Unit- 3 Products Selection

5 key criteria for product selection

- Sales Volume. Find Products that can sell 8 to 10 units per day or even more. You can estimate a product monthly sale...
- Price Point. Depending on the market you choose to sell, in the UK you are ideally looking for a product price (selling...
- Small and Light. Ideally, you want to keep within Amazon's definition of standard size.
- Not Big-Brand dominated

  You want to avoid big-brand dominated products. For example, a bread maker is likely dominated by companies like Kenwood, Russell Hobbs.

Product Example	Brand Driven or Not?
Bread maker	Brand Driven
Silicone Ice cube tray	Non-brand driven

Ease of Labelling

If you are considering private labelling, you need to consider how easy it is to label the product. Not every product easily lends itself to private labelling.

Product selection for private labeling – 8 questions to ask

To determine if a product lends itself to labeling, you need to ask yourself the following questions;

1. Are you able to label the product better than the competition? Note, not big brands

2. Are you able to complement the product with related products?
3. Is the product giftable? Perfect for the gifting season.
4. Does the product encourage recurring purchases
5. Product is simple to use, simple to manufacture and easy to source
6. Year-round sales (not seasonal)
7. Product is simple to use, simple to manufacture and easy to source
8. Potential to bundle products to avoid hijacking

Venture Ideas:

10 profitable business ventures

To help you even more, I want to show you 10 proven business ventures. These are entrepreneurs who have turned their skills and challenges into profitable ideas. You should visit each, note everything you can about the business, website and social media following, as it all comes into play when it's time to position your business in the marketplace.

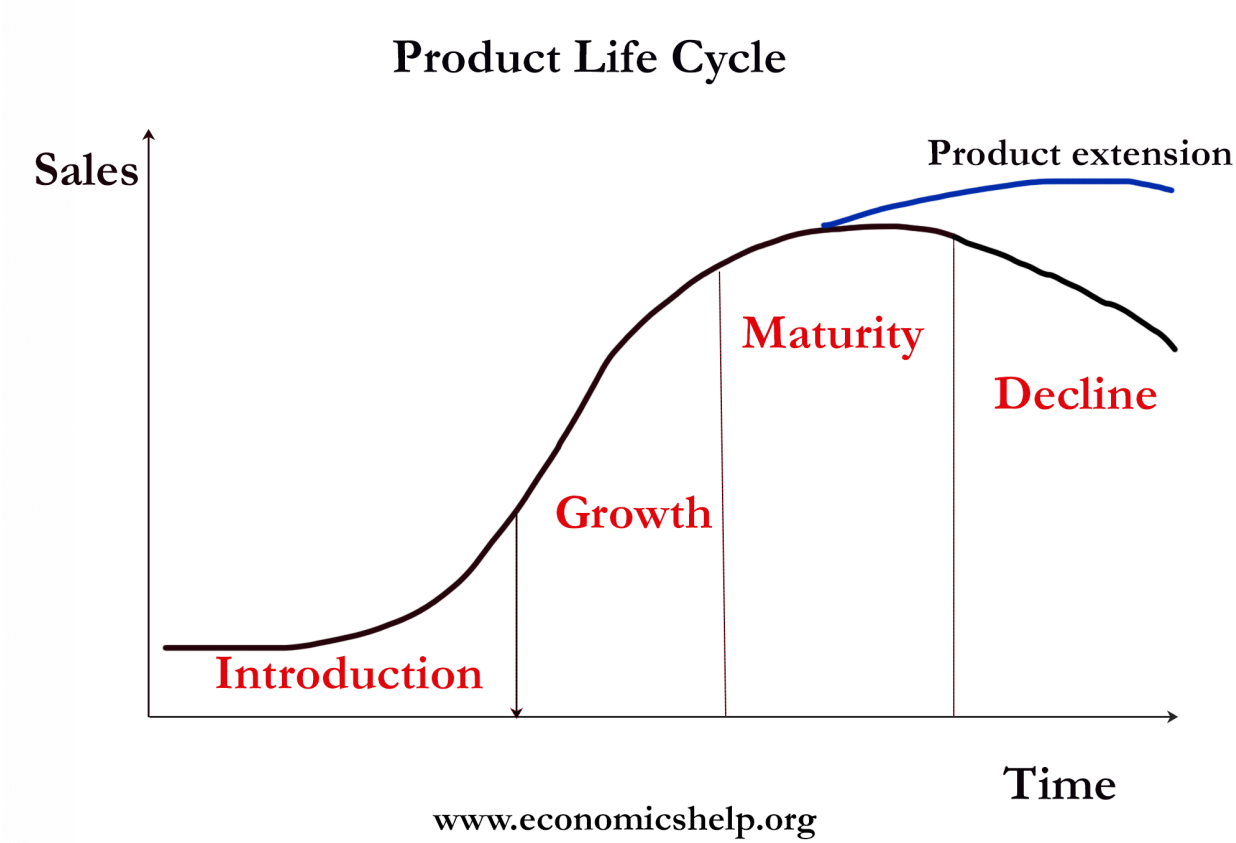
Check out the list below:

