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Market and market potential: A conceptual paper

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ABSTRACT

This paper focuses on an important aspect of marketing upon which all the concepts of marketing depend like segmentation, targeting, positioning, distribution, pricing, etc. This conceptual research paper delves into the fundamental concepts of markets and market potential. As essential drivers of economic activity, markets serve as pivotal arenas where buyers and sellers interact to exchange goods, services, and information. The paper explores the multifaceted dimensions of markets, and types of demand, elucidating their characteristics, classifications, and functions in diverse industries and sectors. The market plays an important role in all the sectors like primary (Agriculture), secondary, and tertiary sector. Central to this study is the exploration of market potential, a crucial aspect that determines the growth prospects and profitability of businesses and the agricultural sector. By delving into market potential analysis, this paper examines the underlying factors that influence market attractiveness, including consumer demographics, purchasing power, demand trends, and competitive landscapes. Through a comprehensive review of existing literature, this research seeks to provide a conceptual framework that deepens the understanding of markets, types of demand, and market potential.

Keywords- *Market, Market potential, Market demand, Price, Quantity*

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MARKET

Traditionally, a "market" was a physical place where buyers and sellers gathered to buy and sell goods. Economists now describe a market as a collection of buyers and sellers who transact over a particular product or product class (the housing market or grain market), but marketers view the sellers as constituting the industry and the buyers as constituting the market [9][7]. Market refers to a location or a specific geographic region where buyers and sellers of commodities come together to transact business. A gathering of buyers and sellers who engage in the exchange of goods and services is referred to as a market in economics. Or a market is a physical location where customers with cash and sellers with products come together to exchange items for cash. Market in economics refers to a collection of customers and sellers who engage in the exchange of commodities and services. In other words, Markets are locations where products and services are traded. In a market, there are buyers and sellers who can communicate with one another to transact the purchase and sale of products and services [1][17].

Characteristics of a market [1][3][17]

1. Buyers and Sellers: The commodity has both buyers and sellers.
2. Contacts: The beginning of communications between buyers and vendors. If buyers and sellers can get in touch with one another via phone, agency, letter writing, internet, etc., distance is irrelevant.
3. Commodity: The same commodity or type is used by both buyers and sellers.
4. Price: The commodity that is purchased and sold in the market should have a price.

Classification of market

A) Classification according to Area [1][3][17]

1. Local Market: -Village markets, also known as primary markets or hats, form an essential part of India's rural economy. These markets are typically limited to groups of nearby or closely situated villages. They serve as primary centers for trade and commerce in rural regions. The scope of these markets encompasses perishable commodities such as vegetables, fruits, fish, and milk, making them crucial for local communities' sustenance. These village markets play a vital role in sustaining rural livelihoods and fostering economic exchanges within local communities. Understanding their significance can help policymakers and stakeholders design targeted interventions for rural development and inclusive growth.

2. Regional market: -Regional markets, also known as district or state markets, encompass a larger area of operation compared to local markets in India. These markets serve as crucial trade hubs, covering several districts or even an entire state. State food grain markets exemplify the scope of regional markets, facilitating the exchange of essential commodities across extensive regions. Regional markets play a vital role in the trade of various goods, with fruit markets being a prominent example. These markets operate within the state, regularly facilitating business transactions in notified commodities. The regularity and efficiency of these markets are key in ensuring the smooth flow of goods and supporting the agricultural and economic activities of the respective regions.

3. National Market: -National markets in India represent an expansive scale of operation, covering the entire country for commodities with widespread demand. These markets play a pivotal role in facilitating trade and commerce for goods that are in demand across the nation. Examples of national markets include textile markets and jewelry markets, among others.

4. Global Market/International Market: -A global market refers to a marketplace where demand and supply factors are influenced on a global scale, transcending national borders. The world gold market serves as an apt example, with commodities traded and purchased in countries across the globe. These markets have extensive geographical reach, operating on an international level. Global markets exist for various commodities, including cashews, coffee, tea, spices, condiments, precious metals like gold and silver, diamonds, machinery, and more. Recently, even traditionally local commodities like textiles, rice, wheat, sugar, cut flowers, fruits, processed products, etc., have attained global market status.

B) Classification according to Location [1][3][17]

The place of the markets serves as a foundation for classifying markets into village markets, number one wholesale markets, secondary wholesale markets, terminal markets and seaboard markets.

1. Village Markets: -Village markets, also known as local markets or primary markets, are situated in rural areas and serve a limited group of nearby villages. They primarily trade in perishable commodities like vegetables, fruits, fish, milk, and other locally produced goods. These markets are essential for meeting the daily needs of rural communities and play a vital role in supporting local economies.

