

**When you finish this appendix,
you should:**

1. Understand the law of diminishing demand.
2. Understand demand and supply curves, and how they set the size of a market and its price level.
3. Know about elasticity of demand and supply.
4. Know why demand elasticity can be affected by availability of substitutes.
5. Know the different kinds of competitive situations and understand why they are important to marketing managers.
6. Recognize the important new terms (shown in orange).

Appendix

A Economics Fundamentals

A good marketing manager should be an expert on markets—and the nature of competition in markets. The economist's traditional analysis of demand and supply is a useful tool for analyzing markets. In particular, you should master the concepts of a demand curve and demand elasticity. A firm's demand curve shows how the target customers view the firm's product—really its whole marketing mix. And the interaction of demand and supply curves helps set the size of a market—and the market price. The interaction of supply and demand also determines the nature of the competitive environment, which has an important effect on strategic planning. These ideas are discussed more fully in the following sections.

Products and markets as seen by customers and potential customers

Economists provide useful insights

How potential customers (not the firm) see a firm's product (marketing mix) affects how much they are willing to pay for it, where it should be made available, and how eager they are for it—if they want it at all. In other words, their view has a very direct bearing on strategic market planning.

Economists have been concerned with market behaviour for years. Their analytical tools can be quite helpful in summarizing how customers view products and how markets behave.

Individual customers choose among alternatives

Economics is sometimes called the dismal science because it says that most customers have a limited income and simply cannot buy everything they want. They must balance their needs and the prices of various products.

Economists usually assume that customers have a fairly definite set of preferences, and that they evaluate alternatives in terms of whether the alternatives will make them feel better (or worse) or in some way improve (or change) their situation.

But what exactly is the nature of a customer's desire for a particular product?

Usually, economists answer this question in terms of the extra utility the customer can obtain by buying more of a particular product, or how much utility would be lost if the customer had less of the product. (Students who wish further discussion of this approach should refer to indifference curve analysis in any standard economics text.)

It is easier to understand the idea of utility if we look at what happens when the price of one of the customer's usual purchases changes.

The law of diminishing demand

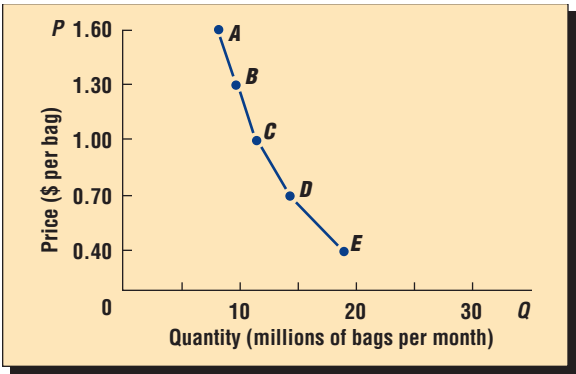
Suppose that consumers buy potatoes in 4.5 kilogram (10-pound) bags at the same time they buy other foods such as bread and rice. If the consumers are mainly interested in buying a certain amount of food and the price of the potatoes drops, it seems reasonable to expect that they will switch some of their food money to potatoes and away from some other foods. But if the price of potatoes rises, you expect our consumers to buy fewer potatoes and more of other foods.

The general relationship between price and quantity demanded illustrated by this food example is called the **law of diminishing demand**, which says that if the price of a product is raised, a smaller quantity will be demanded and if the price of a product is lowered, a greater quantity will be demanded. Experience supports this relationship between prices and total demand in a market, especially for broad product categories or commodities such as potatoes.

Exhibit A-1 Demand Schedule for Potatoes (4.5-kilogram [10-pound] bags)

POINT	(1) PRICE OF POTATOES PER BAG (P)	(2) QUANTITY DEMANDED (BAGS PER MONTH) (Q)	(3) TOTAL REVENUE PER MONTH ($P \times Q = TR$)
A	\$1.60	8,000,000	\$ 12,800,000
B	1.30	9,000,000	
C	1.00	11,000,000	11,000,000
D	0.70	14,000,000	
E	0.40	19,000,000	

Exhibit A-2 Demand Curve for Potatoes (4.5-kilogram [10-pound] bags)



The relationship between price and quantity demanded in a market is what economists call a *demand schedule*. An example is shown in Exhibit A-1. For each row in the table, column 2 shows the quantity consumers will want (demand) if they have to pay the price given in column 1. The third column shows that the total revenue (sales) in the potato market is equal to the quantity demanded at a given price times that price. Note that as prices drop, the total *unit* quantity increases, yet the total *revenue* decreases. Fill in the blank lines in the third column and observe the behaviour of total revenue—an important number for the marketing manager. We will explain what you should have noticed—and why—a little later.

