“Inside our TRIBE PLATFORM, every endeavor, such as curating an art show, requires a tribe wherein you do three things - segment into groups, accomplish a set of tasks, and report those tasks back to the tribe. After reading this document, return back to http://www.ratscoworking.com and click the **register** link (in the footer) to begin using our BEST control panel to manage your tribe efficiently. Starting a tribe in our system is free for 30 days.

# 9 Steps to Conducting a Feasibility Study

A feasibility study looks at the viability of a business venture or project with an emphasis on identifying potential problems. The study attempts to answer two main questions: Will the proposed business venture or project work, and should you proceed with it?

There are feasibility studies applied to the business as a whole and to various composites of a business or project. For instance, all businesses can critically examine the actions they take, whether the business is just starting out or has been in operation for a while. Establishing the viability of an idea or action can ultimately determine whether a business succeeds or not. The best tool for determining this is by conducting a feasibility study.

The initial designing stage of a task or a project that brings together all the elements of knowledge and estimate the level of expertise needed for it is conducted via a feasibility study.

It also offers a quantitative and qualitative assessment of other vital resources, timetable, cost estimate, and identification of critical points.

This information is extracted and combined from different resources including:

http://www.marketing91.com

# Step 1: Study your Feasibility Study

Image from www.marketing91.com/feasibility-study/

While feasibility studies are typically conducted by business organizations, other organizations can naturally benefit from it as well. Since the study aims to discover whether an action is viable, it can help organizations to avoid costly or operationally exhausting ventures.

### When should a feasibility study be used?

The study is typically used in situations where an important strategic decision needs to be taken. This can vary and some of the example situations include:

- *Change in business location*
- *Purchase of new equipment or software*
- *Acquisition of another company*
- *Hiring of additional employees*

### Why are Feasibility Studies So Important?

The information you gather and present in your feasibility study will help you identify all the things you need to make the business work, pinpoint logistical and other business-related problems and solutions, develop marketing strategies to convince a bank or investor that your business is worth investing in, and serve as a solid foundation for developing a plan for startup.

## What are some Types or Forms of a Feasibility Study?

### #1 Technical feasibility


The first element deals with technical feasibility of the proposed action plan. If your organization is introducing a new product or a service, the technical feasibility study will determine if it's a technically viable action.

Secondly, the technical feasibility assessment is about the outline design and the ability to handle the technical expertise of the project. It measures the particular technical solution and then files its report giving details of:

- The economic and human factor
- Possible solutions to the problems
- The specific part of a problem that is being evaluated
- Brief description of the problem or its composites for more assessment.

Thirdly, this part of the feasibility study should **answer the following questions**:

- *What is the proposed product or service?*
- *Is the product or service already on sale? If not, how far is it from an existing marketplace and what will the introduction cost?*
- *How can you protect the product or service from the competition?*
- *What are the strengths of the product or service?*
- *What are the main benefits to customers or users?*
- *What resources are required for producing or providing it?*
- *How capable is the organization to acquire these resources?*
- *What are the regulatory standards surrounding the product or service and its use?*

Remember the above questions can be used when you are introducing a new product or launching a business, but also if you are implementing a new product or service within your organization. For instance, if you are introducing new software, you must understand the strengths of it, as well as the resources required for implementing it.

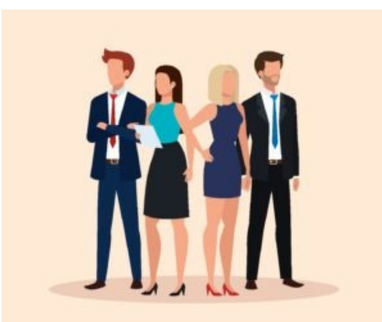
## #2 Legal feasibility

The feasibility study determines whether the proposed system conflicts with legal requirements and ethical considerations or not.

## #3 Time feasibility

A time feasibility study takes into account the period needed to complete the project. It is a measure of the reasonability of a project and thus determines whether the deadline is desirable or mandatory or not.

## #4 Resource feasibility



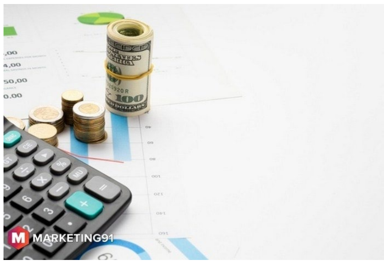
A resource feasibility study measures whether you have required resources and the facilities to build and complete the new project and whether it will interfere with the present business operations.

## #5 Operational feasibility


The operational feasibility study determines how the proposed system will solve any problem and take advantage of the identified opportunities.

It puts its focus on how the proposed development fits with the objectives and environment of the business regarding existing processes, corporate culture, delivery date, and development schedule.

## #6 Financial feasibility




The second element focuses on testing the market for the proposed action or idea. It examines issues like whether the product or service can be sold at reasonable prices or if there's a marketplace for it.

