

# Determining the Feasibility of a New Product or Service

Presented By  
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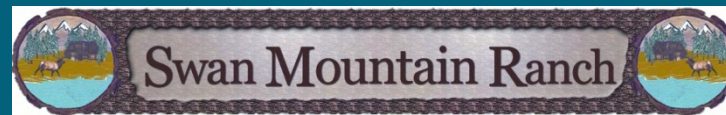
# Topics and Themes

- Introduction
- Why add a new product or service?
- What Does a Feasibility Study Entail?
- Key Components of a Go-No Go Decision
- Examples of Expansion
- Common mistakes in assessment
- Resources
- Conclusion

# Introduction

- Owner Swan Group of Companies
- 4<sup>th</sup> Confluence as a speaker
- Consult with Outdoor Recreation companies in “free time”
- Previously a CPA and consultant in practice for over 25 years
- Why I was asked to present on this topic...

In 2005



# In 2011



# Why add a new product or service?

- Generate more revenue → Or should I say Profits!
- Build strategic value of company
- Build on valuation of the company
- Provide offseason work for key employees
- Build market share
- Keep up with competition
- Remain relevant to customers
- **LEVERAGE** off of current investments in people, permits or facilities

# Build market share

- Understand segmentation
- Grasp level of effort versus size of target
- Acquisition of new customers versus capturing more of existing customer wallet share

