Fill in the Blanks

Feasibility Study Worksheet

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Fill-in the blanks - Feasibility Study worksheet

Step 1 – Idea Exploration, Identification and Assessment

Describe your business idea or concept (filling an unmet need in the marketplace with a new product or service, providing an existing product/service in a new form, delivering a product/service better or cheaper than competitors, etc.)

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What need or demand will your product or service satisfy in the marketplace? (An idea is only viable if people are willing to pay you for what it provides)

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Describe your business Model (How will the business function in providing what the customer wants?)

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Step 2 – Determine Markets, Estimate demand (Who will buy the product or service? Are there enough customers to support your business?)

What are the target Markets for your Products or Services: (Who will buy your product or service? How often? Why will they buy it? Will they trust to buy from you?)

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Research your industry: provide an overview, background, trends, key indicators,
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Research the Market in your region, determine Segments, Demographic characteristics
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Quantify the Total market: (determine how many units of a product are consumed per year or how many dollars are spent each year for the service)
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Determine how many competitors are in your area of influence (which are your main competitors? can you determine the share of the market they enjoy and why?)
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Will you focus on a Market Segment or Niche?
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_______________________________________________________________________________________
What are the price points in the market (range of price per unit or fee for service?)

What location would be best for your business?

Quantify the Market/Demand available for your product or service (in units per day, jobs per day, sales per day, etc. in your area of influence)

What share of the market do you expect to capture?

Can you define the key strategies to compete? To maintain and grow your business?

1.

2.

3.

4.

5.

Produce a Sales Forecast: Project Sales or Revenues for 12 months - see Income Statement worksheet, Page 7
Step 3 – Determine Costs and Requirements (What will it cost to operate the business? What will you need?)

Fixed Costs or Variable Costs. (For Services, typically there is no cost of goods. Estimate how much will you pay for your merchandise per unit? Include cost of freight, fees, taxes, shipping, packaging, warehousing etc.)


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If you will purchase merchandise to retail, research wholesale prices, suppliers, volume discounts etc.

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Operating Expenses or Indirect Costs: Also referred to as Fixed Costs since you incur these expenses whether you sell products or services or not. Most Typical Operating Expenses are:

Rent $________ per month
Salaries $________ per month
Insurance $________ per month
Legal $________ per month
Utilities $________ per month
Office Expenses $________ per month
Advertisement $________ per month

If you will obtain a loan, calculate the monthly payment and add to Operating costs

_______________________________________________________________________________________
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Pay Yourself! Don’t forget to include your own Salary
Determine Requirements:

Determine Capital required for the start-up. (How much you need to set up your business and survive the starting period? Typical start up expenses are: Business Registration and Licenses, Legal Fees, Tenant Improvements, Architects/Contractors fees, Deposits for Lease and Utilities, Advertisement and promotion, Equipment and tools, Signage, Furniture, Technology, etc)
See Start Up Worksheet, Page 8.

STEP 4 - Calculate Break-Even Point / Critical Mass

Calculate the Break-Even point: (the minimum Sales or revenues to cover all expenses)

Using the information in your Income Statement, calculate Break even with the following formula:

\[
\text{B.E. SALES $}= \frac{\text{TOTAL FIXED COSTS}}{(\text{TOTAL SALES} - \text{VARIABLE COSTS}) ÷ \text{TOTAL SALES}}
\]

B.E. SALES $= \frac{\text{TOTAL FIXED COSTS}}{(\text{TOTAL SALES} - \text{VARIABLE COSTS}) ÷ \text{TOTAL SALES}} = $\_

STEP 5 - Identify Pitfalls, Determine how to overcome (Consider any potential issues that may jeopardize your venture and consider realistic solutions)

1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________
6. ____________________________
7. ____________________________
8. ____________________________
9. ____________________________
STEP 6 - Decision: Go/No go! Point of no Return!

The Feasibility Study just completed allows you to make a truly informed decision about the business idea:

- Will the business achieve your goals?
- Is the risk low enough to take?

