

# BUSINESS PLAN COMPETITION 2011

FEASIBILITY WORKSHOP

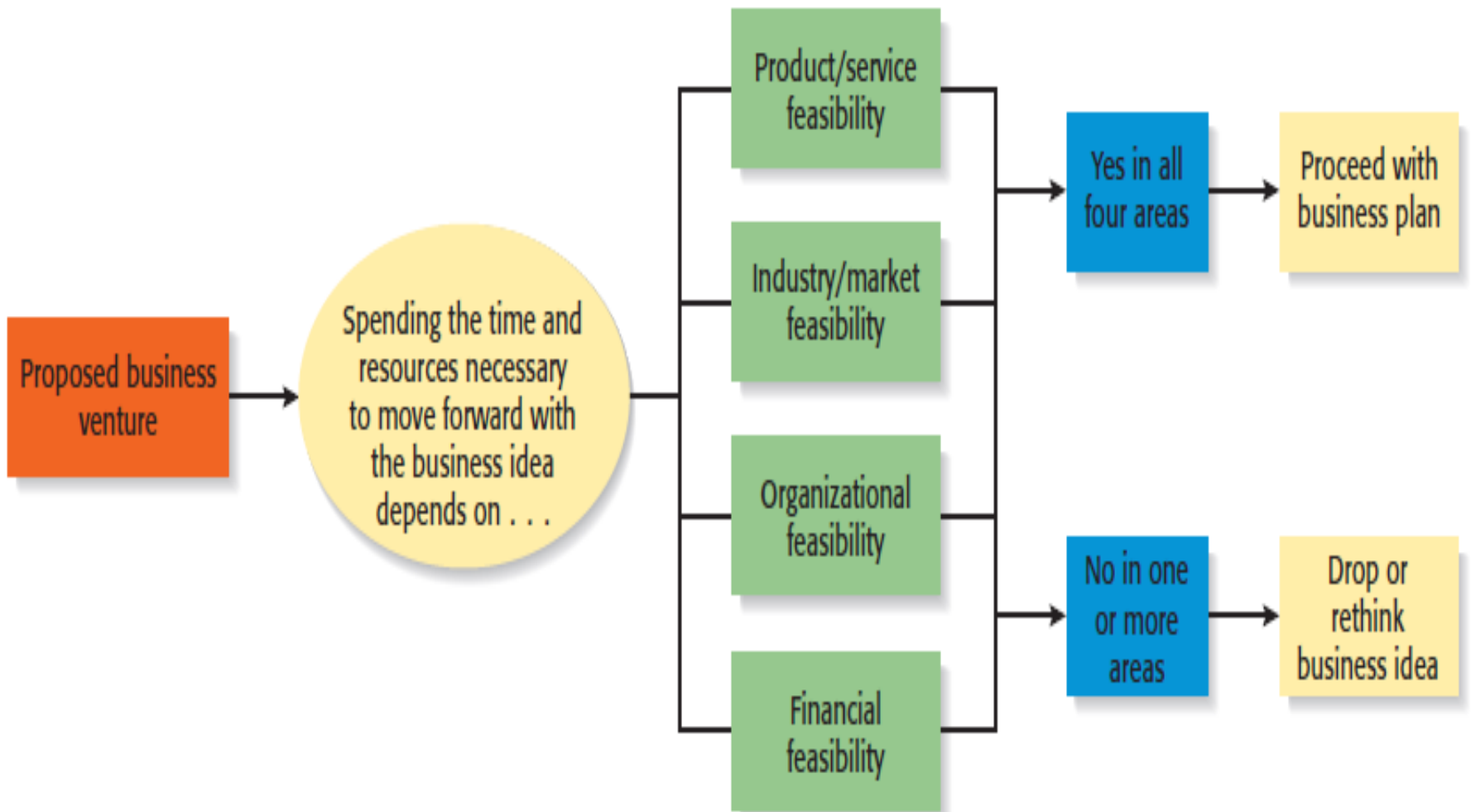
PART I OVERVIEW

(PROCESS, CONCEPT, MODEL, MARKET AND OPERATIONS)

PART II

(OPERATIONS, MANAGEMENT, FINANCIALS)

- **Feasibility.** In broad terms, the focus of a feasibility study involves undertaking activities that may help determine whether one should go forward with an opportunity. The process of feasibility analysis involves:
  - Identifying,
  - Evaluating and
  - Determining whether to exploit an opportunity.
- Feasibility analysis forces students to:
  - Undertake a significant amount of field research;
  - Develop and think critically about business concepts;
  - Answer fundamental questions about strategic, marketing, financial, operational, and human resource issues about business concepts; and then
  - Reach a decision about going forward to start the businesses that are proposed



# NARRATIVE

SUBJECT	LOW DETAIL	MODERATE DETAIL	HIGH DETAIL
COVER PAGE			
EXECUTIVE SUMMARY	1	1	1
BUSINESS CONCEPT AND MODEL	1	2	2
MARKET ANALYSIS	2	2	3
INDUSTRY COMPETITIVE ANALYSIS	1	1	2
OPERATIONS	1	2	2
MANAGEMENT	1	1	1
FINANCIALS	2	2	3
RESOURCE REQUEST "THE ASK"	1	1	1
TOTALS	10	12	15

# FEASIBILITY RESEARCH



- PRIMARY
  - INDUSTRY EXPERTS
  - PROSPECTIVE CUSTOMERS
  - FOCUS GROUPS SURVEYS
  
- SECONDARY
  - INDUSTRY STUDIES
  - FEDERAL ECONOMIC DATA
  - CENSUS BUREAU DATA
  - STATE ECONOMIC DATA
  - ANALYST FORECASTS

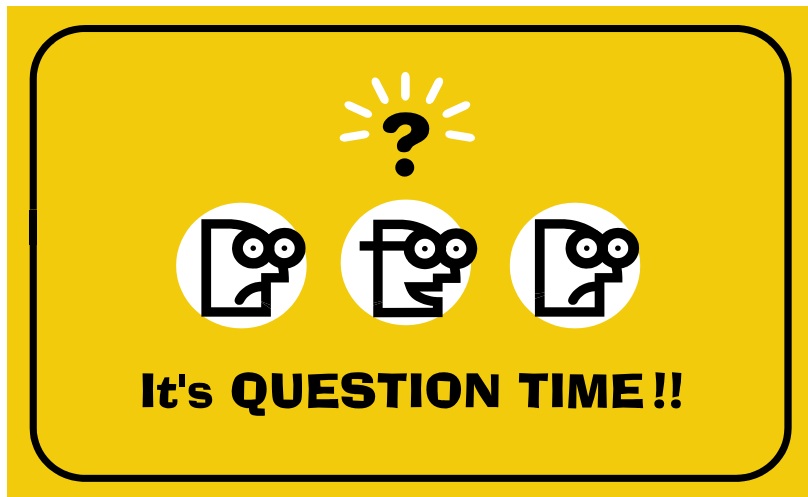
the measure of how beneficial or practical it will be to create and sustain a particular business.