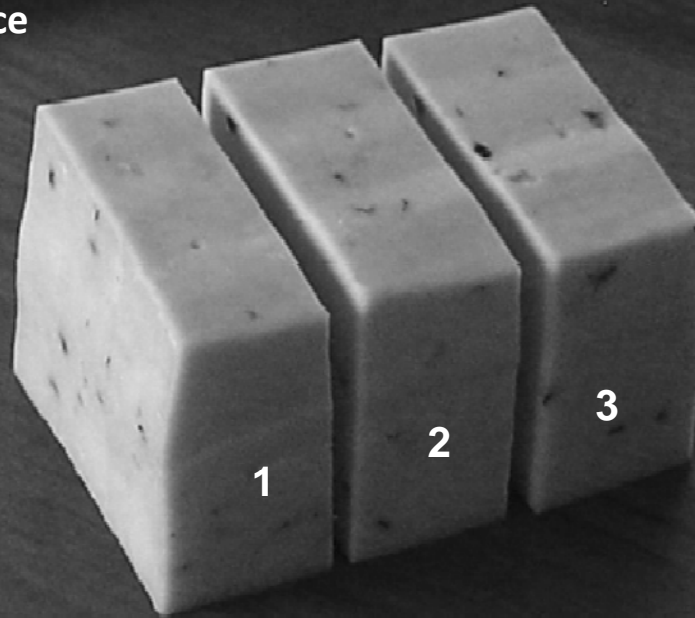




# Capturing the Recreational Dollar

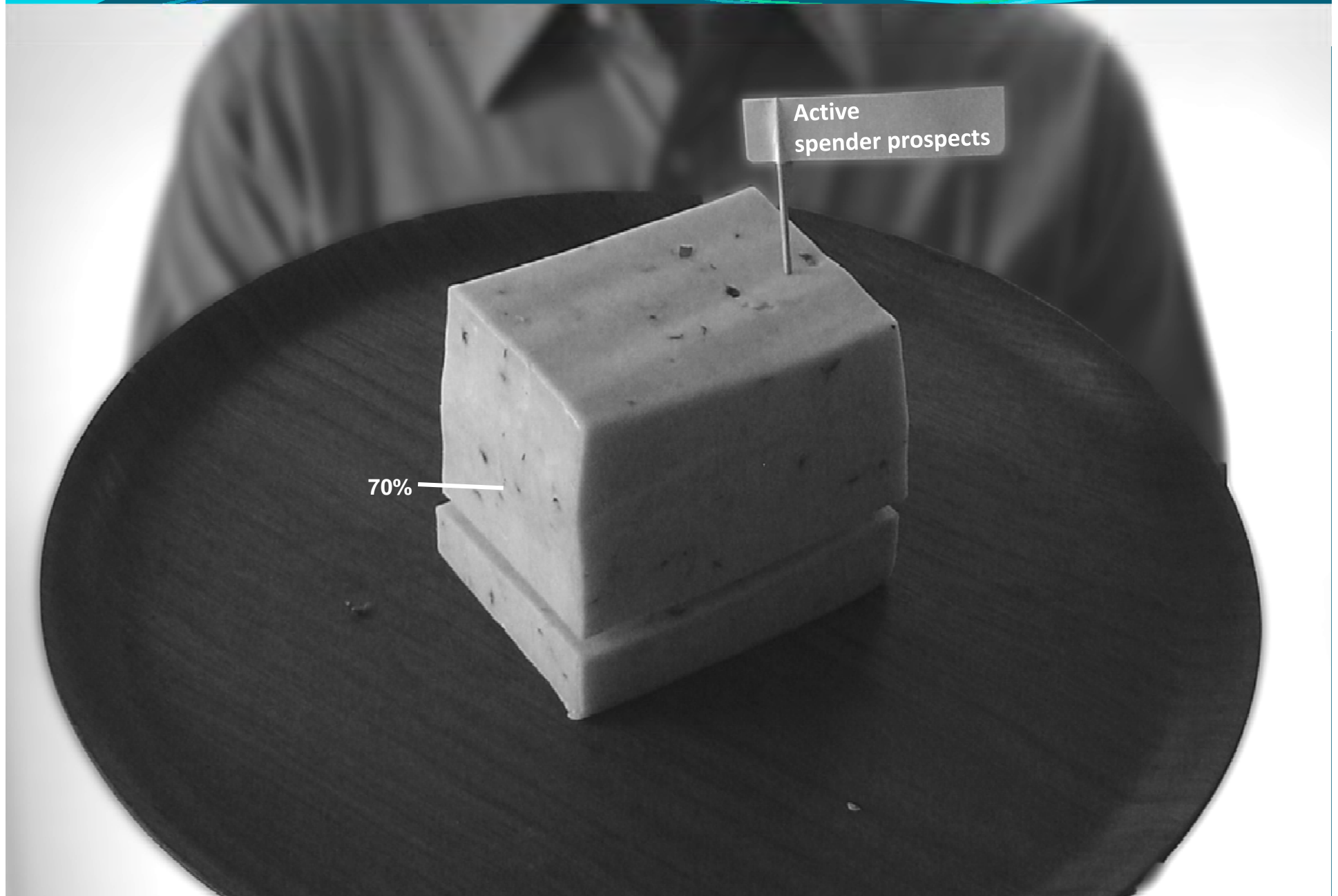
All Customer bases are subject to segmentation:

