

This is the second part to the series guiding you through the general process of starting your own business. In the first part we discussed the idea formation process, how to determine your strengths and analyze the holes within your plan. In this article we will discuss the process of determining the feasibility of starting the business by analyzing the market and costs associated with the venture.

Once you've covered the initial steps of selecting your business venture and analyzing the your strengths and holes in your business idea, the next step is to determine whether or not it is feasible. In order to do so, an entrepreneur needs to understand the market that they are entering. If you've decided to start a day care, it is important to know how many children currently attend day cares, how many day cares exist in your area, and how many children of day care age are in town. By doing so you can estimate how much of the market is available. If the market is saturated your product or service must have a competitive advantage in order to succeed.

Another important item in determining the feasibility of your business is to study the costs involved in the process. These items will revolve around your startup costs and your monthly expenditures. Typically each business has a few key items that directly affect the overall cost of the project. Some examples are location, facilities or equipment. For example, if you're starting a restaurant your location will play an important role in your cost structure. The location must be accessible, have ample parking and be located near homes or businesses to succeed. The building itself will determine what modifications you need to make in order to meet health and fire codes.

By identifying the key items for your venture, you can begin estimating the overall cost of your business and determine how much the business needs to generate in order for it to survive. Typically, a business needs to also have enough operating capital to survive the first three months of operation. If your cost analysis determines that in order for the business to survive you need to capture 25% or more of a saturated market, you may want to seriously consider entering other alternatives. If for example, it is determined that you only require 5% of a fragmented market, then it may be a feasible business.

Up to this point we've covered the process of generating your idea, analyzing your strengths and the holes in your business venture, covered how to view the market and the costs associated with your business venture. In the next article we'll discuss the process of selecting the appropriate location for your business and conducting the appropriate research for your permits or licenses.

***“Business Tips” was written by Mr. Pedro Ramirez, Business Development Specialist and Certified Business Advisor II of Angelo State University’s Small Business Development Center. For more information on the topic of this article or the services of the ASU • SBDC, contact him at [Pedro.Ramirez@angelo.edu](mailto:Pedro.Ramirez@angelo.edu).***