

BUS 362

Assignment 01 - Feasibility Analysis

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2015-05-19

# Feasibility Analysis

# Description

- Comes after requirements
- Doesn't have to be too long
- Financials can go in the appendix

# Purpose

- Risk identification
- Technical: can we build it?
- Economic: should we build it?
- Organizational: if we build it, will they come?

# Textbook Pages

- 5th Edition: pages 23 - 34
- 6th Edition: pages 18 - 28

Example

# Pigeon Racing

- Old sport, originated in Europe
- Still popular (particularly in Australia, China, Taiwan, Bangladesh)
- Black box results (tournament organizers win disproportionately)
- Prize winning pigeons can be sold for over \$100,000

# Assumptions

- Measured over 4 years
- Race entry fees are \$60,000 per year

# Purchase Pigeons

- Purchase 50 pigeons to start our racing company at \$12,000 each
- Lose 20% pigeons a year to pigeon pirates, have to repurchase
- Rent for our pigeon coop is \$4,000 a month

# Lease Pigeons

- Rent pigeons from large pigeon supplier
- Deposit of \$100,000, 10% of which is refunded in year 4
- Pay them \$300,000 a year to maintain a flock of 50 pigeons in their own pigeon coop

# Economic Feasibility

- Which one costs more?
- Discount rate adjustments
- Data -> What-If Analysis -> Goal Seek

# Technical Feasibility

- Will we be able to control pigeon diet?
- Will we have access after-hours?
- Can we choose our pigeons?

# Organizational Feasibility

- Is the commute longer?
- Do you get enough space to train the pigeons?
- Will employees like it?

# Assignment

# Questions

- Which of the first two options (lease or buy) would you choose at a 3% discount rate? What integer discount rate would change your recommendation?
- Describe the feasibility issues you see for your chosen strategy, and compare these to the alternatives. If you were responsible for this decision, discuss in general terms how economic, technical, and organizational feasibility issues would be considered.
- What decision would you recommend: continue to purchase staff computers, lease them, or provide an allowance for their own equipment? Why?