1. High Adventure
2. Lodging based
3. Multi-Service

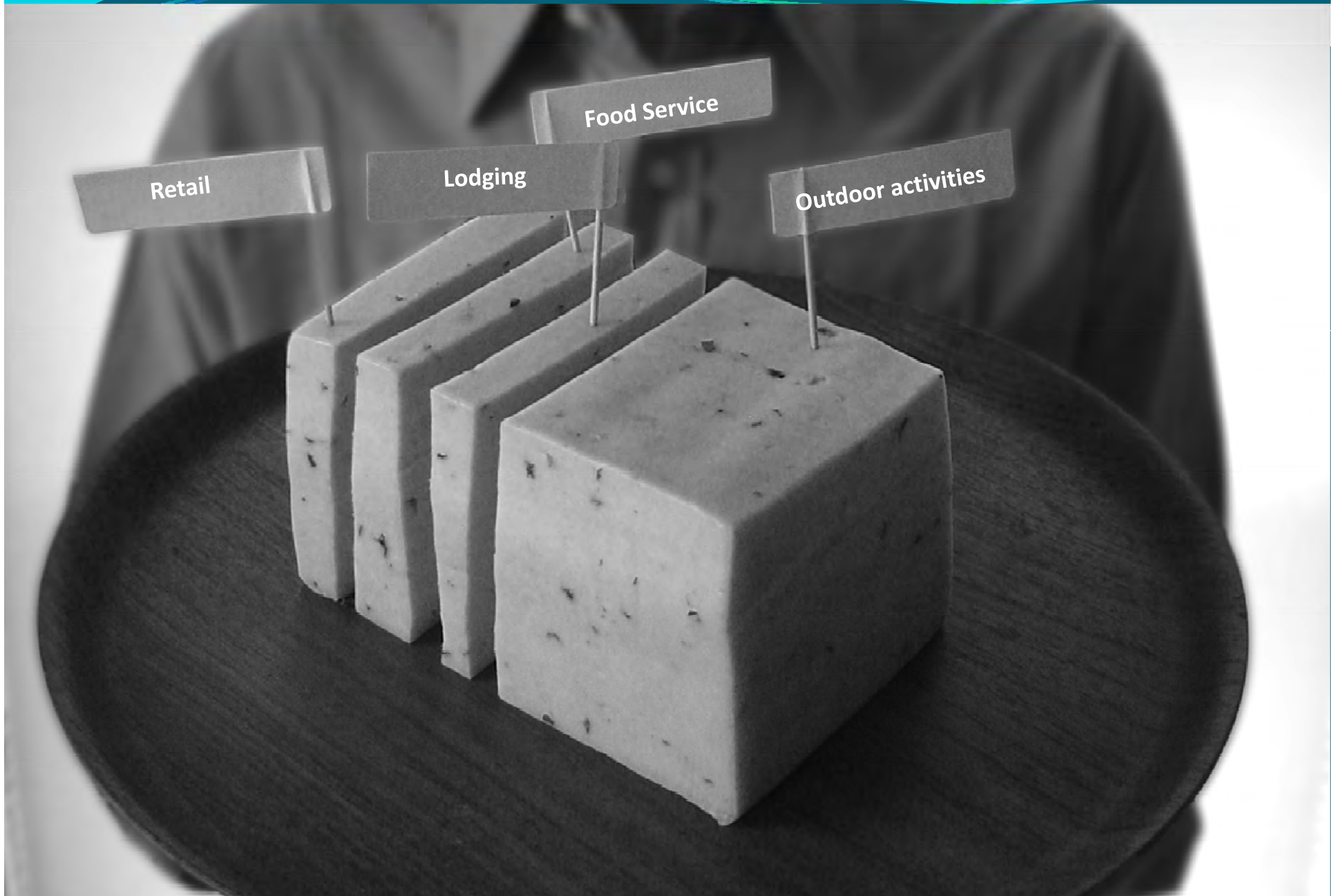




# What is your slice?



# Capturing the rest of the consumption



# Overall Go to Market Strategy

## Core Offering

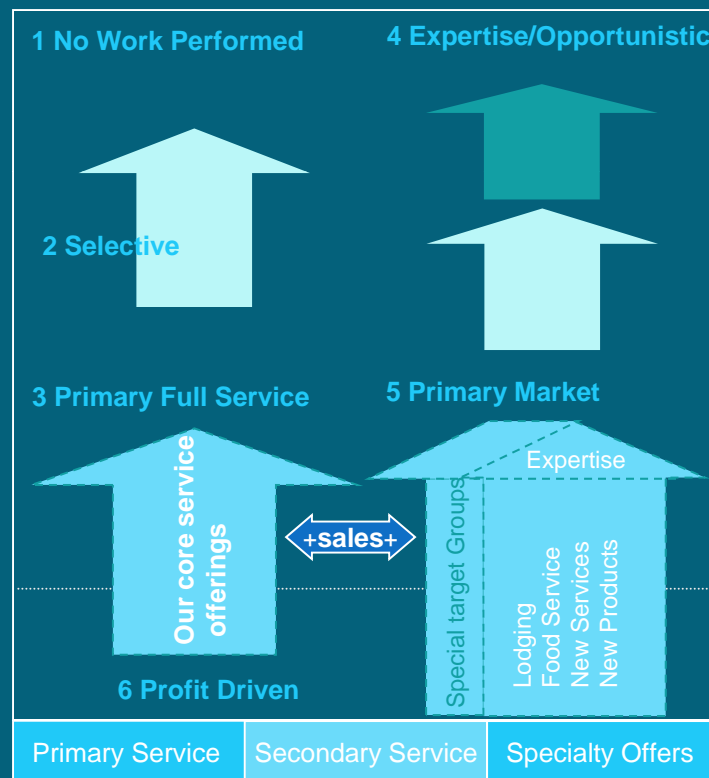
## Expanded Service

### Advance Bookers

Elite customer base  
Sophisticated search  
Travel Agency  
Lite researchers

### Spontaneous Buy

Repeat business  
Lite mktg  
Off the street



1. **No Work Performed** Outside of our market focus
2. **Selective** Will only do for risk clients that meets our standards, will weigh whether Expanded services more profitable
3. **Primary Full Service** Main thrust of our strategy, full service clients consuming all of our offerings core market focus
4. **Expertise/Opportunistic** Will sell to this end when we have the expertise and capacity as opportunities come up, not our primary market
5. **Primary Market** Main thrust of Expanded services either with or without core offering
6. **Profit Driven** Will only do clients in these areas if we make good profits, not our market

# Keep up with competition?

- Do we keep pace or go another direction?
- What does the finish look like?
- Acquisition of new customers versus capturing more of existing customer wallet share



