

# VUSSC/Content/Entrepreneurship/Planning for the Business/The Market

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## 7. The Market

After establishing the type of competition you are likely to face in your business, as well as the supply and demand for the product or service you are going to offer, it is essential to focus on the market. When you complete this section, you will be able to define 'market' and explain the link between your chosen market and the plans you have for the venture. The following areas will be discussed:

- What is a market?
- Market segments
- Market positioning.

A practical knowledge about your market will enable you to draw up a good business plan. That, in turn, will make you stand a good chance of getting business funding from finance institutions.

### What is the meaning of a market?



#### Definition

Defining 'a market'

The concepts of buying and selling lead to the concept of a market. Basically, a 'market' is the set of actual buyers of a product or service. The buyers share a particular need or want that can be satisfied through exchange relationships. What do you understand by 'needs' and 'wants'? Let's examine them briefly.

Human needs are states of felt deprivation. They include physical needs for food, clothing, warmth, and safety; as well as social needs for belonging and affection. Wants, on the other hand, are the form human needs take as they are shaped by culture and individual personality e.g. the rich people will go for expensive cars to match their status. The size of the market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to exchange these resources for what they want.

Originally, the term 'market' stood for the place where buyers and sellers met to exchange their goods, such as a village square. Economists use the term 'market' to refer to a collection of buyers and sellers who transact in a particular product class as in the cattle or grain market. Marketers, however, see the sellers as constituting an industry, and the buyers constituting the market (Kotler and Armstrong, 2004).

Marketers are keenly interested in markets. Each nation's economy and the whole world economy consist of complex, interacting sets of markets that are linked through exchange processes. To reflect on the foregoing, work on this activity.



#### Activity

- Explain how an understanding of the definition of 'a market' helps you plan your business.
- Show how 'a market' is defined in business terms in your country?

## Market Segments

When you are planning your business, it is important to establish your target market or market segment. The idea of a market segment arises from the fact that it is not possible to supply your product to everyone in the community. Segmentation simply means dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviours who might require separate products.

Let's suppose you want to start a business for selling clothing items. How do you establish your segment? To begin with, you should take into account who you want to sell to. A number of questions come to mind, for example: What age group am I going to concentrate on? If you want to concentrate on adults, you still ask yourself: Am I going to sell to adult men or women? If you decide to sell to women, what age range are you going to concentrate on (20-35 years; 35-50 years; 50-60 years, etc.)? Once you decide on your segment, you still have to decide whether you want to specialise in formal clothing or casual. Once you finalise your decision, you can then consider that you have a market segment in place, so your planning will take into account what the type of clothing you are going to supply involves. Why is it important to have a target market?

By going after segments instead of the whole market, entrepreneurs have a much better chance to deliver value to customers, and to receive maximum rewards for close attention to consumer needs. Within a given market segment and customer size, you can easily establish the buying power, motivations for buying, and peak periods for the business. What other benefits do you think accrue from segmentation?



### Discussion

Share with colleagues, or people already in business, the market segments that are in existence in the community where you intend setting up business. How do you think this is going to influence your business plan?

## Market Positioning



### Preknowledge

The term 'market positioning' is probably not new to you. In the space provided, suggest your view about the meaning of the term.

When you arrange for your product to occupy a clear and distinctive place relative to competitors for the same product, we refer to this as market positioning. It is an important aspect of planning for business, and you can position your product on the basis of: more-for-more, the same-for-less, less-for-much less, and more-for-less. These positioning strategies are explained briefly below, and as you read them, try and figure out which would work for you best.

"More-for-more" positioning involves providing the most upscale product or service, and charging a higher price to cover the higher costs. Not only does this positioning offer high quality, it also offers prestige to the buyer.

"The same for less" positioning offers the same quality but for a lower price. Some businesses develop imitative but lower-priced brands in an effort to lure customers from the market leader.

"The less-for-much less" positioning offers cheap products that cost less. This is because a market always exists for products that offer less and, therefore, cost less. Few people need, want, or can afford the very best in everything they buy.

"The more-for-less" positioning is the concept of offering better products at a much lower price. However, research has shown that offering more usually costs more, making it difficult to deliver on the "for-less promise".



### Discussion

The foregoing ideas affect the planning for any enterprise. Find out what entrepreneurs in your community think about each one of them. Which one do you think will be more applicable to your business?

Introduction | Learning Objectives | Legal requirements for your type of business | Opportunities in your environments | Competition (SWOT Analysis) | Supply and Demand | The Market | Funding for the enterprise | The Business plan | Summary

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