

## The Market

*The market can be defined through four characteristics:*

<b>OBJECTS (Products)</b>	<b>OCCUPANTS (Customers)</b>	<b>OPPORTUNITIES</b>	<b>OBJECTIVE</b>
What do we make?	Who buys our products?	When is our product consumed?	Why do customers buy our product?

*The market represents the economic-geographical space where the offers and demands of an economic good are confronted at a certain moment, together with all the communities, which influence their state and evolution.*

*The market in which a business operates is very important. With a correct understanding of its size, the company can formulate new marketing objectives or can be redirected to another market, as appropriate.*

*The theoretical market of a product or service is made up of several components, depending on the type of consumers.*

The potential market of the product refers to both the current market and the relative non-consumers of the product (consumers who have not tried the product, but who with a new marketing mix will be able to be attracted to it). The theoretical market involves not only potential consumers of the product, but also absolute non-consumers, those who will never purchase the company's offer.

***EXAMPLE: The absolute non-consumers in the case of canned pork are vegetarians. If we have a bakery, the absolute non-consumers will be the people who have gluten intolerance. In both cases, the theoretical market includes these absolute non-consumers because the company may at some point turn its attention to them as well. In the first case, the canner can make vegetarian or fasting preserves, and in the case of the baker, he can produce various varieties of gluten-free bread.***

Apart from the type of market in which it operates, a company must determine its size to see where it is and how much it can earn from targeting a particular market / segment. Thus, one of the indicators for estimating the size of the market are:  
market share;

#### 1. Market share

**MARKET SHARE** = the share held by an organization, product or brand in the reference market.

**REFERENCE MARKET** = that subdivision of the global market in which the studied organization or product intervenes as component elements.

At the end of 2019, the Romanian soft drinks market registered the following situation:

Nr. Crt.	Company	Sales - mil.lei-	Brand	Sales - mil.lei-
1	Coca-Cola	650	Cola	350
			Fanta	100
			Cappy	75
			Sprite	60
			Kinley	50
			Others	15
2.	Pepsi	300	Pepsi	110
			Prigat	120
			7 -Up	50
			Others	20
3.	European Drinks	500	American Cola	80
			Frutti-Fresh	300
			Adria Cola	75
			Others	45
4.	Other companies	300		

Based on these data, determine:

1. The absolute (a) and relative (b) market share of the Coca-Cola company;
2. The absolute (a) and relative (b) market share of the Cola brand;
3. Served market share (a) of the Cola brand.

**Solution:**

**1. a. Absolute market share of the Coca-Cola company:**

$$MSc = Sc / St \times 100 = 650 / 1750 \times 100 = 37,14\%$$

where: MSc – absolute market share of the company;

Sc – The company's sales volume;

St – The total volume of sales on the potential market.

**b. Relative market share of the Coca-Cola company:**

$$MSRLc = SL / S2 \times 100 = 650 / 500 \times 100 = 130\%$$

where: MSRL- the relative market share of the leader;

SL – The sales volume of the leader;

S2 – The sales volume of the organization ranked 2nd.

**2. a. Absolute market share of the Cola brand:**

$$MSb = Sb / St \times 100 = 350 / 1750 \times 100 = 20\%$$

where: MSb – absolute market share of the brand;

Sb – the sales volume of the brand;

St – the total volume of sales on the potential market.

**b. Relative market share of the Cola brand:**

$$MSRLb = SLb / Sb2 \times 100 = 350 / 300 \times 100 = 116\%$$

where: MSRLb- the relative market share of the leader;

SLb – sales volume of the leading brand;

Sb2 – sales volume of the organization ranked 2nd (Brand sales)

**3. a. Served market share of the Cola brand:**

$$MSsb = Sb / VTSM \times 100 = [350 / (350 + 110 + 80 + 75)] \times 100 = 56,91\%$$

where: MSsb – served market share of the brand;

Sb – brand sales volume;

VTSM – total sales volume, by market segments



EXERCISE: At the end of 2019, the detergent market in Romania registered the following situation:

Nr. Crt.	Companies	Sales - mil.lei-	Brands	Sales - mil.lei-
1	Procter & Gamble	750	Ariel	350
			Tide	200
			Bonux	75
			Ace	60
			Lenor	50
			Fairy	15
2.	Unilever	400	Dero	110
			Omo	120
			Domestos	100
			Coccolino	70
3.	Henkel	600	Persil	80
			Rex	300
			Perwoll	75
			Pur	45
			Silan	20
			Clean	25
			Somat	55
4.	Ficosota	200	Savex	125
			Feya	75
5.	Dalli Werke	100	Dalli-werke wäsche	100

Based on these data, determine:

1. Absolute and relative market share of the Procter & Gamble company.
2. Absolute and relative market share of the Ariel brand.
3. Served market share of the Fairy brand.