Shoe market

Finance, Market

The up market for shoe industry refers to that segment of the market that prefers to buy expensive luxurious goods because they believe that they deserve quality and experience goods. This market is characterised by the need to buy quality products, the consumers in this up market believe that the high price of a brand of shoe is a sign of quality and therefore they will buy expensive goods.

The prices in this kind of market is not determined by the cost of production but by the firm producing the market, the prices are higher than in the other shoe market and therefore consumers spend more on one pair of shoes and therefore the firms in this market will gain more from the consumer surplus they tap.

In this market there are a variety of brands and consumers can choose their required product, these shoes are also stylish product in that they are made for consumers who are high income earners and therefore a firm in the industry will only need to market its brand and gain consumer's attention. This is a competitive market because of the existence of 15 markets in the industry however ony a few firms have introduced branding and pricing strategy aimed at those high income earners and therefore competition is high in the shoe industry, there is however free entry and exit by firms into the industry.

Monopolistic competition:

In a monopoly type of market there is only one firm in an industry and there exist barriers to entry and exit into the industry, the firm is also a price maker and not a price taker. In monopoly competition there exist several

firms but the firms have little control over prices, there exist many firms in this type of market and each firm commands a small share of the market and therefore the prices are still determined not by demand and supply but by the firm.

In the short run in the Greson case the firm will make abnormal profits but in the long run equilibrium this will not be possible as shown by the monopoly competition long run and short run equilibrium: The diagram below shows a monopoly competitive firm in the short run: In the short run the firm price is far beyond the average cost and for this reason the firm makes abnormal profits.

In the long run in a monopoly competition the equilibrium is as follows: In the long run the price is equal to the average cost and therefore the firm does not make any abnormal profits, however the assumption underlying this diagram is that the industry has no barriers to entry.

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References:

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