

Appendix 2

FEASIBILITY WORKBOOK

Welcome to the Feasibility Study!

This workbook is divided into two parts: Feasibility Worksheets and the Feasibility Report. The worksheets contain all the forms and charts you and your committee will need to conduct your research and to analyze it. The Feasibility Report will be filled out at the end of the training, when all of your research has been conducted.

Every participant has a copy of the Feasibility Workbook, but as you will see, it doesn't make sense for each participant to fill out her own workbook: Many of the tasks and assignments need to be done in pairs or small clusters, and the clusters need to come back together to share their findings in the committee. Your committee needs to identify one person (or a pair) who keep a "master copy" of the workbook. In other words, that person is responsible for recording the committee's findings at the end of an assignment, after all information has been shared. We recommend that the committee also chooses a back-up person in case the main person is sick, can't attend a meeting, or needs to leave the group.

a) The business our committee is studying:

b) Committee members:

c) Committee member(s) in charge of keeping the "master copy":

COMPETITION: RESEARCH TASKS

Committee Name: _____

Business Idea: _____

a) Identify the location of your business and the area you hope to serve.

b) How much competition is there in this area? Find out the following information about all businesses in your area producing the same or similar product or service: The names of all competing businesses; their locations (street & city); and the services they offer. (Write this information down in the chart on the next page).

c) Does the competition appear to be increasing or decreasing? List the sources you consulted to find this information out.

d) Choose six of the businesses on the list of competitor's for further investigation. Do research to find out the following information: Size of the business (how many employees; how many customers they serve); whether the business is growing or not (increasing sales and customer base); the business' speciality (what does the business do? What, if anything, makes the business different). Fill in the information in the chart below.

Note: If you can't get exact or accurate information, try to estimate.

Name	Size	Growing?	Speciality

Feasibility Worksheet, Training #8
Step 2: Exploring the Market & the Competition

Name	Size	Growing?	Speciality

COMPETITION: ANALYSIS

Note:

Your committee should fill these questions out only after you have completed your research into the competition

a) After examining the competition, where do you think your business should be located? Why? What area will your business serve?

b) In general, how would you assess the competition--as strong, medium or weak? Is the competition increasing or decreasing?

c) How many businesses did your committee examine in depth? _____

d) If you used an interview or observation form, compile the results and attach to this sheet. (Take a blank copy of the form you used, and under each question, add together or list all the responses. For example: If you asked the question "How many customers does your business serve," you might compile the answers as follows: "Josie's serves approximately 80 customers a day; Martita's serves approximately 50; Home Grown Supplies serves about 30.")

e) Thinking about your research on the competition, what gaps in products or services do you notice? What ideas does your committee have for possible market niches (services or products that could fill gaps for which there is demand)?

f) Based on your research into the competition, do you think your committee should continue to research this business idea? List your reasons why or why not.

BUSINESS OPERATIONS: RESEARCH TASKS
Interview Form

Committee Name: _____

Business Idea: _____

Name of Business where Site Visit or Interview Conducted:

Instructions:

Use this Interview form to conduct interviews with at least three business owners or managers. When you have finished, your committee should meet to pool its results. Then, fill out the sheet entitled "Business Operations Analysis."

a) **General Information:**

- How and when did the business get started?

- How many people were involved in starting it?

- How easy was it to start this business? Did this business have any particular problems trying to get started?

- How long did it take before the business was making a profit?

b) **Staffing:**

- How many full or part-time employees does this business have?

- What different employment positions does the business have?

- Do employees have to have a certain background or skills in order to work for the company? If so, what kind? How long does it take to get this training?

- What kind of training do employees get on the job?

c) Hours of Operation:

- What days/hours is the business open?

- What are employees work schedules typically?

d) Management:

- Does the business require any specialized management skills? What skills?

