

# ENTREPRENEURSHIP

## Chapter 5: CONCEPT OF MARKET



## CONCEPT OF MARKET

### Market, Market, Where are you?

#### FACTS THAT MATTER -

- ❖ The word 'market' is derived from the Latin word 'marcatus' meaning merchandise, ware, traffic, trade or a place where business is conducted.
- ❖ 'Market' is responsible for making the economy strong and stable.
- ❖ E-Commerce is the interaction of the firm with its customers and suppliers over the internet.
- ❖ E-business is conduct of industry, trade and commercial using the computer networks.
- ❖ E-business is offering great opportunities especially to developing countries.
- ❖ Market is not restricted to a particular place but to a region.
- ❖ The purpose of business is to create customer.

#### Words That Matter -

- ❖ **Market:** A market is defined as the sum total of all the buyers and sellers in the area or region under consideration.
- ❖ **E-business:** E-business (electronic business) is the conduct of business processes on the Internet.
- ❖ **E-commerce:** E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet.
- ❖ **Industry:** Industry is the production of goods or services within an economy.

#### Analysing the Market Environment -

#### Facts That Matter -

- ❖ Excellent companies take an outside-inside view of the market and its forces.

- ❖ A market is an arrangement of establishing effective relationship between buyers and sellers of the commodities.
- ❖ Consumer is the King.
- ❖ The market environment refers to factors and forces that affect a firm's ability to build and maintain successful relationship with customers.
  
- ❖ The various factors and forces governing the market can be categorized into:
  - Micro Environment – Primary Forces, and
  - Macro Environment – Secondary Forces
- ❖ Micro Environment refers to the forces operating in the market that are close or within the organisation, comprising of:
  - Producer/seller
  - Customer
  - Competitors
  - Suppliers
  - Marketing intermediaries
- ❖ Macro Environment refers to all forces that are part of the larger society and are the “uncontrollables” to which companies adopt through setting the “controllable” factors.
- ❖ Macro environment comprises of:
  - Demographic forces
  - Economic forces
  - Technological forces
  - Political forces
  - Natural forces
  - Cultural forces.

### Words That Matter -

- ❖ **Consumer:** A consumer is a person or organization that uses economic services or commodities.

- ❖ **Market Environment:** The market environment is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers.
- ❖ **Macro-Environment:** The macro-environment refers to all forces that are part of the larger society and affect the micro-environment. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.
- ❖ **Natural Environment:** The natural environment is another important factor of the macro-environment. This includes the natural resources that a company uses as inputs that affect their marketing activities.

## Researching the Market Facts That Matter -

### Facts That Matter -

- ❖ **Market research** is referred as the systematic study and evaluation of all factors bearing on any business operations which involves the transfer of goods from a producer to a consumer.
- ❖ **Market survey** is an organized and in-depth approach, which includes all the research activities involved with extracting out carefully the information for not only the first time, but directly from the sources.
- ❖ **There are two types of market surveys:**
  - The census
  - The sample.
- ❖ **Characteristics of Good Marketing Information:**
  - Clarity
  - Completeness Accuracy
  - Authenticity
  - Precision
  - Objectivity
  - Strategic Value
  - Telephonic Interviews
  - E-mail Interviews

- Questionnaire Development
- Relevance
- Confidentiality
- Economy
- Reliability
- Punctuality

❖ **Method used for surveying are:**

- Personal Interviews
- Field Work
- Report Making
- Risk Reduction
- Market Overview Forecast
- Direct mail Interviews
- Online Interviews
- Fieldwork

❖ **Process of Conducting Survey include:**

- Planning the Survey
- Analysis and Interpretation of Data

❖ **Importance of Market Survey:**

- Customer is the King
- Helps Attaining Objectives
- Facilitates Decision-Making

## Words That Matter -

- ❖ **Market Survey:** Market survey-where you actually speak to members of your target audience-are an important part of market research.
- ❖ **Supervision:** Generally, supervision contains elements of providing knowledge,

helping to organize tasks, enhance motivation, and monitoring activity and results; the amount of each element is varying in different contexts.

- ❖ **Fieldwork:** Fieldwork is the collection of information outside a laboratory, library or workplace setting.

## Expanding Markets -

### Facts That Matter -

- ❖ **For achieving growth objectives the firms use:** Stability Maintain Strategies, Expansion Growth Strategies, Retrenchment Combination Strategies.
- ❖ **Entrepreneurial strategy** represents the set of decisions, actions and reactions that first enters and then exploits over time, a new entry in a way that maximizes the benefits.
- ❖ **Expansion** refers to enlargement or increase in the same line of activity.
- ❖ **For expansion three frameworks are used:** A. Intensification B. Integration C. Diversification
- ❖ **Intensive strategies include:** Penetration Strategies, Market Development Strategies, Product Development Strategies.
- ❖ **Intensive expansion** refers to the increase of sales of its existing product by enlarging the existing markets by an enterprise.
- ❖ **Integrative Strategies** includes Vertical Expansion and Horizontal Expansion
- ❖ **Diversification Strategies** means new lines of business are added either to the current business or may be quite unrelated.

## Know Thy Business -

### Facts That Matter -

- ❖ **Business** is an economic activity which involves production or processing and sale or exchange of goods and services at regular basis with an aim of earning profit.
- ❖ **Industry** refers to all economic activities involved in converting raw materials into

finished products which are ultimately consumed by consumers.

- ❖ **Types of industry** are Primary industry, Secondary industry and Tertiary industry.
- ❖ **Producer's Goods:** The goods produced by one enterprise and used by other enterprises as raw material for further production.
- ❖ **Consumer Goods:** The goods used by final consumers for deriving personal satisfaction.
- ❖ **Secondary industries** are the industries which are concerned with the changing forms or transformation of the materials provided by primary industries.
- ❖ **Commerce** refers to all those activities which facilitates exchange of goods/services or relates to the transfer of goods from place of production to ultimate consumers.
- ❖ **Components of commerce** are trade and auxiliaries.
- ❖ **Trade** can be home or foreign trade.
- ❖ **Auxiliaries to trade** are Transportation, Banking, Insurance, Warehousing, Advertisement and Salesmanship.

## Marketing Mix -

### Facts That Matter -

- ❖ Marketing mix is the combination of Product, Price, Promotion and Place activities.
- ❖ A product is anything that can be offered to a market for attention, acquisition, use or consumption.
- ❖ Products are classified as Consumer Products and Industrial Products.
- ❖ Attributes of a product are size, ingredients, range, colour, weight, quality, shape, packing, packaging, branding, labeling, grading, etc.
- ❖ Place or physical distribution includes all those activities that are needed to make the product available to the target consumers.
- ❖ Two important decisions relating to place are required to be made are decisions regarding channels of distribution and decisions regarding physical movement of goods.

- ❖ The process of physical movement of goods involves four managerial decisions or components transportation, warehousing, inventory management.
- ❖ Promotion refers to all such activities which intend to inform customers about the product.
- ❖ Elements of promotion mix include advertising, personal selling, sales promotion and publicity.
- ❖ Factors affecting price determination are product cost, utility and demand for the product, extent of competition in the market, government and legal regulations, pricing, objectives, marketing methods used, terms of credit, etc.
- ❖ Pricing is important as it is key to revenue, attract customers, provide edge over in competition and is crucial to profits.
- ❖ Methods used for pricing are cost plus pricing method, variable price method, base price and discount method, market rate method, skimming price method, penetrating pricing method.

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