Advantages and disadvantages of the oligopoly market system

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This essay will discuss the advantages and disadvantages of the oligopoly market system. Supermarket has brought into the service for man for long. The roots of supermarkets are the Co-operative of the nineteenth century. At the beginning of the early 20th century the people come up to an idea for selling goods. After that there become the first Supermarket which was set up in January 12th, 1948 in UK. (Brainy History, 2010) As soon as the first supermarket has been set up, a large number of supermarkets came out such as Tesco and Sainsbury's. The supermarket industry is now developing in a very high speed. As the supermarket is one of the great improvements in people's daily life, it becomes one of the most important places for all the people. Today, the supermarket industry in UK has already been changed into oligopoly market. This essay will discuss the characteristics of oligopoly market, and then discuss the kinked demand curve, non-price competition and the marketing mix in the oligopoly market.

First of all, an oligopoly market means that several relatively interdependent companies which concentrate the supply and compete with each other. Therefore, this become highly competitive and the oligopoly companies sell the homogeneous products which are branded. (Tutor2u, 2010) If the company sells the homogeneous products, the consumers will not get the new and better product in a very short time because of the competitive between the firms. They all sell the same product so that there won't be pressure for them to be survived in the UK Supermarket market. Another characteristic of oligopoly market is that the market has been controlled by a few big firms. As a result, these companies will control the market as they like. That may let another characteristic happened which is called price maker. (Tutor2u, 2010) Price maker is a kind of people or firm who set up the price for the product in the market. These people could easily control the market in a way the oligopoly firms want, so that the consumers will not get some preferences in this kind of market, such as discount, promotion and so on. Therefore, from the characteristics above, it easily shows that the oligopoly market does huge harmful for the normal consumers. If the UK supermarket keep on being like this, the consumers will not get preferences anymore.

The next point which is going to talk about is the kinked demand curve. The blank area is where price stability happens (from figure 1). These oligopoly firms always use the non-price competition to increase their output quantity. According to these two figure, in this case, there are no rising in price so that the consequence is what consumers want to see.

Non-price competitions, is a kind of competition which is not focus on the price. That shows there are many other competitions in this market. From the Tesco. com and Asda. co. uk, it shows that the Big Four’s official websites are some promotional activities, for example discount and cash back. Although, there are some different methods for non-price competition.

Figure 1:

Figure 2:

Reported by TIMESONLINE 2007, Tesco, Asda, Sainsbury’s and the former Safeway, and the dairy companies Wiseman, Dairy Crest and Cheese Company are doubt for the dairy product price in 2007. As a result, Tesco possibly get a number of number for about 80 million bill. After that, Tesco is going to get back the money by law. So that the case shows that there are some mistakes in this market system. This may also damage the market system too and the consumer confidence can be lost at the same time.

The last and which is the most important that can not be ignored is the marketing mix for the oligopoly market system. First of all, in an oligopoly market, the place for which the consumers can go to buy the products are mainly the Big Four. The consumers can not have many different choices for choosing the place to buy things so that Big Four has already control the market as they want. Then, the price can just set up by the price maker. In an oligopoly market, the price maker is the oligopoly firm which shows that the firms can set up the price as they want. For the product, every oligopoly company produces homogeneous product and service. The Big Four use their selves' advantages to build high barrier to entry which is to protect their market share. These will make the consumers own less choices for buying the product. Promotion also doesn't always happened in the oligopoly market. All in all, the oligopoly market do harmful for the consumers.

In conclusion, from the discussion above, we know that the characteristics of ver, the maximum competition in the oligopoly market can be advantageous to the improvement in providing various products to meet the needs of consumers. It will be meaningful in their oligopoly market and the marketing mix and kinked demand curve shows that the oligopoly is beneficial to the consumers. And oligopoly is also beneficial for sellers too. What is more, our consumers are able to enjoy a well-developed purchasing environment.