

The importance and necessity of market structure management in the process of globalization

Peng Cheng

Doctor of philosophy(PHD) Management, Limkokwing University of Creative Technology,
Cyberjaya, Selangor, 63000, Malaysia

624805908@qq.com

Abstract

The ambits of this current research are oriented to make an in-depth analysis of the significance of market structures and its utility regarding globalization. This research is comprised of background that analyzes prevailing market conditions due to an application of these structures and oriented to which research objectives form this study is framed. In the literature review section, a detailed analysis of market structures, its impact, and limitations are discussed with the help of statistical data and graphs. In research methodology, the approaches of research are discussed in which entire research is accomplished. In anticipated outcomes, an optimum effort is laid on linking with the framed objectives, and a relevant recommendation is provided.

Keywords

Market structure management, Market Structures, framed objectives.

1. Introduction

A fundamental concept of "Market Structures" lies beneath the underlying concepts of marketing and economics. The fundamental objective is framing these structures solely in the process of effective decision making. For gaining comprehension on business markets, these structures serve an effective purpose. Hence this study is dedicated to analysing the impact of these market structures on a global business platform. This study also makes a comparative analysis of the diverse market structures, which is Monopolistic Competition, Monopoly and Oligopoly and its applications by utilising relevant business examples. Furthermore, this analysis also sheds light on the anticipated outcomes due to this prevailing market structures in the business world, by utilising appropriate research and methodology.

2. Background of Study

Concerning the significance of market structures on strategic decision framing process of an organization, it becomes quite complex for the economists to categorize each of prevailing business units into these exciting market structures. As opined by Nikhalatet *al.* (2017), it is observed that this decision framing process is diverse concerning diverse business domains, for instance, strategic decision framing in the agricultural sector is different from technological structures. Hence, implementing each of these structures effectively in these firms is a quite challenging task for the managers of these business units. Concerning Chatagnier & Kavaklı (2017), recent statistical analysis, it is observed that the telecom sectors are leading in numbers, that is approximately around 48 units and it is followed by manufacturing, logistics and transport buy 45 units on global context [Refer to Appendix 1].

These socioeconomic issues are mainly related to fair pricing and market competition. Considering these issues, it becomes crucial to make an analysis and evaluate these market structures and its implications on business sectors as well as the surroundings in a global context. There are some prevailing microeconomic problems in these sectors that are for instance managerial strategies, firm pricing strategies. As stated by Bouras, Frank & Burgess. (2017), the domain of complexity lies is that each of these aspects of the market, as it touches the primary domain or fundamental grounds of

each of these business firms. So, a majority of emphasis is laid on analysing the distinguishing features between market and economic structures of every business unit. The other primary concern this study deals with is analysing the contribution that is made by these marketing structures on markets. Additionally, the study also looks forward to analysing and evaluating the tools and concepts of these marketing structures for strengthening the economies (Geras'kin & Chkhartishvili, 2017). Product sustainability is something that coincides with this concept of market structures, among the prevailing market structures, for instance in automobile sectors, oligopoly is followed with multiple market shares; however, the mother company leads by 51% [Refer to Appendix 2].

3. Research Objectives

The framed research objectives for this study are;

To analyse the pre-defined market structures that are utilised by some business sectors on global platform

To compare the unique effectiveness related to the service provided by each of these market structures on perspective of business firms

To comprehend the impact that is posed by these market structures on business firms and in strategic process of decision making

To analyse and evaluate the benefits and limitations of these market structures on every business units and business markets

To recommend the ways for utilizing these market structures by the business units in anticipation of desired outcomes

4. Literature Review

Market Structures denotation

In the context of economics, "Market Structure" is considered as a descriptive term in organizational context for making discussions of characteristics and economics of a market. Concerning Head & Spencer (2017), historical perspective, it is segregated into two different ideologies, one is of Karl Marx and on another hand, and it is of Adam Smith. The part modified by Adam Smith emphasises the importance of principles oriented to laissez-faire. In parallel, Karl Marx emphasized the utility of controlled economy in organizations.