The demand curve—usually downsloping

If your only interest is seeing at which price the company will earn the greatest total revenue, the demand schedule may be adequate. But a demand curve shows more. A **demand curve** is a graph of the relationship between price and quantity demanded in a market, assuming that all other things stay the same. Exhibit A-2 shows the demand curve for potatoes—really just a plotting of the demand schedule in Exhibit A-1. It shows how many potatoes potential customers will demand at various possible prices. This is a *downsloping demand curve*.

Most demand curves are downsloping. This just means that if prices are decreased, the quantity customers demand will increase.

Demand curves always show the price on the vertical axis and the quantity demanded on the horizontal axis. In Exhibit A-2, we have shown the price in dollars. For consistency, we will use dollars in other examples. However, keep in mind that these same ideas hold regardless of what money unit (dollars, yen, francs,

Exhibit A-3 Demand Schedule for Microwave Ovens

POINT	(1) PRICE PER MICROWAVE OVEN (P)	(2) QUANTITY DEMANDED PER YEAR (Q)	(3) TOTAL REVENUE PER YEAR (P × Q = TR)
A	\$300	20,000	\$ 6,000,000
B	250	70,000	15,500,000
C	200	130,000	26,000,000
D	150	210,000	31,500,000
E	100	310,000	31,000,000

pounds) is used to represent price. Even at this early point, you should keep in mind that markets are not necessarily limited by national boundaries, or by one type of money.

Note that the demand curve shows only how customers will react to various possible prices. In a market, we see only one price at a time—not all of these prices. The curve, however, shows what quantities will be demanded, depending on what price is set.

You probably think that most businesspeople would like to set a price that would result in a large sales revenue. Before discussing this, however, we should consider the demand schedule and curve for another product to get a more complete picture of demand curve analysis.

Microwave oven demand curve looks different

A different demand schedule is the one for standard microwave ovens shown in Exhibit A-3. Column (3) shows the total revenue that will be obtained at various possible prices and quantities. Again, as the price goes down, the quantity demanded goes up. But here, unlike in the potato example, total revenue increases as prices go down—at least until the price drops to \$100.

Demand curves and time periods

These general demand relationships are typical for all products. But each product has its own demand schedule and curve in each potential market, no matter how small the market. In other words, a particular demand curve has meaning only for a particular market. We can think of demand curves for individuals, groups of individuals who form a target market, regions, or even countries. And the time period covered really should be specified, although this is often neglected because we usually think of monthly or yearly periods.

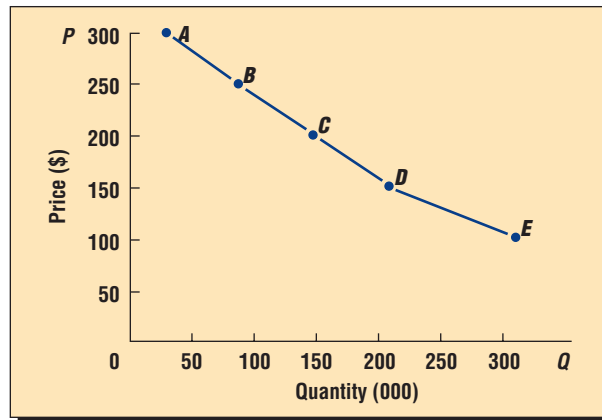
The difference between elastic and inelastic

The demand curve for microwave ovens (see Exhibit A-4) is down-sloping, but note that it is flatter than the curve for potatoes. It is important to understand what this flatness means.

We will consider the flatness in terms of total revenue, since this is what interests business managers.*

When you filled in the total revenue column for potatoes, you should have noticed that total revenue drops continually as the price is reduced. This looks undesirable for sellers, and illustrates inelastic demand. **Inelastic demand** means that although the

*Strictly speaking, two curves should not be compared for flatness if the graph scales are different, but for our purposes now, we will do so to illustrate the idea of elasticity of demand. Actually, it would be more correct to compare two curves for one product on the same graph. Then both the shape of the demand curve and its position on the graph would be important.

