Chapter 6: Starting the Venture: Industry Analysis and Feasibility Study

Repeated Questions:

1. Industry Analysis:

- **Q.** Explain the Five competitive force models for industry analysis. **(SUMMER 2025, 4 Marks; WINTER 2025, 7 Marks OR)**

Answer:

Definition:

Porter's Five Competitive Forces model is a framework for analysing the attractiveness and profitability of an industry by examining five forces that shape competition.

Diagram Description: A central box labelled "Industry Competition" surrounded by five arrows: Threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of Substitutes, and Rivalry among Existing Competitors.

Threat of New Entrants:

- New entrants increase competition and reduce profitability.
- Threat depends on entry barriers such as capital requirement, economies of scale, brand loyalty, technology, regulations, and access to distribution.
- High barriers → low threat → more attractive industry.
- **Example:** Pharmaceutical industry has high entry barriers due to patents and R&D costs.

Bargaining Power of Suppliers:

- Powerful suppliers can raise prices or reduce quality, reducing industry profits.
- Supplier power is high when suppliers are few, their product is unique, or switching costs are high.
- **Example:** Intel's dominance in PC processors gives it high bargaining power.

Bargaining Power of Buyers:

- Powerful buyers can demand lower prices, better quality, or more services.
- Buyer power is high when buyers are concentrated, purchase in large volumes, or can easily switch.
- **Example:** Large retail chains like Walmart have strong bargaining power over suppliers.

Threat of Substitute Products or Services:

- Substitutes perform the same function by different means and limit industry pricing.
- Threat is high when substitutes are cheaper, better performing, or easily available.
- **Example:** Video conferencing substitutes for business travel.

Rivalry among Existing Competitors:

- Intensity of competition among current firms affects price, advertising, and innovation.
- Rivalry is high when competitors are numerous, equally balanced, growth is slow, or exit barriers are high.
- **Example:** Smartphone market has intense rivalry among many brands.

Use for Entrepreneurs:

- Helps assess whether an industry is attractive for a new venture.
- Identifies forces that must be managed through strategy (e.g., differentiation, cost leadership, niche focus).

2. Feasibility Study:

- **Q.** What is feasibility study? Explain financial feasibility and technical feasibility by taking suitable example. **(SUMMER 2025, 7 Marks; WINTER 2025, 7 Marks)**

Answer:

Definition:

A feasibility study is a systematic assessment of a proposed business idea or project to determine whether it is practical, viable, and likely to succeed before committing significant resources.

Diagram Description: A flow diagram showing three main feasibility pillars: Market Feasibility, Technical/Operational Feasibility, and Financial Feasibility, leading to a go/no-go decision.

1. Financial Feasibility:

- **Meaning:** Assessment of whether the project is financially viable — whether it can generate sufficient returns to justify the investment and risk.

Key Components:

- **Projected costs:** Capital expenditure, operating costs, working capital.
- **Projected revenues:** Sales forecast, pricing, market share.
- **Profitability:** Break-even analysis, gross and net profit margins.
- **Cash flow:** Cash inflows and outflows over time.
- **Return measures:** Net Present Value (NPV), Internal Rate of Return (IRR), payback period, Return on Investment (ROI).
- **Funding requirement:** How much capital is needed and from what sources.
- **Example:** A entrepreneur plans a small bakery. Financial feasibility estimates: oven and equipment cost ₹5 lakh, monthly rent ₹30,000, raw material ₹40,000, labour ₹50,000. Projected monthly sales ₹1.8 lakh. Break-even analysis shows the bakery must sell at least ₹1.2 lakh per month to cover fixed costs. NPV and payback period are calculated to decide if the investment is worthwhile.

2. Technical Feasibility:

- **Meaning:** Assessment of whether the required technology, equipment, processes, and technical skills are available and suitable for the project.

Key Components:

- **Technology availability:** Is the required technology proven and accessible?
- **Equipment and machinery:** Availability, cost, capacity, and maintenance.
- **Production process:** Feasibility of the manufacturing or service process.
- **Technical skills:** Availability of skilled manpower and training needs.
- **Infrastructure:** Utilities, transport, and site suitability.
- **Quality and compliance:** Ability to meet standards and regulations.
- **Example:** For the bakery, technical feasibility checks: Are commercial ovens available? Is the electrical supply sufficient? Is the site suitable for food production with proper ventilation and storage? Are trained bakers available? Can the process meet food safety standards?
- **Conclusion:** A project is pursued only if it is feasible on financial, technical, and market grounds.

