Revisionstation

1 The Market

From Edexcel

a) Mass markets and niche markets:
- characteristics
- market size and market share
- brands

b) Dynamic markets:
- online retailing
- how markets change
- innovation and market growth
- adapting to change

c) How competition affects the market

d) The difference between risk and uncertainty

Starter

What were the last pair of shoes that you bought?

Had all your other shoes worn out?

Write a definition of niche markets here:

_____

_____

_____

_____

Write a definition of mass markets here:

_____

_____

_____

_____

Write a definition of homogenous here:

_____

_____

_____

_____

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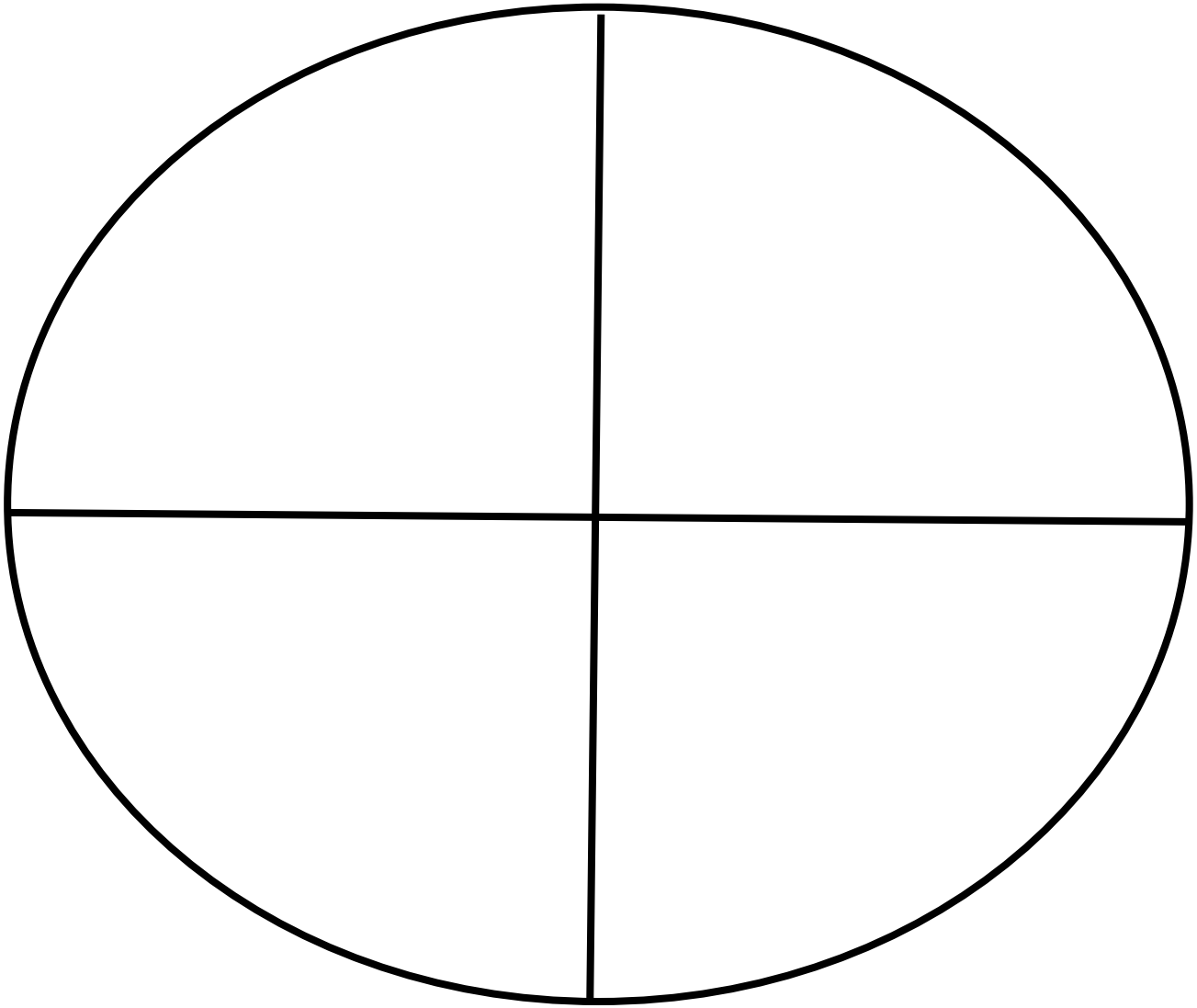
Divide up this circle with as many brands as you can think of, use research and ideas from others to complete the diagram



