



<b>Class 11</b>	<b>Entrepreneurship</b>	<b>Unit 5B: Analysing the Market</b>
-----------------	-------------------------	--------------------------------------

**Question 1. Answer each of these questions in about 15 words:**

**(i) What is micro environment?**

**(ii) Give one point of difference between the primary forces and secondary forces.**

**(iii) Who is a producer?**

**(iv) What is meant by the term 'demographic forces'?**

**Answer:** (i) Micro environment or internal environment refers to the forces operating in the market that are close or within the enterprise or firm and affect its ability to serve its customers directly. It comprises of the following forces: (1) Producer/Seller (2) Customers (3) Competitors (4) Suppliers (5) Marketing Intermediaries.

(ii) Primary forces refer to the forces which are close to firm or are within the control of firm. Secondary forces are those which are part of the larger society and are the "uncontrollable" to which companies mould itself.

(iii) Producer refers to an individual or a group of individuals who bring all the factors of production together and bring into existence something which has utility and commercial value.

(iv) Demographic forces refer to size, density, location, age, gender, race, and occupation of the population in the locality or in the area of the market.

**Question 2. Answer each of these questions in about 50 words: (i) Define Market environment.**

**(ii) Define Macro environment.**

**(iii) Define customers.**

**Answer:** (i) The market environment refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers.

(ii) Macro environment refers to all forces that are part of the larger society and are the "uncontrollable" to which companies mould itself through setting the "controllable" factors.

(iii) Customers refer to a person(s) or firms who buy/s goods or services from a shop, enterprise or business. They are the ultimate consumers of the product.

**Question 3. Answer each of these questions in about 75 words:**

**(i) Performing sellers sustain and succeed in the market. How?**

**Answer:** (i) Performing sellers sustain and succeed in the market because—:

- They keep themselves aware of market needs and trends.

- They give market a solution for their 'unmet' needs.
- They identify opportunities and threats in the environment.

**Question 4. Answer each of these questions in about 150 words:**

**(i) Differentiate between competitors and suppliers as primary forces of market.**

**(ii) "Consumer is the King". Why?**

**Answer:** (i) (a) Competitors provide similar offerings for goods and services whereas suppliers normally offer only one brand of goods or service.

(b) Competitors try for developing strategic advantage over their competitors whereas suppliers take advantage of the strategies made by the parent firm.

(ii) Consumer is the King because of the following reasons:

(a) Consumer's willingness is involved in the purchase of products.

(b) Consumer is smart and want full return for its money.

(c) Useful creativity is always appreciated and accepted by the consumer.

(d) Consumer satisfaction is the foundation stone of a successful business.

**Question 5. Answer each of these questions in about 250 words:**

**(i) Discuss the primary forces that comprise the internal environment of the market.**

**(ii) Explain the term Secondary Forces. What all external environment comprise of?**

**Explain with suitable examples.**

**(iii) Differentiate between the Micro and Macro environment.**

**Answer: (i) Following are the Primary forces that comprise the internal environment of the market:**

(a) **Producer/Seller:** The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist. "PERFORMING SELLERS" sustain and succeed in the market. Catering to social responsibility, if more is the number of producers, harder and healthier would be the competition. Ethics, values, principles, creativity, innovativeness of the seller helps in setting trends for market.

(b) **Customers:** Consumer is the King instead of trying to market what is essential for us to make, we must find out much more about what the consumer is willing to buy. We must apply our creativity more intelligently to people, and their wants and needs, rather than products. The most influential force which rules the market is the 'Consumer'. Consumer satisfaction is the foundation stone of a successful business. Business has to produce goods according to the needs of the customers. But knowing customers is never simple.

(c) **Competitors:** Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are. With LPG, the level of competition is no more local or national, but international. The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed. Edmund Burke believes "An opponent is our helper".

(d) **Suppliers:** Suppliers are another key component in the core system of market. The company is essentially a resource – conversion machine that converts material, machines, labour and funds into useful products. The necessary resources are

obtained from suppliers. How well the company buys depends on how well it grasps the working of the various supply markets and how well it applies business principles in conducting its relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.

