

THE PRODUCT SERVICE MIX

SUPPLY VS. DEMAND

- Determine the prices and quantities of goods produced and services offered.
- **Supply** is the amount of goods a producer is willing to make and sell.
 - Price and quantity move in the same direction.
 - Higher price, increase in quantity.
- **Demand** refers to the willingness and ability of a consumer to purchase a product.
 - Price and demand move in opposite directions.
 - Increase in product price, decrease in demand for product.

INTERACTION OF SUPPLY AND DEMAND

- **Surplus**
 - Supply exceeds demand.
- **Shortage**
 - Demand exceeds supply.
- **Equilibrium**
 - Supply and demand are equal.

MARKET SHARE

- The percentage of the total market that a company has control over is known as market share.
 - In a **monopoly** the company has **100%** market share because it is the only company providing a particular good/service.
 - In **perfect competition** there are multiple companies that offer essentially the same product/service and each has a **small percentage** of market share.
 - McDonald's (75% market share)
 - Wendy's (6% market share)
 - Burger King (10% market share)
 - Taco Bell (3 % market share)
 - KFC (3% market share)
 - Subway (3% market share)

INCREASING MARKET SHARE

- Increasing market share can be done in two ways;
 1. Increase the size of the overall market
 2. Take sales away from other competitors
- **Example**
 - Your teacher brings a cake to class.
 - How many people want a piece?
 - The cake is cut into 10 pieces and there are 28 in the class.
 - How do you get cake if you are not one of those 8 people?
 - Take it from someone OR cut the cake into smaller pieces

MARKET SEGMENTS

- Categories of products are often broken down into smaller segments so that they are more manageable for marketers.
- Some categories include:
 - Books, beverages, meat, sports equipment
- A category can be broken down as follows:
 - Example: Books
 - Children's Books
 - Magazines
 - Fiction
 - Non-fiction
 - Comics
 - Cookbooks
 - Self Help Books

SEGMENT THESE CATEGORIES...

1. Sports Equipment
2. Breakfast Cereal
3. Beverages