

UNDERSTANDING MARKETS

EXAM-PREPARATION NOTES

Key Concepts • Markets • Demand & Supply • Prices • Money • Market Connections • Revision

1. CHAPTER AT A GLANCE

- A market is a system or place where buyers and sellers interact to exchange goods and services.
- Markets may be physical, such as a weekly market or shop, or organised through digital platforms.
- Markets can be local, regional, national or international depending on their geographical reach.
- Markets connect producers, traders and consumers and help goods and services move from producers to people who need them.
- Prices help buyers and sellers make decisions and may be influenced by demand, supply, costs and competition.
- Money makes exchange easier because it provides a commonly accepted means of payment and a common unit for expressing prices.

2. WHAT IS A MARKET?

- A market is not limited to a particular building. It is an arrangement through which buyers and sellers interact for exchange.
- In a physical market, buyers and sellers may meet face to face.
- In an online market, buyers and sellers can interact through digital platforms even when they are far apart.
- The essential features include interaction between buyers and sellers, exchange of goods or services, and terms such as price.

3. BUYERS, SELLERS, PRODUCERS AND CONSUMERS

- Buyer — a person or organisation that purchases a good or service.
- Seller — a person or organisation that offers a good or service for sale.
- Producer — a person or organisation that makes goods or provides services.
- Trader — a person or business that buys and sells goods.
- Consumer — the final user of a good or service.
- A person or organisation may have different roles in different transactions.

4. TYPES OF MARKETS

- Weekly or periodic markets — operate on particular days and bring together many sellers.
- Neighbourhood markets — nearby shops and services used regularly by local residents.
- Wholesale markets — generally involve larger quantities and transactions between businesses.
- Retail markets — generally involve smaller quantities sold to final consumers.
- Online markets — connect buyers and sellers through digital technology.
- Markets can also be local, regional, national or international according to their geographical reach.

5. WEEKLY AND NEIGHBOURHOOD MARKETS

- Weekly markets are held on particular days and often include many temporary or regular sellers.
- They provide variety and allow buyers to compare different sellers.
- Neighbourhood markets provide goods and services close to where people live.

- Convenience, availability, price, quality and service can influence consumer choices.
- Prices in different markets can vary because costs, competition, location and other conditions differ.

6. WHOLESALE AND RETAIL

- Wholesale trade generally involves larger quantities and often takes place between businesses or intermediaries.
- Retail trade generally involves selling smaller quantities directly to final consumers.
- A common supply chain is Producer → Wholesaler/Distributor → Retailer → Consumer.
- Some producers sell directly to consumers, so every product does not follow the same sequence.

7. DEMAND AND SUPPLY

- Demand is the quantity of a good or service that buyers are willing and able to purchase at different prices during a given period.
- Supply is the quantity of a good or service that sellers are willing and able to offer for sale at different prices during a given period.
- Changes in demand or supply can influence prices, but the result depends on the conditions of the market.
- Costs, competition, taxes, expectations and availability can also affect prices.
- Exam point: demand is more than simply wanting something; it involves willingness and ability to purchase.

8. PRICE AND CONSUMER CHOICE

- Price is the amount of money paid or asked for a good or service.
- Prices allow buyers to compare alternatives and consider what they can afford.
- Sellers use prices to communicate the monetary amount expected for goods or services.
- Consumers may consider price along with quality, quantity, durability, convenience and personal preferences.
- Different sellers may charge different prices because their costs, quality, location, services and competition may differ.

9. COMPETITION IN MARKETS

- Competition occurs when different sellers offer similar or substitute goods or services to buyers.
- Competition can give consumers choices and may encourage sellers to improve quality, service or prices.
- The degree of competition varies from one market to another.
- Consumers can compare alternatives according to their needs and budget.

10. MONEY AND MARKETS

- Money acts as a medium of exchange, making it easier to buy and sell goods and services.
- Money acts as a unit of account, allowing prices to be expressed in a common unit.
- Money can also function as a store of value when it is saved for future use.
- Using money is generally more convenient for complex markets than relying on direct barter.

11. LOCAL AND WIDER MARKETS

- A local market mainly serves a neighbourhood, village, town or nearby area.
- Regional and national markets connect buyers and sellers across larger areas.
- Transport, communication and digital technology can expand the reach of markets.
- A product used locally may have been produced, processed, transported and sold through several locations.

12. HOW MARKETS CONNECT PEOPLE

- Producer
- ↓

- Wholesaler / Distributor / Trader (where applicable)
- ↓
- Retailer or Direct Seller
- ↓
- Consumer
- Money generally moves from buyers toward sellers while goods and services move toward users.
- Information about prices, quality, demand and availability also flows among market participants.