- Product/Service Feasibility
- Industry/Market Feasibility
- Operational Feasibility
- Economic Feasibility

What is “Feasibility”

# FEASIBILITY QUERIES

- WHAT IS THE CRITICAL PROBLEM, WANT OR COMPELLING NEED YOUR PRODUCT OR SERVICE WILL SOLVE?
- IS THERE A CUSTOMER OR A MARKET OF SUFFICIENT SCALE TO MAKE THE CONCEPT VIABLE?
- WHAT IS YOUR ASSESSMENT OF THE STATUS OF DEVELOPMENT AND AN ESTIMATE OF REQUIREMENTS TO COMPLETE DEVELOPMENT, TEST THE PRODUCT OR SERVICE AND THEN INTRODUCE THE PRODUCT OR SERVICE TO THE MARKET.
- DO THE CAPITAL REQUIREMENTS TO START AND SUSTAIN A BUSINESS, BASED ON ESTIMATES OF SALES AND EXPENSES SEEM RATIONAL?





- WHAT IS THE UNDERLYING VALUE CREATION PROPOSITION: HOW AND WHY WILL IT PAY FOR ITSELF., YIELD MAJOR BENEFITS/ADVANTAGES AND SO ON?
- A BRIEF DESCRIPTION OF THE MARKET(S) OR MARKET NICHE(S) YOU WANT TO ENTER.
- AN EXACT DESCRIPTION OF THE PRODUCTS OR SERVICES TO BE SOLD AND, IF A PRODUCT, ITS EVENTUAL END USES.

## THE CONCEPT STATEMENT

## **New Business Concept New Venture Fitness Drinks Inc.**

### **Product**

New Venture Fitness Drinks will sell delicious, nutrition-filled, all-natural fitness drinks to thirsty sports enthusiasts. The drinks will be sold through small storefronts (600 sq. ft.) that will be the same size as popular smoothie restaurants. The drinks were formulated by Dr. William Peters, a world-renowned nutritionist, and Dr. Michelle Smith, a sports medicine specialist, on behalf of New Venture Fitness Drinks and its customers.

### **Target Market**

In the first three years of operation, New Venture Fitness Drinks plans to open three or four restaurants. They will all be located near large sports complexes that contain soccer fields and softball diamonds. The target market is sports enthusiasts.

### **Why New Venture Fitness Drinks?**

The industry for sports drinks continues to grow. New Venture Fitness Drinks will introduce exciting new sports drinks that will be priced between \$1.50 and \$2.50 per 16-ounce serving. Energy bars and other over-the-counter sports snacks will also be sold. Each restaurant will contain comfortable tables and chairs (both inside and outside) where sports enthusiasts can congregate after a game. The atmosphere will be fun, cheerful, and uplifting.

### **Special Feature—No Other Restaurant Does This**

As a special feature, New Venture Fitness Drinks will videotape select sporting events that take place in the sports complexes nearest its restaurants and will replay highlights of the games on video monitors in their restaurants. The “highlight” film will be a 30-minute film that will play continuously from the previous day’s sporting events. This special feature will allow sports enthusiasts, from kids playing soccer to adults in softball leagues, to drop in and see themselves and their teammates on television.

### **Management Team**

New Venture Fitness Drink is led by its cofounders, Jack Petty and Peggy Wills. Jack has 16 years of experience with a national restaurant chain, and Peggy is a certified public accountant with seven years of experience at a Big 4 accounting firm.

## GAPS IN THE MARKETPLACE

NO FITNESS CENTERS SPECIFICALLY FOR WOMEN DESIGNED

LACK OF TOY STORES THAT FOCUS ON A CHILD INTELLECTUAL DEVELOPMENT

RESTAURANTS THAT ARE BOTH FAST AND SERVE GOOD FOOD

SHORTAGE OF CLOTHING STORES THAT SELL FASHIONABLE CLOTHES FOR HARD TO FIT PEOPLE

## RESULTING NEW BUSINESS OPPORTUNITY

FITNESS CENTERS JUST FOR WOMEN

TOY STORES AND MANUFACTURE WHO SELL EDUCATIONAL TOYS

FAST CASUAL RESTAURANTS

BOUTIQUES AND RETAIL CHAINS FOR THE HARD TO FIT

## NEW BUSINESS

CURVES  
SLIM AND TONE

DISCOVERY TOY  
SPRIG TOYS

PANERA BREAD  
COSI

CASUAL MALE  
REAZLKID

# PRODUCT AND SERVICE CONCEPTS

- **INDUSTRIAL/BUSINESS GOODS**

- DIRECT MATERIALS

- INDIRECT MATERIALS

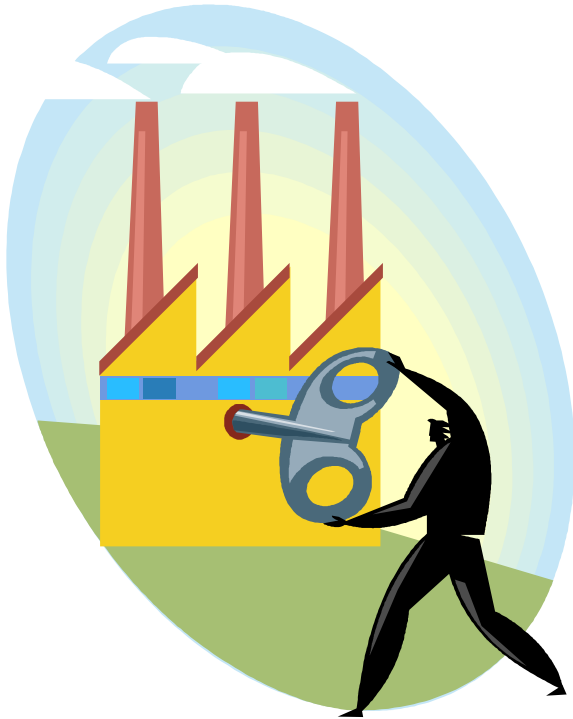
- CAPITAL ASSETS

- CONTRACTED SERVICES

- MAINTENANCE, REPAIR,  
OPERATING

- PRODUCTS(MRO)

