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## How to conduct a technical feasibility study

Follow these steps to conduct your technical feasibility study and assess whether the proposed technical project is viable for your business.

1. Prepare a preliminary analysis
2. Create a projected [income statement](#)
3. Conduct a market survey
4. Make a business plan
5. Prepare a balance sheet
6. Review your data and make a decision

### 1. Prepare a preliminary analysis

A preliminary analysis can help you determine whether your project is worth funding in the first place. Performing a brief analysis before moving ahead with a full study helps you identify potentially costly and time-consuming activities before the time and money are spent. **The two main branches of this analysis include the following:**

- **Project outline:** With as much detail as possible, describe the necessary elements of the project. These can include who your target markets will be, what need you'll fulfill, whether your product or service currently exists and how you will improve existing offerings.
- **Investigation of accessibility:** Examine possible barriers to entry or any factors that could hinder profitability. These can include unavailable or especially expensive capital requirements, an inability to market or refer your offerings or production costs that exceed projected revenues.

### 2. Create a projected income statement

A projected income statement for your technical product or service offers a quick look at forecasted sales and revenue from moving ahead with the project. If your preliminary analysis determined your product or service will fulfill a need, use the projected income statement to anticipate the income the project will generate and compare it to the costs of producing your offerings, paying your debts and maintaining normal business

operations. If your anticipated net income is positive, continue to the next phase in your study.

### 3. Conduct a market survey

A market survey will help you get a more realistic idea of the revenues your project will generate. Since this is an in-depth study, the market survey will require several steps, including:

- **Consider population and demographic trends:** Look at cultural aspects and the average amount of disposable income of consumers in your target market. The amount consumers are willing to spend on this technology will affect your project's success.
- **Evaluate similar or competing offerings in your target market:** This includes their strengths and weaknesses related to location, products, pricing, marketing, quality and customer loyalty.
- **Estimate expansion opportunities:** This includes adding new products or services, franchising possibilities and projected response by the community.

### 4. Make a business plan

A business plan describes your product or service offerings in detail and outlines a production schedule. The plan offers explanations for startup expenses and the cost of ongoing operations. **It also provides detailed planning in regards to the following:**

- Organizational chart
- Materials, equipment and supplies
- Marketing and merchandising
- Facility location
- Labor costs
- Overhead such as insurance, taxes and utilities

### 5. Prepare a balance sheet

A day-one balance sheet should show the assets and liabilities of the undertaking at the time of project completion before income is generated. Required assets include the

project's initial cash and financing capital as well as buildings, land and equipment needed to execute the proposed plan. Liabilities associated with the project involve anticipated investments, rent, finance payments and allowance margins for accounts receivable.

## 6. Review your data and make a decision

When you've conducted all your research and compiled your facts and estimations, a final review is necessary. This final review serves to revisit the preliminary analysis and compare it to the data you've obtained since then for the purpose of deciding whether your project is still feasible. This reflection helps you assess the risks and costs associated with this undertaking and make a final decision on whether to begin production. **The last step in making a decision regarding whether to move forward with your project involves asking the following questions:**

- Do the analyses show that this project will generate the minimum profitable ROI?
- Does this project have growth potential?
- Does potential reward (income, growth and market share) outweigh the risks (time, energy and monetary costs)?

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