

PowerPoint for

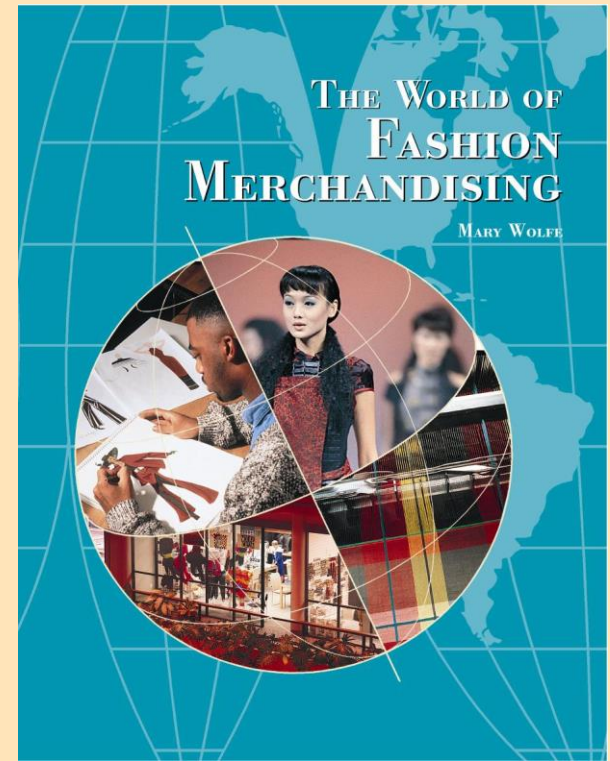
THE WORLD OF FASHION MERCHANDISING

By

Vicki Shaffer-White



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*PART 1: BASIC FASHION AND
BUSINESS CONCEPTS*

Chapter 3

**Basic Economic
Concepts**

Objectives:

- ▣ Identify economic products as either goods or services
- ▣ Describe the role of profit, competition, and supply and demand in the free-market system
- ▣ Distinguish between the main competitive market structures
- ▣ List the basic forms of business organizations
- ▣ Describe the concept of business cycles
- ▣ Explain the concepts of marketing and merchandising

Economic Concepts of the Fashion World

- ▣ Manufacturers
- ▣ Retailers
- ▣ Consumers
- ▣ Goods
- ▣ Services
- ▣ Free-market system
- ▣ Competition
- ▣ Supply and demand
- ▣ Target market
- ▣ Marketing mix (4 Ps)



Economic Concepts

- ▣ Free-Market System
 - People freely choose how to spend their money
 - Choices will determine:
 - ▣ selection
 - ▣ price
 - ▣ quality



Foundation of a Free-Market System



- ▣ Profit
 - *Profit* is money left after taxes and expenses
 - Determines whether a business succeeds
 - Reward for selling a desirable product to those who want it

Competition

- ▣ Rivalry between two or more businesses to gain as much of the total market sales as possible
- ▣ May encourage:
 - Fair pricing
 - Higher quality
 - Better service
 - Greater variety
 - Innovation and technology

Competitive Market Structures

- ▣ Pure Competition
- ▣ Oligopoly
- ▣ Monopoly

Pure Competition



Example: T- shirts

- ▣ No single company is large or powerful enough to influence or control prices
 - Many sellers and buyers
 - Similar products
 - Each buyer/seller has minimal impact
 - Easy to enter/exit industry

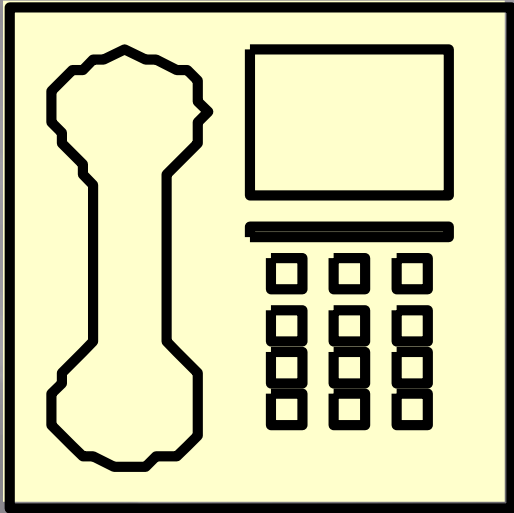
Oligopoly

- ▣ Few large rival firms dominate the market for that product and usually react to one another's actions
 - Illegal to “set” prices among themselves
 - Hard to enter and exit the industry



