Market strategy case study: katrina’s candies

Business

The market can be dominated by as few as two firms or as many as twenty, and still be considered oligopoly. With fewer Han two firms.

The industry Is monopoly. As the number of films Increase (but with no exact number) oligopoly becomes monopolistic competition. Because an oligopolies firm is relatively large compared to the overall market, it has a substantial degree of market control. It does not have the total control over the supply side as exhibited by monopoly, but Its capital Is significantly greater than that of a unapologetically competitive firm.

The three most important characteristics of oligopoly are: (1) an industry dominated by a small number of large firms, (2) firms sell either identical or differentiated reduces, and (3) the industry has significant barriers to entry. Oligopoly Is the one most likely to develop the Innovations that advance the level of technology.

Expand production capabilities, promote economic growth. And lead to higher living standards. Oligopoly has both the motive and the opportunity to pursue innovation.

Motive comes from interdependent competition and opportunity arises from access to abundant resources. What pricing strategy for Strain’s would you recommend under the above market structure? (Please make sure to discuss the Importance of predicting the pricing trainees of the rival firms.

) b.) I think Strain should look into Game Theory for their price strategy. Game theory is a method of analyzing situations in which the outcomes of your choices De- Penn on others’ choices, and vice versa.

In these strategic situations, there Is mutual interdependence among the choices made by the decision makers: each decision maker needs to account for how the others are affected by the choices made and how the other decision- makers are likely to respond since their responses may affect what is the best choice to make. Among market structures, oligopoly is the setting in which such interactions are likely to be most important, and game theory has become widely used to analyze oligopolies.

Game theory is a general approach to analyzing strategic interactions, however, and it can be applied to issues other than oligopoly.

For example, In determining the defense bud- get, the U. S. Government must not only consoler ten Impact AT Its Dougherty echelons on ten military echelons AT potential enemies, but also recognize that these potential enemies are trying to predict how the United States will respond to their budgetary decisions. Game theory can be applied to a wide range of phenomena like these, but our main concern is with how it helps us understand the functioning of oligopolies markets.

All game theory models have at least three elements in common: players, strategies, and payoffs.

The players are the decision makers whose behavior we are trying to predict. In the case of oligopoly, the players are the firms. The strategies are the possible choices of the players. Outputs produced and prices charged are strategies in this sense, but so too are advertising budgets, new product introductions, and product differentiation. For logistics firms, all of these actions can affect rivals.

The payoffs are the outcomes, or consequences, of the strategies chosen. For firms, it is natural to express the outcomes as the profits or losses realized.

It is important to remember, however, that a specific strategy does not uniquely determine the profit (payoff because that will depend on the strategies followed by the other players. Sources: http:// www. Wiley.

Com/college/browning/0471389161 /PDF/chill 4 http://www. Amasses. Com/CGI-bin/paw_Nava. Pl? S= WPAD&c= dsp&k= oligopoly Chick, I would like to add to your post with regards to profit maximize. Many firms may have to seek profit minimization through trial and error. E.

G. If they see increasing price leads to a smaller % fall in demand they will try increase price as much as they can before demand becomes elastic.

It is difficult to isolate the effect of changing price on demand. Demand may change due to many other factors apart from price. Firms may also have other objectives and considerations.

For example, increasing price to maximize profits in the short run could encourage more firms to enter the market; therefore firms may decide to make less than maximum profits and pursue a higher market share. Source: http://www. Economically. Org/blob/3201 ‘ economics/profit-mastication/ Amelia, Good post and I choose game theory as well.

Game theory deals with any situation in which the reward of any one player (called the payoff depends on not only his or her own actions but also on those of other players in the game. Game theory provides a technique that is suited to investigate such interactions, but as applied in the research t II ratter It Is a Tar more mathematical treatment tan malign De suggested by our attempt to explain its nature in a simple way.

