

Module 2: Opportunity Identification & Market Research

Topic 4: Feasibility Studies

A **Feasibility Study** is an assessment of the practicality of a proposed project or system. While a business plan describes *how* you will run the business, a feasibility study asks the most important question: **"Should we proceed with this idea at all?"**

1. The Difference Between a Feasibility Study and a Business Plan

- **Feasibility Study:** Conducted *before* the business plan. It focuses on "Is this possible?" and "Will it work?"
- **Business Plan:** Conducted *after* the idea is proven feasible. It focuses on "How do we build and manage it?"

2. The Four Pillars of Feasibility

To determine if an idea is viable, an entrepreneur must analyze four specific areas:

A. Operational (Technical) Feasibility

Can we actually build it?

- Do we have the necessary technology or equipment?
- Do we have the technical skills or can we hire people who do?
- Are raw materials available and accessible?

B. Market Feasibility

Is there a demand?

- Is the target market large enough to support a business?
- What is the level of competition?
- Does the product offer a unique value proposition (something better than what currently exists)?

C. Financial Feasibility

Is it worth the money?

- How much total capital is needed to start?
- What is the "Break-even Point" (when do we stop losing money and start making it)?
- What is the projected Return on Investment (ROI)?

D. Legal/Time Feasibility

Are there barriers we can't cross?

- Are there government regulations or laws that prevent this business? (e.g., zoning laws, licenses).
- Can the project be completed in a reasonable amount of time before the opportunity disappears?

3. Why Feasibility Studies Fail

Many entrepreneurs skip this step because they are "too excited" about their idea. Common reasons for failure include:

1. **Underestimating Costs:** Thinking things will be cheaper than they actually are.
2. **Overestimating Sales:** Assuming everyone will buy the product immediately.
3. **Ignoring Competition:** Believing that because your product is "better," people will automatically switch from their current brand.

4. The "Go / No-Go" Decision

The final output of a feasibility study is a clear decision:

- **Go:** The idea is practical, profitable, and ready for a formal Business Plan.
- **Pivot:** The idea has flaws, but can work if changed (e.g., "The product is good, but the price is too high for this neighborhood").
- **No-Go:** The risks outweigh the rewards. It is better to lose a little money on a study than a lot of money on a failed business.

Student Summary:

A feasibility study is your "insurance policy." It protects you from investing your life savings or your parents' money into an idea that was never going to work in the first place.