

Practical Guide

The Feasibility Study: From Idea to Go Decision

What a feasibility study is, its types, its uses, and how to prepare one step by step

Never start a project before you know whether it is worth it

Contents

This guide takes you from the definition of a feasibility study and its importance, through its types, stages and financial tools, all the way to a complete worked example and a practical checklist. Each chapter is supported by clear diagrams and examples that make the ideas concrete.

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What Is a Feasibility Study?

A feasibility study is a systematic, comprehensive assessment of a proposed project or idea, designed to answer one decisive question: is this project workable, viable and profitable enough to justify investing time and money in it? It acts like a trial run carried out on paper before a single unit of currency is spent in the real world.

The study combines market analysis, technical aspects, financial figures and potential risks to deliver a clear recommendation in the end: proceed, modify, or abandon the idea. It is not a guarantee of success, but it reduces risk and exposes obstacles early, while they are still cheap to fix.

Core questions the study answers

- Is there genuine market demand for this product or service?
- Do we have the technical and operational capacity to execute it?
- How much will the project cost, and when and why will it turn a profit?
- What risks could it face, and can they be contained?

The Core Idea

A feasibility study turns emotional enthusiasm for an idea into a rational, evidence-based decision. Many failed projects were not bad ideas — they were good ideas executed without enough study of the market or the numbers.

Why Does a Feasibility Study Matter?

A feasibility study may look like a step that delays the launch, but in reality it saves time, money and effort over the long run. It stops the founder from falling into the "idea bias" trap and forces them to face the numbers and the facts before it is too late.

Its main benefits

1. Reducing risk: exposing weaknesses and threats before capital is committed.
2. Making an informed decision: turning "I think it will work" into "the numbers indicate...".
3. Convincing financiers: banks and investors do not fund a project without a persuasive study.
4. Defining resources: knowing precisely the funding, people and time required.
5. A roadmap: the study later becomes the basis for the operational business plan.

The "Go / No-Go" Decision

Every feasibility study ends in a Go / No-Go decision: proceed with execution, redesign the idea, or stop it. Sometimes a "No-Go" is the most successful financial decision of all, because it protects your capital for a better opportunity.

Types of Feasibility Study

A feasibility study is not reduced to financial figures alone; it looks at the project from several angles, each answering a different facet of the question of viability. Here are its main types:



The main types of feasibility study all revolve around one core: can the project succeed?

A brief look at each type

- Market feasibility: studies demand, target customers, competitors, the right price and market share.
- Technical feasibility: verifies the technology, equipment, location and skills needed to actually execute.
- Financial feasibility: estimates costs, revenues and profits, and computes profitability metrics and payback.
- Economic feasibility: measures the wider impact on the economy and society, such as jobs and added value.
- Legal feasibility: confirms licences, regulations and contracts, and the absence of legal obstacles.
- Operational feasibility: assesses whether management and daily operations can run and

sustain the project.

To these are sometimes added scheduling feasibility, which checks whether the project can be delivered within a realistic timeline, and environmental feasibility, which gauges the project's impact on the environment and its compliance with regulations. The larger the project, the more of these angles it needs to cover.

There is no fixed weighting for each type; it varies with the nature of the project. For a tech venture the technical feasibility is decisive, for a consumer venture the market feasibility leads, and in a heavily regulated sector legal feasibility may be the deciding factor.

Do Not Rely on a Single Type

A project may be financially profitable yet legally blocked, or in demand yet beyond your technical reach. A good study combines the types together, because weakness in a single angle can bring down the whole project.

Always start with the angle that poses the greatest danger to your particular project; the earlier you expose your biggest weakness, the cheaper and easier it is to adjust course or stop the idea.

Components and Stages of a Feasibility Study

A feasibility study moves through a sequence of stages, beginning with a raw idea and ending in a decision grounded in analysis. Each stage builds on the one before it, so if the idea fails at an early stage, we save the cost of the stages that follow.

