

Characteristics or features of sole proprietorship

- **1. Individual initiative** :- the business is started by the Initiative of a single person. All the profits and losses are taken by the single individual.
- **2. Unlimited liability** :- the proprietor is responsible for all the losses arising from the business. The liability is not limited only to his investments in the business but his private property is also liable for business obligations.
- **3. Management and control** :- the proprietor manages the whole business by himself. He prepares various plans and executes them under his own supervision. The ultimate control lies in with the owner.

- **4. Motivation** :- one person takes all profits and bear losses. There is direct relationship between efforts and reward. If the work is more, he will earn more. He is motivated to expand his business activities.
- **5. Secrecy** :- all important decisions are taken by the owner himself. He keeps all the business secrets only to himself. By retaining business secrets he avoids competitors entering the same business.
- **6. Proprietor and the proprietorship are one** :- the sole trader and his business are separate entities. Loss in his business is his loss. Liabilities of his business are his liabilities.
- **7. Owners and business exist together** :- the business and owner exist together. The business is dissolved if the owner dies.
- **8. Limited area of operation** :- the reason behind it is limited resources and managerial abilities. He can arrange limited funds and he will be able to supervise a small business.

Advantages of sole proprietorship

- **1. Easy in formation** :- sole proprietorship is the only form of organization where no legal formalities are required to be performed. Anybody wishing to start a sole trade concern can do so without loss of time. This business is absolutely free from legal formalities.
- **2. Better control** :- in this one man is responsible for all type of activities. He controls all functions of business. The authority and responsibility lies with one man. If the responsibility is divided, then there can be a possibility of shifting obligations to other persons.

- **3. Flexibility in operations** :- it is a small business. In case a change in operation is required , it can be possible without much efforts.
- **4. Retention of secrets** :- a sole trader can maintain business secrets. He will not share his business secrets with others. He can maintain secrecy from his competitors.
- **5. Easy to raise finance** :- the liability of a sole trade organisation is unlimited. The creditors can have a claim over the private property of the owner. That's why creditors feel secure in extending credit.
- **6. Direct motivation** :- the proprietor takes keen interest in the working of the business. He tries to put his heart and soul in the business so to earn as much profits as he can. there is direct relationship in in efforts and reward.
- **7. Promptness in decision making** :- all important decisions are taken by one person. He will not let an opportunity slip away. If more than one person is involved in decision taking, then delay is bound to occur.

- **8. Direct accessibility to consumers** :- in sole proprietorship the scale of operations is small. The owner can have direct contact with customers and employees. He can know the relations and preferences of consumers. It enables him to make necessary changes in the quality and design of his products.
- **9. Inexpensive management** :- the sole trader is the owner, manager and controller of the business. He does not appoint specialists for various functions. He personally supervises various activities.
- **10. No legal restrictions** :- there is no special act governing the work of a sole proprietor. He is not required to submit the results of his business to any authority. He is taxed as an individual and not as a business unit.

- **11. Socially desirable** :- it helps in avoiding concentration of wealth. Large scale business leads to wealth accumulation in few hands. Sole trade business also provides competition to other businesses.
- **12. Self employment** :- it offers self employment to those who do not want to serve others. As everyone cannot get a suitable job to earn his livelihood in a developing country.
- **13. Healthy relations with employees** :- a sole trader is in a position to maintain direct relations with his employees. This enables the employer and employees to understand and appreciate the difficulties of each other. Moreover, a sole trader can quickly solve the grievances of his employees.
- **14. Benefit of goodwill** :- a sole trader passes on the business goodwill to his successor. On the death of the owner, business is dissolved. But in reality the same business is continued by a heir. Goodwill which one person earns during the life time is also passed on to those who continue that

Disadvantages of sole proprietorship

- **1. Limited resources** :- he makes investments from his family resources only. he tries to raise finances from the financial institutions also. These institutions want securities for these loans. The sole trader cannot offer much security, so he does not get much help.
- **2. Limited managerial ability** :- one person may not be expert in each and every function of the business. He will not be able to devote sufficient time for all type of activities. He will have to depend upon paid employees. The employee may not take much interest as the owner himself. So one person will not be able to survive effectively. Limited managerial capacity will lower the growth of business.
- **3. Unlimited liability** :- his private property can also be assigned for meeting business losses. A loss in business may deprive him to his private assets also.

- **4. Uncertain continuity** :- the business continues as far as the sole proprietor is there. In case of his death, the business is discontinued. The heir of the businessman may not have an ability to continue in the business.
- **5. Limited scope of employees** :- a sole trader can not attract trained and qualified persons for reasons of limited career opportunities. The continuity of sole trade business being uncertain, the employees also remain under psychological pressure.
- **6. No large scale economies** :- a small scale business cannot economise in purchases, production and marketing. It can not handle the competition.
- **7. More risk involved** :- a sole trader is to take all decisions by himself. So, there is a possibility of taking wrong decisions.

❖ Difference between Entrepreneur and Entrepreneurship:

Entrepreneur	Entrepreneurship
An entrepreneur one who undertakes and operates a new enterprise and assumes some accountability for the inherent risks	Entrepreneurship is the practice of starting new organizations, particularly new businesses generally in responses to identified opportunities.
Entrepreneur is often synonymous with founder.	Entrepreneurship ranges in scale from solo projects to major undertakings creating many job opportunities.
The person who starts and operates a business enterprise is an entrepreneur.	The process in which an entrepreneur starts and operates his business enterprise is entrepreneurship.
The entrepreneur is a coordinator as he coordinates all the three elements of production i.e. land, labour and capital.	Entrepreneurship is the coordination maintained by an entrepreneur.
The person who innovates something new is an entrepreneur.	The innovation of something new or the process of innovation is entrepreneurship.
He who leads an enterprise towards its vision thorough leadership, motivation is an entrepreneur.	The way in which an entrepreneur leads his manpower, motivates them for the achievement of the firms goal is entrepreneurship.
He who bears risk of the firm for the sake of making a reasonable profit is an entrepreneur.	The risk bearing practice that is done by an entrepreneur is entrepreneurship.



A break-even analysis is an economic tool that is used to determine the cost structure of a company or the number of units that need to be sold to cover the cost. Break-even is a circumstance where a company neither makes a profit nor loss but recovers all the money spent.

The break-even analysis is used to examine the relation between the fixed cost, variable cost, and revenue. Usually, an organisation with a low fixed cost will have a low break-even point of sale.