Mass market characteristics

- **In a mass market a product is marketed to all consumers in the same way.**
- **For example Coca-Cola have one advert which is designed to appeal to all audiences globally. This is why the bears don't talk as it is easier to launch the campaign in many countries without adaptation.**
- **Other products can be sold on a global scale with just a few language tweaks;**

_____

_____

_____

Mass market examples

- **The car market is an example of a mass-market**
- **Consumers are not brand loyal in this market, they choose a car based on a logical comparison of features, engine and price**
- **In comparison the premium car market is a niche market**
- **Consumers are very brand loyal,**_____

_____

Advantages of operating in a mass-market

- **Large scale production means economies of scale and lower average _____**
- **Mass marketing is straightforward as everyone is equally _____**
- **Large volume of sales means high _____**
- **High revenues can be pumped into _____ (R&D)**

Disadvantages of operating in a mass-market

- **Lots of _____ in mass markets**
- **_____ products need to be differentiated through marketing which can be expensive**
- **High volume production may not _____ enough to keep up with changes in demand**

Mass-market brands

- **Branding is very important in mass marketing to instil loyalty in customers, but not all mass markets rely on branding (small car market)**
- **In mass markets the products are homogenous (all the same) so they differentiate on branding**
  - **Kellogg's corn flakes**
  - **Heinz Ketchup**
- **Are there any other brands you insist on? Can you explain why?**

Niche market characteristics

This is a subset of the main market and caters to a particular segment of the market that is not being met by other providers e.g. Rolex

1. **Watch the advert, who do you think this watch is aimed at?**
2. **Are you planning to spend £22,000 on a watch?**
3. **Will everyone buy one?**

Niche markets – example supercars

There are many niche markets in the car market, mainly at the top end.

Customers are looking for a very special car that will turn heads, attract attention, give the owner kudos and also have a very fast engine

Can you name 3 supercar brands?

1

2

3

Are supercars a mass-market product or a niche market product?

Niche Markets

Benefits	Drawbacks

Niche markets and profitability

- **These can be profitable markets to be in, often prices charged are _____ as consumers in that niche are willing to pay for exactly the right product.**
- **The profits can often signal more competitors to enter the market**
- **Businesses in niche markets often have a _____ range of products which makes them more risky ventures**
- **There can be a problem of the lack of economies of _____ as not enough products are sold for the business to be viable**
- **Additionally the market for some more expensive items may be very _____**

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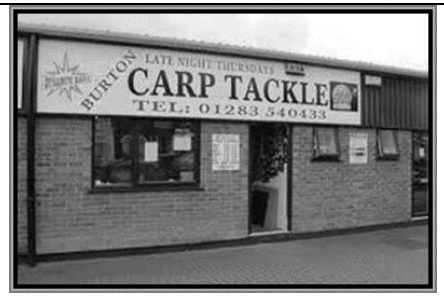
International
Pearson Edexcel Advanced Level

Mass or niche markets?

Market size

1._____

2._____

Market share

$$\frac{\square}{\square} \times 100$$

	Question 1	Question 2	Question 3	Question 4	Question 5
Sales of x	50,000	2,847	465,000	5,789	1.2 million
Total sales of market	500,000	18,000	1.8 million	6,789	50 million
Market share					

Write a definition of a dynamic market here:

Dynamic market – tastes and fashion

Dynamic markets - Online retailing

- **Online retailing is a dynamic market because it is constantly changing, developing, expanding and offering customers new products and new ways to shop.**
- **Shoppers now make 51% of all their purchases on the web***
- **Some retailers' goods are only available on the Internet and are known as "clicks"**
- **Some (like Argos and Next,) were retail stores first and then developed websites, known as "bricks and clicks"**
- **What 3 factors have contributed to the rise in Internet shopping and online retailing?**

1

2

3

- **Can you name 3 online only 'clicks' retailers?**

1

2

3

Suggested activity: Discussion

- **In the future will shopping be all online? Can you explain your opinion?**

_____

_____

- **How much shopping do you do online now?**

_____

_____

- **Is most of your online shopping on your phone, a computer or a tablet?**

_____

_____

- **What products can't be bought online?**

_____

_____

Explain what went wrong with boo.com here:

Advantages and disadvantages of online retailing

Advantages	Disadvantages

Market growth

- **With dynamic markets, comes constantly changing**

  _____ tastes and _____

- **Products not used widely 20 years ago:**
  - **Internet**
  - **Mobile Phones**
  - **PC _____ for home use**
  - **Computer games / games _____**

- **Technology is a massive _____ market, consider**

  how many of these items are in most UK households' now

What is an echo dot?

