

# 1 High level overview

- The ready-to-eat (RTE) cereal market has lots of the hallmarks of a collusive/monopolistic industry
  1. high concentration
  2. high price-cost margins
  3. large advertising-sales ratios
  4. Lots of new products
- Research Question: Can we say whether the market is collusive?
- Approach:
  1. Estimate price-cost margins
  2. Separate these margins into three sources:
    - (a) Differentiation
    - (b) Multi-product firm pricing
    - (c) Collusion