2. Primary wholesale Markets: -Primary wholesale markets are larger in scale than village markets and are typically located in regional centers. They act as the first point of aggregation for goods coming from various villages and nearby areas. These markets facilitate the bulk purchase and distribution of goods to secondary wholesale markets and other regions.

3. Secondary wholesale Markets: -Secondary wholesale markets are larger trading centers that receive goods from primary wholesale markets and distribute them to retailers or smaller wholesalers. These markets are usually located in urban areas and play a critical role in the distribution of goods across wider regions.

4. Terminal Markets: -Terminal markets are well-organized markets located in major cities, state capitals, and other significant commercial centers. These markets serve as central points for the aggregation, distribution, and sale of various commodities from different sources. They facilitate modern methods of marketing operations, ensuring efficiency in trade and distribution. Terminal markets, also known as central or hub markets, are major commercial centers where commodities from various sources converge. They serve as focal points for trade and distribution, handling substantial quantities of goods that are then dispersed to various parts of the country or even exported.

5. Seaboard markets: -Seaboard markets are located near major ports and cater to the import and export of goods via maritime transportation. These markets facilitate international trade and are significant for countries heavily engaged in foreign commerce. Seaboard markets serve as major gateways for global commerce, allowing efficient trade links with other countries and continents. They are often situated in major coastal cities such as Chennai, Bangalore, Mumbai, and others, which have well-developed port infrastructure.

C) Classification according to Number of Commodities [1][3][17]

1. General markets: -In general markets, a wide range of commodities are sold, catering to various needs and preferences of consumers. These markets are inclusive and diverse, providing a platform for the exchange of goods from different categories. Some examples of commodities sold in general markets include: food grains, textile goods, fresh products, household items, electronics and appliances, stationary and office items, handicrafts, home décor, furnishing items, etc.

2. Specialized Markets: -Specialized markets are dedicated to the trade of specific commodities, and they are often named after the goods they transact. These markets focus on the efficient buying and selling of particular items, serving as central hubs for that specific product's distribution and sale. Examples of specialized markets include: vegetable market, wool market, cotton market, jute market, fish market, etc.

D) Classification according to Time [1][3][17]

Based on time markets are commonly categorized into 3 classes viz., brief duration markets, lengthy duration markets, and secular markets.

1. Short Period Markets: -Markets that are held for a brief period during the day with fixed supplies of commodities demonstrate price variations based on demand. These markets have a limited time frame for trading, and the supply of the specific commodity remains constant throughout that period. The supply is inelastic, meaning it does not change in response to fluctuations in demand. Examples of these markets include the fish market, vegetable market, and flower market. In these markets, since the supply is fixed and inelastic, even slight changes in demand can result in noticeable price fluctuations. The dynamics of these markets highlight the importance of understanding consumer behavior and preferences, as well as the factors influencing demand on a given day.

2. Long Period Markets: -The markets where durable commodities are transacted, and prices are determined by supply and demand are known as "Commodity Markets" or "Commodities Exchanges." These markets facilitate the trading of various raw materials and primary agricultural products that can be stored for an extended period without significant deterioration in quality. Some key features of commodity markets include:

a) It deals with durable commodities only.
b) Participants in these markets often store the produce and sell it in future markets.
c) Prices of commodities in these markets are primarily

influenced by the forces of supply and demand.
d) Commodity markets offer a way for producers, consumers, and traders to manage price risks associated with fluctuating commodity prices. Hedging strategies using futures contracts can help mitigate potential losses due to price volatility.

3. Secular Markets: -The markets you are describing are commonly known as "Trade Fairs" or "Trade Expos." These are permanent, well-organized markets that focus on the trade of manufactured goods, machinery, and other products. They facilitate both domestic and international business transactions, including export and import activities.

E) Classification according to Volume of Business [1][3][17]

According to this criterion markets are categorized into kinds viz., wholesale markets and retail markets.

1. Wholesale Markets: -Wholesale markets are specific types of markets where goods are bought and sold in large quantities among traders, wholesalers, and retailers, rather than directly to consumers. These markets play a crucial role in the distribution and supply chain of various commodities. Some key characteristics of wholesale markets include: bulk transactions, intermediary role, price efficiency, centralized trading, a variety of commodities, market information, etc.

2. Retail Markets: -Retail markets are the final stage in the supply chain, where retailers sell commodities to consumers in small quantities based on their individual requirements. These markets are the primary points of contact between producers or wholesalers and end consumers. Here are some key features of retail markets: small quantity sales, diverse range of goods, consumer-centric approach, location and accessibility, point of sale, consumer experience, intermediary role, etc.

F) Classification according to Nature of Transaction [1][3][17]

Markets are classified into cash markets and forward markets based on the type of transaction.