Exhibit A-4 Demand Curve for 1-Cubic-Foot Microwave Oven

quantity demanded increases as the price is decreased, the quantity demanded will not “stretch” enough—that is, it is not elastic enough—to avoid a decrease in total revenue.

In contrast, **elastic demand** means that as prices are dropped, the quantity demanded will stretch (increase) enough to increase total revenue. The upper part of the microwave oven demand curve is an example of elastic demand.

But note that if the microwave oven price is dropped from \$150 to \$100, total revenue will decrease. We can say, therefore, that between \$150 to \$100, demand is inelastic—that is, total revenue will decrease if price is lowered from \$150 to \$100.

Thus, elasticity can be defined in terms of changes in total revenue. *If total revenue will increase if price is lowered, then demand is elastic. If total revenue will decrease if price is lowered, then demand is inelastic.* (Note: A special situation known as *unitary elasticity of demand* occurs if total revenue stays the same when prices change.)

Total revenue may increase if price is raised

A point often missed in discussions of demand relates to what happens when prices are raised instead of lowered. With elastic demand, total revenue will *decrease* if the price is *raised*. With inelastic demand, however, total revenue will *increase* if the price is *raised*.

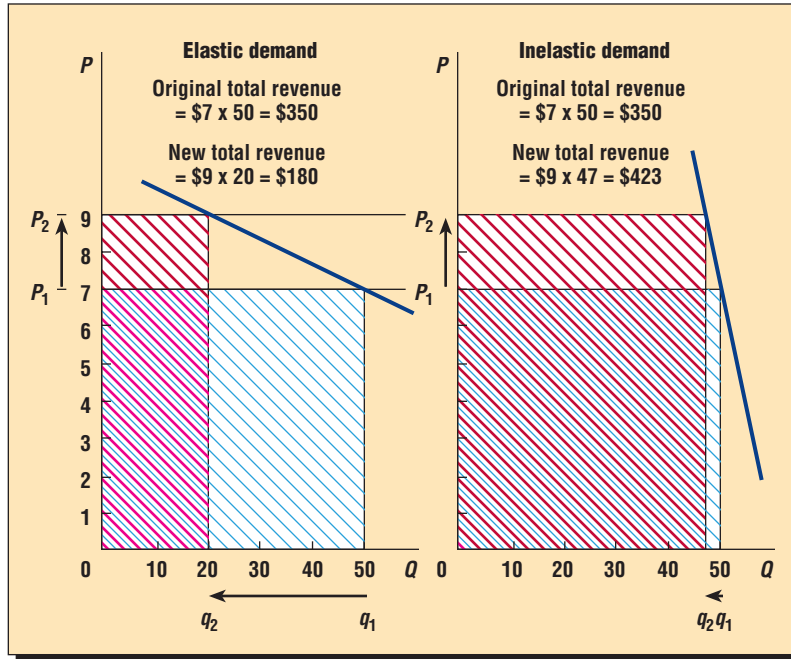
The possibility of raising price and increasing dollar sales (total revenue) at the same time is attractive to managers. This only occurs when the demand curve is inelastic. Here, total revenue will increase if price is raised, but total costs probably will not increase—and may actually go down—with smaller quantities. Keep in mind that profit is equal to total revenue less total costs. So when demand is inelastic, profit will increase as price is increased!

The ways total revenue changes as prices are raised are shown in Exhibit A-5. Here, total revenue is the rectangular area formed by a price and its related quantity. The larger the rectangular area, the greater the total revenue.

P_1 is the original price here, and the total potential revenue with this original price is shown by the area with blue shading. The area with red shading shows the total revenue with the new price, P_2 . There is some overlap in the total revenue areas, so the important areas are those with only one colour. Note that in the left-hand figure—where demand is elastic—the revenue added (the red-only area) when the price is increased is less than the revenue lost (the blue-only area). Now, let’s contrast this to the right-hand figure, where demand is inelastic. Only a small blue revenue area is given up for a much larger (red) one when price is raised.

An entire curve is not elastic or inelastic

It is important to see that it is *wrong* to refer to a whole demand curve as *elastic* or *inelastic*. Rather, elasticity for a particular demand curve refers to the change in total revenue between two points on the curve—not along the whole curve. You saw the change

Exhibit A-5 Changes in Total Revenue as Prices Increase

from elastic to inelastic in the microwave oven example. Generally, however, nearby points are either elastic or inelastic, so it is common to refer to a whole curve by the degree of elasticity in the price range that normally is of interest—the *relevant range*.

