**TYPES OF MARKETING SYSTEM**

In market economies, there are a variety of different market systems that exist, depending on the industry and the companies within that industry. It is important for small business owners to understand what type of market system they are operating in when making pricing and production decisions, or when determining whether to enter or leave a particular industry. The five major markets systems types are: perfect competition, monopoly, oligopoly, monopolistic competition and monopsony.

In this case we are going to discuss the three of them and there characteristics which are:

1. monopolistically competitive
2. monopolistic
3. perfectly competitive markets
4. **MONOPOLISTICALLY COMPETITIVE MARKETING SYSTEM**

Monopolistically competitive is the type of marketing system which exists when many companies offer competing products of services that are similar, but not perfect, substitutes. The barriers to entry in a monopolistic competitive industry are low, and the decisions of any one firm do not directly affect its competitors. The competing companies differentiate themselves based on pricing and marketing decisions.

**Characteristics of monopolistically competitive marketing system**

1. **Low barriers to entry**

In monopolistic competition, one firm does not monopolize the market and multiple companies can enter the market and all can compete for a market share. Companies do not need to consider how their decisions influence competitors so each firm can operate without fear of raising competition.

1. **Product differentiation**

Competing companies differentiate their similar products with distinct marketing strategies, brand names and different quality levels.

1. **Pricing**

Companies in monopolistic competition act as price makers and set prices for goods and services. Firms in monopolistic competition can raise or lower prices without inciting a price war, often found in oligopolies.

1. **Demand elasticity**

Demand is highly elastic in monopolistic competition and very responsive to price changes. Consumers will from one brand name to another for items like laundry detergent based solely on price increases.

**Examples of monopolistically competitive organizations**

1. **Hairdressing industry**

The hairdressing industry provide a good example of monopolistic competition. There are a lot of hairdressers in every city, and each has slightly different skills or service preferences. Also, they have various premises in different locations where they provide the services. This differentiation creates a different image in the eyes of consumers.

1. **Bakery shop**

Bakery shops are a classic example of monopolistic competition. In most towns, various bakeries sell similar products in slightly different ways. However, if there is only one bakery in a particular area of the town, then it can demand a slightly higher price for its products.

1. **Restaurants**

In any city, many restaurants compete based on the quality of their food and prices. The basic concept of providing hospitality services differs when restaurants change their executions. It depends on factors like location, quality of services and the amount charged.

1. **Clothing industry**

Monopolistic competition is detectable in the clothing industry, where multiple brands offer similar products with unique styles and target markets.

1. **Running shoes**

In monopolistic competition, brands offer distinct features and characteristics in the running shoe market. Athletes on factors like stability, weight, fashion point of view, or price flexibility.

**How does pricing affect in monopolistically competitive marketing system affect purchase decisions?**

1. It limits consumer choices and control production quantity and quality
2. The monopolistically competitive firm tend to produce a lower quantity at a higher cost and charge a higher price
3. **MONOPOLISTIC**

Is a theoretic condition that describes a market where only one company may offer products and services to the public? A monopolistic market is the opposite of a perfectly competitive market, in which an infinite number of firms operate. In a purely monopolistic model, the monopoly firm can restrict output, raise prices and enjoy super-normal profits in the long run. A monopoly exists when one supplier provides a particular good or good or service to many consumers. In a monopolistic market, the monopoly, or the controlling company, has full control of the market, so it sets the price and supply of a good or service.

Purely monopolistic markets are scarce and perhaps even impossible in the absence of absolute barriers to entry, such as a ban on competition or sole possession of all-natural resources. When they do occur, the monopoly that sets the price and supply of a good or service is called the price maker. A monopoly is a profit maximizer because by changing the supply and price of the good or service it provides it can generate greater profits. By determining the point at which its marginal revenue equals its marginal cost, the monopoly can find the level of output that maximizes its profit.

With generally only one seller controlling the production and distribution of a good or service, other firms cannot enter the market.

Since there is only one supplier, and firms cannot easily enter or exit, there are no substitutes for the goods or services. Therefore, a monopoly also has absolute product differentiation because there are no other comparable goods or services.

**Characteristics of monopolistically marketing system**

1. Monopolistic market generally consists of only one seller controlling the production and distribution of a good or service.
2. There are typically high barriers to entry which are obstacles that prevents other companies from entering the market.
3. Potential entrants to the market are at a disadvantage because the monopoly has a first-mover advantage and can lower prices to undercut a potential newcomer and prevent from gaining market share.
4. Because there is only one suppliers, and firms cannot easily enter or exit, there are no substitutes for the goods or services. Therefore, a monopoly also has absolute product differentiation because there are no other comparable good or services.

**Examples of monopolistic**

1. **Railways**

The government provides public services like the railways. Hence they are a monopolist because new partners or privately held companies are not allowed to run railways. However, the price of the tickets is reasonable so that most people can use public transport.

