DIFFERENT MARKET STRUCTURE

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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, determined by nature of competition prevailing in a particular market.***

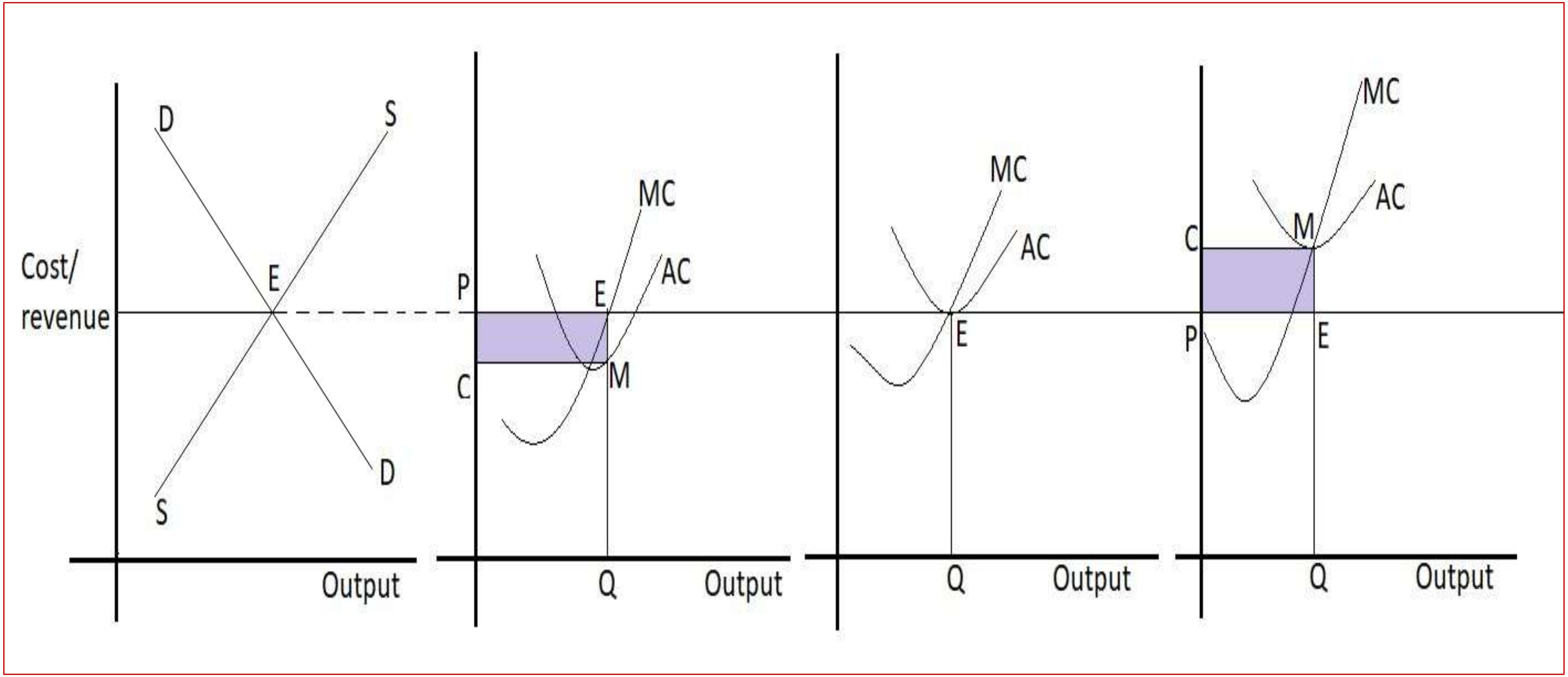
- ***Market structure is best defined as the organizational and other characteristics of a market.***

