

New Venture Feasibility Analysis

The first step in creating a business plan is to outline your concept, begin to define the scope of your business, and to visit each of the principal parts of your prospective plan:

1. Company Overview
2. Product/Service Description
3. Industry and Marketplace Analysis
4. Marketing Strategy
5. Distribution and Sales Strategy
6. Operations Plan
7. Development Plan
8. Financial Estimates
9. Write a one to two page *Concept Summary*

The attached worksheets will help to guide you through this initial look at your business. In this initial stage, understand that you will have very little of the information needed to build a solid business plan. Nonetheless, use your best judgement to answer all of the questions and complete all of the worksheets. In subsequent steps, you will be investigating and developing these issues in depth.

Company Name: _____

Team Members: _____

1. Company Overview

The Company Overview is a brief description of the company you have founded or want to found. How will it be organized? Will it be a sole proprietorship, partnership, or corporation? What are your ambitions for the company? Will it always be a small company, or do you want to grow it into an international giant? Upon reading this section, the reader should have a good idea of where you are and where you are going with your company.

What is the name of our company? Does it company currently exist, or will it be forming?

How is our company organized (e.g., sole proprietorship, partnership, corporation...)?

What is our overall strategy and what objectives do we have? What are our goals for the company (keep it small, grow it big, franchise it...) What is the exit strategy for ourselves and for our investors (sell to larger company, go public, buy out investors...)

What additional information do we need to describe and organize our company?

2. Product/Service Description

The Product and Services section is a detailed description of the products and/or services you will be selling. You should not assume that the reader is familiar with your product/service, so be sure to explain and describe it carefully.

What exactly is our product or service? What isn't it? Carefully describe.

What is unique about our product/service? What are its features and benefits? Do we have any proprietary rights to the product/service (for example, technology, patents, copyrights, etc.)?

Why is our product/service superior to the competition, and how is it different?

What additional information do we need to define our product or service?

3. Industry and Marketplace Analysis

The Industry and Marketplace Analysis section dispassionately describes and outlines the industry and the marketplace in which you will compete. When finished with this section, you and your readers should understand the dynamics, problems, and opportunities driving your industry and marketplace.

What is the industry that addresses this market? What trends are important in this industry? How does this industry segment the market?

What is the market we intend to serve? How large is it? What is its growth potential?

What motivates customer purchase decisions?

What additional information do we need about our marketplace?

4. Marketing Strategy

The Marketing Strategy section of your plan will make or break the prospects for your venture. In the Marketing Strategy section, show how you are going to fit into your marketplace. What are unmet needs in the marketplace and how are you going to fill them? How will you differentiate your product or service from your competitors? What unique features, benefits, or capabilities will you bring to the marketplace? Who are your customers?

Who are our target customers? What problems are we solving for them? What are their profiles? What motivates their buying decisions?

What are the strengths of our product/service? Weaknesses? Who are our competitors? How will we differentiate our product or service?

How will our product be priced? What are gross revenues per unit sold? What are anticipated annual sales?

What additional information do we need to create an effective marketing strategy?

5. Distribution & Sales Strategy

*How will you reach your customers? How will you close the sale with your customers?
Remember, "nothing happens until the sale is made."*

What distribution channels will we use (e.g., direct sales, mail-order, wholesalers, etc.)?

How will we communicate with our customers (e.g., advertising, promotions, etc.)?

How will our product or service be sold? Who will do the selling (our own sales people, manufacturing representatives, etc.)?

What are the costs associated with our sales strategy? Which costs are fixed? Which are variable?

What additional information do we need to create an effective sales strategy?

6. Operations Plan

The Operations section outlines how you will run your business and deliver value to your customers. Operations is defined as the processes used to deliver your products and services to the marketplace and can include manufacturing, transportation, logistics, travel, printing, consulting, after-sales service, and so on. In all likelihood, about 80% of your expenses will be for operations, 80% of your employees will be working in operations, and 80% of your time will be spent worrying about operating problems and opportunities.

Which operations are critical to the success of our business? Which are secondary?

How will we produce and deliver our product/service? What will we do in-house, and what will we purchase (make vs. buy)?

What will it cost to produce and deliver our product or service? Estimate fixed costs (plant, equipment, etc.) and variable costs (labor, materials, etc.)

What additional information do we need understand and cost our operations?

7. Development Plan

The Development section is a road map of how you are going to get from where you are now to where you want to be in the future. These steps can be as routine as securing retail space, or as critical as applying for and getting a patent on key technology.

What must be done before we can introduce our product or service to the marketplace? What are the risks?

How long will it take to bring our product or service to market? What is our timeline?

What are the one-time start-up and development costs of our business (equipment, deposits, fixtures, furniture, ...)?

What additional information do we need understand and cost the development of our product or service?

8. Financial Plan

Your Financial Plan should be frosting on a cake. You have outlined a great business concept, demonstrated a real need in the marketplace, shown how you will execute your ideas, and now will show how much money everyone is going to make.

Summarize estimates made in previous sections:

- A. Annual unit sales: _____
- B. Price per unit: _____
- C. Variable cost per unit (production and sales): _____
- D. Fixed costs (admin, production, and sales): _____
- E. One-time start-up costs (eqpmnt, mktg, legal, etc.): _____
- F. Working capital rqd (receivables , inventory, etc.): _____

Calculate estimated annual gross revenues and income:

- G. Estimated annual revenues ($A \times B$): _____
- H. Estimated annual variable costs ($A \times C$): _____
- I. Estimated annual contribution margin ($G - H - D$): _____

Calculate break-even figures:

- J. Contribution margin per unit ($B - C$): _____
- K. Annual break-even quantity ($D \div J$): _____
- L. Ratio of break-even to expected quantities ($K \div A$): _____

Estimate the money you will initially need to start your business:

- M. Total up-front funds required ($E + F$): _____
- N. Additional units to cover up-front funds ($M \div J$): _____
- O. Break-even quantity with up-front funds ($K + N$): _____

Calculate financial performance figures:

- P. Payback period for startup funds ($M \div I$): _____
 - Q. Annual return on start-up investment ($I \div M$): _____
 - R. Variable cost to price ratio ($C \div B$): _____
 - S. Contribution margin ratio ($I \div G$): _____
-
-

Do these numbers look attractive enough to proceed? How can they be improved?

How much cash will we need to start our business? Where will we get it (savings, a loan, venture capital, an angel...)?

What other information do we need for our financial projections?

9. Concept Summary

Prepare a two-page write-up of viable business concept that could be the basis of the business plan. For each of the following issues, write a 3-5 sentence paragraph that addresses the questions raised. The total length of your summary should not exceed two pages.

Concept Description

What is the essence of the business?

Opportunity

What market segment are you considering?
What is the size and growth rate?
What are the major trends?

Product or Service

What are the major features?
What are the benefits?
If you are a “.com”, what is the revenue model?

Marketing strategy

Who is the target customer?
What is the compelling need?
What problem are you solving?
What is your distribution channel?

Process

How does the product or service work?
How will it be produced and delivered?
Where will you be located?

Competitive Advantage

Who are your major competitors?
What is unique about your concept?
What is your sustainable competitive advantage?

Risks

What are the major risks?

Financial

What are the expected revenues in 3 years?
What gross margins can be achieved?
What resources (money and people) will be required?