Characteristics of duopoly market structure pdf

A duopoly is a kind of oligopoly: a market dominated by a small number of companies. In the case of a duopoly, a particular market or industry is dominated by only two companies (this contrasts with the better known case of the monopoly when only one company dominates). In very rare cases, this means that they are the only two companies in the whole market (this almost never occurs); In practice, it usually means that the two duopolistic companies have a great influence, and their actions, as well as their relationship with each other, powerfully shape their industry. Duopolistic markets are incompletely competitive, so barriers to entry are usually significant for those trying to enter the market, but there are usually still other, smaller companies that remain with the two dominant companies. Duopoly Example There are numerous examples of a duopoly. Here are some of the best known: Smartphones: Apple and AndroidElectronic Payments: MasterCard and VisaSoft drinks: Coca-Cola and PepsiHigh-end auctions for art and antiques: Sotheby's and Christie'sAircraft manufacturers: Boeing and AirbusShipping: UPS and FedEx (although this is in decline, with players like Amazon and USPS gaining traction) Advantages of a Duopoly With so few significant competitors, companies are able to generate significantly higher profits-practical, consumers must almost always choose one of the twoMarket is easier for consumers, so they do not have to search among dozens of options to choose the best product or service for their needsFinancial resources can be set against refining the quality and functionality of existing products and services, rather than trying to create new ones to be more competitive Cons with a Duopoly It is very difficult for smaller companies to enter the industry and gain a market share , so they often collapse before they can become competitiveFree competition means less impetus for companies to produce new products, that can stifle innovation and vibrancy of the marketLimited consumer choice-if consumers are dissatisfied with the two big companies' products, they'll have almost no alternative optionsPrices will often be higher for consumers when competition does not drive prices downPrice fixing and collusion becomes more common in situations of duopoly, forcing consumers to pay more with few alternative Types of Duopolies The two main categories of duopoly are Cournot duopoly and Bertrand duopoly. Cournot duopoly The Cournot duopoly model states that the quantity of goods/services produced structures competition among the two companies in an industry. These two companies jointly decide to divide the market between each other. The Cournot model argues that the affordability that companies receive is mainly determined by quantities of goods and services. If one company changes its production levels, the other company must also change its balance of a 50/50 market breakdown. Bertrand Bertrand This model of duopoly criticises the Cournot model by stating that it is not the quantity of production that primarily shapes competition between the two companies, but rather the price. This is based on the fact that consumers choose a product or service consistently will choose lower prices when presented with two choices of equal quality; this will push companies to engage in price wars to be the more attractive option. What is a market? A market is a place where buyers and sellers meet for the transaction of goods and services. Buyers must have something they can offer in exchange. In the current scenario, it's money. In the exchange systems that existed before the invention of money, goods there are exchanged between buyers and sellers. What is market structure? Market structure can be defined as the strange characteristics of the market that significantly affect the behavior and interaction of buyers and sellers. Criteria for classification of market structure The market structure consists of four main market characteristics: •

The number of sellers • The nature of the product • The ability of individual firms to influence the market • How easy it is to enter... viewing more content... When members of a duopoly compete for price, they tend to push the product's price down to the cost of production, thereby lowering the profits of both members of the duopoly. Duopol is most effective when the demand for the duopoly product is not significantly affected by the price. That's why duopolier is more efficient in the short term; in the long term, prices often become more elastic when consumers find substitutes for the product. In addition, demand volatility can lead to disagreements within a collaborative duopoly in terms of production and prices. A real-time example A very common and obvious real-time example for duopoly is Pepsi and Coca-Cola in the soft drinks field. Pepsi and Coca-Cola together control more than three-quarters of the total soft drink market. By analyzing this example alone, we can identify how competitive the duopoly market structure is. Two very powerful companies competing for supremacy can always result in extreme competition. Merits • Intensive... show more content...• The contractors under this category are usually profit maximizes. • Restaurant, soap, etc. are the classic examples of monopolistic. Merits • No barriers to entry and exit • Much better operational efficiency than monopolies due to diversified products and lack of occasional supremacy. Demerits • Ads are usually compelling. They are not informative. • Low quality differentiated products lead to unwanted wastages like packaging. Oligopoly A highly concentrated market structure that includes many companies. Some companies among them will gain superiority and will control the market. Characteristics • Interdependency is a primary quality required to survive. • As interdependence is a major requirement, strategic plans are for the survival and growth of business organisations in oligopoly. • It is is hard for new entrants as oligopolies have a common tendency to maintain their long-term dominance of the market. This can be risky for the new entrants. • The oligopoly did not give to a particular pricing method. They may increase or decrease their product prices depending on market conditions. • Film, TV, steel, etc. are examples for oligopolies. Perfect A duopoly is a situation where two companies together own all, or almost all, of the market for a particular product or service. A duopoly is the most basic form of oligopoly, a market dominated by a small number of companies. A duopoly can have the same impact on the market as a monopoly if the two operators interact on prices or production. Collusion results in consumers paying higher prices than they would in a truly competitive market, and that is illegal under U.S. antitrust law. A duopoly is a form of oligopoly, in which only two companies dominate the market. Companies in a duopoly tend to compete with each other, reducing the risk of monopolistic market power. Visa and Mastercard are examples of a duopoly that dominates the payment industry in Europe and the UNITED States. In a duopoly, two competing companies control the majority of the market sector for a particular product or service they provide. An enterprise may be part of a duopoly even if it provides other services that do not fall into the market sector in question. For example, Amazon is part of the duopoly in the e-book market but is not associated with a duopoly in its other product sectors, such as computer hardware. A duopoly is a form of oligopoly, and should not be confused with monopolies, where only a single producer exists and controls the market. With a duopoly, each company will tend to compete with the other, keeping prices lower and benefiting consumers. However, since there are only two major players in an industry under a duopoly, there is a certain probability that a monopoly could be formed, either through collusion between the two companies, or if one goes bankrupt. An oligopoly exists when a few companies control the vast majority of the market sector. While a duopoly qualifies as an oligopoly, not all oligopoly duopolies. The car industry, for example, is an oligopoly because there are a limited number of producers, but more than two, who have to respond to global demand. Collusion involves an agreement between competing entities with the aim of manipulating the market frequently by inflating prices. As described in this article by The Washington Post, in 2012, Apple was accused of collaborating with publishers to artificially inflate the prices of ebooks offered through the iBookstore service. The accusation contained allegations of a conspiracy between Apple and five publishers, suggesting that pricing was firmly creating an unfair situation in the consumer market. A closely related concept is a monopoly, a situation in which a single company dominates United United Postal Service (USPS), which by law is the sole provider of first-class postal services, is an example of a monopoly; However, the USPS does not have a monopoly on other maritime services, such as parcels, as these services are not covered by the law. Boeing and Airbus have been considered a duopoly for their command of the large market for the production of passenger aircraft. Similarly, Amazon and Apple dominate the e-book market. While there are other companies in the industry to produce passenger planes and e-books, the market share is highly concentrated between the two companies identified in the duopoly. Visa (V) and Mastercard (MA) are considered duopoly. The two financial powerhouses own over 80% of all EU card transactions. This dominance has led the European Central Bank (ECB) to try to find ways to break up the duopoly described in an article by FinExtra.com. So far, the ECB has tried to cap interchange fees, but a new system that would allow direct payments using national payment cards in European countries could be a game changer. A European direct payment infrastructure would eliminate the need for people to use the global services of Visa or Mastercard. Another proposal is to allow instant payment at points of interaction or points of sale so that the need for the traditional cards would disappear altogether. Altogether.