Importance of Break-Even Analysis

- **Manages the size of units to be sold:** With the help of break-even analysis, the company or the owner comes to know how many units need to be sold to cover the cost. The variable cost and the selling price of an individual product and the total cost are required to evaluate the break-even analysis.
- **Budgeting and setting targets:** Since the company or the owner knows at which point a company can break-even, it is easy for them to fix a goal and set a budget for the firm accordingly. This analysis can also be practised in a company.
- **Manage the margin of safety:** In a financial breakdown, the sales of a company tend to decrease. The break-even analysis helps the company to decide the least number of sales required to make profits. With the margin of



Hi there! Got any questions? or a
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Z	0.00	0.01	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.09
0.0	0.5000	0.5040	0.5080	0.5120	0.5160	0.5199	0.5239	0.5279	0.5319	0.5359
0.1	0.5398	0.5438	0.5478	0.5517	0.5557	0.5596	0.5636	0.5675	0.5714	0.5753
0.2	0.5793	0.5832	0.5871	0.5910	0.5948	0.5987	0.6026	0.6064	0.6103	0.6141
0.3	0.6179	0.6217	0.6255	0.6293	0.6331	0.6368	0.6406	0.6443	0.6480	0.6517
0.4	0.6554	0.6591	0.6628	0.6664	0.6700	0.6736	0.6772	0.6808	0.6844	0.6879
0.5	0.6915	0.6950	0.6985	0.7019	0.7054	0.7088	0.7123	0.7157	0.7190	0.7224
0.6	0.7257	0.7291	0.7324	0.7357	0.7389	0.7422	0.7454	0.7486	0.7517	0.7549
0.7	0.7580	0.7611	0.7642	0.7673	0.7704	0.7734	0.7764	0.7794	0.7823	0.7852
0.8	0.7881	0.7910	0.7939	0.7967	0.7995	0.8023	0.8051	0.8078	0.8106	0.8133
0.9	0.8159	0.8186	0.8212	0.8238	0.8264	0.8289	0.8315	0.8340	0.8365	0.8389
1.0	0.8413	0.8438	0.8461	0.8485	0.8508	0.8531	0.8554	0.8577	0.8599	0.8621
1.1	0.8643	0.8665	0.8686	0.8708	0.8729	0.8749	0.8770	0.8790	0.8810	0.8830
1.2	0.8849	0.8869	0.8883	0.8907	0.8925	0.8944	0.8962	0.8980	0.8997	0.9015
1.3	0.9032	0.9049	0.9066	0.9082	0.9099	0.9115	0.9131	0.9147	0.9162	0.9177
1.4	0.9192	0.9207	0.9222	0.9236	0.9251	0.9265	0.9279	0.9292	0.9306	0.9319
1.5	0.9332	0.9345	0.9357	0.9370	0.9382	0.9394	0.9406	0.9418	0.9429	0.9441
1.6	0.9452	0.9463	0.9474	0.9484	0.9495	0.9505	0.9515	0.9525	0.9535	0.9545
1.7	0.9554	0.9564	0.9573	0.9582	0.9591	0.9599	0.9608	0.9616	0.9625	0.9633
1.8	0.9641	0.9649	0.9656	0.9664	0.9671	0.9678	0.9686	0.9693	0.9699	0.9706
1.9	0.9713	0.9719	0.9726	0.9732	0.9738	0.9744	0.9750	0.9756	0.9761	0.9767
2.0	0.9772	0.9778	0.9783	0.9788	0.9793	0.9798	0.9803	0.9808	0.9812	0.9817
2.1	0.9821	0.9826	0.9830	0.9834	0.9838	0.9842	0.9846	0.9850	0.9854	0.9857
2.2	0.9861	0.9864	0.9868	0.9871	0.9875	0.9878	0.9881	0.9884	0.9887	0.9890
2.3	0.9893	0.9896	0.9898	0.9901	0.9904	0.9906	0.9909	0.9911	0.9913	0.9916
2.4	0.9918	0.9920	0.9922	0.9924	0.9927	0.9929	0.9931	0.9932	0.9934	0.9936
2.5	0.9938	0.9940	0.9941	0.9943	0.9945	0.9946	0.9948	0.9949	0.9951	0.9952
2.6	0.9953	0.9955	0.9956	0.9957	0.9958	0.9960	0.9961	0.9962	0.9963	0.9964
2.7	0.9965	0.9966	0.9967	0.9968	0.9969	0.9970	0.9971	0.9972	0.9973	0.9974
2.8	0.9974	0.9975	0.9976	0.9977	0.9977	0.9978	0.9979	0.9979	0.9980	0.9981
2.9	0.9981	0.9982	0.9982	0.9981	0.9984	0.9984	0.9985	0.9986	0.9986	0.9986

4.

$$100,50000 \times 0.800 = 40000$$

~~IRR = lower Rate + $\frac{\text{P.V. at lower rate} - \text{P.V. at higher rate}}{\text{P.V. at lower rate} - \text{P.V. at higher rate}} \times \text{Diff in the rates}$~~

$$25\% + \frac{103760 - 100000}{103760 - 98734} \times (28 - 25) \cdot 3$$

$$= 25 + \frac{3760}{4971} \times 3 = 27.26\%$$

28)

The calculation of the Internal Rate of Return (IRR) includes the trial and error method with the formula of calculation of Net present value (NPV). The internal rate of return formula calculates IRR, which is the value of the rate for which net present value equals zero. The internal rate of return formula can be expressed as,

$$0 = \sum_{n=1}^N \frac{CF_n}{(1+IRR)^n}$$

Internal Rate of Return Formula



$$0 = CF_0 + \frac{CF_1}{(1 + IRR)} + \frac{CF_2}{(1 + IRR)^2} + \frac{CF_3}{(1 + IRR)^3} + \dots + \frac{CF_n}{(1 + IRR)^n}$$

or

$$0 = NPV = \sum_{n=0}^N \frac{CF_n}{(1 + IRR)^n}$$

where :

 CF_0 = Initial investment/outlay $CF_1, CF_2, CF_3, \dots, CF_n$ = Cash Flows n = Each Period N = Holding Period

NPV = Net Present Value

IRR = Internal Rate of Return



Internal Rate of Return Formula



1



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If $PI > 1 \rightarrow$ accept the project.
 If $PI < 1 \rightarrow$ reject the project.

for project A

Years	Cashflows	PV	PVCF
0	(500000)	1	(500000)
1	400000	0.893	357200
2	60000	0.797	41820
3	50000	0.712	35600
4	70000	0.636	44520
5	80000	0.567	45360

$$\text{ie, cash outflows} = 500000$$

$$\begin{aligned}\text{cash inflows} &= 357200 + 41820 + 35600 + 44520 + 45360 \\ &= 530500\end{aligned}$$

$$NPV = \text{Cash inflows} - \text{cash outflows}$$

$$= 530500 - 500000$$

$$= 30500$$

$$P.I = \frac{\text{P.V of CI}}{\text{Initial cash outflows}} = \frac{530500}{500000}$$

competitors and substitutes, as well as the value customers place on the problem being solved.