Market Structure types

This structural framework is usually segregated into three structures, these are;

Monopolistic Competition:

This structure is associated with multiple sellers oriented to a sale of a specific standardized product [Refer to Appendix 3]. The uniqueness of this structure lies in its multiple specific features; these are; significant numbers of sellers and buyers. Each of these firms under monopolistic competition has an authority towards controlling its input and output cost structures, without getting "reactions" as interference of other firms (Fanti & Buccella, 2017). Firm falling in this category are mainly groceries, pharmacies, gas stations etc. Another feature is free to exit and entry of other firms. The firms entering the supply would be making "supernormal profits", however, firms leaving would make "normal profits".

Some of the most eminent monopolistic firms in the globe are Apple, Samsung and HTC etc. Another feature of these firms is "product differentiation", that is, it refers to some situations where buyers of certain products can differentiate between other two products. As per statistics, there is 15% growth observed in Apple's advertisement. Some other features include selling cost, lack of excessive mobility and knowledge and elasticity of demands.



Figure 1: Features of Monopolistic Competition
(Source: Created by Author)

Oligopoly Structure:

This structure is associated with a little number of traders for selling of differentiated or standardized products [Refer to Appendix 4]. This structure is also associated with a number of unique features that makes this market structure different from others. Interdependence is one of the unique traits of this structure as it is associated with a cluster of other firms; hence, dependency is an important feature of this structure. As per Ferreira (2017), another feature is "advertising", any change of policy in any one of the associated firm can lead to impact other firms significantly. Some examples of these firms are manufacturing units, service providing business units etc.

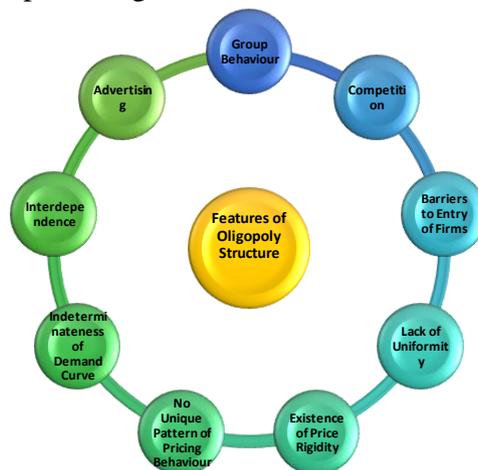


Figure 2: Features of Oligopoly Structure
(Source: Created by Author)

Some barriers to this kind of firm include risks, for instance, the scale of economics that are enjoyed by giant firms, authority or control over other firms regarding some specialised units. Some eminent sectors under this market structure are; British Airways, Air France. For instance, share increased by 18.2% for airlines in south-west following this structure.

Monopoly Structure:

This structure is oriented to the single seller of a particular product with no other prevailing substitutes [Refer to Appendix 5]. Specific features associated with this structure is "single seller", the seller here is associated with the sale of a single commodity. "restricted entry" is another feature, which deals with lack of entry of other dealers into the business unit. Hence, monopoly structures are mainly some government franchise, copyrights, patents, ownership of resources (Saeedi *et al.* 2017).

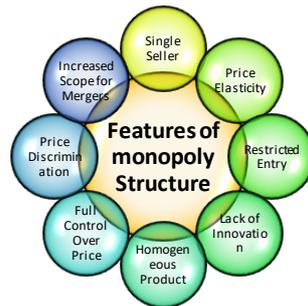


Figure 3: Features of monopoly Structure
(Source: Created by Author)

Due to the restrictive features of this structure; the majority of business units are withdrawing from this structure. Some of the eminent sectors which are still monopoly are Luxottica, some enterprises which were monopoly once are Microsoft, Google, Facebook, Netflix etc. Some more features this structure includes are; homogeneous products dealers, discrimination of costs, Single authority and control over entire price etc. With respect to statistical analysis, Google forms a monopoly by acquiring 77% shares in the year 2013.

