MARKET STRUCTURE

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MARKET
AND ECONOMICS

INTRODUCTION TO MARKETS

- The term market is derived fromthe latin word "Marcatus" which means merchandise or trade
- Market is a place where buyers and sellers meet together for the exchange of title of goods

Definition:

- "Market is a area or atmosphere of petential exchange"

  ------ Phillip Kotler

- "Market is not a geographical meeting place but as any getting together of buyers and sellers,in person, by mail, telephone, telegraph and inter net or any other means of communication"

  ------ Prof. Mitchel

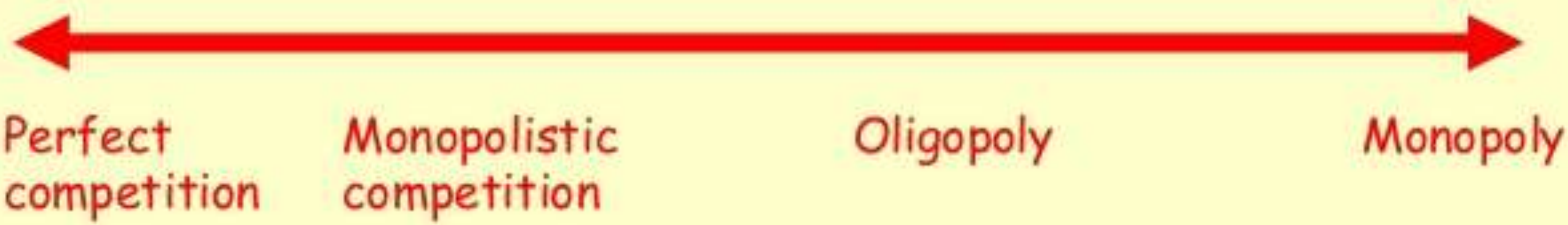

CHARACTERISTICS OF A MARKET ECONOMY
Private property
Limited government
Freedom of choice
SUPPLY
DEMAND
System of markets and prices
$
$
2
1
3
Motive of self-interest
Competition
the balance

Market structure

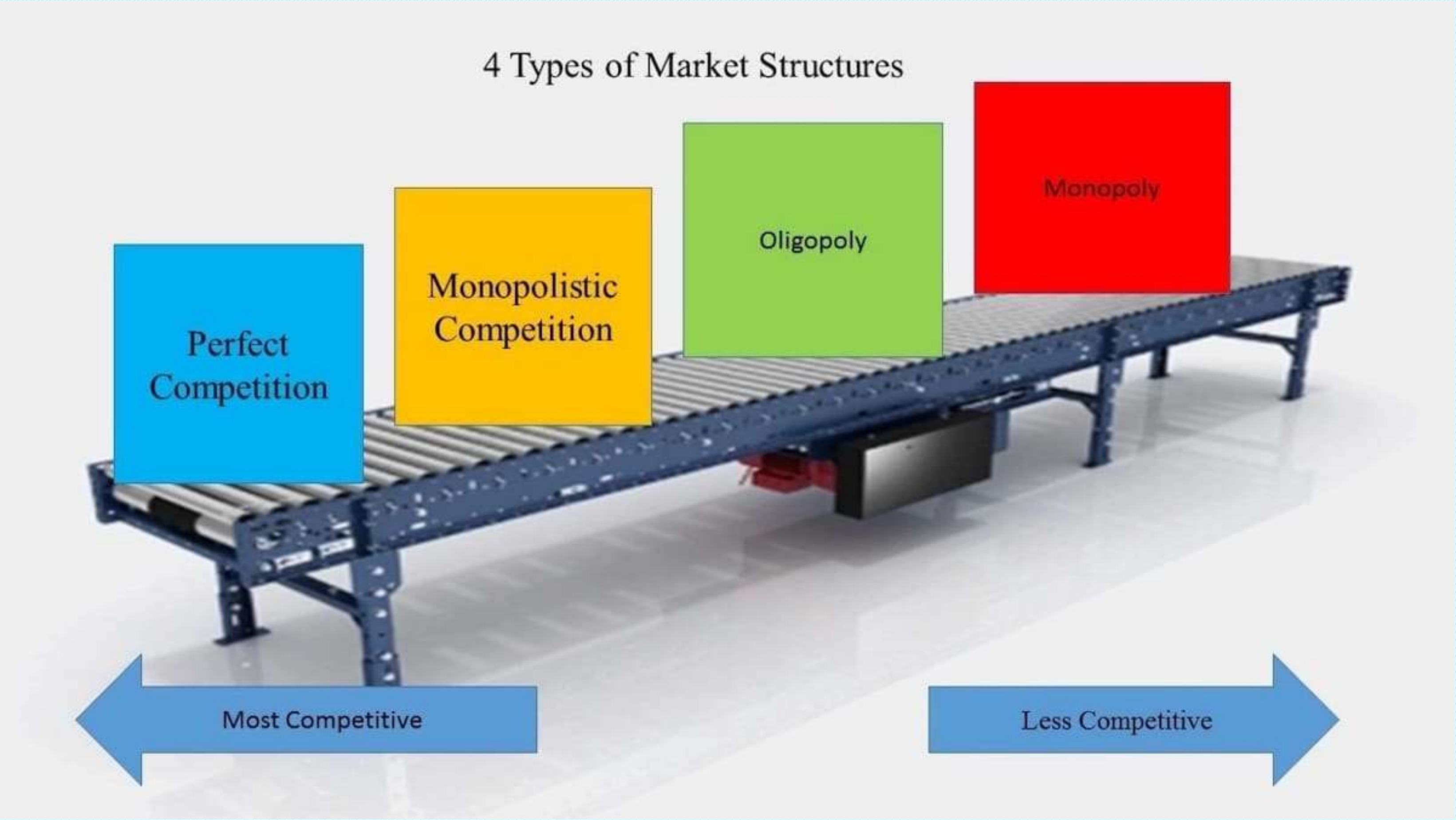
The markets in which firms operate differ in the degree of competition and in their structure