Stages of a Feasibility Study



The six core stages of preparing a complete feasibility study

The stages in detail

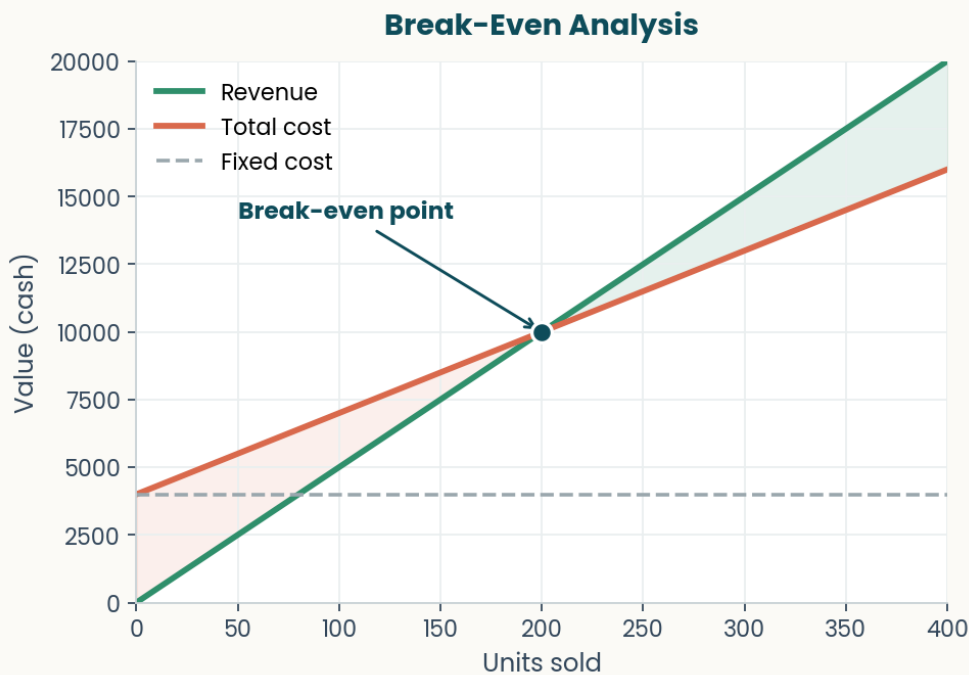
1. Define the idea and objectives: a clear description of the project, its scope and its purpose.
2. Study the market and demand: analyse customers, competitors, market size and pricing.
3. Technical and operational study: location, equipment, operations and the people required.
4. Financial study: estimate costs and revenues and compute profitability metrics.
5. Risk assessment: identify threats and prepare alternative plans to handle them.
6. The final decision: a clear recommendation to proceed, modify, or reject.

Financial Tools for Assessing Feasibility

The financial side is the heart of a feasibility study, and it has tools that translate the idea into numbers that reveal its profitability. Here are the most important:

The break-even point

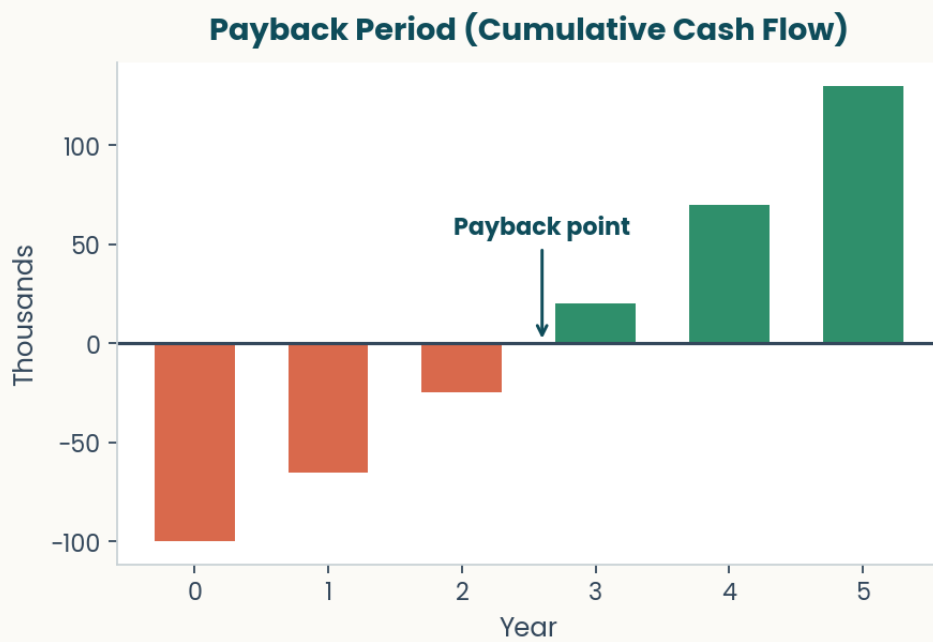
The break-even point is the quantity at which revenue equals total cost, so there is neither profit nor loss. It is found by dividing fixed costs by the contribution margin (the unit price minus its variable cost). Every unit sold beyond it earns a profit.



