

## Understanding Replenishment and Predictability

Replenishment products provide a unique opportunity to develop a standardized cash flow. With this standardized or predictable cash flow you will be able to get a great understanding of the type of money you will be able to re-invest cyclically, and plan purchases accordingly.

As we go along in this course, we will identify our product selection criteria and research methods - which will lead to a more predictable income via stable, profit-producing products. To better understand predictability's affect on cash flow let's look at the following example.

Starting with a budget of \$1000

We invest our \$1000 into a product with an approximate 30% Rate of Return over a cycle (1 month of sales). That means that our initial investment will result in a \$1300. Now, re-investing that initial \$1000 into that same, stable, product and our profit from our initial investment - on a new cyclical based product - that has a higher monthly yield, but a lower volume (40% ROI) - we will see a predictable return of \$1300 + \$420 (our investment and profit from both of our items). These products have a history of consistent sales - so it is easy to gauge our returns and plan our next move. For example, let's say that we have hit the capacity in each our first two products. That means that we have an additional \$420 to spend this month on a new product. With this "profit" we will be looking to maximize our return over the investment period - to create an additional revenue stream to add to our growing stable of SKU's.

I realize that this can seem complex - however, you should be able to plan accordingly on new products you can expand into with a high degree of success. This will help give your business an operational road map to develop a stream of passive income products to continue to build your business on.

Planning is a major part of business - and the ability to understand how you anticipate building the best map to maximize your cash is a powerful resource. We will cover a few more financial concepts to make this more clear and easier to understand when you are taking your business to the next level.