

Product sale planning in product portfolio

As the firm's chief representative you prepare for business meeting concerning production and sale strategy in next year. Your company is currently sells six different products that are manufactured in two production plant. In one plant are produced four products (Allfried, Biertram, Cescile, Didifer) and the second plant produces articles E-Stelle France-Sois. Economic department presented by last meeting economic indicators of production planning for next period (see table). Intense discussion brought additional ideas and suggestions concerning the future development. Because of lack of time you decided to stop the discussion and solve the problems by next meeting. All management members should prepare their point of view and argumentation on the proposed steps. In the meantime you requested further information on the status of each product (in italics in the table). Based on the above table, give yours opinion in accordance with the tasks and questions below

Product	Fix cost (€)	Production plan (ks)	Production capacity (ks)	Variab. Cost for 1 item	Selling price per item	Average market price	Market share estimation	Market growth estimation
Allfried	300 000	1 000	3 000	180	400	420	15-20%	10%
Biertram	300 000	2 000	2 500	120	450	400	2-3%	-5%
Cescile	300 000	5 000	6 000	220	280	300	5-10%	2%
Didifer	300 000	2 000	5 000	80	270	280	5-10%	35%
E-stelle	200 000	4 000	10 000	180	220	220	2-5%	15%
France-sois	200 000	10 000	10 000	50	100	100	40%	3%
SUMME								

Explanation of items:

Fixed costs - conditions of production in both plants are very intertwined, so the allocation of fixed costs for each product uses a simple model of space used for production. Because differences by use of this indicator were relatively small, once in the past, it was decided that all products will allocate the same percentage of the fixed costs.

Production plan-planned number of units produced, based on the number of units already contracted and estimated future development

Production capacity - the maximum number of products that can be produced without additional investment

Variable costs for 1 unit (€) - the cost of producing a piece of the product are the same for all products (direct costs of production and marketing)

Selling price (€) - the average price of realized sales of the products after deduction of all rebates and discounts.

Average market price (€) - the estimated average for that carried out similar products on the market.

Estimated market share (%) - the estimated proportion of the total product market, based on surveys of professional agencies

Estimated market growth (%) - the estimated market development

Tasks and questions:

1. Complete the table with missing data and boxes. What are the indicators you could get from the data and how?
2. What are the overall results of operations of the organization and how the individual products influenced these results? Which products create biggest profit or loss?

In the discussion at the meeting were presented various suggestions and proposals. How would you comment on it based on economic principles:

3. Head of economic department pointed to the fact that according to their data, is the selling price of the product Allfried below the total cost. He therefore proposed that the price of the product in the next period and increased to at least 20%
4. Production manager suggested as a possible change for the next period stop of production of product Allfried since its production capacity is utilized only at 33%. Instead, company should extend the production capacity for product France-Sois and Cescile that are currently working at almost 100% of capacity utilization
5. Head of sales department informed about tender from retail chain Lidl. Lidl is searching for supplier of very similar product as the existing product Allfried, so they is no need to make big changes in production process. Head of sale estimate that successful bid be at price about € 320 and estimated number of delivered product next year will be about 1,000 items
6. Head of sales department also reported about similar tender for other chain store in the foreign market where the company recently does not operates. This chain is looking for a product with similar characteristics as the product Cescile, and is expected to purchase about 1,000 units and the sale price could be around € 270.
7. Head of marketing and advertising department reported that marketing communications in the coming year would according their plans concentrate on products France-Sois and Cescile that are most important in terms of turnover and sale. Campaigns should maintain market share and increase the value brand.
8. Head of production department reported that R & D department is developing a new product model Biertram. In addition to improved functional properties should lead to a reduction in variable production costs by about 25%.
9. What measures would you based on these data suggested you? How would you justify the cost? How to reproduce the results of management in your opinion