__________________________________________________________
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__________________________________________________________

Do I:

- Proceed? It’s a Go! Then…. PREPARE YOUR BUSINESS PLAN
- Modify? Do further analysis? Then… Go back to Step 1
- Abandon the idea: No-Go? Then…. FIND A FEASIBLE IDEA!

- If you decide it’s a GO! then
  - 1. Use this analysis as foundation for business plan
  - 2. Decide name and business entity form
  - 3. Secure registration, licenses, insurance
  - 4. Consider employee issues
  - 5. Other professionals to have involved

At the SBDC we can help you turn the feasibility study into a business plan to make your business a reality! Business counseling is provided at no cost to you. Call **480-784-0590** today and make your appointment remember to bring this study to your appointment.

GROW YOUR BUSINESS………..

REDUCE YOUR RISK

*Your Success is Our Goal*
## Projected Income Statements

**Projected Annual Growth**: 10%

### Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td></td>
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</tbody>
</table>

### Cost of Sales

- Inventory Purchases
- Raw Material Purchases
- Payroll - Production
- Payroll Expenses - Production
- Commissions/Sales Bonuses

### Gross Profit Margin

### Expenses

#### Salaries
- Payroll - General and Administrative
- Payroll Expenses - G & A
- Employee Health Insurance
- Worker's Compensation Insurance
- Employee Fringe Benefits

#### Operating Expenses
- Accounting & Legal
- Advertising/Marketing
- Auto Expense
- Bank Service Charge
- Credit Card Processing Fees
- Depreciation
- Dues and Subscriptions
- Insurance (Liability, Property)
- Lease/Rent/Building Payment
- Miscellaneous
- Office Expense
- Outside Labor
- Postage
- Repairs and Maintenance
- Research and Development
- Sales Tax Expense
- Shipping - Freight In
- Shipping - Freight Out
- Taxes and licenses
- Telephone
- Utilities
- Allowance for Bad Debt

### Total Expenses

### Net Profit Before Interest

<table>
<thead>
<tr>
<th>Percentage</th>
<th>% of Sales</th>
</tr>
</thead>
</table>

### Interest Expense

- Interest Expense - Existing Debt
- Interest Expense - New Debt

### Net Profit

<table>
<thead>
<tr>
<th>Percentage</th>
<th>% of Sales</th>
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</thead>
</table>
## Start-Up Capital Estimate

[Company Name]  
[Date]

<table>
<thead>
<tr>
<th>Monthly Expenses</th>
<th>Cash Needed to Start</th>
<th>% of Total</th>
<th>Source of Estimate</th>
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</thead>
<tbody>
<tr>
<td>Salary of owner-manager</td>
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<tr>
<td>All other salaries and wages</td>
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<td></td>
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<tr>
<td>Rent</td>
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<tr>
<td>Advertising</td>
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<tr>
<td>Delivery expense</td>
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<tr>
<td>Supplies</td>
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<tr>
<td>Telephone</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other utilities</td>
<td></td>
<td></td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Taxes, including social security</td>
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<tr>
<td>Interest</td>
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<tr>
<td>Maintenance</td>
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<td></td>
<td></td>
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<tr>
<td>Legal and other professional fees</td>
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<tr>
<td>Miscellaneous</td>
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<tr>
<td><strong>Subtotal</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>ONE-TIME COSTS</th>
<th>Monthly Expenses</th>
<th>Cash Needed to Start</th>
<th>% of Total</th>
<th>Source of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixtures and equipment</td>
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<tr>
<td>Decorating and remodeling</td>
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<tr>
<td>Installation charges</td>
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<tr>
<td>Starting inventory</td>
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<tr>
<td>Deposits with public utilities</td>
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<tr>
<td>Legal and other professional fees</td>
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<tr>
<td>Licenses and permits</td>
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<tr>
<td>Advertising and promotion for opening</td>
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<tr>
<td>Cash</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Subtotal</strong></td>
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**TOTAL ESTIMATED START-UP CAPITAL**