

 **GCSE Economics**

**Name**:

**Teacher**: Mr Tarn

**Business, Information Technology and Enterprise**



**1.1 Introduction to Dominant Firms**

1. Correct the paragraph below by circling the appropriate words. (5)

Dominant/weak firms are those which have a small/significant share of a particular market. They often produce a particular type of branded/homogenous good or service which has a high/low demand and, as result, they can/can’t control prices.

1. Explain what is meant by the economic concept of ‘market share’ (1)

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1. What products and services are offered by firms in the following UK markets; give examples! (5)

Games console market: ………………………………………………………………………………………………………
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Energy production market: ……………………………………………………………………………………………………………………………………………..
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Broadcasting/television/telecommunications: ………………………………………………………………………
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Supermarkets: ……………………………………………………………………………………………………………………..
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Transport: ……………………………………………………………………………………………………………………………
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Choose one of the markets from *Question 3* and explain which firm(s) you think is/are dominant in that UK market – remember to justify your answer!
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**Extension Activity**

**Teacher Feedback**

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**1.2 Reasons for Market
Dominance**



1. A firm or firms might dominate a market for a number of reasons such as;

patent ownership, pricing policies/strategies (e.g. predatory pricing), cost advantages which come from economies of scale, strong branding/advertising/customer loyalty, first-mover advantage, high sunk/set-up costs, high research and development costs, geographical advantage (e.g. exclusive access to key natural raw materials), takeover or merger.

Complete the mind-map below to **describe** **5** of the reasons for market dominance highlighted above and briefly **explain** how it helps a firm remain dominant in the market. (10)



Find an example firm which dominates their chosen UK market and explain the reasons why have remained dominant.

Dominant firm: ……………………………………………………..

UK Market: ……………………………………………………………………..

Reason for market dominance: …………………………………………………………………………………………………
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**1.3 The impact of Market
Dominance on consumers**

1. A firm or group of firms that dominate a UK market may have both positive and negative effects on consumers. (10)

a. Describe the **positive effects** on **consumers** as a result of market dominance, in terms of the following;

The **price** of products or services they charge, resulting from the benefits of ‘economies of
scale’ and the threat of competition entering the market……………………………………………………..
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The **quality and innovation** of products or services they sell, resulting from the huge investment in R & D made by large dominant firms:………………………………………………………………
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The **guaranteed supply** of goods or services to consumers during times of recession and/or increased competition from Europe and globally…………………………………………………………………..
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b. Describe the **negative effects** on **consumers** as a result of market dominance, in terms of the following;

The **price** of products or services they charge because of market dominance………………………..
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The **choice** of products or services available to buy in a market with dominant firms…………..
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Use examples to support your ideas



Find an example firm which dominates their chosen UK market and explain the positive and negative impact their market dominance has had on consumers

Dominant firm: ……………………………………………………..

Positive and negative impact on consumers:………………………………………………………………………………
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**1.4 The impact of Market Dominance on producers & suppliers**

1. For each of the markets below find out who are the main **producers** and **suppliers** of products and services to the dominant firms in those markets. Include the names of these suppliers and producers. One example has been done for supermarkets but there are others in this market! (10)

**Supermarkets**: *UK and international farmers’* supply the dominant firms in the UK supermarket industry with fruit, vegetables and meat products. For example ASDA works with many local farmers such ‘Taylors Regional Foods’ to supply them with locally sourced products. ……………………………………………………………………...………………………………………………………
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**Energy production market:** …………………………………………………………………………………………………..
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**Broadcasting/television/telecommunications**: ……………………………………………………………………
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**Transport:** ……………………………………………………………………………………………………………………………
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**Games console market**: ………………………………………………………………………………………………………
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Explain both the positive and negative impact market dominance has on the
producers and suppliers of goods and services to the dominant firms.

Positive impact on producers & suppliers:………………………………………………………………………………
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Negative impact on producers & suppliers: ………………………………………………………………………………
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**1.5 The regulation of dominant firms**

1. Who **regulates** the following UK markets? (3)
* The railway industry: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Gas and electricity generation: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Telecommunications\Television\Broadcasting: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
1. The Office of Fair Trading (OFT) works together with The Competition Commission (CC) to ensure UK markets operate in the best interests of consumers.

a. The Competition Commission will investigate and review mergers between two or more firms to decide whether it will result in a **SLC**. What does **SLC** mean? (1)

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b. The Competition Commission will also investigate markets to decide whether any feature or combination of features in a market prevents, restricts or distorts competition, thus constituting an **AEC**? What does **AEC** mean? (1)

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1. Summarise the arguments *for* and *against* the regulation of dominant firms. (8)

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| --- | --- |
| *For* the regulation of UK markets | *Against* the regulation of UK markets |
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Explain why Ofcom might be concerned about the lack of competition in the
marketfor Telecommunications\Television\Broadcasting.

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