

The market structure of supermarket in the uk economics essay



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Oligopoly refers to market, which is a miss competitive and dominated by a few providers (Anderton, 322). This market construction has three chief features. First, the few houses must be the chief providers in the industry. Second, the oligopolistic houses must be mutualist. Third, other new houses are non able to entry the industry. One illustration from the AllExperts (2010) , in the UK, the supermarket industry, Tesco, Asda, Sainsbury and Morrison, who have over 75 % market portion. Consequently, consumers in the UK are significantly influenced by these oligopolistic supermarkets because of the lower monetary value, first-class quality of service, the unprincipled collusion, the deficit of competition.

To the consumers from the supermarkets in the UK, the oligopolistic supermarkets are benefit because the consumers receive the lower and stiff monetary value. Due to there are merely four companies ruling the supermarket industry, they are non necessary to vie with other supermarkets on the monetary value, in other words, non-price competition, and the monetary value will be comparative stableness. Hence, they have ability to put the monetary value stiffly to do maximal net incomes in the long tally. However, if the monetary values they make are excessively high, other companies will come into the market to scramble their consumers. As a consequence, the oligopolistic supermarkets have to do a lower and stiff monetary value for the barriers to entry the industry. Furthermore, when the betterment of the graduated table of the supermarket leads to the increasing of the supply, the monetary value of the merchandises will diminish or give a price reduction because of the reduction of the cost from the jobbers.

Overall, in the UK, the consumers never concern about the monetary value of the merchandises in the oligopolistic supermarkets.

Figure 1 Kinked Demand Curve Model

Beginning: PEARSON (2010)

In the oligopoly market, one phenomenon may look as one of the oligopolistic supermarkets want to be the monopolistic 1 in the industry in the England. And this phenomenon can be reflected by the kinked demand curve. Harmonizing to the Figure 1, this supermarket & A ; acirc ; ^™s rivals will cut down the monetary values of their merchandises to the monetary values this supermarket put if their monetary values are higher and continue the monetary values if their monetary values are lower than those of the other oligopolistic supermarkets. As a consequence, the consumers can bask the lower monetary values, when this phenomenon appears.

In the consumers & A ; acirc ; ^™ sentiments, the first-class quality of service from the oligopolistic supermarkets in the UK is the 2nd advantage. For case, in order to forestall other supermarkets to entry, the oligopolies still need to do advancements on their service system which includes the service attitudes, the after-sale service and the direction operating system. For illustrations, the supermarkets offer adequate parking infinites for consumers & A ; acirc ; ^™ autos, exposing the same sort of merchandise together, clients service section for assisting the consumers resolve the inquiries of merchandise and shopping, measures of chairs and several eating houses for a remainder and the bringing service. The service system is unusual of import because it incarnates a supermarket & A ; acirc ; ^™s image.

Consumers prefer to shop in a supermarket which has the first-class service system. The glorious image non merely can salvage the expensive spending of advertisement, but besides pull more consumers and do the consumers feel pleased when they are shopping. In general, oligopolistic supermarkets bring the consumers first-class quality of service in the UK.

However, the oligopolistic supermarkets have disadvantages for the consumers in the UK, collusion. No companies refuse to do more net incomes. The cognition of the oligopoly is imperfect, and the monetary value has no compete ; hence, these four supermarkets are able to conspire to command the monetary value or the supply to increase the net incomes. This action is instead unprincipled to the consumers because the consumers have to pass more money on the merchandise under the unintentional fortunes. No affair what happens, the oligopolistic supermarkets, which are conspiring, will protect themselves to hold the maximal net incomes. Consequently, the collusion among the oligopolistic supermarkets is earnestly harmful to the consumers in the UK.

To the consumers in the UK, the deficit of competition is another disadvantage. The supermarket industry is dominated by merely four companies, which are Tesco, Asda, Sainsbury and Morrison. They have about 75 % market portion. This means there are no more than three strong rivals against each supermarket. The oligopolistic supermarkets have less gesture on bettering the comprehensive quality and remain in the same topographic point alternatively of brand great procedures. In other words, if the oligopolistic supermarkets have a monetary value competition, it will

advance the techniques, the service and monetary value more good to the <https://assignbuster.com/the-market-structure-of-supermarket-in-the-uk-economics-essay/>

consumers. In brief, the deficit of competition consequences in cease to progress.

In drumhead, the oligopoly in the supermarkets has more advantages than the disadvantage for the consumers in the UK. When the oligopolistic supermarkets offer the lower and stiff monetary value, the consumers still can bask the leading quality of service, and harmonizing to the kinked demand curve, the monetary values of the merchandises will be lower. However, the four chief supermarkets collude amorally sometimes in order to acquire the maximal net incomes and have non-competition to do procedures. If the oligopolistic supermarkets want to be good to the consumers, they are necessary to hold at least three oligopolies, which have different market portion, and the most important manner is non to be collusion.