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 Luxottica: A monopoly?

Luxottica Group S.p.A. is an Italian eyewear manufacturing company and the world's largest company in the eyewear industry. It is based in Milan, Italy. Luxottica group controls 80 percent of major eye brands and sells under different names to create diversity and choices for consumers. Luxottica group’s competitors include Specsavers, Pair Eyewear, The TJX Companies, and Warby Parker. However, Luxottica's worldwide presence and brand image gives them strong competition, as it is safe to say that Luxottica has less and weak competitors. Luxottica provides its customers with a variety of choices and differentiated products with a high level of quality. They understand the trends, fashion styles, welcome synergies and encourage cross-functional innovation. The eyewear market doesn’t have any barriers to entry except Luxottica itself, with its brand image and presence which makes it hard for small firms to enter the market and compete. Moreover, if a firm tries to enter the market, Luxottica may start its marketing activities to intimidate the new entries. Luxottica is an international seller with suppliers all over the world in the form of different brands that means that Luxottica covers a lot of geographical differences. Luxottica controls 80 percent of the eyewear market which means that Luxottica sets the bar, and any price set by Luxottica is followed by the rest of the eyewear market. The discussion above shows us that Luxottica is a type of imperfect market structure and can fall into the category of being a near-monopoly.

A monopoly is a firm that dominates the market with the highest concentration ratio and charges high prices to earn obnoxious amount of money. Luxottica is a monopoly as claimed by 60 minutes. Monopolies usually charge high prices for poor quality products that end-up exploiting the consumers. There are some public policies that are used to regulate the power of such monopolies for example, regulation of quality, where regulators examine the product before launching it into the market, and price capping by regulators where regulatory bodies are created to limit the price increase. Merger policy is a policy where the government investigates a merger that would turn into a monopoly if a firm obtains 25% of the market share after a merger, automatically referred to the competition commission. The government can use price capping policy in-order to control Luxottica as they charge high prices for their product on all major brands under their manufacturing. These price hikes, exploit consumers into buying expensive products.