

Dan feels that the primary market for the Ladder Rail is construction and home renovation companies. He also wonders whether homeowners will buy the Ladder Rail. This market would likely purchase ladders at their local hardware stores such as Canadian Tire, Home Depot, or Home Hardware. Dan believes that while the Ladder Rail would have global appeal, he should likely focus his business on Canada in the near term. Dan is also starting to realize that he will likely have to build a facility to manufacture in large quantities. Dan thinks that he should start small by attempting to market the product initially in the Hamilton area.

Dan goes to the local library and obtains some data regarding construction, population, households, and expenditures for Canada and for Hamilton. The information that he collected is found in Figure 1-A below.

Dan is not quite sure what to do with this information or what additional information he needs. He is aware that the company he worked for had 20 ladders and employed 100 people, so he estimates that one ladder is purchased per five employees in a construction or roofing company. Dan estimates that one out of 10 households would buy an aluminum ladder for such things as roof repairs, TV antennae adjustments, and putting up Christmas lights. He thinks that at least 20 percent of these ladder owners will be interested in the

Ladder Rail. It costs Dan about \$10 to make the standard Ladder Rails, and he estimates that he could sell them for about \$40. A breakdown of his costs is shown in Figure 1-B. He feels that he could surely get 1 percent of the market. If so, he would be a rich man.

Questions

1. If Dan came to you asking for advice about whether to pursue this idea, what advice would you provide?
2. What aspects of Dan's background and personality traits are suited to owning his own business? What aspects might hinder his success?
3. Briefly discuss aspects of the product and business that may contribute to or hinder the success of the business.
4. What positive things has Dan done in investigating the new business?
5. What additional information should Dan obtain before completing his feasibility analysis?
6. With the information provided, prepare a feasibility analysis for the homeowner market.
7. What other information would make this calculation more accurate?

FIGURE 1-A Dan's Market Research

	CANADA	ONTARIO	HAMILTON
Population	31,413,990	11,410,046	662,401
Households	11,552,010	4,302,710	260,968
Household expenditures (Hardware tools per annum)	\$1,655	\$1,928	\$1,848

FIGURE 1-B Manufacturing Expenses for the Ladder Rail

Metal	\$7 per unit
Labour	\$2 per unit
Overhead	\$1 per unit

Dan Kim has worked for a carpentry company building homes in Hamilton, Ontario, for the past five years. Although he has moved up in the organization to be a project manager, he is becoming increasingly frustrated with the negative aspects of working for a small company with little room for advancement. Dan has offered advice to the business owner that he should consider expanding, perhaps consider moving into commercial construction and that Dan himself could handle more duties under his proposed expansion plans. Dan has even offered he would be willing to become a partner in the business or eventually buy the company from the owner. The owner, who is nearing retirement age, prefers to maintain business as it is. He recognizes Dan as ambitious, dependable, and hardworking, but he has little desire to grow his company at this stage in his life.

Dan, while making a good wage, is certain that he could make more money if he worked on his own. Having grown up with parents who owned their own restaurant, he also fondly remembers the freedom that his father had in taking time off to attend Dan's hockey games and to take family trips. His father's restaurant had been successful and had grown to the point where he added four additional locations and eventually sold them all for a significant profit. Dan is not certain he wants to work for someone else for the rest of his life, nor is he even certain he wants to be a carpenter. Dan has recently started to think about ideas to start his own business and has been searching the Internet late into the evening for information on the latest trends in the construction and housing industries. Dan is certain that his experience and hands-on ability will help him identify an opportunity he could turn into a company, and he has started making notes on his iPhone about various business ideas he has during the course of the day.

After spending six months thinking about various ideas for a business, Dan believes he has found one that would work. After watching extension ladders wobble, lean, and sometimes move, Dan thought there had to be a better way to increase their stability without having someone stand and hold a ladder all day long. Dan spent the next few months building various prototypes that would solve this problem, and he finally developed a set of rails that could be easily attached to extension ladders to make them more stable and increase their safety. The rails are made of lightweight aluminum, bent so that they attach to a ladder through the holes of the ladder rungs. Dan was thrilled with his invention, which he intends to call the Ladder Rail. Dan is sure that the product will especially appeal to those in the construction industry as well as to homeowners. Dan is confident that he

can produce enough ladder rails in his garage out of lightweight aluminum (the same material that ladders are made from) with metal cutters and benders to launch a viable business.

Dan brought the Ladder Rail to work and showed it to his boss. His boss thought it was an interesting invention but stated he did not think people would buy them. This reaction concerned Dan, and while he was excited about the product's potential, he decided to post some information about the concept on several crowd-sourcing sites and on his Facebook page asking for input. While most respondents agreed the idea was a good one, many entrepreneurs stated that Dan would never be able to produce enough of the ladders himself to meet demand. Others suggested that rather than trying to make the extension, he should bring his concept to some of the larger ladder manufacturers and see if they would buy the idea from them. At this point, Dan was satisfied he had done enough research to determine the idea was a good one, and he believed people would buy them. While he appreciated all the advice he received online, he wanted to be the one to build the ladders, and he was not interested in selling the idea. After all, if he sold the idea, he would just be back working at the same company again, albeit with a little more money in his pocket.

Dan is more determined than ever to start his own business. He feels that his invention has great potential. He discusses the possibility of becoming an entrepreneur with his wife Suzie. Suzie is somewhat apprehensive about the idea, as she and Dan both have good jobs and have accumulated some savings. Furthermore, Suzie is concerned that Dan has not done enough work to assess if the idea is good enough for Dan to quit his job and start a business. Suzie states that Dan's only real market research came online from friends and family and other entrepreneurs and they would, of course, be encouraging. She would prefer if Dan engaged in more traditional market research or tried to pre-sell some of his ladders on a crowd-sourcing site. Dan is confident that he has collected enough information to determine there is a market for the product; and given that he is unsure how he will ultimately sell the Ladder Rail, he does not want to take any pre-orders at this time on crowd-funding sites. While Suzie says she has reservations, she agrees that Dan should at least do some additional research on the feasibility of the product. Dan has learned by reading blog posts from successful entrepreneurs that he needs to collect some information to find out whether the Ladder Rail can provide a large enough income so he can quit his job and make a living at it.