- How many positions in the business are management positions?

e) Supplies:

- What supplies or packaging does the business need to produce its product or service?
- Where does it get them?
- What kinds of problems does the business confront getting supplies or packaging?

f) Equipment:

- What equipment does the business need?
- Where does the business get this equipment?

g) Facilities & Location:

- What kind of facilities does the business occupy? (type of building, square footage etc.)
- What factors are important to consider when deciding where to locate this type of business?

- What geographical area does your business serve?

h) The Production Process (if applicable):

- How long does it take to produce the product or service?

- Apart from supplies and materials, what other resources are used in the production process?

- What problems can be encountered in the production process?

i) Transportation:

- What are the transportation needs related to producing or distributing the product/service?

- How is transportation provided?

- What problems can be encountered in the area of transportation?

j) Licensing, Regulatory & Liability Issues:

- Does the business need any special licenses to operate? Which ones?

- Are there special regulations that apply to operating this business? Which ones?

- Are there special liability issues associated with this business? Which ones?

k) Marketing Strategy

- What methods does the business use to attract customers?

- Which method is the most important?

1) Finances

Note: Only ask these questions if your resource person feels comfortable answering them. Check it out first!

Re: Start-Up Costs:

- How much money was needed to start the business?

- Was it sufficient?

- What were the major start-up costs?

Re: Operating Costs:

- What are average monthly operating costs of the business?

- What items make up the major operating costs of the business?

Re: Sales Income:

- What are average monthly sales of the product/service? (Either gross income from sales or numbers of units sold)

- What are the major factors that affect sales income?

- What services/products bring in the most income?

- What is the average purchase per customer? (Either number of units or amount of payment).

m) Other Information or Advice:

- What advice do you have for us as we consider getting into this business?

- Are there particular risks or difficulties you think we should be aware of?

- Miscellaneous Information:

BUSINESS OPERATIONS: ANALYSIS

Note: Your committee should fill these questions out only after you have completed your business operations research tasks.

a) How many business owners/operators did your committee interview? _____

b) Compile the results of your interviews and attach to this sheet. (Take a blank copy of the interview form, and under each question, add together or list all the responses. For example: Under the question "How many full or part-time employees does this business have?" you might answer: "Janie's employs two full time and one part time persons. Home Grown Supplies employs 8 full time and two part time persons. Martita's Fiestecitas employs 5 full time employees." Note that some questions will be hard to compile in this way....don't worry about these, you can just leave them blank).

c) Look at the results of your interviews and compare them to what you know about the group and your resources. First, list all the "red flags," things you found out about that you think might present challenges or obstacles. Then, list the "green flags," things that tell you to go ahead and build this business!

Red Flags _____

Green Flags _____

d) Based on your research into business operations, do you think your committee should continue to research this business idea? Why or why not?

ESTIMATING COSTS: RESEARCH TASKS

Committee Name: _____

Business Idea: _____

a) Start-Up Costs:

Fixed Costs

Rent _____

Remodeling/Build-Out Office space _____

Telephone installation _____

Business license _____

Advertising _____

Printing (business cards, flyers, stationary, packaging) _____

Office Equipment (computer, fax) _____

Office supplies _____

Professional services (lawyer, accountant) _____

Other: _____

Sub-total: Fixed Start-Up Costs: \$ _____

Total Start-Up Costs: \$ _____

b) Operating Costs (for one month):

Fixed Costs

Staff/Personnel	_____
Taxes & benefits	_____
Rent	_____
Telephone	_____
Office Supplies	_____
Office equipment	_____
Advertising	_____
Transportation	_____
Insurance (liability, fire, theft etc.)	_____
Printing	_____
Other: _____	_____

Sub-total Fixed Operating Costs: \$ _____

Variable Costs:

_____ (Leave Blank for Now) _____

Total Operating Costs: _____ \$ _____

c) Variable Costs

a) What are all the supplies/materials needed to produce your product or service?¹ _

b) What does it cost (in supplies or materials) to produce one product or service (the per unit cost)?

