

# Analysis of oliopoly in supermarket industry



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Advantages are greater than disadvantages in Oligopoly in the supermarket industry in the UK. In the UK, the supermarket industry is a extremely competitive industry because competition is inevitable. Four main players are included in the supermarket in the UK. Most consumers prefer more to go to the supermarkets such as Tesco, Asda, Sainbury's, and Morrisons than others in the UK. According to Geoff Riley, an author in Eton college, Tesco has the most percentage of share in retailing industry and now it is still increasing. (Geoff, 2006). However, Asda and Sainbury's which have shares of 16. 5% as well as 16. 0% are still powerful companies in the supermarket industry in the UK. Hence, Tesco is a firm in the supermarket industry that controlling others companies via its high shares. The supermarket industry in the UK is more like an Oligopoly that dominating the whole industry by a few companies. What is more, competitions and barriers are easily found in Oligopoly. In this Essay, some positive and negative effects for consumers in Oligopoly in supermarket industry in the UK will be offered. Next it will show some of my Opinions and recommendations. Finally, it will be summarized

In oligopoly, those firms which have main shares complete each other via their products in different roughs. In order to make more profits in the fierce competitions, it is necessary for firms to creep both the quality and the quantity of category of goods. For instance, Tesco, the biggest scale of supermarket in the UK, are increasing the capability of supplying goods as well as services with high quality. In addition, consumers can not only find products which including necessary goods in the supermarket, but also in some selling points in different streets. That is really convenient for customers. Furthermore, instead of TV and commercial, Internet and express

are widely used by the company of Tesco when selling advertising and their products. Being aware of the global international information is crucial in nowadays, Tesco focus on advertising in special and participate patterns. For example, e-mails are send to the consumers and telling them some details in the supermarket which including some informations about new product and prices. Hence, it is extremely convenient for consumers when they are shopping in Tesco.

A further advantages of Oligopoly is that it can rise welfares to consumers and city dwellers by enhancing efficiency in competitions. In order to attract consumers, company always alter new methods of managements and selling, which are better than before. The competitions among firms may enhance economic efficiency that are not only helpful in diminishing costs of products in the supermarket in the UK, but also do good in customers. In order to know how many benefits do consumers have received, it is crucial to understand how a firm work when it change the price of the goods in Oligopoly.

In the draft it is easily seem that when the price is decrease through a firm from the point  $P_0$ , the price of elasticity of demand will also diminish, which means that when a company low its price of products down, others competitors in Oligopoly may also decrease their price of products to make a price war. When the company creep up the priceof goods, that selling in the supermarket, the price elasticity of demand will also increase because it is inevitable to lose a great deal number of consumers when that happen. In this case, for most industries in the Oligopoly, both rising and decreasing the price of products in the Oligopoly supermarket will get rise to the loss of

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revenue. Some firms even vary nothing about the price in a period of time although marginal costs have changed. Furthermore, the stable price are beneficial to consumers.

Despite of the positive effects of the Oligopoly among the supermarket industries in the UK, some shortages and disadvantages are still exist. Personally, one of the most serious problems is that it is detrimental for benefits of the consumers and preserving the individual safety of buyers when all Oligopolies in the supermarket industry creep up the market price of commodities even cheating consumers illegally. To make things more serious, the event of unethical activities such as illegal treatments in the market might lead to both physical and psychological health of consumers.

In order to escape the illegal treatments arising in the Oligopoly market, and to preserve the consume right of customers, some regulations and laws are used to prohibit the treatments. However, that is not enough. Some internal methods such as price leadership model are used as a common prospective regulation, which means when one company that has a higher shares or the capabilities of predicting the price of products and lessening costs has altered the price, others Oligopolies will do the same thing according to the firm, in order to evade the great loss in the fierce competitions. Take the largest supermarket in the UK, Tesco, for an example. Since it has the most enormous shares in Oligopoly than others, when it modify the price of commodities in the supermarket, others firms in Oligopoly, such as Asda, sainbury" s and Morrisons will also changed their price, the price leadership model is describing others industries to do the same activities that the

leaders has done in Oligopoly. In this case, to some extent, some activities of treatments can be limited effectively.

Personally, the Oligopoly market of supermarket industry in the UK has more advantages than negative and it is beneficial to the consumers. Although some Oligopolies may rise the price of the product even some treatments that violate the right of consumers might occur in Oligopoly market, that will not always happen. According to the Kinked demand curve theory and Game theory of Oligopoly, price stability is a common and significant feature. In Sweezy model, price is considered carefully by Oligopolies because of the distinction of the price elasticity of demand. No matter how the company in Oligopoly has altered the price, the quantity of demand will be affected. In this case, as long as the marginal costs have modified to some extents, the price of goods will not be changed by companies. Actually, competitions are inevitable in Oligopoly market. However, in Cartel model, some industries may aware that although they may earn the maximum profits by treating customers illegally in the supermarket among firms, but that will not occur in long run, even get rise to losing profits in the long term. Therefore, most Oligopolies will choose the prospective leadership model. What is more, those Oligopolies in the supermarket in the UK such as Tesco is now considering to sell what most citizens really needs and selling commodities with high-level quantity by different special ways which are able to attract customers.

In conclusion, the competitive structure of the Oligopoly in the supermarket industry in the UK are beneficial to consumers. For one reason, some convenient patterns are serviced when customers are purchasing goods. For <https://assignbuster.com/analysis-of-oliopoly-in-supermarket-industry/>

others, the basic consume right of citizens can be protected and considered by industries in the fierce competitions.