Strategy	Price competition (price war, limit pricing, predatory pricing)	Collusion	Price discrimination	Product differentiation
Profit	**SR profit decrease** **LR profit increase**	restricts total o/p of all members to an o/p level that will jointly maximise combined/joint profit for all members	Higher profit	**Profit increase** (increase in TR exceeds increase in TC) <u>DD increase</u>: shift consumers' tastes and preferences in favour of the good <u>PED more inelastic</u>: consumers develop brand loyalty, see other brands less favourably and less of a close substitute --> less willing to switch to alternative brands when price raised = raise P without losing significant mkt share <u>XED decrease</u>: lower degree of substitutability, consumers less willing to switch to alternative brands when competitors reduce prices - reduce susceptiblity to competitors' price cuts <u>AC increase</u> due to cost of advertising (fixed cost) OR <u>AC, MC increase</u> due to cost of R&D on product (variable cost) Strengthen strategic BTE - raise market penetration cost --> increased profits not eroded through entry of competitors (retain profits) Raise price w/o losing mkt share
Equity	**Inequitable** Higher LR profits for firms that remain		Inelastic sub-market: Consumers charged higher price feel that this system of pricing is unfair → inequitable Elastic sub-market: Consumers charged lower price able to obtain G&S they previously could not afford → equitable Use additional profit earned to subsidise lower-income consumers → equitable	
Csr welfare	**SR increase** firms lower price, consumers' purchasing power increase, consume more units of goods → consumer utility increase **LR decrease** firms that remain exercise their increased market power by charging higher price → consumer utility decrease rivals driven out, fewer choices for consumers → consumer utility decrease		Inelastic sub-market: Consumers charged higher price → loss of consumer surplus Elastic sub-market: Consumers charged lower price → gain in consumer surplus	
AE	**Allocatively inefficient** Firms have higher market power, charge higher price, larger mark-up of P over MC		Inelastic sub-market: greater mark-up of P over MC → more allocatively inefficient Elastic sub-market: smaller mark-up of P over MC → less allocatively inefficient	
PE (soc)	**Depends**		if initial output below MES, expansion in scale of production allows firms to enjoy iEOS - operate further down the falling segment of LRAC → **more productively efficient**	
PE (firm)	**Productively inefficient** x-inefficieny could arise (higher LR profits for firms that remain)		x-inefficiency	
DE	**Tension**		Reinvest higher profit in innovation, R&D → product improvement, cost reduction → **dynamically efficient**	
Effectiveness	Tap on consumers' cognitive biases	**Cartel** Individual sellers incentivised to cheat and produce more than production quota to max profit (maximise joint profit ≠ maximise firm's indv profit, MR > MC at current o/p) → others likely to follow → increase market SS, push price down Illegal in many countries under competition law If no dominant firm, difficult to enforce cartel quotas since no one has capacity to increase production quickly and significantly to push prices down to punish cheaters Easier to maintain if new firms in industry → easier to monitor each other's o/p and prevent cheating → control total supply If products are highly differentiated, every firm able to justify its need to set different price from rivals → difficult to agree on common price If cost varies between firms, firms with lower AC may prefer to lower price to increase market share instead of limiting production and keeping prices up **Price leadership** Relies on indirect signals that are often distorted and misinterpreted.	More successful in segmenting markets to prevent resale or seepage (consumers unable to bypass higher price by purchasing product in lower-priced market) - larger profit Tap on cognitive biases - appeal to market segments where consumers are more price sensitive and firms have to keep prices lower	Cost of strategy (fixed/variable cost) cost incurred (AC/MC) could be large → increase in TC exceeds increase in TR → profit decrease Uncertainty of outcome increase in DD could be small → increase in TC exceeds increase in TR → profit decrease Tap onto consumers' cognitive biases
Graph			 inelastic sub-market elastic sub-market	