Defining Your Product Range

Outlier Factors:

Budget – How much cash do you have available?
Business Overhead - What are the costs associated with operating your business?
Business Growth Goals – What type of business growth goals do you have?

Primary Factors:

1) Sales Rank Analysis
2) Competition Analysis
3) Target Profit Margin / ROI
4) Test Order – Size and Prep Involved

Let's look at a couple of examples:

Example 1: Bill has a great infrastructure – and a solid operating business with a great level of unleveraged capital approximately $100K

With Bill's advantages here – he can really narrowly define his product range – to shoot for maximum returns. He has the processing capabilities to process high volumes of product, the capital to access larger discounts and ultimately the ability to reduce his ROI and Margin's simply to maximize returns through volume. Additionally, Bill has the capital to look at higher profit / higher risk opportunities that he may feel comfortable with – eg. much tighter margins.

Bill will likely be looking to have a regular producing set of items that sell maybe a minimum of five times per month. This means that he will focus on higher $ transactions (maybe with a target Profit Margin of 15% - 18%. This will leverage his cash and allow him to focus on tighter/faster returns. He will be able to maximize his range with more difficult to process items that other sellers may steer clear of – because he has the built in infrastructure to handle these products, so long as the costs don't eat directly into his ROI/Profits.

So, Bill's target product range would look like:

1) Sales Ranks that are conducive to 150 sales per month
2) Competition that allows him to exploit these products
3) Target Profits of 15%-18%
4) Products that can have a higher amount of involved prep as his infrastructure allows for cheaper processing.

Example 2: Johnny has a less defined infrastructure and works out of the confines of his house. He is hoping to grow his business to the point of utilizing commercial spaces – such that he can truly turn this business into a full time job. Johnny's cash situation is near the tighter end of the spectrum with active unleveraged capital of approximately $1500.

The fortunate part of Johnny's situation is that he will be able to quickly grow his capital using the methods found in this course. However, as you can understand Johnny's approach will need to differ from Bill's in that he doesn't have the capital or processing power necessary to process Bill's volume of product.

Johnny will also be looking for faster turning inventory – though he won't be able to afford the breakneck pace that Bill is operating at. So, with Johnny we will be looking at products that can maximize his selling cycles, products with minimal prep and ultimately slightly higher margins to allow for slight fluctuation. The great part here is that Johnny will realize a higher return percentage than Bill – however, he will quickly be outpaced by Bill's multiplying effect – though we have to build ourselves to that point.

So Johnny's target range would be something similar to:

1) Sales Ranks that allow for 60-90 sales per month (it will be harder for Johnny to purchase the larger quantities of items – based on his capital situation).
2) Ideally, minimal competition – to protect margins OR MAP products may be ideal for Johnny as they allow him to maintain steady sales.
3) Target Profits of 35%-45% (this will protect Johnny vs. volatility. Additionally, it will allow him to maximize much smaller cycles of product).
4) Products that require minimal prep – as Johnny does not have the processing capacity to handle intense prep items and will likely do so very inefficiently adding lots of excess costs.

Example 3: Fenced Straddling Steve. Steve is between the levels of Johnny and Bill. Steve has a reasonable amount of capital – but not enough to warrant high risk opportunities. His unencumbered cash is $12,000 - $15,000. Steve has a small commercial space – but does not have dock or freight receiving access. His infrastructure allows for good processing speed – but is not robust.

With Steve, we will be simply looking to get great growth – but not so much so that he becomes overleveraged. His situation generally falls somewhere in the middle between Bill and Johnny and his approach will as well. We will be looking for higher volume products, though Steve will still be looking to preserve margin – to maximize his cycles.

Steve's target range would look like this:

1) Sales Ranks – that would allow for 80-120 sales per month (this is a reasonable expected order for Steve and should not cripple his initial cash flow on the front end. Additionally, the returns are very fast – and will allow for strong tight cycles. It's important to know that Steve cannot effectively take advantage of pallet sized orders – so our handicap will be here.

2) Steve can face down competition to a small degree – and likely doesn't have the capital to get lower pricing in a lot of cases. So, he will be looking for minimal competition – but doesn't need/have to have the same level of protection as Johnny. His competition analysis will focus more on hitting his goals – than protection (as was the case with Johnny). However, it will be difficult for him to bulldoze people in the fashion that Bill may be able to do.
3) Target profits of 25% - 35% - we will be looking to maximize our cycles – but not in the same fashion as Bill. We aren't looking for protection and can take some chances, but need to protect ourselves slightly with our margins.
4) Steve will be able to prep moderately difficult prep items – with a reasonable degree of efficiency. However, the most difficult prep items – will be difficult for Steve as he lacks the shipping capabilities to truly capitalize on efficiency.

It is important to realize that each situation is fairly unique – however, we were able to formulate a plan to effectively work with each situation. The most important part of this business is developing a plan that allows us to move forward, and then ultimately taking advantage of that plan. Each situation faces it's own difficulties. While Bill's situation seems to be the easiest and most manageable – you have to remember that he is taking bigger risks – and looking for faster returns which require a much higher degree of precision. However, by doing this – his cash is used more effectively and that allows for a faster multiple effect.

While Johnny's situation is the hardest to initially maneuver – as finding product will be a more strict limitation. He will see the most measurable immediate growth with each sku, as the percentage he is returning is more impactful to his business.

This is a CRUCIAL aspect for your business. You have to plan ahead and make calculated decisions that will positively impact your business and promote growth. Without planning you are simply throwing spaghetti against a wall – and waiting to find out what sticks. Where, with a plan, you are able to decisively maneuver and quickly evolve your business. If you plan doesn't work – do not scrap it – simply reanalyze your situation and find out where you can make improvements.