

REPORT 3

PRICE AND NON-PRICE COMPETITION IN OLIGOPOLY MARKETS

Oligopoly market is one where there are very few competitors in the market, at times even as low as two competitors. This leads to a highly concentrated market with only a limited number of players having direct access to certain produce. Small firms can also exist in the oligopoly market with other firms which may be dominating the market. In such a situation, the supply is controlled by few competitors such that the price increase or decrease by one competitor affects the other. There is interdependence in a lot of factors like variety of products, price of the products, and services offered. This ensures a fair stability of prices in the oligopoly market. They also offer a wide variety of products to the customer to maximize its appeal. This creates a great challenge for any party who wants to join the market as a competitor since he will be expected to meet the services, products and prices offered by the existing competitors just to survive in the market, apart from providing extra services which may be formulated with the target of making the new competitor more appealing to the customers (EO 2015).

The issues faced by price competition in the oligopoly market are many. Inflation can be a deterrent for people who previously wanted to buy products from the oligopoly market since this would reduce their buying capacity. Slow growth of economy can lead to slower generation of money in the market, less competition, slower rate of production and resultant unemployment which can reduce demand for products offered by the oligopoly market. The sudden changes in prices of international products which are procured from other countries can create competition between the major players of the oligopoly markets for a short while till prices are stabilized between the competitors. Sudden policy changes by the government through annual budget or through other means which can change the taxes on some goods and thus the resultant overall price, can bring short term competition among the competitors till stabilization of price is achieved between them.

The issues faced by non-price competition in oligopoly markets are varied in nature. Natural disasters like earthquakes, heat wave, tsunami and floods as well as adverse weather developments in areas can negatively impact the market. This is also true of those societies where there is social unrest and upheaval resulting in an environment non conducive to business growth and competition. The lack of government support to oligopoly market can act as an impediment in its path of progress whereas any unfavorable policy regulations enacted by the government which restricts the activities of the oligopoly market can adversely affect its growth. Incidents of terrorism, extremism and internal and external violence in the country can also cause problems in the smooth functioning of the oligopoly market. The ban imposed by the government and its agencies or by certain organizations in the society can limit the possibilities of the market.

One of the major oligopoly markets of the contemporary world is the online retail market. The problem with price competition in oligopoly markets is that the interdependence between the players to maintain stability of prices cannot be relied on as it goes against the basic rule of competition (EO 2015). There will be constant attempt on the part of all players to provide as low prices as possible to its

customers to attract more customers. The new products which are launched in the market can be retained at high competitive prices by the oligopoly market. The inclusion of even the latest products available in the market into its fold allows the online retail provider to offer a product at varied price ranges to cater to maximum number of customers. Quality assurance of the products being delivered helps to retain the customer base of the online retailer since the customer grows to have trust that products have good value for money paid. The swiftness with which there is remittance of failed financial transaction also adds to the desirability and brand image of the online retailer. Assuring authenticity of the delivery made to the customer and implementing remedial measures without financial loss to the customer helps to retain maximum customers within its fold and cultivating a loyal customer base.

The strategies which can be employed to get a competitive edge over the other online retailers through non-price competition are numerous. The competitor with maximum number of products and services at their disposal will be most sought after by the customers as it offers them more variety to choose from. This also enables the online retail business to target a larger group of customers rather than restricting oneself to a limited clientele. The time duration taken for delivery of the product and the differences in delivery charges are major determinants which can change customer's choices. The time duration and procedure adopted for the return policy of the product are also important factors. The availability of sellers and services at remote areas helps to maximize number of customers. The promotion code provided along with products act as added incentive to choose certain products from some online retailers. The frequency of advertisement as well as the different modes of advertisement relied on like phone calls, emails and advertisements in print media help to reach out to customers belonging to different income segments and regions. The handling of the products ordered by the customer through proper packaging as well as the proper access to customer care services and prompt redress of grievances make online retailer more attractive. The good behavior of delivery personnel also helps to retain customers.

In Ebay, the Apple iPhone 4S 16GB Factory unlocked smartphone white is priced at 94.99 pounds whereas it is priced at 109.99 pounds at Amazon. Ebay has sold out the same model in black which has the same price tag. Hence customers prefer EBay to Amazon when it comes to this particular model as EBay offers it at a lower price. Burberry Weekend aftershave spray 100ml is priced at 32.91 pounds at Ebay while at Amazon it is at 33 pounds. Through this it is clear that Ebay seeks to capture maximum customers by offering products at prices which are slightly lower than those offered by Amazon. Both the online retailers offer selling option and deals on a daily basis as non-price competition factor. However Amazon seeks a competitive edge through offering gift cards to its customers which is not provided by Ebay.

References:

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