5. Unique, Relatable Messaging

Communicating your value proposition to your target audience in a way that moves them can help drive sales. Creative assets should speak to the target segment in a language they understand and emphasize how a solution addresses their needs and pain points in order to attract their attention. Competitive advantages should also be highlighted to help convince people to choose you over another company.

Open >

6. The Right Timing

Selecting the right time to release a product is especially important to drive initial uptake. Whether it's the season, a new need that's emerged or an event for target customers, aligning a launch with a reason to buy can give it added impact and drive initial momentum. It is also helpful to uncover if customers are preoccupied with other things going on in the market or their lives that could result in your efforts being ignored.

7. Seamless Operational Support

Even with thorough preparation, if a plan isn't executed well, you risk alienating or even losing customers. All customer interactions need to be rehearsed until they are frictionless to ensure customer satisfaction, minimize returns and maximize referrals. Operations should be ready to support your customers, from pre-sales questions to billing and payment processes to customer service.

8. Real-Time Tracking And Optimization

The work is not done once you go live. It is equally important to keenly monitor launch data to see what's working and what's not. Keeping an eye on feedback from reviews and customer service calls, especially from lead users, can bring important information back to product and marketing teams.

Monitoring the demographics of your traffic and sales can also help gauge if your targeting was correct, creative performance can inform if messaging is succeeding, and reviewing sales by channel can help you determine if your distribution plan is working. Immediately after going live, analyzing key performance indicators (KPIs) on a daily basis can help validate many assumptions from the research stage and identify trends for you to adapt to market conditions.

9. Contingency Plan

Things may not always go as planned with your GTM strategy, so building in flexibility and preparing a risk/mitigation plan will allow you to adjust based on market feedback. By having additional channels, tactics, offers, etc., in your back pocket, you can move fast on opportunities that present themselves once live.

Bringing a product or service to market is an exciting journey for a company. Give it the best chance with [REDACTED] by creating a solid go-to-market plan. The success of a launch depends heavily on the balance between the precise execution of the plan and the ability to pivot quickly enough to adapt to market changes. A well-thought-out plan puts a company in a position to learn from mistakes, iterate, and improve upon assumptions along the way, leading to a successful process, ultimately powering launch success.



1. Product Readiness

First and foremost, the offering must be market-ready. This is especially important, considering the difference between a strong and weak product experience can result in a sales difference of 30% in one year.

While parts may not be perfect, the main features customers need should be easy to use and error-free, and what makes you competitively different needs to work seamlessly. Communications must not over-promise and, conversely, customer experience must over-deliver. Customers can be unforgiving and create bad initial PR, which can cause a long-term effect on sales.

2. In-Depth Customer Research

At first, explore customer options and select a single buyer or segment to focus on. There are many benefits of targeting, like focusing limited resources in one area to make a greater impact, speaking directly to a specific audience and differentiating from competitors. Taking the time to get intimate with these customers' needs, buying process, sources of information and influences will help you make educated decisions in other parts of your GTM strategy, such as your messaging and channel plans.

3. Product-Market Fit

Ensuring your product or service meets a customer need or demand is essential. Enough people must need and be willing to pay for something, otherwise, even the cleverest marketing will not convince them. Using a minimum viable product and getting pre-launch feedback through interviews, surveys and testing can help you gauge interest, uncover features to promote and learn about potential weaknesses that can be addressed before going public.

4. Pricing Acceptance

How much target customers are willing to pay for a product will have an impact on profitability and product perception. Sales will be slow if an offering is overpriced, but this can be fixed by dropping the cost.

A 2003 McKinsey article put it best: "Charging too little is far more dangerous; a company not only forgoes significant revenues and profits but also fixes the product's market value position at a low level."

A good place to start with pricing is to research competitors and substitutes, as well as the value customers place on the problem being solved.

5. Unique, Relatable Messaging

Communicating your value proposition to your target audience in a way that moves them can help drive sales. Creative assets should speak to the target segment in a language they understand and emphasize how a solution addresses their needs and pain points in order to attract their attention. Competitive advantages should also be



product. Most of the marketers use promotion tactics to promote their product and reach out to the public or the target audience. The promotion might include direct marketing, advertising, personal branding, sales promotion, etc.

What is 7 P of Marketing:

The 7Ps model is a marketing model that modifies the 4Ps model. As Marketing mix 4P is becoming an old trend, and nowadays, marketing business needs deep understanding of the rise in new technology and concept. So, 3 more new P's were added in the old 4Ps model to give a deep understanding of the concept of the marketing mix.

People in Marketing Mix:

The company's employees are important in marketing because they are the ones who deliver the service to clients. It is important to hire and train the right people to deliver superior service to the clients, whether they run a support desk, customer service, copywriters, programmers...etc. It is very important to find people who genuinely believe in the products or services that the particular business creates, as there is a huge chance of giving their best performance. Adding to it, the organisation should accept the honest feedback from the employees about the business and should input their own thoughts and passions which can scale and grow the business.

Process in Marketing Mix:

We should always make sure that the business process is well structured and verified regularly to avoid mistakes and minimize costs. To maximise the profit, its important to tighten up the enhancement process.

Physical Evidence in Marketing Mix:

In the service industries, there should be physical evidence that the service was delivered. A concept of this is branding. For example, when you think of "fast food", you think of KFC. When you think of sports, the names Nike and Adidas come to mind.

Marketing Mix Example:

This article will go through a marketing mix example of a popular cereals company. At first, the company targeted older individuals who need to keep their diet under control, this product was introduced. However, after intense research, they later discovered that even young people need to have a healthy diet. So, this led to the development of a cereals product catered to young people. In accordance with all the elements of the marketing mix strategy, the company identified the

important tasks these are;

A. Market Segmentation

1. Identify the bases for segmenting the market.
2. Develop profiles of resulting segments

B. Market Targeting

3. Develop measures of segment attractiveness
4. Select the target segment(s)

C. Marketing Positioning

5. Develop the positioning for each target segment
6. Develop a marketing mix for each target segment

Let's try to understand them.

A. Market Segmentation

The first is market segmentation, dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviors who might **require separate products or marketing mixes**. The company identifies different ways to segment the market and develops profiles of the resulting market segments.

Segmenting strategies include demographics, lifestyle, geographic and behavioral approaches.

