

Oligopolies and monopolistic competition

Business



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An oligopoly market form is a type of market in which there are a small number of sellers hence they are aware of the actions of each and every different seller. The decision that is taken by a firm in the market is usually influenced by the decisions that are taken by other firms in the same market.

Therefore, there is a union in this type of market base. Describe the firms in the proposed merger The firms in the merger produce the same products and in addition, they practice cooperative oligopoly. This means that any decision that is made by one firm is also done by the others and they form an entry barrier in the industry. The firms in the proposed mergers are Daimler AG's merger with Chrysler Corp. Daimler is a multinational automotive corporation that has its headquarters in Stuttgart Germany but also has its main offices in New York.

The company is the thirteenth-largest car manufacturer in the world and at one time had a merger with Chrysler which ended however; the two companies are proposing to merge again. On the other hand, Chrysler is also a multinational company that is headquartered in Michigan the United States and is also a car manufacturing company. List their annual sales, an extent of their operations Daimler AG The annual sales of the company are at \$129 billion per annum and it operates all over the world. Chrysler Corp The annual sales of the company are at \$55 billion per annum and it operates in all over the world. From the firms' point of view, what are some of the incentives to consolidate? There are numerous factors that lead to the consolidation of firms. Some of the well known ones are the need to increase the revenues.

To ensure that the market is under the influence of a few players hence this would mean that they can create barriers of entry. The other incentive would be the intention of getting rid of the small players in the market so as to dominate it fully. This is especially if the merging firms are the key industry players. List and describe the firms in the industry In the car manufacturing industry, there are numerous players in the market. An example is the following. Daimler AG Chrysler BMW Mazda Mitsubishi Describe the product All the above mentioned companies deal in the manufacture of cars and the other spare parts involved.

Production methods All the aforementioned companies employ the flow and mass production method. Scale of production The scales of production range from 1. 1 million cars an year to 2. 3 million cars. Sources for raw materials The materials used in the manufacturing process are: Steel- Europe Plastic- Asia Aluminum- America Rubber-Africa Glass- Africa What technologies are used? The technologies used in the industry are: Material forming processes Material removal process Assembly processes Systems integration