**COMP 1: Business Opportunities: MARKETS**

**Market Structures and Competitiveness**

Read the exam board notes on market structures as well as the scanned text book pages (all on Godalming Online) then complete the following tasks in your notes:

1. Define the following key terms:
   1. Barrier to entry
   2. Cartel
   3. Collusion
   4. Competition / competitiveness
   5. Price maker (setter)
   6. Price taker
   7. Price war
   8. Product differentiation
   9. Monopolistic competition
2. For each type of market structure (perfect competition / monopoly / oligopoly):
   1. Define the structure
   2. List three features/characteristics of the type of structure
   3. Give examples of types of businesses
   4. State two effects this type of structure has on businesses
3. Answer the following questions:
   1. What advantages do cartels bring to their members?
   2. Give three reasons why perfect competition is unlikely to exist in any consumer market
   3. Explain how market structures can influence marketing strategies used by businesses (see text book pages titled Market Structures and Marketing strategies)

Market Structure Quiz

## Identify the following statements as either:

P Perfect Competition

M Monopoly

O Oligopoly

MC Monopolistic Competition

|  |  |
| --- | --- |
|  | There are many businesses but **only a few dominate** the market. |
|  | Royal Mail could be described as this |
|  | **A single producer within a market** – one business has 100% of the marketplace. |
|  | Milk production could be described as this |
|  | Each business tends to have differentiated products with a **strong brand identity**. |
|  | There are few barriers to entry. |
|  | There are a **large number of businesses** competing and no one business is large enough to influence the activities of others. |
|  | **Brand loyalty** is encouraged by the use of heavy advertising and promotion. |
|  | Brand identity is relatively weak. |
|  | They are called **price makers** as they have a significant influence on price. Nonetheless, they cannot simply charge what they want as the law of supply and demand still operates. |
|  | Prices can be stable for long periods, although **short price wars** do occur. |
|  | A large number of relatively small businesses in competition with each other. |
|  | **Some barriers to entry** do exist: for example, high start-up costs in relation to manufacturing. |
|  | There are no market leaders and no price leaders, so each business must accept the going price on the marketplace – they are **price takers**. |
|  | Products are similar, but differentiated from each other. |
|  | They are likely to **erect barriers** to prevent others from entering their market. |
|  | Supermarkets could be described as this |
|  | Businesses are not price takers; however, they only have a limited degree of control over  the prices they charge. |
|  | The goods sold are **homogenous** – there is no difference between the goods sold by one business or any other business. This means that there is no branding, no product differentiation, no way of telling goods apart. |
|  | Businesses have **equal access to technology**, meaning that they have equal levels of productivity and each business will benefit in the same way from any economies of scale that are available. |
|  | Toothpaste market could be described as this |
|  | Consumers in a perfectly competitive market have **full market information**, they know what is being sold and the price the goods are sold at. They can access a wide number of suppliers to the market. |
|  | Tesco could be described as this |
|  | Businesses are free to leave or enter the market at any time: there are **no barriers to entry or exit**. |