We can think of there being a spectrum of competition, from very competitive to a total absence of competition.

Along this spectrum we can identify FOUR market structures



TYPES

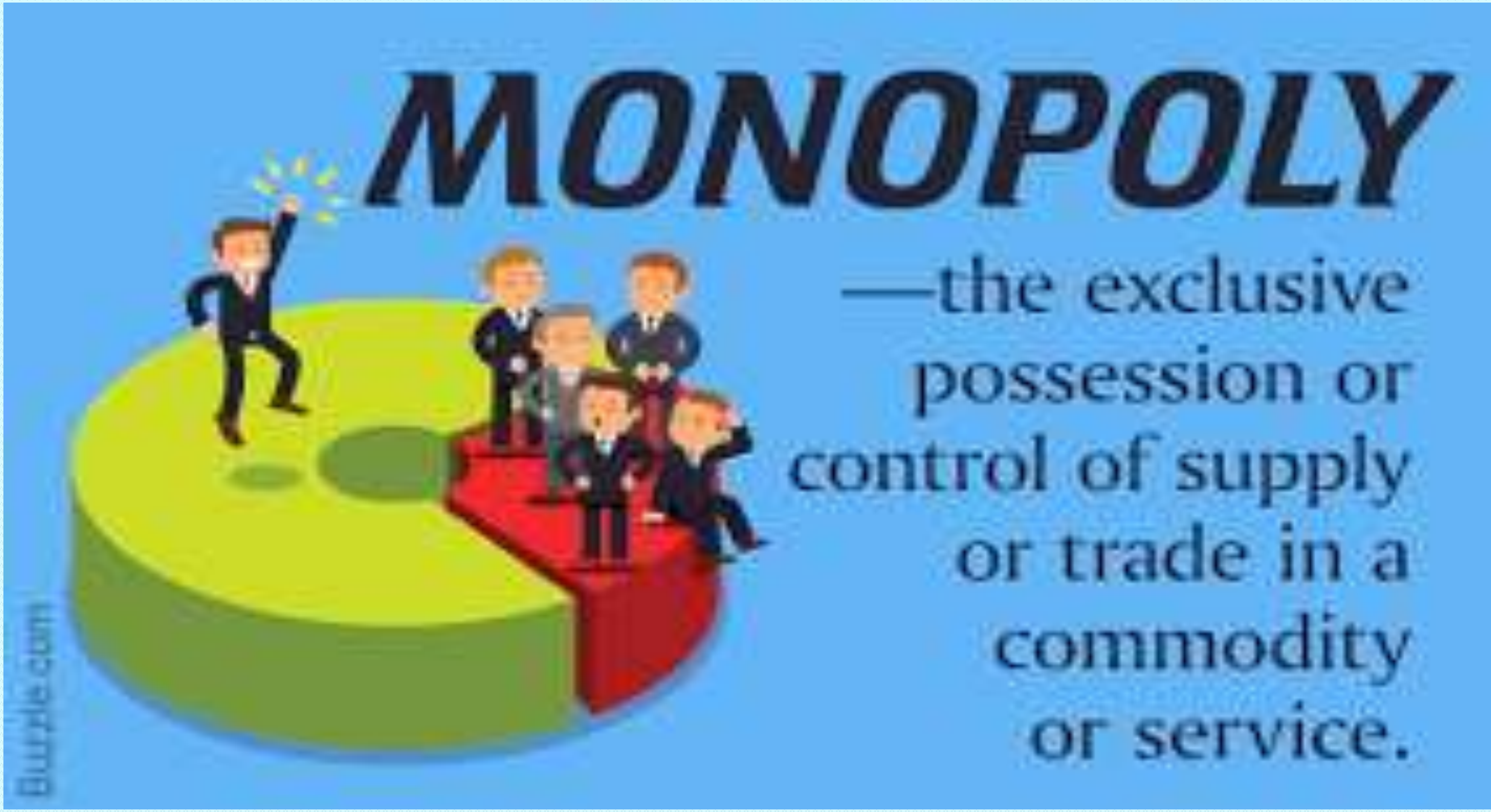

4 Types of Market Structures
Perfect Competition
Monopolistic Competition
Oligopoly
Monopoly
Most Competitive
Less Competitive

1. Perfect Competition

Assumptions


Perfect Competition
Market
PRODUCT
Sellers
initiate the buying and selling mechanism
no restrictions
Absence of Direct Competition
Buyers
Sells product at identical market price
WallStreetMojo

2. Monopoly


MONOPOLY
—the exclusive possession or control of supply or trade in a commodity or service.
Buzzle.com