1. **Management Consulted**. A fantastic resource for management consultants and people looking for management consultants. Profit via e-books, courses, and coaching.
2. **Life After College**. Actionable advice for those weird years after college when you enter the "real world." Profit via books and courses.

3. **Study Hacks**. Cal Newport helps college students learn the best study strategies and hacks. Profit via e-books and courses.
4. **How to Program with Java**. Learn how to … well, program with Java. Profit via e-books and courses.
5. **Goins, Writer**. Jeff Goins shows you how you can make a living as a creative writer. Profit via e-books, workshops, and courses.
6. **Bird Tricks**. Have a parrot that just isn't *fun* enough? Teach it to do awesome tricks to wow your guests at your next dinner party. Profit via courses, and bird equipment and food.
7. **Dog Agility**. Bring out the Flash in Fido by training your dog for agility. Profit via workshops, coaching, and courses.
8. **Learning Herbs**. Great advice and tips on creating herbal medicine. Profit via herbal kits and e-books.
9. **Toilet Trained Cat**. Teach your feline how to go to the bathroom like a self-respecting human being. Profit via books and courses.
10. **The Ultimate Disneyworld Savings Guide**. Learn the secrets, hacks, and strategies to navigating the happiest place on earth. Profit via e-books.

For even more business ideas, check out our regularly updated post on real business ideas today.

Product Life Cycle:



The term product life cycle refers to the length of time a product is introduced to consumers into the market until it's removed from the shelves. The life cycle of a product is broken into four stages—introduction, growth, maturity, and decline. This concept is used by management and by marketing professionals as a factor in deciding when it is appropriate to increase advertising, reduce prices, expand to new markets, or redesign packaging. The process of strategizing ways to continuously support and maintain a product is called product life cycle management.

KEY TAKEAWAYS

- A product life cycle is the amount of time a product goes from being introduced into the market until it's taken off the shelves.
- There are four stages in a product's life cycle—introduction, growth, maturity, and decline.
- The concept of product life cycle helps inform business decision-making, from pricing and promotion to expansion or cost-cutting.
- Newer, more successful products push older ones out of the market.

How Product Life Cycles Work

Products, like people, have life cycles. A product begins with an idea, and within the confines of modern business, it isn't likely to go further until it undergoes research and development (R&D) and is found to be feasible and potentially profitable. At that point, the product is produced, marketed, and rolled out.

As mentioned above, there are four generally accepted stages in the life cycle of a product—introduction, growth, maturity, and decline.

- Introduction: This phase generally includes a substantial investment in advertising and a marketing campaign focused on making consumers aware of the product and its benefits.
- Growth: If the product is successful, it then moves to the growth stage. This is characterized by growing demand, an increase in production, and expansion in its availability.
- Maturity: This is the most profitable stage, while the costs of producing and marketing decline.
- Decline: A product takes on increased competition as other companies emulate its success—sometimes with enhancements or lower prices. The product may lose market share and begin its decline.