1. Cash Markets: -Cash markets, also known as spot markets, are markets where transactions occur through the immediate exchange of goods for cash. In these markets, buyers and sellers settle the transaction on the spot, and the delivery of the goods and payment take place simultaneously.

2. Forward Markets: -The markets where future sales and purchases of commodities take place at the current time are known as "Futures Markets" or "Futures Exchanges." In these markets, participants enter into agreements known as "futures contracts" to buy or sell a specific quantity of a commodity at a predetermined price and date in the future. This process of using futures contracts to manage price risks is called "hedging."

G) Classification according to Government Intervention and Regulation [1][3][17]

Based on the regulation by the Government, markets are classified into two categories viz., regulated markets and unregulated markets.

1. Regulated Markets: -Regulated markets, also known as Agricultural Produce Market Committees (APMCs) or Mandis in India, are established under various state-level APMC Acts. These markets are governed by statutory market committees that are responsible for overseeing and regulating the trading and marketing of agricultural produce. These types of markets possess certain characteristics like, forward contracts, price fixing, hedging, speculation, centralized exchange, margin trading and physical or cash settlement.

2. Unregulated Markets: -Unregulated markets, also known as informal or open markets, operate without any formal oversight or government regulations. In such markets, there is a lack of standardized rules and guidelines for buying, selling, and trading goods. As a result, unregulated markets can be characterized by the following: Absence of supervision, lack of rules and regulations, exploitation of farmers and consumers, unfair weight, measurement and payments, lack of price discovery, informal transactions, limited market information, etc.

H) Classification according to Nature of the Commodity [1][3][17]

Based on the nature of commodities, markets are classified into commodity markets and capital markets.

1. Commodity Markets: -Commodity markets are specialized markets that facilitate the buying and selling of various commodities. These markets play a crucial role in the trade of primary goods, raw materials, and agricultural products. Examples of commodity markets include the cotton market, wheat market, cattle market, crude oil market, coffee market, etc.

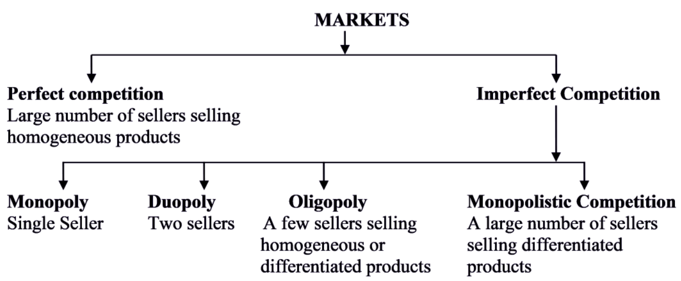
2. Capital Markets: -Capital markets are financial markets where long-term financial instruments such as shares (equities), securities, bonds, and other financial assets are bought and sold. These markets play a critical role in channeling funds from savers to investors, facilitating capital formation and investment in the economy. Two specific examples of capital markets are the share market and the money market.

I) Classification according to Vision [1][3]

1. Black Market or Invisible Markets: -In these markets the goods are not placed in the shops, but they are kept in the godown of the market. Hence, the name black markets. The goods cannot be seen by the naked eye. On demand, the goods are delivered to the buyer on cash transaction Any good, which is in short of supply and anything which has high effective demand will be sold in the black market. During wars, droughts, floods, catastrophes, etc., there is a rigorous black-marketing activity for goods. Black markets are closed markets.

2. Open Markets or Visible Markets: -These are visible markets and transactions take place between buyers and sellers and the price is determined by demand and supply.

J) Classification according to competition [1][3][8][9]



1. Perfect competition: -Perfect competition is a market situation where there are an infinite number of sellers and buyers and no one is big enough to have any appreciable influence over market price. It is also called Open Market[1][3][8][9].

Characteristics
1.Large range of customers and sellers
2.Homogeneous Product
3.Perfect know-how approximately marketplace conditions
4.Free access and Free exit
5. Perfect mobility of things of production
6. Absence of shipping cost
7. Absence of Government or synthetic regulations or collusions

Advantages
1. There is consumer sovereignty in a perfect competitive market.
2. In the perfectly competitive market, the prices are equal to marginal cost. It is beneficial to the consumer.
3. It is not necessary for the producers to incur expenditure on advertisement to promote sales. This reduces the wastage of resources.
4. In the long run, maximum economic efficiency in production is achieved. There is no idle or unused or excess capacity.

2. Imperfect competition: -Any deviation from the conditions of perfect competition in a market leads to the existence of imperfect competition. More especially the characteristic features like few sellers selling a differentiated product, absence of price information, restriction of free entry and free exit of the firms, the existence of transportation costs etc. represent imperfect competitive markets. Imperfect competition takes several forms viz., monopoly, monopolistic competition, duopoly, oligopoly, monopsony and oligopsony.