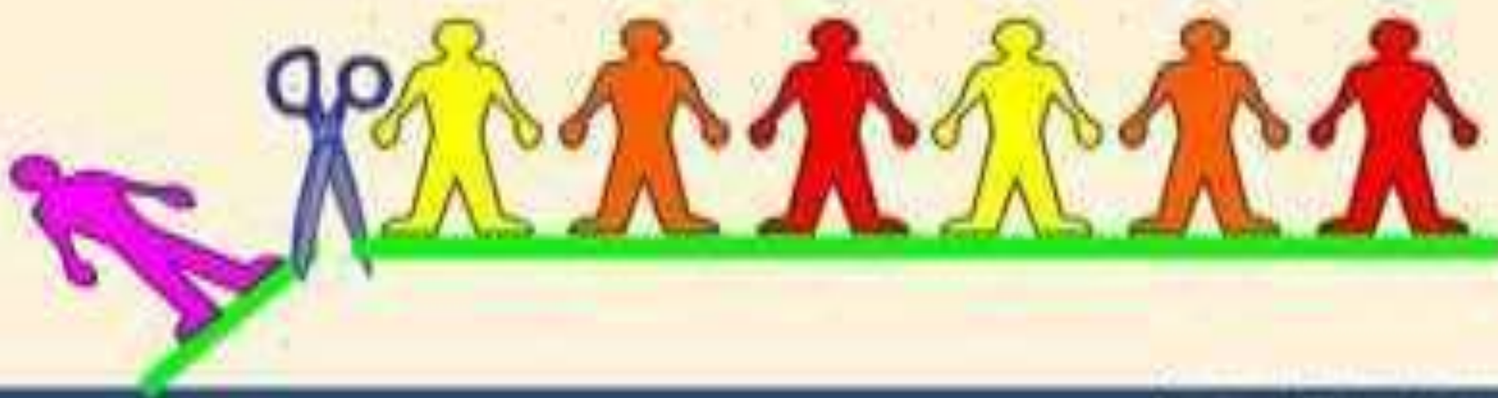
Assumptions

Examples

- True monopolies generally exist in government controlled markets.
- Examp: Indian railway
- Monopoly in private business is rare.
- Private firms who have considerable market share.
- Examp: Microsoft, Intel, Google

3.Monopolistic Competition Assumptions

- Free Entry or Exit
- Firms can enter or exit the market without restriction.
- The number of firms in the market adjusts until economic profits are zero.



Monopolistic Competition

- Many Sellers
  - There are many firms competing for the same group of customers.
    - Product examples include books, CDs, movies, computer games, restaurants, piano lessons, cookies, furniture, etc.

