

Types of Market Structures

Perfect Competition

- A market where perfect competition is subject only to the laws of supply and demand
- The number of firms is unlimited
 - There are no barriers to entering the market
 - Each firm produces one product that is the same as that supplied by other firms
 - As more enter the market, the supply increases
 - Competition is unlimited
 - The number of firms is unlimited
 - (Examples: Tomato producers)

Monopoly

- The opposite to perfect competition is a monopoly
- This type of market involves only one firm, which has total control over the price of a good or service
- A monopoly is known as a price maker
 - Monopolies can take advantage of their customers by raising prices and limiting supply

Monopolistic competition

- There are many competing producers, because barriers to entering the market are low
- Each firm makes a product that is slightly different from the others
- The products are different, each firm has some control over the prices it charges
- Most of the things we buy every day are made by companies in this type of market
- Soap, shampoo, toothpaste, jeans, shoes, to name a few (jeans, etc can vary by size, color, style, and designer)

Oligopoly

- Similar to a monopoly, except that a few large firms, rather than just one, control the market
- Oligopolies are common and include such markets as automobiles, soft drinks, airlines
- Barriers to enter the market are high
- Products vary
- There is some competition
- Dominated by a few large, profitable firms.

Business Growth and Expansion

- A business can grow in one of two ways:
 - Growth through Reinvestment
 - Growth through Mergers
- Types of mergers
 - Horizontal Merger – when two or more firms that produce the same kind of product join forces
 - Vertical Mergers – When firms involved in different steps of manufacturing or marketing join together
 - Auto maker merges with a tire manufacture

Conglomerates

- A firm that has at least four business, each making unrelated products, none of which is responsible for a majority of its sales.
 - Diversification is one of the main reasons for conglomerate mergers

Multinationals

- A corporation that has manufacturing or service operations in a number of different countries
 - A citizen of several countries at one time.