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MARKET

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MARKET

A regular gathering of people for the purchase and sale of provisions, livestock, and other commodities.

An area or arena in which commercial dealings are conducted.



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Definition

A *market* is a medium that allows buyers and sellers of a specific good or service to interact in order to facilitate an exchange.

A *market* is *defined* as the sum total of all the buyers and sellers in the area or region under consideration.

Definition: A *market* is *defined* as the sum total of all the buyers and sellers in the area or region under consideration. The area may be the earth, or countries, regions, states, or cities.



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Simple Definition of *market*

A place where products are bought and sold

A store where foods and often household items are sold

An area (such as a country or part of a country) where a product or service can be sold



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The **range** of markets:

Organised markets – commodities e.g. rubber, oil, sugar, wheat, gold, copper, etc.

Financial markets – stocks, shares, currencies, financial instruments

Goods markets – the supply and demand of goods and services in general, food, clothing, leisure, houses, cars, etc.

Factor markets – the supply and demand of factors of production – land, labour and capital



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Characteristics

Some of the major characteristics of marketing concept are as follows:

1. Customer-orientation
2. Marketing Research
3. Marketing Planning
4. Integrated Marketing
5. Customer Satisfaction.



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Customer-orientation

All business activities should be directed to create and satisfy the customer. Emphasis on the needs and wants of consumers keeps the business on the right track.



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Marketing Research

Under the marketing concept; knowledge and understanding of customer's needs, wants and desires is very vital. Therefore, a regular and systematic marketing research programme is required to keep abreast of the market. In addition, innovation and creativity are necessary to match the products of requirements of customers.



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Marketing Planning

Marketing planning helps to inject the philosophy of consumer-orientation into the total business systems and serves as a guide to the organisation's efforts.



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Integrated Marketing

Once the organisational and departmental goals are formulated, it becomes necessary to harmonize the organisational goals with the goals of the individuals working in the organisation. The activities and operation of various organisational units should be properly coordinated to achieve the defined objectives



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Customer Satisfaction

The aim should be to maximise profit over the long run through the satisfaction of customers wants.



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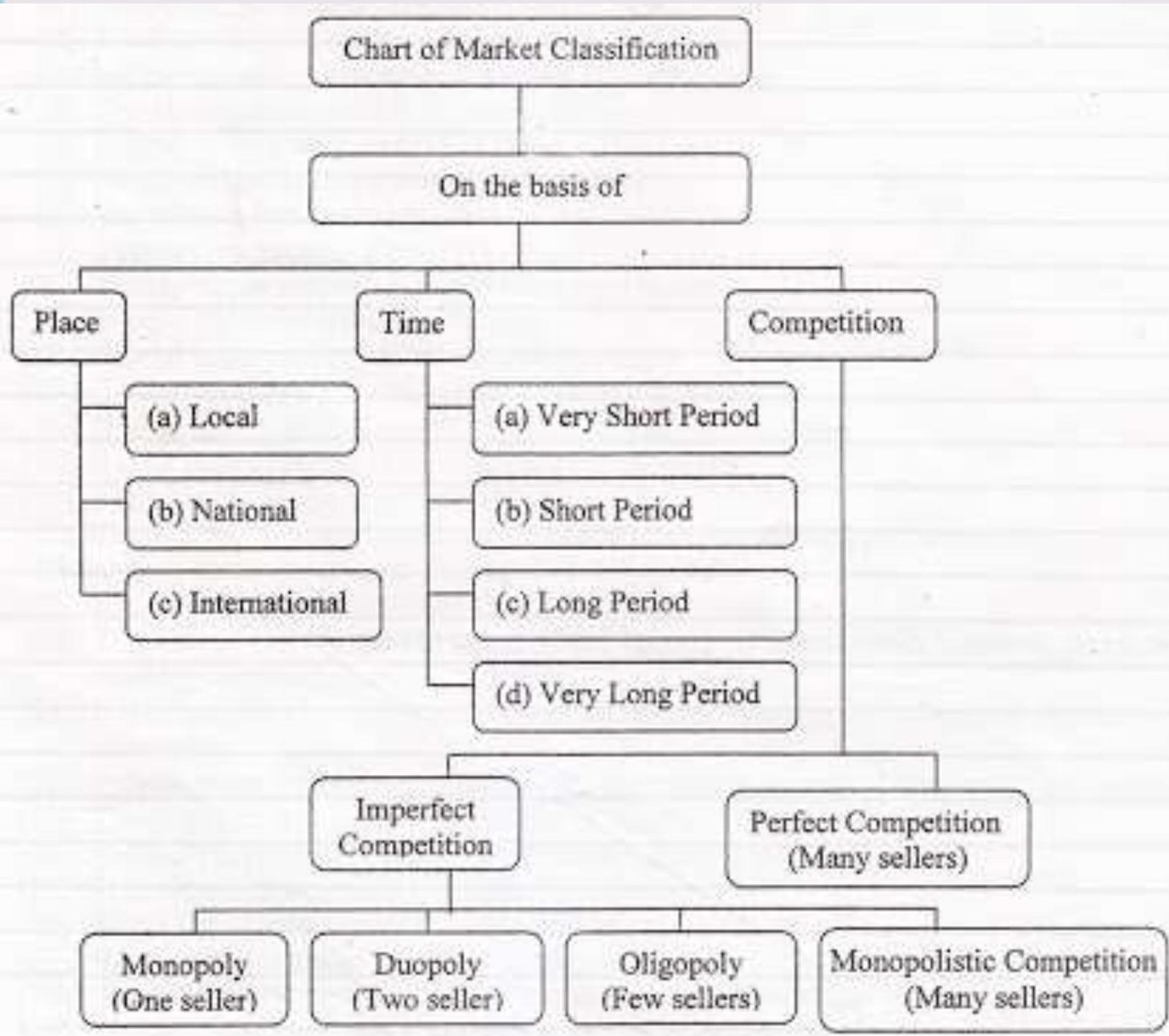
MARKET STRUCTURE