Examples

Shoe repairs and key makers

Taxi and minibus companies

Sandwich bars and coffee stores

Hairdressing salons

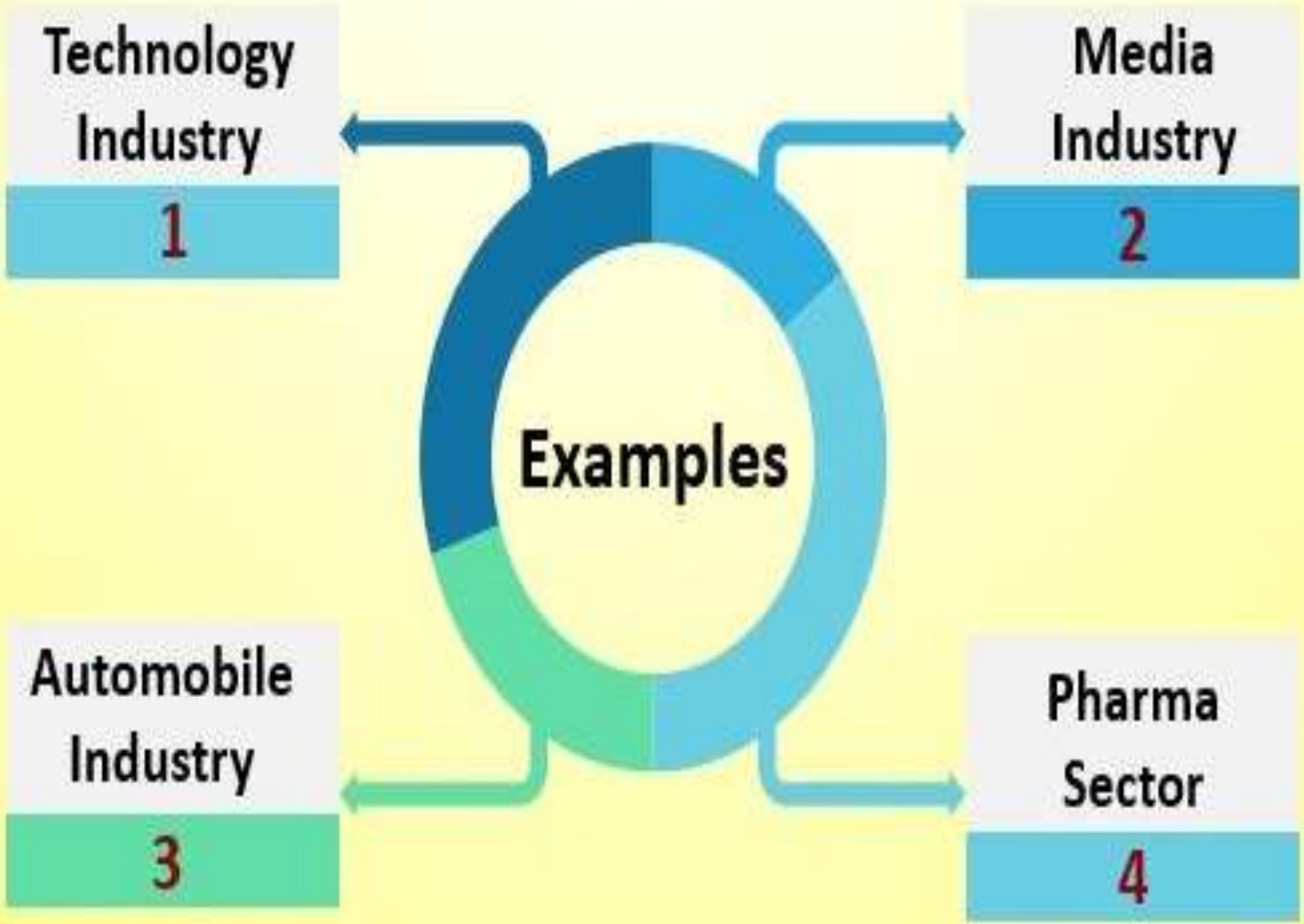
Dry-cleaners and launderettes

Bars and Nightclubs

4. Oligopoly


Interdependence
Advertising
Few Sellers
Oligopoly Market
Competition
Lack of Uniformity
Entry and Exit Barriers

Examples


Technology Industry
1
Media Industry
2
Examples
Automobile Industry
3
Pharma Sector
4

Examples

- **Cell phone service providers:** In most countries, consumers will have only a few choices for who to buy their cell plan from. The providers all differentiate through options such as text messaging, data plans, call time, etc…
- **Airplane manufactures:** Boeing and Airbus are the two dominant firms in the market for jumbo-jets. The firm differentiate through fuel efficiency of their craft, number of seats, and so on.

THANK YOU