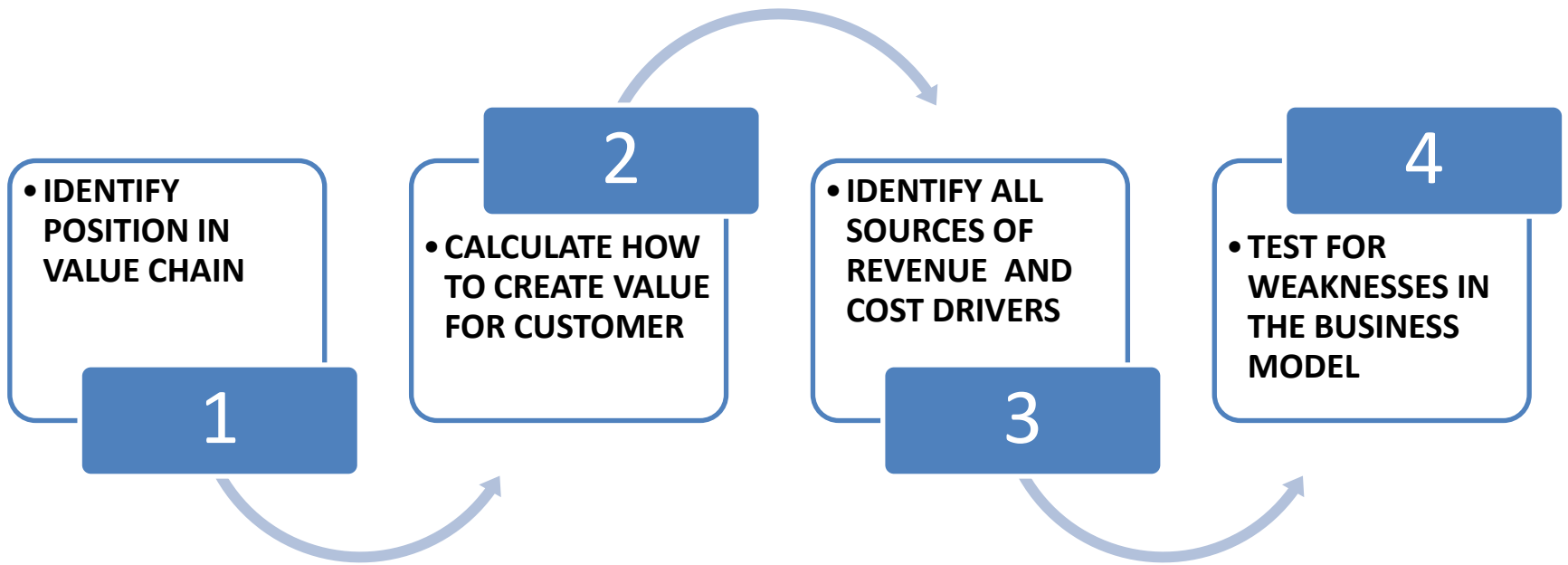
- PRODUCTS



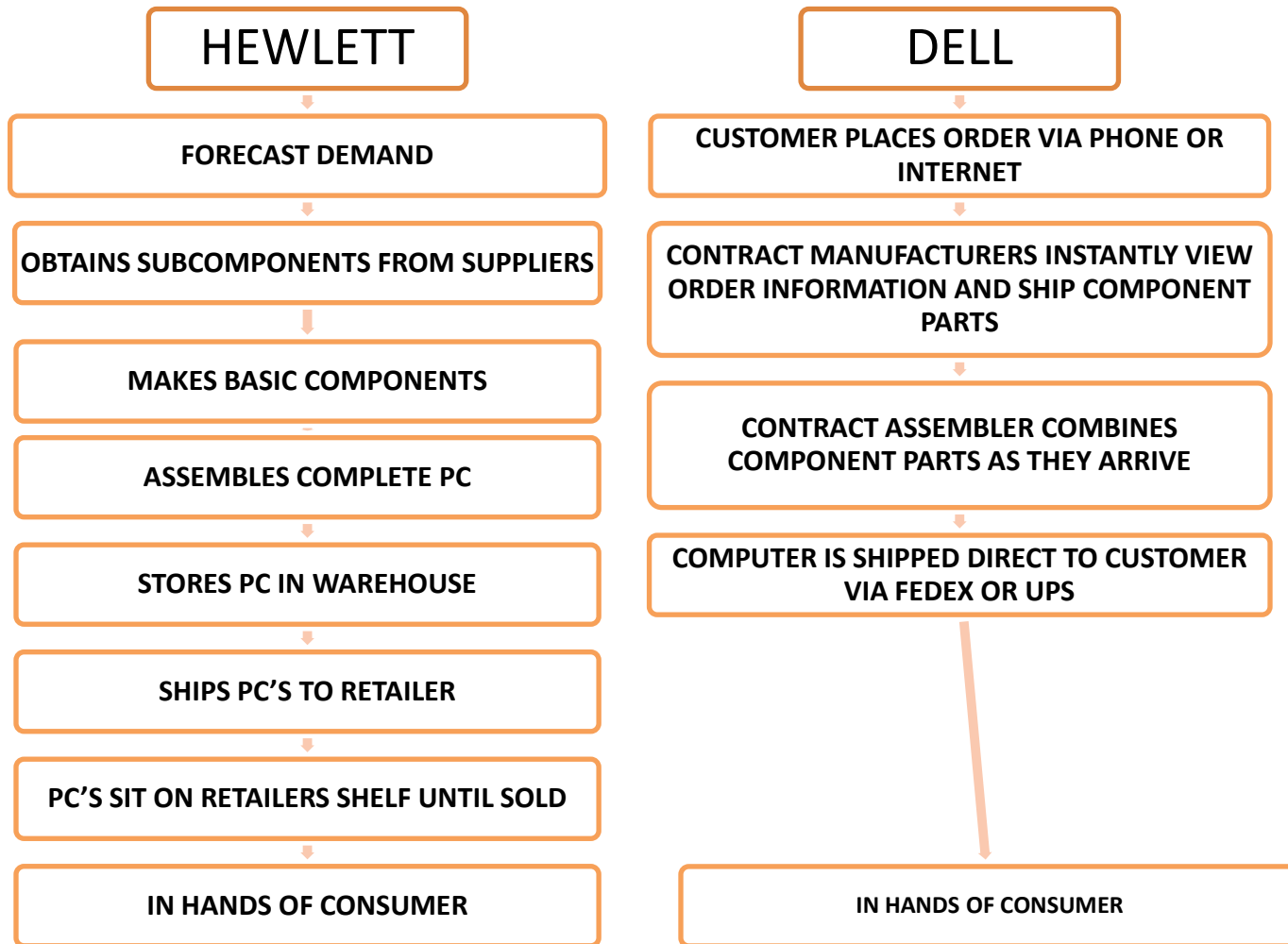
# PRODUCT AND SERVICE CONCEPTS



- **CONSUMER GOODS**
  - CONVENIENCE GOODS
  - SHOPPING GOODS
  - SPECIALTY GOODS
  - AVOIDANCE PRODUCTS



# BUILDING A BUSINESS MODEL

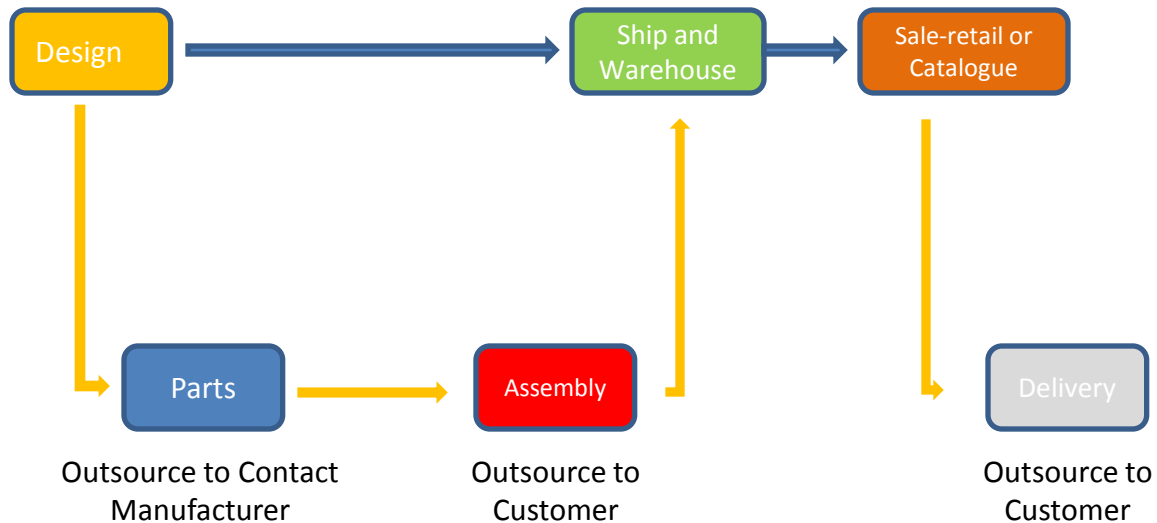


# BUSINESS MODEL COMPARISON

**The traditional Furniture Industry Value chain**  
(All, or most, steps completed by the same company)



**IKEA's Reconfigured Furniture Value Chain**  
(IKEA only performs design, ship and warehouse, and sale)



# MARKET RESEARCH FEASIBILITY QUERY



- IS THERE A CUSTOMER OR A MARKET OF SUFFICIENT SCALE TO MAKE THE CONCEPT VIABLE?

