

Other market structures

Monopoly, monopolistic competition,
oligopoly

Monopoly

Perfect (complete, absolute) monopoly

- **Perfect monopoly** = there is only one supplier of a good in the market
- In fact 80-90% share in the market is treated as example of monopoly.
- Private monopoly is very rare. It is usually public (national) firm.

Features of monopoly

- Product of monopolist doesn't have close substitutes.
- Its customers are very dispersed. They can't influence decisions of monopolist.
- Monopolist is price-setter.
- Monopolist doesn't have incentives to use promotion tools in order to compete (unless as public relations tool).
- Monopolized market is rather rare.

Examples

- Big public utilities firms (energy, water, gas).
- Cosmic industry.
- Arming industry.

Reasons for monopolisation

- Barrier of entry and exit:
 - large capital requirements,
 - limited market („there is place only for one player”),
 - legal barriers (patents, concessions, licences).

Price discrimination

- Price discrimination = differentiating of price of the same good
- Types of price discrimination:
 - different prices for different groups of buyers,
 - different prices for additional units of good.

Reasons for price discrimination

- Price discrimination is used when it is possible to divide buyers into groups of different price elasticity of demand. It is rational to differentiate price in order to maximize revenues from sales.

Antimonopoly policy

- Monopolist may be tempted to overuse its strong position in the market.
- This the reason for using antimonopoly policy by government.

Monopolistic competition

Features of monopolistic competition

- Relatively large number of firms.
- Their products are close substitutes.
- Individual firm can influence price it receives in the market, but this impact is limited and dependent on possibilities to differentiate goods.
- It is very frequent case.
- Easiness of enter and exit.

Examples

- Retailers.
- Clothes industry.
- Shoes industry.
- Furniture industry.

Means of competing

- Price competition (rarely).
- Quality competition.
- Marketing competition.

Oligopoly

Features of oligopoly

- Small number of firms; several of them have predominant position.
- Products can be differentiated (more often) as well as standardized.
- Substantial barriers of entry and exit (mostly technological or legal).
- Majority of markets has this structure.

Examples

- Raw materials: petroleum, metals, brimstone.
- Consumption goods of one-time use: coffee, tea, means of cleannes.
- Lasting consumption goods: cars, electronic equipment, ships

Means of competing

- Price competition (extremely rare because risky; frequent practice is price agreement).
- Quality competition.
- Marketing competition.
- Competing by innovations (creating new types of demand).

Duopoly

- **Duopoly** = there are two predominant firms in the market
- It is extreme type of oligopolistic market.