

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.

Introduction

- A. Name of the proposed business
fruity ice cream
- B. Name of the founder (or founders)
Me (Byrd)
- C. One paragraph summary of the business
The only ice cream kiosk that sell custom fruit ice cream. Customer can choose various type of fruit to make their own ice cream that has unique flavor.

Part 1: Product/Service Feasibility

Issues Addressed in This Part

- A. Product/service desirability
No
- B. Product/service demand
People like it and want to try it.

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?

- 2 Definitely would buy
 Probably would buy
 7 Might or might not buy
 3 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
customer think it's interesting and attractive, however there're many competitor in the market. I need to make my brand more unique

	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
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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

B. Resource sufficiency

The tools and equipment cost aren't high, but the space location venue is quite high

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.

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	
Neutral	Proximity to similar firms (for the purpose of knowledge sharing)
Neutral	Proximity to suppliers
Neutral	Proximity to customers
Neutral	Proximity to a major research university (if applicable)

Part 4: Financial Feasibility

Issues Addressed in This Part

- A. Total startup cash needed
\$125,000
- B. Financial performance of similar businesses
Even though, they do the similar business, we do better than them. We use fresh selected fruit. Many of them use the above the line strategies which make their business grow at a constant rate.
- C. Overall financial attractiveness of the proposed venture
Customers like our ice cream.

Assessment Tools

Total Start-Up Cash Needed

- The startup costs (which include capital investments and operating expenses) should include all the costs necessary for the business to make its first sale. New firms typically need money for a host of purposes, including the hiring of personnel, office or manufacturing space, equipment, training, research and development, marketing, and the initial product rollout.
- At the feasibility analysis stage, it is not necessary for the number to be exact. However, the number should be fairly accurate to give an entrepreneur an idea of the dollar amount that will be needed to launch the firm. After the approximate dollar amount is known, the entrepreneur should determine specifically where the money will come from to cover the startup costs.
- The total startup cash needed can be estimate using the following table.

Total Startup Cash Needed (to Make First Sale)

<i>Capital Investments</i>	<i>Amount</i>
Property	\$10000
Furniture and fixtures	\$50000
Computer equipment	\$2000
Other equipment	\$3000
Vehicles	\$10000
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<i>Operating Expenses</i>	<i>Amount</i>
Legal, accounting, and professional services	\$450
Advertising and promotions	\$300
Deposits for utilities	\$500
Licenses and permits	\$200
Prepaid insurance	0
Lease payments	0
Salary and wages	\$500
Payroll taxes	0
Travel	0
Signs	\$500
Tools and supplies	\$5600
Starting inventory	0
Cash (working capital)	0
Other expense 1	0
Other expense 2	0
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Total Startup Cash Needed =	\$125,000

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
Estimate of Year 1 Sales <u> \$4000 </u>	$40 \times 10 \times 365 / 35 = \4000
Summary: How proposed annual sales, on average, compares to similar firms (circle one)	
Below Average Average Above Average	
Estimate of Year 2 Sales <u> \$8300 </u>	$40 \times 20 \times 365 / 35 = \8300
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
Estimate of Year 1 Net Income <u> \$7300 </u>	
Summary: How proposed net income, on average, compares to similar firms (circle one)	
Below Average Average Above Average	
Estimate of Year 2 Net Income <u> \$8395 </u>	
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

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 Unsure Feasible	
Industry/Market Feasibility	Not feasible Unsure Feasible	
Organizational Feasibility	Not feasible Unsure Feasible	
Financial Feasibility	Not feasible Unsure Feasible	
Overall Assessment	Not feasible Unsure Feasible	

Conclusion—briefly summarize your justification for your overall assessment.

We are the only ice cream kiosk that sell custom fruit ice cream. Customer can choose various type of fruit to make their own ice cream that has unique flavor. Since the ice cream kiosk industry are quite young, the new generations are quite interested in it. The new generations are more care about their health and at the same time want to enjoy delicious sweet. We provide them both by selling healthy ice cream. Moreover, our attractiveness is that the customers can customize their own ice cream. They have a free choice to choose any ingredients that will enter their body.