

Module 3

Feasibility analysis:

Market Feasibility

Financial Feasibility and Technical feasibility

Business Model Planning

❖ New Value Creation.

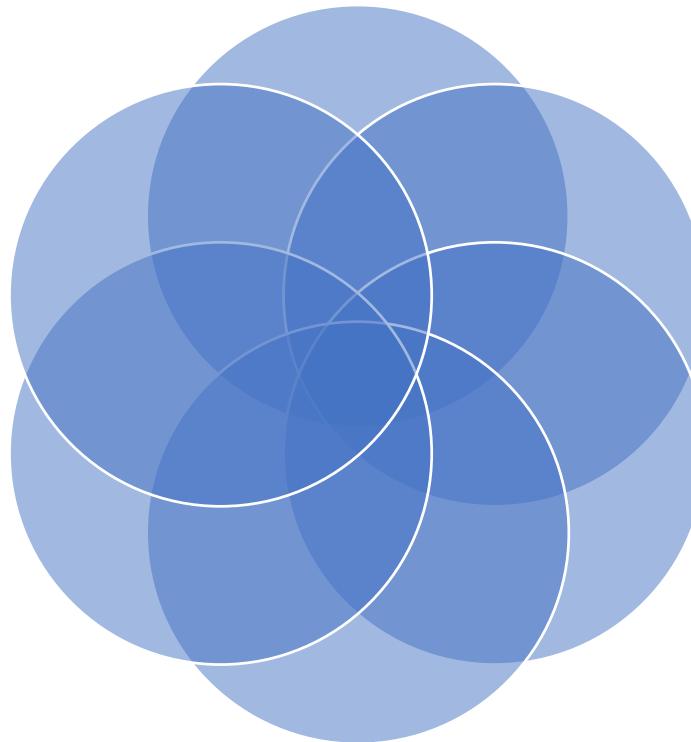
Feasibility analysis

A feasibility study is an analysis that assesses the practicality and potential success of a proposed project or business idea by evaluating factors like market demand, financial viability, and technical requirements. It helps decision-makers determine whether to proceed with the project based on the likelihood of achieving desired outcomes.

Two question we need to ask

- Does the proposed project or business idea have a viable market with sufficient demand and minimal competition to ensure long-term success?
- Are the financial projections, including costs, revenue, and profitability, realistic and sustainable within the current economic environment?

Benefits of conducting a feasibility study



Obtains stakeholder buy-in by demonstrating due diligence

Creates documentation on expected costs and benefits, including financial analysis

Provides in-depth data for better decision making on the proposed project's viability

Confirms market opportunities and the target market before investing significant resources

Identifies potential issues and risks early on

Types of Feasibility Studies

- **1. Technical Feasibility**
 - A technical feasibility study assesses whether the necessary technical resources, including equipment and expertise, are available to meet the project's objectives.
- **2. Financial Feasibility**
 - Financial feasibility evaluates the project's fiscal viability by analyzing costs, expected returns, and potential financial risks to determine the economic benefits.
- **3. Market Feasibility**
 - Market feasibility examines how well the project's deliverables are expected to perform in the market, considering market demand, competition, and sales potential.
- **4. Operational Feasibility**
 - Operational feasibility assesses whether the organization has the necessary resources, skills, and infrastructure to successfully complete the project.
- **5. Legal Feasibility**
 - Legal feasibility ensures that the project complies with all relevant laws, regulations, and permits, minimizing potential legal risks and liabilities.

6 Steps to Conduct a Feasibility Study

- **Run a Preliminary Analysis**
 - Identify any major obstacles that could render the project unviable before investing time and resources into a full feasibility study.
- **Evaluate Financial Feasibility**
 - Assess the projected income, costs, and financial impact to determine if the project is economically viable.
- **Run a Market Assessment**
 - Analyse market demand, potential revenue, and risks to evaluate if there is a market opportunity for the project.
- **Consider Technical and Operational Feasibility**
 - Examine whether your organization has the necessary resources, including staffing, equipment, and legal requirements, to support the project.
- **Review Project Points of Vulnerability**
 - Analyse all aspects of the feasibility study for inconsistencies and potential risks to ensure a well-rounded evaluation.
- **Propose a Decision**
 - Summarize the findings and present a recommendation to stakeholders, enabling an informed decision on whether to proceed with the project.

Market Feasibility

What is a Market Feasibility Study?

A market feasibility study is a comprehensive analysis that helps businesses determine if a product, service, or business is viable in a specific market.

