



Inn Development & Management

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## **IDM Feasibility Study & Market Analysis Outline**

The feasibility study is the first step of the development process and provides critical guidance for design, construction, and operations. It evaluates potential market support and forecasts usage. It determines potential financial performance and maximum warranted development costs. It provides physical planning parameters, such as total land size needed and building space required. It recommends the attraction mix and can include a walk-through description and artist conception images for use in initial presentations.

The following outlines the major tasks involved in conducting a feasibility study.

### **1: Orientation Meeting**

The initial meeting would be held to meet the development team, discuss the project in detail and to see the prospective site if one has been chosen.

### **2: Site and Area Evaluation**

The site and local area would be evaluated to determine its effect on potential usage. Factors include:

- Market proximity
- Physical limitations or constraints
- Access routes
- Traffic patterns
- Surrounding development
- Potential complementary and competitive facilities

### **3: Concept Description and Industry Trends**

The type of leisure business being studied would be described and industry trends discussed. Readers of the feasibility study may be unfamiliar with the concept and this section of the report provides an introduction before specific project-related issues are examined.

#### **4: Market Analysis**

The market areas would be defined based on distance from the site. Demographic characteristics for the resident market would be analyzed to provide an indication of support. This would typically include:

- Population growth
- Age distribution
- Income distribution
- Market economics

The tourist market would be defined and analyzed. Based on available information, this analysis would likely examine:

- Current size
- Historic growth
- Other characteristics

#### **5: Evaluation of Competitive Hotel Facilities**

Selected comparable facilities would be examined. Available reported information would be provided on individual characteristics, including:

- Name and location
- Physical description
- Rate Structure and pricing
- Annual revenues (estimated)
- Financial performance
- Development costs
- Market share performance or penetration

#### **6: Subject Hotel Performance**

Potential annual usage for the proposed facility would be estimated for the first five to ten years of operation based on a number of factors, including:

- Planned components
- Size of the available markets
- Qualitative market characteristics
- Market penetration rates achieved by comparable facilities
- Location and possible competition
- Barriers to entry within the market

## **7: Design Development or Operational Planning Guidance**

IDM would make physical planning recommendations needed to service expected market demand. The specific parameters vary from one leisure attraction to another. For larger projects, IDM can also provide master planning and schematic design services. Physical planning parameters may include:

- Estimated design capacity
- Recommended types of activities
- Recommended activity mix
- Recommended food service and merchandise space
- Recommended parking sizing
- Minimum land size

## **8: Financial Analysis**

The financial analysis for the proposed facility would be based on the selected concept and potential usage. Financial estimates for the first five years of operations would include:

- Revenues by category
- Operating expenses
- Operating profit
- Return-on-investment for equity investors

## **9: Typical Development Cost**

IDM would determine the development cost or investment based on potential profitability. This is the recommended amount that should be spent to effectively develop the project and return a reasonable return-on-investment to equity investors.

This warranted amount would be compared to the actual development costs for other comparable facilities. Relative size would be taken into consideration. This comparison would provide guidance as to whether the proposed project could be developed for its warranted investment. If it can be, the project is considered financially feasible.

## **Master Planning & Schematic Design Services**

As part of an expanded planning effort, IDM can also provide conceptual design services.

## IDM Project Business Plan

In addition to conducting the feasibility study, IDM can expand this effort to include an initial business plan. This can be done from the start of the consulting assignment, or added after the standard feasibility study has been completed.

The purpose of a business plan is different than that for a typical feasibility study. The feasibility study evaluates the market and financial potential of the project. The business plan explains how the developer will specifically achieve this potential. It needs to persuade skeptical readers that the developer has the ability to take the project to completion.

The following paragraphs outline our typical process in preparing a business plan.

### 1: Questionnaire

IDM first provides a detailed questionnaire of the planned project and its developer. This questionnaire would particularly cover standard business plan topics that are not directly discussed in our feasibility study.

### 2: Interviews

IDM interviews key individuals involved with the project in order to answer the business plan questionnaire. These interviews could be conducted individually or in groups. If specific questions cannot be immediately answered, we follow-up later by phone and e-mail.

### 3: Plan Preparation

Based on information provided in these interviews and our feasibility study, IDM prepares the initial business plan. Specific topics include:

- **Company** (legal structure, ownership, and history)
- **Developer and Key Management** (names, roles, and background)
- **Industry** (description, growth, trends, and prospects)
- **Planned Project** (description and major components)
- **Strategic Aspects - SWOT** (strengths, weaknesses, opportunities, and threats)
- **Marketing** (target market and competitive position)
- **Anticipated Timeline** (key milestones, likely construction period, and expected opening date)
- **Development Budget** (preliminary estimates based on comparable projects)
- **Financial Performance** (operating pro forma, financing assumptions, cash flow analysis, break-even analysis, and business ratios)