

Title:

To Go Or No Go, That Is The Question

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Summary:

Last week we talked about a few of the ways to test the feasibility of a business idea to help determine if the idea really had merit or just looked good on the surface. To recap, I said don't bet the farm on the opinions of friends and family, consult with knowledgeable business experts, and conduct a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis. This week let's take it a step further and talk about the creation of a formal Feasibility Plan which will he...

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Article Body:

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A feasibility plan is just that: a written plan that is created for the sole purpose of validating the feasibility of a business idea. Some call it a "Go/No Go" plan, because the results of a well-constructed feasibility plan will tell you whether or not the idea has a chance for success (that's a Go) or if this idea would be best left on the drawing board (that's a No Go).

Many entrepreneurs would rather have their front teeth pulled without anesthetic than go to the time and trouble of creating a feasibility plan; often because they are afraid of what it will reveal.

The last thing an entrepreneur (particularly one without prior business experience) wants to hear is that their business idea won't fly, so they put on blinders and resist testing the idea using real world information.

In an entrepreneur's head every idea is a good one, every hit is a home run, and

every story ends with the hero sitting on a beach drinking Mai Tai's and lighting cigars with hundred dollar bills. No one wants to imagine the story ending any other way and many would rather bury their heads in the sand and hope for the best than to test out their ideas before execution. Trust me. I've been there, done that, got the T-shirt and paid the bill. Not a smart thing to do.

Writing a detailed feasibility plan will force you to take off the rose colored glasses and look at the idea honestly and entirely. It will help you define your market, identify your customers, potential partners and competitors, recognize opportunities and warn of potential threats.

Starting a business without testing its feasibility is like teaching your kids to swim by chucking them in the lake. It might be fun to try with your sister's kids, but not your own... just not a good idea.

Writing a feasibility plan is much like writing a mini-business plan. The end result should be a formal document that includes an executive summary, a product or service plan, a marketing plan, a price and profitability plan, and a plan for further action. Let's take a look at each section.

Executive Summary

The Executive Summary is the first section of the plan and sums up the high points detailed throughout the remainder of the plan. The Executive Summary should include a brief, but thorough description of the idea, an overview of the products or services to be offered, the target market and target customer, startup costs, and pricing and profitability. Keep the Executive Summary to one page. I have seen Executive Summaries that rambled on for pages and pages. Keep each topic to one or two tight paragraphs and go into further detail in the individual sections of the plan.

Product and Service Plan

This section details the product or service the business will offer. The point of the feasibility plan is not only to determine the Go/No Go result, but to get you really thinking about the idea from all angles. What is the purpose of the product or service? What stage of development is the idea in? What are the limitations of the product or service? Is there intellectual property involved? Are there government regulations or product liability issues to be considered? Are there opportunities for future expansion or spin offs?

Marketing Plan

The marketing plan is one of the most important sections of the feasibility plan because it is here that you identify your market, your customer, and your competition. You will need to do market research to gather the information

required to develop a realistic marketing plan. Just opening up the Yellow Pages to see what similar businesses are listed is not enough. You must have a clear handle on the size of your market, growth potential, and trends. You should identify all manner of competition (direct and indirect), and detail the advantages and disadvantages that your idea has when compared to competitors. You should also profile your target customer and tell why the customer would buy from you and not someone else.

Pricing and Profitability

The pricing and profitability section should include information on how the price of your product or service was determined and the expected profitability. Many entrepreneurs have no clue how to determine the price for their product. Some use what I call the "Shrek Method," whereby the price is pulled out of their ear (see the movie, get the joke). There are a number of ways to determine pricing, but that's another column. Once you have pricing data in hand, include it in this section along with details on sales estimates, costs of goods sold, gross margins, operating expense estimates, start up costs, capital expenditures, etc. The pricing section is where many ideas are abandoned because the entrepreneur discovers that the cost to deliver the goods is just too high and the profit margins just too low to merit execution.

Plan for Further Action

This final section of the feasibility plan simply details the next steps in executing the plan if a "Go" decision has been reached. Do you need capital for start up expenses? If so, how much and where will it come from? Is there a location to consider and equipment to be purchased? What role will you play in the operation of the business? Is there a business plan in work? Are there licenses that must be obtained or legal tasks like forming a corporation to be taken care of? Are there partnerships to be formed or key team members to be recruited?

Finally, don't fear the outcome of the feasibility plan. If the feasibility plan reveals that your idea was a dud, i.e. a "No Go," it is better to know that before spending thousands of hours and tens of thousands of dollars executing an idea that would have been better off left bouncing around inside your head.

Writing a feasibility plan is a pain in the neck, but so is losing your house to a failed business venture.

Take the time to do the plan. If it helps, feel free to cuss me while you're doing it, but remember to thank me when it's over.

Here's to your success!

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