

Advanced Corporate Management

Competition and Market Behaviour

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The Market System

- Prices: Co-ordination and motivation
- Use of information and knowledge
- Central planning versus market prices
- Specialisation and economies of scale
- The neo-classical market model
- Market determined prices solve economic organisational issues

What does the market do?

- Reconciles conflicting objectives
- Directs resources to production
- Motivates firms to produce the products consumers need
- Prices both inform and motivate people

What do market participants do?

- Reconciles conflicting objectives
- Directs resources to production
- Motivates firms to produce the products consumers need
- Prices both inform and motivate people

Scope of neo-Classical model

- The model allows for many factors
- These include, for example:
 - Time
 - Uncertainty
 - Changing labour endowments
 - Limited information
- Consumers act in their own best interests
- Firms act in the interests of their owners
- Leads to a socially efficient outcome

Market incentives

- Monopoly and monopsony power
- Undisclosed and distorted information
- Non-competitive outcomes
- Incentives to exercise market power
- Non-price information, for example:
 - Consumer preferences
 - Macroeconomic conditions
 - Technological changes
 - Marketing/advertising
 - Regulation

Market failures

- Number of competitors
- Freedom of entry to a market
- Economies of scale
- Externalities
- Missing markets
- Information/transaction costs
- Government intervention

Market Behaviour

- Commodity markets
- Value added products and services
- Innovation and differentiation
- Branding and marketing
- Product and service creation
- Vertical integration
- Competitor analysis
- Transfer/internal pricing

Co-ordination within firms

- Internal markets
- Role of management
- Strategies/goals/plans/implementation
- Accountabilities/performance/incentives
- Centralised versus decentralised decision making
- Core/non-core activities

The Internet

- Vast arrays of information
- Rapid availability at low cost
- Many local and global players
- Massive enhancer of competition
- Commodities markets
- Distribution channel or new paradigm?