Comparative Analysis of market structures

The similar characteristics in between this market feature each of these belong to imperfect competition. Additionally, both of these have sloping demand curves in a downward direction. The major contrasting characteristics of these market structures are a diverse mode of operation over differentiated products. The mode of operation is almost barrier-free in context of monopolistic competition, however, as stated by Parenti, Ushchev & Thisse (2017), the in oligopoly structure, it is associated with barriers in the path of operations associated with the products. With the advent of globalization, there is an approach taken towards establishing equilibrium in between each of these structures.

Although it is rare to manage a completely monopolized market in a strict sense, there are indeed inherent sources of forming a monopolized market in real economic activities. The first is the control of resources. American aluminum companies controlled the bauxite mine before 1945 and monopolized aluminum production for many years. DE beers of South Africa once had a monopoly on the production of bricks and stones. Secondly, for patented inventions, the manufacturer invents a new technology or product through research and development, and guarantees that other manufacturers cannot produce similar products for a period of time through the patent, thus creating a monopoly position. Patent protection usually has a time limit, beyond which the patent lapses. Or it could use state power to establish a monopoly.

Impact on companies

Previously, eminent sectors like Unilever, Facebook, Netflix etc. used to follow the monopoly market structure. For instance, concerning comparative statistical analysis, between Netflix and Comcast Videos, it is observed that in the year of 2004 sales of Netflix were around 2.5 units, whereas Comcast videos had 23 units (Merhav, 2017). In those time, Netflix used to followed monopoly structure. With the gradual increase in time, the structure of Netflix changed to monopolistic structure, and the respective sales increased by four units in the year 2005, seven units in the year 2007 to 27 units by the year 2012. The Comcast videos, with same market structure, remained less than Netflix by approximately ten units [Refer to Appendix 6]. Hence, it becomes evident from this that monopolistic competitiveness is serving an effective purpose with increasing globalization.

Operation management and advise

A. A hierarchical management system should be established from top to bottom and throughout the whole business process, to strengthen the supervision and control of all links, to improve the reporting process at all levels, to clarify the rights and responsibilities, and to eliminate the occurrence of

humanized and relationalized management chaos, so as to achieve the working atmosphere of survival by results and the working atmosphere of the competent and incompetent.

B, in order to adapt to the follow-up outlet is the standardization of the management, control and standardized, it is necessary to set up the mining the shipping department (due to the problems existing in the current branch daily management are pointing in delivery, such as the refrigerator storage links exist hidden dangers caused by supplier's concentration distribution, the consignee or consignor process is not perfect, even is dealing with the relationship of management personnel and suppliers, etc.), to form a set of development and management of suppliers, supplier evaluation and management, supplier selection management, purchasing plan management, procurement management, raw materials inventory management, raw material quality management for the integration of modern purchasing management system.

Moreover, the weakness of procurement management will directly lead to the increase of procurement cost and production cost, leading to the loss of the company's profit point.

It is necessary to avoid the lack of supervision and the management of rewards and punishments becomes a mere formality. At present, the company's management and control system is too decentralized and the supervision function is seriously weakened.

It is necessary to establish a hierarchical management system from top to bottom and throughout the whole business process, strengthen the supervision and control of all links, improve the reporting process at all levels, clarify the rights and responsibilities, eliminate the occurrence of humanized and relationalized management chaos, and achieve the work atmosphere of the people who live by results and those who are competent and incompetent.

Visit customers regularly to collect all kinds of opinions and provide targeted basis for the company's operation improvement.

The design of organizational structure should be based on the business objectives of the company, consider the influence of business environment, make full use of company resources, determine the functional modules of the company, choose the appropriate organizational mode, realize the reasonable setting of posts, determine the organizational structure, and use business process to check and improve the organizational structure.

Due to my limited ability and experience, the above mentioned deficiencies.

