Business

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**Business**

1. **Distinguish Among Four Market Structures**

**Market Structures**

**Perfect Competition**

Perfect competition is a market structure where so many firms compete in the market against each other. In this market structure, a single firm does not enjoy any significant market power or authority. So at the result, the entire industry produces the same and socially optimal level of output because no firm (out of all) has the capability to put an impact on the prices in the market.

Perfect competition and its idea build several assumptions like firms work to enhance profits, there are easy entry and exit from the market, all of the firms always sell totally identical products and no consumer preferences can be found here (Urban., Johnson., & Hauser, 1980).

**Monopolistic Competition**

Monopolistic competition refers to a competition in which many small business or firms compete in the market against each other. Compared to perfect competition, firms sell similar but a bit differentiated products than firms in perfect competition. This thing gives them a slight power in the market place which also allows them to set higher prices within a specific range (Urban., Johnson., & Hauser, 1980). The assumption in monopolistic competition are; all firms work to maximize revenues, free entry and exit for firms, selling differentiated products and consumer may prefer one product or service over another.

**Oligopoly**

Oligopoly is a sort of rivalry or market structure where a couple of little quantities of firms work which results in extremely restricted challenge. In an oligopoly, firms can contend just as they can team up with one another. The presumption in an oligopoly are; firms boost benefits, oligopoly set costs, boundaries to passage and exist, separated or homogeneous item and just a couple of firms control the market (Urban., Johnson., & Hauser, 1980).

**Monopoly/Monopolistic Competition**

A monopoly is a market structure where only one (single) controls the whole market. In this market structure, the firms or body has the full power of the market because there is no alternative available for the consumer. In a monopoly, the firm can set prices according to its choice of selection or can reduce outcomes to charge higher prices and earn more (Urban., Johnson., & Hauser, 1980).

In a monopoly, we have several assumptions like monopolist works for profit maximization, can set any price(s) as well as there are very high barriers to exit or entry and only single firms control the whole market.

1. **Identify Your Company’s Market Structure, Explaining Your Reasoning**

**Netflix Market Structure**

The market structure of Netflix falls under oligopoly. The significant purpose for it is Netflix is paid online video [providing firm and there are not many firms in industry like YouTube and Amazon. Basically, they are providing identical services where the subscriber can subscribe to their service and they allow him/her to stream movies online. Plus, barriers in entering this market are extremely high because the firm needs a high amount of capital as well as a higher amount pot Information Technology expects to monitor their database. Another factor is economies of scale, because of which new firms or companies will be facing a hard or difficult time. Economies of scale in the market structure of Netflix means that the big and highly existing companies can produce and offer on lower costs than a new player into the market and because of this factor (economies of scale) the existing firms can easily kick out new bodies or firms (Michelle, 2019).

1. **Examine Whether Competitive Pressures are Present in Your Company’s Industry With High Barriers to Entry**

Yes! There are high competitive pressures exist in the industry of Netflix (entertainment) with high barriers to entry. Barriers to entry with high pressure are the obstacle that makes it difficult for a new firm or company to make a successful entry to the market (Ksingkaisai, 2016). These competitive pressures are there in different shapes in which the most important and highly crucial pressures with high barriers to entry are listed or mentioned below.

* Startup Cost and Investment
* Required Technology, Skills and Capabilities
* Access to the Suppliers and Meeting their Requirements
* Developing or Structuring Mandatory and Highly Compatible Distribution Channel at the very first stage of entry to the market or industry.

In detail, consumers already have online streaming that meets all of their expectations. They also have technology which provides them access to all entertainment channels and platforms. In terms of distributors, if there are few firms (monopoly) then there will also be a lower number of suppliers. So it also becomes a competitive pressure for new players to enter the market or industry because they will be facing the issue of accessing the supplier, especially in the beginning stage (Ksingkaisai, 2016). While looking at distribution channel, all the distribution channels have been served by the existing firms or companies in the market which create a competitive pressure in the industry for the new firm(s) to compete on the distribution channels too if they won't make a successful entry.

1. **Evaluate How High Barriers to Entry into The Industry may Influence Your Company’s Long-Run Profitability**

**Barriers to Entry and Company’s Long Term Profitability**

The barriers to entry to the market or industry do have a huge impact on the long term profitability of the existing firm or business. It puts two clear and visible impact on the profitability of the company or firm. One is the actual cost while another is the factor(s) that affect the revenues. Barriers to entry are all those things that discourage new firms to enter the market or industry (Ksingkaisai, 2016). However, in terms of short term profitability, the effect of barriers to entry is not too crucial but the barriers to entry put a huge effect on the long term profitability of the firm.

