

Type of market structure

[Business](#), [Marketing](#)



What type of market structure would you classify that is occupied by Innocent? Explain and justify the reasoning for your decision? Innocent are a company that formed just over eight years (1998) ago (to produce and sell a varied range of fruit smoothies. Innocent was founded by a group of individuals who where not happy with the common 20th century diet. Their idea was: " to make it easy for people to do themselves some good. And to make it taste nice too. We wanted people to think of innocent drinks as their one healthy habit." (www. innocentdrinks. co. uk)

They are an eco friendly company that produces and guarantees 100% natural products. They are also a company that cares about the future of the world. This can be shown by their effort to provide 100% healthy products, 50% of the plastic used on their bottles is recycled plastic, the launch of combustible eco bottles, 10% of their yearly profits go to a charity in the countries from where their fruit come from.

Innocent have also been working with the Carbon Trust and The Edinburgh Centre for Carbon Management in order to finds ways and to see what measures can be taken to help reduce their carbon emissions. " Every tonne we avoid emitting will reduce the risk of global warming getting worse." (www. innocentdrinks. co. uk) In 2004 Innocent became the biggest smoothie brand in the UK with 41% of the market share, with PJs being their closet rivals with 28% of he market share. It is important for Innocent to consider its market structure because it will influence the sort of competition Innocent will have to compete with.

The market structure can be defined and sorted into four main categories. A 'Monopoly' that is " where one supplier has sole control over a market, and there is no competition." 1 A 'Oligopoly' that is where " a small number of firms account for a very large share of the market, and a number of the privatised ex-monopolies." 2 'Monopolistic competition' that is where " there are many competitors in the market, each has a product sufficiently differentiated from the rest to create its own monopoly." 3 And finally 'Perfect competition' " It involves many small producers, all supplying identical products that can be directly substituted for each other."

Innocent smoothies' market structure can be described as being in an Oligopoly market. It is important to also understand that Innocent can also be seen as operating in a legal Monopoly market structure; this is because they have over 25% of the market share. 2007 stats show that Innocent currently have 68% of the market share, over 7000 retailers and a £100 million turnover. (www.innocentdrinks.co.uk)

Innocent are often described as being in an Oligopolistic market due to the fact that there are a few participants and each Oligopolist is aware of the actions of the others. As a market leader Innocent has the ability to set their own prices without much change in supply and demand therefore operating in an inelastic business, and an Oligopoly market structure. How might the market structure identified above possibly influence and shape the conduct and performance of Innocent in its business activity?

As previously stated, Innocent has been identified to be in an Oligopolistic market. This market structure identified could shape the conduct and

performance of Innocent in its business. One reason for this is because in an Oligopolistic market the decisions made by one firm are influenced by the decisions by other firms. An Oligopoly market structure has many barriers of entry. These barriers help to decrease competition and are therefore being an advantage to Innocent because with less competition within the market the more chance they will have of success and a greater profit margin. Another advantage of an Oligopoly market is that the market leader (Innocent with 68%) is and can become the price leader.

In an Oligopoly market there tend to be various small price wars, these are in order to gain other competitors customers. As Innocent have the larger market share they will therefore have the upper hand in setting and gaining more benefits from such price wars. Firms in Oligopolies compete and focus on their customer satisfaction which leaves other sides of their business needing less attention. With a good customer relations and loyal customer's growth and expansion can take place.

When Innocent considers their future they will need to look into the market structure and as they are in an Oligopoly they only have a few competitors, for example PJ smoothies, so expansions such as 'Innocent for kids' can be brought forward. Diversification growth is a safety option for Innocent because if Innocent's main smoothie outlets have a decline in sales then the company can fall back on the profits from its 'Innocent for kids'. " The company could seek new products that have technological and/or marketing synergies with existing product lines, even though the new products themselves may appeal to a different group of customers." (Kotler, P 2000)

Innocent will need to consider its market structure for their future events and consider possible influences and measures that could affect the performance of Innocents business activities. An Oligopoly market structure has a lot of advantages and benefits which can help the growth and expansion of Innocent's future. But to achieve this they must realise what is needed to survive in an Oligopoly market. For example, brand loyalty and good customer relations. As there is a lack of competition in Oligopolies it will allow Innocent to concentrate on these important factors. Innocent can use its already gained brand loyalty to use diversification as a safety net and expand into other areas of the market.