**FACT SHEET**

# Is Your Business Idea Feasible?

## What is a Business Feasibility Study?

A business feasibility study is a process undertaken to assist in determining the viability of a business concept. It is the final step of the business concept stage which should provide the information necessary to establish whether a business idea should be abandoned, or can progress to the business planning phase.

A business feasibility study will typically make an assessment on the following:

- Business model viability
- Management model viability
- Financial viability
- Market viability
- Operational viability
- Geographical viability
- Resource viability
- Technological viability
- Legal viability
- Timeframe / schedule viability
- Cultural viability

The study should also incorporate an assessment of the skills and experience that the potential business owners bring to the business idea. It is then an opportunity to identify any skill-sets required but missing.

The information gathered and formalised in your business feasibility study provides a solid foundation for next step, being your business plan. Therefore if your business idea proves feasible, you will have already generated much of the information required for your business plan.

## How do I go about conducting a Business Feasibility Study?

It is not necessary to follow a strict format when conducting a business feasibility study. It is, however, necessary to ensure that this due diligence exercise is exhaustive in terms of critically evaluating the business idea as it will be pivotal in determining whether you go into business or not.

Below is a list of core areas that should be looked at along with suggested areas of focus and questions to answer.

### 1. Business owners

Outline each principal's background, skills and qualifications. Identify key attributes that business principals' will bring to the business to make it succeed.

Depending on potential business scale, you may want to consider conducting your assessment in the following areas:

- Industry knowledge
- Industry and business experience
- Marketing expertise
- Operations Management expertise:
  - IT capabilities
  - Process mapping
  - Process improvement
  - Asset management
  - Risk management
  - Disaster recovery
- Financial Management expertise:
  - Costing
  - Pricing
  - Financial record-keeping
  - Forecasting
- Human Resource expertise
  - Recruiting staff
  - Managing staff

Finally, identify what skill sets are missing and come up with options for bridging the skills gap.

### 2. The Business idea

Outline your business idea and the opportunities you have identified. What lead-up time do you require to establish your business and is the environment you are operating in likely to change over that time?

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### 3. Critical factors

What are the risk factors? Are there regulations and licences to consider? What insurances would you need?

### 4. Market analysis

- Market size and segments: is your marketplace local, regional, national or export-oriented? Are there multiple segments, and if so, do you intend on targeting some or all of these segments?
- Product mix: what is your intended product mix? Are there complementary products you should be considering?
- Market trends: is your market growing, contracting or static? Are overseas trends a factor? What are the industry forecasts?
- Lifecycle / seasonality: is your service or product subject to seasonal variations?
- Target market and customer profile: who will be your target market? Who are your customers, where are they located and what do they have in common? Who is your ideal customer and what motivates them to buy? A customer survey or some market testing may be a worthwhile exercise at this point
- Competition: who are your competitors and do they have a competitive edge? What will be your competitive edge?
- Promotion: what is the optimal form of advertising your business, in terms of effectiveness and cost?

### 5. Resource requirements

- Business premises: will you operate from home or elsewhere? What is the optimal location in terms of penetrating your market and maximising access to potential customers and suppliers?
- Infrastructure: what plant, equipment and technologies do you need? Operational considerations: process map your business operations and identify any issues that may arise. Can these be resolved? Brand awareness and protection: do you need a logo / patent for your business idea? Distribution channels: identify your intended distribution channels Suppliers: identify any supplier requirements and identify options for establishing supplier relationships
- Professional advisers: what professional services do you need? For example, accountant, legal adviser, marketing consultant etc.

### 6. Financial viability

- Start-up capital: what capital do you require to open the doors to trading? Consider any required up-front infrastructure spends as well as any financial buffer required while you establish and build the business to the point where it can financially sustain itself
- Budgets and Cash Flow projections: prepare forecasts for both business profit and cash flow for the first two years of trading

**What Next?**

Once you have prepared your Business Feasibility Study, use the study to make an assessment of whether the business concept is viable. This is an important decision as at this point you will begin investing significant time and perhaps finances in formally planning your business. Contact your manager or partner at Enspira Financial for help in analysing the results of your Business Feasibility Study and guidance in your decision and next steps.

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