- **Assessment of Market Viability:** Evaluates the potential success of a new business idea, product, or service in a specific market.
- **Demand Analysis:** Examines market demand to determine if there is sufficient interest in the proposed offering.
- **Competitive Analysis:** Analyses the competitive landscape to understand the strengths and weaknesses of existing players.
- **Target Audience Evaluation:** Identifies and studies the demographics and behaviours of the target market.
- **Market Trends Insight:** Investigates current and emerging market trends that could impact the success of the venture.
- **Risk Identification:** Highlights potential risks and challenges, allowing businesses to make informed decisions.
- **Opportunity Recognition:** Pinpoints opportunities for market entry and growth to enhance the likelihood of success.

The 4 Essential Components of a Market Feasibility Study

⑩ Stakeholder In-Depth Interviews (IDIs)

- ⑩ Engage with key stakeholders through in-depth interviews to gain valuable insights and align the project objectives with stakeholder expectations, enhancing support for the initiative.

⑩ Demographic Evaluation and Trend Analysis

- ⑩ Conduct a demographic evaluation and trend analysis to identify your target market, understand consumption patterns, and assess industry trends, reducing the risk of launching a product with insufficient demand.

⑩ Quantitative Survey

- ⑩ Gather primary data through quantitative surveys to measure market uptake and consumer behaviour, enabling a data-driven approach to market entry and strategy formulation.

⑩ Competitive Assessment

- ⑩ Analyse the competitive landscape to understand the impact of existing competitors and identify market gaps, ensuring your venture can effectively penetrate and succeed in the market.

In A Market Feasibility Study, Questions ?

Who are my competitors?

What is driving the demand?

What is the supply chain for the intended product?

How will you set the price for your product?

What pricing model will you adopt?

Will the model be flexible or rigid?

What are the effects of the exchange rate, inflation, demographics, population increase, and urban-rural migration on price forecast?

Is the price dependent on an international benchmark (e.g., crude oil)?

What is the market history?

What is the market forecast?

How to Conduct a Market Feasibility Study

Define the Objective:

- Clearly outline the purpose of your market feasibility study. Determine whether you are evaluating the viability of a new product, exploring entry into a new market, or considering the expansion of an existing business.

Gather Data:

- Collect relevant information through both primary and secondary research methods. Primary research includes conducting surveys, interviews, or focus groups to gather firsthand insights, while secondary research involves analyzing existing data from sources like industry reports, market studies, and government publications.

Conduct Market Analysis:

- Analyse the target market's size, growth potential, and overall dynamics. Identify key trends, demographic factors, and consumer preferences that could influence your business.

Conduct Competitive Analysis:

- Examine the competitive landscape by identifying both direct and indirect competitors. Analyse their strengths and weaknesses, and assess their market position and strategies.

Determine Your Target Audience:

- Define your target audience and understand their needs, preferences, and purchasing behaviours. This will help you tailor your marketing strategies and product offerings to effectively engage and attract potential customers.

Develop Financial Projections:

- Based on your market research findings, create realistic financial projections. Estimate sales volumes, determine pricing strategies, and forecast revenues and costs to assess the potential profitability of your venture.

FINANCIAL FEASIBILITY: DEFINITION AND IMPORTANCE

Financial feasibility is the assessment of a proposed business or investment's ability to generate sufficient cash flow and meet financial goals, ensuring that the expected returns outweigh the associated costs. It involves analysing projected costs, revenues, and profitability to determine if the venture is financially viable in both the short and long term.

Financial Feasibility is the evaluation of whether a project can generate enough revenue to cover costs and be profitable.

Assessment of Project Viability: Financial feasibility analysis helps determine whether a proposed business venture or project is financially viable by examining costs, revenue potential, and profitability.

Informed Decision-Making: By providing detailed insights into the financial aspects of a project, the analysis enables entrepreneurs and decision-makers to make informed choices and allocate resources efficiently.

Risk Identification and Mitigation: The analysis identifies potential financial risks, such as funding gaps or cash flow issues, allowing businesses to address and mitigate them before investing.

Evaluation of Financial Ratios: Financial feasibility analysis involves evaluating key financial ratios, such as return on investment (ROI), break-even point, and debt-to-equity ratio, which are essential for understanding the financial health of a project.

Foundation for Business Planning: The findings from the analysis influence business planning by shaping financial strategies, budgeting, and forecasting, ensuring the sustainability and profitability of the project.

