

Break Even Analysis

Break even analysis uses market demand as a basis for price determination and also considers cost of production. It involves developing tables which are useful to determine at all what level of production the revenues will equal the costs assuming a certain selling price.



Basis element of break even analysis

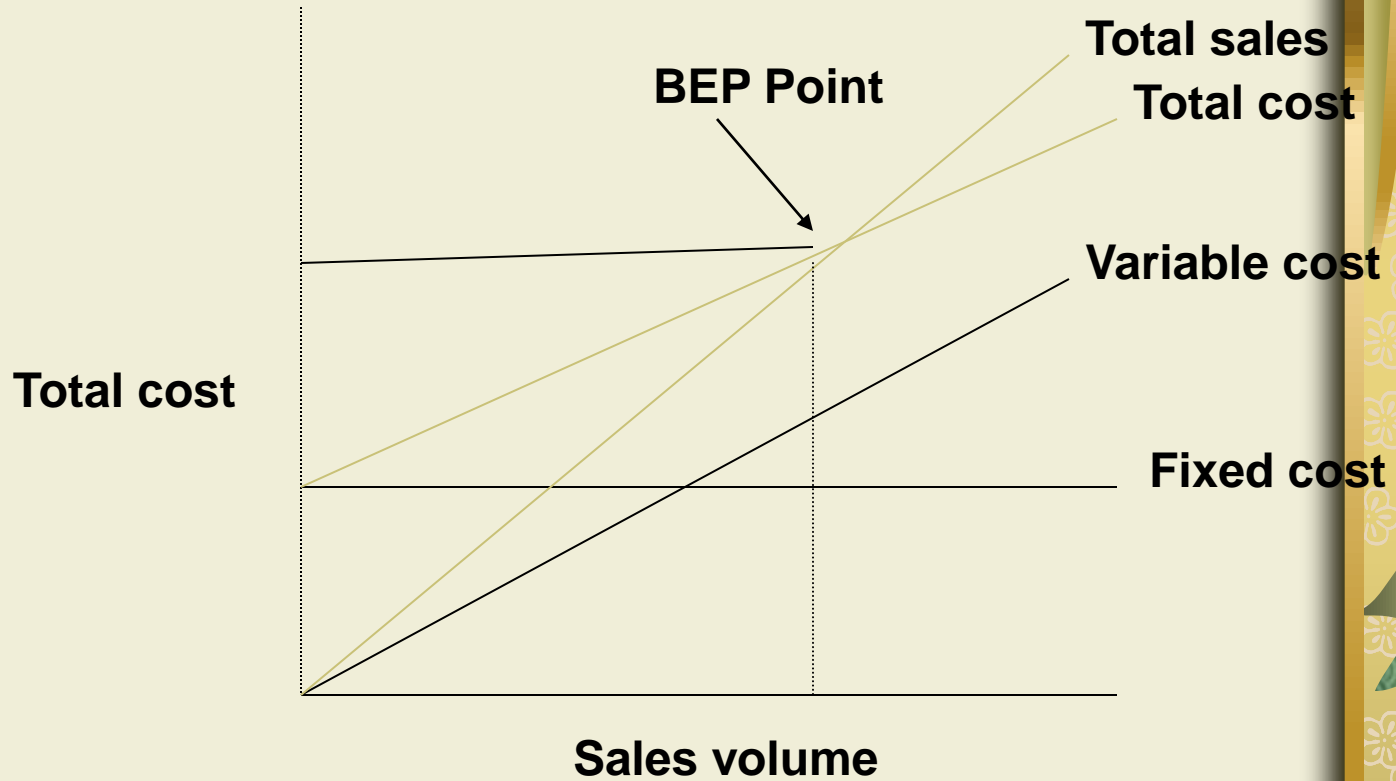
- **Fixed cost** :- F.c are those which do not vary with the volume of production. They include depreciation, insurance, salaries of clerical and Technical staff etc.
- **Variable cost** :- V.c are those which vary directly with the volume of production. They include cost of direct material, power and supply, commission to sales man.



■ **Total cost** : Fixed assets + Variable cost

■ **Break even point** : BEP is the situation where there is no profit or no loss .