Demographics segmentation means you break up markets based on personal traits like age, race, marital status, gender, and income. Lifestyle segmenting means you divide customers by hobbies and interests.



Product Life Cycle Stages and Marketing Strategies				
	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	The average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase-out weak items
Price	Use cost-plus	Price to penetrate the market	Price to match or beat competitors	Cut-price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and innovators	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to the level needed to retain the most loyal customers
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to a minimal level



Let's try to understand better each of the stages and

Definition of Marketing Mix

The marketing mix is defined by the use of a marketing tool that combines a number of components in order to become harden and solidify a product's brand and to help in selling the product or service. Product based companies have to come up with strategies to sell their products, and coming up with a marketing mix is one of them.

Table of Content

1. Marketing Mix 4P
2. 7Ps of Marketing
3. Marketing Mix Example
4. Marketing Mix Product
5. Importance of Marketing Mix
6. Questions on Marketing Mix

What is Marketing Mix?

Marketing Mix is a set of marketing tool or tactics, used to promote a product or services in the market and sell it. It is about positioning a product and deciding it to sell in the right place, at the right price and right time. The product will then be sold, according to marketing and promotional strategy. The components of the marketing mix consist of 4Ps Product, Price, Place, and Promotion. In the business sector, the marketing managers plan a marketing strategy taking into consideration all the 4Ps. However, nowadays, the marketing mix increasingly includes several other Ps for vital development.

What is 4 P of Marketing



Product in Marketing Mix:

A product is a commodity, produced or built to satisfy the need of an individual or a group. The product can be intangible or tangible as it can be in the form of services or goods. It is important to do extensive research before developing a product as it has a fluctuating life cycle, from the growth phase to the maturity phase to the sales decline phase.

A product has a certain life cycle that includes the growth phase, the maturity phase, and the sales decline phase. It is important for marketers to reinvent their products to stimulate more demand once it reaches the sales decline phase. It should create an impact in the mind of the customers, which is exclusive and different from the competitor's product. There is an old saying stating for marketers, "what can I do to offer a better product to this group of people than my competitors". This strategy also helps the company to build brand value.

Price in Marketing Mix:

Price is a very important component of the marketing mix definition. The price of the product is basically the amount that a customer pays for to enjoy it. Price is the most critical element of a marketing plan because it dictates a company's survival and profit. Adjusting the price of the product, even a little bit has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product in the market.

Things to keep on mind while determining the cost of the product are, the competitor's price, list price, customer location, discount, terms of sale, etc.,

Place in Marketing Mix:

Placement or distribution is a very important part of the marketing mix strategy. We should position and distribute our product in a place that is easily accessible to potential buyers/customers.

Promotion in Marketing Mix:

It is a marketing communication process that helps the company to publicize the product and its features to the public. It is the most expensive and essential components of the marketing mix, that helps to grab the attention of the customers and influence them to buy the product. Most of the marketers use promotion tactics to promote their product and reach out to the public or the target audience. The promotion might include direct marketing, advertising, personal branding, sales promotion, etc.

What is 7 P of Marketing?

marketing.

8. Commercialization

Test marketing has given management the information needed to make the final decision: Launch or do not launch the new product. The final stage in the new product development process is commercialization.

Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

Some factors should be considered before the product is commercialized:

- *Introduction timing* – For instance, if the economy is down, it might be wise to wait until the following year to launch the product. However, if competitors are ready to introduce their own products, the company should push to introduce the new product sooner.
- *Introduction place* – Where to launch the new product? Should it be launched in a single location, a region, the national market, or the international market? In many cases, companies may lack the confidence, capital and capacity to launch new products into full international distribution from the start. Instead, they usually develop a planned market rollout over time.

Closing words

In all of these steps of the new product development



In many cases, marketers involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.

7. Test marketing

The last stage before commercialization is test marketing. In this stage of the new product development process, the product and its proposed marketing program are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing program, including **targeting and positioning strategy**, advertising, distributions, packaging etc. before the full investment is made.

The amount of test marketing necessary varies with each new product. Especially when introducing a new product that requires a large investment, when the risks are high, or when the firm is not sure of the product or its marketing program, a significant amount of time may be spent on test marketing.

8. Commercialization

Test marketing has given management the information needed to make the final decision: Launch or do not launch the new product. The final stage in the new product development process is commercialization.

Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs



5. Business analysis

Once the company has decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage.

In order to estimate sales, the company could for instance look at the sales history of similar products and conduct market surveys. Having a precise view of the likely demand for the eventual product is absolutely crucial. There are countless cases where this stage was underestimated. For example, think of **cars that turned out to be flops** when introduced to the market. Often, companies tend to skip this stage or spend too little time on it. The reason is in many cases a bias to focus too much on the company perspective, rather than listening to customers. When you come up with a new idea, think it through, design the product, include all those features you like and so on, you may have developed a great product for yourself. However, this does not mean that it will be a great product for the market. Customer feedback is therefore a critical element along all stages of the new product development process.



conversation with customers early and look for feedback.

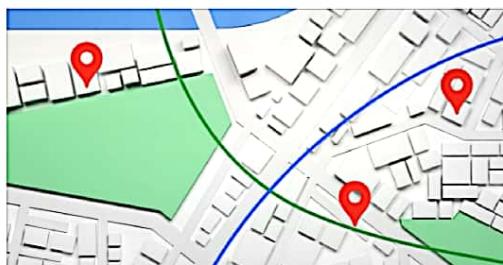
For instance, by surveys and focus group interviews, companies can get early insights whether their ideas might meet customer demands in a better way than existing products.

3. Concept Development and Testing

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. You should distinguish the following sub-stages:

- *A product idea* – this is really just an idea for a possible product.
- *A product concept* – this is a detailed version of the idea stated in meaningful consumer terms.
- *A product image* – this is the way consumers perceive an actual or potential product.

Concept development and testing is a crucial stage in the new product development process. Therefore, let's go into the two sub-stages in more detail.



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Concept Development



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Companies and customers is as interactive as never

before. **Actively listening to customers' suggestions** can be a great source of innovation.

2. Idea Screening

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible.

While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number of ideas. The reason is that product development costs rise greatly in later stages. Companies cannot afford to take every single idea to the next stages. Therefore, it is necessary to filter and go ahead only with those product ideas that are likely to turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

At this early stage, filtering for the potentially profitable ideas can be tricky. A key to success is to initiate the conversation with customers early and look for feedback. For instance, by surveys and focus group interviews, companies can get early insights whether their ideas might meet customer demands in a better way than existing products.