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.***

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”.*

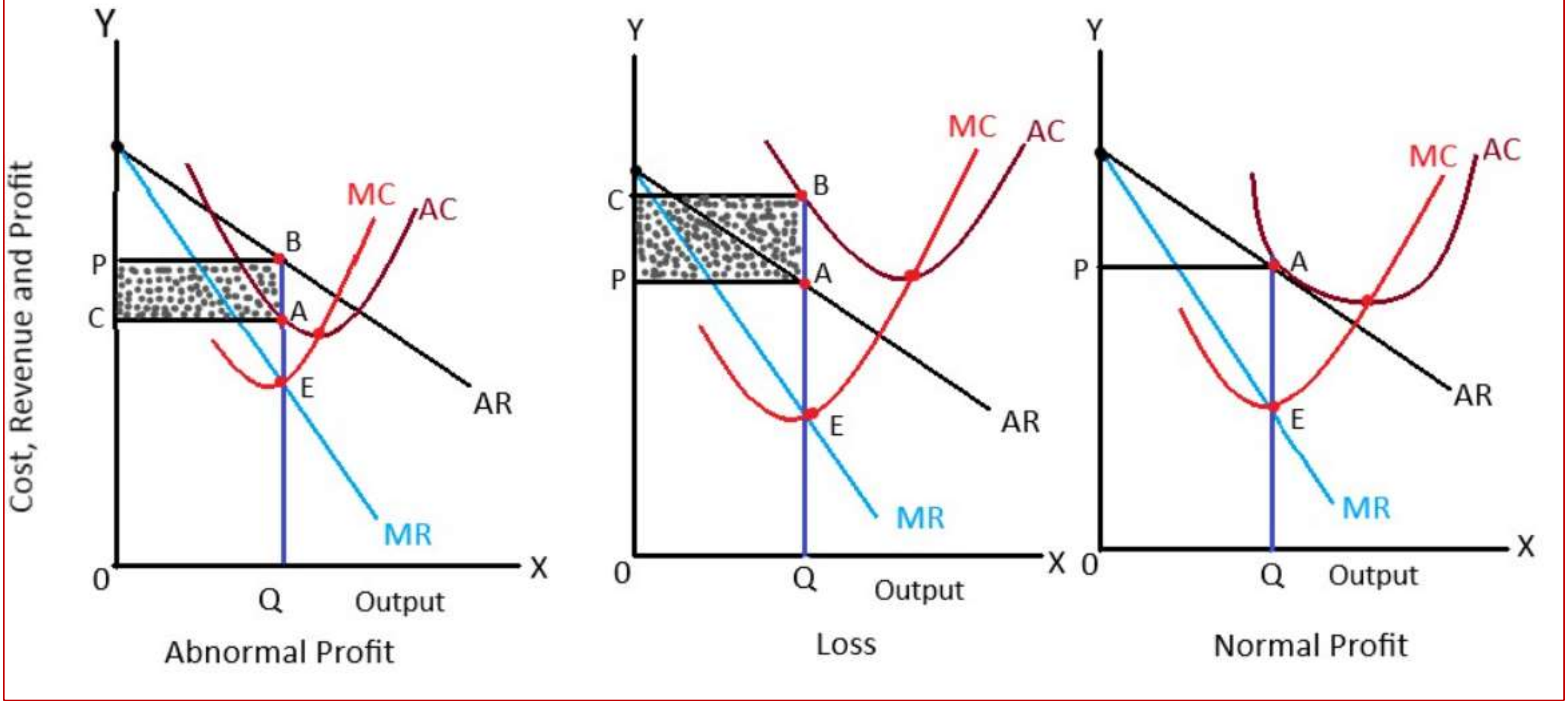


Cost/
revenue
D
S
E
S
D
Output
P
E
MC
AC
C
M
Q
Output
MC
AC
E
Q
Output
MC
AC
C
M
P
E
Q
Output