## A Race to the Finish





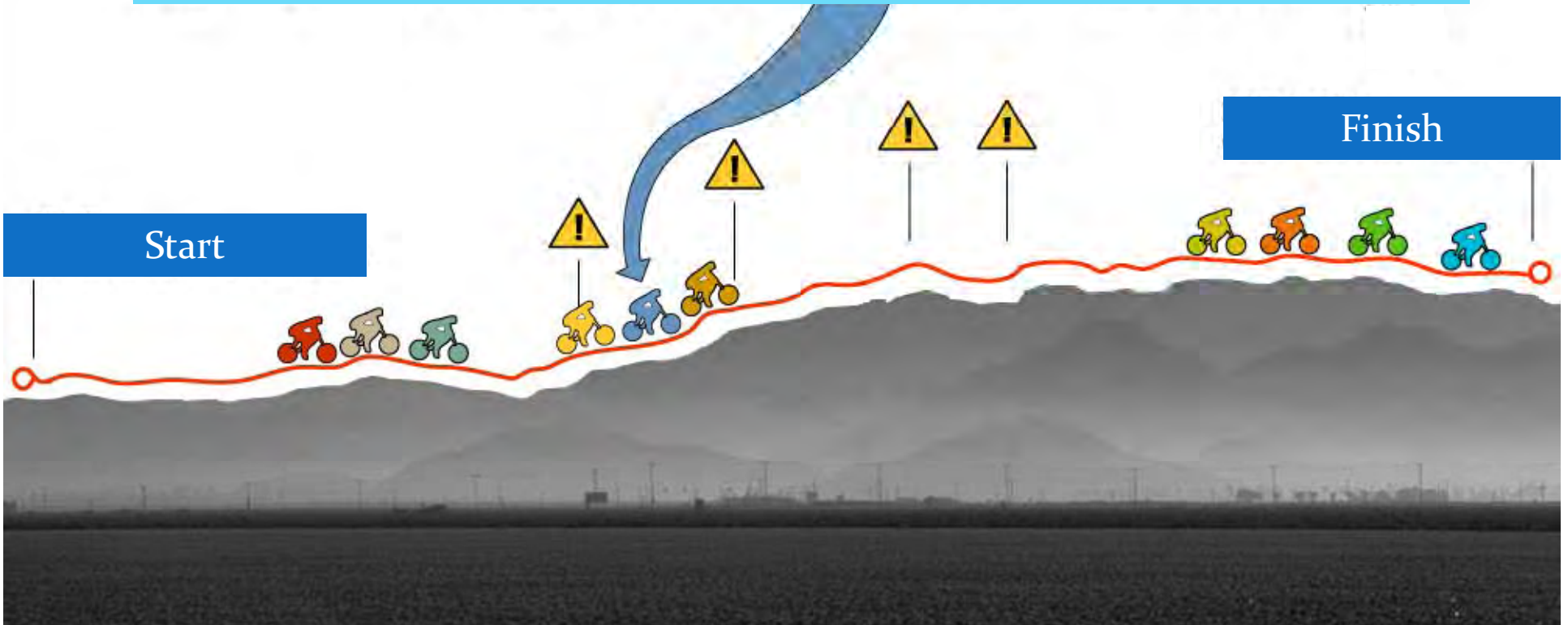
## A Race to the Finish



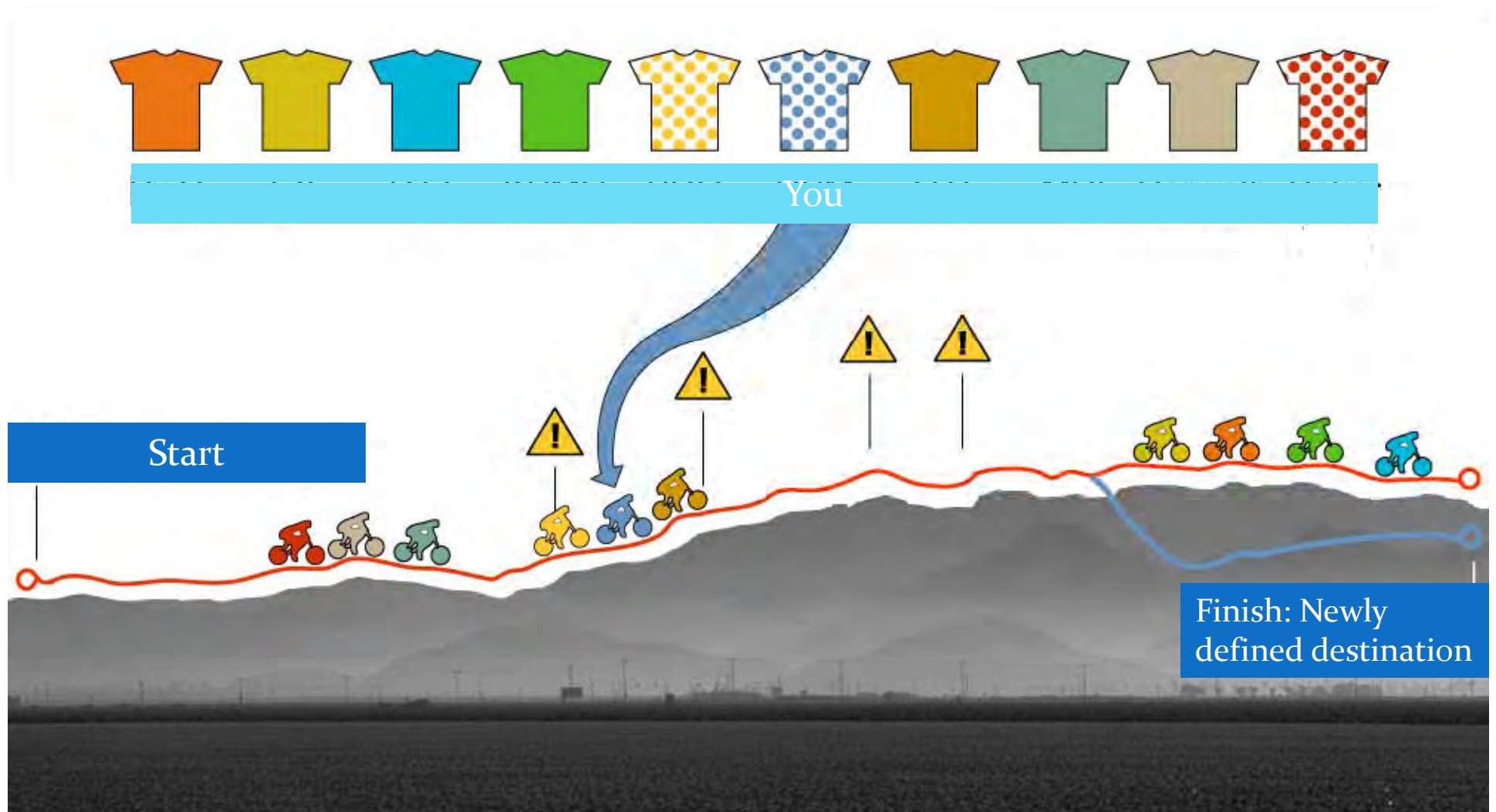
You

Start

Finish

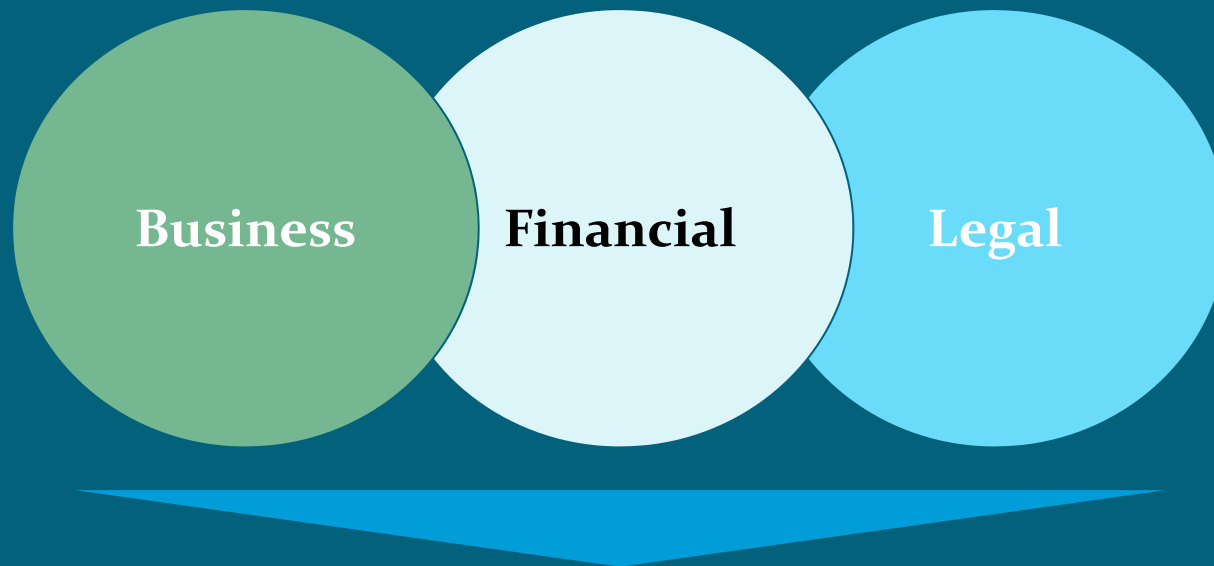


## A Race to the Finish





# Feasibility: Look Before You Leap !



Opportunity Evaluation

# What Does a Feasibility Study Entail?

- Always start with strategy : Your strategy work should dictate if you make a move or not
- Expansion should take advantage of:
  - The ability to expand market share profitably
  - The opportunity to remove a competitor and create anti-dilution
  - Existing capital, resource or management capacity that you might have
  - The potential to get something for a good price
  - If adding on, it better aid in the creation of sustainable value

