CLASS NOTE

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Subject: Marketing Management

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Unit- I Concept of Marketing Management

In simple terms, market refers to a physical place where goods and services are exchanged between buyers and sellers at a particular price.

However, in economic sense, market does not require a physical location or personal contact between buyers and sellers for the transaction of a product.

*“Economists understand the term market not any particular marketplace in which things are bought and sold but the whole of any region in which buyers and sellers are in such free intercourse with one another that the price of the same goods tends to equality easily and quickly” – Cournot.*

In economics, market is defined as a set of buyers and sellers who are geographically separated from each other, but are still able to communicate to finalize the transaction of a product. The market for a product can be local, regional, national, or international.

A market can have a number of interconnected characteristics, including level of competition, number of sellers and buyers, type of products, and barriers to entry and exit. These interlinked characteristics are combined to form a market structure. Among various characteristics of a market, the level and nature of competition contribute a significant part in the classification of market structure.

Depending on the degree and type of competition, market structures can be grouped into three main categories, namely, purely competitive market, perfectly competitive market, and imperfectly competitive market. A purely competitive market is one which is characterized by

A perfectly competitive market is a wider term than a purely competitive market. In a perfectly competitive market, a large number of buyers and sellers are involved in the transaction of homogenous products. In this type of market, buyers and sellers are fully aware about the prices of products.

Therefore, the market price of a product is fixed in a perfectly competitive market. However, this type of market structure cannot exist in the real world. On the other hand, an imperfectly competitive market is defined as a market in which buyers and sellers deal in differentiated products. Moreover, in an imperfectly competitive market, sellers have the power of influencing the market price of products.

**Concept of Market:**

In general terms, the word market is associated with a place where transaction occurs between sellers and buyers. It is defined as an area where a large number of shops sell a particular product. For example, Mahatma Phule market in Pune is a retail market of vegetables and Dalai Street in Mumbai is the stock exchange market.

Apart from this, there are certain cities that specialize in the manufacturing of a particular product and become national markets. For example, Ahmedabad is known for textiles, Banaras for silk, Kashmir for shawls, and Darjeeling for tea. Similarly, there are certain countries that specialize in a particular product, which are termed as international markets. For example, China is known for electronic products.

However, in economics, the meaning of market is different from the general meaning of market. In economic terms, market is defined as a system under which buyers and sellers negotiate the price of a product, settle the price, and transact their business

Moreover, it is not necessary that sellers need to sell their products at a particular place; they can distribute the products round the world. In economic sense, personal or physical contact between buyers and sellers is also not necessary.

They can perform transaction through various modes of communication, such as telephone, Internet, or video conferencing. According to Cournot, “Economists understand the term market not any particular marketplace in which things are bought and sold but the whole of any region in which buyers and sellers are in such free intercourse with one another that the price of the same goods tends to equality easily and quickly.” Thus, market does not imply a particular place, but comprises local, regional, national and international market.

**As per the definition given by Cournot, following are the essentials of a market:**

i. Products which are dealt with

ii. Presence of buyers and sellers

iii. A place, whether a certain region, country, or the whole world

iv. A type of interaction between buyers and sellers, so that the same price prevails for same products at the same time

**Classification of Market:**

Market refers to a system under which buyers and sellers negotiate the price of a product, settle the price, and transact their business. The buyers and sellers behave differently in different markets and influence the prices of products. Therefore, markets need to be classified on the basis of various factors.

**Some of factors are as follows:**

**i. Size:**

Refers to an important basis of classification of market. The size of market varies according to the type of product.

**Along with the product, there are some other factors that affect the size of market, which are as follows:**

**a. Type of Product:**

Helps in determining the size of a market. A product that has high portability’ and durability and whose supply varies with time, then the market size of that product would be large. For example, market size of wheat, petroleum, and coal. On the other hand, perishable products, such as fruits and vegetables, have narrow markets.

**b. Demand:**

Constitutes a significant factor for determining market size. A product whose demand is high would have a large market size due to a large number of buyers. On the other hand, a product that has less demand would have a small market size, as only few buyers are willing to buy it.

**c. Mobility of Products:**

Affects the market size to a large extent. Generally, a product that can be easily transported to different regions has a large market size. For example, products, such as food grains and clothes, are easily transportable. On the contrary, fast moving consumer goods (FMCG), such as eatables and flowers, are difficult to be transferred due to short life span. Therefore, these products have a small market size.

**d. Peace and Security:**

Refers to the type of political, social and economic environment of a country or region. The regions or countries that are not considered as peaceful places do not attract organizations to establish or market their products. Therefore, the market size of products is restricted in the regions where security is limited.

**e. Currency and Credit System:**

Influences the size of a market to a greater extent. A well-developed currency and credit system of a country helps organizations to flourish and expand more, which plays a very important role in increasing the market size of a product.

**f. State Policy:**

Plays an important role in increasing or decreasing the market size of a product. If the state policy supports and encourage the expansion of a product, it would result in increase in the size of the market. For example, eco-friendly products are encouraged by government. On the other hand, products that are restricted according to the state policy would lose the market size, such as tobacco and alcohol.

**ii. Competition:**

Refers to the most important basis of classification of market. On the basis of competition, markets are classified as perfect market and imperfect market. In a perfect market, buyers and sellers are fully aware about the prices of products prevailing in the market.

Therefore, the price of a product is same all over the market. On the other hand, in an imperfect market, the price of a product is different all over the market as buyers and sellers do not have any information regarding prices of products.