

BUS 362

Assignment 01 - Feasibility Analysis

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# 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 use it?

# 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

- Based only on economic feasibility, which of the options would you choose at a 7% discount rate?
- Based only on economic feasibility, which of the options would you choose at a 3% discount rate? What timing horizon would change your recommendation?
- Based only on economic feasibility, which integer discount rate would change your recommendation to each option?
- Based on all types of feasibility, choose a strategy and compare it to the alternatives.
- Describe an intangible benefit to your choice. Could this intangible benefit outweigh a more attractive NPV?