Break Even chart



Different formules

$$\text{■ BEP (units)} = \frac{\text{Fixed cost}}{\text{Contribution per unit}}$$

$$\text{■ BEP (sales)} = \frac{\text{Fixed cost}}{\text{PV Ratio}}$$

$$\text{MARSING OF SAFTY} = \text{Actual sales} - \text{BEP unit}$$



C= Contribution= Excess of sales over variable cost

■ **C= Total sales – Total Variable cost**

■ **PV Ratio (Profit Volume Ratio)=**
Contribution per unit x 100
Selling price per unit



Effects of changes on BEP

- Increase in sale price
- Reduction in Variable cost
- Reduction in fixed cost



- **Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.**
- **More simply: Marketing is the delivery of customer satisfaction at a profit.**

Traditional marketing concept

- **Marketing involves the design of the design of the products acceptable to the customers and the transfer of ownership between seller and buyer.**
- **Hary Hansen**

Modern Marketing Concept

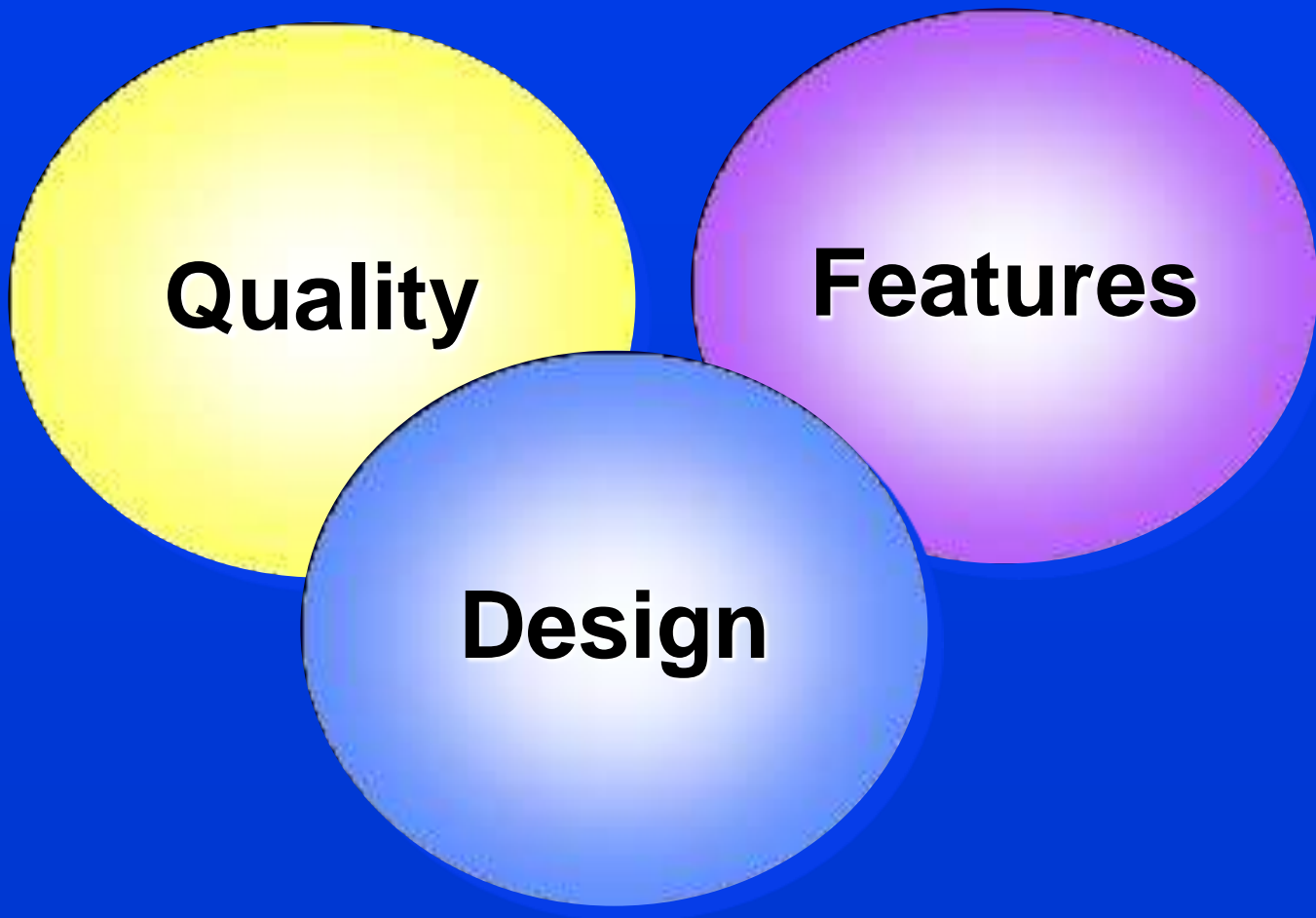
- **Marketing management can be defined as identification of consumer's needs, planning, organising, producing and marketing efforts to satisfy these needs.**