I. Monopoly [1][3][8][9]
A monopoly is a market structure in which there is a single seller, there are no close substitutes for the commodity and there are barriers to entry.

Characteristics
1. There is only one seller; he can control either the price or supply of his product. But he cannot control demand for the product, as there are many buyers.
2. No close Substitutes for the product. The buyers have no alternatives or choices. Either they have to buy the product or go without it.
3 .The monopolist has control over the supply so as control over the price.
4. No Entry: There is no freedom to other producers to enter the market as the monopolist is enjoying monopoly power. There are legal, technological, economic, and natural obstacles, which may block the entry of new producers.
5. There is no difference between a firm and an industry. As there is only one firm, that single firm constitutes the whole industry.

Advantages
1. Low fee of manufacturing: -Monopoly firms have large-scale production possibilities. This will result in the reduction of costs of production. Output can be sold at low prices. This is beneficial to the consumers.

2. Fast Innovation: -Monopoly firms have vast financial resources that could be used for research and development. This will enable the firms to innovate quickly.

3. Expansion of marketplace: -There are a number of weak firms in an industry. These firms can combine together in the form of a monopoly to meet competition. In such a case, the market can be expanded.

Disadvantages
1. High price: -A monopolist always charges a high price, which is higher than the competitive price. Thus, a monopolist exploits the consumers.

2. Artificial shortage: -A monopolist is interested in getting maximum profit. He may restrict the output and raise prices. Thus, he creates artificial scarcity for his product.

3. Uneven fees: -A monopolist often charges different prices for the same product from different consumers.

4. Inequality: -In a country dominated by monopolies, wealth is concentrated in the hands of a few. It will lead to inequality of income. This is against the principle of the socialistic pattern of society.

II. Duopoly [1][3][8][9]
A duopoly is a market situation in which there are only two sellers. It is very close to oligopoly in all respects barring the number of firms. Each firm keeps a close watch on the actions of the other firms as a chain reaction is imminent since the policy of one is immediately challenged by the other. This sort of rivalry goes ahead in a duopoly. So as to continue in the business, one firm has to make an intelligent guess of rivals actions. Hence, the stiff competition exists between the two firms. If each seller feels that the competition in which there are locked-in is going to ruin their fortunes, a mutual agreement is arrived at for the benefit of both the firms. Thus, in a duopoly, competition as well as cooperation coexist.

III. Oligopoly [1][3][8][9]
It represents the presence of a few firms in the market, producing either a homogeneous product or products that are close but not perfect substitutes to each other. Oligopoly can be divided into two forms, viz., perfect oligopoly, wherein a few firms produces a homogeneous product and imperfect oligopoly wherein there are a few firms producing heterogeneous products. Examples are televisions, two-wheelers, four-wheelers, tires, cigarettes, textiles, etc.

Characteristics [1][3][8][9]
1. Presence of few sellers: An important feature of oligopoly is the presence of few sellers. The product here is homogeneous or heterogeneous in nature. Since the number of sellers is few, each firm commands a sizable market share of a product.

2. Interdependence: Due to the number of firms in the industry, no single firm can afford to ignore the reaction of other firms to its actions. Suppose a given firm is contemplating bring some changes in its price and output policies, it duly considers the counter actions of the other firms. Thus, the fortunes of one firm are decided upon by the policies of the other firms.

3. Indeterminate Demand curve: The interdependence of the firms under oligopoly creates an uncertain atmosphere. The price and output policies resorted to by a given firm and its consequent sales of other firms cannot be estimated with any amount of certainty. Suppose, if a firm would like to lower the price to increase sales, the anticipated increase may not take place, for other firms too would have lowered the price by still a higher margin. This reaction of the other firms is a difficult proposition to assess. Hence, the demand or revenue curve is indeterminate.

4. Conflicting attitudes of firms: The firms in oligopoly behave as arch rival and like to be independent to get maximum profit. By their actions and counteractions, they create an atmosphere of uncertainty. Against this action, at times they behave differently by cooperating with each other to eliminate uncertainty arising out of mutual competition. By this way they join together to maximize their profit. Certainly, it is a conflicting attitude of the firms as reflected by the competition and co-operation.

5. Competition: There is always a constant battle among the firms in oligopoly. This rivalry continues as long as the firm exists in the business.

6. features of monopoly: Oligopoly is characterized by the presence of few firms, products differentiation and a larger market share. It enjoys the superiority of a monopoly in the business as the differentiated product produced by oligopolists attracts the consumers or rather consumers are more attracted to it. The possibilities are plenty for the firms to unite and done the role of monopoly to enjoy the liberties.

