

TOPIC: TYPES OF MARKETS

Meaning of a market

A market is a place where buyers and sellers meet to exchange information about prices and quantities of goods and services to be exchanged between them.

There are **TWO** main types of markets:

- Goods and services market
- Factor market

1. GOODS AND SERVICES MARKET

It is a place where products (vehicles, clothing and stationary) or services (garden service, banking services and telephone services) are sold. A market can be a physical place, like a shop or it can be a virtual place, such as a website on the internet.

Different types of *goods and services* markets:

Wholesale market

Wholesalers purchase **LARGE** quantities of goods, repack the goods in smaller quantities and sell it to customers.

Wholesaler's customers are usually smaller businesses called retailers.

Retail market

Retail markets can buy goods directly from manufacturers or wholesalers.

They can also buy goods in large quantities and re-sell them in smaller quantities to consumers.

Retail stores include supermarkets, department stores and specialist stores.

Farmer, Craft and Flea market

Most of these markets are open once or twice a week (Boksburg Flea Market). People can sell their craft items/products to the local community.

Farmers market sell fruit, vegetables, meat and dairy products from the farmer to the local community.

Craft markets often sell various types of products that is handmade like biscuits, bags, jewellery, clothing and wooden toys.

Services market

This is when a service, expertise, skills or experience is sold – a doctor sells his/her skills, knowledge and experience of medicine to a patient/person who needs this type of service. A service market can be situated in an office or a shop, e.g. doctors, lawyers, hairdressers or it can also go to the client, e.g. garden services, electricians, plumbers, carpenters. A service is something intangible.

2. FACTOR MARKET

The factor market is where people buy and sell the factors of production (**Natural resources, labour, capital and entrepreneurship**).

Different types of *factor markets*:

Labour market

Labour is the physical or mental work done by an employee.

This is a place where the employer and employee come into contact (this is not a specific place). Employers advertise job vacancies in a newspaper, magazine or on the internet or they can pay an employment agency to find someone to fill the position.

Employers sell their time, knowledge and experiences to the business and the business pays them money in the form of salaries and wages.

A salary is a set amount of money that is paid at the end of every month.

A wage is an hourly rate and paid at the end of the week according to the number of hours they have worked.

Wages are usually paid to semi-skilled and unskilled workers.

Financial market

This are markets where people or companies trade financial assets such as stocks and shares. It is also any type of financial transaction that helps a business grow and helps an investor to make money. An example of a financial market is the Johannesburg Stock Exchange (JSE).

There are TWO types of financial markets:

CAPITAL MARKET:

Money is obtained to start a large business in the form of **shares**. The company uses this money to purchase assets, pay for labour and operating costs.

The holders of the shares are **stakeholders**. The stakeholders receive a dividend. A dividend is the portion of the profit that the shareholders receive according to the number of shares they own.

MONEY MARKET:

A business can obtain cash or credit here. This can take the form of a loan from a bank (cash) or credit in the from a supplier or bank overdraft.

Bank loan: The money the bank loans to a business. The business repays a specific amount over a specified number of months until the debt plus interest is repaid.

Trade credit: When a supplier allows the business to take the goods and only pay for them at the end of the month or after 60 days.

Bank overdraft: A facility where the bank will allow a business to withdraw more money than they have in their cheque account. A maximum amount is stipulated. The business will pay interest on the amount overdrawn for the number of days it was overdrawn.

TOPIC: TYPES OF MARKETS – ACTIVITY

1. Name the two main types of markets. [2]
2. Name the **FOUR** different types of goods and services markets. [4]
3. Name the **TWO** different types of factor markets. [2]
4. There are **TWO** types of financial markets. Name the **TWO** types of financial markets. [2]
5. What does the abbreviation JSE stand for? [1]
6. Explain the difference between a capital market and a money market. [4]
7. Give a word for the following descriptions.
 - 7.1 A place where buyers and sellers meet to exchange information about prices and quantities of goods and services to be exchanged between them.
 - 7.2 A place where products (vehicles, clothing and stationary) or services (garden service, banking services and telephone services) are sold.
 - 7.3 They purchase large quantities of goods, repack the goods in smaller quantities and sell it to customers.
 - 7.4 This market sells fruit, vegetables, meat and dairy products from the farmer to the local community.
 - 7.5 This market sells various types of products that is handmade like biscuits, bags, jewellery, clothing and wooden toys.
 - 7.6 A market where a service, expertise, skills or experience is sold to their customers.
 - 7.7 The market where employers sell their time, knowledge and experiences to the business and the business pays them money in the form of salaries and wages.
 - 7.8 A market where people or companies trade financial assets such as stocks and shares.
 - 7.9 The business repays a specific amount over a specified number of months until the debt plus interest is repaid.
 - 7.10 When a supplier allows the business to take the goods and only pay for them at the end of the month or after 60 days. [10]
8. Explain the difference between goods and services. [2]
9. Name the factors of production. [4]
10. Explain the difference between goods and service market and a factor market. [4]
11. Differentiate between a salary and a wage. [4]

TOTAL: 35