

Creating a Feasibility Study

Week 11



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Defining Feasibility

- A feasibility study is a structured evaluation that determines whether a proposed project, business idea, or expansion is viable before committing resources to it.
- It examines multiple factors—**market demand, financial viability, technical feasibility, legal considerations, and operational challenges**—to assess if the project is worth pursuing.



Purpose of a Feasibility Study

- **Evaluate Viability** → Determines if the business idea is achievable and sustainable.
- **Identifies potential obstacles early** → Avoids costly mistakes by detecting risks before investment.
- **Ensures resource efficiency** → Helps businesses allocate time, money, and effort wisely.
- **Improves decision-making** → Provides data-driven insights on whether to proceed, modify, or abandon a project.
- **Boosts investor confidence** → A well-researched feasibility study increases the chances of securing funding.

Example

- A tech entrepreneur wants to launch a **subscription-based AI resume-building tool**. Before developing the software, a feasibility study would analyze:
 - ✓ **Market demand:** Are job seekers willing to pay for this service?
 - ✓ **Competitive landscape:** How does it compare to tools like LinkedIn Premium?
 - ✓ **Financial feasibility:** Will it generate enough revenue to sustain operations?

When to Conduct a Feasibility Study?

1. Before Launching a New Product or Service

- Ensures market demand exists before product development.
- Helps determine pricing strategy, potential customer base, and expected profitability.

Example: A sustainable clothing brand considering launching a biodegradable sneaker line would assess whether eco-conscious consumers are willing to pay a premium for it.

When to Conduct a Feasibility Study?

2. Prior to Entering a New Market or Segment

- Assesses the competitive landscape, cultural fit, and regulatory environment of a new region.
- Determines whether the product/service needs adaptation to meet local preferences.

Example: A meal-kit delivery startup expanding from the U.S. to Europe must evaluate:

- Local dietary preferences (e.g., vegetarian-heavy demand in Germany).
- Logistical challenges (e.g., delivery infrastructure differences).
- Regulations (e.g., food labeling and safety standards).

When to Conduct a Feasibility Study?

3. When Considering Significant Business Expansions or Changes

- Determines if scaling production, opening new locations, or investing in new technology is financially feasible.
- Helps mitigate risks associated with over-expansion.

Example: A local bakery wants to franchise nationally. A feasibility study would examine:

- Franchise costs and profitability projections.
- Supply chain requirements for nationwide distribution.
- Legal considerations for franchising agreements.

Key Components of a Feasibility Study

1. Market Feasibility: To check if there is enough real customer demand for your product or service.

- **Market Analysis**

- Assess the demand for the product/service.
- Identify target customer segments.
- Analyze market size and growth potential.

Who are your potential customers?

How big is the market?

What are current market trends?

Key Components of a Feasibility Study

1. Market Feasibility

- Competitive Analysis

- Identify direct and indirect competitors.
- Evaluate competitors' strengths and weaknesses.
- Determine market share distribution.

Who are your competitors and what are their strengths/weaknesses?

Key Components of a Feasibility Study

1. Market Feasibility

- SWOT Analysis
 - Identify internal Strengths and Weaknesses.
 - Recognize external Opportunities and Threats.
- Porter's Five Forces Model (Competitive Model)

Key Components of a Feasibility Study

2. Technical Feasibility

- **Technology Assessment**
 - Determine the technical requirements of the project.
 - Assess the availability of necessary technology and expertise.
 - Prototype, MVP
- **Resource Evaluation**
 - Identify required materials, equipment, and human resources.
 - Evaluate the capability to meet technical demands. (supply chain, logistics)

Do you have the technical skills or access to expertise needed?

Are the required raw materials, software, or machines available?

Is the production scalable?

Key Components of a Feasibility Study

3. Financial Feasibility

- Cost Analysis
 - Estimate initial capital requirements.
 - Project operational and maintenance costs.
- Revenue Projections
 - Forecast potential income streams.
 - Develop best-case and worst-case financial scenarios.
- Profitability Assessment
 - Calculate expected profit margins.
 - Determine the break-even point.

How much startup capital do you need?

What are your estimated costs (fixed and variable)?

What is your expected revenue?

When will you break even?

What is the Return on Investment (ROI)?

Key Components of a Feasibility Study

4. Legal and Regulatory Feasibility

- Compliance Check
 - Identify applicable laws and regulations.
 - Assess the ability to comply with legal requirements.
- Intellectual Property Considerations
 - Evaluate the need for patents, trademarks, or copyrights.

Do you need trademarks, patents, or copyright protections?

Do you need any liscence or permits?

Are there environmental regulations to consider?

Is your business idea socially responsible and ethical?

Key Components of a Feasibility Study

5. Operational Feasibility

- **Operational Plan**
 - Develop a plan for day-to-day operations.
 - Assess the practicality of operational processes.
- **Resource Availability**
 - Ensure access to necessary resources and infrastructure.

Who will manage operations?

What will your business processes look like?

Do you have the facilities, suppliers, and staffing needed?

Are there legal/regulatory issues to deal with?

Risk Management in Startups



- Risk management involves identifying, assessing, and prioritizing risks followed by coordinated efforts to minimize, monitor, and control the probability or impact of unforeseen events.
- **Importance in Startups:** Startups operate in dynamic environments with limited resources, making them particularly vulnerable to risks. Effective risk management can mean the difference between success and failure.
- **Types of Risks**
 - **Financial Risks:** Issues like cash flow shortages or funding challenges.
 - **Market Risks:** Uncertainty about product-market fit or demand fluctuations.
 - **Operational Risks:** Internal process failures or supply chain disruptions.
 - **Legal and Regulatory Risks:** Non-compliance with laws or industry regulations.
 - **Technological Risks:** Rapid technological changes or cybersecurity threats.

Steps in the Risk Management Process

1. Risk Identification

- Conduct brainstorming sessions with the team.
- Analyze industry reports and case studies.
- Utilize tools like SWOT analysis to uncover potential risks.

2. Risk Assessment

- Evaluate the likelihood and potential impact of each identified risk.
- Prioritize risks based on their severity and probability.

Steps in the Risk Management Process

3. Risk Mitigation Strategies

- **Avoidance:** Alter plans to sidestep the risk.
- **Reduction/Mitigation:** Implement measures to reduce the impact or likelihood.
- **Sharing:** Transfer the risk through insurance or partnerships.
- **Acceptance:** Acknowledge the risk and prepare contingency plans.

4. Monitoring and Review

- Regularly revisit and update the risk management plan.
- Stay informed about industry trends and emerging risks.

Crisis Handling in Startups

- Crisis management is the process by which an organization deals with disruptive and unexpected events that threaten to harm the organization or its stakeholders.
- Key Steps in Crisis Handling

1. Crisis Preparedness

- Develop a crisis management plan detailing potential crises and response strategies.
- Assemble a crisis management team with defined roles and responsibilities.



2. Effective Communication

- Establish clear internal communication channels.
- Prepare templates for external communications to ensure timely and consistent messaging.

Crisis Handling in Startups

- Key Steps in Crisis Handling

3. Response Execution

- Act swiftly to contain and address the crisis.
- Keep stakeholders informed with regular updates.

4. Post-Crisis Analysis

- Conduct a thorough review to understand the causes and effectiveness of the response.
- Update crisis management plans based on lessons learned.



THANK
YOU