- **Q.** Define: Market feasibility, Technical/operational feasibility, Financial feasibility. **(SUMMER 2023, 3 Marks OR; SUMMER 2026 OR)**

Answer:

- **Market Feasibility:** Assessment of whether there is sufficient demand for the product or service, whether target customers will buy it, and whether the market is large and accessible enough to support the venture.

- **Technical/Operational Feasibility:** Assessment of whether the required technology, equipment, processes, skills, and infrastructure are available and capable of producing or delivering the product or service efficiently.
- **Financial Feasibility:** Assessment of whether the project is financially viable — whether projected revenues, costs, cash flows, and returns justify the investment and risk.

- **Q.** Describe in detail the importance of feasibility study for a new venture. **(WINTER 2022; WINTER 2024, 4 Marks OR)**

Answer:

- **Validates the Business Idea:** Confirms whether the proposed product or service has real market demand and is technically and financially viable.
- **Reduces Risk of Failure:** Identifies potential problems, risks, and constraints early, allowing mitigation before large investments are made.
- **Guides Decision Making:** Provides objective data and analysis for go/no-go decisions and for comparing alternative business options.
- **Attracts Investors and Lenders:** A well-prepared feasibility study demonstrates seriousness and credibility, increasing access to finance.
- **Supports Resource Planning:** Helps estimate capital requirements, manpower needs, technology, and timelines.
- **Improves Business Plan Quality:** Feasibility findings feed directly into the business plan, making it more realistic and actionable.

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3. Business Plan:

- **Q.** Explain presentation of business plan to investors. **(SUMMER 2023, 4 Marks OR; SUMMER 2024)**

Answer:

- **Executive Summary:** Briefly state the business idea, market opportunity, unique value proposition, and funding requirement.
- **Problem and Solution:** Clearly explain the customer problem and how the product or service solves it better than existing alternatives.
- **Market and Competition:** Present market size, target customers, growth trends, and competitive advantage.
- **Business Model and Financials:** Explain revenue model, cost structure, projected revenues, profitability, break-even, and funding ask with use of funds.
- **Team and Execution Plan:** Highlight team capabilities, milestones, timeline, and key risks with mitigation.
- **Presentation Skills:** Use clear visuals, concise slides, confident delivery, and be prepared for investor questions on numbers, risks, and exit strategy.

Other Important Questions:

1. Industry Analysis:

- **Q.** What is industry analysis? Explain Porter's five force model for industry analysis. **(WINTER 2025, 7 Marks OR)**

Answer:

Industry Analysis:

Industry analysis is a market assessment tool designed to provide a business with an understanding of the competitive dynamics, attractiveness, and profitability potential of a specific industry.

Porter's Five Forces Model:

Threat of New Entrants:

- New entrants bring new capacity and a desire to gain market share, which puts pressure on prices, costs, and the rate of investment.
- The threat depends on entry barriers like capital requirements, economies of scale, brand loyalty, and government regulations.

Bargaining Power of Suppliers:

- Powerful suppliers can exert influence on businesses by raising prices, lowering quality, or reducing availability of products.
- Supplier power is high when they are concentrated, have a unique product, or the switching cost for the industry is high.

Bargaining Power of Buyers:

- Powerful customers can demand lower prices, better quality, or more services, which can reduce industry profitability.
- Buyer power is high when they purchase in large volumes, the product is standardised, or they can easily backward integrate.

Threat of Substitute Products or Services:

- Substitutes are products that perform the same or a similar function but through different means (e.g., video conferencing substituting air travel).
- The threat is high when substitutes offer better performance, lower prices, or are readily available.

Rivalry among Existing Competitors:

- This is the intensity of competition among current firms in the industry.
- Rivalry is high when there are many competitors, slow industry growth, high fixed costs, or high exit barriers.

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2. Feasibility Study:

- **Q.** Explain technical and financial feasibility. **(SUMMER 2024, 7 Marks OR)**

Answer:

Technical Feasibility:

- **Meaning:** It determines whether the proposed business has the technical resources, expertise, and infrastructure to deliver the product or service.

Parameters Evaluated:

- **Technology & Equipment:** Availability, cost, and capacity of required machinery.
- **Production Process:** Feasibility and reliability of the manufacturing or service process.

- **Infrastructure:** Availability of utilities (power, water), transportation, and suitable land.
- **Skilled Manpower:** Availability of technically qualified staff and training requirements.

Financial Feasibility:

- **Meaning:** It assesses whether the proposed venture is financially viable and will generate sufficient returns to justify the investment and risk.

Parameters Evaluated:

- **Capital Requirement:** Estimation of total project cost (fixed and working capital).
- **Sources of Finance:** Availability of equity, debt, or government grants.
- **Profitability:** Projected sales, costs, profit margins, and break-even analysis.
- **Return on Investment:** Calculation of Net Present Value (NPV), Internal Rate of Return (IRR), and payback period.

