



# Market structure

**DR. BIRENDRA KUMAR**

**ASSTT. PROFESSOR**

**DEPARTMENT OF AES**

**DR. AJAY.KR.SRIVASTAVA**

**TEACHING ASSOCIATE**

**DEPARTMENT OF AES**

# SESSION OBJECTIVES

- ▶ Concept of Market Structure
- ▶ Component of Market Structure
- ▶ Dynamics of MS– Conduct and Performance
- ▶ Measuring Market Performance in MS.

# CONCEPT OF MARKET STRUCTURE



- ▶ The Term market structure refer to the size & design of the market. It includes the physical set up of market  
Comprising of no. of firms and functionaries in the market, their size or volume of business, pricing approach, and how marketing functions are performed and the manner on how the market is operated & performed.

# SOME OF THE EXPRESSIONS DESCRIBING THE MARKET STRUCTURE ARE:

- ▶ 1. Market structure refers to those organizational characteristics of a market which influence the nature of competition and pricing, and affect - Conduct of business & firms performance;
- ▶ 2. Market structure refers to those characteristics of the market which affect the traders behavior and their performances;
- ▶ 3. MS is the formal organization & functional activity of a marketing institution. Understanding & knowledge of the Market structure is essential for identifying the imperfections in the performance of a market.

# COMPONENT OF MARKET STRUCTURE

▶ The Components of Market Structure, together determine the conduct and performance of the market, are:

## **1. Concentration of Market Power:**

- ▶ A. high degree of Market power concentration
- ▶ B. Low degree of Market power concentration

## **2. Degree of Product Differentiation:**

- ▶ If products are homogeneous/Identical

# CONTI...

- ▶ 3. Conditions for Entry of Firms in the Market
- ▶ 4. Flow of Market Information
- ▶ 5. Degree of market Integration

# DYNAMICS OF MS- CONDUCT AND PERFORMANCE

- ▶ Market structure determines Market conduct and Market performance:
- ▶ **Market conduct refers:** Patterns of behaviour of firms, especially in relation to pricing and their practices in adapting & adjusting to market conditions in which they function. The firms are sellers, buyers, market middlemen, institutions, Govt., etc

# CONTI....

## **Market conduct includes:**

- ▶ (a) Market sharing and price setting policies;
- ▶ (b) Policies aimed at coercing/competing rivals.
- ▶ (c) Policies towards setting the quality of products.



# Conti...

- ▶ **Market performance** refers to the economic results that flow from the industry as a result of each firm's particular line of conduct in the market.

# CRITERIA FOR MEASURING MARKET PERFORMANCE & EFFICIENCY OF THE MARKET STRUCTURE

- ▶ 1. Efficiency in the use of resources, including real cost of performing various marketing functions; Ex: Lower the real cost, the greater the Market performance.
- ▶ 2. The existence of monopoly/monopoly profits, including the extent of margins & average cost of performing various functions; Ex: Greater the monopoly profits, lower the market performance.

# Conti....

- ▶ 3. Dynamic progressiveness of the marketing system in adjusting the size & number of firms (How quickly it adjust itself) w.r.t.
- ▶ Volume of business
- ▶ In adopting technological innovations
- ▶ In inventing new forms of products to maximize general social welfare



Thank  
You