7. Price rigidity: Alongside competition, and monopoly element in oligopoly, price rigidity is another feature. The rivals are more passive for bringing the changes in prices, for such changes may affect the sales and consequently the revenue. The firms are well aware of the fact that any reduction or rise in price leads to price war or loss of dales. This impending danger forces them to keep quiet, consequently price rigidity is a more common phenomenon rather than an expectation in oligopoly.

8. lack of uniformity in the size of firms: Size of the firms in oligopoly differs considerably. Some may be very large, while others very small.

IV. Monopolistic Competition [1][3][8][9]

Under monopolistic competition, the market consists of many buyers and sellers trading over a range of prices rather than a single market price. A range of prices occurs because sellers can differentiate their offers to buyers. Because there are many competitors, each firm is less affected by competitors' pricing strategies than in oligopolistic markets. Sellers try to develop differentiated offers for different customer segments and, in addition to price, freely use branding, advertising, and personal selling to set their offers apart (Kotler et al, 2018).

Monopolistic competition refers to the market situation in which a large number of sellers produce goods that are close substitutes of one another. The products are similar but not identical. The particular brand of product will have a group of loyal consumers. In this respect, each firm will have some monopoly and at the same time the firm has to compete in the market with the other firms as they produce a fair substitute.

The essential features of monopolistic competition are product differentiation and the existence of many sellers. The relevant examples are shampoo, tooth paste, etc.

Characteristics

1. Existence of large number of firms
2. Product differentiation
3. A producer has to incur expenses to popularize his brand. This expenditure involved in selling the product is called selling cost e.g., advertisement.
4. Freedom of entry and exit of firms

V. Monopsony [1][3][8][9]

Monopsony means the presence of single buyer for the products produced by the firms. The example that can be cited is sugar factory. Farmers who are registered as sugarcane growers under factory's jurisdiction are supposed to sell the cane to the sugar factory only. Tobacco board can be cited as other relevant examples.

VI. Oligopsony [1][3][8][9]

It is from the buyers' side in a market. There are only few in number buying sizeable quantities of a product. Each individual buyer is so powerful that his buying behavior influences the market price. The relevant example are gas and iron ores. There are purchased by a few firms in the country and final products are supplied to the market through these oligopolies, viz., Tata company for purchases iron ore, Hindustan Petroleum Corporation buys the gas from the Government or supplies to consumers after refinement etc.

K) Market according to marketers [5][6][7][8][9]

Marketing managers face a host of decisions, from major ones such as what product features to design into a new product, how many salespeople to hire, or how much to spend on advertising, to minor decisions such as the exact wording or color for new packaging. The 'Marketing Memo: Marketers Frequently Asked Questions' lists many of the questions marketing managers ask. These questions vary in importance in different marketplaces. Consider the following four markets: Consumer, Business, Global and Nonprofit.

I. Consumers markets: Companies selling mass consumer goods and services such as soft drinks, toothpaste, television sets and air travel spend a great deal of time trying to establish a superior brand image. This requires getting a clear sense of their target customers and what needs their product will meet, and communicating brand positioning forcefully and creatively. Much of a brand's strength depends on developing a superior product and packaging and backing it with promotion and reliable service. Consumer marketers decide on the features, quality level, distribution coverage, and promotion expenditures that will help their brand achieve a number-one or-two position in their target market.[5][6][7][8][9]

II. Business market: Companies selling business goods and services face well-trained and well-informed professionals buyers who are skilled in evaluating competitive offerings. Business buyers buy goods for their utility in enabling them to make or resell a product to others, and they purchase products to make profits. Business marketers must demonstrate how their products will help customers achieve higher revenue or lower costs. Advertising plays a role, but a stronger role is played by the sales force, price, and the company's reputation for reliability and quality. [5][6][7][8][9]

III. Global markets: Companies selling goods and services in the global marketplace face additional decisions and challenges. They must decide which countries to enter; how to enter each country (as an exporter, licenser, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt their product and service features to each country; how to price their products in different countries in a narrow enough band to avoid creating a gray market for their goods; and how to adapt their communications to fit the cultural practices of each country. These decisions must be made in the face of a different legal system; different styles of negotiation; different requirements for buying, owning, and disposing of property; a currency that might fluctuate in value; a different language; and conditions of corruption or political favoritism. [5][6][7][8][9]

IV. Nonprofit or Government market: Companies selling their goods to nonprofit organizations such as churches, universities, charitable organizations, or government agencies need to price carefully because these organizations have limited purchasing power. Lower prices affect the features and quality that the seller can build into the offering. Much government purchasing calls for bids, with the lowest bid being favored in the absence of extenuating factors. [5][6][7][8][9]

MARKET DEMAND [5][6][7][8][9]

Kotler (2005) explained market demand and revealed that the market demand for the product shall be overall volumes which, within a specified period of time in an established marketing environment and pursuant to a specific marketing program, are purchased by a particular customer group from a given geographic area.