Market feasibility should **answer the following questions**:

- *What market segments are you targeting?*
- *Why would people buy the product or service?*
- *Who are the potential customers and how many of them are there?*
- *What are the buying patterns of these potential customers?*
- *How will you sell the product or service? Where?*
- *Who are your competitors? Including past, current and future competitors.*
- *What are the strengths and weaknesses of your competitors?*
- *What is your product or service's competitive edge?*

The above essentially points out to the importance of conducting market research as part of your feasibility study. Market feasibility is an important part of a feasibility study when the plan of action deals with issues such as business expansion, new product or service launch, product development and starting up a business.

## #7 Commercial feasibility

Commercial feasibility is an element of the study focused on the probability of commercial success. It's mainly focused on studying the new business or a new product or service, and whether your organization can create enough profit with it.

The questions that require answering as part of the **commercial feasibility study** include:

- *What are the strengths and weaknesses of your business?*
- *What are the potential sales volumes of the product or service?*
- *What is the pricing structure you'll use?*
- *What are the sensitivity points for your business in terms of sales?*
- *What is the ROI?*

Furthermore, if you are conducting a feasibility study as part of **launching a business or project or several of their composites**, you also need to answer the following questions:

- How long can your business survive without a sale?
- How long before you break even with the product or service?
- How much money is required to start operating?
- Will your organization require external finance?
- Is this plan technically feasible?
- Is this plan legal?
- Is this plan operationally feasible?
- Is this plan feasible within a reasonable period of time?
- Is this plan economically feasible?

While the above points are mainly important for new businesses, any organization can benefit from thinking about them when launching a new operation.

For example, if you are adding a new product line to your business, you should use the above questions as a guide to understanding the implications to your other operations and the financial viability of the new product.

## Step 2: Conduct preliminary analysis

Begin by outlining your plan. You should focus on an unserved need, a market where the demand is greater than the supply, and whether the product or service has a distinct advantage. Then you need to determine if the hurdles are too high to clear.

A feasibility study can be a time-consuming process and it doesn't come without its costs. It's therefore auspicious to start by conducting preliminary analysis. This is essentially a pre-screening of the proposed action and it examines whether a proper feasibility assessment is worth the time and money.

For example, before you conduct a feasibility study on the viability of acquiring a business, you want to check quickly the overall attainability of the action. If the acquisition is so risky that it could bankrupt your business, there's no reason for conducting a proper feasibility study.

Preliminary assessment should consist of the following steps:

- First, you want to *outline the planned idea or action*. This means looking at what you are looking to achieve and why.
- Second, you should *examine the market space and the commercial viability of the action*. You want to get an overall feel of what type of customers are you potentially attracting.
- Third, you should *examine the unique characteristics of the idea* and whether they are strength or a weakness. The idea or action might have certain unique characteristics (i.e. location, price, usability) and these might help your organization.
- Fourth, you need to *determine if there are insurmountable risks to the action*. It's essential to outline any risks that could possibly reduce the viability of the action or idea close to zero.

Keep in mind the above is just to get an overall feel of the idea. You don't need to conduct full market research at this point, but simply understand whether there's any kind of space for the action within the market.

If your preliminary analysis doesn't find any insurmountable obstacles and the commercial viability is possibly there, you can continue with the proper feasibility study.

# Step 3: Outlining the project scope and conducting current analysis

Once the groundwork of the previous steps has been laid, it's time to set up the organization and operations of the planned business venture. This is not a superficial, broadstroke endeavor.

It should be thorough and include start-up costs, fixed investments and operation costs. These costs address things such as equipment, merchandising methods, real estate, personnel, supply availability, overhead, etc.

Next, you should move on to outlining the project scope by defining the area of study for the feasibility study. Do you need to look at all five elements of the study, for example?

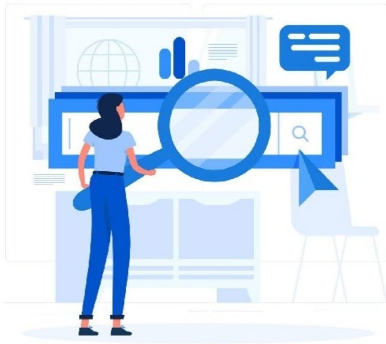
The scope must be detailed and outline the objectives of the feasibility study clearly. It's a good idea to examine the above five elements in terms of your action or idea and create an action plan for each section that applies to the project.

It's essential to study the different parts of your business that might be influenced by the proposed action or idea, even when you aren't proposing something that impacts the whole business directly (i.e. launching a new product, acquiring a business or starting a business). Actions, such as hiring new personnel to a single department, can sometimes have an impact on sectors that might not immediately seem obvious.

The key to outlining the scope is about understanding the different participants and end-users of the proposed idea or action. For instance, if you are moving the business to new premises, you have to understand the impact it'll have on the workforce (change in commute can an impact on employee morale, etc.) and the customer (will all customers follow your business to a new location, etc.).

Finally, you also need to analyze the current situation prior to the implementation of the idea or action. You can do so by describing the weaknesses and strengths of the business. Once you've done this, you can study the savings and the operational benefits you are hoping to achieve with the new proposal.