# DEFINING TERMS



“MARKET” = SET OF BUYERS OR CONSUMERS OF THE PRODUCT OR SERVICE

- CUSTOMER = “WRITES THE CHECK” BY BUYING
- CONSUMER = END USER

# MARKET RESEARCH PROCESS



- ASSESS
  - TARGET MARKET(S)
  - NICHE(S)
- RESEARCH
  - HISTORICALLY
  - CURRENTLY
- MEASURE
- FORECAST
  - IN ONE YEAR
  - IN THREE YEARS
  - IN FIVE YEARS
  - IN TEN YEARS

# MARKET RESEARCH CONTENT

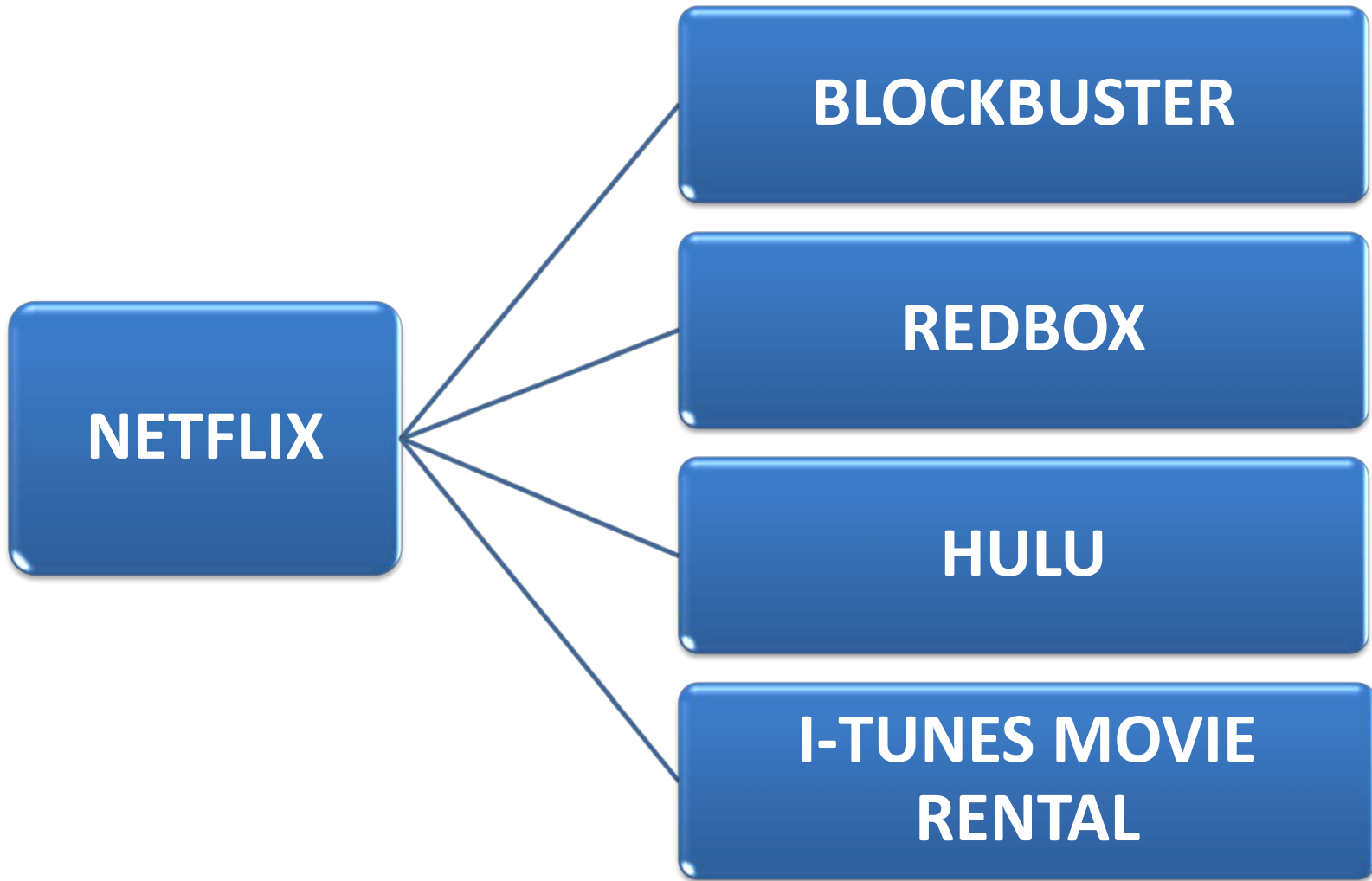


- **IDENTIFYING THE TARGET MARKET**
  - POTENTIAL
  - ADDRESSABLE
  - TARGET
- **DEFINING THE TARGET MARKET**
  - DEMOGRAPHIC
  - GEOGRAPHIC
  - PSYCHOGRAPHIC
  - CONSUMER CHARACTERISTICS
- **FOCUSING THE TARGET MARKET**
  - PRIMARY
  - SECONDARY
  - TERTIARY

- DESCRIPTION
  - COMPETITORS
  - PERCEPTIONS OF COMPETITORS
  - CONTROL OVER PRICES, COSTS, CHANNELS
- MARKET SIZE/GROWTH
  - BASIS FOR COMPETITION
  - SEGMENTATION
  - BARRIERS TO ENTRY
- ENVIRONMENTAL TRENDS
- COMPETITIVE ADVANTAGE



## INDUSTRY/COMPETITION ANALYSIS



**COMPETITION**

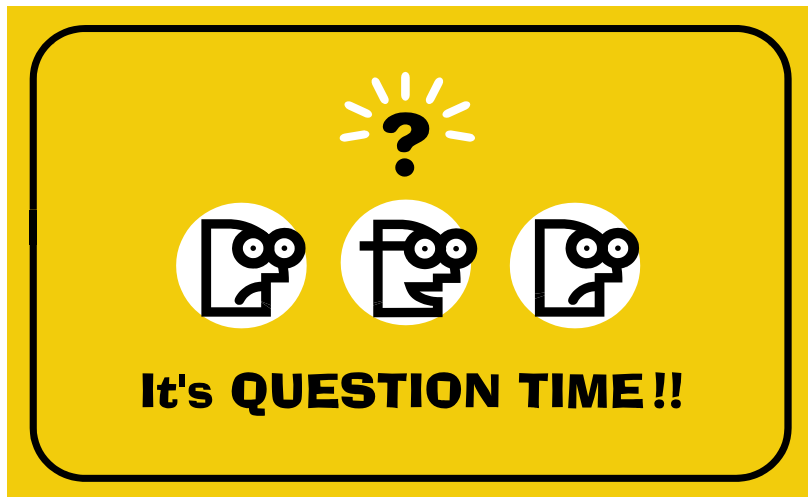
# BPC FEASIBILITY WORKSHOP 2011

## PART II

(OPERATIONS, MANAGEMENT, FINANCIALS)