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.***



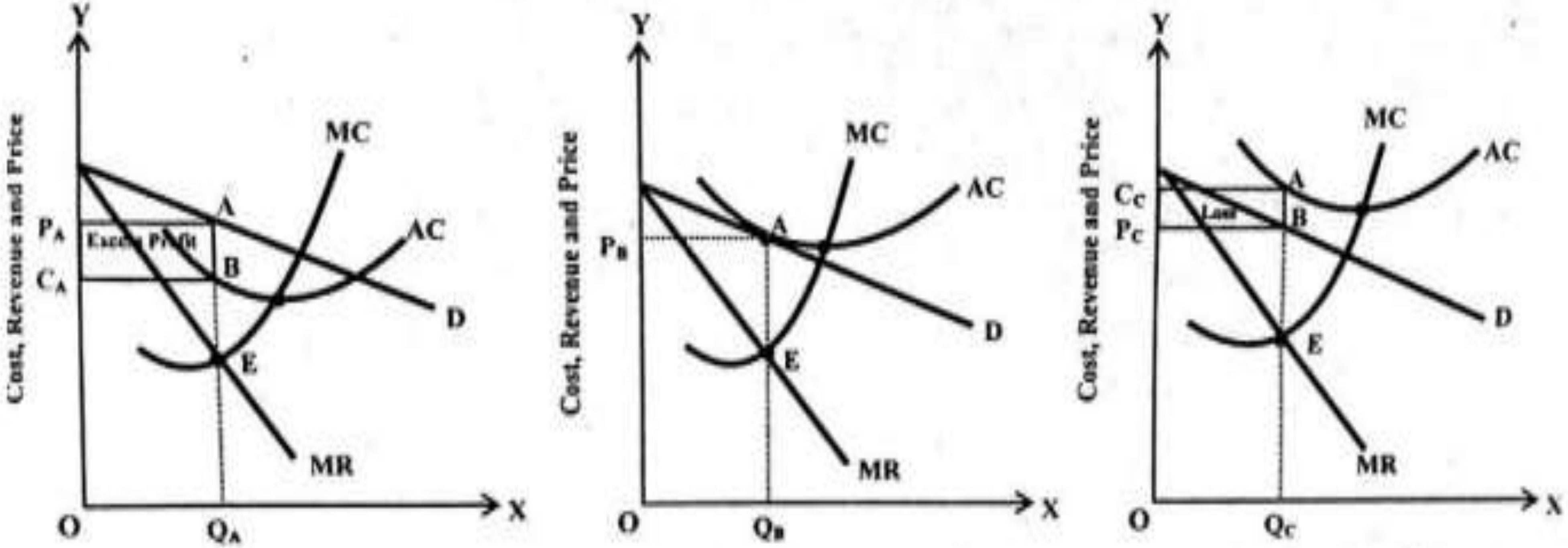
Cost, Revenue and Profit
Y
P
C
B
A
E
MC
AC
AR
MR
0
Q
Output
X
Abnormal Profit
Y
C
P
B
A
E
MC
AC
AR
MR
0
Q
Output
X
Loss
Y
P
A
E
MC
AC
AR
MR
0
Q
Output
X
Normal Profit