1. **Luxottica**

A company that owns all the major brands of sunglasses. The company has bought almost all the major eyewear brands.

1. **Microsoft**

Microsoft is a computer and software manufacturing company. It holds more than 75% market share and is the tech space’s market leader and virtual monopolist.

1. **Google**

Google has become a household name and whenever we don’t know any answer, probably googling is the answer. With their secret algorithm, the biggest web searcher controls more than 70% market share.

1. **Patents**

Patents provides a legal monopoly to a company. When the patent is in force, no other company can use its invention for its purposes.

1. **Facebook**

Social media is the new market in the current century. While the users are offered free services, the companies earn from the advertising revenue.

**How does pricing in monopolistic marketing system affect purchase decisions?**

1. It limits the consumer or the user from accessing any goods and services from the company.
2. Due to inability of the person to access the goods and services, the living of an individual is also lowered.
3. **PERFECTLY COMPETITIVE MARKETS**

The term perfect competition refers to a theoretical market structure. Although perfect competition rarely occurs in real-world markets, it provides a useful model for explaining how supply and demand affect prices and behavior in a market economy. Under perfect competition, there are many buyers and sellers, and prices reflect supply and demand. Companies earn just enough profit to stay in business and no more. If they were to earn excess profits, other companies would enter the market and drive profits down.

Perfect competition is a benchmark or ideal type to which real-life markets structures can be compared. Perfect competition is theoretically the opposite of a monopoly, in which only a single firm supplies a good or service and that firm can charge whatever price it wants since consumers have no alternatives and it is difficult for would-be competitors to enter the marketplace. In a perfect competition model, there are no monopolies.

**Characteristics of perfect competitive markets**

1. **A large and homogeneous market**

There are a large number of buyers and sellers in a perfectly competitive market. The sellers are small firms, instead of large corporations capable of controlling prices through supply adjustments. They sell products with minimal differences in capabilities, features and pricing. This ensures that buyers cannot distinguish between products based on physical attributes, such as size or color, or intangible values, such as branching.

1. **Perfect information availability**

Information is all about an industry’s ecosystem and competition constitutes a significant advantage. For example, knowledge about component sourcing and supplier pricing can make or break the market for certain companies. In certain knowledge and research intensive industries, such as pharmaceuticals and technology, information about patents and research initiatives at competitors can help companies develop competitive strategies and build a moat around their products.

1. **Absence of controls**

Government play a vital role in market formation for products by imposing regulations and price controls. They can control the entry and exit of firms into a market by setting up rules to function in the market. In comparison, the technology industry functions with relatively less oversight as compared to its pharms counterpart. Thus, entrepreneurs in this industry can start firms with less to zero capital, making it easy for individuals to start a company in the industry.

1. **Cheap and efficient transportation**

Cheap and efficient transportation is another characteristic of perfect competition. In this type of market, companies do not incur significant costs to transport goods. This helps reduce the product’s price and cuts back on delays in transporting goods.

**Theory vs. reality of perfect competition**

Real-world competition differs from this ideal primarily because of differentiation in production, marketing and selling. I.e. the owner of a small organic products shop can advertise extensively about the grain fed to the cows that made the manure that fertilized the non-go soybeans, thereby setting their product apart from competitors. This is what is called differentiation.

The first two criteria (homogeneous products and price takers) are far from realistic. Yet, for the second two criteria (information and mobility) the global tech and trade transformation and resource flexibility. While the reality is far from this theoretical model, the model is still helpful because of its ability to explain many real-life behaviors.

Examples of perfectly competitive markets

As mentioned earlier, perfect competition is theoretical construct and doesn’t actually exist. As such, it is difficult to find real-life examples of perfect competition but there are variants present in everyday society.

Produce

Consider the situation at a farmer’s market, a place characterized by a large number of small sellers and buyers. There is typically little differentiation between products and their prices from one farmer’s market to another. How the produce is grown does not matter and there is very little difference in how they are packaged or branded. Thus even if the farms producing goods out of business, it will not make a difference to average prices.

Supermarkets

The situation may also be relatively similar in the case of two competing supermarkets, which stock their aisles from the same set of companies. Again there is little to distinguish products from one another between both supermarkets and their pricing remains almost the same. Another example of perfect competition is the market for unbranded products, which features cheaper versions of well-known products.

Knockoffs

Products knockoffs are generally priced similarly and there is little to differentiate them from one another. If one of the firms manufacturing such a product goes out of business, it is replaced by another one.

Technology

The development of new market in the technology industry also resembles perfect competition to a certain degree. For example, there was a proliferation of sites offering similar services during the early days of social media networks. Some examples of such sites are sixdegrees.com, blackplanet.com and asiavane.com. None of them had a dominant market share and the sites were mostly free. They constituted sellers in the market while consumers of such sites, who were mainly young people, were the buyers.