Types of market demand [5][6][7][8][9]

1. Negative demand: -A large part of the market does not like this product, and it can even cost money to avoid it, such as vaccinations, dental treatment, vasectomy or gall bladder surgery. Employers have a negative demand for prisoners and alcoholics as employees. The purpose of the marketing function is to analyze why products are disliked in the market and whether promotional programs based on product restructuring, price reduction, or better sales promotion can change consumer perceptions and attitudes. [5][6][7][8][9]

2. No demand: -Target consumers may not be aware of or interested in the product. Farmers may not be interested in a new farming method, and students may not be interested in foreign language courses. The task of marketing is to find ways to connect product benefits with the natural needs and interests of people. [5][6][7][8][9]

3. Latent demand: -Consumers may have a great need that no existing product can satisfy. There is a huge latent demand for safe cigarettes, safer neighborhoods and fuel-efficient cars. The task of marketing is to measure the size of the potential market and develop goods and services according to the needs. Marketer needs to focus on the middle market to satisfy such latent demand. [5][6][7][8][9]

4. Declining demand: -Every organization sooner or later has to face a decrease in demand for one or more of its products. Church membership declined; the number of applications from private universities has decreased. The marketer must analyze the reasons for the decline and find out if it is possible to revive demand in new target markets by changing the characteristics of the product or improving communication. Marketing's job is to reverse the decline through demand-generating remarketing. Customer feedback, survey, and satisfaction need to be studied as possible reasons for declining demand. [5][6][7][8][9]

5. Irregular demand: -Many organizations face demand that varies seasonally, daily or even hourly. Many mass transit facilities are idle during peak hours and understaffed during peak hours. Museums are sparsely visited on weekdays and full on weekends. The marketing task, called synchronization marketing, is to find ways to change demand through flexible pricing, sales promotion, and other incentives.eg. like cinema. [5][6][7][8][9]

6. Full demand: -Organizations face full demand if they are satisfied with their business. The task of marketing is to maintain the current level of demand in the face of changing consumer preferences and increasing competition. The organization must maintain or improve its quality and constantly measure consumer satisfaction. [5][6][7][8][9]

7. Overfull demand: -Some organizations have more demand than they can or want to handle. Yosemite National Park is extremely crowded in the summer. A marketing task called curtailment requires opportunities to temporarily or permanently reduce demand. General curtailment aims to reduce total demand and includes actions such as raising prices and reducing sales promotion and services. Selective curtailment means trying to reduce demand in those parts of the market that are less profitable.[5][6][7][8][9]

8. Unwholesome demand: -Unhealthy products attract organized efforts to reduce their consumption. There were sales campaigns against smoking, alcohol, hard drugs, handguns, X-ray films and large families. This is an example of demarcating. Marketing's job is to get people to give up something they like using tools like scaremongering, price increases, and reduced availability. [5][6][7][8][9]

Demand Estimates, the Marketing Budget, and Marketing Performance Measures

The measure of market demand [5][6][7][8][9]

Companies can prepare as many as 90 different types of demand estimates. Demand can be measured for six different levels, five different space levels, and three different time levels (Kotler, 2005).

Each demand measure serves a specific purpose. A company might forecast short-run demand for a particular product for the purpose of ordering raw materials, planning production, and borrowing cash. It might forecast regional demand for its major product line to decide whether to set up regional distribution.

Which Product to measure?

Marketers talk about potential markets, available markets, served markets, and penetrated markets. Let's start with the definition of a market: A market is all actual and potential buyers of a market offer. The size of the market depends on the number of potential buyers of a given market offer. A potential market is a group of consumers who show sufficient interest in a market offer. However, consumer interest is not enough to withdraw from the market. Potential consumers must have sufficient income and product choice. An available market is a set of consumers who have interest, income and access to a particular offering. For some marketing offers. In some market offerings, a company or government may restrict sales to certain groups. For example, a certain country may prohibit the sale of motorcycles to persons under the age of 21. Eligible adults constitute the qualified market, a group of consumers who have the interest, income, access and qualifications for a particular marketing offer. [5][6][7][8][9]

A company can target the entire existing market or focus on specific segments. A target market (also called a service market) is the part of the qualified available market that a company chooses to address. For example, a company may decide to focus distribution marketing on the East Coast. A company sells to a certain number of buyers in its target market. A captive market is a group of consumers who buy a company's product. [4][5][6][7][8][9][10][11]

These market definitions are useful tools for marketing planning. If the company is not satisfied with the current sales, it can take several steps. IT can try to attract a larger proportion of buyers from its current target market. This can lower the qualifications of potential buyers. It can expand its available markets by opening outlets elsewhere or lowering its price, or it can reposition itself in the minds of its customers. Consider the case of a Target store or repositioning its product.

