

Market structure and the determination of market price

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Market Structure and the Determination of Market Price Pharmaceuticals

Consumption of some product is sometimes inevitable. Such products will remain on demand throughout the seasons. However, due to competition some companies emerge ahead of others in the market. Despite the products, have similarities aspects such as branding comes into play in such market dynamics. Two forms of market structure are available, the imperfect and perfect competition. A perfect market exhibits many sellers that are not limited by regulations. The external factors are minimal hence there is a leeway to partake to sell the products or services. On the other hand, an imperfect market is characterized by regulations limits the number of individuals selling products or services (White and Fraley, n. d.). The pharmaceutical industry is a highly regulated industry hence it presents a great level of imperfect competition.

Change in Supply/ demand curve

The imperfect competition in the pharmaceutical industry is found on the supply side of the market. There are so many regulations that follow before the product is introduced in the market. The bigwigs in the industry have already overcome the regulations hence focus on changing trends in the in the market. New entrants will always face challenges. In order to ensure that these pharmaceuticals do not fix prices, governments facilitate the adoption of bilateral monopolies as well as do bargaining to ensure the prices are regulated (White and Fraley, n. d.) Increase in the number of producers as well as elimination of regulations will facilitate the shift in the supply curve. However, the demand curve can also be affected when individuals opt for alternative medicine.

Factors that could influence the shift in supply and demand

Firstly, removal of regulations can facilitate the increase in the number of producers hence the shift in the supply curve. Secondly, lack of government bargaining can result to the pharmaceuticals overpricing since the demand for pharmaceuticals is constant. Finally, Use of alternative medicine can result to a shift in the demand curve because the consumption of pharmaceutical products is reduced (Guha, Lacy and Woodhouse, 2008)..

References

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