

Business Idea Analysis

Is your business idea *feasible*?

A feasibility analysis is an important step in business start-up and development. As an entrepreneur, you can greatly increase your chances of success by analyzing your business concept, your market place, your industry and competition, and your financial and organizational structures. Whether you plan to expand an existing business, acquire an existing business, or start a new business, a feasibility analysis will evaluate your preliminary business idea to see if it is worth pursuing.

Use this condensed checklist as a way to begin judging whether your business idea will be successful and profitable. The staff of the SV SBDC is available to work with you through this process as.

- Identify your **Core Competency**: a special skill, technology, process, knowledge, expertise, or ability that is unique to your business and done better than your competitors. A core competency may be:
 - *Valuable* – a large revenue generator
 - *Rare* – not easily found in other businesses
 - *Non-substitutable* – it's cannot be replaced by any of your other capabilities.
 - *Costly to imitate* – it will be expensive for your competitors to try to duplicate

- Develop a **Concept Test**: a process of showing a representation or proto-type of the product or service to prospective customers with the purpose to gauge customer interest, desirability, and purchase intent.
 - *Identify a preliminary target market...and Survey at least 25-30 people about their needs and how your product/service provides the benefits they seek.*



Based on your findings, you can move forward or back up and reevaluate your idea(s). Consider alternatives to make your product/service more desirable to your potential customers.

- Conduct **Market and Industry Research**: Obtain information about the current market by researching trends and analyzing the competition.
 - *What is the estimated size of the market for your product/service?*
 - *What is your projected market share?*
 - *Is the current market attractive for your product/service?*
 - *Are there any predictions for future trends?*
 - *Based on research refine your target market*

- Conduct an **Organizational Feasibility Analysis**: determine whether the proposed business has sufficient management expertise, organizational competence, and resources to be successful.
 - *Evaluate Management Expertise* – the ability of the entrepreneur and management team.
 - *Designate Responsibilities* – determine whether the responsibilities are too great or too small for the entrepreneur. Do any of the duties need to be outsourced?
 - *Evaluate non-financial resources* – is there a sufficient labor pool (quality and quantity), availability of office space, protection for property, patents, etc.?

Continued. . . .

- Prepare a **Financial Feasibility Analysis**: evaluate start-up and other capital requirements, your projected rate of return, and the overall attractiveness of the investment.
 - *Estimate Sales on monthly and/or annual basis* - Do not count on promises; be conservative; estimate sales using different methods and compare figures (both in units and dollars).
 - *Estimate Costs* - Identify both fixed costs and variable costs.
 - *Estimate Break-even Point and Profitability*

Stop and Think...



After completing the Financial Feasibility Analysis, think about your personal income and financial needs. For example, if you need at least \$30,000 annually to keep you and your family financially stable, will the new venture be able to provide you with \$30,000 of profit in the first year? Even the best business ideas often require several years to take off and reach a desired profit. It may be best for you to allow time to work while starting your business or put off the start-up until sufficient resources are on hand to give you a regular source of income.

- Identify the **Strengths, Weaknesses, Opportunities, and Threats** (SWOT Analysis) of your idea.
 - *What are the strengths and weaknesses of your business or potential business?*
 - *Who are your competitors and what are their strengths and weaknesses?*
 - *What is your competitive advantage over your competitors?*



What's next?

If your business and/or business idea...

- Has a core competency
- Passes the concept test
- Would be a timely and attractive entry into the market
- Has a competitive advantage over your competitors
- Is organizationally cohesive
- And is financially viable. . . . then it's time to move forward.

Contact the Shenandoah Valley Small Business Development Center for advice and counseling to help launch or expand your business. We're here to help. We can assist in business planning, financial projections, market research, or marketing & sales. Let us help guide you and your business to success.