Types of Financial Feasibility

- **Cash Flow Feasibility:** Evaluates a business's ability to generate sufficient cash flow to cover operating costs and make a profit.
- **Debt Capacity Feasibility:** Assesses a business's capacity to borrow funds to finance operations and long-term investments.
- **Growth Potential Feasibility:** Analyses the potential for a business to expand its revenue by entering new markets or offering new products and services.
- **Income Potential Feasibility:** Examines whether a business can generate enough income to meet its short- and long-term financial obligations.
- **Liquidity Feasibility:** Determines a business's ability to maintain adequate cash flow to cover its liabilities.
- **Tax Efficiency Feasibility:** Assesses a business's ability to manage its tax obligations efficiently and maintain profitability.
- **Reliability Feasibility:** Evaluates a business's consistency in meeting its operational commitments and financial obligations.
- **Social and Environmental Responsibility Feasibility:** Analyzes a business's ability to comply with social and environmental standards and regulations.
- **Governance and Risk Management Feasibility:** Examines the effectiveness of a business's governance structures and its ability to manage risks.
- **Business Relationship Feasibility:** Assesses the strength and sustainability of a business's relationships with partners, suppliers, and customers.

Benefits of Conducting a Financial Feasibility Analysis

Risk Mitigation

Conducting a financial feasibility analysis helps identify and mitigate potential risks by assessing market conditions, competition, and external economic factors.

Informed Decision-Making

A thorough analysis provides the necessary insights for decision-makers to evaluate the financial viability of a project and make informed investment choices.

Optimal Resource Allocation

Financial feasibility analysis enables businesses to allocate resources like capital, manpower, and time efficiently, ensuring maximum profitability and minimal waste.