# What Does a Feasibility Study Entail?

- Research must be rigorous, too easy to fall in love with your own ideas
- Be aware of copycat tendencies
- Develop a “Go-No Go” approach to decision making that is thorough and contemplates all major finance, legal, strategic and competitive indices...

# Key Components of a Go-No Go Decision

- Market analysis
- Availability and cost of capital
- Marketing requirements
- Product/Service life cycle
- Break-even analysis
- ROI
- Risk management issues

# ROI



- Computation needs to account for “All” costs
- Underlying premise: “Can I make as much or more then if I just invested in the market?”
- Determine a ROI goal that is realistic, e.g. payback in 5 years?
- What is the opportunity cost → What are you giving up or not investing in, in order to go in this direction

# Go-No Go Decision

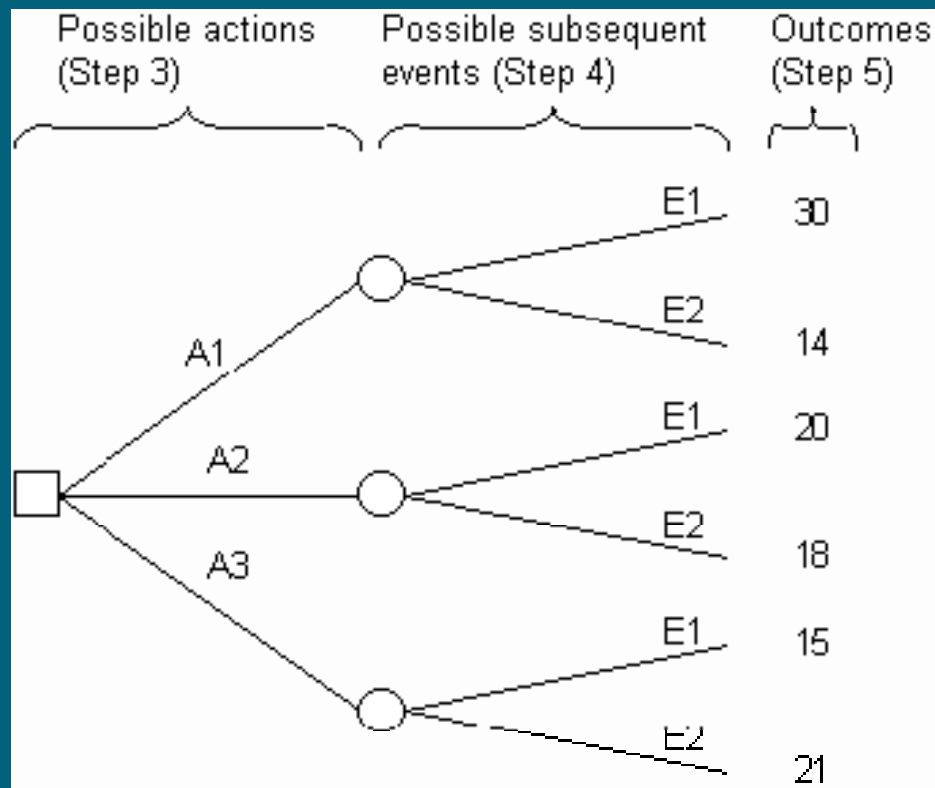
- What are your options?
  - Consider all possible strategies
  - Present clear vision that revolves around your competitive advantages
- Which Options will improve and sustain my company's position?
  - Can I change the game?
  - Can I chose my competitors/compliments?
  - Can I alter my relative position?