# FEASIBILITY QUERIES

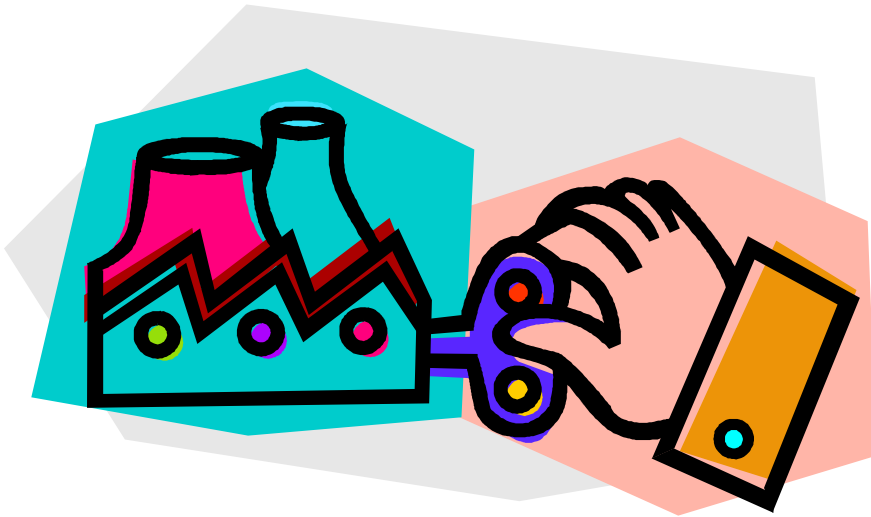
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# NARRATIVE

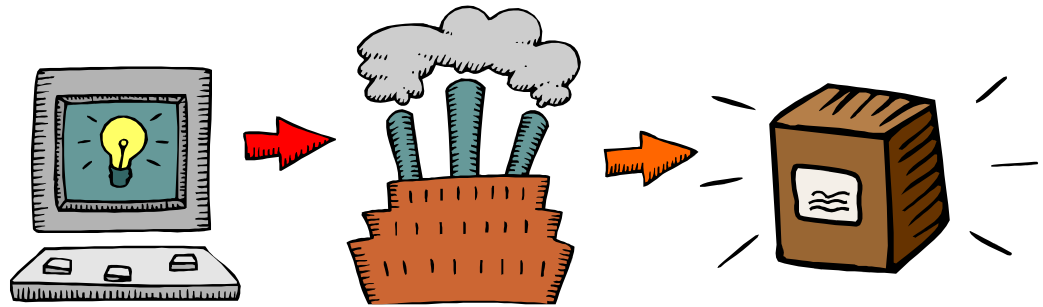
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# OPERATIONAL FEASIBILITY QUERY



- **WHAT IS YOUR ASSESSMENT OF THE STATUS OF DEVELOPMENT AND AN ESTIMATE OF REQUIREMENTS TO COMPLETE DEVELOPMENT, TEST THE PRODUCT OR SERVICE AND THEN INTRODUCE THE PRODUCT OR SERVICE TO THE MARKET.**

- DEVELOPMENT
- MATERIALS
- PRODUCTION
- SUPPLY CHAIN  
MANAGEMENT
- DISTRIBUTION
- PRICING

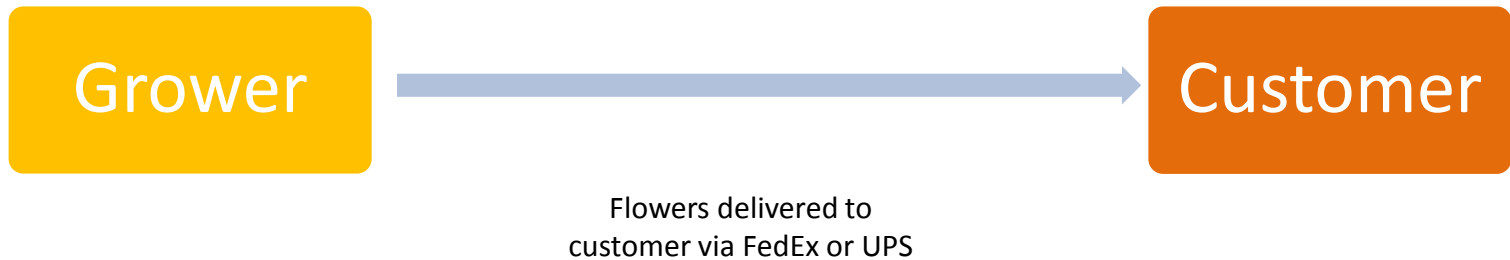


**GO TO MARKET STRATEGY**

The Traditional Flower Industry Value Chain  
(All or most, steps completed by different companies)