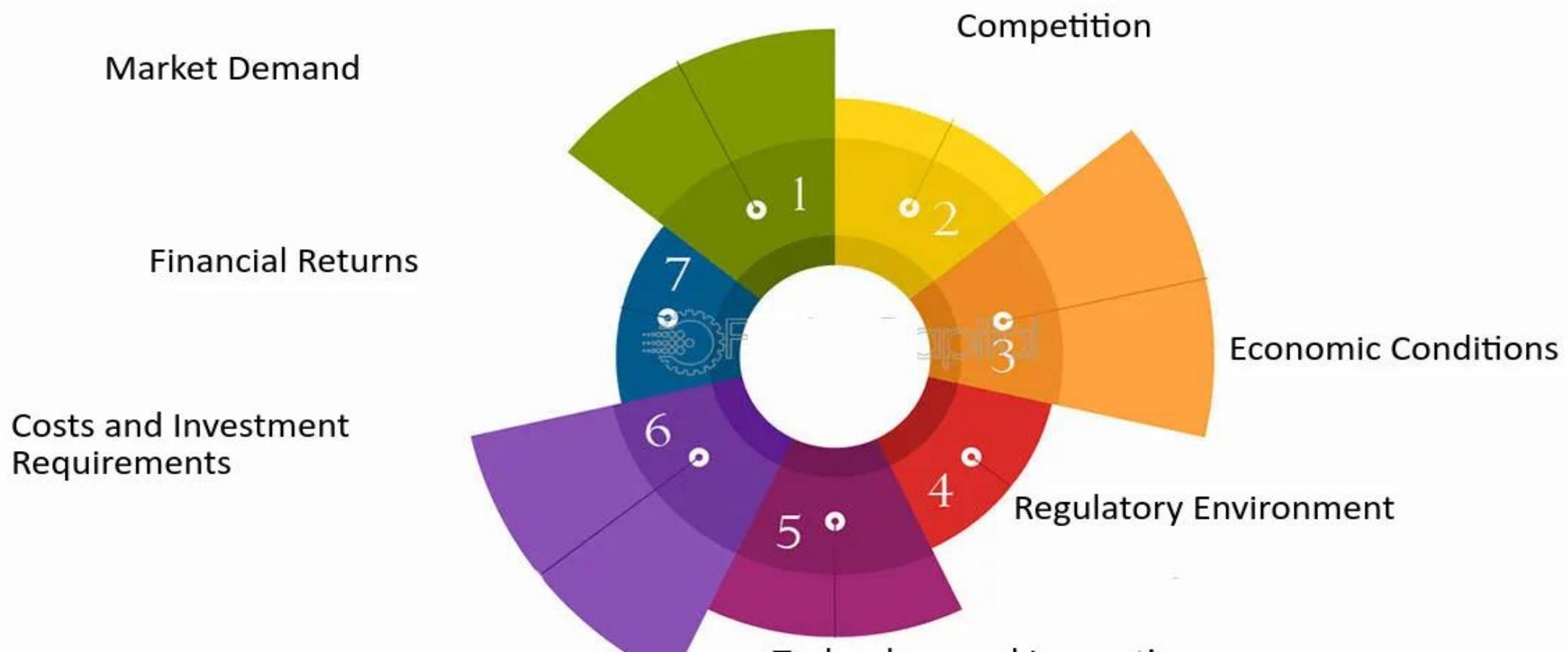
Investor Confidence

Presenting a comprehensive financial feasibility analysis builds investor confidence, making it easier to secure external funding for projects.

Opportunity Identification

The analysis can reveal new business opportunities and untapped markets by evaluating various investment options and conducting comparative assessments.

Factors to Consider in Financial Feasibility Analysis



❖ Market Demand

Evaluating the potential customer base, market size, and growth prospects is essential to determine the demand for the project.

❖ Competition

Assessing the competitive landscape helps in understanding market positioning, pricing strategies, and potential profitability.

❖ Economic Conditions

Factors like inflation, interest rates, and economic growth can impact costs, pricing, and overall financial performance.

❖ Regulatory Environment

Compliance with regulatory requirements, permits, and licenses is crucial to avoid legal issues or project delays.

❖ Technology and Innovation

Technological advancements and innovations can affect the project's cost structure, market positioning, or product offering.

❖ Costs and Investment Requirements

Estimating initial and ongoing costs, including land, equipment, marketing, and operating expenses, is key to financial feasibility.

❖ Financial Returns

Assessing revenue projections, profitability, and return on investment helps in determining the potential financial success of the project.

STEPS INVOLVED IN CONDUCTING A FINANCIAL FEASIBILITY ANALYSIS

Define Project Scope

Establish the objectives, deliverables, and expected outcomes to set the context for the financial feasibility analysis.

Gather Relevant Data

Collect all necessary financial data, including historical statements, sales projections, cost estimates and market research.

Identify Key Variables

Identify crucial variables such as revenue projections, cost estimates, and pricing strategies that impact the financial viability of the project.

Develop Financial Models

Create financial models, including income statements, cash flow projections, and balance sheets, to estimate financial performance under different scenarios.

Perform Sensitivity Analysis

Analyse the effects of changes in key variables on financial outcomes to identify risks and understand project sensitivity to market conditions.

Evaluate Financial Feasibility Ratios

Calculate ratios to assess profitability, liquidity, solvency, and overall financial health, and compare them with industry benchmarks.

Assess Risk Factors

Identify potential risks—market, operational, financial, or external—and develop strategies to mitigate them.

Prepare Financial Feasibility Report

Compile a comprehensive report that includes all findings, analyses, and recommendations for decision-makers.

Present Findings and Recommendations

Present the report to stakeholders, clearly communicating the financial viability, risks, and suggested actions.

Common Challenges in Financial Feasibility Analysis and How to Overcome them

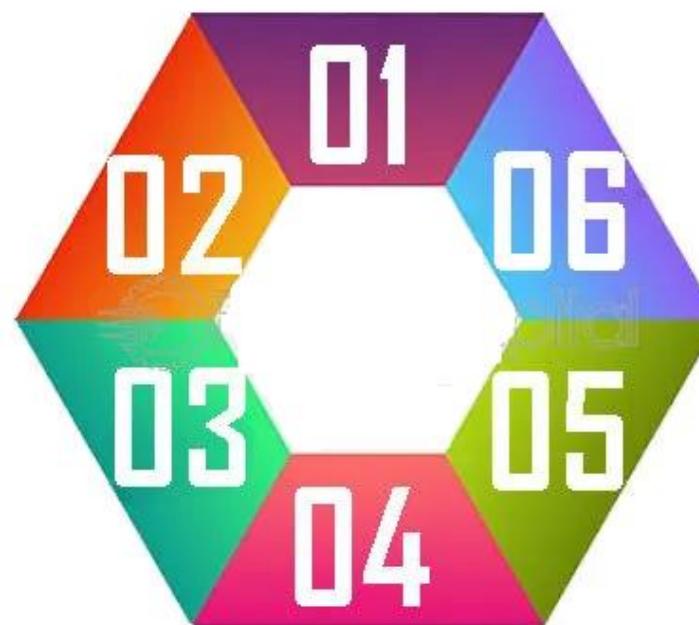
Data Availability

Forecasting Accuracy

Market Volatility

Availability of Resources

Complexity and
Technicality



Risks and Uncertainties

Technical feasibility.....

