**Chapter 3 Feasibility Analysis**

1) Think Gum, the company profiled in the opening feature for Chapter 3, produces gum. The

idea behind Think Gum is to produce a gum that includes ingredients that improve concentration

and memory. Think Gum initial target market was:

A) electronic game enthusiasts

B) extreme sports enthusiasts

C) college students

D) athletics

E) business professionals

Answer: C

2) According to the textbook, which is the proper sequence of events in developing successful

business ideas?

A) opportunity recognition, feasibility analysis, development of a business plan

B) feasibility analysis, opportunity recognition, development of a business plan

C) development of a business plan, opportunity recognition, feasibility analysis

D) feasibility analysis, development of a business plan, opportunity recognition

E) development of a business plan, feasibility analysis, opportunity recognition

Answer: A

3) \_\_\_\_\_\_\_\_ is the process of determining whether a business idea is viable.

A) Feasibility analysis

B) Opportunity recognition

C) Likelihood analysis

D) Achievability analysis

E) Scenario analysis

Answer: A

4) Janice McDaniel recently surveyed 200 of her classmates to get a sense of the demand for a

new software product she is working on. Collecting data via a survey you administer yourself is

referred to as:

A) key research

B) principal research

C) primary research

D) secondary research

E) initial research

Answer: C

5) Primary research is:

A) original research and is collected by the entrepreneur

B) research that is already collected and is available online

C) research that is stored in an official government depository

D) research that is collected by an impartial third party

E) research that is collected by an industry trade association

Answer: A

6) Trade journals, industry-related publications, government statistics, and competitors' Web sites

are examples of:

A) secondary research

B) action research

C) principal research

D) legacy research

E) vertical research

Answer: A

7) Jennifer Burroughs is thinking about starting a firm in the upscale fashion industry. To get a

full appreciation of the competitive nature of the industry, and how she might position her

products, Jennifer has spent considerable time looking at industry-related publications, Hoover's

Online, and ABI-Inform, which is a database that provides access to articles covering a wide-

variety of business and industry related issues. Jennifer is conducting:

A) primary research

B) secondary research

C) action research

D) temporary research

E) purposeful research

Answer: B

8) The What Went Wrong feature in Chapter 3 is titled "eBay Drop-Off Stores: How Feasible

Were They? What was it about the potential feasibility of eBay Drop-Off stores that worried

skeptics from the beginning?

A) That the stores would not have enough "quality" merchandise to sell on eBay and that the

variety of items the stores would be asked to sell would be too broad.

B) That consumers were losing interest in eBay and that the stores would not have enough

"quality" merchandise to sell on eBay.

C) That eBay was attracting too many competitors and that consumers were becoming increasing

Internet savvy making it easier for them to sell items online auctions themselves rather than

relying on an intermediary like an eBay Drop Off store.

D) That the variety of items the stores would be asked to sell would be too broad and that

consumers were losing interest in online auctions.

E) That consumers were losing interest in online auctions and that eBay was declining in terms

of its popularity.

Answer: A

9) Which of the following is not one of the four areas of feasibility analysis discussed in the

textbook?

A) product/service feasibility

B) financial feasibility

C) institutional feasibility

D) organizational feasibility

E) industry/market feasibility

Answer: C

Diff: 2 Page Ref: 81

Topic: Feasibility Analysis

10) \_\_\_\_\_\_\_\_ feasibility is an assessment of the overall appeal of the product or service being

proposed.

A) Consumer

B) Industry/market segment

C) Industry/market

D) Product/service

E) Purchaser/end-user

Answer: D

11) Does it make sense? Is it reasonable? Is it something consumers will get excited about? Does

it take advantage of an environmental trend, solve a problem, or fill a gap in the marketplace?

These are the types of questions asked during the \_\_\_\_\_\_\_\_ component of a compete feasibility

analysis.

A) financial feasibility

B) industry/target market feasibility

C) organizational feasibility

D) concept feasibility

E) product/service feasibility

Answer: E

12) Which of the following is not a part of assessing the product/service feasibility of a business

idea?

