This is just an example of what the evaluation of each market structure looks like. The full document contains evaluation of all 4 market structures + a full evaluation table which can be used for revision/writing assignments.

Monopolistic Competition

Definition: A market structure with a large number of firms producing similar but differentiated products. Barriers to entry and exit the market are low. Firms are price makers as each firm possess some market power.

Advantages:

- Differentiated products → more choice for consumers
- Firms have incentives to innovate → improving quality of products, looking for more efficient ways of production, possibly leading to a lower price
- Advertising → usually there is a high level of advertising in monopolistic competition; this provides consumers with information → lower search costs
- Creates employment in marketing (a rather far stretched advantage, mention only briefly)

Disadvantages:

- Neither technically nor allocatively efficient → deadweight welfare loss → primary economic problem of allocating resources in the most efficient way is not solved
- Resources are wasted on e.g. useless packaging
- Large number of firms → limited access to Economies of Scale
- Large number of firms → too much choice for consumers → high search costs
- Advertising → might mislead consumers
- Advertising → usually costly, hence product prices increase
- No abnormal profits → limited innovation and investment in R&D

Examples:

- Restaurants/Bars/Pubs (fast food restaurants can usually be oligopolies)
- Hotel businesses
- The market for chocolate chip cookies (might be that some countries are dominated by certain firms)

The evaluation table (all advantages/disadvantages of other market structures have been removed as this is only a preview)

Market structure	Advantages	Disadvantages
Perfect competition		
Monopolistic competition	Differentiated goods → choices for consumers	Allocatively + technically inefficient
	Incentives to innovate	Limited access to Economies of Scale
	Advertising provides information → lower search costs	Too much choice – high search costs
	Employment in marketing	Wasted resources
		Advertising (misinformation)
		Advertising costs (higher prices)
		Limited innovation (due to normal profit)
Oligopoly		
Monopoly		