CHAPTER 1 : Types of business

1. Markets and Marketing

Markets : Markets were places where buyers and sellers would meet to exchange goods and services. Anywhere to trade goods and services, can be without buyers and sellers meeting up.

- **Customers goods markets** : Where products such as food, cosmetics and magazines are sold.
- **Markets for services** : these can include services for individuals, such as hairdressing, or business services such as auditing.
- **The housing market** : where people buy, sell and let property
- **Commodity markets** : where raw materials, such as oil, copper, wheat, coffee are traded.
- **Financial markets** : where currencies and financial products are traded.

Marketing : involves a range of activities that help a business sell its products. However, marketing is not just about selling, it involves

- Identifying the needs and wants of consumers
- Designing products that meet these needs
- Understanding the threat posed by competitors
- Telling customers about products
- Charging the right price
- Persuading customers to buy products
- Making products available in convenient locations.

2. The characteristics of mass markets and niche markets

- **Mass market** : when a business sells the same products to all consumers and markets then in the same way. Eg. Still water, soft drinks and breakfast cereals

Advantages	Disadvantages
1. It is a huge market : Firms can increase sales revenue and possible to gain profit 2. Producer can achieve economies of scales : average cost will be lower	1. There will be high competition in the mass market. 2. Businesses may need to spend more on marketing.

- **Niche market** : is a small segment- a segment that has sometimes gone " untouched" by larger businesses. => sell to small customer group, or specific needs.

Advantages	Disadvantages
1. Firms need to focus on customers : Firms can survive by supplying in niche market. 2. There will be less competition in the market, firms can increase opportunity to raise higher price (premium price)	1. It is very small and therefore there will be limited no. of competition 2. It can limited sales revenue and profit.

3. Market size

: The size of a market can be estimated or calculated by the total sales of all businesses in the market.

3.1 Value : This is the total amount spent by customers buying products.

3.2 Volume : This is the physical quantity of products that are produced and sold.

4. Market share and market penetration : this the term used to describe the proportion of a particular market that is held by a business, a product, a brand or a number of businesses or a products.

(Sales of a business /Total sales in the market) x 100

Benefits of market share

- It can indicate a business that is a market leader
- It might influence the strategy or objectives of a business eg. Business who has small market share may need to set a target of increasing its share by 5 % over a period of time.
- It may also be an indication of the success or failure of a business / its strategy

5. Brands : are given brand names to distinguish them from other products in the market. Eg. Toyota, Nike and Apple.

Branding might be used to :

- Differentiate the product from those of rivals
- Create customer loyalty
- Help product recognition
- Develop an image
- Charge a premium price when the brand becomes strong eg. Chanel / Hermes

6. Online retailing

: when transaction occurs from the online platforms eg. Internet etc.

Advantages

- Retailers can market their goods to people who prefer to shop from home or who find it difficult to get traditional shops. Eg. Finished work late can unable to shop at department store
- It is easier to gather personal information from customers so that they can be targeted with other products and offers in the future
- Selling costs such as staffs eg. Rent fee can be reduced
- Marketing cost will be lower. Eg. Facebook VS television
- Online retailer can reach more customers

7. How markets change?

7.1 The size of market

7.2 The nature of market

7.3 New markets

8. Innovation and market growth

Markets can grow overtime- some rapidly and some slowly . Growth in existing markets and new markets may occur for the following reasons

- Economic growth
- Innovation
- Social changes
- Changes in legislation
- Demographic changes

9. Adapting to change

Market can change over the period of time. If firms cannot adapt quickly to the changing needs of customers, they will lost out to rivals that do adapt.

- Flexibility : firms need to be prepared for changed and may develop culture of flexibility in the organisation
- Market research : Business may need to keep in touch with developments of the market
- Investment : Business need to invest in innovation and technology to source for a long term

10. How competition affects the market

Competition is the rivalry that exists between businesses in the market.

- **Business** : competition puts businesses under pressure. It means that they have to encourage customers to buy their products in preference to those rivals. These will use a range of methods to attach customers including

- Lower price
- Making their products appear different to those of rivals
- Offering better quality products
- Using more powerful or attractive advertising or promotions
- Offering ‘ extras ‘ such as high-quality customer services.

- **Customers** : Consumers will generally benefits from competition in markets.
  eg. Consumers will have more choices, lower prices, and better quality products