A) buying intentions survey

B) gumshoe research

C) library research

D) assessment of total start-up cash needed

E) concept test

Answer: D

13) The two components of product/service feasibility analysis are product/service desirability

and:

A) product/service value

B) product/service durability

C) market timeliness

D) product/service affordability

E) product/service demand

Answer: E

14) The two components of product/service feasibility analysis are:

A) product/service desirability and product/service demand for similar products

B) product/service demand and total start-up cash needed

C) product/service desirability and management prowess

D) product/service desirability and product/service demand

E) product/service demand and target market attractiveness

Answer: D

15) A \_\_\_\_\_\_\_\_ involves showing a preliminary description of a product or service idea to

prospective customers to gauge customer interest, desirability, and purchase intent.

A) concept test

B) product/service statement

C) impression test

D) idea prospectus

E) idea test

Answer: A

16) Which of the following items is typically not included in a concept statement?

A) a description of the product or service being offered

B) a description of how the product or service will be sold and distributed

C) a description of how much money the new venture needs

D) the benefits of the product or service

E) the intended target market

Answer: C

17) Brian James is in the process of developing an exciting new product in the electronic games

industry. He'd like show a preliminary description of the product to industry experts and

prospective customers to solicit their feedback. Brian should complete and distribute a:

A) perception statement

B) usability statement

C) early adopter statement

D) concept statement

E) adoption risk-reward statement

Answer: D

18) Which of the following is an incorrect approach to administering a concept test?

A) The concept statement shouldn't exceed one page.

B) After the concept statement is developed, it should be shown to at least 10 people.

C) The best candidates to distribute a concept statement to are family and friends.

D) If time permits, a concept statement should be used in a iterative manner and distributed to

several groups of people.

E) A short survey should be attached to the concept statement to solicit feedback.

Answer: C

19) A \_\_\_\_\_\_\_\_ survey is an instrument that is used to gauge customer interest in a product or

service.

A) buying intentions

B) purchase intent

C) product demand

D) consumer interest

E) shopper intent

Answer: A

20) Tim Hughes is distributing an instrument, which includes a concept statement with a short

survey attached, to try to gauge customer interest in a product he is developing. Tim is

distributing a:

A) shopper intent survey

B) consumer interest survey

C) product demand survey

D) buying intentions survey

E) purchase intent survey

Answer: D

21) A buying intentions survey is typically administered as part of \_\_\_\_\_\_\_\_ feasibility analysis.

A) financial

B) organizational

C) industry/target market

D) legal/regulatory

E) product/service

Answer: E

22) Shelly Jones is investigating the feasibility of a new tutoring service for high school students.

To get a good handle on the potential demand for her service, Shelly is scrounging around for

information wherever she can find it. She even spent two weeks volunteering as a math tutor at a

local high school to see how students responded to her methods. Shelly is conducting \_\_\_\_\_\_\_\_

research.

A) parallel

B) derivative

C) gumshoe

D) secondary

E) on-the-ground

Answer: C

23) John Kite is investigating the feasibility of a new type of electronic game targeting middle

school and high school-age boys. Which of the following is an example of "gumshoe research"

that John could conduct to get a sense of the likely demand for his game?

A) Leaf through several electronic games industry trade journals.

B) Administer a buying intentions survey.

C) Administer a concept test.

D) Look at the Web sites of a number of companies that sell electronic games.

E) Spend several days in electronic games arcades and stores to observe the types of games that

attract the interest of middle school age and high school age boys.

Answer: E

24) A(n) \_\_\_\_\_\_\_\_ is a group of firms producing a similar product or service. A firm's \_\_\_\_\_\_\_\_

is the limited portion of the industry that it goes after or to which it wants to appeal.