Market structure refers to the nature and degree of competition in the market for goods and services. The structures of market both for goods market and service (factor) market are determined by the nature of competition prevailing in a particular market.



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Forms of Market Structure

Perfect Competition

Monopoly

Duopoly

Oligopoly

Monopolistic Competition



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Perfectly Competitive Market

A perfectly competitive market is one in which the number of buyers and sellers is very large, all engaged in buying and selling a homogeneous product without any artificial restrictions and possessing perfect knowledge of market at a time

- I. Large numbers of buyers and sellers
- II. Homogeneous products (identical)
- III. Free entry and exit firms (barriers)



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Monopoly Market

Monopoly is a market situation in which there is only one seller of a product with barriers to entry of others. The product has no close substitutes. The cross elasticity of demand with every other product is very low. This means that no other firms produce a similar product



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Duopoly

Duopoly is a special case of the theory of oligopoly in which there are only two sellers. Both the sellers are completely independent and no agreement exists between them. Even though they are independent, a change in the price and output of one will affect the other, and may set a chain of reactions



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Oligopoly

Oligopoly is a market situation in which there are a few firms selling homogeneous or differentiated products. It is difficult to pinpoint the number of firms in 'competition among the few.' With only a few firms in the market, the action of one firm is likely to affect the others. An oligopoly industry produces either a homogeneous product or heterogeneous products.



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Monopolistic Competition

Monopolistic competition refers to a market situation where there are many firms selling a differentiated product. “There is competition which is keen, though not perfect, among many firms making very similar products.” No firm can have any perceptible influence on the price-output policies of the other sellers nor can it be influenced much by their actions.

Thus monopolistic competition refers to competition among a large number of sellers producing close but not perfect substitutes for each other.



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Other types of Markets

Physical Markets - Physical market is a set up where buyers can physically meet the sellers and purchase the desired merchandise from them in exchange of money. Shopping malls, department stores, retail stores are examples of physical markets.

Non Physical Markets/Virtual markets - In such markets, buyers purchase goods and services through internet. In such a market the buyers and sellers do not meet or interact physically, instead the transaction is done through internet. Examples – Amazon, Flip kart..

Auction Market - In an auction market the seller sells his goods to one who is the highest bidder.



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Contd

Market for Intermediate Goods - Such markets sell raw materials (goods) required for the final production of other goods.

Black Market - A black market is a setup where illegal goods like drugs and weapons are sold.

Knowledge Market - Knowledge market is a set up which deals in the exchange of information and knowledge based products.



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Financial Markets

Financial Market - Market dealing with the exchange of liquid assets (money) is called a financial market.

Financial markets are of following types:

Stock Market - A form of market where sellers and buyers exchange shares is called a stock market.

Bond Market - A market place where buyers and sellers are engaged in the exchange of debt securities, usually in the form of bonds is called a bond market. A bond is a contract signed by both the parties where one party promises to return money with interest at fixed intervals.

Foreign Exchange Market - In such type of market, parties are involved in trading of currency. In a foreign exchange market (also called currency market), one party exchanges one country's currency with equivalent quantity of another currency.

Predictive Markets - Predictive market is a set up where exchange of good or service takes place for future. The buyer benefits when the market goes up and is at a loss when the market crashes.



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Perfect Markets

In economics, a **perfect market** is defined by several conditions,

collectively called perfect competition. Among these conditions are:

Perfect market information

No participant with market power to set prices

Non intervention by governments

No barriers to entry or exit

Equal access to factors of production

Profit maximization

No externalities



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Imperfect Markets

In economic theory, **imperfect competition** is a type of market structure showing some but not all features of competitive markets.

Forms of imperfect competition include:

Oligopoly, in which there are few sellers of a product.

Monopolistic competition, in which there are many sellers producing highly differentiated products.

Monopsony, where there are many sellers but only one buyer, and oligopsony, where there are many sellers but few buyers.



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Concepts of TR, AR and MR

1. **Total revenue= Price X Quantity**
2. **Average Revenue (AR): = TR / Q**
3. **Marginal Revenue = (Change in total revenue)/(Change in number of units sold)**



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