Market Structure Classification

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Market Structure Classification of the Apple iPhone 6 plus

Apple Inc. is among the leading companies in the smartphone market. Likewise, the Smartphone market is considered as the most profitable market in the world. When a market structure for the Apple iPhone 6 plus is discussed, the oligopoly market best lines up with the product. Moreover, in this market structure, there are few sellers, every seller has a small number of market share whereas the Apple remains prominent among those sellers. Being a supplier in the oligopoly market, Apple needs to anticipate the competitors' reactions before taking any decision regarding the price of the product. Moreover, a new entrant has to pay sunk cost to enter in an oligopoly market, and this sunk cost works as a "barrier to entry" (Abbring and Campbell, 2006).

In an Oligopoly market, the prices, quantities, and qualities of competitors depend on the sellers. However, if a company increases its costs but competitors do not change the amount. In such case, the quantity demanded for the product of that company will fall. On the other side, Apple relies on premium pricing strategy and differentiation strategy, so it has the competitive advantage to set the price accordingly. Due to these strategies, there will be a steady customer loyalty for Apple products. The customers of iPhone will not switch to other brands. However, Apple Inc. should not underestimate its rivals while setting prices for its products.

Furthermore, there are other competitors in the smartphone market. These competitors include Samsung, Nokia, BlackBerry, Verizon, AT&T, and Sony Mobiles. At the same time, Chinese Companies have also introduced smartphones for very lower prices. It can influence the product demand for any of these competitors. In addition, the competitors discussed in this essay also have a significant impact on the market. Samsung has been a competing rival of Apple in history. In 2013, Samsung Galaxy S4 had higher sales than iPhone 5 in the United States (Zeman, 2013).

In price discrimination, prices are altered for a specific group of customers. This is happening in the smartphone market. There are entities like those Chinese mobile companies which decrease the rates of their products in the market. As a result, the demand for the products of other brands will decrease. For instance, to increase the profit the competitors can rely on price discrimination. They can enjoy the market shares in oligopoly market by lowering their product prices. However, they cannot enjoy the profit for so long because in that time period other entities will also decrease costs for their smartphones. There is a collective control of prices in the oligopoly market. Thus, all the firms in the oligopoly market depend on each other to enjoy the profit. In addition, this might affect the price of iPhone 6 Plus in the market as other firms were also releasing competitive products.

The smartphone market aligns with the game theory, where Apple and Samsung have been rivals for so many years. With the launch of iPhone in 2007, Samsung had to face a huge challenge as it was producing mobiles since 1985 (Cornell University, 2016). Apple had introduced a product with modern features and innovative designs, and it dominated the market. However, to save its market shares, Samsung started launching Galaxies and began competing with Apple. Since then, both of the rivals are introducing new products with some modifications every year and compete with each other. At the same time, both were involved in some serious legal issues (Cusumano, 2013). All these legal issues force them to make some choices. They have options either to file a case against the competitor or not. Thus, it aligns with the prisoner’s dilemma.

**References**

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