Learning out come will see students being able to :

* A. C. .3.1- Explain how market structures determine the pricing and output decisions of business.

Market Structures

- Market Structures are used to describe the context in which firms compete with each other, it takes into account the size and dominance of the firm, and the number of other firms operating in the market.

Different types of market structures

- **Monopoly**
- **Oligopoly**
- **Monopolistic Competition**
- **Perfect Competition.**

Characteristics of Market Structures

Market Dominated by a single firm In theory the monopoly firm **IS** the Industry High barriers to entry Abnormal Profits Profit maximizer Price Maker **MONOPOLY**	Market dominated by handful of big firms Barriers to entry and exit Firms may or may not be profit maximizers Firms are price makers There is product differentiation **OLIGOPOLY**
Market consists of large number of firms Products are differentiated There are no or few barriers to entry or exit Firms are profit maximizers Abnormal profit is only a feature of the short run **MONOPOLISTIC COMPETITION**	Very large number of buyers and sellers Each firm is a price taker Firms are profit maximizers The products are homogeneous There is complete freedom to entry **PERFECT COMPETITION**

Barriers to entry

* Capital- i.e high start up cost for insurance companies
* Technology /Innovation (patens) i.e- samsung /iphone
* Business Processes (patents) i.e -paymaster/ bill express
* Brand identity and customer loyalty- may prove difficult to win new customers i.e- popeyes/,McDonald/ KFC
* Switching cost-

Barriers to entry

* How are barriers to entry put in place via-

* Economies of scale
* Industry regulations
* Legislative limitation
* Special tax on new entrants

How are pricing and output decisions made in different market structures

* Lets consider the following case study.

Reading Material

LIBRARY RESOURCES

Cambridge Advanced Economics- Colin Bamford (2000)