
The market

2017-18

MARKETS

EXAMPLES OF MARKET

- ▶ Consumer goods market
- ▶ Market for services
- ▶ Housing market
- ▶ Commodity market
- ▶ Financial market

MARKETING

- ▶ identify *needs and wants* of consumers
- ▶ *design products* that meet the needs
- ▶ *competition*: understand threats of competitors
- ▶ *pricing*: charging the right price
- ▶ *advertising*: persuade customers to buy products

THE CHARACTERISTICS OF MASS MARKETS AND NICHE MARKETS

- ▶ *Mass market*: business sells the same products to all consumers and markets the same way
 - ▶ large number of customers
 - ▶ large market
 - ▶ production in large quantities
 - ▶ economies of scale → high sales + high profits
 - ▶ high competition → investment in marketing
- ▶ *Niche market*:
 - ▶ small customer group
 - ▶ small firms
 - ▶ little competition → premium price can be charged
 - ▶ may attract competition

MARKET SIZE

APPROXIMATION/ESTIMATION

- ▶ *Value*: total amount spent by customers buying products
- ▶ *Volume*: quantity of products produced and sold

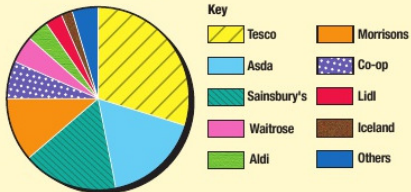
MARKET SHARE

$$\frac{\text{sales of a business}}{\text{total sales in the market}} \times 100\%$$

- ▶ *market share*: proportion of a market held by a business
- ▶ *What is the function of this measure?*
 - ▶ Indicates which business is the *market leader*
 - ▶ Helps to shape the strategies of businesses (e.g. follow a leader, increase market share)

UK market shares of supermarkets in 2013

Market share (percentage)



Source: www.kantarworldpanel.com

(data for 12 weeks ending 10.11.2013 and from data source comparing 12 weeks ending 25.11.2012)

BRANDS

- ▶ Brands are used to *distinguish* the product from others
- ▶ Brands are important in *mass markets*
 - ▶ *differentiate* product from rivals
 - ▶ create *customer royalty*
 - ▶ help *product recognition*
 - ▶ develop *image*
 - ▶ charge *premium price*

DYNAMIC MARKETS

- ▶ Markets are *dynamic*: change over time
- ▶ Example:
cassettes → CD → internet downloads
- ▶ *Risks* associated with dynamic markets:
 - ▶ failure to adapt → collapse of business
 - ▶ Example: Kodak → digital cameras

ONLINE RETAILING

- ▶ order goods online & take delivery at home
- ▶ Benefits from online retail:
 - ▶ larger crowd
 - ▶ possibility to gather information
 - ▶ reduce costs (e.g., sales staff)
 - ▶ low marketing costs (email instead of post)
 - ▶ open 24/7
 - ▶ more flexibility (easy to update store)
 - ▶ distance is not an issue

HOW MARKETS CHANGE

- ▶ The size of markets:
 - ▶ *growing markets* (e.g. packaging)
 - ▶ *declining markets* (e.g. coal)
- ▶ The nature of markets: example of restaurant market
 - ▶ in 1960s: mainly fish and chip
 - ▶ today: very diversified
- ▶ New markets
 - ▶ new countries join markets (e.g., BRICS)
 - ▶ new products appear (e.g., phone industry)

INNOVATION AND MARKET GROWTH

- ▶ *Economic growth*: more wealth → new needs
- ▶ *Innovation*: create new wants
- ▶ *Social changes*: family composition → market for child care and housing
- ▶ *Changes in legislation*: changing laws affect markets (e.g., tobacco ban)
- ▶ *Demographic changes*: ageing population → health care, care homes

ADAPTING TO CHANGE

Failing to adapt to market changes → losing market share

- ▶ *Flexibility*: flexible staff → ready to work shifts if needed
- ▶ *Market research*: in order to be aware of changes in *customer taste*
- ▶ *Investment*: invest in R & D, new machinery, training, ...
- ▶ *Continuous improvement* in the increasingly competitive environment: improve efficiency, lower costs, improve service
- ▶ *Develop a niche*: identify and serve loyal customers

HOW COMPETITION AFFECTS THE MARKET

▶ *Businesses:*

- ▶ competition puts businesses under pressure
- ▶ forces businesses to *lower prices*
- ▶ *differentiate* products from rivals' products
- ▶ improve quality
- ▶ increase advertising and promotions
- ▶ improve service
- ▶ businesses want to reduce competition
 - ▶ take over rivals
 - ▶ raise barriers to entry

∃ laws that protect competition!

▶ *Consumers:*

- ▶ a lot of choice for consumers
- ▶ better quality
- ▶ lower prices
- ▶ incentive to innovate

Government ensures that competition exists in the market

THE DIFFERENCE BETWEEN RISK AND UNCERTAINTY

risk \neq uncertainty

- ▶ *Risk*: one can put an exact value on the risk
- ▶ *Uncertainty*: can only be approximated (can be positive as well!)

KEY TERMS

- ▶ **Brand name:** a name, term, sign, symbol, design or any other feature that allows consumers to identify the goods and services of a business and to differentiate them from those of competitors
- ▶ **E-commerce:** conducting business transactions online
- ▶ **Online retailing or e-tailing:** the retailing of goods online
- ▶ **Market:** a set of arrangement that allows buyers and sellers to communicate and trade in a particular range of goods and services
- ▶ **Marketing:** a management process involved in identifying, anticipating and satisfying consumer requirements profitably

KEY TERMS

- ▶ **Market share:** the proportion of total sales in a particular market for which one or more businesses or brands are responsible. It is expressed as a percentage and can be calculated by value or volume
- ▶ **Mass market:** a very large market in which products with mass appeal are targeted
- ▶ **Niche market:** a smaller market, usually within a large market or industry