The break-even point: where the revenue line crosses the total-cost line

Payback period and profitability metrics

- Payback period: the time needed to recover the invested capital from net cash flows.
- Net present value (NPV): the value of future cash flows discounted to today; if positive, the project is viable.
- Internal rate of return (IRR): the discount rate that makes NPV zero; compared against the cost of funding.
- Return on investment (ROI): net profit relative to the cost of the investment, measuring capital efficiency.



Cumulative cash flow: it turns from negative to positive at the payback point

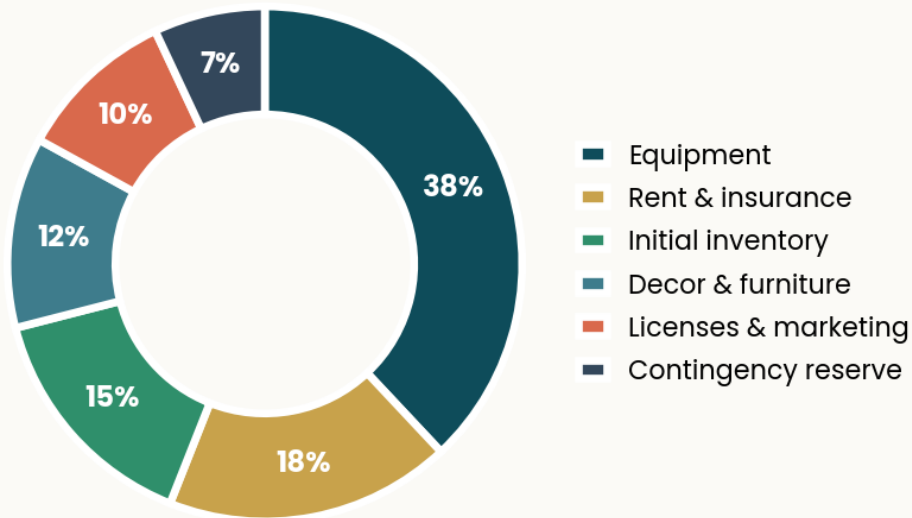
Read the Numbers Together

Do not rely on a single metric. The payback period may be short while NPV is weak, or the reverse. A sound decision looks at the full picture: profitability, liquidity, risk, and the time to recover your money.

A Worked Example: A Cafe Project

Let us apply the concepts to a real project: a small cafe with startup capital of about 100,000 units. We begin by breaking down the startup costs to see where the money goes.

Startup Cost Breakdown for a Cafe



How the 100,000-unit startup cost is distributed across the project's items

The monthly operating figures

Item	Value	Notes
Selling price per cup	50 units	Average price per customer
Variable cost per cup	30 units	Beans, milk, cups
Contribution margin per cup	20 units	Price minus variable cost
Monthly fixed costs	4000 units	Rent, wages, bills
Break-even point	200 cups/month	4000 / 20

This means the cafe must sell 200 cups a month to cover its costs, and every cup beyond that adds 20 units of profit. Assuming a growing annual net cash flow, the project recovers its capital in about two and a half years, as shown in the cumulative cash-flow chart, and then enters profit territory.

