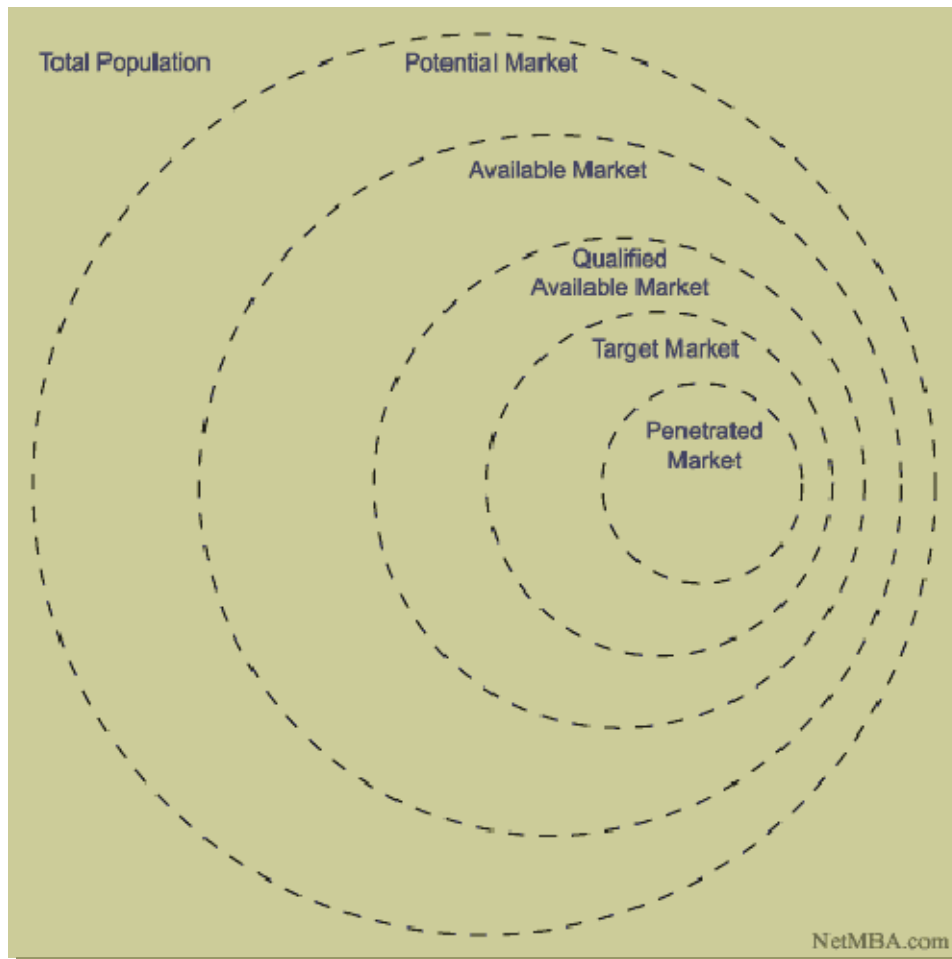


## 4. Market Definition

In marketing, the term *market* refers to the group of consumers or organizations that is interested in the product, has the resources to purchase the product, and is permitted by law and other regulations to acquire the product. The market definition begins with the total population and progressively narrows as shown in the following diagram.

### Market Definition Conceptual Diagram



Beginning with the total population, various terms are used to describe the market based on the level of narrowing:

- **Total population**
- **Potential market** - those in the total population who have interest in acquiring the product.

- **Available market** - those in the potential market who have enough money to buy the product.
- **Qualified available market** - those in the available market who legally are permitted to buy the product.
- **Target market** - the segment of the qualified available market that the firm has decided to serve (the *served market*).
- **Penetrated market** - those in the target market who have purchased the product.

In the above listing, "product" refers to both physical products and services.

The size of the market is not necessarily fixed. For example, the size of the available market for a product can be increased by decreasing the product's price, and the size of the qualified available market can be increased through changes in legislation that result in fewer restrictions on who can buy the product.

Defining the market is the first step in analyzing it. Since the market is likely to be composed of consumers whose needs differ, market segmentation is useful in order to better understand those needs and to select the groups within the market that the firm will serve.