Technical feasibility assesses whether a proposed project, product, or service can be successfully implemented using current technology. It evaluates the technical requirements, constraints, and capabilities to determine if development, implementation, and maintenance are achievable within available resources.

Importance of a Technical Feasibility Study

- Identifying Potential Problems**

The study helps uncover potential challenges early, allowing for contingency planning and risk mitigation.

- Assessing Resource Requirements**

It evaluates the necessary resources like equipment, software, and personnel, aiding in cost estimation and budget planning.

- Evaluating Technical Requirements**

This assessment ensures that technical needs like compatibility, data management, and security are adequately addressed for successful implementation.

- Ensuring Project Viability**

The study determines if the project is technically feasible, guiding the decision to proceed or explore alternatives.

Parameters to Consider in a Feasibility Study:

- **Technical Requirements**
Define the necessary technical requirements, including hardware, software, and infrastructure.
- **Resource Availability**
Assess the availability of technical resources such as hardware, software, raw materials, and skilled personnel.
- **Scalability**
Ensure the project can be scaled up or down to meet changing requirements.
- **Compatibility**
Check the compatibility of the proposed solution with existing systems and infrastructure.
- **Security**
Evaluate the security of the technical solution and identify any potential vulnerabilities.
- **Cost**
Analyse the costs related to hardware, software, and personnel for the solution.
- **Maintenance**
Determine the maintenance needs and the availability of personnel to perform maintenance tasks.
- **Technical Risk**
Identify and assess any technical risks associated with the solution.
- **Technical Expertise**
Evaluate the expertise required to implement the solution and whether it exists in-house or needs to be outsourced.
- **Timeframe**
Ensure the timeframe for the feasibility study aligns with the overall project schedule.

Tips for Writing a Technical Feasibility Study:

- **Define the Purpose and Scope**

Clearly outline the study's purpose and scope to ensure focus and relevance to the proposed project.

- **Identify Key Stakeholders**

Identify stakeholders affected by the project and address their requirements and concerns.

- **Use Clear Language**

Use clear, concise language, avoiding technical jargon that may confuse non-technical stakeholders.

- **Include Technical Details**

Provide sufficient technical specifications to allow for an accurate assessment of the project's feasibility.

- **Identify and Evaluate Alternatives**

Present alternative solutions or technologies to provide context for the proposed project.

- **Assess Risks and Opportunities**

Conduct a thorough risk and opportunity analysis to inform stakeholders of the project's potential impact.

- **Provide Recommendations**

Offer recommendations based on findings, suggesting modifications or contingencies if necessary.

- **Use a Structured Format**

Organize the study with sections such as an executive summary, introduction, methodology, results, and conclusion.

- **Review and Revise**

Review the study multiple times and seek peer feedback to ensure accuracy, clarity, and completeness.

Business Model Planning.....

What is a Business MODEL?

Business Model
describes the approach
for **HOW a business**
makes profits! It's
the story...

What is a Business PLAN?

Business Plan estimates
for **HOW MUCH profit**
the business shall make
in a time period! It's
the screenplay...

Business model planning is the process of developing a comprehensive strategy for how a business will generate revenue and achieve its goals.

A written document that outlines the feature activity for a exiting or proposed venture

- **Involves.....**

- **Analysing the market:** Understanding customer needs, competitive landscape, and industry trends.
- **Defining value proposition:** Clearly articulating the unique benefits your business offers.
- **Developing revenue streams:** Identifying multiple ways to earn income.
- **Creating a cost structure:** Determining the expenses associated with running the business.
- **Designing a customer acquisition strategy:** Planning how to attract and retain customers.

A Structured Approach To Business Model Planning.....

