

## Warm Up

List your favorite brand for the following:

1. Jeans
2. Shampoo
3. Shoes

- Explain why you like these particular brands?

Copy onto the back of your blue chart notes from yesterday

**Continuum of Market Structures Graphic**

Market Control →

← Number of Competitors

Pure Competition      Monopolistic Competition      Oligopoly      Monopoly

Advertising Spending by Media: Full Year 2006 vs. Full Year 2005<sup>1</sup>

MEDIA	FULL YEAR 2006 (Millions)	FULL YEAR 2005 (Millions)	% CHANGE
<b>TELEVISION MEDIA</b>	<b>\$65,373.3</b>	<b>\$62,103.1</b>	<b>5.3%</b>
- NETWORK TV <sup>2</sup>	\$22,879.2	\$22,313.1	2.5%
- SPOT TV <sup>3</sup>	\$17,233.7	\$15,614.8	10.4%
- CABLE TV	\$16,746.0	\$16,196.6	3.4%
- SPANISH LANGUAGE TV	\$4,279.3	\$3,758.1	13.9%
- SYNDICATION - NATIONAL	\$4,235.1	\$4,222.5	0.3%
<b>NEWSPAPER MEDIA</b>	<b>\$27,972.1</b>	<b>\$28,645.8</b>	<b>-2.4%</b>
- NEWSPAPERS (LOCAL)	\$24,057.6	\$24,872.2	-3.3%
- NATIONAL NEWSPAPERS	\$3,539.2	\$3,427.5	3.3%
- SPANISH LANGUAGE NEWSP	\$375.4	\$346.1	8.5%
<b>MAGAZINE MEDIA</b>	<b>\$29,833.4</b>	<b>\$28,738.5</b>	<b>3.8%</b>
- CONSUMER MAGAZINES	\$23,190.5	\$22,189.1	4.6%
- B-TO-B MAGAZINES	\$4,144.9	\$4,280.2	-2.7%
- SUNDAY MAGAZINES	\$1,881.0	\$1,739.4	8.1%
- LOCAL MAGAZINES	\$481.8	\$428.2	7.8%
- SPANISH LANGUAGE MAG	\$155.4	\$141.7	9.7%
<b>RADIO MEDIA</b>	<b>\$11,054.8</b>	<b>\$11,017.70</b>	<b>0.3%</b>
- LOCAL RADIO <sup>4</sup>	\$7,355.3	\$7,403.6	-0.7%
- NATIONAL SPOT RADIO	\$2,695.0	\$2,604.1	3.5%
- NETWORK RADIO	\$1,004.5	\$1,009.9	-0.5%
<b>ALL OTHER MEDIA TYPES</b>	<b>\$15,415.7</b>	<b>\$13,363.4</b>	<b>15.9%</b>
- INTERNET <sup>5</sup>	\$9,756.1	\$8,318.0	17.3%
- OUTDOOR	\$3,831.2	\$3,568.8	8.9%
- PDS <sup>6</sup>	\$1,828.4	\$1,465.5	25.5%
<b>TOTAL<sup>7</sup></b>	<b>\$149,649.3</b>	<b>\$143,808.4</b>	<b>4.1%</b>

## Chapter 7 Competition, Market Structures, and the Role of Government

12.2.8 the role of profit as the incentive to the entrepreneurs in a market economy

## Market Structures

- What is the primary aim/goal of businesses?
- *To maximize profits*
- What is competition?
- *Striving against others to reach an objective*

## 4 Types of Market Structure

### 1. Pure/Perfect Competition

- Large number of buyers and sellers
- *Identical product*
- Well informed buyers and sellers

More Competition      Less Competition

### Pure/Perfect Competition

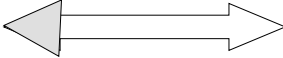
Many buyer/sellers +




Identical Products

### Monopolistic Competition

- Meets all condition of perfect competition except for identical products.
  - *Product differentiation*
- Monopolistic competitors use nonprice competition
  - Advertising, giveaways, or other promotions



More Competition Less Competition

### Monopolistic Competition



Gap
Levis
Lucky

Same as pure competition except for **product differentiation**


### Monopolistic Competition



Are these shampoos/conditioners different?

Pantene \$14.50
Frederic Fekkai \$54

### Monopolistic Competition

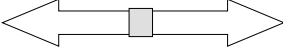


Are these mascaras different?

Maybelline	Sisley
\$4	\$43

### Oligopoly

- A **few** very large sellers dominate the industry
- Oligopolists act independently by lowering prices soon after the first seller announces the cut
- **Collusion:** formally agree to set prices
- Engage in price wars



More Competition Less Competition

### Oligopoly



iPod

Zune

### Oligopoly



Few producers control supply and price

### Coca-Cola Classic

- Coca-Cola classic
- Sprite
- Dasani
- Barq's
- Dannon
- Nestea
- Rockstar
- Evian
- Fanta
- Fresca
- Minute Maid
- Mr. Pibb
- Powerade
- Seagrams Ginger Ale & Mixers
- TAB



### Pepsi-co

- Aquafina
- Pepsi
- Mountain Dew
- Sierra Mist
- Sobe
- Lipton Brisk Tea
- MUG Root Beer
- Slice
- Gatorade
- Dole Juice
- Tropicana



### Cadbury Schweppes

- 7 Up
- Canada Dry
- Clamato
- Dr Pepper
- Hawaiian Punch
- Mott's
- Orangina
- Snapple



### Toyota



- Toyota
- Scion
- Lexus



### Chrysler



- Chrysler
- Jeep
- Dodge

### General Motors



- Chevrolet
- Buick
- Pontiac
- GMC
- Saturn
- Hummer
- SAAB
- Cadillac

### Monopoly

- Only **one** seller of a particular product
- Few monopolies

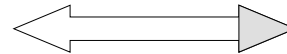


### Monopoly



**Microsoft**

- **One** seller dominates the market with no close substitutes



More Competition

Less Competition

### Monopoly

- **Natural Monopoly** - efficient production by a single supplier



A Sempra Energy utility

### Monopoly

- **Geographic Monopoly** - small town



## Monopoly

1. **Technological Monopoly** - new invention
  - **Patent:** exclusive right for 17 years



Segway

## Monopoly

1. **Technological Monopoly** - new invention
  - **Copyright:** lifetime + 50 years



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## Monopoly

1. **Government Monopoly** - government owned businesses



## Characteristics of Market Structures

	Number of Firms in Industry	Influence Over Price	Product Differentiation	Advertising	Entry Into Market	Examples
Perfect Competition	Very Many	None	None	None	Easy	Agric. products Fishery
Monopolistic Competition	Many	Some	Fair Amount	Extensive	Easy	Gas Stations Women's Clothing
Oligopoly	Few	Fair Amount	Fair amount with differentiated oligopolies	Extensive	Difficult	Automobiles Aluminum
Pure Monopoly	One	Extensive	None	None	Almost Impossible	Cable TV Water

**Look at the following Pictures and guess which market structure they belong in.**

**To show your choice move to that corner of the room.**

**Be ready to defend your answer!!**



