

Oligopolies

Characteristics

How do you know it is an oligopoly?

Industry Concentration Ratio (60-70 percent)

Why do they exist?

1. Economies of Scale

2. Mergers

Horizontal Merger

A combination of two firms that produce the same type of good or service.

Vertical Merger

A merger between a firm and one of its suppliers or customers.

Congeneric Merger

A merger of firms in the same general industry, but for which no customer or supplier relationship exists.

Conglomerate Merger

A merger of companies in totally different industries.

3. Ownership of Scarce Resources, or Production Techniques

Oligopoly Models

Quasi-Competitive Model

Pricing Behavior

Production Behavior

Resembles a perfectly competitive market

Efficient

Cartels

Pricing Behavior

Production Agreements

Resembles a monopoly

Illegal

Side Payments

Cheating

Oligopoly Models

Quasi Competitive

When companies in an industry act competitively against each other. Prices are determined for the industry at the point where $D=MC$. The industry demand curve and the marginal revenue curve are the same line. This model is very similar to the perfect competition model. The only difference is the number of firms.

Cournot

When firms determine the quantities and let the market determine the price.

Bertrand

When firms determine the price and let the market determine the quantities.

Price Leader _ also known as Stackelberg Model

The leader firm sets the price to maximize their own profits. All other firms in the industry (known as fringe firms) are price takers.

Cartel

Firms join together (or collude) to set quantities produced by the industry. Their objective is to maximize industry profits, not necessarily their own profits. By working together they can keep prices high. Industry quantity is determined producing where $MR = MC$. This is similar to the monopoly model. Even though there are multiple firms, they act as one.

These figures below are for all beer (light/regular)

Anheuser Busch	49.0
Miller Brewing	20.9
Coors	10.8
Stroh's	6.8
S & P Industries	2.3
Genesee	0.8
Boston Beer	0.7
Other	8.7

InBev Completes Acquisition of Anheuser-Busch

BRUSSELS, Belgium and ST. LOUIS (Nov. 18) – InBev announced

today that it has completed its acquisition of Anheuser-Busch

following approval from shareholders of both companies. The

combination creates the global leader in beer and one of the world's

top five consumer products companies. Under the terms of the

merger agreement, all shares of Anheuser-Busch will be acquired for \$70 per share in cash, for an aggregate of \$52 billion.



Effective today, InBev has changed its name to Anheuser-Busch InBev to reflect the heritage and traditions of

Anheuser-Busch. Starting Nov. 20, 2008, the company will trade under the new ticker symbol ABI on the Euronext

Brussels stock exchange. Anheuser-Busch has become a wholly owned subsidiary of Anheuser-Busch InBev and

will retain its current headquarters in St. Louis, Mo. St. Louis will also become the North American headquarters for

the combined company. The new Anheuser-Busch InBev is geographically diversified, benefiting from a balanced

exposure to developed and developing markets.

Soft Beverage market

1.	Coca-Cola Co.	42.9
2.	Pepsi-Cola Co.	31.2
3.	Cadbury Schweppes	14.9
4.	Cott Corp.	5.1
5.	National Beverage	2.5
6.	Red Bull	.6

Cereal Industry

1.	Kellogg	31.8
2.	General Mills	25.9
3.	Post	17.0
4.	Quaker Oats	9.9
5.	Malt-O-Meal	3.9

Footwear Manufacturers

1.	Nike	39.2
2.	Adidas	15.1
3.	Reebok	10.9
4.	New Balance	9.4
5.	K-Swiss	3.6
6.	Timberland	2.9
7.	Asics	2.1

Automakers

1.	General Motors	22.4
2.	Ford	17.1
3.	Daimler Chrysler	14.8
4.	Toyota	15.7
5.	Honda	9.3
6.	Nissan	7.2

Cigarettes

1.	Phillip Morris	49.1
2.	NJR Nabisco	24.2
3.	BAT	16.1
4.	Lorillard	8.7