

The supermarket industry in uk



**ASSIGN
BUSTER**

The supermarket industry in UK

In UK, there are a huge amount of large supermarkets and people in British are usually go to these kinds of supermarket once a week, for example, Tesco, Sainsbury's, ASDA. Even though the supermarket industry in UK is not as well as the supermarket industry in America; however, it is an important part for people who living in British and a large part of supermarket is adopt the chain structure to operate and it is all over the town. Therefore, the marketing mix of the UK supermarket industry can be shown as in four parts. The price in the UK supermarket industry have connection between each firms because the price rigidity. Turning to the place of the UK supermarket industry may build in suburbs or in the city which may benefit for the consumer to choose and it have developed the service which can shop on the internet. And the promotion of the UK supermarket, they may use some advertisement in the website and billboard. This essay will be structured as four parts which is the background of the supermarket in UK, the characteristics of oligopoly, the advantages and disadvantages of the market structure for consumer and conclusion.

Moreover, the supermarket in UK can be described as an oligopoly market so that the competitive in the UK supermarket industry is very altitudinal. The characteristics of oligopoly can be divided into four parts which is non-price competition, price rigidity, L-shaped average cost curves and collusion. The structure of the oligopoly market is there is a small amount of interdependent firms which compete with each other and it can be used barriers to entry to the industry. Furthermore, the oligopolistic firms may focus on the firms which relative to their industry to consider the supply.

(Anderton A, 2004) The important characteristic is the clash between cooperate and self regard. The oligopoly group will produce less goods and gather the price which higher than the marginal cost. Thus, each seller's activity may have a great influence to the other firm's profit. (Mankiw N, 2009)

In addition, the supermarket industry in UK is similar with the oligopoly structure. Firstly, oligopoly is dominated by few large companies which mean collusion that plan the device and make profit together. Even though the UK supermarket industry is very competitive and beneficial; however, there are four main firms in the industry which play an important role and the other firms will focus on the niche market to exist. The four firms are known as Tesco, ASDA, Sainsbury's and Morrison's which are running grocery structure. The " big four" have become an oligopoly market structure that they have combined share of 76% of the market at the end of 2008. (BBC news, 2010) This can be seen as barriers to entry to the other various smaller companies. According to the BBC news (2010), there are about 50 UK supermarket chains have defunct. Furthermore, the price between each firms have made a price rigidity which will retain a permanent level.

The supermarket market structure in UK can be seen as oligopoly market and it have brought the benefits and disadvantages for consumer.

Firstly, according to the Tutor2you (2007), non-price competition has play an important role in the sales of supermarket. Because of the highly competitive of the supermarket industry in UK, firms will increase market share and use

tactics to sale promotion, such as store loyalty cards, banking and other financial service and extension of opening hours.

(Source: <http://news.bbc.co.uk/2/hi/business/4694974.stm>)

This figure can be shown that Tesco was dominant in the supermarket share research. Moreover, BBC news (2006) list that Tesco's market share remains rising and not only this supermarket but also other supermarkets have an upward tendency such as Sainsbury's. It can be seen that the measure that Tesco have use is successful to assist the company. Besides, each firm will bring out there preferential measures and provide to the consumers which can allow them to choose and every measure may have their attraction.

Secondly, oligopolistic firms are very superior in the market regularly and production capacity is generally larger which means that the firms have ability to resist the risk and have advanced management technique. It is beneficial to consumers because it have indemnity that consumers can buy with confidence.

However, it also bring disadvantage for consumer in two ways. First of all, one of the characteristic of the oligopoly market is interdependence between each company which means one of the companies may consider the reaction of the other firms in the marketing such as making price and some investment decisions. It may obtain the suitable profit that each oligopoly firms would satisfactory with it. Moreover, for the consumer, it may decrease the preference and the price will become indeterminacy because the price may fluctuate by the oligopoly firms. The firms may combined together and gain the monopoly price which can acquire monopoly profits. (Tutor2U,

<https://assignbuster.com/the-supermarket-industry-in-uk/>

2007) Firms may also bull operation and it is far beyond the real value of the product. It is bad for consumer because it will und ermine the interest of its consumers. According to the Top retailing (2008), because of the rising price of fuel and food which allow people seek the cheaper price.

All in all, based on the characteristic of the UK supermarket and the advantages and disadvantages of the market, the oligopoly structure should pay more attention to the measure which can give people the benefit while they can make the profit. The non-price competitions which can allow consumer seek a high quality and service among the similar price between each supermarket. Company should not in their own interest but also consider the consumer that it should have many considerations such as technical and geographical to improve and perfect the system such as different discounts to the customers. Moreover, company can make a research to identify competitive suppliers, understand the information of supply market and efficient commodity strategy.

4. Reference

Anderton A. (2004) Economics (3rded.) Ormskirk, Causeway Press Ltd.

[Assets date: Feb, 4th]

BBC news (2006), Business

Economics (2009), UK supermarkets, oligopolistic competition

Oligopoly watch (2003), British grocery oligopoly

Structure of industry, the economics of supermarkets Author: Robert P.

<https://assignbuster.com/the-supermarket-industry-in-uk/>

[Asset date: Feb, 4th]

Top retailing (2008), Grocery share Author name: Nesbitt L.

Tutor2U (2007), Oligopoly

[Asset date: Feb, 5th]