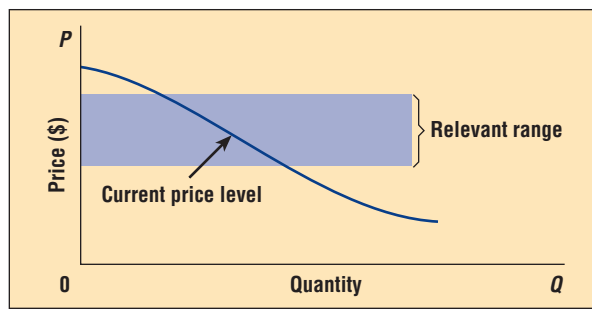
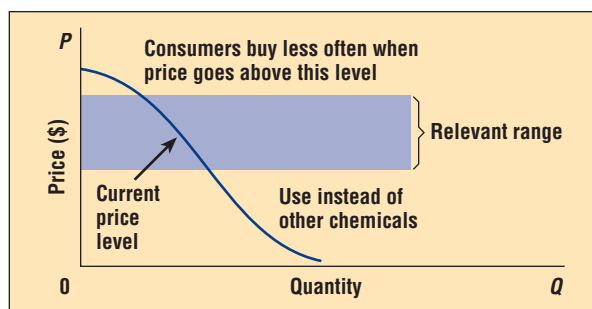
Elasticity and the availability of substitutes

At first, it may be difficult to see why one product has an elastic demand and another an inelastic demand. Many factors affect elasticity, such as the availability of substitutes, the importance of the item in the customer's budget, and the urgency of the customer's need and its relationship to other needs. By looking more closely at one of these factors—the availability of substitutes—you will better understand why demand elasticities vary.

Substitutes are products that offer the buyer a choice. For example, many consumers see grapefruit as a substitute for oranges and hot dogs as a substitute for hamburgers. The greater the number of “good” substitutes available, the greater will be the elasticity of demand. From the consumer's perspective, products are good substitutes if they are very similar (homogeneous). If consumers see products as extremely different—or heterogeneous—then a particular need cannot easily be satisfied by substitutes. And the demand for the most satisfactory product may be quite inelastic.

As an example, if the price of hamburger is lowered (and other prices stay the same), the quantity demanded will increase a lot, as will total revenue. The reason is that not only will regular hamburger users buy more hamburger, but some consumers who formerly bought hot dogs or steaks probably will buy hamburger too. But if the price of hamburger is raised, the quantity demanded will decrease—perhaps sharply. Still, consumers will buy some hamburger, depending on how much the price has risen, their individual tastes, and what their guests expect (see Exhibit A-6).

In contrast to a product with many substitutes, such as hamburger, consider a product with few or no substitutes. Its demand curve will tend to be inelastic. Motor oil is a good example. Motor oil is needed to keep cars running. Yet no one person or family uses great quantities of motor oil. So it is not likely that the quantity of motor oil purchased will change much as long as price changes are *within a reasonable*

Exhibit A-6 Demand Curve for Hamburger (a product with many substitutes)**Exhibit A-7** Demand Curve for Motor Oil (a product with few substitutes)

range. Of course, if the price is raised to a staggering figure, many people will buy less oil (change their oil less frequently). If the price is dropped to an extremely low level, manufacturers may buy more—say, as a lower-cost substitute for other chemicals typically used in making plastic (Exhibit A-7). But these extremes are outside the relevant range.

Demand curves are introduced here because the degree of elasticity of demand shows how potential customers feel about a product—and especially whether they see substitutes for the product. But to get a better understanding of markets, we must extend this economic analysis.

Markets as seen by suppliers

Customers may want some product, but if suppliers are not willing to supply it, then there is no market. So we'll study the economist's analysis of supply. Then we'll bring supply and demand together for a more complete understanding of markets.

Economists often use the kind of analysis we are discussing here to explain pricing in the marketplace. But that is not our intention. Here we are interested in how and why markets work, and in the interaction of customers and potential suppliers. Later in this appendix we will review how competition affects prices. Our full discussion of how individual firms set prices—or should set prices—was covered in Chapters 17 and 18.

