

# Market Forces

# Demand

- Refers to the quantity of a product or service which the buyers are likely to purchase at different prices in a given market at a given time.
- Demand represents the willingness and ability to buy under specified conditions.


# Law of Demand


- LoD states that the price and quantity demanded are inversely related.
- In economics, the **law of demand** states that, all else being equal, as the price of a product increases ( $\uparrow$ ), quantity demanded falls ( $\downarrow$ ); likewise, as the price of a product decreases ( $\downarrow$ ), quantity demanded increases ( $\uparrow$ ).

# Demand Schedule


Price of Milk (Rs. Per litre)	Quantity Demanded (Thousand Litres)
4.00	10
6.00	9
8.00	8
10.00	7
12.00	6
14.00	5
16.00	4
18.00	3
20.00	2

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- *Demand schedule* is a table of the quantity demanded of a good at different price levels.


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- *Demand curves are a graphical presentation of a demand schedule.*
  - *DS and DC illustrate the nature of the relationship between the quantity and price.*
  - *DC slopes downwards from left to right*

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- Effective Demand
  - Derived Demand
  - Reservation Demand and Price
  - Demand Function

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- **Effective Demand** : is the desire of the consumer for the commodity backed up by his purchasing power.

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- **Derived Demand** : The demand for some commodities exists only because they are used in producing other commodities which satisfy human wants. The demand for such commodities is called as derived demand.
  - E.g., Fertilisers and manure

- **Reservation Demand and Price** : RD refers to the quantity of a product a seller would like to retain at a given price. At each price the seller himself has a demand to keep a certain quantity with himself for later sale.
- Seller may not like to sell a particular “lot” if the price offered is lower than some preconceived price, which is known as RP.


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- **Demand Function** : The demand for a commodity is not affected by price alone. Factors such as income, tastes, habits, weather, the prices of substitutes and incentives for savings affect demand in the sense that they shift the whole range of price-quantity relationship

# Supply

- The term supply refers to quantities of a product that will be offered for sale at different prices at a given time and in a given market.
- There is a logical relationship between the supply and price.
- The higher the price the larger the quantity that is offered for sale and vice-versa.
- Supply indicates the relation between the quantity and price of a commodity from the sellers viewpoint.

# Supply Schedule

Price of Milk (Rs. Per litre)	Quantity offered for sale (Thousand Litres)
20	10
18	9
16	8
14	7
12	6
10	5
8	4
6	3
4	2

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- SC is the graphical presentation of the SS.
  - SC slopes upward from left to right on a graph
  
  - Short run
  - Intermediate run
  - Long run


# Price Determination

Price ( Rs. Per litre)	Quantity Demanded (1000 litres)	Quantity Supplied (1000 litres)
4.00	10	2
6.00	9	3
8.00	8	4
10.00	7	5
12.00	6	6
14.00	5	7
16.00	4	8
18.00	3	9
20.00	2	10



In this simplest model both quantity demanded and quantity supplied are affected only by the price of the commodity.

The price and quantity which satisfy both the buyers and sellers are called the equilibrium price and equilibrium quantity.

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- At the price Rs. 12 per litre, the quantity demanded by the consumers (6000 litres) is equal to the quantity offered for sale by the sellers.
  - Therefore the equilibrium price is Rs 12 and equilibrium quantity is 6000 litres.


# Concepts in Marketing


- **Balance of Trade** : The difference between a country's imports and its exports.
- The value of nation's exports less its imports is called balance of trade.


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- **Balance of Payments** : A record of all transactions made between one particular country and all other countries during a specified time period.

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- **Brand and Branding** : Brand is any name, sign, symbol or design used to identify the product of one firm which set them apart from competitors.
  - Branding is the marketing practice of creating a name and image for a product in the consumers' mind, mainly through advertising campaigns with a consistent theme.

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- **Cartel** : is an association of manufacturers or suppliers that attempts to regularise industry output and prices through mutual agreement.

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- Consumerism : a modern movement for the protection of the consumer against useless, inferior, or dangerous products, misleading advertising, unfair pricing, etc.
  - The basic aim of consumerism is to remove injustices and eliminate unfair marketing practices which put the consumers to loss.

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- Consumer Franchise : A *customer franchise* refers to the cumulative image of a product, held by the consumer, resulting from long exposure to the product or marketing of the product.

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- Differentiated marketing : is a practice whereby firms develop separate marketing programmes for different target consumer groups.
  - For example, a retailer might *market* low cost to a budget-conscious segment and product quality to an affluent *market* segment.

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- Free Market : A market based on supply and demand with little or no government control.

- Farmers Terms of Trade : terms of trade, specifically, the terms of trade between agriculture and industry is the ratio of agricultural prices to industrial prices, both measured as price indices.
- This ratio indicates whether farmers are gainers or losers in the present situation in the country.
- E.g., Banana Vs Pin

# Marketing Mix

- The **marketing mix** is a business tool used in marketing and by marketers.
- MM is associated with the **four P's**: *price, product, promotion, and place*.
- A firm or industry combines which appeal the consumers.
- MM offers an optimum combination to maximise companies objectives viz., profit, return on investment, sales volume and market share.
- MM to change according to the environment.

# Marketing Process


- Marketing refers to the procedures or **processes** that are developed to ensure the customer has a positive and memorable experience when purchasing and/or using your product or service.

# Marketing Strategy

- MS is a particular procedure used by the seller to achieve a marketing goal.
- MS is an explanation of what specific actions will be taken over time to achieve the objectives. Plans can be extended to cover many years, with sub-plans for each year, although as the speed of change in the merchandising environment quickens, time horizons are becoming shorter.
- E.g., one firm may use low price strategy and other might employ the strategy of selling quality products.

# Market Segmentation

- MS is a technique of developing separate products and marketing programmes to appear to different consumer classes.
- MS is the strategy to divide and conquer.

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- A **value chain** is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market.
  - Inbound logistics
  - Operations
  - Outbound logistics
  - After sales services

# Terms of Trade

- **Terms of trade (TOT)** refers to the relative price of exports in terms of imports<sup>[1]</sup> and is defined as the ratio of export prices to import prices.<sup>[2]</sup> It can be interpreted as the amount of import goods an economy can purchase per unit of export goods.

# Trade Mark

- TM is a legal term given to a particular branded product duly registered under the Trade names and Trade marks Act.
- The english letter “R” in a circle on each package indicates that this brand of the product is duly registered.