The most important terms for measuring demand are market demand and business demand. Within each, we separate the demand function, sales forecast and potential.

Market demand [5][6][7][8][9]

As we have seen, the first step for marketers in evaluating market opportunities is to estimate the overall market demand. Market demand for a product is the total volume that a specific customer group would purchase in a specified geographic area during a specified period of time in a specified marketing environment according to a specified marketing program. Market demand is not a fixed number, but rather a function of specified conditions. Therefore, it can be called the market demand function.

Market Potential and Sales Estimates [4][5][6][7][8][9][10][11][12][13]

HD has completed the calculations for the sales required to achieve breakeven and various profit targets for its new product. Nonetheless, the company requires additional data on demand to evaluate the feasibility of reaching the necessary sales levels. This information is also vital for making decisions related to production and other aspects. For instance, it is essential to develop production schedules and plan marketing tactics accordingly.

The total market demand for a product or service refers to the overall volume that a specific consumer group would purchase within a defined geographic area and time period, considering the prevailing marketing conditions and efforts in the industry. It is crucial to note that total market demand is not a fixed figure; instead, it varies based on the specified conditions. For instance, the total market demand for the product in the following year will be influenced by the marketing expenditures of other producers on their respective brands. Additionally, various environmental factors, such as government regulations, economic circumstances, and consumer confidence levels, significantly impact the total market demand in a given market. Market potential is the limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment. The upper limit of market demand is known as the market potential. To estimate total market demand, HD can adopt a practical approach that involves three variables: (1) the number of potential buyers, (2) the average quantity purchased by an individual buyer per year, and (3) the price of an average unit. By utilizing these figures, HD can calculate the estimated total market demand as follows: [4][5][6][7][8][9][10][11][12][13]

$Q = n * q * p$

Where,

Q = total market demand

n = number of buyers in the market

q = quantity purchased by an average buyer per year

p = price of an average unit

Total market potential is the maximum sales available to all firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions. A common way to estimate total market potential is to multiply the potential number of buyers by the average quantity of each purchase and then by the price. If 100 million people buy books each year and the average book buyer buys three books a year at an average price of $ 20 each, then the total market potential for books is $ 6 billion (100 million*3*$20).

An alternative technique to estimate market demand is the chain ratio method, which involves multiplying a base number by a series of adjusting percentages. As an example, HD's product is specifically designed for streaming high-definition video on high-definition televisions and accessing other video content from the internet on multiple devices within a household. Consequently, probably consumers without high-definition televisions may not be interested in purchasing this product (Kotler, 2005). Moreover, only households with broadband internet access would have the capability to use the product. Finally, not all households with high-definition televisions and internet access may be willing or able to purchase this product. HD could calculate the U.S. demand using a chain of computations similar to the following: [4][5][6][7][8][9][10][11][12][13]

Total number of U.S. households * the percentage of HDTV-owning U.S. Households with broadband internet access * the percentage of these households willing and able to buy this device Based on data from the U.S. Census Bureau, there are approximately 115 million households in the United States. According to HD's research findings, about 60 percent of these households own at least one HDTV and have broadband internet access. Furthermore, the company's research indicates that 30 percent of all households possess both the necessary discretionary income and the willingness to purchase a product like the one offered by HD. [4][5][6][7][8][9][10][11][12][13]

115 million households * 0.60 * 0.30 = 20.7 million households

Households only need to purchase one device because it can stream content to other devices throughout the household. Assuming the average retail price across all brands is $350 for this product, the estimate of total market demand is as follows: [4][5][6][7][8][9][10][11][12][13]

20.7 million Households * 1 device per household * +350 = 7,245,000,000 The initial calculations provided above offer HD a preliminary assessment of potential demand, but they remain rudimentary. To obtain more precise and sophisticated estimations, HD should utilize more comprehensive analyses, considering additional segments and relevant qualifying factors. It is essential to understand that these estimations represent the market potential and are based on assumptions related to adjusting percentages, average quantity, and average price. As a result, HD must ensure that its assumptions are reasonable and well-supported. The overall market potential in terms of dollar sales can vary significantly depending on the average price applied. Therefore, HD must be cautious in determining its pricing strategy to accurately gauge market demand. For this reason, HD will use unit sales potential to determine its sales estimate for next year. Market potential in terms of units is 20.7 million (20.7 million households * 1 device per household).[4][5][6][7][8][9][10][11][12][13]

Assuming that HD forecasts it will have a 3.6 per cent market share in the first year after launching this product, then it can forecast unit sales at 20.7 million units * 0.036 = 745,200 units. At a selling price of $168 per unit, this translates into sales of $125,193,600 (745,200 units * +168 per unit). For simplicity, further analyses will use forecasted sales of $125 million. [4][5][6][7][8][9][10][11][12][13]

The projected unit volume estimate falls comfortably within HD's production capacity and surpasses not only the previously calculated break-even estimate (465,117 units) but also the volume needed to achieve a $5 million profit (581,396 units) or a 30 percent return on investment (534,884 units). However, it is important to note that this forecast falls significantly short of the volume required to achieve a 25 percent return on sales (20 million units!). As a result, HD might need to re-evaluate and adjust its expectations accordingly.