From the Example to Your Project

Change the numbers to fit your own project: raise the fixed costs or lower the price, and watch how the break-even point and payback period move. This "scenario simulation" is the heart of a sound financial decision.

Uses of a Feasibility Study

A feasibility study is not a document filed away in a drawer once it is done; it is a living tool used in many situations:

- Launching new ventures: verifying the viability of an idea before starting.
- Expansion: assessing a new branch, a new product line, or entering a new market.
- Securing funding: convincing banks, investors and support funds of the project's viability.
- Comparing opportunities: choosing the best project when several options compete for limited resources.
- Restructuring a struggling project: deciding whether a rescue is worthwhile or closing is kinder.
- Make-or-buy decisions and the acquisition of other companies.

A Common Language with Financiers

When you seek funding, the feasibility study becomes your shared language with the financier. Clear numbers and realistic assumptions raise their confidence and improve your chances of approval and better financing terms.

Common Mistakes and How to Avoid Them

Even a study prepared in good faith can fall into mistakes that strip it of its value. Here are the most common:

1. Excessive optimism: inflating revenues and understating costs to satisfy the urge to execute.
2. Ignoring competitors: assuming the market is empty when real competition is waiting.
3. Old or unreliable data: building big decisions on figures from weak sources.
4. Ignoring risk: failing to model worst-case scenarios or prepare alternative plans.
5. Mixing up the angles: focusing on the financial side and neglecting the legal or operational one.
6. Forgetting working capital: counting only startup costs without liquidity for the first months.

The Cure: Be Conservative and Diversify

Build your estimates on a conservative scenario rather than an optimistic one, gather your data from more than one source, and seek a neutral outside opinion. An honest study that exposes a flaw today is kinder than a loss tomorrow.

How to Write a Feasibility Report

The feasibility report is the final output that is read and acted upon. Its clarity has a large effect on persuasion. Here is a logical model structure:

Section	Its Content
Executive summary	The project and the recommendation in one page, read first
Project description	The idea, objectives, products or services, and scope
Market study	Demand, customers, competitors, pricing, expected share
Technical study	Location, equipment, operations and people
Financial study	Costs, revenues, metrics, and the break-even point
Risks and alternatives	Threats and the plans to meet them
Recommendation and conclusion	The go, modify or reject decision with justification

Start with the Executive Summary

Many decision-makers read only the executive summary. Make it short, strong and honest, summarising the idea, the key numbers and the recommendation clearly, then leave the detail for those who want to dig deeper.

A Checklist and the Golden Rules

Before you finalise your study, review these quick rules:

The Market-First Rule

A great product is worthless without real demand. Always start by verifying the market exists.

The Conservative-Numbers Rule

Estimate revenues conservatively and costs generously; pleasant surprises beat painful ones.

The Working-Capital Rule

Budget the liquidity to run the first months, not just the startup costs.

The Four-Angles Rule

Examine market, technical, financial and legal together; weakness in one angle sinks the project.

The Honesty Rule

The aim of the study is to expose the truth, not to justify the wish. An honest "no" protects your money.

Glossary of Terms

Term	Brief Meaning
Feasibility study	A systematic assessment of a project's viability, success and profit.
Break-even point	The sales volume at which revenue equals total cost.
Contribution margin	The unit price minus its variable cost.
Payback period	The time needed to recover the invested capital.
Net present value	Future cash flows discounted to today, minus the investment.
Internal rate of return	The discount rate that makes net present value zero.
Return on investment	Net profit relative to the cost of the investment.
Working capital	The liquidity needed to cover daily operations.
Go / No-Go decision	The decision to proceed with or halt the project based on the study.

With this you hold a clear map for preparing a professional feasibility study: you know its meaning, types, stages, tools and uses. Remember that a good study does not promise success, but it keeps many causes of failure away from you. This content is general education, not professional advice tailored to a specific project.