Comparative evolution of product ideas depending

Upon present market potential

The product life-cycle models that studies a set of strategic choices facing manufacturers as they design the product/service bundle which may require maintenance and repair support after its sale. Traditional market analysis relies on purely macroeconomic and political factors and fails to account for an emerging market's dynamism and future potential. The objective of this paper is to present all composed product life cycle (PLC) specific to the assessment of emerging markets at domestic and international expansion opportunities. Based on the literature pointing out the product life cycle in domestic and international markets with graphic presentation and models the need for a specialized composite and comprehensive approach, additional criteria are introduced to assess emerging market potential. Emerging markets provided the rationale for the product life cycle in dealing with common product life cycle (FMCG), retail PLC, industrial products PLC, services PLC, engineering PLC and international PLC criteria. Marketing with PLC philosophy gives insights to practicing managers to follow the options and make visionary decisions for products they are dealing with. Composite PLC has been overlooked in literature and this paper will fill the gaps by collective study on five market conditions.

Comparative Cost :

Basic Principles of Theory of Comparative costs:

The basic principle of comparative costs is now illustrated by using a simplified trade model where:

(i) There are only two trading countries-country A and country B.

(ii) These two countries produce only two goods-cotton and sugar.

(iii) The commodities produced in each country are identical.

(iv) There are no barriers to trade and no transport costs.

(v) Labor is the sole productive resources in the country and it can move freely from one industry to another industry within the country.

Types of Cost Differences:

Within the limits set by the model, we take three possibilities and examine where trade is profitable:

(i) Countries with absolute difference in cost of producing goods.

(ii) Countries with equal difference in cost of producing goods.

(iii) Countries with comparative difference in cost of producing goods. International trade is profitable only Under 1 and 3 countries but not under 2 as is explained below.

Risk:

Project selection is usually based on several decision-making points, such as the project's potential for profitability and its ***life-cycle cost***. As the inflow of funds is usually limited, project selection is critical. Another key decision making point that is usually left out is the level of *risk*. During the project selection process, risk management needs to be conducted.

Let's look at an example to understand the importance of risk management during the process of project selection.

Suppose you are implementing a project that increases a manufacturing plant's capacity. The project involves installing new equipment and building workforce capacity. After months of careful project execution and risk management, you close the project successfully. This is when theoretically the project should provide value to the project sponsor. However, what if, during project selection, the stakeholders did not consider the risk of low demand for the manufactured product? The extra plant capacity provided by the new project would be an absolute waste. The money spent on the new project could have been used on another project that would have given greater returns. Therefore, **it is imperative to conduct Risk Management and Project Selection simultaneously**.

Measuring Benefits Vs. Mathematical Models

Two commonly used project selection techniques are *benefit measurement models* and *mathematical models*. In the workplace, benefit measurement models are often conducted, including cost-benefit analysis, weighted scoring models, cash flow analysis, and time value of money.

Cost-benefit analysis: Provides you with a net gain. To compute the net gain during project selection, subtract the benefit value from the cost. When using this method, make sure you calculate the total cost, include Life Cycle Costs and **Cost of Quality**. **Typically, the net gain is proportional to the risk level, i.e. the higher the risk, the higher the gain**. Therefore, risk management and project selection should factor in the ultimate decision.

Weighted scoring model: Each project is evaluated based on set criteria. For example, suppose the project decision factors are profit potential, marketability, life-cycle cost, cost of quality, and risk of incompletion.

Each project is then evaluated based on those criteria. The profit potential can be deduced from the cost-benefit analysis. **Risk of incompletion is a factor that needs to be considered when comparing projects**. Use this weighted scoring model for risk management and project selection to help you select a project.

Description Of Market :

A market is a place where parties can gather to facilitate the exchange of goods and services. The parties involved are usually buyers and sellers. The market may be physical like a retail outlet, where people meet face-to-face, or virtual like an online market, where there is no direct physical contact between buyers and sellers.

KEY TAKEAWAYS

- A market is a place where buyers and sellers can meet to facilitate the exchange or transaction of goods and services.
- Markets can be physical like a retail outlet, or virtual like an e-retailer.
- Other examples include the illegal markets, auction markets, and financial markets.
- Markets establish the prices of goods and services that are determined by supply and demand.