c) On average, once a business is up and running, how many products/services are sold a month?

d) Calculate the monthly variable costs for a typical business.

$$\begin{array}{l} \text{Monthly Variable Costs} \quad = \quad \text{Cost per unit} \quad (\times) \quad \# \text{ of Products/Services Sold} \\ \underline{\hspace{2cm}} \quad \quad \quad = \quad \underline{\hspace{2cm}} \quad (\times) \quad \underline{\hspace{2cm}} \end{array}$$

¹ This question applies only to a service or manufacturing/production businesses. A retail store, for example, may need to think about costs in terms of categories of products.

ESTIMATING INCOME: RESEARCH TASKS

a) Calculating the Break-Even Price

<u>Reminder:</u>	
Break-Even Price =	$\frac{\text{Total Monthly Fixed Costs} + \text{Total Monthly Variable Costs}}{\text{Number of Items/Services Sold Per Month}}$

1. List here your total monthly fixed costs: \$ _____

2. Calculate your total monthly variable costs:

a) Calculate the cost to produce one product/service: \$ _____

b) Estimate how many products/services you will be able to sell a month: _____

c) Multiply a) times b) to obtain monthly variable costs: \$ _____

3. Add together your monthly fixed & variable costs: \$ _____

4. Divide the total in #3 by the number in #2b) to obtain the break-even price: \$ _____

b) Calculating Income: Factors to Consider

To calculate a realistic estimate of how much income your business can earn, you need to know more about two main factors: Prices and Sales. Once you have researched these factors, you will be able to project a realistic income for your business during the first year of operation.

A. Prices

1. What is the competition charging for the same/similar product or service? Research at least six competitors and list their prices here:

- a. _____
- b. _____
- c. _____
- d. _____
- e. _____
- f. _____

List here the average price for this product/service: _____

2. What are customers willing to pay for your product/service? Interview at least 10 potential customers and list the following information here:

The highest price a customer is willing to pay: _____

The lowest price a customer is willing to pay: _____

The average price a customer is willing to pay: _____



b) How many months after start-up might the business break-even?

Survey your resource people about the experience with their business. List their responses here.

c) What are average monthly sales¹ of the product/service once the business is established?

Find out by surveying your resource people. List the average here.

d) In general, what, if any, are the peak periods of sales? What months are affected? What are average monthly sales² during these periods?

Find out by surveying your resource people. List all responses here.

e) In general, what, if any, are the low periods of sales? What months are affected? What are average monthly sales³ during these periods?

Find out by surveying your resource people. List all responses here.

¹ Ibid....same footnote as on previous page.

² Ibid...same footnote as on previous page.

³ Ibid...same footnote as on previous page.

INCOME: ANALYSIS

Estimating Prices and Sales Projections for Our Own Business

A) Estimating Price:

a) What is the average price that your competitors charge for the product/service? _____

b) What is the average price that your customers say they would pay for the product/service? _____

c) What is your committee's recommended price for your product/service? _____

Why?

B) Sales Projections:

a) What month do you anticipate your business will start? Write that month in below Box #1 on Line A of the chart on the next page, and then fill in the subsequent months.

b) Based on your research, what do you project the average monthly sales (numbers of products/services sold) of your business will be during the first year of operations? Write your response on Line B in the chart on the next page.

c) Think about your research into peak periods of sales, low periods of sales, and customers buying habits.

What months do you anticipate to be peak months?

What months will be low months?

d) Think about how the peaks and lows will affect your business during the first year of operations. If appropriate, adjust your sales estimates to accommodate changes in sales according to peaks and lows. Write in adjusted sales estimates (numbers of products/services sold) on Line C of the chart on the next page.

insert here the chart file called "chart sales projections"

insert here the chart file called "Estimating Income & COGS"

insert here the chart file called "Profit and Loss Statement"

insert here the chart file called "Cash Flow Statement"