Example = blue jeans

Monopoly



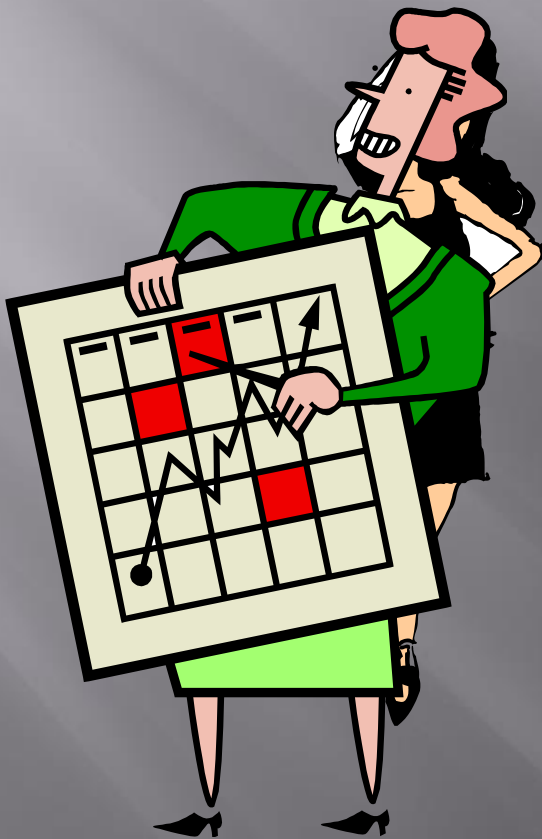
Example: If all phones in the country were operated by one phone company.

- ▣ Opposite to pure competition
- ▣ A market with no direct competitors
 - One company controls products and prices

Basic Forms of Business Organizations

- ▣ Sole proprietorships
- ▣ Partnerships
- ▣ Corporations
 - Public
 - Private
 - S corporations
 - Nonprofit

Business Cycles



- ▣ Fluctuations in the level of economic activity over periods of several years
 - Fashion affected more strongly than other products during recessions and expansions

The Concept of Marketing

- ▣ **Process of finding or creating a profitable market for specific goods or services**