13. ONLINE MARKETS

- Online markets allow buyers and sellers to interact through digital platforms.
- Advantages may include wider choice, convenience and easier comparison of products and prices.
- Challenges can include delivery delays, uncertainty about quality, return conditions and online payment risks.
- An online market is still a market because buyers and sellers interact for exchange even when they do not meet physically.

14. ROLE OF INFORMATION

- Buyers need information about price, quality, quantity, availability and terms of purchase.
- Sellers need information about demand, competing products, costs and market conditions.
- Labels, advertisements, price lists, reviews, sellers and digital platforms can provide information.
- Reliable information helps buyers and sellers make informed decisions.

15. FAIR AND RESPONSIBLE CONSUMPTION

- Consumers should check price, quantity, quality and relevant terms before purchasing.
- Honest information from sellers helps consumers make informed choices.
- Responsible consumption includes avoiding unnecessary waste and considering usefulness and durability.
- Market transactions should follow applicable laws and protect consumers from unfair practices.

16. IMPORTANT TERMS

- Market — system or place where buyers and sellers interact for exchange.
- Demand — quantity buyers are willing and able to purchase at different prices during a given period.
- Supply — quantity sellers are willing and able to offer at different prices during a given period.
- Price — amount of money paid or asked for a good or service.
- Wholesale — larger-scale trade, often between businesses.
- Retail — sale of goods in smaller quantities to final consumers.
- Consumer — final user of a good or service.
- Competition — rivalry among sellers seeking buyers.
- Online market — market interactions enabled through digital technology.
- Supply chain — sequence of activities and participants moving goods or services from production toward consumers.

17. EXAM-READY SHORT ANSWERS

- What is a market? — A market is a system or place where buyers and sellers interact to exchange goods and services.
- Why is a market not necessarily a physical place? — Buying and selling can take place through online or other arrangements without buyers and sellers meeting physically.
- What is the difference between wholesale and retail? — Wholesale generally involves larger quantities and business transactions, while retail generally involves smaller quantities sold to final consumers.

- What is demand? — Demand is the quantity buyers are willing and able to purchase at different prices during a given period.
- What is supply? — Supply is the quantity sellers are willing and able to offer at different prices during a given period.
- How do markets connect producers and consumers? — They provide arrangements through which goods and services move toward consumers and payments move toward sellers.
- Why is competition useful? — It can provide consumers with choices and encourage sellers to compete through price, quality or service.
- How does money help markets? — It provides a generally accepted medium of exchange and a common unit for expressing prices.

18. COMPETENCY-BASED EXAM POINTERS

- Many sellers gathering on a particular day → weekly or periodic market.
- Nearby shops serving local residents → neighbourhood/local market.
- Large-quantity business transactions → wholesale.
- Small-quantity sales to final users → retail.
- Buying and selling through an app or website → online market.
- More buyers seeking a product while supply is limited → discuss demand, supply and possible pressure on price rather than stating an absolute rule.
- Different prices at different shops → consider quality, costs, location, competition, availability and services.
- Producer → wholesaler → retailer → consumer → supply chain.

19. COMMON EXAM MISTAKES

- Do not define a market only as a physical place.
- Do not say demand means only desire; it includes willingness and ability to purchase.
- Do not say supply means everything a seller owns; it refers to the quantity offered for sale.
- Do not say an increase in demand always causes a fixed increase in price; market conditions matter.
- Do not confuse wholesalers with retailers.
- Do not assume every product passes through exactly the same supply chain.
- Do not assume the cheapest product is always the most suitable; quality and other factors matter.
- Do not assume online markets are not real markets.

20. HIGHER-ORDER THINKING POINTS

- Markets coordinate production, exchange and consumption by connecting many participants.
- Different market arrangements exist because consumers and producers have different needs, locations and scales of operation.
- Transport and communication can expand the geographical reach of markets.
- Prices provide useful information but do not by themselves explain every market outcome.
- Competition can influence price, quality, innovation and service depending on market conditions.
- Digital technology changes how buyers and sellers interact but does not remove their basic market roles.

21. LAST-MINUTE REVISION

- Market = interaction of buyers and sellers for exchange.
- Buyer purchases; seller offers; producer makes; consumer uses.
- Weekly market = periodic market with many sellers.
- Wholesale = larger-quantity trade, often between businesses.
- Retail = smaller-quantity sales to consumers.

- Demand = quantity buyers are willing and able to buy.
- Supply = quantity sellers are willing and able to offer.
- Price = money amount paid or asked.
- Competition = sellers competing for buyers.
- Money = medium of exchange + unit of account + store of value.
- Online market = buyers and sellers connected digitally.
- Supply chain = movement of goods/services through production and distribution toward consumers.