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.*



Quantity of Output
Panel (a): Short-run Equilibrium of a firm with Excess Profit

Quantity of Output
Panel (b): Short-run Equilibrium of a firm with Normal Profit

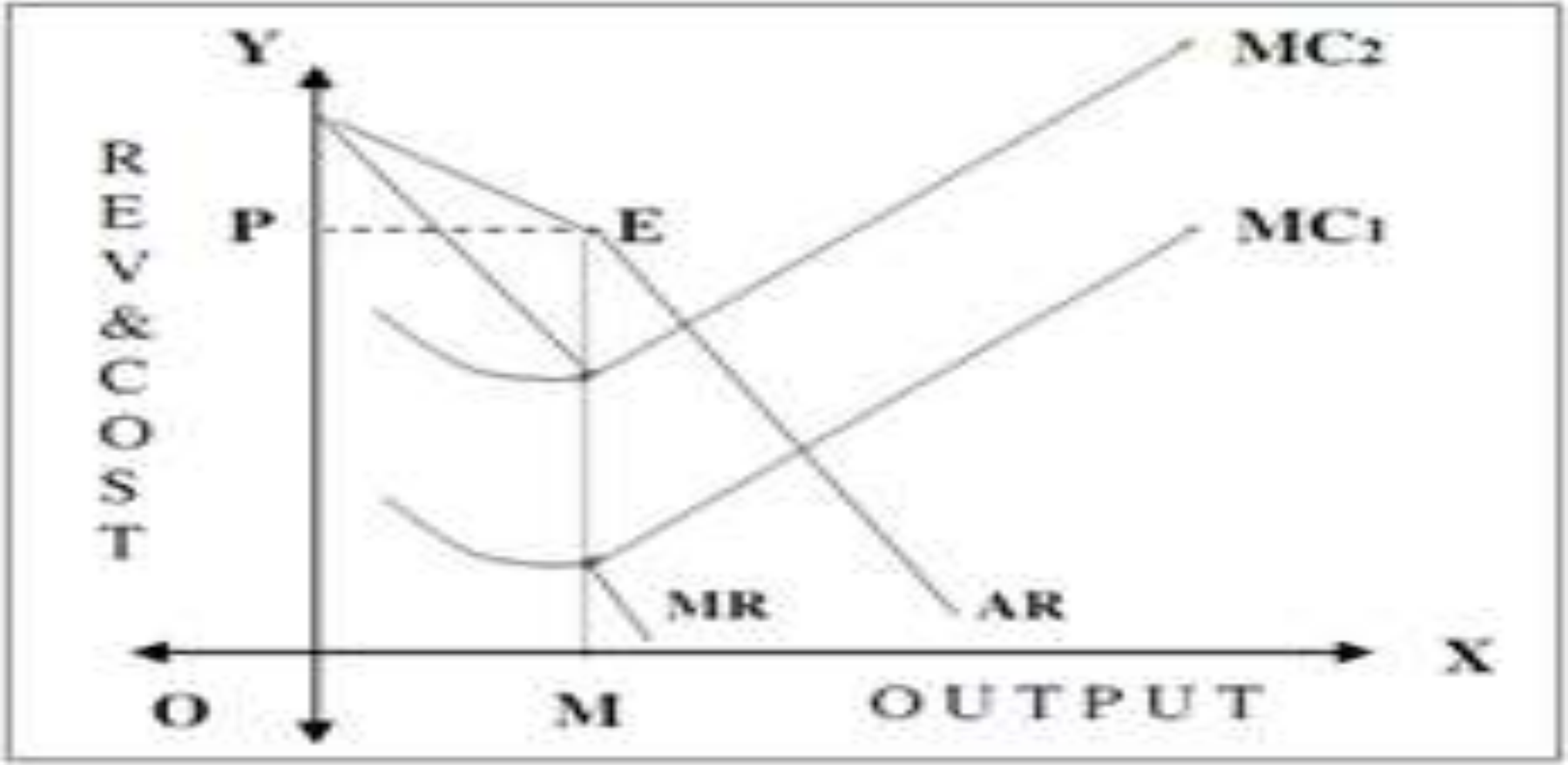
Quantity of Output
Panel (c): Short-run Equilibrium of a firm with Loss

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.


Y
REV&COST
P
E
MC2
MC1
MR
AR
X
O
M
OUTPUT

Basis	Perfect Competition	Monopoly	Monopolistic Competition	Oligopoly
Meaning	It is a market situation where a large number of buyers and sellers deal in a homogeneous product at a fixed price set by the market.	It is a market situation where there is only one seller in the market selling a product with no close substitutes.	It is a market situation in which there is a large number of firms selling closely related products that can be differentiated.	It is a market situation where the number of big sellers of a commodity is less and the number of buyers is more.
Number of Sellers	This market has very large number of sellers.	This market has a single seller.	This market has a large number of sellers.	This market has big sellers.
Number of Product	This market has homogeneous products.	There are no close substitutes in this market.	This market has closely related but differentiated products.	This market has homogeneous or differentiated products.
Entry and Exit of Firms	There is freedom of entry and exit in this market.	There is a restriction on the entry of new firms and exit of old firms.	There is freedom of entry and exit in this market.	There is a barrier on the entry of new firms into the market.
Demand Curve	This market has a perfectly elastic demand curve.	This market is less elastic and has a downward-sloping demand curve.	This market is more elastic but has a downward-sloping demand curve.	The demand curve of an oligopoly market is uncertain as one cannot determine the exact behaviour pattern of a producer.
Price	As each of the firms in this market is a price-taker, the price is uniform.	As the firms in this market are price-maker, there is a possibility of price discrimination.	The firms have partial control over the price because of product differentiation.	There is price rigidity in this market as the firms can influence it.
Selling Costs	In this market, no selling costs are incurred.	In this market, only informative selling costs are incurred.	In this market, high selling costs are spent.	In this market, huge selling cost is spent as it relies more on non-price competition.
Level of Knowledge	Perfect Knowledge	Imperfect Knowledge	Imperfect Knowledge	Perfect Knowledge


thank
you