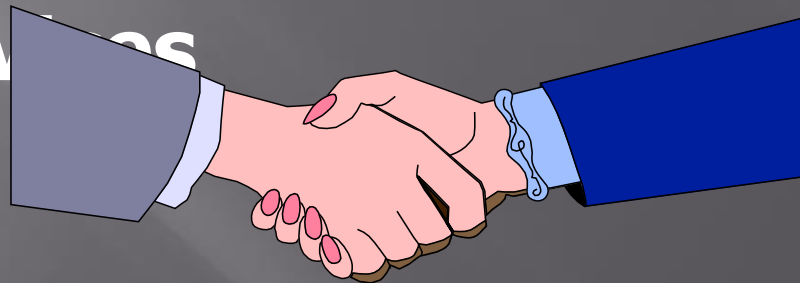
**The 4 P's
(Marketing mix)**

Product

Price

Place

Promotion

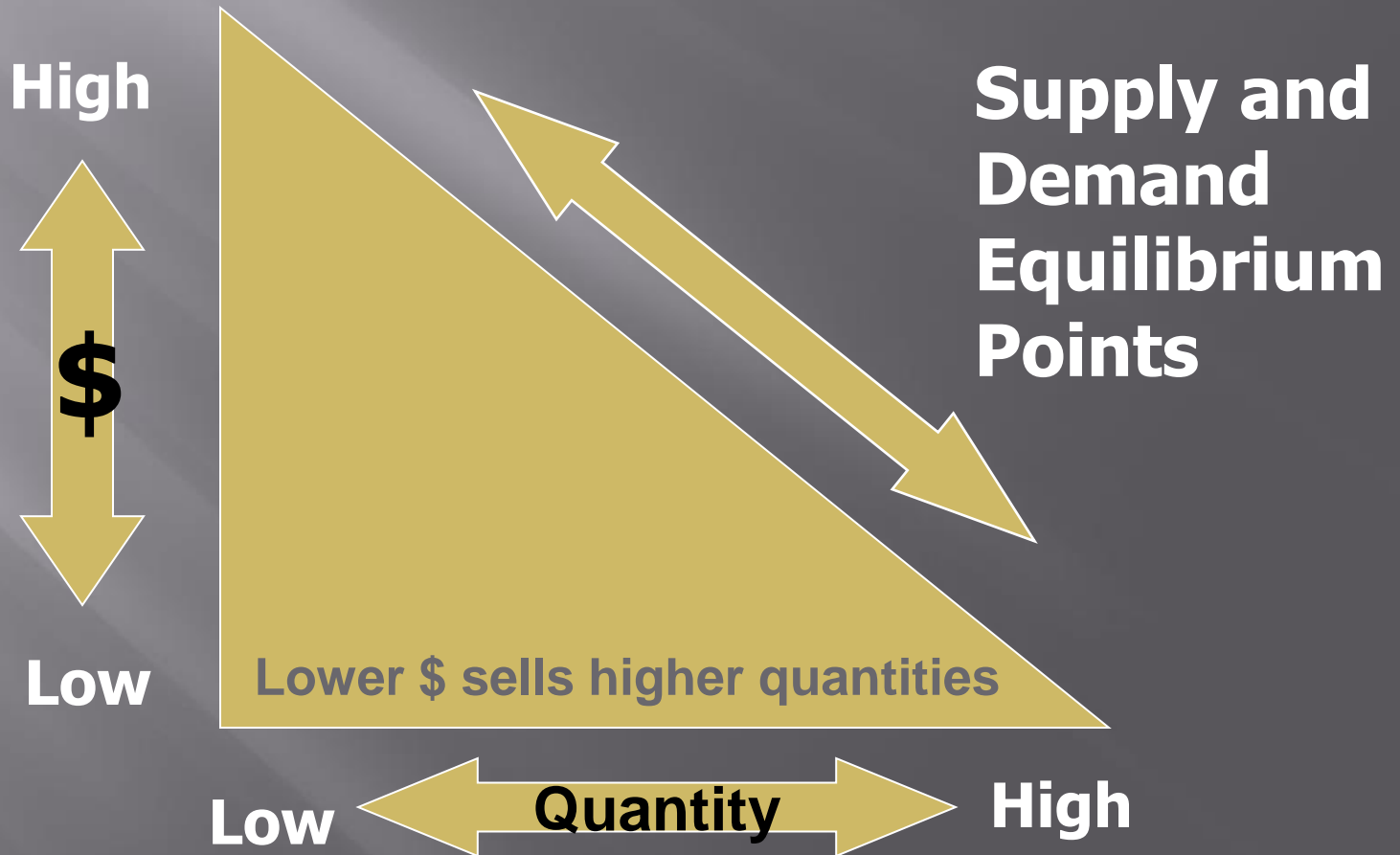


Product



- ▣ Forecasting what is in demand
- ▣ Needs and wants of customers must be translated into desirable products of the business

Price: Products with lower prices sell in larger quantities



Place and Promotion

- ▣ Place: How and where products are offered to customers
- ▣ Promotion: Furthering the sales of goods or services by nonpersonal activity to a large



Concept of Merchandising



- ▣ Process through which products are obtained, promoted, and sold
- ▣ Company targets the market with right merchandise blend of:
 - Right products
 - Right quantity
 - Right price
 - Right time
 - Right place
 - Right appeal

Do You Know . . .

- ▣ Define each of the following:
 - Sole proprietorship
 - Partnership
 - Corporation
- ▣ List the advantages and disadvantages of the basic business organizations.