A) target market, industry

B) trade group, industry

C) industry, trade group

D) competitive group, target market

E) industry, target market

Answer: E

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A) target market, industry

B) trade group, industry

C) industry, trade group

D) competitive group, target market

E) industry, target market

Answer: E

25) The two components of industry/target market feasibility analysis are:

A) industry status/target market status

B) industry attractiveness/target market attractiveness

C) industry sufficiency/target market demand

D) industry attractiveness/product/service demand

E) industry evolution/target market attractiveness

Answer: B

26) \_\_\_\_\_\_\_\_ feasibility analysis is an assessment of the overall appeal of the industry and

market for the product or service being proposed.

A) Institutional

B) Financial

C) Organizational

D) Product/service

E) Industry/target market

Answer: E

27) A(n) \_\_\_\_\_\_\_\_ is a group of firms producing a similar product or service, such as computers,

cars, or airplanes.

A) trade group

B) industry

C) business group

D) commerce group

E) conglomerate

Answer: B

28) Which of the following issues should be considered in industry/target market feasibility

analysis?

A) gaps in the marketplace

B) financial rate of return

C) resource sufficiency

D) industry attractiveness

E) industry trends

Answer: D

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B) financial rate of return

C) resource sufficiency

D) industry attractiveness

E) industry trends

Answer: D

29) Mintel, IBISWorld, and Standard & Poor's Net Advantage are databases most likely to be

used during the \_\_\_\_\_\_\_\_ feasibility stage of the full feasibility analysis process.

A) organizational

B) financial

C) political/legal

D) industry/target market

E) product/service

Answer: D

30) Which of the following is not an attribute of an attractive industry?

A) is large and growing

B) is not crowded

C) is fairly old rather than young and less mature

D) is important to the customer

E) has high operating margins

Answer: C

31) A \_\_\_\_\_\_\_\_ market is a place within a larger market segment that represents a narrower

group of customers with similar needs.

A) secondary

B) primary

C) target

D) parallel

E) minor

Answer: C

32) Which of the following statements about target markets is incorrect?

A) There is a distinct difference between a firm's industry and its target market.

B) The challenge in identifying an attractive target market is to find a market that's large enough

for the proposed business but is yet small enough to avoid attracting larger competitors.

C) By focusing on a target market, a firm can usually avoid head-to-head competition with

industry leaders and can focus on serving a specialized market very well.

D) A target market is a place within a larger market segment that represents a narrower group of

customers with similar needs.

E) Its generally easier to find good information about a target market than an industry as a whole.

Answer: E

33) \_\_\_\_\_\_\_\_ is conducted to determine whether a proposed business has sufficient management

expertise, organizational competence, and resources to successfully launch its business.

A) Industry/market feasibility analysis

B) Institutional feasibility analysis

C) Financial feasibility analysis

D) Organizational feasibility analysis

E) Product/service feasibility analysis

Answer: D

34) The two primary issues to consider in organizational feasibility analysis are:

A) target market attractiveness and financial rate of return

B) management prowess and resource sufficiency

C) capital requirements and industry attractiveness

D) concept testing and financial rate of return

E) industry attractiveness and overall attractiveness of the investment

Answer: B

35) The two primary issues to consider in organizational feasibility analysis are resource

sufficiency and:

A) market timeliness

B) concept testing

C) management prowess

D) target market attractiveness

E) total start-up cash needed

Answer: C

36) A(n) \_\_\_\_\_\_\_\_ is the group of founders, key employees, and advisers that either manage or

help manage a new business in its start-up years.

A) opening team

B) entrepreneurial team

C) scout team

D) launch team

E) new venture team

Answer: E

33) \_\_\_\_\_\_\_\_ is conducted to determine whether a proposed business has sufficient management

expertise, organizational competence, and resources to successfully launch its business.