Supply curves reflect supplier thinking

Generally speaking, suppliers' costs affect the quantity of products they are willing to offer in a market during any period. In other words, their costs affect their supply schedules and supply curves. While a demand curve shows the quantity of products customers will be willing to buy at various prices, a **supply curve** shows the quantity of products that will be supplied at various possible prices. Eventually, only one quantity will be offered and purchased. So a supply curve is really a hypothetical (what-if) description of what will be offered at various prices. It is, however, a very important curve. When combined with a demand curve, it summarizes the attitudes

and probable behaviour of buyers and sellers regarding a particular product in a particular market—that is, in a product-market.

Some supply curves are vertical

We usually assume that supply curves tend to slope upward—that is, suppliers will be willing to offer greater quantities at higher prices. If a product’s market price is very high, it seems only reasonable that producers will be anxious to produce more of the product, putting workers on overtime or perhaps hiring more workers to increase the quantity they can offer. Going further, it seems likely that producers of other products will switch their resources (farms, factories, labour, or retail facilities) to the product that is in great demand.

On the other hand, if consumers are willing to pay only a very low price for a particular product, it’s reasonable to expect that producers will switch to other products, thus reducing supply. The supply schedule (Exhibit A–8) and supply curve (Exhibit A–9) for potatoes illustrate these ideas. This supply curve shows how many potatoes would be produced and offered for sale at each possible market price in a given month.

In the very short run (say, over a few hours, a day, or a week), a supplier may not be able to change the supply at all. In this situation, we would see a vertical supply curve. This situation is often relevant in the market for fresh produce. Fresh strawberries, for example, continue to ripen, and a supplier wants to sell them quickly—preferably at a higher price. But in any case, they must be sold.

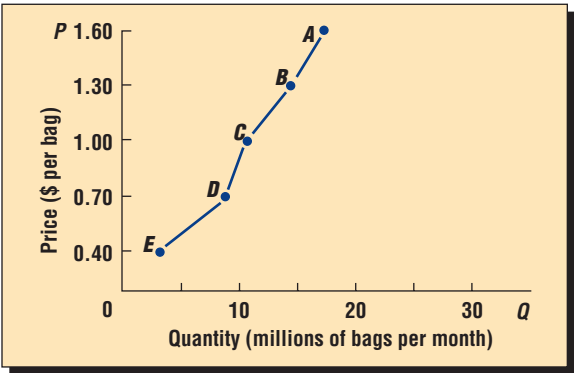
If the product is a service, it may not be easy to expand the supply in the short run. Additional barbers or medical doctors are not quickly trained and licensed, and they only have so much time to give each day. Furthermore, the prospect of much higher prices in the near future cannot easily expand the supply of many services. For example, a hit play or an “in” restaurant or nightclub is limited in the amount of “product” it can offer at a particular time.

Exhibit A–8 Supply Schedule for Potatoes (4.5-kilogram [10-pound] bags)

POINT	POSSIBLE MARKET PRICE PER BAG	NUMBER OF BAGS SELLERS WILL SUPPLY PER MONTH AT EACH POSSIBLE MARKET PRICE
A	\$1.60	17,000,000
B	1.30	14,000,000
C	1.00	11,000,000
D	0.70	8,000,000
E	0.40	3,000,000

Note: This supply curve is for a month, to emphasize that farmers may have some control over when they deliver their potatoes. There would be a different curve for each month.

Exhibit A–9 Supply Curve for Potatoes (4.5-kilogram [10-pound] bags)



Elasticity of supply

The term *elasticity* also is used to describe supply curves. An extremely steep or almost vertical supply curve, often found in the short run, is called **inelastic supply** because the quantity supplied does not stretch much (if at all) if the price is raised. A flatter curve is called **elastic supply** because the quantity supplied does stretch more if the price is raised. A slightly upsloping supply curve is typical in longer-run market situations. Given more time, suppliers have a chance to adjust their offerings, and competitors may enter or leave the market.

Demand and supply interact to determine the size of the market and price level

We have treated market demand and supply forces separately. Now we must bring them together to show their interaction. The *intersection* of these two forces determines the size of the market and the market price—at which point (price and quantity) the market is said to be in *equilibrium*.

The intersection of demand and supply is shown for the potato data discussed above. In Exhibit A-10, the demand curve for potatoes is now graphed against the supply curve in Exhibit A-9.