**ProFlower's Reconfigured Flower Value Chain**  
(ProFlowers e-commerce platform enables the process)

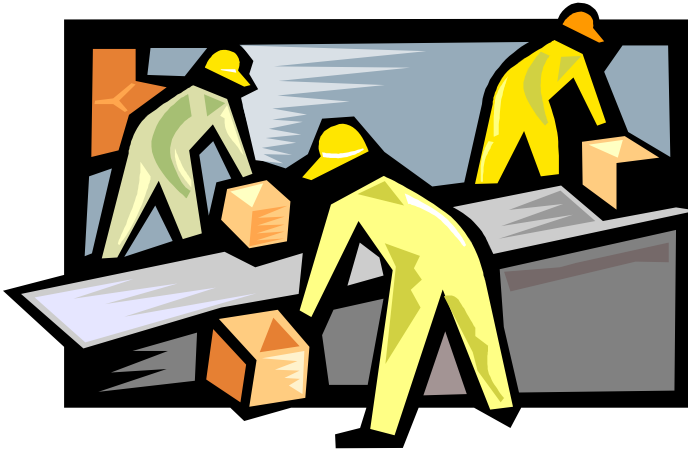


# DEVELOPMENT



- PROTOTYPING
- PROCESS MAPPING
- PRODUCTION CHOICES
  - INSOURCING
  - OUTSOURCING
  - OFFSHORING

# PRODUCTION

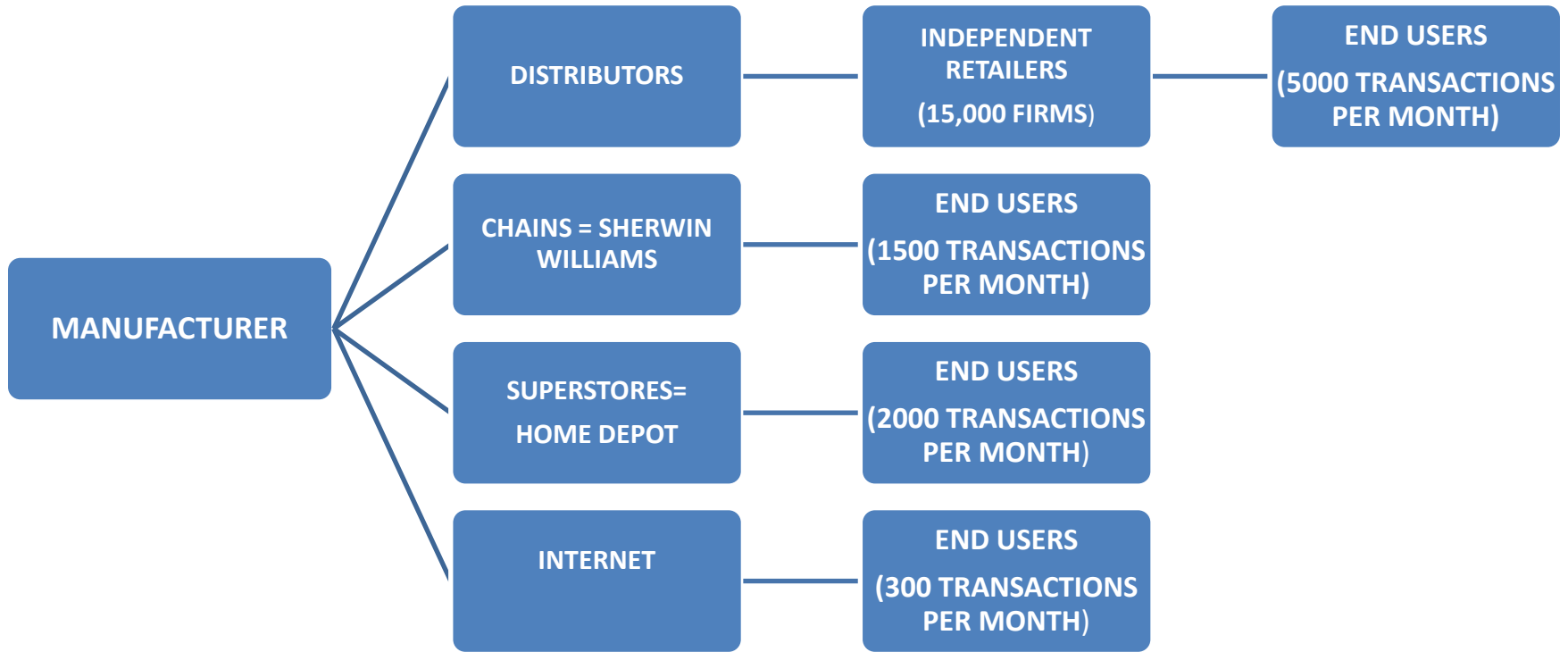


- PRODUCTION PROCESSES
- SERVICE DELIVERY SYSTEMS
- RESOURCE REQUIREMENTS
- BUSINESS LOCATION
- QUALITY ASSURANCE

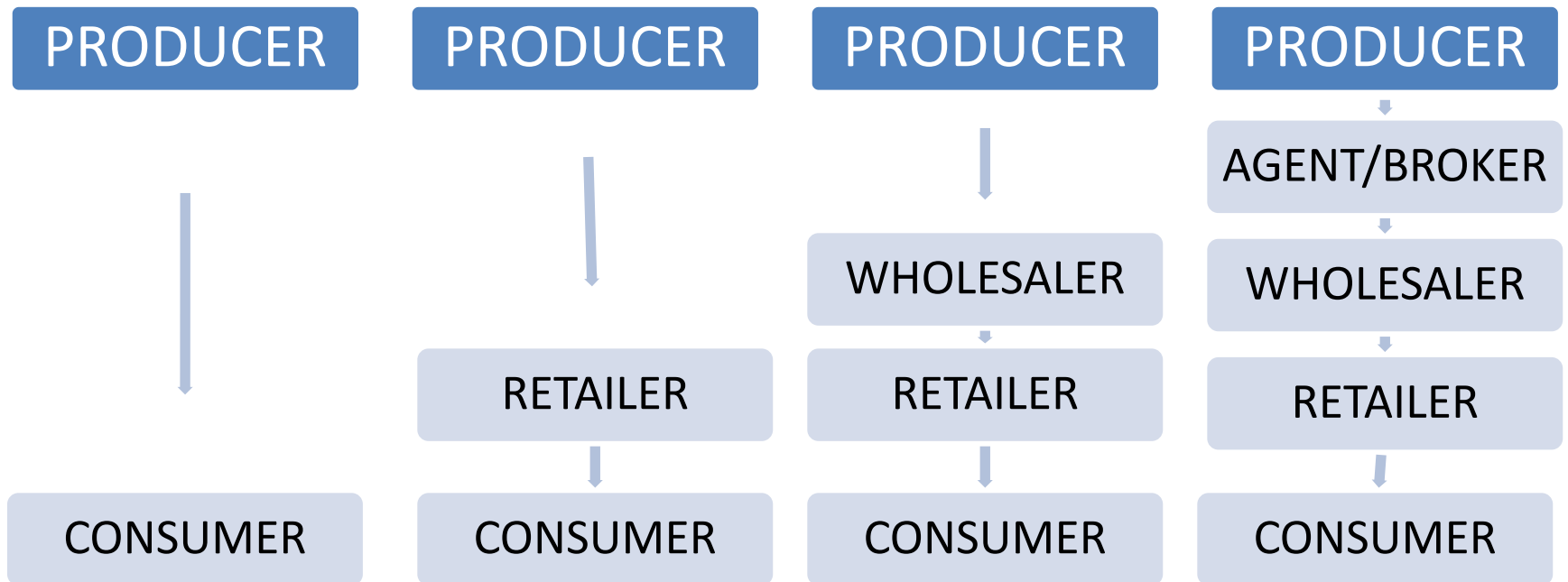
# DISTRIBUTION



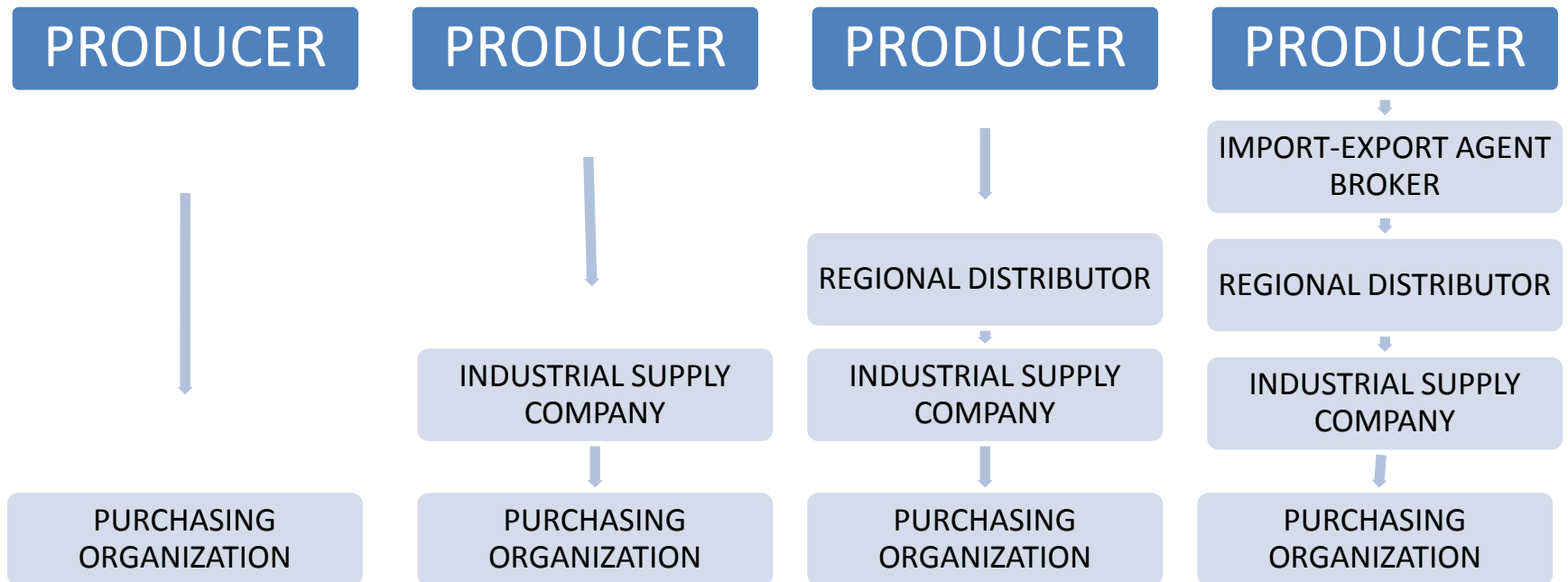
- CONSUMER DISTRIBUTION CHANNELS
- BUSINESS DISTRIBUTION CHANNELS
- INSTITUTIONAL AND GOVERNMENT MARKETS