3. Concept Development and Testing

To go on in the new product development process, attractive ideas must be developed into a product concept. A product

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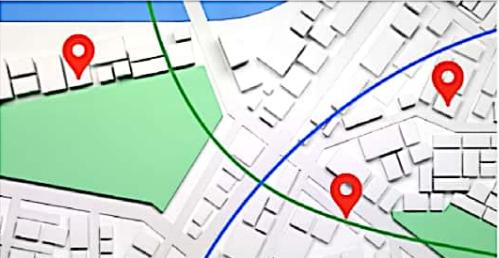
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stated



1. Idea Generation

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. **Two sources of new ideas can be identified:**



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- *Internal idea sources:* the company finds new ideas internally. That means R&D, but also contributions from employees. For instance, many companies use a so-called suggestion box, which employees can throw new ideas into. In many cases, employees are the best source of new ideas, as they work with the product, but also the feedback of customers every day.
- *External idea sources:* the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value. Collecting new product ideas from customers becomes ever more important and simple in the digital era, where the conversation between companies and customers is as interactive as never before. **Actively listening to customers' suggestions** can





1. Idea Generation

The new product development process begins with idea generation, where you brainstorm an idea (or ideas) that will help you solve an existing customer problem in a new and innovative way.

As you're coming up with ideas that will help you solve customer needs, it's important to have a robust understanding of your target market and the pain points they have that you want to solve.

Your initial idea generation stage can be as simple as saying "What if we did this?" and then they become more ROBUST during the research stage.

2. Research

Once you've developed a product idea, the next step is conducting research to FLESH IT OUT.

There are various steps you can take to do this, like:

- **Market research** to understand the current sentiment in your industry and if there are any holes that your product will fit into, and if there will even be demand for it.
- **Competitor analysis** to understand if customers think there are things your competitors' products or services lack that you can incorporate into your product to better fit your target market's needs.

During this stage, you can also get early feedback from customers about what they think of your ideas before coming up with a final definition for your product. One of the best ways to get this feedback is through surveys, where you can easily and quickly collect information from existing customers. A high-quality tool like **Lucky**





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1. Proactive Orientation:

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Entrepreneurial firms are continually searching for new ways to achieve competitive advantage through changes in established methods in marketing or production (Morris and Sexton 1996, Zahra and Garvis 2000).

2. Innovativeness:

Innovative firms have the ability to maintain a flow of new ideas that can translate into new products or services (Covin and Slevin 1994).

3. Focus on the Customer:

An entrepreneurial firm is focused on the need for creative approaches to acquire, retain, and develop customers (Slater and Narver 1995, Deshpande, Farley, and Webster 1993). Paying attention to the consumer equips the entrepreneurial firm with a knowledge base of customer's requirements.

4. Utilizing an Opportunity:

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The recognition and pursuit of opportunity is a crucial marketing method as the

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develop customers (Slater and Narver 1995, Deshpande, Farley, and Webster 1993). Paying attention to the consumer equips the entrepreneurial firm with a knowledge base of customer's requirements.

4. Utilizing an Opportunity:

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The recognition and pursuit of opportunity is a core dimension of entrepreneurial marketing. Entrepreneurship has been termed as the process of discovery, evaluation, and exploitation of opportunities (Shane and Venkataraman 2000). Entrepreneurial opportunities are situations in which new goods, services, raw materials, and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships (Casson 2003).

5. Risk Management:

Entrepreneurship is associated with calculated risk taking. This implies an effort to identify the risk factors and subsequent attempt to control or mitigate those risk factors. Entrepreneurial marketing has an important role in managing risk in the entrepreneurial firm (Srivastav, Shervani, and Fahey 1999).

6. Value Creation:

Innovative value creation is an important facet of entrepreneurial marketing, as value creation is a prerequisite for transactions and relationships (Morris et al. 2002).

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Advantages Of Pert And CPM:

The various advantages of PERT and CPM methods are summarized below.

1. In the network technique of planning and scheduling, one is compelled to examine the complete project in advance and interact with everyone who is to be involved in the project thereby evolving a workable plan of the project. One is also forced to decide upon the extent of splitting of the project into smaller activities and to establish logical relationship between different activities.

2. It helps in dividing activities function wise and responsibility wise which makes it possible to co-ordinate the works of different agencies involved in the completion of the project.

3. It enables one to determine reasonably correct schedule for the completion of different events and the project as a whole based on the availability of resources (i.e. men, material, money, and machines, etc).

4. It permits one to take advanced actions and timely decisions to reduce delays in the completion of different events.

5. It permits greater flexibility in having optimum utilization of resources thereby affecting the economy.

6. It identifies activities critical to different stages of project completion which in turn enables the management to pay greater attention to fewer activities instead of concentrating on all activities at all times with equal emphasis.

7. It enables one to exercise effective control on the project by way of periodic review and to adopt timely corrective measures to minimize slippage in the completion of the project.

Difference Between PERT and CPM:

1. PERT is event oriented whereas CPM is activity oriented. In simple words, in PERT network interest is focused upon start or completion of events and not on activities themselves.

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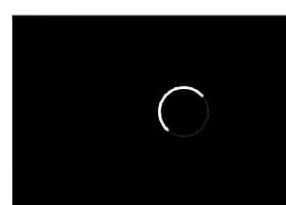
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PERT and CPM assist management in identifying the longest time-consuming, or consuming path through a network of tasks or activities as a basis for planning, executing, and controlling a project. The techniques help managers to optimize the longest time duration in order to minimize the total project cost and time.

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PERT and CPM in Project Management with Practical Examples

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What is the importance of PERT and CPM?



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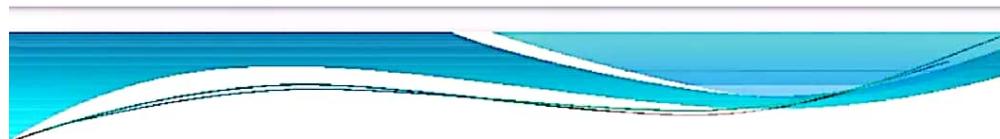
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Non critical path : 1- 2- 3- 4- 6- 7- 8 → 19 weeks
Float → 6 weeks



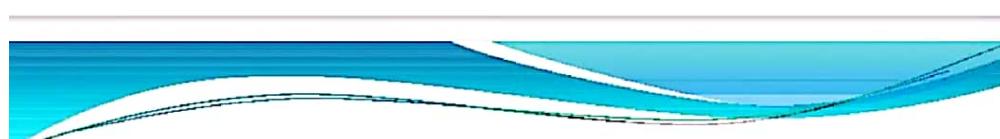
Difference b/w PERT & CPM

PERT

- Uses 3 estimates to form weighted avg of expected completion time.
- Tool for planning & control of time.