(e) **Marketing Intermediaries:** Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (i.e. wholesalers, retailers, agents and brokers), transporters, warehouses, banks and promoting agencies. These all institutions come into being to facilitate the work of consummating exchanges in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

**(ii) Secondary forces or Macro environment refers to all forces that are part of the larger**

society and are the “uncontrollable” to which companies mould itself through setting the “controllable” factors.

**Following are the factors that comprises of Macro environment:**

(a) **Demographic Forces:** Demographic forces refer to features of populations with reference to size, density, location, age, gender, race, and occupation. These features help to divide the population into market segments and target markets. Each classification has its unique and different characteristics and causes.

(b) **Economic Factors:** These refer to the purchasing power of potential customers and also the patterns in which people spend their money. Expenditure pattern of customers is different in different economic situations of the economy.

(c) **Technological Forces:** The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advances in technology have provided opportunities to new products, new ways of selling, new markets and new trends.

(d) **Political Forces:** The political environment covers all laws, government agencies, and groups that influence or limit other organizations and individuals within a territory. Market is run and regulated by these laws or restrictions. These are different for various places and varies from time to time. The fate of enterprises and markets depend upon the political conditions of the areas in which they are situated.

(e) **Natural Factors:** These include the natural resources that a company uses as inputs and affects their marketing activities. The ability to create a company's product is becoming a tough task for the enterpriser. Also, pollution, government intervention, etc. have effect on a company's reputation if they are known for damaging the environment.

(f) **Cultural Forces:** The cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence.

**(iii) Differences between Micro environment and Macro environment:**

<b>Micro environment</b>	<b>Macro environment</b>
1. Micro Environment or Internal Environment refers to the forces operating in the market that are close or within the enterprise or firm and affect its ability to serve its customers directly.	1. Macro environment refers to all forces that are part of the larger society and are the “uncontrollable” to which companies mould itself through setting the “controllable” factors.
2. It comprises of producer/seller customer, competitors, suppliers marketing intermediaries.	2. Macro environment comprises demographic forces, economic forces, technological forces, political forces, natural forces, cultural forces.
3. These are uncontrollable for a firm.	3. These are controllable for a firm.
4. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.	4. This includes all departments, such as management, finance, research and development, purchasing, operations and accounting.

## **MORE QUESTIONS SOLVED**

### **I. VERY SHORT ANSWER TYPE QUESTIONS [1 MARK]**

**Question 1. Give examples of collapse due to failure to meet environmental challenges.**

**Answer:** Nations (Assyria), Species (dinosaurs), industries (Kingfisher) have collapsed because they failed to meet environmental challenges with creative responses.

**Question 2. What is demography?**

**Answer:** Demography refers to studying human populations in terms of size, density, location, age, gender, race and occupation.

**Question 3. What keeps spinning around in the market?**

**Answer:** Opportunities and threats keep constantly spinning around. Those enterprises that ignore or resist market forces bear the brunt.

**Question 4. What does excellent companies keep on doing constantly in the market?**

**Answer:** Excellent companies take an outside-inside view of the market and its forces.

**Question 5. ‘Google’ and ‘Yahoo’ just appeared and captured, whereas solids like American Airlines and Avon are almost on the brink of winding up. Why?**

**Answer:** Because something in market was either in their favour or against them.

**Question 6. What forms the environment of the market?**

**Answer:** The network of “key institutions” interact to supply the markets with needed goods and services, collectively form the ‘environment’ of the market.

**Question 7. What is market?**

**Answer:** A market is an arrangement of establishing effective relationship between buyers and sellers of the commodities.

**Question 8. Which factors or forces are at play in the market?**

**Answer:** Following factors or forces are at play in the market:

- Micro (Internal) Environment – Primary
- Macro (External) Environment – Secondary

**Question 9. What is said by Edmund Burke related to competitors?**

**Answer:** Edmund Burke said that “An opponent is our helper”.

**Question 10. How well the company buys the resources depends on which features?**

**Answer:** How well the company buys the resources depends on

- (i) how well it grasps the working of the various supply markets.
- (ii) how well it applies business principles in conducting its relations with suppliers.