# DISTRIBUTION CHANNEL FLOW

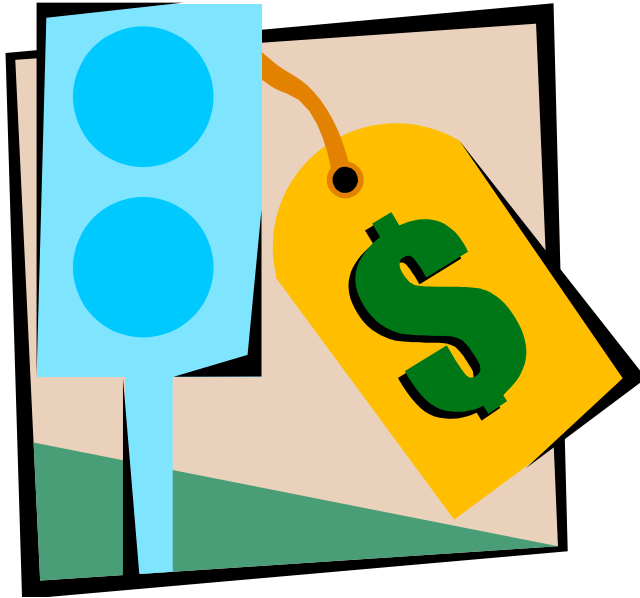


# DISTRIBUTION CHANNELS FOR CONSUMER GOODS



# DISTRIBUTION CHANNELS FOR BUSINESS INDUSTRIAL GOODS

# STRATEGIC PRICING

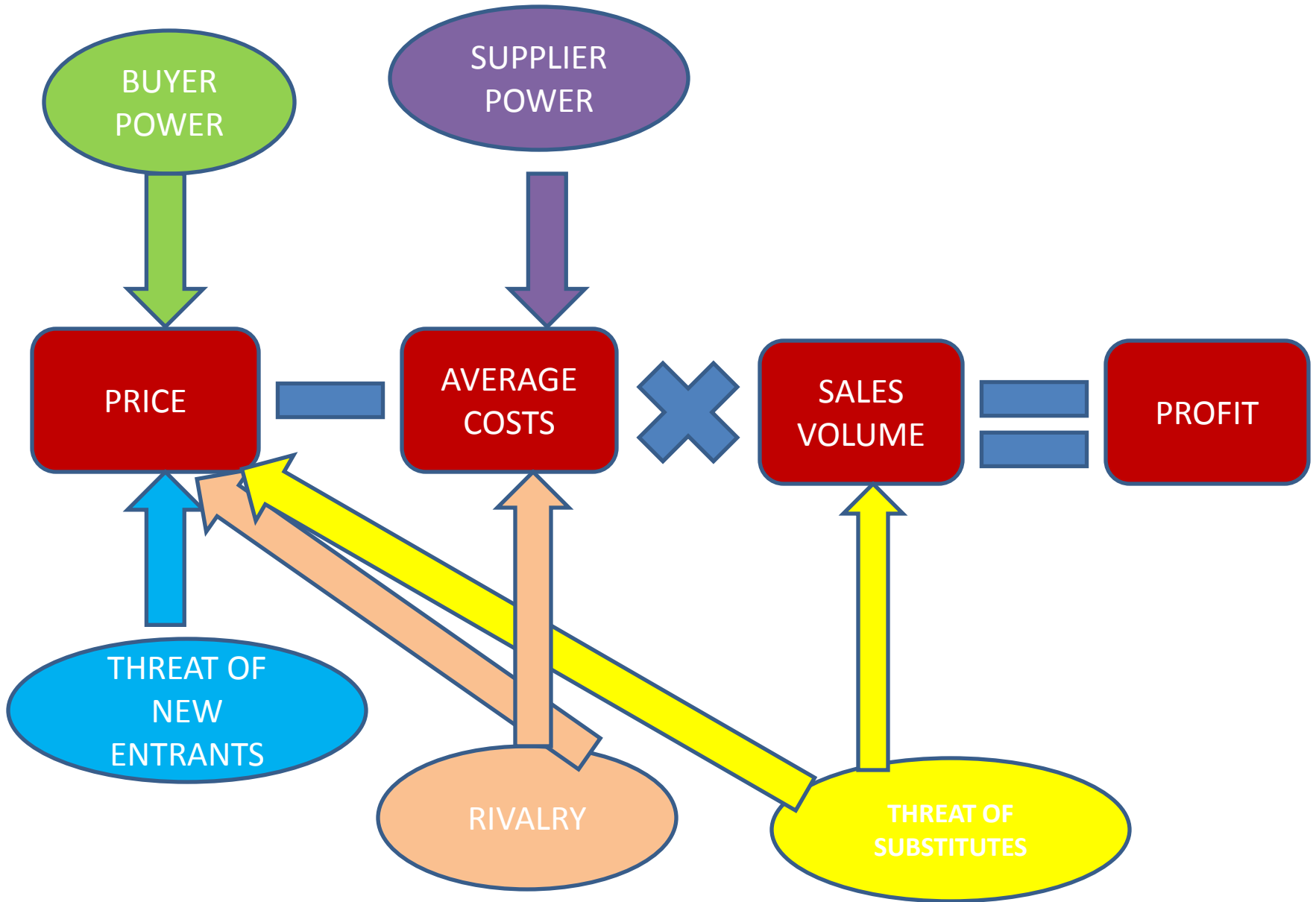


- THE NATURE OF THE PRODUCT
- THE COMPETITION
- THE MARKETING STRATEGY
- THE CUSTOMER AND VALUE PERCEPTION
- GENERAL BUSINESS CONDITIONS