Competition and the market

- **Very competitive markets benefit the consumer in a number of ways:**
    1. **More competition means a business needs to be very efficient**
    2. **More competition means the business needs to listen to consumer needs and wants and constantly strive to meet those needs rather than being product orientated**

3_____

_____

_____

Competition and the market

- **More competition means a business must produce a good quality product or service, or their customers will go elsewhere.**
- **More competition in homogenous markets means that businesses must compete on non-price factors, meaning lots of exciting promotions to persuade consumers to switch supplier or product**

How many times have you been in a shop and changed your mind because of bad service or long queues at a till?

Write a definition of risk here:

_____

_____

_____

Risk – lack of job security

- **When a person starts a business they may leave behind a secure job, this means they may suffer stress and anxiety as a result. Setting up your own business can be a huge risk financially, and there are lots of factors to consider before starting out on your own.**
- **The risk of business failure means the business owner may not be able to meet their own financial bills**
- **The business owner may have a mortgage on a house and need to pay for it every month – if the business fails they could lose the house if they don't keep up payments.**

Risk – financial risk

Scottish farming union meets with bankers to talk cashflow concerns

_____

_____

Write a definition of uncertainty here:

Uncertainty and spending decisions

- **As uncertainty about future economic conditions changes over time it can affect spending decisions:**

Uncertainty and impact on households

- **Households faced with uncertainty may save more rather than spend**
- **Consumers may delay the purchase of a large item such as a car or house, these industries feel the effects of shock and uncertainty the most**

Uncertainty

- **There is a _____ of uncertainty in most business _____**
- **This is because the _____ cannot be predicted with any _____, we cannot be 100% sure that any _____ will happen**
- **Uncertainty _____ with time; a forecast a week ahead will be more _____ than a year ahead**

How a business can protect itself from uncertainty

- **A business may worry about _____ interest rates and so may take out a long term loan at a FIXED rate of interest, then it will know exactly how much loan _____ will be a month, making it easier to _____ and plan**

- **This means that loan _____ stay the same each month and the business knows its fixed costs each _____ will not change**

How a business may protect itself from uncertainty – insurance

Plenary Quiz

- Are these statements about mass or niche markets?

1. Premium prices can be charged **mass / niche**
2. Many small businesses specialise in this type of market **mass / niche**
3. These products will appeal to the whole market **mass / niche**
4. These products are intended for a specific subset of the population **mass / niche**
5. Large scale production means economies of scale **mass / niche**
6. Fewer potential customers **mass / niche**

Extract A

Fresh food from small farms

Farmhopping is an online retailing service, started by Rossi Mitova, which lets small farms in Bulgaria sell their products directly to customers. Rossi started the business when a local farmer, who was struggling with rising farming costs and competition from larger farms, asked her for help.

Farmhopping is now a successful business that employs 15 people and allows people to shop online for fresh food from more than 100 small farms across Bulgaria. The online service enables the farmers to get a fair price for their produce and reduces the need to sell to intermediaries such as wholesalers and supermarkets. Farmers pay a fee to *Farmhopping* for using the website.

To sell on the *Farmhopping* website, farmers must share the same social objectives as *Farmhopping*. Farmers must support environmentally friendly farming methods such as not using chemicals and pesticides, ensuring fair treatment of farm animals and respecting the landscape and wildlife. Food sold on the website must be fresh, natural and organic and packaged using recyclable materials.

In 2017, Rossi Mitova, was recognised as one of the top 100 women entrepreneurs and Forbes magazine included her in its social entrepreneurship awards.

Extract B

About Rossi Mitova

Rossi has always been inspired by challenging what she saw and taking action. When she was asked to help save the small farm in Bulgaria that was struggling to survive, it gave Rossi a perfect opportunity to combine her biggest passions, which were nature, food and business. Rossi worked hard to create the *Farmhopping* website and convince farmers to use her online service.

In an interview Rossi said "The most challenging parts of starting the business were learning to deal with the uncertainty and to be a good leader. I have worked hard at selecting the right team and motivating them while ensuring we are true to the social objectives of *Farmhopping*. I have made many mistakes on the way but learn from my mistakes. I always listen to the feedback from others and work hard on continually improving the business. The one thing I am most proud of is that I never give up despite the many setbacks and challenges I have faced in business".

Discuss the advantages for small businesses, such as the farms in Bulgaria, of using an online retailing service to sell their products.

(8)