

# MARKET DYNAMICS

## PRODUCT MARKET

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**W**hen identifying a product market, there are generally 3 categories of competitive products a business should consider:

**Direct Competitive Products :** These are products given to the same target market at similar prices. Examples – KFC v Chicken Licken v Hungry Lion.

**Indirect Competitive Products:** These are products targeted to the same market but generally at different prices. Example – Government Hospitals v Private Hospitals;

**Replacement Products:** These are alternative products that serve the same purpose. Example – eating at home v eating at a restaurant.

A common theme with each of these categories is determining the “substitutability” of the product. This is referred to as substituted products that can technically serve the same purpose,

and whether it will do so in a way that is cost effective enough for sufficient customers to consider it a realistic alternative. Generally, the higher the degree of substitutability of a product, the more competitive a product market is and vice versa.

Whilst the process to determining a market is way more complex than what we have discussed thus far, the selling point is that being aware of the product and geographical markets is valuable for any business. Understanding the relevant market will assist a business with:

- Deciding the parameters of its operations;
- Identifying which goods and services its target market may choose over it;
- Engaging in strategies that counteract losses in revenue whilst maintaining competitive levels.

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