

**Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE**

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**DEPARTMENT OF COMMERCE WITH  
INFORMATION TECHNOLOGY**

**MANAGERIAL ECONOMICS  
MARKET STRUCTURE**

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# PERFECT COMPETITION

**Infinite Buyers & Sellers:** No single participant can influence the market price (Price Takers).

**Homogeneous Products:** Goods are identical (e.g., wheat, corn, gold). Substitutability is perfect.

**Perfect Information:** All participants have full knowledge of prices and technology.

**No Barriers:** Free entry and exit in the long run.



# MONOPOLISTIC COMPETITION

Differentiation is Key

This is the most common market structure in daily life (retail, restaurants).

**Key Feature:** Many sellers offer *differentiated* products. They are substitutes, but not perfect ones.

**Implication:** Firms have *some* control over price based on brand loyalty, quality, or location, but low barriers to entry limit long-term profits.



# OLIGOPOLY

## The Power of the Few

**Few Dominant Firms:** The market is controlled by a small number of large firms (e.g., Airlines, Telecom).

**Interdependence:** Decisions made by one firm (price cuts, marketing) directly impact competitors.

**High Barriers:** Massive capital requirements or technological advantages prevent new entrants.

**Sticky Prices:** Firms prefer non-price competition (advertising) to avoid price wars.



# MONOPOLY



## The Single Seller

A market with only one seller for a product with no close substitutes.

**Price Maker:** The firm has complete control over market prices.

**Barriers to Entry:** Extremely high. Can be natural (economies of scale), legal (patents), or resource-based (ownership of raw materials).

# KEY DIFFERENTIATORS



## Number of Firms

Ranges from "One" in Monopoly to "Few" in Oligopoly, and "Many" in Perfect/Monopolistic Competition.



## Barriers to Entry

Determines long-run profitability. High barriers (Oligopoly/Monopoly) sustain profits; Low barriers erode them.



## Pricing Power

The ability to set prices above marginal cost. Perfect competitors have none; Monopolists have the most.

# COMPARISON MATRIX

Structure	# Firms	Product Type	Entry Barriers	Market Power
Perfect Comp.	Infinite	Homogeneous	None	None
Monopolistic	Many	Differentiated	Low	Low
Oligopoly	Few	Similar/Diff	High	High
Monopoly	One	Unique	Very High	Maximum