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Demand Uncertainty in Monopoly

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Introduction

Monopoly and Demand Uncertainty

A market structure characterized by a single vendor, who sells a unique product in the market. In the monopoly market, the seller is not in competition with the competition, as he is the only seller with no one around. He enjoys the ability to value his possessions. Monopoly is the structure of an economic market in which one company or one retailer rules with multiple buyers. There is a unique product in this market, and the seller enjoys the ability to determine the value of the goods as he has no competitors in that particular product. Here, 'Mono' and 'Poly' mean one and the same control, respectively. There are barriers to entry, and only retailers can change the price of the goods. According to AJ Braff, "Under the pure monopoly, there is only one seller in the market. The need for a monopolist is a need for the market. A monopolist is a mathematician. Pure rule suggests that no situation can take its place. It is important to note the difference between monopolistic power and monopolistic competition. Monopolistic power refers to a company with monopoly as power. However, it is not the only one that offers, while there are many companies on the market in the monopolistic competition. However, they compete for other prizes — for example: Haircuts, Taxi, and Restaurants.

Demand uncertainty refers to external factors that cause the demand to rise or fall abruptly. This condition can be caused by a public health problem or a sudden change in customer preferences. Many software help companies predict demand and develop appropriate production and supply chain strategies. The uncertainty of demand arises from the uncertainties associated with solving any problem, such as hidden customer considerations. For example, when the founder of Rent the Runway Jenn Hyman came up with the idea of renting designer clothes online, the uncertainty of demand was high because no one else was providing this type of service.

Classification

Types of Monopoly

- Natural Independence: A market situation where it works best for one business to produce a product.
- Local Monopoly: Monopoly due to location (absence of other vendors).
- Technical Monopoly

- Government Governance

Natural Monopoly

It is a one-of-a-kind food that often occurs due to the high cost of start-up or a strong economic scale of doing business in a particular industry which can cause major barriers to entry for potential competitors. A company with a natural monopoly may be the sole provider of a product or service in an industry or area. Natural monsters can come from industries that require different materials, technology, or similar features in order to work. Natural monsoons can also occur when one company performs better than most companies in providing good service or service in the market. A good example of this is in the transmission business where once the electricity is turned off to bring electricity to every home in the community, installing a second, no longer working grid to compete makes sense.

Geographic Monopoly

A local monopoly occurs when a company owns the entire market for a particular service / product. This happens when the market is so limited that it does not make sense for anyone other than one trader to enter the market (any additional people or companies will not make much profit). An example of this would be anything from a small town store, cable companies and telephone companies. Basically, it is any company that owns every market in the area.

Technological Domination

A monopoly that occurs when one company controls the production methods needed to produce a particular product, or has special rights to the technology used to make it. Technical monitors differ from those based on direct or horizontal mixing because the specialty comes from the production process itself.

Government Monopoly

Government jurisdiction (also called "de jure monopoly") and dictatorship is a form of dictatorship where the government grants the exclusive right to an individual or company to be the sole provider. Good or service; potential competitors are placed on the market legally, legally, or through some form of government enforcement. As a form of coercive rule, government-mandated rule is compared to coercion [opposition] or effective rule, in which there is no competition but can be forcibly excluded.

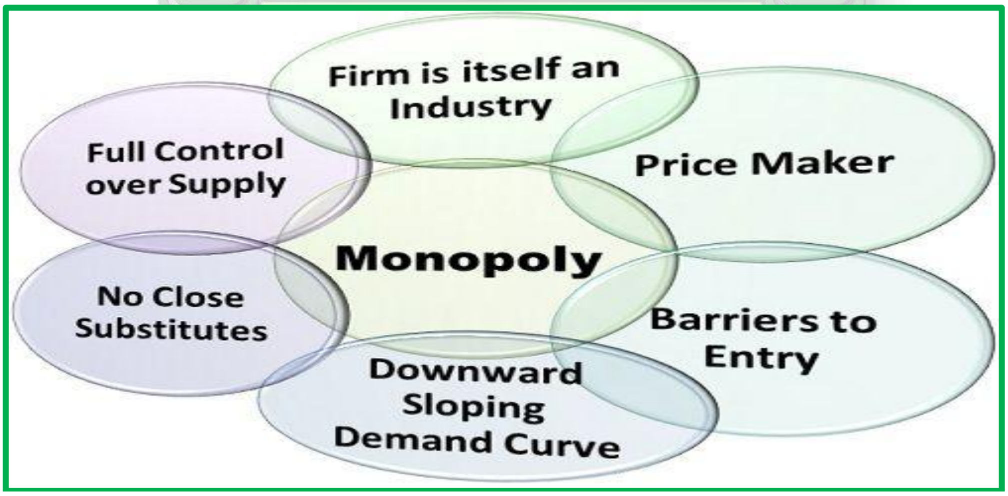

Fig.1: Monopoly

Demand Uncertainty

Demand for demand occurs at times when the business or industry is unable to accurately predict the consumer demand for its products or services. This can lead to many business problems, especially in managing orders and stock levels, with growing consequences for the supply chain. Causes of uncertainty in demand may be due to the natural characteristics of the business and its customer base, or external factors. Seasonal fluctuations, for example, are a form of natural uncertainty, although industries experiencing seasonal fluctuations may often use past year records to anticipate and estimate current seasonal changes. Businesses with the most innovative product or service will face a great deal of uncertainty, simply because their diversity means that no history can reach conclusions about the need.

Customer preferences, however, may change quickly and without warning, sometimes as a result of a new trend or fashion. Consumer demand may change due to technological advances that make standard products obsolete; demand can also be reduced by the entry of competitors into the industry. The economic situation affects consumer demand, and a strong economy that leads to increased demand while a weak economy oppresses it. Natural or man-made disasters and times of political instability are examples of external factors that cause both instability and provide uncertainty.

Problems

When demand is uncertain, it is difficult to determine fair value of goods and services you can order in the next sales cycle. Normal waiting business though high the level of sales, seeing only a decrease in demand, will have the remaining assets to be stored, returned or discarded. Each of these situations leads to additional costs. If demand increases, however, and the company do not have adequate supply of goods for sale, the result is dissatisfied customers, some of whom may buy from a competitor who has a supply of goods. Some customers may never return to the real seller, leading to the loss of business in that company. Problems caused by demand uncertainty are not limited to the assets placement. As demand increases, it becomes difficult to meet the right levels of staff, especially in retail companies. Other cost areas, such as equipment purchases or facility upgrades, may also be affected.

Conclusion

A market structure characterized by a single vendor, who sells a unique product in the market. In the monopoly market, the seller is not in competition with the competition, as he is the only seller with no one around. A company with a natural monopoly may be the sole provider of a product or service in an industry or area. Natural monsters can come from industries that require different materials, technology, or similar features in order to work. Causes of uncertainty in demand may be due to the natural characteristics of the business and its customer base, or external factors. Seasonal fluctuations, for example, are a form of natural uncertainty, although industries experiencing seasonal fluctuations may often use past year records to anticipate and estimate current seasonal changes.

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