- **Q.** Why is feasibility study required? Explain different types of feasibility studies in brief. **(SUMMER 2025, 7 Marks)**

Answer:

Why Feasibility Study is Required:

- **Validates the Idea:** Confirms if the product/service has real market demand.
- **Reduces Risk:** Identifies potential hurdles (technical, financial, legal) before large investments are made.
- **Guides Decision Making:** Provides objective data for a "go/no-go" decision.
- **Attracts Investors:** A well-documented study builds confidence among lenders and investors.

Different Types of Feasibility Studies:

- **Market Feasibility:** Evaluates the target market, customer demand, competition, and pricing strategies to ensure there is a viable market.
- **Technical/Operational Feasibility:** Assesses if the required technology, equipment, skills, and infrastructure are available and suitable for the project.
- **Financial Feasibility:** Analyzes the capital required, projected revenues, operating costs, and ROI to determine financial viability.
- **Legal/Regulatory Feasibility:** Checks compliance with local laws, zoning regulations, environmental rules, and intellectual property rights.
- **Schedule/Time Feasibility:** Evaluates whether the project can be completed within the desired timeframe and if the market window is still open.

- **Q.** Enlist important parameters of feasibility study for a business. **(SUMMER 2022, 7 Marks OR)**

Answer:

The important parameters are grouped under the core areas of feasibility:

- **Market Parameters:** Market size, growth rate, target customer profile, competitor analysis, pricing strategy, and demand forecasting.
- **Technical Parameters:** Production capacity, machinery/equipment specifications, availability of raw materials, utility requirements (power/water), and technical manpower.
- **Financial Parameters:** Total capital expenditure, working capital needs, projected cash flows, break-even point, ROI, NPV, and sources of funding.
- **Operational Parameters:** Location analysis, supply chain and logistics, plant layout, and maintenance requirements.
- **Legal and Environmental Parameters:** Business registration, compliance with local laws, environmental impact assessment, and IPR protection.

- **Managerial/Organizational Parameters:** Organizational structure, management team expertise, and human resource requirements.

- **Q.** Explain the importance of different feasibility studies for any organization to start a new business. **(WINTER 2023, 4 Marks OR)**

Answer:

- **Market Feasibility:** Prevents the launch of products with no real demand, ensuring that the business has a customer base to generate revenue.
- **Technical Feasibility:** Ensures the organization has the right technology and operational capability, avoiding production failures or quality issues.
- **Financial Feasibility:** Prevents the organization from running out of capital, ensuring that the business can sustain itself and repay debts.
- **Legal/Operational Feasibility:** Protects the organization from legal penalties, regulatory shutdowns, and operational bottlenecks, ensuring a smooth start.

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3. Business Plan:

- **Q.** What is business plan? Enlist the key components of business plan. **(WINTER 2025, 3 Marks OR)**

Answer:

Definition:

A business plan is a written document that describes in detail how a business—usually a startup—defines its objectives and how it is to go about achieving its goals.

Key Components:

- Executive Summary
- Business Description (Product/Service)
- Market Analysis and Strategy
- Organization and Management Team
- Financial Plan (Projections and Funding Requirements)

- **Q.** What are the contents of the business plan? **(SUMMER 2025, 3 Marks OR)**

Answer:

- **Executive Summary:** A brief overview of the entire business plan, highlighting the business concept and funding needs.
- **Company Description:** Details about the business, its legal structure, and the problem it solves.
- **Market Analysis:** Research on the industry, target market, and competition.
- **Marketing and Sales Strategy:** How the business will attract and retain customers.
- **Financial Projections:** Income statements, balance sheets, and cash flow forecasts for future years.

- **Q.** Enlist the necessary steps to be followed by an entrepreneur while drawing a business plan. **(WINTER 2022, 4 Marks OR)**

Answer:

- **Research the Market:** Gather data on target customers, competitors, and industry trends.
- **Define the Business Strategy:** Determine the unique value proposition, pricing, and marketing approach.

- **Outline the Structure:** Organize the plan into standard sections (Executive Summary, Market Analysis, Financials).
- **Create Financial Projections:** Develop realistic forecasts for sales, expenses, and cash flow.
- **Write the Plan:** Draft the document clearly and concisely, avoiding jargon.
- **Review and Refine:** Edit the plan, ensuring all assumptions are logical and figures are accurate.

- **Q.** Prepare a drawing of a business plan. **(SUMMER 2026, 4 Marks OR)**

Answer:

Diagram Description:

Draw a hierarchical tree diagram. The root node is "Business Plan". It branches into 5 main boxes:

- Executive Summary
- Market Analysis
- Company & Product Description
- Marketing & Sales Strategy
- Financial Projections
- Under "Financial Projections", draw sub-branches for "Cash Flow", "Income Statement", and "Funding Needs".

