The market, its definition and structure

A market consists of all the consumers who purchase a particular type of good or service. The market may be sub-divided into separate segments each of which can be considered to be a separate market in its own right. It is very important for a business to be able to define its market:

1. So that it can estimate the size of the market

2. So that it can forecast the growth of the market

3. To identify the competitors in the market

4. To break the market down into relevant segments

5. To create an appropriate marketing mix to appeal to customers in the market.

There are different types of markets, for example:
Business-to-Business (B2B) markets in which a businesses customers are other businesses.

Business to Consumer (B2C) markets in which businesses sell to other customers.

Some markets take place in a physical location e.g. a street market, whereas others may be virtual markets e.g. when people buy and sell through the medium of the Internet.

The size of the market can be calculated in terms of the number of customers that make up the market, or the value of sales in the market. A business can then calculate its market share in terms of the number of customers its sells to, or the total value of its sales.

Markets are typically structured into segments. Primary segmentation is between customers buying entirely different products. For example, an oil company manufactures a wide range of fuels and lubricants for road, rail, water and air transport and for industry, all of them for different groups of customers.

Further segmentation can be based on demographic and psychographic factors. Demographics segment people by clearly ascertainable facts their sex, their age, size of family, etc.

Psychographics segment people by something less clearly ascertainable and often disputable: their 'life-style'. A person's lifestyle is built up from his or her attitudes, beliefs, interests and habits.