Mohamed Khaider University, Biskra

Faculty of Economics, Commerce and Management Sciences

Commerce Department

Module: English
Branch: Marketing
Level: Third year Bachelor

Lecture 01: Market

Learning Objectives

After teaching this Lecture the Students should be able to:

- *Define the Market*

- *Identify the different classifications of Market*

- *Illuminating the different terms related to market*

The Lecture is about to know the Fundamentals of supply and demand, and we must focus our vision on studying of how markets work. It is an attempt to explicate this place by going back to the basics.

1- Defining the Market

The term market defined by different authors in different ways. The word market is derived from the Latin word 'Marcatus' which means trade, commerce, merchandise, a place where business is transacted. The common usage of market means a place where goods are bought or sold. It is a medium or place to interact and exchange goods and services. In simple words, the meeting place of buyers and sellers in an area is called Market. It is a set up where two or more parties engage in exchange of goods, services and information.

According to Pyle "Market includes both place and region in which buyers and sellers are in free competition with one another."

Ideally a market is a place where two or more parties are involved in buying and selling. The two parties involved in a transaction are called seller and buyer. The seller sells goods and services to the buyer in exchange of money. There has to be more than one buyer and seller for the market to be competitive.

2- **Types of Markets**

On the basis of different approaches markets have been classified on the basis of Area, Nature of Goods, and Economic view, Transaction, Regulation, Time, Volume and importance.

A- On the Basis of Geographical Area

- Family Market: When exchange of goods or services are confined within a family or close members of the family, such a market can be called as family market.

- Local Market: Participation of both the buyers and sellers belonging to a local area or areas, may be a town or village, is called as local market. The demands are limited in this type of market. For example, perishable goods like fruits, fish, vegetables etc. But strictly speaking such markets are disappearing because of the efficient system of transportation and communication. Even, then, in many villages such markets exist even today.

- **National Market**: a certain type of commodities has demand throughout the country. Hence it is called as a national market. Today the goods from one corner can reach another corner with ease as the communication and transportation facilities are developed well in India. This creates national markets for almost all the products.

- **World Market** (**International Market)**: it is one where the buyers and sellers of goods are from different countries i.e., involvement of buyers and sellers beyond the boundaries of a nation.

B. On the Basis of Goods

- Goods Market: it is a place where produced goods or consumption goods are bought and sold. They are subdivided into:

Produce Exchange Market: It is an organised market where commodities or agricultural produce are bought and sold on wholesale basis. Generally it deals with a single commodity. It is regulated and controlled by certain rules. e.g. Wheat Exchange Market of Hapur, the Cotton Exchange Market of Bombay etc.

Manufactured Goods Market: This market deals with manufactured goods. e.g., Leather goods, manufactured machinery etc. The Leather Exchange Market at Kanpur is an example of the same.

Bullion Market: This type of market deals with the purchase or sale of gold and silver. Bullion markets of Mumbai, Kolkata, Kanpur etc., are examples of such markets.

- **Capital Markets:** New or going concerns need finance at every stage. Their financial needs are met by capital markets. They are of three types:

Money Market: It is a type of market where short term securities are exchanged. It provides short term and very short term finance to industries, banks, government's agencies and financial intermediates.

Foreign Exchange Market: It is an international market. This type of markets helps exporters and importers, in converting their currencies into foreign currencies and vice versa.
The Stock Market: This is a market where sales and purchases of shares, debentures, bonds etc., of companies are dealt with. It is also known as Securities market.

D. On the Basis of Economics

- **Perfect Market**: A market is said to be a perfect market, if it satisfies the following conditions:
• Large number of buyers and sellers are there.
• Prices should be uniform throughout the market.
• Buyers and sellers have a perfect knowledge of market.
• Goods can be moved from one place to another without restrictions.
• The goods are identical or homogenous. It should be remembered that such types of markets are rarely found.
- **Imperfect Market**: A market is said to be imperfect when

• Products are similar but not identical.
• Prices are not uniform.
• There is lack of communication.
• There are restrictions on the movement of goods.

