**Oligopoly**

**From the second e-Activity, assess the marketing and pricing strategies, for example rebates, to determine the goal(s) of the marketing and pricing strategies for one of the companies you researched. Make one recommendation for changes that the company should make to better maximize profits.**

A very common and also important feature of oligopoly, is that action of, or, on one specific producer will affect the other producers, especially their sales. For example, if a certain producer launches a certain product, it affects other producers and their sales, causing them to react with a new product, which further inflates the market price.

The car market is an apt oligopoly example. There are few car manufacturers across the world as against the demand for millions of cars every day. Within some nations such as India, where the economy is still developing there really are very few, just a handful manufacturer of cars. The Indian automobile market is considered to be the best examples of oligopoly. The geographical and goods differentiation has always managed to spark off a debate, as the subjects of an oligopoly markets that are the goods produced should be similar. However they are not always similar. Large firms having strong hold over the market are able to make huge profits as there are few players in the market.

According to Priyanka Kosta Sonkushre “Dominant market players usually make long-term profits in an oligopolistic environment. This is possible because the market does not allow an old business to increase its share. It also prevents new players from entering the market through several barriers of entry. High profits generated by the companies can be used for innovation and development of new products and processes”. We have seen that Oligopoly helps in lowering the average cost of production of goods, as firms producing similar goods can manufacture products in collaboration with each other. For customers, oligopoly is advantageous because they can easily make price comparisons among the few players existing in the market. Easy price comparison forces companies to set their prices competitively which is a positive point for customers. Stable prices in the market helps customers plan and stabilize their expenditure, which in turn may lead to stabilization of trade cycle.

**The Internet has made shopping for airline tickets efficient for the consumer. As a result, the industry overall is price sensitive. Suggest how the airlines can maximize profits while avoiding price wars.**

Sometimes, airlines markets are also proposed to be oligopolistic business competitions. However, again, the problem of similarity in geographical regions and the similarity of flights flown have made the example a dicey one. A firm needs to take into consideration the reaction of other major players in the market. Suppose, if a firm decides to reduce its product's price to increase its market share, it is quite possible that other major players will also reduce their price, thereby hampering the strategy of the previous firm. Therefore, firms are interdependent on each other. Decisions made by one firm are affected by the response of other players. A firm's success lies in its hands as well as its competitors.

In oligopoly, many times, products of two different competitive companies are derived out of one large firm. Therefore, whichever company makes the profit; it finally ends up as a profit of the parent firm.

Since companies in an oligopolistic market have full control over it, they are capable of deciding prices as per their choice. Though this practice is illegal, it works in favor of these businesses.

Reference

Lanchner, D. (January 1997) "A Russian 'Too Big to Topple.'" Global Finance, 20.

Sonkushre, P. (2012). Advantages and Disadvantages of Oligopoly. Retrieved from http://www.buzzle.com/articles/advantages-and-disadvantages-of-oligopoly.html

An injustice to one is an injustice to all, until that day when human right and freedom is legally guarantee for all races, and for the poor … there will never be peace… but war - Bob Marley