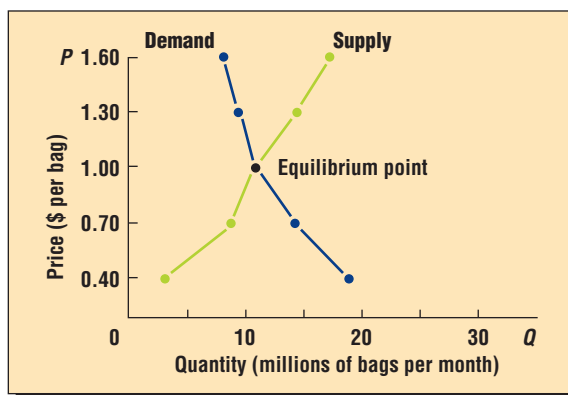
In this potato market, demand is inelastic—the total revenue of all the potato producers would be greater at higher prices. But the market price is at the **equilibrium point**, where the quantity supplied and the price sellers are willing to accept are equal to the quantity demanded and the price buyers are willing to offer. The \$1 equilibrium price for potatoes yields a smaller *total revenue* to potato producers than a higher price would. This lower equilibrium price comes about because the many producers are willing to supply enough potatoes at the lower price. *Demand is not the only determiner of price level. Cost also must be considered—via the supply curve.*

Some consumers get a surplus

Presumably, a sale takes place only if both buyer and seller feel they will be better off after the sale. But sometimes the price consumers pay in a sales transaction is less than what they would be willing to pay.

The reason for this is that demand curves are typically down-sloping, and some of the demand curve is above the equilibrium price. This is simply another way of showing that some customers would have been willing to pay more than the equilibrium price if necessary. In effect, some of them are getting a bargain by being able to buy

Exhibit A-10 Equilibrium of Supply and Demand for Potatoes (4.5-kilogram [10-pound] bags)



at the equilibrium price. Economists have traditionally called these bargains the **consumer surplus**—that is, the difference to consumers between the value of a purchase and the price they pay.

Some business critics assume that consumers do badly in any business transaction. In fact, sales take place only if consumers feel they are at least getting their money's worth. As we can see here, some are willing to pay much more than the market price.

Demand and supply help us understand the nature of competition

The elasticity of demand and supply curves—and their interaction—helps predict the nature of competition a marketing manager is likely to face. For example, an extremely inelastic demand curve means that the manager will have much choice in strategic planning and especially price setting. Apparently, customers like the product and see few substitutes. They are willing to pay higher prices before cutting back much on their purchases.

Clearly, the elasticity of a firm's demand curves makes a big difference in strategic planning. But other factors also affect the nature of competition. Among these are the number and size of competitors and the uniqueness of each firm's marketing mix. Understanding these market situations is important because the freedom of a marketing manager—especially control over price—is greatly reduced in some situations.

A marketing manager operates in one of four kinds of market situations. We'll discuss three kinds: pure competition, oligopoly, and monopolistic competition. The fourth kind, monopoly, isn't found very often and is usually subject to regulation. The important dimensions of these situations are shown in Exhibit A-11.

When competition is pure

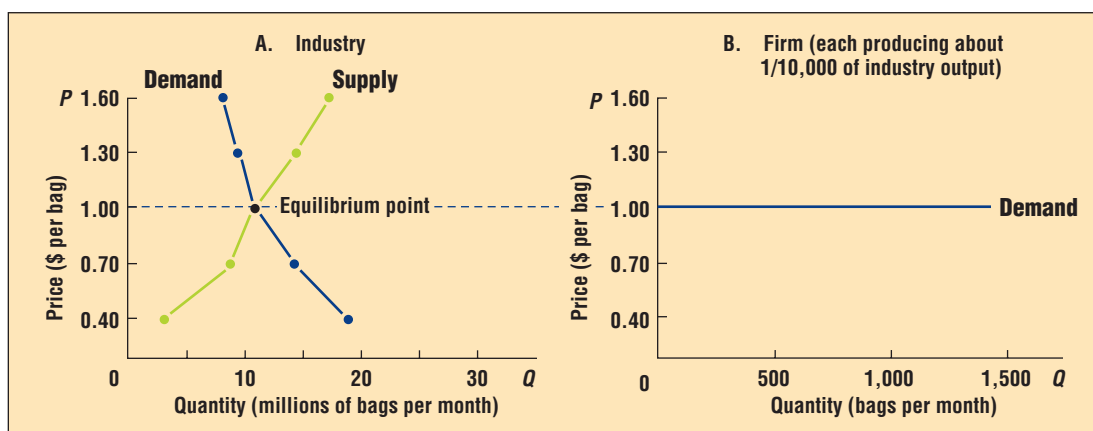
When competition is pure, many competitors offer about the same thing. **Pure competition** is a market situation that develops when a market has:

- 1 Homogeneous (similar) products.
- 2 Many buyers and sellers who have full knowledge of the market.
- 3 Ease of entry for buyers and sellers—that is, new firms have little difficulty starting in business, and new customers can easily come into the market.