# Step 4: Comparing your proposal with existing products/services



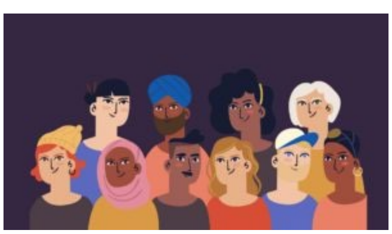
This step is key to the success of your feasibility study, so make it as thorough as possible. It's so important that if your organization doesn't have the resources to do a proper one, then it is advantageous to hire an outside firm to do so.

The market research is going to give you the clearest picture of the revenues you can realistically expect from the project. Some things to consider are the geographic influence on the market, demographics, analyzing competitors, value of market and what your share will be and if the market it open to expansion (that is, response to your offer).You'll also need to research the current competitive landscape in order to understand whether the proposed idea or action is viable. Whether you are implementing a new software or equipment or launching your own new product, you need to compare the proposed product or service with other similar items on the market.

This might mean you need to compare the feasibility of your chosen software (for example, accounting platform) with other products on the market. What are the benefits of your proposed choice and what are the weaknesses? Are the risks associated with your chosen software smaller or bigger than those of competitive products?

The same analysis applies when launching a new product. Part of your feasibility study must then focus on understanding what the customers are looking for and whether your proposed idea answers these needs. You should also compare the proposed product with the existing products or services and focus on the advantages, as well as disadvantages, you might have.

## Step 5: Examining the market conditions



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the market, demographics, analyzing competitors, value of market and what your share will be and if the market it open to expansion (that is, response to your offer).

Remember that focus groups and interviews provide more subjective data than other methods, like surveys, social media listening, and public domain data. Try to gather a mix of subjective and objective data when performing your market research.

More specifically, here are four specific starting points when it comes to the analyzing market in terms of feasibility.

- *Defining the target market.*
- *Studying the buying habits of the target market.*
- *Understanding the sale and market share outlook of the proposal.*
- *Outlining the product awareness required for the use of your product or service.*

The following are several common methods for conducting market research:

- Focus groups
- Surveys
- Personal interviews (customers, experts, etc.)
- Observation of other organizations
- Social media listening (great for researching marketing methods)
- Public domain data

The main goal of this part of the feasibility study is to understand the revenue projection for implementing the proposed idea or action. You want to have a realistic understanding of the kind of sale numbers you can expect and the scope of the promotional activities you are required to undertake.

For example, in terms of product or service awareness, you must be able to determine the type of marketing required for potential customers to understand and be able to use the item.

## Step 6: Understanding the financial costs

This step requires you to work backwards. Start with what you expect the income from the project to be and then what investment is needed to achieve that goal. This is the foundation of an income statement. Things to take into account here include what services are required and how much they'll cost, any adjustments to revenues, such as reimbursements, etc.

One of the most important steps for concluding a feasibility study involves calculating the financial costs related to the proposal. No matter what type of idea or action your organization is considering, the financial cost of it can be the major point in determining its viability.

The first rule of any successful business is the need to have income or it goes bust. Therefore, any action your organization takes has to examine the impact it'll have on the income and profit of the business.

The financial costs associated with your proposed idea or action will naturally depend on the proposal. But you have to consider the following points in all instances:

- *The resources required to implement the idea or action.*
- *The source for these resources: internal or external financing.*
- *The realistic benefits of the idea or action*, whether it's sales figures, boost in productivity, or a cut in operational costs.
- *The break-even schedule for the proposal*. This refers to the time it takes to a point when the profits from the idea or action equal the costs associated with it.
- *The financial risks associated with the idea or action*. This can refer to risky market conditions, the probability of requiring more resources and so on.
- *The financial cost of failure*. You also need to calculate the financial cost of the worst-case scenario. This can determine whether your business has the means of embarking on this new venture or not.

The likelihood of having to use estimates in the above calculations is relatively high. It's important to conduct proper research and to be as realistic with your figures as possible. After all, positive surprises (for example, exceeding sales figures) are not difficult to manage, unlike overly positive calculations that turn out wrong.

## Step 7: Prepare an Opening Day Balance Sheet


This includes an estimate of the assets and liabilities, one that should be as accurate as possible. To do this, create a list that includes item, source, cost and available financing.

Liabilities to consider are such things as leasing or purchasing of land, buildings and equipment, financing for assets and accounts receivables.

## Step 8: Reviewing and analyzing data

Finally, you need to review your feasibility study carefully and examine the findings with time. A good rule of thumb is to simply take a step back and reflect on the research before jumping into conclusions.

After your study, look around and **consider the following questions**:

- *Are there any risks you weren't aware of previously?*
- *Have the market conditions changed?*
- *Has the competition changed?*
- *Is your business situation still the same, in terms of operations and economic situation?*

If the conditions have changed, you can review these parts of the feasibility study. Once you've reviewed your results, you can go ahead with the final decision. The feasibility study should provide you the answer of either moving ahead with the proposed idea or action, or scrapping the idea and looking for something different.

## Step 9: Make a Go/No-Go Decision

You're now at the point to make a decision about whether the project is feasible or not. That sounds simple, but all the previous steps we're leading to this decision-making moment.

A couple of other things to consider before making that binary choice is whether the commitment is worth the time, effort and money and is it aligned with the organization's strategic goals and long-term aspirations.