Market structure articles

- What is meant when a firm has no market power
    - Under competitive market conditions, no producer would be able to raise prices without losing business to competitors
    - A business that has market power faces less competition and can easily raise prices without losing customers
    - Market power refers to the ability of a single consumer or company to dictate the market price
        - A single consumer has market power if its vendors can find few other buyers for products or services, so that the consumer is able to lower prices without losing access to suppliers
        - A small business has market power if it has few competitors which gives them the ability to set higher prices and make more money
    - Barriers to entry may limit a company's competition
        - For a small business they may include government regulations, location constraints and start-up costs that prevent competitors from joining
    - Another source of market power is consumers' access to product info
        - If a firm misleads consumers into believing a product is higher quality that it really is they may be able to get higher prices from uninformed customers
        - The level of info available to consumers can drive up prices
        - Misleading product info is sometimes illegal and can sour their reputation though
    - The ability of consumers to easily substitute competitors' products means that no individual firm can safely raise prices without losing customers
        - As a result firms try to gain more power to raise prices by product differentiation - distinctions in the design or marketing of products intended to set them apart from a competitor's offerings

- Do grocery stores operate in perfect information
  - In the model of perfect competition we assume everyone operates in an environment of perfect information meaning everyone is informed and no one has an informational advantage over others
    - It would not be possible in a perfect info world for one person to sell wheat for $2/bushel and another person sells for $3, the customer would go to the lower price because the products are the same
  - Yet we buy identical products at grocery stores for different prices all the time
  - Grocery stores do not operate in a world of perfect info
    - As a shopper you are a decision maker but you do not have anything close to perfect info
    - You have little incentive to see who has the best prices, you could find the cheapest prices and travel to many stores but this is not worth the time and hassle
    - We choose the store we like the best, and we take advantages of sales there but we clearly operate in a world of incomplete information

- The got milk campaign of 1993
  - Milk is an example of perfect competition
    - Large number of buyers and sellers so no one buyer/seller can influence the market
    - Ex. no one farmer can produce more milk and shift the supply curve
  - Milk is a homogenous product and consumers are unconcerned about which farm produced the milk
  - No barriers to entry for this industry
  - Because milk producers face so much competition there will be market prices established for rmilk
  - When discussing the model of perfect competition it is made clear that there is no role for advertising because how would they promote higher quality if the goods are the same
  - The got milk campaign tries to promote the consumption of milk not try to sell one farmers or one brand, they focus on people and the health impacts of drinking milk, it could mean that every farmer sells more milk because the campaign worked