Exhibit A-11 Some Important Dimensions Regarding Market Situations

Important dimensions	Types of situations			
	Pure competition	Oligopoly	Monopolistic competition	Monopoly
Uniqueness of each firm's product	None	None	Some	Unique
Number of competitors	Many	Few	Few to many	None
Size of competitors (compared to size of market)	Small	Large	Large to small	None
Elasticity of demand facing firm	Completely elastic	Kinked demand curve (elastic and inelastic)	Either	Either
Elasticity of industry demand	Either	Inelastic	Either	Either
Control of price by firm	None (with care)	Some	Some	Complete

Exhibit A-12 Interaction of Demand and Supply in the Potato Industry and the Resulting Demand Curve Facing Individual Potato Producers



More or less pure competition is found in many agricultural markets. In the potato market, for example, there are thousands of small producers, and they are in pure competition. Let's look more closely at these producers.

Although the potato market as a whole has a downsloping demand curve, each of the many small producers in the industry is in pure competition, and each of them faces a flat demand curve at the equilibrium price. This is shown in Exhibit A-12.

As shown at the right of Exhibit A-12, an individual producer can sell as many bags of potatoes as he chooses at \$1, the market equilibrium price. The equilibrium price is determined by the quantity that all producers choose to sell, given the demand curve they face.

But a small producer has little effect on overall supply (or on the equilibrium price). For example, if an individual farmer raises 1/10,000th of the quantity offered in the market, there will be little effect if that farmer goes out of business—or doubles production.

The reason why an individual producer's demand curve is flat is that the farmer probably couldn't sell any potatoes above the market price. And there is no point in selling below the market price! So, in effect, the individual producer has no control over price.

Markets tend to become more competitive

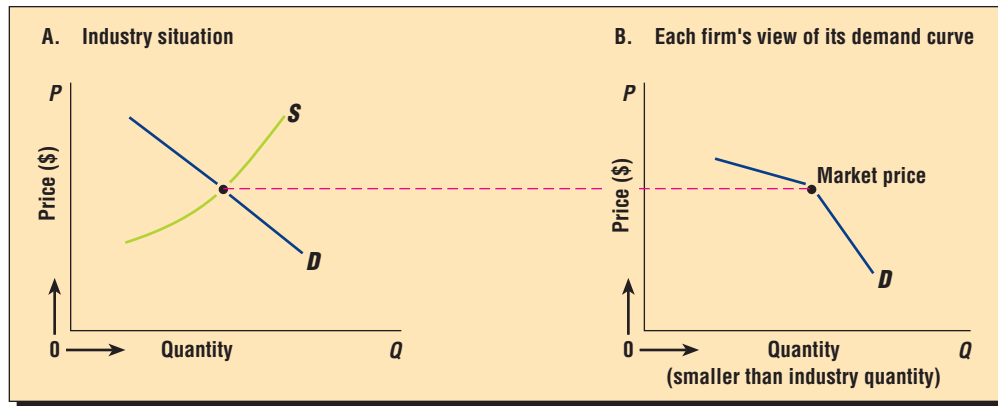
Not many markets are *purely* competitive. But many are close enough that we can talk about "almost" pure competition situations—those in which the marketing manager has to accept the going price.

Such highly competitive situations aren't limited to agriculture. Wherever *many* competitors sell *homogeneous* products—such as textiles, lumber, coal, printing, and laundry services—the demand curve seen by *each producer* tends to be flat.

Markets tend to become more competitive, moving toward pure competition (except in oligopolies—see below). On the way to pure competition, prices and profits are pushed down until some competitors are forced out of business. Eventually, in long-run equilibrium, the price level is only high enough to keep the survivors in business. Firms do not make any profit—they just cover costs. It's tough to be a marketing manager in this situation!

When competition is oligopolistic

In oligopoly, a few competitors offer similar things. Not all markets move toward pure competition. Some become oligopolies. **Oligopoly** situations are special market situations that develop when a market has:

Exhibit A-13 Oligopoly—Kinked Demand Curve—Situation

- 1 Essentially homogeneous products, such as basic industrial chemicals and gasoline.
- 2 Relatively few sellers, or a few large firms and many smaller ones who follow the lead of the larger ones.
- 3 Fairly inelastic industry demand curves.