**Question 11. What can ruin the market for a product?**

**Answer:** Lack of suppliers can ruin the market for a product.

**Question 12. What are marketing intermediaries?**

**Answer:** Marketing intermediaries are the organizations or institutions that facilitate the flow of goods and services between the company and its final markets.

**II. Short Answer Type Questions [2/3 Marks]**

**Question 1. Explain market.**

**Answer:** A market is an arrangement of establishing effective relationship between buyers and sellers of the commodities.

- It consist of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.
- It is the forces of demand and supply which represents the aggregate influence of self- interested buyers and sellers on price and quantity of the goods and services offered in the market.

**Question 2. What do you mean by a firm?**

**Answer:** A firm is a business organization, such as a corporation, limited liability company or partnership. Firms are typically associated with business organizations that practice law, but the term can be used for a wide variety or business operation units.

**Question 3. Give the features of the market.**

**Answer:** Following are the main features of the market:

- Presence of buyers and sellers
- Presence of a commodity (Good or service) which is to be transacted.
- It refers to the whole area where buyers and sellers are in contact. It do not refer to any place.
- There is competition between buyers-buyers, sellers-sellers and buyers-sellers.

**Question 4. Give examples of failures of some successful companies.**

**Answer:** Following are the examples:

- 'Motorola, a few years back, dominated the mobile industry. Earlier, it had almost 50% of the cell phone handset market, which now is merely 17%.
- 'Satyam' was once ranked 4th in the top Indian IT companies list in 2008, but collapsed in 2009.

**Question 5. Which forces govern the market?**

**Answer:** The goals, objectives, policies, strategies, etc. of the organization are the foremost forces Which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist.

**Question 6. List some unsolved problems in the world.**

**Answer:** Following are some of the unsolved problems of the world:

- A sure shot cure for cancer.
- Permanent chemical cure for mental diseases.
- Desalinization of sea-water.
- Non-fattening tasty nutritious food
- Voice-controlled computer, etc.

**Question 7. Which enterprises rule the market?**

**Answer:** Those enterprises rule the market, who are capable of:

- Keeping itself aware of market needs and trends.
- Giving market a solution for their 'unmet' needs.
- Identifying opportunities and threats in the environment.

**Question 8. Which features are to be taken into consideration to create, maintain and retain consumer?**

**Answer:** Following features are to be taken in consideration to create, maintain and retain consumer by the enterprises:

- Tradition, customs, beliefs, values of society and customers
- Lifestyle, standard of living, consuming habits
- Propensity to consume and save
- Education level, thinking behaviour
- Income level
- Demographic characteristics, etc.

**Question 9. How does the consumers' demand affect enterprises?**

**Answer:** Consumers' demand affects enterprises as it affects the following things of the enterprises:

- Profitability
- Reputation and goodwill
- Expansion plans.

**III. Short Answer Type Questions [4 Marks]**

**Question 1. What are the features of marketing intermediaries?**

**Answer:** Following are the features of marketing intermediaries:

- Marketing intermediaries are the organizations or institutions.
- These facilitate the flow of goods and services between the company and its final markets.
- These include resellers, i.e. wholesalers, retailers, agents, and brokers, transporters, warehouses, banks and promoting agencies.
- These facilitate the work of consummating exchanges in the market.
- These bring about transactions between the buyers and sellers.
- These are indispensable part of market.

**Question 2. What do you mean by Macro environment?**

**Answer:** Macro environment refers to all forces that are part of the larger society and are the "uncontrollable" to which companies mould itself through setting the "controllable" factors.

**Question 3. Why are demographic forces play an? important role in the market?**

**Answer:** Demographic forces play an important role in the market because of the following reasons:

- They help to divide the population into various market segments.
- They help to divide the population into target markets.

**Question 4. Give an example demographic classification.**

**Answer:** Classifying groups of people according to the year they were born. Based on this classification following groups can be made:

1. **Baby boomers:** Those individuals who are born between 1946 and 1964.

2. **Generation X:** Those individuals who are born between 1965 and 1976.
3. **Generation Y:** Those individuals who are born between 1977 and 1994.