CPM

- Uses 1 estimate to form weighted avg of expected completion time.
- Tool for planning & control of time & cost.



Contd...

- Used for projects involving activities of non-repetitive nature.

- Used for projects involving activities of repetitive nature.

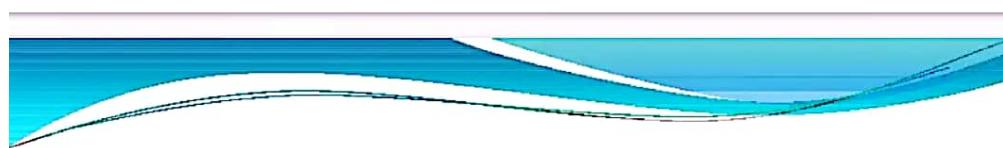
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PERT

PERT- Program Evaluation & Review Technique

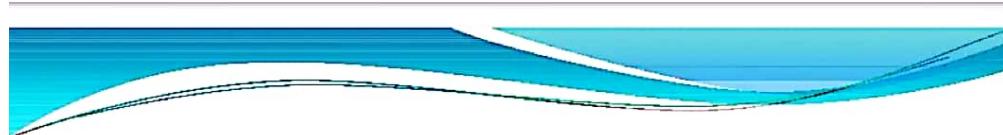
- Developed in 1956-58 by a research team
- Help in planning & scheduling of the US navy's project which involved thousands of activities.
- Technique proved to be useful for all projects which have an element of uncertainty in the estimation of duration.



CPM

CPM – Critical Path Method

- Developed by EI DuPont company along with Remington Rand corporation.
- Aim was to provide a technique for control of the maintenance of the co's plants.
- Use extended to cost & resource allocation.



Applications of network analysis

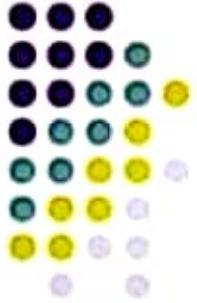
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Advantages of Network Technique



- Aids management in planning, scheduling and controlling the activities of projects.
- Helps in ascertaining time schedules.
- Helps in guiding and directing team efforts more effectively.
- Encourages discipline.
- Aids in handling uncertainties regarding time schedules, coordination of various activities and controlling costs involved

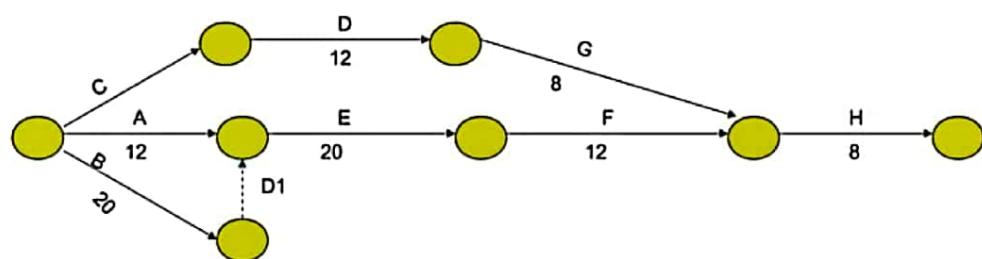
Why critical path is important to the management?



- Because any delay along this path will postpone the final completion date of the project.
- Spots potential bottlenecks early.
- Avoids unnecessary pressure on the other paths that will not result in an earlier final completion date.



Activity	Immediate Predecessors	Activity time (Weeks)
A	-	12
B	-	20
C	-	28
D	C	12
E	A,B	28
F	E,D	12
G	D	8
H	F,G	8





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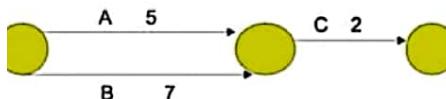
Example of dummy activity



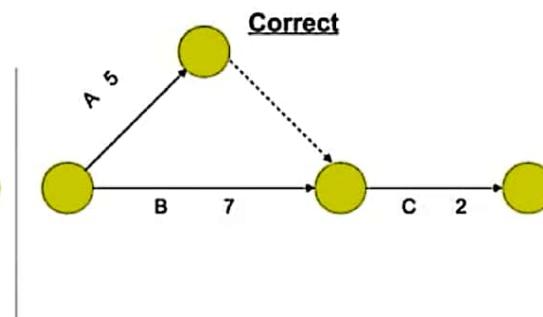
- Case 1- If two activities have same tail event and same head event with different consumption of time, then in order to maintain the relation we should introduce a dummy activity.

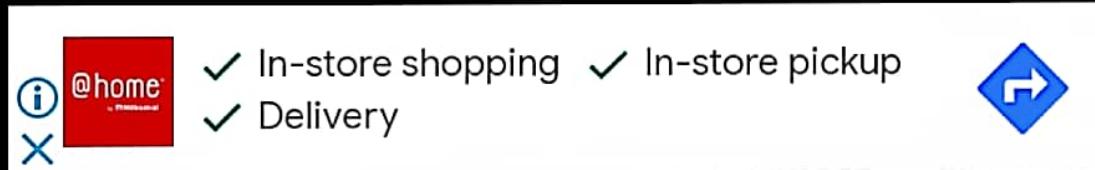
Activity	Predecessor	Time(Days)
C	A,B	2
D	C	