- **Q.** Write short note on preparing project report and presenting business plan to investors. **(SUMMER 2026, 7 Marks OR)**

Answer:

Preparing a Project Report:

- **Gather Data:** Collect comprehensive data on market trends, technical requirements, and financial estimates.
- **Draft the Sections:** Structure the report logically, starting with an introduction, followed by market, technical, and financial analyses.
- **Be Objective:** Present accurate data and realistic assumptions rather than overly optimistic projections.
- **Include Visuals:** Use charts, tables, and graphs to make complex data easily understandable.

Presenting to Investors:

- **Elevator Pitch:** Start with a concise, compelling summary of the business.
- **Focus on the Problem & Solution:** Clearly articulate the customer pain point and how the product/service solves it.
- **Highlight the Team:** Investors invest in people; emphasize the team's expertise and capability to execute the plan.
- **Demonstrate Financials:** Show clear financial projections, funding requirements, and return on investment (ROI).
- **Be Prepared for Q&A:** Anticipate questions regarding risks, competition, and scaling potential.

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4. Inventive Problems, Patents and Development Projects:

- **Q.** What are the inventive problems? Also explain the five levels of solution. **(WINTER 2023, 7 Marks OR)**

Answer:

Inventive Problem:

An inventive problem is one that contains a contradiction (technical or physical) and cannot be solved by standard engineering methods or known optimization techniques. It requires a novel, creative solution.

Five Levels of Solution (TRIZ):

- **Level 1 (Routine):** Simple modifications of existing systems using standard methods. (e.g., increasing the thickness of a wall for insulation).
- **Level 2 (Minor Improvement):** Small changes to existing system features, often resolving technical contradictions. (e.g., using a different shape for a fan blade).
- **Level 3 (Major Improvement):** Fundamental changes to the system or its sub-systems without changing the core principle. (e.g., replacing mechanical steering with hydraulic).
- **Level 4 (New Concept):** Creating a new system based on a different principle to perform the required function. (e.g., replacing a combustion engine with an electric motor).
- **Level 5 (Discovery):** Creating a completely new system based on a recent scientific discovery or phenomenon. (e.g., inventing the laser).

- **Q.** Explain the different types of product development project and give the reasons for poor development planning. **(WINTER 2023, 7 Marks)**

Answer:

Types of Product Development Projects:

- **Platform Projects:** Create a new family of products sharing a common architecture (e.g., a new car chassis for multiple models).
- **Derivative Projects:** Extend an existing platform by adding variants or versions (e.g., a sports version of an existing car).
- **Breakthrough Projects:** Introduce entirely new products using new technology (e.g., the first smartphone).
- **R&D Projects:** Exploratory research aimed at discovering new knowledge or technology.

Reasons for Poor Development Planning:

- **Unclear Objectives:** Goals are not defined clearly, leading to scope creep.
- **Unrealistic Timelines:** Aggressive deadlines that do not account for testing and iterations.
- **Lack of Resources:** Insufficient budget, skilled manpower, or equipment.
- **Poor Cross-Functional Coordination:** Miscommunication between marketing, design, and manufacturing teams.
- **Failure to Identify Risks:** Ignoring potential technical or market hurdles.

- **Q.** Discuss the patent search process briefly and give the details contained in a patent by giving the patent sample. **(WINTER 2023, 7 Marks OR)**

Answer:

Patent Search Process:

- **Define the Search Scope:** Identify keywords, technical classifications, and concepts related to the invention.
- **Select Databases:** Use free databases (like Google Patents, USPTO, WIPO) or paid platforms.

- **Formulate Search Queries:** Combine keywords with Boolean operators (AND, OR, NOT) and classification codes.
- **Analyze Results:** Review the abstracts and claims of retrieved patents to find similar technologies.
- **Document Findings:** Record relevant patents that may affect patentability or require design changes.

Details Contained in a Patent (Sample):

- **Title:** A brief, descriptive name of the invention.
- **Abstract:** A short summary of the technical disclosure.
- **Description:** A detailed explanation of the invention, how it works, and its embodiments.
- **Claims:** The legal boundaries of the invention's protection (the most critical part).
- **Drawings:** Visual representations of the invention.
- **Bibliographic Data:** Inventor names, assignee, application date, and publication number.
- **Example:** A patent for a "Smart Water Bottle" would contain the title, an abstract describing hydration tracking, drawings of the bottle and sensors, a detailed description of the Bluetooth connectivity, and claims defining the unique sensor placement.