Outline of technological variants

The following outline is provided as an overview of and topical guide to technology: collection of tools, including machinery, modifications, arrangements and procedures used by humans. Engineering is the discipline that seeks to study and design new technology. Technologies significantly affect human as well as other animal species' ability to control and adapt to their natural environments.

Availability of production factors:

- Factors of production are the resources the economy has available to produce goods and services.
- Labor is the human effort that can be applied to the production of goods and services. Labor's
- contribution to an economy's output of goods and services can be increased either by increasing the quantity of labor or by increasing human capital.

- Capital is a factor of production that has been produced for use in the production of other goods and services.
- Natural resources are those things found in nature that can be used for the production of goods and services.
- Two keys to the utilization of an economy's factors of production are technology.

Cost Estimation:

It may be defined as the process of determining the probable cost of the product before the actual manufacture starts.

Cost estimation takes into consideration all expenditure involved in the design and manufacturing along with all related service facilities such as machines setting; tool making as well as a portion of sales marketing and administrative expenses or what we call overhead costs.

Thus cost estimation simply involves a systematic and scientific approach to the problem. In general, the accuracy of an estimate increases i.e. the estimated cost approximates more closely the actual production cost as more and more detailed calculations are done in estimating.

Constituents of Estimated Cost:

The total estimated cost of an item consists of the following items:

(i) Cost of Design.

(ii) Cost of Research and Development.

(iii) Cost of Drafting.

(iv) Cost of Material required,

(v) Labour Cost.

(vi) Cost Fixtures and Tools.

(vii) Overhead Cost or Indirect Cost.

Objectives of Cost Estimation:

The main objectives of Cost Estimation are listed as follows:

(1) Cost estimation enables the manufacturer to fix the selling price of a product well in advance of actual production.

(2) Cost estimation indicates to the manufacturer whether the contemplated programme of production and distribution will be economical or not.

(3) To determine whether the product and its parts can be manufactured economically in the plant itself or to be purchased from outside.

(4) To determine the most economical, material, tooling method to manufacture the product.

(5) To prepare production budget.

(6) To standardize the performance in order to control costs involved.

(7) To evaluate alternative product designs.

(8) To determine the standard cost of the product which represents the best estimate that can be made of i.e. what should be the cost of material, labour and overhead etc. after eliminating the inefficiencies and waste.

Functions of Cost Estimation:

The important functions of estimation are as follows:

(i) To work out material cost after taking into consideration various allowances given for different manufacturing operations.

(ii) To work out labour cost after considering labour time involved with the help of prevailing wage rates.

(iii) To determine the cost of tooling's, equipment and accessories etc. to be procured from outside.

(iv) To determine different overhead charges including packing transportation, marketing and selling etc.

(v) To determine the selling price of the product after considering profit to be realized,

(vi) To perform lime and motion study.

(vii) Help to get in touch with modem methods of manufacturing and equipment used.

(viii) To maintain the previous records of estimates in a systematic manner for future reference.

(ix) Helps to keep contact with other departments regarding quality of input materials and products along with methods of manufacture.

(x) To work out most economical procedure for the design and manufacture of products.

(xi) To help in product design modification.

Estimate of profit break advantage concept :

The breakeven point is defined as the point where both total expenses and total revenues are equal to each other. It is the production level during a manufacturing process or an accounting period where revenues generated and expenses incurred are the same, and the net income for that period is zero.

In simple terms, it means that the organization neither earned any money nor lost it simply broke even.

Meaning of break-even point

Break-even point is considered a measurement tool that is used in cost accounting, business, and economics to determine the point when both the total cost and revenues are even.

Retailers use this key concept to understand how much units must be sold to meet the minimum costs, and manufacturers use it to calculate the number of units that must be manufactured and sold during this period.

Remember the break-even point matters a great deal as it is the point where the project or business or a product becomes financially viable.

The break-even calculation gives a company a view of the future. All costs that need to be paid are paid, for example, capital has received the expected return

after risk-adjustment and opportunity costs have also been paid. At this point, the company does not show either loss or profits.

Suppose the company has reached its break-even point in November in the financial year 2018-19 the money earned from that period onwards will be its pure profits. The early you reach the break-even point, the more is your profit margins.