However, I think it is an inevitable trend for the company to establish a sound organizational structure, clarify the job responsibilities of hierarchical management, implement standardized and standardized management system, attach importance to learning and training, improve the quality of management personnel, intensify lessons learned, and strengthen the education of professional ethics and spirit.

Benefits and limitations of these structures

Concerning detailed analysis, it is observed that these features are segregated on regarding the differences in its features. In the context of monopolistic competition structure, it can be observed that it supports the equilibrium in enterprise models and strategy making process. The barriers faced while framing the decision is significantly less. So it can be considered as benefits of this approach. However, this structure is associated with lack of mobility and knowledge, which can be considered as its limitations. In case of oligopolistic structure, major benefits are its features of advertising and abundance of diversity and knowledge. In accordance to Kryzanowski, Perrakis & Zhong (2017), monopoly, the market structure is simple as it comprises A single authority. However, it is not applicable to globalization as it lacks establishing equilibrium and is prone to price discrimination.

Gaps in Literature

In an analysis of this market structure, it is observed that there is a number of deficiencies or loopholes prevailing from past analysis. There are many discontinuities observed in analyzing identification of boundaries associated with markets and gaps observed in sub studies of these associated chains. Major emphasis is laid on these gaps in this study, and these gaps are utilised for framing some cross-

elasticises (Mrázová & Neary, 2017). Furthermore, an optimum effort is given for analysing the impact of these prevailing gaps on situational variable dependent on market structures.

Part B

5. Research Methodology

Research Philosophy

Research philosophy can be considered as an ideology that sets a path for the accomplishment of entire research. There exist two different philosophies, interpretivism and positivism. In the context of this study, positivism philosophy is utilised, as this philosophy is oriented introducing modifications to prevailing facts and theories related to market structure. This study also deals with, making, modifications over prevailing concepts of marketing structure concerning concurrent business scenario (Are.berkeley.edu, 2017).

Research Approach

This section is about selecting a particular approach towards the study that would be carried forward with entire research and analysis. There are two research approaches utilized; these are deductive and inductive approaches. Deductive approach deals with hypothesis framing and analysis based on that hypothesis (My recent.ac.za, 2017). This approach is utilized in this case as this study deals switch making a hypothesis on existing market structures and understanding the utility of this globalization.

Research Design

Research design can be considered as fabricating a blueprint of entire research that would be conducted. There are three kinds of research design; these are exploratory, explanatory and descriptive design. For this study, a descriptive design is used as it this design is related to providing details of a prevailing phenomenon. The scope of this research is too associated with making an in-depth description of predefined concepts of market structures. Hence, descriptive approach is utilized.

Research Methods

This method is about ways of finding resources for particular research with which entire research can be accomplished in an effective manner and with better understanding. In this research, only qualitative research method is used. In this study, a qualitative method is utilised for a collection of data from managers of each of the business enterprises that belong to a mentioned market structure.

Data Types

Data are the valid information that is collected and utilized for the successful accomplishment of research. There are two types of data, primary and secondary data. For this study, both of mentioned data types are utilised for making desirable analysis in market structures. Primary data is collected from the managers belonging to different organizations, which on the other hand belongs to different market structures. Secondary data is collected from authentic sources, for instance, journals, various statistical data, relevant books for making effective research on market structures and its impact on globalization.

Data Collection Tools

Data collection tools exist in a wide range of varieties and are utilised by a variety of studies and research. Prime data collection tools can be segregated into two categories, tangible and intangible. Intangible categories, there are set of open-ended questionnaires, closed-ended questionnaires etc. Intangible tools are observations, analysis etc. For this study, a set of open-ended questionnaires is found to be most appropriate and is utilised for the accomplishment of an entire task.

Methods of Sampling

Methods of sampling are associated with the way in which data is collected for further analysis. There exist two different methods of sampling, non-probability and probability. For accomplishing this study, a non-probability approach is taken into consideration. The reason behind this is, for analyzing

market structure specific companies are selected, and only specific designation of an individual is selected (Michael O'Leary, 2017). This is most appropriate for the accomplishment of the entire study.

