

Assignment 802

Ques 1: What factors should be considered while making final selection of the product to be manufactured?

Ans: The following factors must be considered in product selection:

- a) **Present market:** The size of the presently ^{available} market in the main deciding factor in the product selection. Estimates of the number of potential customers and their expected individual capacity to consume, gives the sales estimate of the product in consideration.
- b) **Scope of growth market:** There should be a prospect for rapid growth in the market. Projected increase in number of potential customers, increase in need, favourable economic trends must be taken into account while selecting a product for manufacturing.
- c) **Costs:** The cost of production and distribution must permit an acceptable profit when the product is priced competitively. Cost of raw materials, labour costs, distribution costs, after sale-service costs etc. must be considered before taking a final decision on product selection.
- d) **Availability of main production factors:** Production factors such as raw materials, water, power, fuel and skilled labour should be examined to ensure their availability comfortably and at competitive rates.