# PRICING STRATEGIES

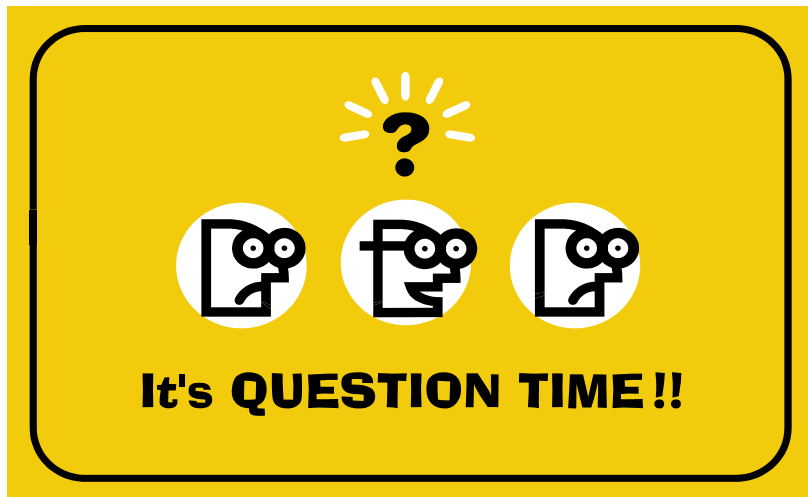


- PRICE SKIMMING
- PENETRATION
- DEMAND-BASED
- PARITY
- LOSS-LEADER
- PRICE-LINING
- PRICE BUNDLING
- GEOGRAPHICAL
- ODD



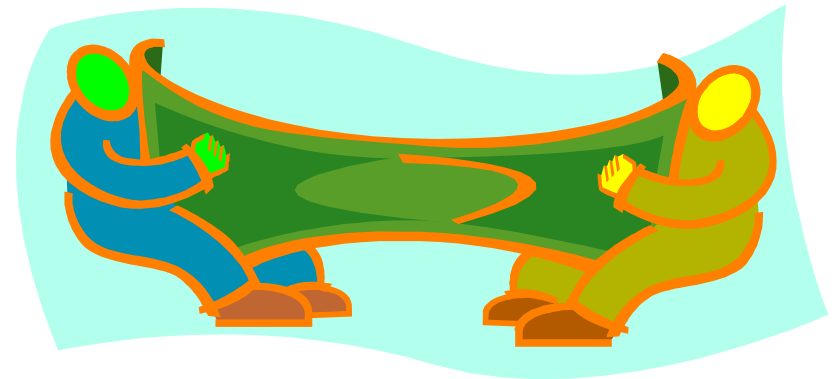
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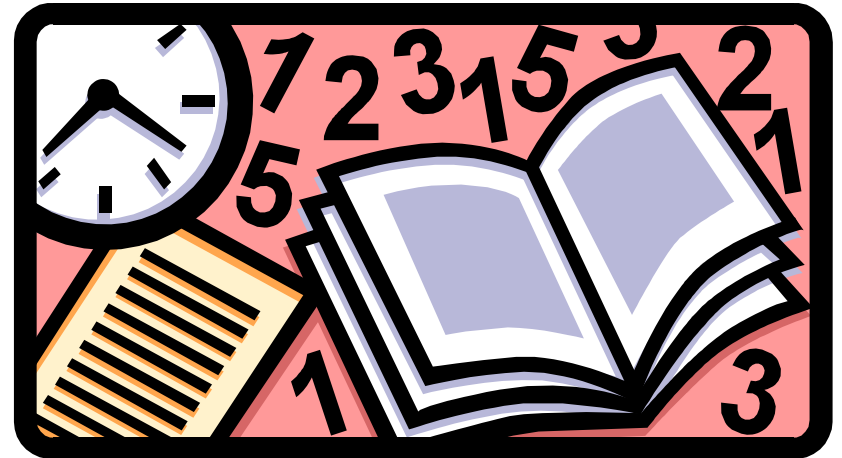
# PURPOSE OF CASH FLOW AND FINANCIAL PROJECTIONS

- FINANCIAL FEASIBILITY OF YOUR PLANS
- AMOUNT OF NEEDED FINANCING
- YOUR FIRMS ABILITY TO MEET THE OBLIGATIONS ASSOCIATED WITH THE PROPOSED FINANCING
- YOUR FIRMS ABILITY TO PRODUCE A COMPENSATORY RETURN ON THE INVESTMENT OF THE PROPOSED FINANCING



# FINANCIAL STATEMENTS

- INCOME STATEMENT
- BALANCE SHEET
- STATEMENT OF CASH FLOWS
- PROJECTIONS???



# ESTIMATING REVENUE AND COSTS



- NARRATIVE ASSUMPTIONS
- START-UP COSTS
- PRODUCT/SERVICE DEMAND
- PRODUCT/SERVICE EXPENSES, COSTS

- Pro Forma Forecasts are **PREDICTIONS** of a firm's future sales, expenses, income, and capital expenditures.
  - A firm's forecasts provide the basis for its pro forma financial statements.
  - A well-developed set of pro forma financial statements helps a firm create accurate budgets, build financial plans, and manage its finances in a proactive rather than a reactive manner.
- Are based upon **ASSUMPTIONS** and an **ESTIMATE** of a firm's future income and expenses, based on its current circumstances, and its future plans.
- New ventures typically base their forecasts on an estimate of sales and then on industry averages or the experiences of similar start-ups regarding the cost of goods sold and other expenses.

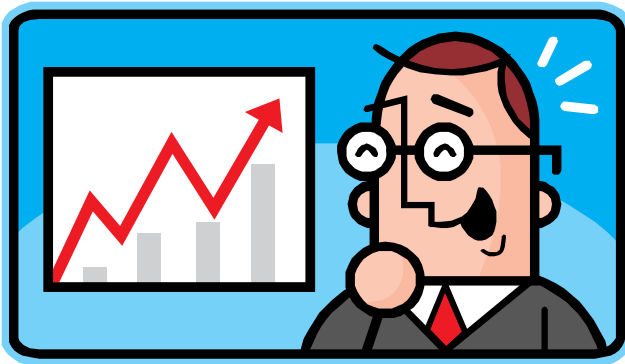
## FORECASTS



- ASSET NEEDS
  - FACILITIES
  - EQUIPMENT
  - R&D
  - ONE TIME EXPENDITURES
- OPERATING NEEDS
  - WORKING CAPITAL FOR OPERATIONS

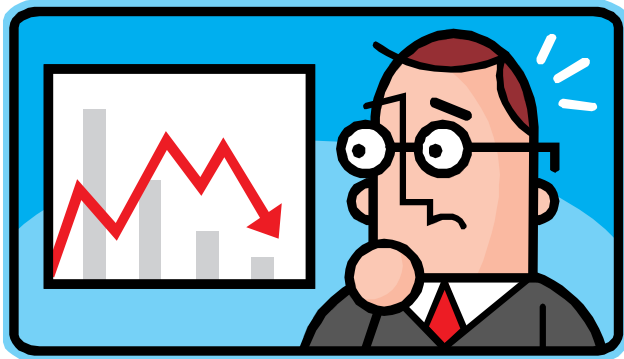
## START UP RESOURCES

# ESTIMATING PRODUCT/SERVICE DEMAND



- **NARRATIVE ASSUMPTIONS**
  - BRAND AWARENESS
  - # SALES
  - TIMING OF SALES
  - ONE TIME V. REPEAT CUSTOMERS

# ESTIMATING PRODUCT/SERVICE REVENUE AND COSTS



- **NARRATIVE ASSUMPTIONS**
  - **SOURCING**
    - PRODUCT
    - SUPPLIES
    - MATERIALS
  - **ADMINISTRATIVE**
    - RENT
    - PROFESSIONAL SERVICES
  - **SALARIES**
    - MANAGEMENT
    - EMPLOYEES