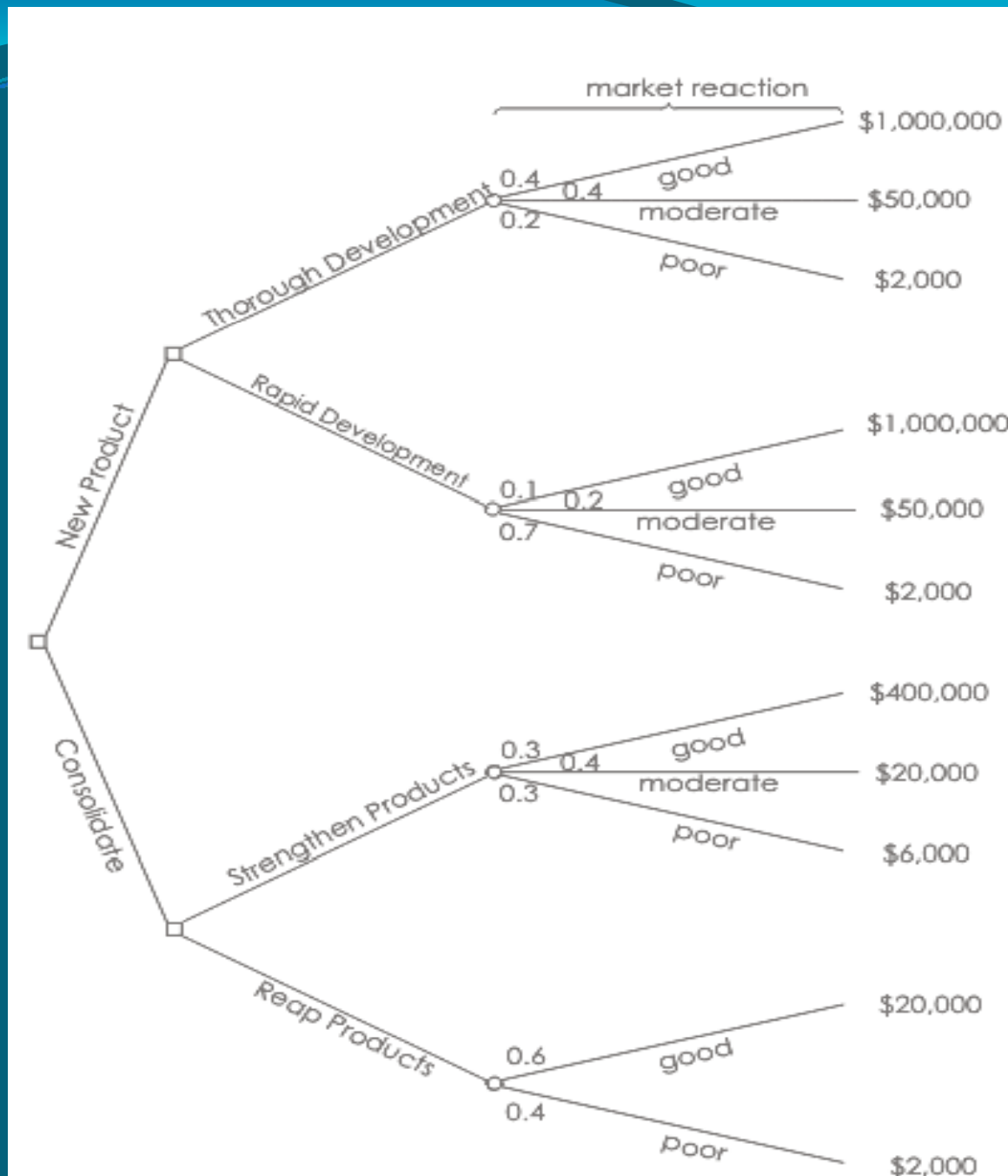
# Go-No Go Decision

- Test the Options
  - How will competitors, suppliers, complementors, customers respond?
  - Can Competitors be frozen?
  - Are competitors threatened?
- Check For Sustainability
- Decide & Implement