Sample Size

Data is collected from three managers belonging to companies from each of the discussed market structures. In case of a monopolistic competitive enterprise, one manager from Apple Inc. is selected. In a base of oligopoly structure, one manager from British Airways is selected, and in case of monopoly structure, one manager from Google Inc. is selected.

Data Analysis

As mentioned earlier, the data that is collected is entirely based on qualitative method, so for analyzing the entire data regarding market structures and its impact on globalization, transcripts are utilised.

Ethical consideration

This study is comprised of interviews with a set of open-ended questionnaires; hence, it is kept into utmost consideration that none of the participants is forced for taking part in the interview. Furthermore, an optimum emphasis is laid on data protection for preventing data leakage (Anthony Fernandez (2017)). This utilises secondary data, so it is taken that all the resources are taken from authentic resources in an ethical manner.

Timeline

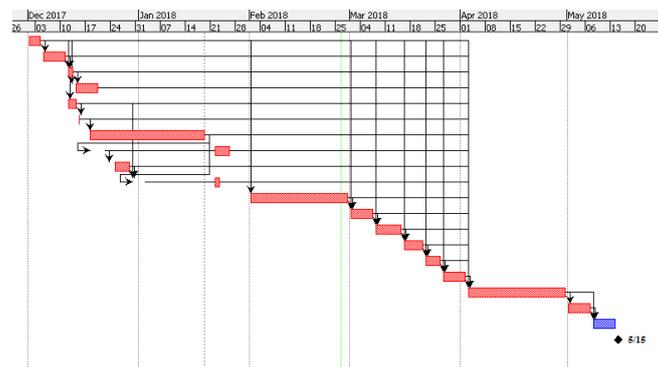


Figure 4: Gantt chart
(Source: Created by Author)

Expected results

Analysis of both primary and secondary data showed that service industries, for example, British Airways, Air France etc. mostly rely on oligopoly business structure because one of the advantages of this policy is that companies could not work as an individual form and largely depend on other forms to assure large scale of heavy production. In this process, companies can capture a maximum number of market share and assure normal profits. As the service companies collaborate with other firms to enhance technical support, they can experience lower costs that eventually resulted in greater profit-margin for the company (economicsonline.co.uk, 2014). There are few drawbacks, for example, a concerned company has to be alert to market competition and check if any company within the market is serving cheaper rate. Implementing this strategy, British Airways was liberalised in the late 1990s in the European market and also gets the opportunity to merge with Liberia Airlines in 2000 to improve its horizontal integration.

Monopolistic Competition is an example of imperfect market competition, in which each competitor knows their strengths and weakness. Hence, in such scenario, the only way to sustain business development is to ensure best service quality. This is the reason that Apple grabbed 15% of market share by launching only three models of their phones in 2015. In the same year, Samsung grabbed 30% of market share by launching 150 models of their phone ranges (Are.berkeley.edu, 2017). Moreover, stability in price plays a critical role in this business structure because this stability is the only reason for high demands to sustain high competition. There are few drawbacks, for example,

because of market limitations, often companies fail to produce certain products on demands. As opined by Merhav (2017), in this design, customers get segregated, and companies tend to produce products only for certain section that have high financial conditions. Another disadvantage of this market behaviour is that if the companies fail to introduce updated technologies and innovation to attract customers each day, it becomes difficult to survive.

Another approach is a monopoly in which only one company dedicates itself to assure quality service. In such scenario, a company is well aware of the market demand and thus set a high price. Often customers are exploited by setting a high price for less quality service. For example, Google, Facebook, Amazon which are the top listed valuable companies belong to monopoly platform. Facebook attains 77% share in social media platform, Amazon holds 70% of the global e-book market, and Google possesses 88% share of online search and advertising in 2015.

