

# **DIFFERENT MARKET STRUCTURE**

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# Meaning of Market Structure

*Market structure refers to the nature and degree of competition in the market for goods and services. The structures of market both for goods market and service (factor) market are determined by the nature of competition prevailing in a particular market.*



# MARKET STRUCTURE

- **Market structure is the interconnected characteristics of a market, such as the number and relative strength of buyers and sellers, degree of freedom in determining the price, level and forms of competition, extent of product differentiation and ease of entry into and exit from the market**
  - **The types of market structures include- Perfect Competition, Monopoly, Monopolistic Competition, Oligopoly, Duopoly.**
  - **Market structure is best defined as the organizational and other characteristics of a market.**
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# PERFECT COMPETITION

- **All firms sell an identical product.**
- **All firms are price takers.**
- **All firms have a relatively small market share.**
- **Buyers know the nature of the product being sold and the prices charged by each firm.**
- **The industry is characterized by freedom of entry and exit.**
- **It is also referred as “PURE COMPETITION”.**

## **Example: Potatoes**

- **Potatoes are sold in markets where all vendors sell homogenous products at homogeneous prices.**
- **Potato is sold at markets etc. where all vendors sell homogenous products, i.e. potato.**



# MONOPOLY

- **A Monopoly is a market structure in which there is only one producer/seller for a product. In other words, the single business is the industry.**
- **Entry into such a market is restricted due to high costs or other impediments, which may be economic, social or political.**

## **Example: Gillette- Razor blade**

- **Gillette is a razor blade that enjoys monopoly in market because every consumer purchases this brand and this is a trusted brand.**
- **Gillette Mach 3 turbo sensitive and Gillette fusion are latest version.**



# MONOPOLISTIC COMPETITION

- **Monopolistic competition is a type of imperfect competition such that one or two producers sell products that are differentiated from one another as goods but not perfect substitutes (such as from branding, quality, or location).**
- **In monopolistic competition, a firm takes the prices charged by its rivals as given and ignores the impact of its own prices on the prices of other firms.**
- **Consumers may like some special thing in the particular brand.**

## **Examples: Shoes**

- **Shoes are produced by many producers but consumers may feel that a particular company is branded or the quality produced by one company is better than the other**
- **Different company's shoes can be easily differentiated and despite differentiation each product remains close substitute for the rival product.**

# DUOPOLY

- **A situation in which two companies own all or nearly all of the market for a given product or service.**
- **It is a specific type of oligopoly where only two producers exist in one market. In reality, this definition is generally used where only two firms have dominant control over a market.**
- **In the field of industrial organization, it is the most commonly studied form of oligopoly due to its simplicity.**

**Examples: Pepsi and Coca-Cola in soft drinks**

- **In the market Pepsi and Coca-Cola rule in soft drinks. So they come under Duopoly.**
- **Other soft drinks are also there but these two companies cover large share in soft drinks market.**

# OLIGOPOLY

- **It is a situation in which a particular market is controlled by a small group of firms.**
- **An oligopoly is a market form in which a market or industry is dominated by a small number of sellers (oligopolists). Because there are few sellers, each oligopolist is likely to be aware of the actions of the others.**
- **The decisions of one firm influence, and are influenced by, the decisions of other firms.**

**Example: Maggi noodles, Sunfeast yippee magic noodles, Horlicks foodles, Knorr soupy noodles.**

- **These companies produce instant noodles.**
- **Earlier Maggi used to enjoy monopoly in this sector but with the entry of the other three companies Maggi now comes in oligopoly.**
- **These four companies majorly rule the market in instant noodles so they come in oligopoly.**



**Table 1 : Features of Market Structures**

<i>Features</i>	<i>(Market Forms)</i>			
	Perfect Competition	Monopoly	Monopolistic Competition	Oligopoly
1. No. of Firms	Large	One	Varied but not too many	A few
2. Nature of Product	Homogeneous	One type	Product Differentiation	Homogeneous or Differentiated
3. Entry of Firms	Free	No entry	Free	Restricted
4. Degree of Monopoly Power	Zero	Full	Limited	Limited due to product differentiation
5. Price Policy of Firm	Price-taker	Price-maker	Price-maker	Price-maker
6. Market Knowledge	Complete	Incomplete	Incomplete	Incomplete
7. Elasticity of Demand	Perfectly elastic	Less elastic	Less elastic	Less elastic
8. AR and MR	Equal	Different	Different	Different
9. Selling Cost	No	Small	Large	Small



**THANKS**