A) Industry/market feasibility analysis

B) Institutional feasibility analysis

C) Financial feasibility analysis

D) Organizational feasibility analysis

E) Product/service feasibility analysis

Answer: D

Diff: 1 Page Ref: 85

Topic: Organizational Feasibility Analysis

34) The two primary issues to consider in organizational feasibility analysis are:

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B) management prowess and resource sufficiency

C) capital requirements and industry attractiveness

D) concept testing and financial rate of return

E) industry attractiveness and overall attractiveness of the investment

Answer: B

35) The two primary issues to consider in organizational feasibility analysis are resource

sufficiency and:

A) market timeliness

B) concept testing

C) management prowess

D) target market attractiveness

E) total start-up cash needed

Answer: C

36) A(n) \_\_\_\_\_\_\_\_ is the group of founders, key employees, and advisers that either manage or

help manage a new business in its start-up years.

A) opening team

B) entrepreneurial team

C) scout team

D) launch team

E) new venture team

Answer: E

37) Which of the following is an example of a resource that normally would not be evaluated as

part of the "resource sufficiency" stage of organizational feasibility analysis?

A) the availability of office space

B) financial resources

C) the quality of the labor pool in the area where the business will be located

D) the possibility of obtaining intellectual property protection on key aspects of the business

E) the possibility of locating in a university or community sponsored incubator

Answer: B

38) According to the textbook, two of the most important factors to consider regarding

"management prowess" are:

A) the passion the sole entrepreneur or the management team has for the business idea and the

extent to which the management team or sole entrepreneur understands the markets in which the

firm will participate

B) whether the members of the management team have worked successfully together before and

the passion the sole entrepreneur or the management team has for the business idea

C) whether the members of the management team are good "networkers" and the extent to which

the management team or sole entrepreneur understands the markets in which the firm will

participate

D) the educational and functional backgrounds of the management team or sole entrepreneur

E) whether the members of the management team are good "networkers" and the passion the sole

entrepreneur or the management team has for the business idea

Answer: A

39) To test resource sufficiency, a firm should list the \_\_\_\_\_\_\_\_ most critical non-financial

resources that it will need to move its business idea forward and determine if those resources are

available.

A) 1 to 2

B) 3 to 5

C) 6 to 12

D) 10 to 16

E) 15 to 25

Answer: C

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participate

D) the educational and functional backgrounds of the management team or sole entrepreneur

E) whether the members of the management team are good "networkers" and the passion the sole

entrepreneur or the management team has for the business idea

Answer: A

39) To test resource sufficiency, a firm should list the \_\_\_\_\_\_\_\_ most critical non-financial

resources that it will need to move its business idea forward and determine if those resources are

available.

A) 1 to 2

B) 3 to 5

C) 6 to 12

D) 10 to 16

E) 15 to 25

Answer: C

40) The focus in organizational feasibility analysis is on:

A) financial resources for manufacturing firms and nonfinancial resources for service firms

B) financial resources for service firms and nonfinancial resources for manufacturing firms

C) nonfinancial and financial resources equally

D) nonfinancial resources

E) financial resources

Answer: D

41) The Partnering for Success feature in Chapter 3 focuses on the task of finding the right

business partner. According to the feature, which of the following is an incorrect rule-of-thumb

in finding a business partner?

A) Know the skills and experiences you need in a partner.

B) Make sure you and your partner's work habits are compatible.

C) Make sure you and your partner have common goals and aspirations.

D) Pick a partner that is similar rather than different from you in terms of skills, abilities, and

functional background.

E) Hire a lawyer to negotiate the partnership agreement.

Answer: D

42) \_\_\_\_\_\_\_\_ is a quick financial assessment of the viability of a business idea.

