

## 2. THE ECONOMIC VALUE

The Economic Value of a product or service can be broadly divided into six basic values :

**a) The USE VALUE :**

To the extent that the money spent just justified the usefulness of the product or service. This has main reference to the specific FUNCTIONAL REQUIREMENT. For example a James Clip in place of a Tie Pin.

**b) EXCHANGE VALUE :**

To the extent that the additional amount paid guarantees the resale or exchange at any point of time. Although in most cases the item is never exchanged, but this factor helps by way of insurance against crises. Example of this is the purchase of a particular brand of scooter by paying 3 to 4 thousand rupees more than it's face VALUE. Also we know that most of the people buying that particular brand never really sell it off. But they are sure that as and when conditions warrant, they can easily sell it off, as compared to other brands. It is perhaps, that feeling of safety which forces one to spend extra amount.

**c) ESTEEM VALUE :**

To the extent that it meets a particular satisfaction and ego need. Normally this is the most difficult item to assess and hence the main aim is to eliminate it, as it does not contribute anything towards satisfactory performance of the function. The concept of APPEARANCE ENGINEERING is fast picking up now. However in case of packing and a deadly medicine in a nice package will not enthuse the buyer to go get it unless it has been prescribed by the doctor. In this case, packaging should aim at only preserving the medicine, and nothing more than that. On the other hand, a consumer good can be packed in an appealing package as it would definitely add to the decision making of the buyer. In

case of Government sponsored and highly subsidised items like Bio-Gas Stoves, Gasifiers etc., they need not be made costlier by way of esteem features, as they are supposed to meet the use function more than good looks. (The person who wants to spend his money may be left free to even get a gold plating done on his gas stove, provided he spends his own money.)

**d) COST VALUE :**

To the extent that it is a fact and expense to produce the item or service have already been incurred.

**e) PLACE VALUE :**

To the extent that in a given place the item would have a specific VALUE where is in another place it will not have the same VALUE. A glass of water in a desert, can be an example.

**f) TIME VALUE :**

To the extent that at a given time only the VALUE of an item is important. Once the time has passed, the item loses its VALUE. Example is Blood Transfusion to a patient during operation, or a stepney in a car on long journey.

While talking about VA/VE the normal interaction of a member is with industry, although VA/VE can be equally applied in other fields. When we are dealing with a product or service in an industry, very often one faces the situation where many criteria are considered and one finds it difficult to allocate part of the total cost to a certain type of functional need. For the ease of handling such situations, it is suggested to broadly classify all products or services into four major class of products and then allocate a weightage to various type of values so as to split and analyse the total cost. Table below gives the Matrix.

S. No.	CATEGORY OF PRODUCT / SERVICE	USE VALUE	ESTEE M VALUE	PLACE VALUE	TIME VALUE	REMARKS
1.	Industrial Product	80	5	8	7	Because Reliable performance is the main criteria
2.	Consumer Product (competitive market)	80	15	5	-	
		70	5	5	20	Competitive Monopolistic
3.	Consumer Product Monopolist	10	70	20	-	External Components
4.	Fancy Goods	70	20	10	-	Hidden or internal Components
5.	Critical Items	90	-	5	5	Where performance is the only criteria