# Go-No Go Decision Tree





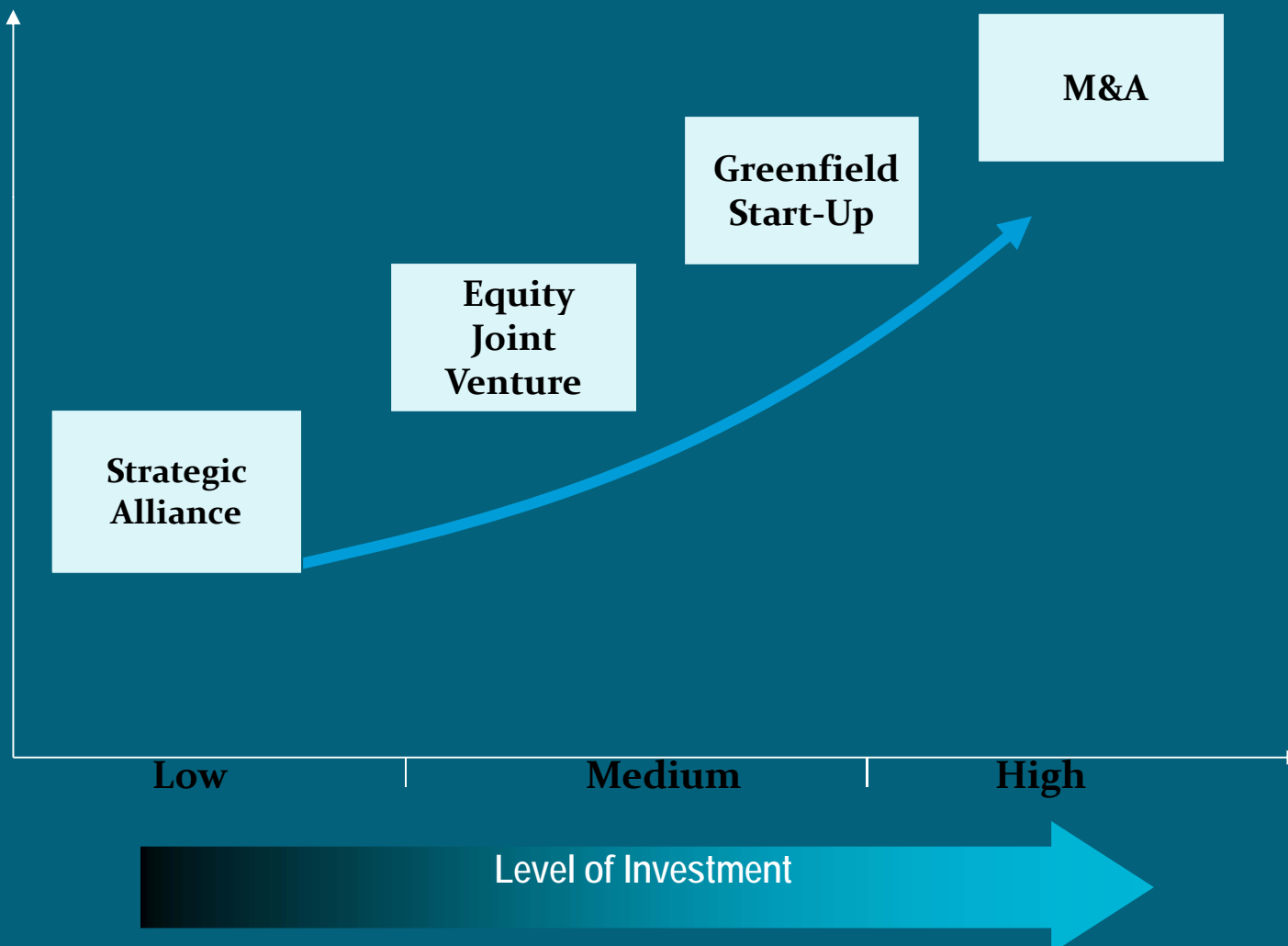
# Examples of Expansion

- ❑ Logo wear retail
- ❑ Iterations of existing trips
- ❑ Customization for higher prices
- ❑ New service existing customer
- ❑ New service new customer
- ❑ New locations
- ❑ Vertical expansion
  - ❑ Purchase suppliers or customer acquisitioners
- ❑ Bundled services with a partner
- ❑ New trip offerings
- ❑ Partnering with other properties/providers
- ❑ Targeted group service provision
- ❑ Federal Contracts
- ❑ Horizontal expansion
  - ❑ New service new areas
  - ❑ Same service new markets

# Relationship of Investment and Risk/Reward



# M&A is a Powerful Strategy for Entering New Markets



# Common mistakes in assessment

- Operators want it too bad
- Convinced an investment must be made to keep up with competitors
- Underestimate:
  - Time to profitability → underfunded
  - Market response → sluggish
  - Barriers to entry → regulatory hurdles
  - Costs associated to sustain → didn't know at time
  - Commitment by market → flavor of the month

# Resources

- Peer benchmarking
- Ask the clients, but be sure you ask in the right way
- Research studies and trend data from Tourism Bureaus
- Independent review committee or ex-officio Board of Directors
- Your trusted business advisors
- Outside consultants



# Conclusion

- Be Unique
  - “Me-Too” strategies rarely work
  - Create Value
    - Do more than provide a product or service, provide an experience
  - Communicate Value
    - Value not perceived is irrelevant
  - Keep Moving
    - Sitting ducks are usually picked off



# Conclusion

- Do the math, to not calculate where this will get you financially and how much it will cost to get there is paramount to building a house without a blueprint



- I opened with it and I will close with it → It has to be all about your strategy. Do something because it makes strategic sense, and for no other reason!

Q & A