**Question 5. What do you mean by economic factors?**

**Answer:** Economic factors refer to the purchasing power of potential customers and the ways in which people spend their money. Under conditions of boom, buyer behaviour is different than its behaviour during recession and depression, thus affecting the market.

**Question 6. What does technological forces include?**

**Answer:** Technological forces includes various types of technological changes that have taken place in all the fields of the economy. It covers all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advancement of such kind have provided opportunities to new products, new ways of selling, new markets and trends.

**Question 7. What does political forces include?**

**Answer:** The political forces is a mix of all laws, government agencies, and groups that influence or limit other organizations and individuals within a given society.

**Question 8. Give the features of political forces.**

**Answer: The features of political forces are:**

1. It include the political environment of the society
2. It comprises of all laws, government agencies, and groups that influence or limit other organizations and individuals.
3. These regulate the market.
4. These varies from place to place and time to time.
5. These determine the fate of companies and markets.
6. These are highly dynamic.

**IV. Long Answer Type Questions [6 Marks]**

**Question 1. Explain the forces of Micro environment or internal environment.**

**Answer: Following are the forces of Micro and Internal environment:**

1. **Producer/Seller:**The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist. "PERFORMING SELLERS" sustain and succeed in the market. Catering to social responsibility, if more is the number of producers, harder and healthier would be the competition. Ethics, values, principles, creativity, innovativeness of the seller helps in setting trends for market.
2. **Customers:** Consumer is the King instead of trying to market what is essential for us to make, we must find out much more about what the



consumer is willing to buy. We must apply our creativity more intelligently to people, and their wants and needs, rather than products. The most influential force which rules the market is the 'Consumer', consumer satisfaction is the foundation stone of a successful business. Business has to produce goods according to the needs of the customers. But knowing customers is never simple.

3. **Competitors:** Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are. With LPG, the level of competition is no more local or national, but international. The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed. Edmund Burke believes "An opponent is our helper".
4. **Suppliers:** Suppliers are another key component in the core system of Market. The company is essentially a resource – conversion machine that converts material, machines, labour and funds into useful products. The necessary resources are obtained from 5 suppliers. How well the company buys depends on how well it grasps the working of the various supply markets and how well it applies business principles in conducting its relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.
5. **Marketing Intermediaries:** Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (t.e. wholesalers, retailers, agents, and brokers), transporters, warehouses, banks and promoting agencies. These all institutions come into being to facilitate the work of consummating exchanges in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

**Question 2. What things should be known by the enterprises in order to have an edge in the competition?**

**Answer: For the correct assessment following should be known by the enterprises:**

- Who are our competitors?
- Level/size of competitors
- The areas of strengths/weaknesses of competitors
- The financial standing of competitors
- Overall image of competitors' products in the market
- Operational capacity of the competitors.

The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed.

**Question 3. Describe the factors or forces that are the components of Macro environment.**

**Answer:** Following are the factors that are the main players in the Macro environment:

1. **Demographic Forces:** Demographic forces refer to features of populations with reference to size, density, location, age, gender, race, and occupation. These features help to divide the population into market segments and target markets. Each classification has its unique and different characteristics and causes.
2. **Economic Factors:** These refer to the purchasing power of potential customers and also the patterns in which people spend their money. Expenditure pattern of customers is different in different economic situations of the economy.
3. **Technological Forces:** The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advances in technology have provided opportunities to new products, new ways of selling, new markets and new trends.
4. **Political Forces:** The political environment covers all laws, government agencies, and groups that influence or limit other organizations and individuals within a territory. Market is run and regulated by these laws or restrictions. These are different for various places and varies from time to time. The fate of enterprises and markets depend upon the political conditions of the areas in which they are situated.
5. **Natural Factors:** These include the natural resources that a company uses as inputs and affects their marketing activities. The concern in this area is the increased pollution, shortages of raw materials and increased governmental intervention. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollution can go as far as negatively affecting a company's reputation if they are known for damaging the environment. The last concern, government intervention can make it increasingly harder for a company to fulfil their goals as requirements get more stringent.
6. **Cultural Forces:** The cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. Market reflects the values of a target audience.

---