Incorrect



Correct





Dummy Activity

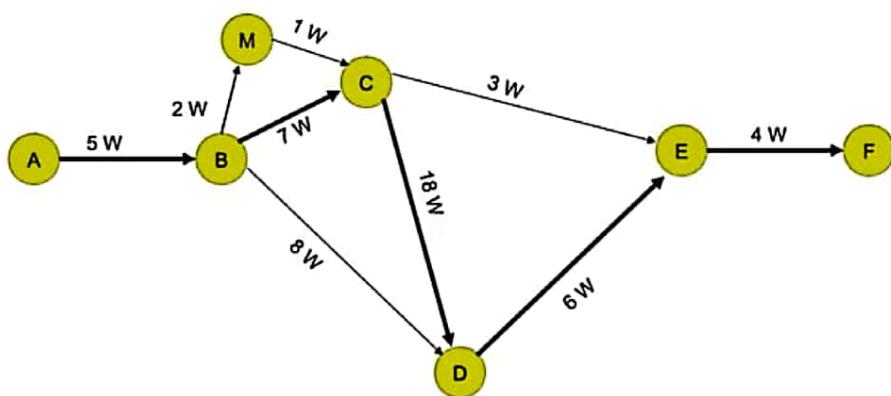


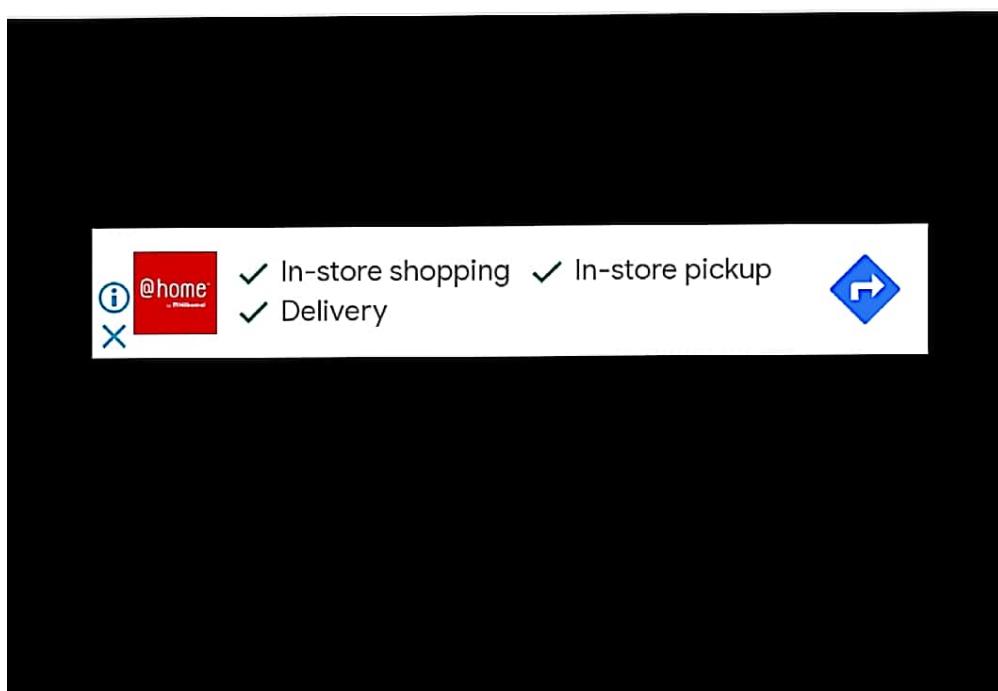
An activity which doesn't consume any time and productive time and cost. It should be represented by dotted line but not by any alphabet.

It should be introduced to maintain preceding and succeeding relation.



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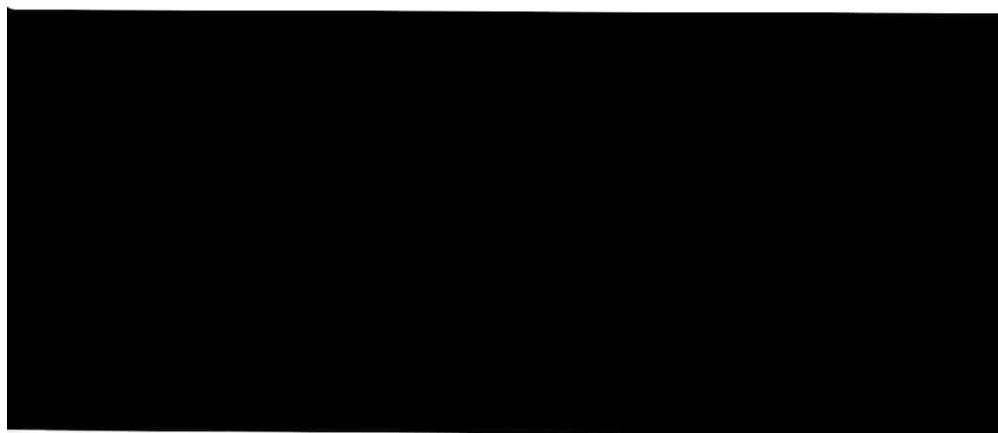


Critical Path



The critical path, is the overall time, it will take to complete the project. It is the longest path in time through the network.

In figure the critical path, that is the longest path is indicated by thick arrows and requires 40 weeks to complete (i.e $5+7+18+6+4=40$). This is called the critical path since any delay in completing the activities along with the path is sure to delay the completion of the project.





Critical Path Method (CPM)

- Critical Path Analysis is a special application of network analysis. It uses network analysis for scheduling production, construction projects as well as research and development activities.

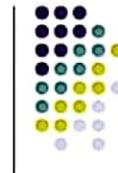
Besides this, it is used in certain other situations that require estimates of time and performance.



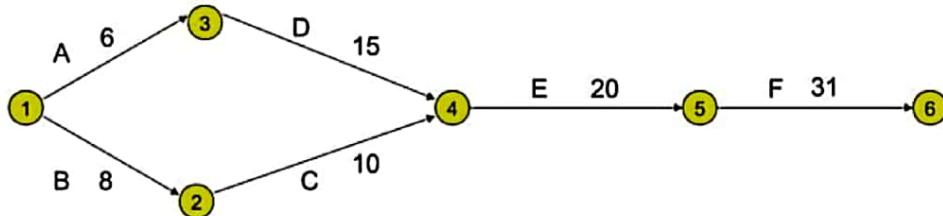
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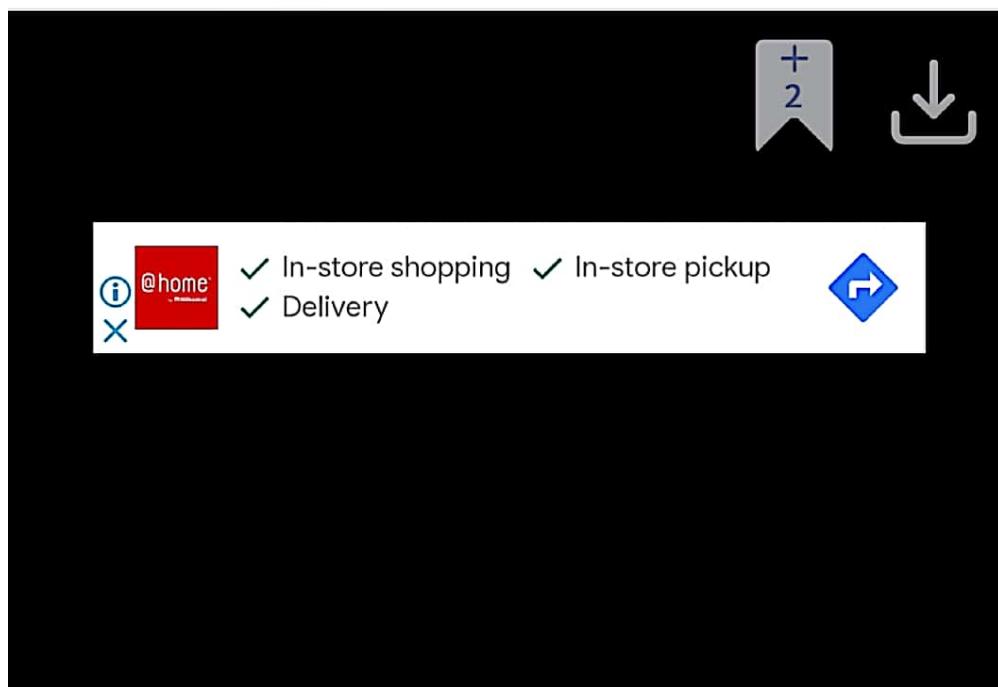