A) Organizational feasibility analysis

B) Institutional feasibility analysis

C) Product/service feasibility analysis

D) Financial feasibility analysis

E) Industry/market feasibility analysis

Answer: D

43) The most important issues to consider in financial feasibility analysis are:

A) resource sufficiency, industry attractiveness, and total start-up cash needed

B) total start-up cash needed, financial performance of similar businesses, and the overall

financial attractiveness of the proposed venture

C) target market attractiveness, resource sufficiency, and product/service demand

D) total start-up cash needed, management prowess, and product/service demand

E) concept testing, total start-up cash needed, and financial performance of similar businesses

Answer: B

44) The most important issues to consider in financial feasibility analysis are: financial

performance of similar businesses, overall financial attractiveness of the proposed venture, and:

A) identification of a niche market

B) market timeliness

C) management prowess

D) total start-up cash needed

E) concept testing

Answer: D

45) The Savvy Entrepreneurial Firm feature in Chapter 3 focuses on the importance of a

business's location. The main point made by the feature is:

A) a business's location is more important for manufacturing firms opposed to retail firms

B) a business's location is equally important for manufacturing firms and retail firms

C) a business's location is always important

D) a business's location is rarely important

E) the importance of location varies in importance depending on the type of business

Answer: E

46) Which of the following is incorrect regarding the "total start-up cash needed" component of

financial feasibility analysis?

A) It's not necessary to complete an actual budget of startup expenses.

B) When explaining where the startup funds will come from, avoid cursory explanations such as

"I plan to bring investors on board" or "I'll borrow the money."

C) There are worksheets posted online that help entrepreneurs determine the startup costs to

launch their venture.

D) An explanation of where the startup funds will come from should be included.

E) If the money will come from friends and family or is raised through other means, a reasonable

plan should be stipulated to repay the money.

Answer: A

47) Which of the following factors is a negative as it pertains to the financial feasibility of a

business venture?

A) steady and rapid growth in sales during the first five to seven years in a clearly defined

market niche

B) high percentage of recurring revenuemeaning that once a firm wins a client, the client will

provide recurring sources of revenue

C) inability to forecast income and expenses with a reasonable degree of accuracy

D) internally generated funds to finance and sustain growth

E) availability of an exit opportunity for investors to convert equity into cash

Answer: C

48) Which of the following factors is a positive as it pertains to the financial feasibility of a

business venture?

A) inconsistent and slow growth in sales during the first five to seven years in a clearly defined

market niche

B) high percentage of recurring revenue

C) inability to forecast income and expenses with a reasonable degree of accuracy

D) reliance on externally generate funds to finance and sustain growth

E) absence of an existing opportunity for investors to convert equity into cash

Answer: B

49) The First Screen feasibility analysis template included in Chapter 3 is called "First Screen"

because:

A) it is the first feasibility analysis template created

B) it is the first and most important step in the opportunity recognition process

C) it is the first step in a sequence of several steps that must be completed before a business idea

is deemed to be feasible

D) feasibility analysis is an entrepreneur's initial or first pass at determining the feasibility of a

business idea

E) it is the first of several "screens" that a business idea must pass through before it is considered

to be feasible

Answer: D

50) Which of the following statement is incorrect regarding the First Screen?

A) The mechanics of filling out the First Screen worksheet are straightforward.

B) It covers three of the four areas of feasibility analysis described in the textbook.

C) It is a template for completing a feasibility analysis.

D) Completing a First Screen is not meant to be a lengthy process.

E) The value of the First Screen is that it draws attention to the most important issues pertaining

to the feasibility of a business idea.

Answer: B

51) Feasibility analysis is the process of determining if a business idea is viable.

Answer: TRUE

52) The proper sequence for developing successful business ideas is to first conduct a feasibility

analysis, then progress through the opportunity recognition stage, and finish with the completion

of a business plan.

Answer: FALSE

53) The four forms of feasibility analysis include: product/service feasibility, industry/target

market feasibility, organizational feasibility, and financial feasibility.

Answer: TRUE

54) Primary research is research that is collected by the person or persons completing the

analysis.

Answer: TRUE

55) Census Bureau data, analyst forecasts, and other pertinent information gleaned through

library and Internet research are examples of primary research.

Answer: FALSE

Diff: 2 Page Ref: 79

Topic: Feasibility Analysis

56) Product/service feasibility analysis is an assessment of the overall appeal of the product or

service being proposed.

Answer: TRUE

56) Product/service feasibility analysis is an assessment of the overall appeal of the product or

service being proposed.