Barriers to entry into the market or industry affect profitability through costs. The higher the sunk cost means that if the company or firms enter the market or industry then its productivity in the short and long haul won't be great like the sunk expense just as fixed cost, they should be paid back in all respects gradually (Ksingkaisai, 2016).

The barrier to entry affects profitability by affecting the income. The boundary to passage in the monopolistic market or firm is the center and real motivation behind why the syndication can procure anomalous incomes/benefits over the long haul. Just as under the contestable business or market, the boundary to section expresses that the restraining infrastructure should charge lower prices which leads to an impact on long term profitability of the business or firm (Porter, 1980).

1. **Explain the Price Elasticity of Demand in Your Company’s Market Structure and its Effect on Your Company’s Pricing Decision**

There are two kinds of demand which are elastic demand and inelastic demand. As Netflix needs to increase their pricing a bit, so the most important and critical question rises here which is that is the product or services are enough or fully inelastic or not. Except if there is an expansion sought after/, as proposed on the page with respect to an expansion popular action, the versatility of their organization is the main idea or thought in the manner for raising the cost of participation (Michelle, 2019). Understand that when raising the cost of an item, product or administration, the interest will go down, (with the exception of if the thing is faultlessly inelastic) the component of versatility chooses by how much that request might be or will go down.

So in the market structure of Netflix, the price elasticity of demand is inelastic where no firms can openly increase the pricing or charges of their products, services or commodities because their products, services or commodities should be deeply studied before increasing prices. It should be done because there is inelasticity in the market structure.

The price elasticity of the market structure of Netflix is inelastic, so it has a huge impact on the decisions or decision making of the company like they cannot increase as per their preferences and choices. Beyond that, they should prepare for all the factors and consumptions which might be faced by them if they bring an increase in their prices or they make any price related decision(s) (Michelle, 2019). In short, the price elasticity of the entertainment industry hugely affects the pricing decisions of Netflix Inc.

1. **Investigate Whether Government Regulations Encourage or Discourage Your Business Relative to its Industry.**

The government and government's regulations encourage Netflix and its industry (entertainment). Some components which clarify this statement are listed below. These components are the ways in which the government encourages Netflix and the entertainment industry.

* Provision of Financial Subsidies
* Offering Featured Fils Funding
* Provision of Media Empowerment Funding
* Enhancement of Broadcasting Corporation by the Government
* Discouraging Foreign Ownership in Entertainment Industry
* Provision of National and international Identity to Entertainment Businesses.

Beyond that, The government also ensures all industry parts are viewed as not just high-tech but encourages the development of overall industry segments including low, mid and high innovative and high tech firms.

These above-mentioned things "which include support from the government body in many terms like financial support, support for business and services improvement and support to empower overall industry" clearly clarifies that the government encourages Netflix and other similar businesses (Netflix's competitors) and related industry (entertainment industry).

1. **Analyze how the Role of the Government may affect Your Market Structure’s Ability to Price its Products.**

The role of government affects the market or industry structure ability of Netflix to price their product, services or commodities in many ways. Some of those the ways which answer the question that how the job of the government may influence your market structure's capacity to value its items are clarified underneath.

**Monetary Policy**

Monetary policy is the way through which the government influences or affects the market structure and its ability to price its product. It affects it by fining control through tax so that they move capital which leads to changes in cost which are an indirect effecton the price setting of a product or community. The government also affects the pricing decisions by going for large sweeping changes in the tax on the products and services in the market which include both direct and indirect taxation (Porter, 1980).

**Currency Inflation**

Currency inflation is another way that identifies the job of government to influence advertise structure and its capacity to change value settlement. Along these lines, the administration offers transient financial lift as firms of associations charge more or more expensive rates for their items or administrations. It additionally debases the estimation of government bonds that have been issued in expanded money and which have been possessed by such financial specialists (Porter, 1980). The administration influences the market structure's capacity to value the items.

**Interest Rate or Fiscal Policy**

Fiscal policy or interest rate is the most strong way which the government uses for different purposes in the country. By reducing or borrowing down the interest rates, the government affects the market structures by encouraging them to borrow more funds, invest more funds as well as buy more. So if the government can let the companies borrow more then companies and market structures get able to invest more funds and reduce product costs which further leads to a decrease in over price os goods or commodities (Porter, 1980). So in this way, the government affects market structure ability to price its products or services.

**References**

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