The demand curve facing each firm is unusual in an oligopoly situation. Although the industry demand curve is inelastic throughout the relevant range, the demand curve facing each competitor looks “kinked.” See Exhibit A-13. The current market price is at the kink.

There is a market price because the competing firms watch each other carefully—and know it’s wise to be at the kink. Each firm must expect that raising its own price above the market price will cause a big loss in sales. Few, if any, competitors will follow the price increase. So the firm’s demand curve is relatively flat above the market price. When the firm lowers its price, it must expect competitors to follow. Given inelastic industry demand, the firm’s own demand curve is inelastic at lower prices—assuming it keeps “its share” of this market at lower prices. Since lowering prices along such a curve will drop total revenue, the firm should leave its price at the kink—the market price.

Actually, there *are* price fluctuations in oligopolistic markets. Sometimes they are caused by firms that don’t understand the market situation and cut their prices to get business. In other situations, big increases in demand or supply can change the basic nature of the market and lead to price-cutting. Price cuts can be drastic, such as Du Pont’s price cut of 25 percent for Dacron. This happened when Du Pont decided that industry production capacity already exceeded demand, and more plants were due to start production.

It’s important to bear in mind that oligopoly situations don’t just apply to entire industries and national markets. Competitors who are focusing on the same local target market often face oligopoly situations. A suburban community may have several gas stations, all of which provide essentially the same product. In this situation, the “industry” consists of the gas stations competing with each other in the local product-market.

As in pure competition, oligopolists face a long-run trend toward an equilibrium level, with profits driven toward zero. This may not happen immediately, and a marketing manager may try to delay price competition by relying more on other elements in the marketing mix.

When competition is monopolistic

Under monopolistic competition, a price must be set. You can see why marketing managers want to avoid pure competition or oligopoly situations. They prefer a

market in which they have more control. **Monopolistic competition** is a market situation that develops when a market has:

- 1 Different (heterogeneous) products—in the eyes of some customers.
- 2 Sellers who feel they do have some competition in this market.

The word *monopolistic* means that each firm is trying to get control in its own little market. But the word *competition* means that there are still substitutes. The vigorous competition of a purely competitive market is reduced. Each firm has its own downsloping demand curve. But the shape of the curve depends on the similarity of competitors' products and marketing mixes. Each monopolistic competitor has freedom—but not complete freedom—in its own market.

JUDGING ELASTICITY WILL HELP SET THE PRICE Since a firm in monopolistic competition has its own downsloping demand curve, it must make a decision about price level as part of its strategic market planning. Here, estimating the elasticity of the firm's own demand curve is helpful. If it is highly inelastic, the firm may decide to raise prices to increase total revenue. But if demand is highly elastic, this may mean there are many competitors with acceptable substitutes. Then the price may have to be set near that of the competition. And the marketing manager probably should try to develop a better marketing mix.

Questions and Problems

1. Explain in your own words how economists look at markets and arrive at the law of diminishing demand.
2. Explain what a demand curve is and why it is usually downsloping. Then give an example of a product for which the demand curve might not be downsloping over some possible price ranges. Explain the reason for your choice.
3. What is the length of life of the typical demand curve? Illustrate your answer.
4. If the general market demand for men's shoes is fairly elastic, how does the demand for men's dress shoes compare to it? How does the demand curve for women's shoes compare to the demand curve for men's shoes?
5. If the demand for perfume is inelastic above and below the present price, should the price be raised? Explain.
6. If the demand for shrimp is highly elastic below the present price, should the price be lowered?
7. Discuss what factors lead to inelastic demand and supply curves. Are they likely to be found together in the same situation?
8. Why would a marketing manager prefer to sell a product that has no close substitutes? Are high profits almost guaranteed?
9. If a manufacturer's well-known product is sold at the same price by many retailers in the same community, is this an example of pure competition? When a community has many small grocery stores, are they in pure competition? What characteristics are needed to have a purely competitive market?
10. List three products that are sold in purely competitive markets and three that are sold in monopolistically competitive markets. Do any of these products have anything in common? Can any generalizations be made about competitive situations and marketing mix planning?
11. Cite a local example of an oligopoly, explaining why it is an oligopoly.