Source: http://www. Wiley. Com/ college/browning/0471389161 /PDF/chill 4 Suppose you provide consulting services on price-setting strategies to a number of airline companies.

Please respond to the following questions based on the lecture concepts of this week. In what way the " game theory' can be a useful optimization tool in making pricing decisions by airlines? Baggage fees introduced by airlines provides for an interesting game theoretic analysis between the various stakeholders. Based on ones goals, each air lines choose certain actions and decides whether to go along with a competitor and play the game or to stay out and follow a different strategy.

While majority of the airlines are benefiting from baggage fees, the success of that initiative is critically dependent on co-operation among the major airlines.

If one airline pulls out, the whole program will fall like a house of cards. So far co-operation has been sustained and everyone has been benefiting. While Southwest has for now decided to stay out of the game, we feel that it is perhaps worse off by not co- operating with others. While it is playing the game of wooing away passengers from other airlines, and only time will tell on how much longer it'll be able to continue forgoing money that is readily available. Or will it be able to pull Off fast one where passengers actually defect reversing the benefits that the other airlines are currently enjoying.

How this game plays out remains to be seen, but the odds are stacked against Southwest because they only control about 15% of the market share, not enough to disrupt the entire airline coalition. Solving for Nash equilibrium flight schedules and route prices for each carrier analyze competition between airlines. At the Nash equilibrium, each airline’s flight schedule and route prices maximize its profit against the choices of competitors. Source: http://faculty. Has. Berkeley.

Du/r]Morgan/ http://www. Simon. Rochester. Deed/face/altered/Simplifications/Leaderships/ AirlineSchedulingandRoutinginaHubandSpokeSystem. UDF b) Critically discuss at least two price-setting strategies that are commonly used by airline companies and predict the impacts of such pricing methods on the demand for seats and the firm’s profits.

The lowest level maximizes the airline’s profit by adjusting prices. Profit is maximized with respect to prices, while considering consumer choice of routes and airplane capacity constraints. To find profit maximizing prices, demand for routes as a function of route prices must be determined. Route prices are set to maximize ten alertness pronto student to tens capacity constraint.

The second level generates the set of routes considering the flights chosen by the airline. These are the possible routes that can construct using the flights.

The first highest level searches over sets of flights to find the profit maximizing set. Source: http://www. Simon. Rochester.

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Leaderships/AirlineSchedulingandRoutinginaHubandSpokeSystem. PDF Good post and I agree.

I would like to add to price strategy. Flight Profitability is iterative; it requires ongoing disciplined management. It is a helpful tool for highlighting opportunities in the system, both positively and negatively.

It is helpful for tracking whether flight or market-specific schedule or marketing changes are working. And it is helpful for aircraft and hub profitability analyses. Product profitability management is likewise critical for airlines in the context of constantly changing markets, competition, and costs – as changes occur, airlines must change their tactics accordingly and exploit new opportunities.

All airlines should be using flight profitability as a key tool for identifying potential adjustments in their “ product nine” to meet changes in the marketplace. Tries? decision-making/ Professor, How is price discrimination strategy used by airlines? Consumer have to pay different prices on each flight, and that in some cases we can observe that the highest price is as much as five times the lowest price. Consumer can buy an expensive, flexible ticket. Then you are allowed to reschedule the flight or even cancel it without any costs. Large firms that demand airline tickets write a contract with an airline, where the Tells’ employees receives a certain Locknut on can allure ticket. Finally, frequent flyers programs are important in the airline industry.

It implies that those who are members of such a program can earn member points for each flight and later use the points to claim a free bonus flight. It can be seen as a kind of discount, and in that respect it is a kind of price discrimination. Therefore, we will also consider the welfare effects of frequent flyer programs. Based on the characteristics of this industry, three different kinds of price discrimination exist. (l) Versioning, (it) discounts to large consumers and (iii) frequent flyer programs Source: http://www. Slideshows.

Net/Josiah/price-discrimination-in-airline- industry-ii 261290