- **Executive Summary:** A brief overview of the business, including its mission, strategy, and goals, written after the rest of the plan is complete.
- **Products and Services:** A description of what the business offers, focusing on how it addresses customer problems or needs.
- **Market Analysis:** A detailed examination of the target customer base, including demographic and psychographic profiles.
- **Competitive Analysis:** An assessment of the competition, highlighting their strengths and weaknesses compared to the business.
- **Marketing and Sales Plan:** A strategy outlining how the business will attract customers and generate revenue through marketing and sales efforts.
- **Operational Plan:** A blueprint for the daily operations, covering staffing, inventory, equipment, and facility needs.
- **Organization and Management Structure:** A breakdown of the company's departments and leadership team, with bios of key personnel.
- **Key Milestones:** A timeline of important business achievements, such as financial targets and customer growth.
- **Financial Plan:** Financial projections including income statements, balance sheets, and cash flow forecasts, along with assumptions and potential risks.
- **Appendix:** Supporting documents like data, charts, and other relevant materials that back up the business plan.

New Value Creation

When a business uses its resources

and work to create something of value for customers

which in turn generates a profit for the business

Why is Value Creation Important?

Sustainable Business Success

Targeted value creation ensures long-term value, keeps resources focused, and avoids cash flow issues that could hurt future initiatives.

Stakeholder Engagement

Transparent communication of goals and performance with stakeholders aligns perspectives, enhancing decision-making and balancing initiatives.

Customer Satisfaction

Value creation begins with the customer and results in sustained satisfaction, encouraging repeat business and referrals.

Competitive Advantage

Value creation helps maintain a competitive edge, keeping your company strong even during financial hardship

Financial Performance

Understanding customer, stakeholder, and company values leads to competitive pricing and optimized profits, improving financial returns

Innovation and Adaptability

Innovating and adapting to changing customer needs keeps current customers engaged and attracts new ones, ensuring long-term success.

Key aspects of new value creation include:

- **Identifying Emerging Opportunities**

Companies must continuously monitor market trends, customer behaviours, and technological advancements to identify opportunities for creating new value.

- **Innovation and Product Development**

New value is often created through innovation, whether by improving existing offerings or creating new products or services that address unmet needs.

- **Customer-Centric Approach**

Understanding evolving customer needs and preferences is crucial to creating new value, ensuring offerings align with their expectations and deliver enhanced experiences.

- **Leveraging Technology**

Emerging technologies like AI, blockchain, and IoT can unlock new avenues for value creation by improving efficiency, personalization, and scalability.

- **Sustainability and Social Impact**

New value creation increasingly involves considering environmental and social factors, with companies developing sustainable and ethically conscious products to meet modern consumer expectations.

- **Collaborative Ecosystems**

Partnering with other companies, industries, or startups can facilitate the creation of new value by accessing complementary skills, resources, and innovations.

- **Agility and Adaptability**

A company's ability to rapidly adapt to changing markets and pivot its strategies is essential for sustained new value creation.

Steps for Formulating a Value Creation

1. Creating a Value Creation Strategy

❖ Define Your Business Purpose

Establish a clear and compelling mission that sets the foundation for value creation efforts.

❖ Comprehend Your Target Audience

Understand the needs and preferences of your audience to tailor your value creation approach effectively.

❖ Analyse the Market and Competitors

Conduct market analysis and study competitors to identify opportunities for differentiation and value creation.

❖ Leverage Core Competencies

Utilize your organization's unique strengths and capabilities to gain a sustainable competitive advantage.

❖ Craft a Compelling Value Proposition

Create a value proposition that clearly communicates the benefits and uniqueness of your products or services.

❖ Set Strategic Objectives

Establish SMART objectives that align with your purpose and guide your value creation efforts.

2. Creating a Value Creation Plan

- ❖ **Detailed Execution**
Outline specific actions, tasks, and workflows needed to execute the value creation strategy.
- ❖ **Budgeting and Resource Allocation**
Determine financial and non-financial resources, allocating them efficiently to execute your plan.
- ❖ **Timeline and Milestones**
Develop a timeline with milestones to track progress and ensure timely execution of the plan.
- ❖ **Key Performance Indicators (KPIs)**
Identify KPIs to measure the success and effectiveness of your value creation efforts.
- ❖ **Risk Assessment and Mitigation**
Anticipate potential risks and create strategies to mitigate challenges that may hinder progress.
- ❖ **Communication, Alignment, and Feedback**
Ensure alignment and engagement through effective communication and regular feedback from stakeholders.

New Value Creation Benefits

- Increased Competitive Advantage
- Customer Loyalty and Retention
- Higher Revenue and Profitability
- Enhanced Brand Reputation
- Sustainable Growth
- Stakeholder Satisfaction
- Innovation and Continuous Improvement
- Better Market Positioning
- Increased Operational Efficiency
- Stronger Financial Performance