In order to evaluate anticipated profits, it is essential to examine the budgeted expenses associated with the launch of this product. To achieve this, we will create a pro forma profit-and-loss statement.

The chain ratio method multiplies a base number by several adjusting percentages. Suppose a brewery is interested in estimating the market potential for a new light beer especially designed to accompany food. It can make an estimate with the following calculations: [4][5][6][7][8][9][10][11][12][13]

Demand for new light beer = population*personal discretionary income per capita * average percentage of discretionary income spent on food * average percentage of amount spent on food that is spent on beverages * average percentage of amount spent on beverages that is spent on alcoholic beverages * average percentage of amount spent on alcoholic beverages that is spent on beer * expected percentage of amount spent on beer that will be spent on light beer

In order to evaluate market potential for agricultural commodities, the same formula as mentioned in Armstrong and Kotler (2018) is being taken into consideration. Suppose to estimate total market demand of a fertilizer, company can adopt a practical approach that involves three variables: (1) the number of farmers, (2) the average quantity purchased by an individual farmer per year or per month or per season, as per requirement depends on land and dosage of that fertilizer mentioned by the company or government and (3) the price of an average unit according to the quantity. By utilizing these figures, company can calculate the estimated total market demand or market potential as using following same formula. [4][5][6][7][8][9][10][11][12][13]

Q = n * q * p

Where,

Q = total market demand of a fertilizer

n = number of farmers in the market

q = quantity purchased by an average farmer per year/month/season/land size and dosage

p = price of an average unit according to the quantity

The market potential is the number of potential buyers, an average selling price, and estimate of usage for a specific period of time.

The general formula for this estimation is mentioned below. If the exact data is available regarding consumers of a particular product who are buying from particular company and market share, then the following formula can be used to calculate market demand or market potential. [2][14][15][16][18]

MP= N*MS*P*Q [2][14][15][16][18]

Where;

MP- Market Potential

N- Total numbers of people

MS- Market Share, Percent of consumers buying from the company

P- Average selling price

Q- Average annual consumption

This form is applicable to all commodities if the data is available. It can be easily understood by following example.

Assume their farm is already an agritourism operation. Clients wants to offer a corn maze as well as something educational. They decide they will target children in kindergarten through third grade. Their target market has 45700 children between five and nine years of age. Their next step is to adjust the 45700 to get more accurate estimate of the actual market potential. A survey of elementary school teachers showed that only 60 percent of kindergarten through third grade teachers are willing and bale to take an agriculturally related field trip. So, the 45700 kindergarten through third graders needs to be multiplying 60 per cent. This shows an adjusted market potential of 27420 potential students. [14][16][18]

Number of potential consumers = 45700*0.60 = 27420

Then, the client decide to use this lower number and 10 per cent of their market share for the first year. Clients find they will have about 2742 (27420*0.10 = 2742) children. This market potential number will give an idea to clients, if their plan is feasible. [14][16][18]

So, clients have the following set of information to use while calculating the market potential for their agritourism operation: [14][16][18]

Total number of consumers (N) 45700

Market share (Based on information from teachers' times their estimates of how much of the market your clients think they can capture from their competition) 0.06

Average selling price (P) (their cost production): $ 8.00

Average annual consumption (Q) (number of visits/students based on teachers survey): 1

MP = N*MS*P*Q

MP = 45700*0.06*$ 8.00*1

MP = $ 21963

Conclusions

There is a different form of market is exhaust based on certain conditions and several market forms exist in real market situations as and when required. It has been concluded from the paper that market potential is the part or upper limit of market demand. So, market demand or market potential for a particular commodity can be calculated by multiplying the average price of the commodity, the average quantity purchased in a year, and the numbers of farmers in the market.

In conclusion, this conceptual research paper has provided a comprehensive examination of markets and market potential, shedding light on their pivotal roles in shaping economic landscapes and driving business growth. By delving into the intricate facets of markets, we have elucidated their diverse classifications, functions, and significance across various industries and sectors. Understanding the fundamental attributes of markets is essential for businesses to navigate the complexities of the ever-evolving global economy successfully.

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