E. On the Basis of Transaction

- **Spot Market**: In such markets, goods are exchanged and the physical delivery of goods takes place immediately.
- **Future Market**: In such markets, contracts are made over the price for future delivery. The dealing and settlement take place on different dates.

F. On the Basis of Regulation

- **Regulated Market**: These are types of markets which are organised, controlled and regulated by statutory measures.

- **Unregulated Market**: It is not regulated by statutory measures. This is a free market, where there is no control with regard to price, quality, commission etc. Demand and supply determine the price of goods.

G. On the Basis of Time

- **Very Short Period Market**: Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market. There is no change in the supply of goods. Price is determined on the basis of demand.
- **Short Period Market**: In certain goods, supply is adjusted to meet the demand. The

demand is greater than supply. Such markets are known as Short Period Market.
- Long Period Market: This type of market deals in durable goods, where the goods and services are dealt for longer period usages.

H. On the Basis of Volume of Business

- Wholesale Market: In this market goods are supplied in bulk quantity to dealers/ retailers. The goods and services are not sold to customers directly.

- **Retail Market**: In this market the goods are purchased from producer or wholesales and sold to customers in small quantities by retailers.

I. On the Basis of Importance

- Primary Market: The Primary producers of farm sell their output or products through this type of markets to wholesalers or consumers. Such markets can be found in villages and mostly the products arrive from villages
- Secondary Market: In this market, the semi-finished goods are marketed. Here finished goods are not sold. The commodities arrive from other markets. The dealings are commonly between wholesalers or between wholesalers and retailers.
- Terminal Market: It is a central site that serves as an assembly and trading place for commodities in a metropolitan area. For agricultural commodities, these are usually at or near major transportation hubs

3-The importance of Market

• To exchange (barter) goods and services.
• To adjust demand and supply by price mechanism.
• To improve the quality of life of the society.
• To introduce new modes of life.
• To develop product by enhancing market segment.

4- **Key Terms to learn**

- Merchandise: The word "merchandise" comes from the Old French word "merchandise," from "marchand" or merchant. It is goods that are bought, sold, or traded

- Buyers: a person who buys; purchaser; customer

- Sellers: a **seller** is an individual or other entity that offers a good, service, or asset in return for payment. It is a person or company that sells that type of thing. Synonyms of **seller** are vendor, merchant, dealer.

- Commodities: A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards.

- Competition: is a situation in which two or more people or groups are trying to get something which not everyone can have.

- Consumption: is the act of eating or drinking something, or the amount that is eaten or drunk.

- Securities: The term "security" refers to a fungible, negotiable financial instrument that holds some type of monetary value. It represents an ownership position in a publicly-traded corporation via stock; a creditor relationship with a governmental body or a corporation represented by owning that entity's bond; or rights to ownership as represented by an option.

- Currencies: Currency is a medium of exchange for goods and services. In short, it's money, in the form of paper or coins, usually issued by a government and generally accepted at its face value as a method of payment. In the 21st century, a new form of currency has entered the vocabulary, the virtual currency. Virtual currencies such as bitcoins have no physical existence or government backing and are traded and stored in electronic form.

- Shares: Shares are units of equity ownership in a corporation. For some companies, shares exist as a financial asset providing for an equal distribution of any residual profits, if any are declared, in the form of dividends. Shareholders of a stock that pays no dividends do not participate in a distribution of profits. Instead, they anticipate participating in the growth of the stock price as company profits increase. Shares represent equity stock in a firm, with the two main types of shares being common shares and preferred shares. As a result, "shares" and "stock" are commonly used interchangeably.

- Debentures: A debenture is a type of bond or other debt instrument that is unsecured by collateral. Since debentures have no collateral backing, they must rely on the creditworthiness and reputation of the issuer for support. Both corporations and governments frequently issue debentures to raise capital or funds.

- Wholesale: Wholesaling is the act of buying goods in bulk from a manufacturer at a discounted price and selling to a retailer for a higher price, for them to repackage and in turn resell in smaller quantities at an even higher price to consumers. Due to the large quantities purchased from the manufacturer at a discounted price, the wholesaler can also pass on this discount to retailers. The retailer sells at a price that reflects the overall cost of doing business.

- Retail: is the activity of selling goods direct to the public, usually in small quantities.