Important Points



- The network consists of different activities which maintain preceding and succeeding relation.
- Network is not a time scale diagram i.e. length of arrow does not indicate duration of time.





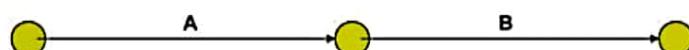
What is an event?



An event represents the start and the end point of an activity. It is normally represented by a circle called nodes.

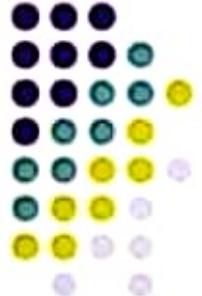


1 represents tail event or starting event. 2 represents end event or head event.



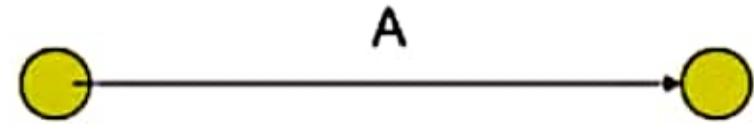
A is a preceding activity for B. B is a succeeding activity for A.





How to represent an activity?

1. Activity should be represented by an arrow connecting 2 nodes.
2. All activities should be in forward direction, it may be upward or downward direction but it can never be in reverse direction.
3. Activities should be either represented by numbers or alphabet.
4. All alphabets and nos. should be in ascending order.

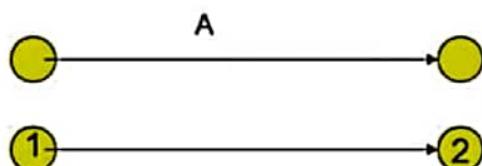


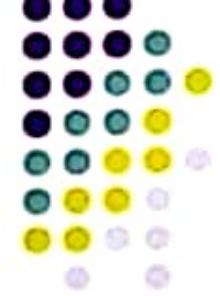


Basic key concepts in network analysis



- **Activity-** An activity refers to the physically identifiable part of the project which consumes time and cost. An activity is represented by an arrow. The activity may have a predecessor activity and a successor activity.
- E.g.-

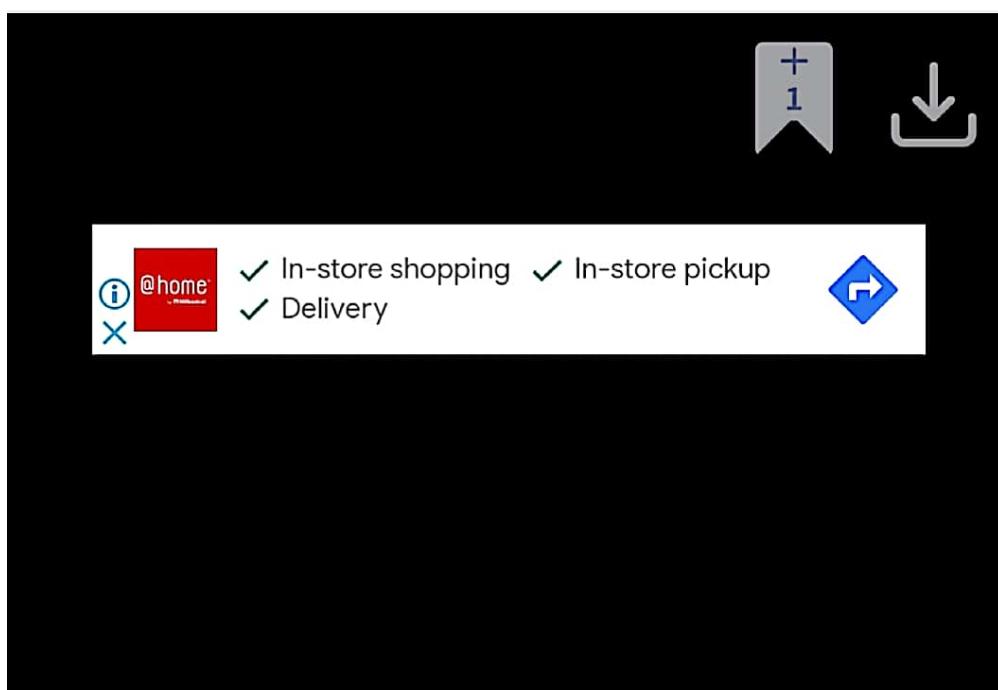




Objectives of Network Analysis

Network Analysis is a successful technique frequently used to plan, monitor and control the projects involving thousands of activities.

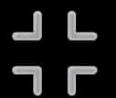
1. To minimize project cost.
2. To minimize the project time.
3. To ensure optimum utilization of human and other resources.
4. To ensure minimum conflicts and unnecessary delays.



Steps Involved In Process Of Network Analysis



- Identify the jobs, events or activities.
- Arrange the jobs in logical sequence.





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What is a network?



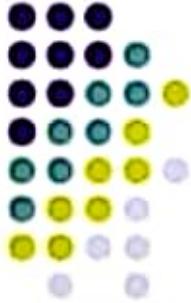
A graphical presentation or an arrow diagram

presented to the management

in respect of a project

which consists of all details regarding consumption of **time** and **cost** not only for each activity but also for the whole project

so that management can manipulate the resources and cost can be controlled in a more effective manner.



Introduction

- Network analysis is the synthesis of two most useful techniques of project management i.e P.E.R.T and C.P.M.
- PERT was developed as a management tool for coordination and early completion of Polaris Ballistic Missile Project in U.S.A, resulting in reduction of 30% time in project execution.
- A contemporary of PERT is CPM and was developed in connection with maintenance and construction work.
- Both the techniques use, PERT and CPM use 'network' and 'critical path' as the basic tool of project management and both are very helpful in completing a project on schedule by coordinating different jobs involved in this completion.