraints.

16. Conclusions and Recommendations

A suggestion as to the feasibility of the project.

17. Appendices

Include any supporting documentation including references here.