6. Conclusion

A brief discussion of this whole material showed that there are three primary business structures, namely, Oligopoly, monopoly and monopolistic competition. Every structure has own benefits and shortcomings. In monopolistic approach, any one company gains the maximum number of market share and enjoy benefits of monopoly. Oligopoly in other way associated with few numbers of competitors and enjoys a large volume of production. Monopolistic competition on contrary targets a certain section of customers and involve high technology and innovation to attract consumers' changing demands.

References

- [1] Bouras, D., Frank, T., & Burgess, E. (2017). Functional Forms and Oligopolistic Models: An Empirical Analysis. *International Journal of Economics and Financial Issues*, 7(4), 645-649.
- [2] Chatagnier, J. T., & Kavaklı, K. C. (2017). From economic competition to military combat: Export similarity and international conflict. *Journal of Conflict Resolution*, 61(7), 1510-1536.
- [3] Fanti, L., & Buccella, D. (2017). Manager-Union Bargaining Agenda Under Monopoly and with Network Effects. *Managerial and Decision Economics*, 38(6), 717-730.
- [4] Ferreira, P. (2017). Welfare Changes in the Cournot Setting with an Empirical Application to the Telecommunications Industry. *The Journal of Industrial Economics*, 65(1), 194-213.
- [5] Geras'kin, M. I., & Chkhartishvili, A. G. (2017). Structural modelling of oligopoly market under the nonlinear functions of demand and agents' costs. *Automation and Remote Control*, 78(2), 332-348.
- [6] Head, K., & Spencer, B. J. (2017). Oligopoly in international trade: Rise, fall and resurgence. *Canadian Journal of Economics/Revue canadienne d'économique*, 50(5), 1414-1444.
- [7] Nikhalat-Jahromi, H., Fontes, D. B., & Cochrane, R. A. (2017). Future liquefied natural gas business structure: a review and comparison of oil and liquefied natural gas sectors. *Wiley Interdisciplinary Reviews: Energy and Environment*, 6(4) 83-125.
- [8] Parenti, M., Ushchev, P., & Thisse, J. F. (2017). Toward a theory of monopolistic competition. *Journal of Economic Theory*, 167, 86-115.
- [9] Saeedi, H., Wiegmans, B., Behdani, B., & Zuidwijk, R. (2017). European intermodal freight transport network: Market structure analysis. *Journal of Transport Geography*, 60, 141-154.

Books:

Merhav, M. (2017). Technological dependence, monopoly, and growth. Amsterdam: Elsevier.

Online articles:

Kryzanowski, L., Perrakis, S., & Zhong, R. (2017). Financial Oligopolies: Theory and Empirical Evidence in the Credit Default Swap Markets 5(8) 56-89. Online Link: < http://ifsid.ca/wp-content/uploads/2015/05/DR-15-03_Perrakis_FinancialOligopoliesTheory.pdf >

Mrázová, M., & Neary, J. P. (2017). Not so demanding: demand structure and firm behavior. *American Economic Review*, 107(12), 3835-74. Online Link: < <http://users.ox.ac.uk/~econ0211/papers/pdf/SuperC.pdf>>

Websites:

Are.berkeley.edu (2017), Market Structures, Retrieved from https://are.berkeley.edu/~sberto/lecture5_OPEC_Project.html [Accessed on 26th February 2018]

economicsonline.co.uk (2014), Defining and measuring oligopoly, Retrieved from http://www.economicsonline.co.uk/Business_economics/Oligopoly.html [Accessed on 26th February 2018]

my recent.ac.za (2017), Comparative Analysis of Market structures, Retrieved from http://www.myregent.ac.za/Post%20Graduate/MBAG/MAEC/Academic%20Resources/Additional%20Notes_Chapter%205_Market%20Structures.html [Accessed on 26th February 2018]

Online Videos

Anthony Fernandez (2017), Micro economics, on 26th February 2018, Link: <<https://www.youtube.com/watch?v=rRNIEKAQS74>>

Michael O'Leary (2017), An introduction to market structures, on 26th February 2018, Link: <<https://www.youtube.com/watch?v=FZMUaHM1Yrk>>