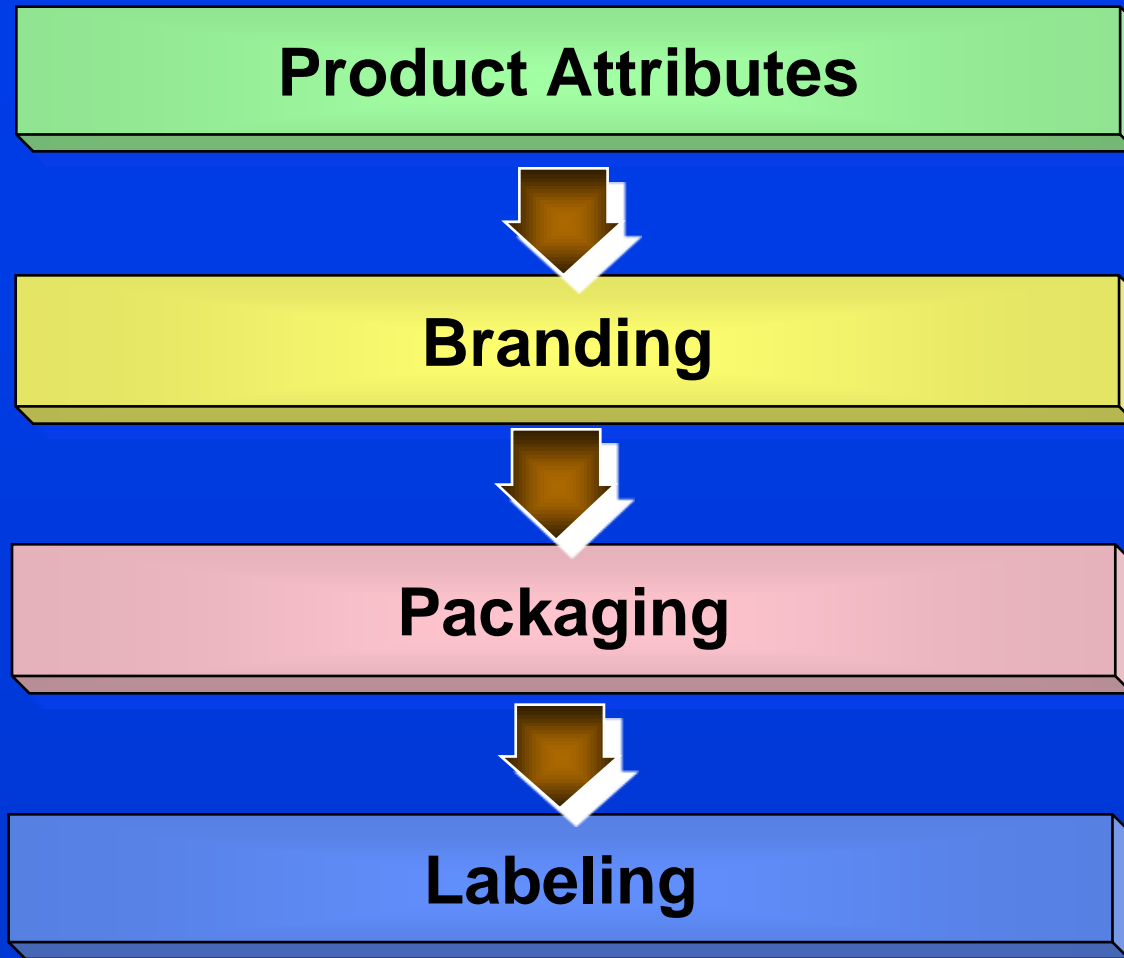
Marketing Mix

- **It is the tools that an organization employs to pursue its marketing objectives in the target market**
- **Product, Price, Place, Promotion**

- Anything that can be offered to a market for attention, acquisition, use or consumption.
- Satisfies a want or a need.
- Includes:
 - Volume Products
 - Shape Size and weight of product
 - Product design
 - Product range
 - Packaging and labelling
 - Product Testing
 - Service after sale

Product Attribute Decisions





BRANDING

- *The process of creating distinct identity of the product is known as branding. It is used for product ,diffrentiation,buliding distinct image of the product.*
- Brand like
- Dalda
- Philips
- L.G
- Aiwa
- Dhara

Branding Strategies

- Individual branding- The separate brand name is used for each product by same company.

P&G is an example of the company, which individual brand name for its product. Its brand portfolio are CAMAY, ARIEL, TIDE, HEAD AND SHOULDER ETC.

Family branding – The company uses one family brand name for all its product. Philips, Godrej, samsung etc.

Name of the company with the individual name – The company uses the individual name with the name of the company

LABELLING

- Labels are the slips pasted on the containers, wrappers, bottles & indicating the detailed information regarding the product and producer.

Requisite information of the label-

- Name and add. Of the producer
- Ingredient used in the product
- Weight, size and measurement of the product
- Colour and appearance of the product
- Date of manufacturing and expiry of the company
- Maximum retail price.
- Statutory warning

Packaging

- *Packaging is the process of enclosing, encasing or containing the product in bottles, plastic bags wrappers, tubes ,paper cartoons and boxes etc. For the purpose of displaying information regarding the product its*
- *contents, weight, size, price, usage necessary instruction about the usage and storing the product must be recorded on the package.*

Function of Packaging

- **Protection**
- **Easy identification**
- **Convenience**
- **Innovative ideas**
- **Sales promotion**