Answer: TRUE

57) There are two components to product/service feasibility analysis: product/service desirability

and total startup funds needed.

Answer: FALSE

58) A concept statement should be two-three pages long.

Answer: FALSE

59) The temptation to show a concept statement to friends and family members should be

avoided because they are predisposed to give positive feedback.

Answer: TRUE

60) A buying intentions survey is used to gauge customer interest in a product or service.

Answer: TRUE

61) Industry/target market feasibility is an assessment of the overall appeal of the industry and

the target market for the product or service being proposed.

Answer: TRUE

62) Organizational feasibility analysis is conducted to determine whether a proposed business

venture has sufficient management expertise, organizational competence, and resources to

successfully launch its business.

Answer: TRUE

63) The focus in organizational feasibility analysis is on financial resources.

Answer: FALSE

64) There are two primary areas to consider in organizational feasibility analysis: management

prowess and resource sufficiency.

Answer: TRUE

65) A new venture team is the group of founders, key employees, and advisers that either manage

or help manage a new business in its start-up years.

Answer: TRUE

66) In regard to management prowess, two of the most important factors in this area are the

passion that the solo entrepreneur or the management team has for the business idea and the

extent to which the management team or solo entrepreneur understands the markets in which the

firm will participate.

Answer: TRUE

67) For financial feasibility analysis, a very detailed and comprehensive financial analysis is

required.

Answer: FALSE

68) The most important issues to consider in financial feasibility analysis are: total start-up cash

needed, financial performance of similar businesses, and overall financial attractiveness of the

proposed venture.

Answer: TRUE

69) The mechanics for filling out a First Screen worksheet are complicated.

Answer: FALSE

70) First Screen is a template for completing industry analysis

Answer: FALSE

71) Describe the purpose of feasibility analysis. When should a feasibility analysis be conducted

relative to opportunity recognition and the development of a business plan?

Answer: Feasibility analysis is the process of determining if a business idea is viable. As a

preliminary evaluation of a business idea, a feasibility analysis is completed to determine if an

idea is worth pursuing and to screen ideas before spending resource on them.

Feasibility analysis follows the opportunity recognition stage but comes before the development

of a business plan.

72) Describe what a concept statement is, and what it should include.

Answer: A concept statement is a preliminary description of a business. It should include:

∙ A description of the product or service being offered.

∙ The intended target market.

∙ The benefits of the product or service.

∙ A description of how the product will be positioned relative to similar ones in the market.

∙ A description of how the product or service will be sold and distributed.

The concept statement is administered as part of product/market feasibility analysis and should

be used to get initial feedback and input regarding a business idea.

73) What is gumshoe research and why is it important?

Answer: Gumshoe research is simply doing what it takes to collect sufficient information to

assess the target market feasibility of a product idea. A gumshoe is a detective or an investigator

that scrounges around for information or clues wherever they can be found. This type of

research can take creative forms. For example, if your idea is to sell educational toys, you might

spend a week volunteering at a day care center and watch how children interact with toys.

Similarly, you might spend some time browsing through a toy store and observing the types of

toys that get the most attention. Gumshoe research is simply being inventive in regard to the

activities that can be undertaken to better understand your industry and target market's

attractiveness.

74) Describe the purpose of industry/target market feasibility analysis, and identify the two

primary issues that should be considered. What is the difference between a firm's industry and

its target market?

Answer: Industry/market feasibility analysis is an assessment of the overall appeal of the market

for the product or service being proposed. For product/market feasibility analysis, there are two

primary issues that a proposed business should consider: industry attractiveness and target

market attractiveness., market timeliness, and the identification of a niche market. There is a

distinct difference between a firm's industry and its target market. An industry is a group of firms producing a similar product or service, such as computers, cars, or electronic games. A firm's target market is the limited portion of the industry that it goes after or to which it wants to

appeal. Most firms do not try to service their entire industry. Instead, they select or carve out a

specific target market and try to service that market very well.