



MR

P_{mc}





q_{mc}

MIR

MC



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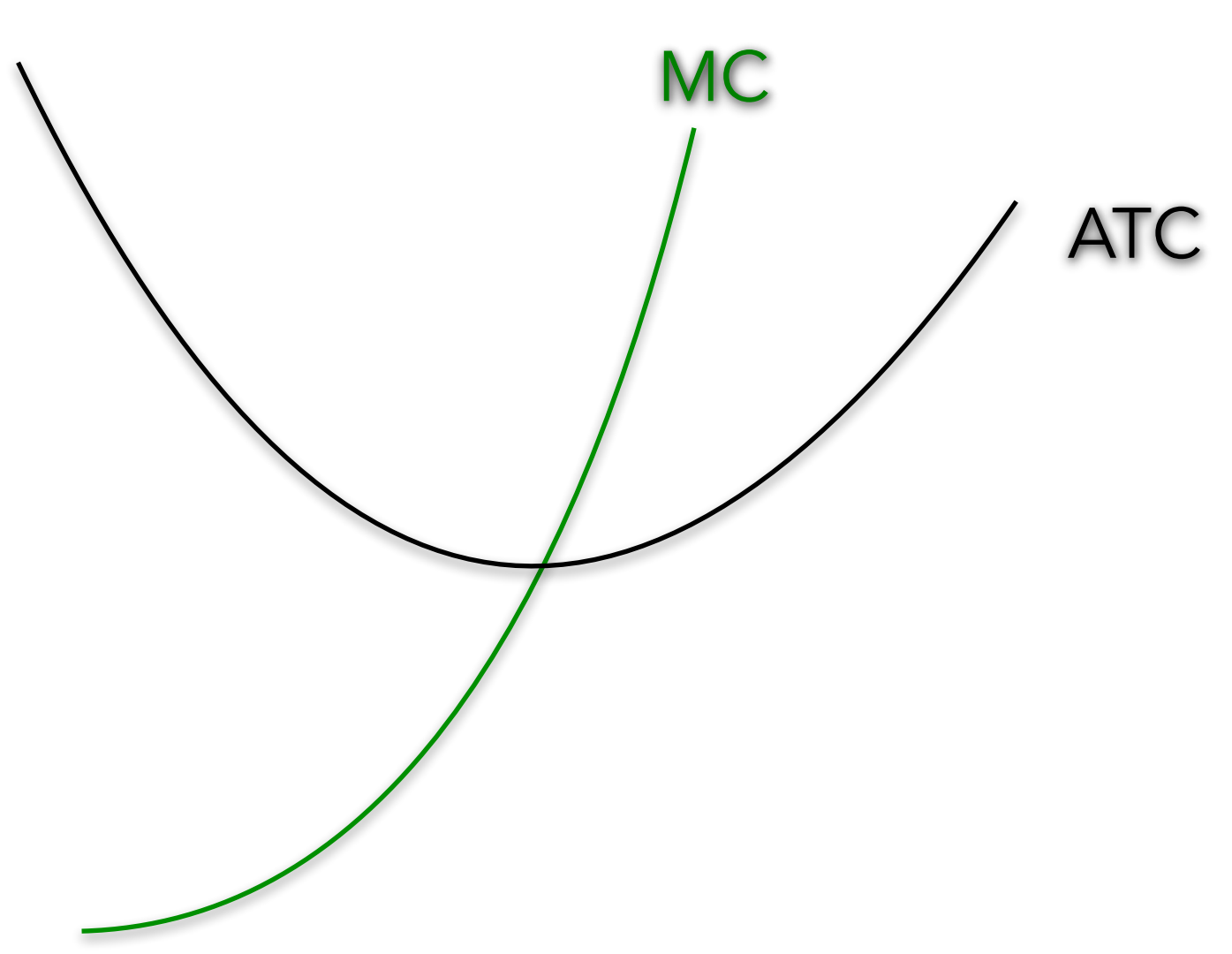
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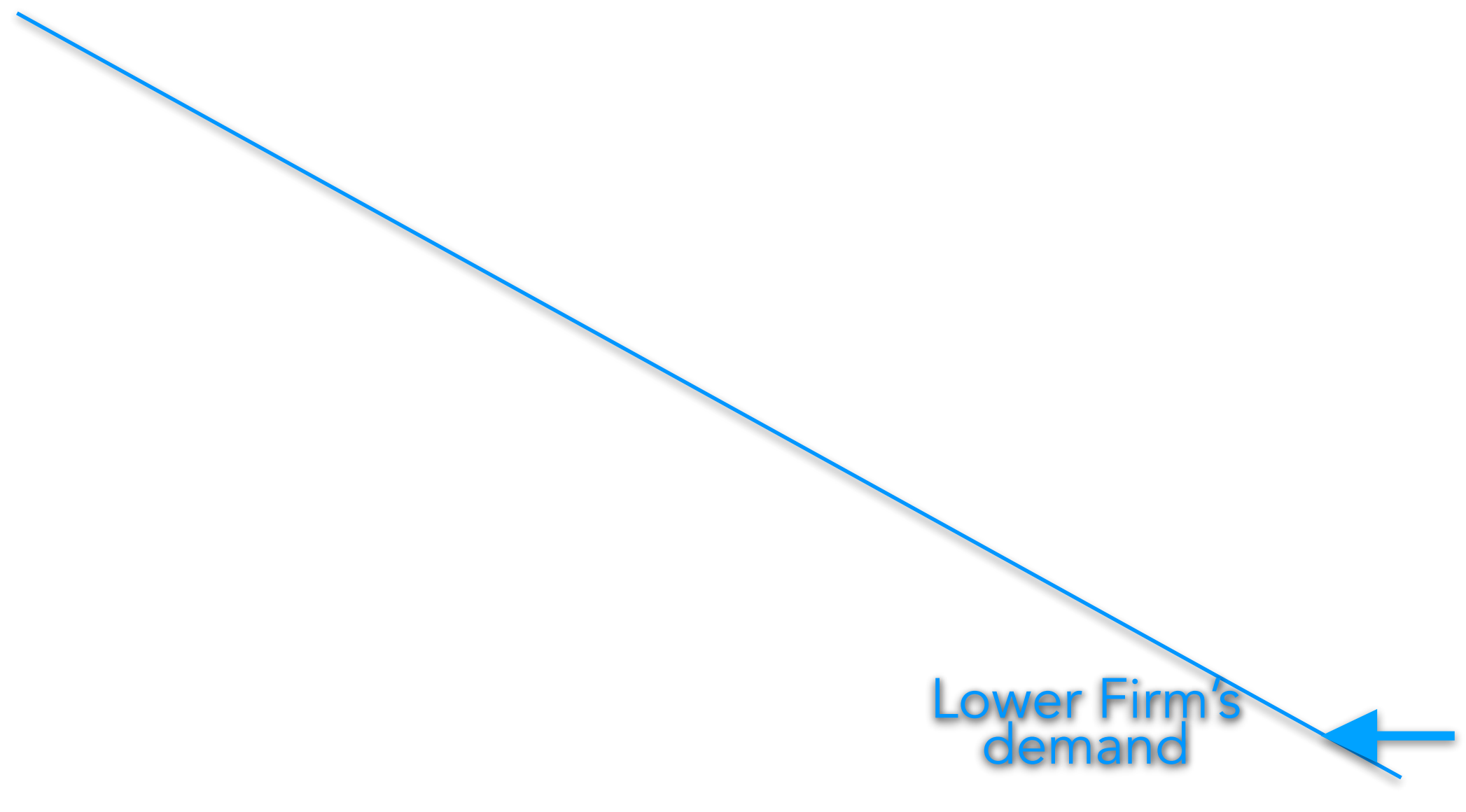
As more firms enter
the industry, the
firm's share of the
market shrinks

As long as there are profits, firms will enter and the firm's demand (share) will decrease



Firms will **stop** entering
and the firm's demand
(share) will **stop** shifting
when profits are zero

Firms will **stop** entering and the
firm's demand (share) will **stop**
shifting when **Price** = **New ATC**



Lower Firm's
demand

$$P_{mc} = ATC \leftarrow \text{-----}$$



q_{mc}

Firms increase advertising
costs to defend market share

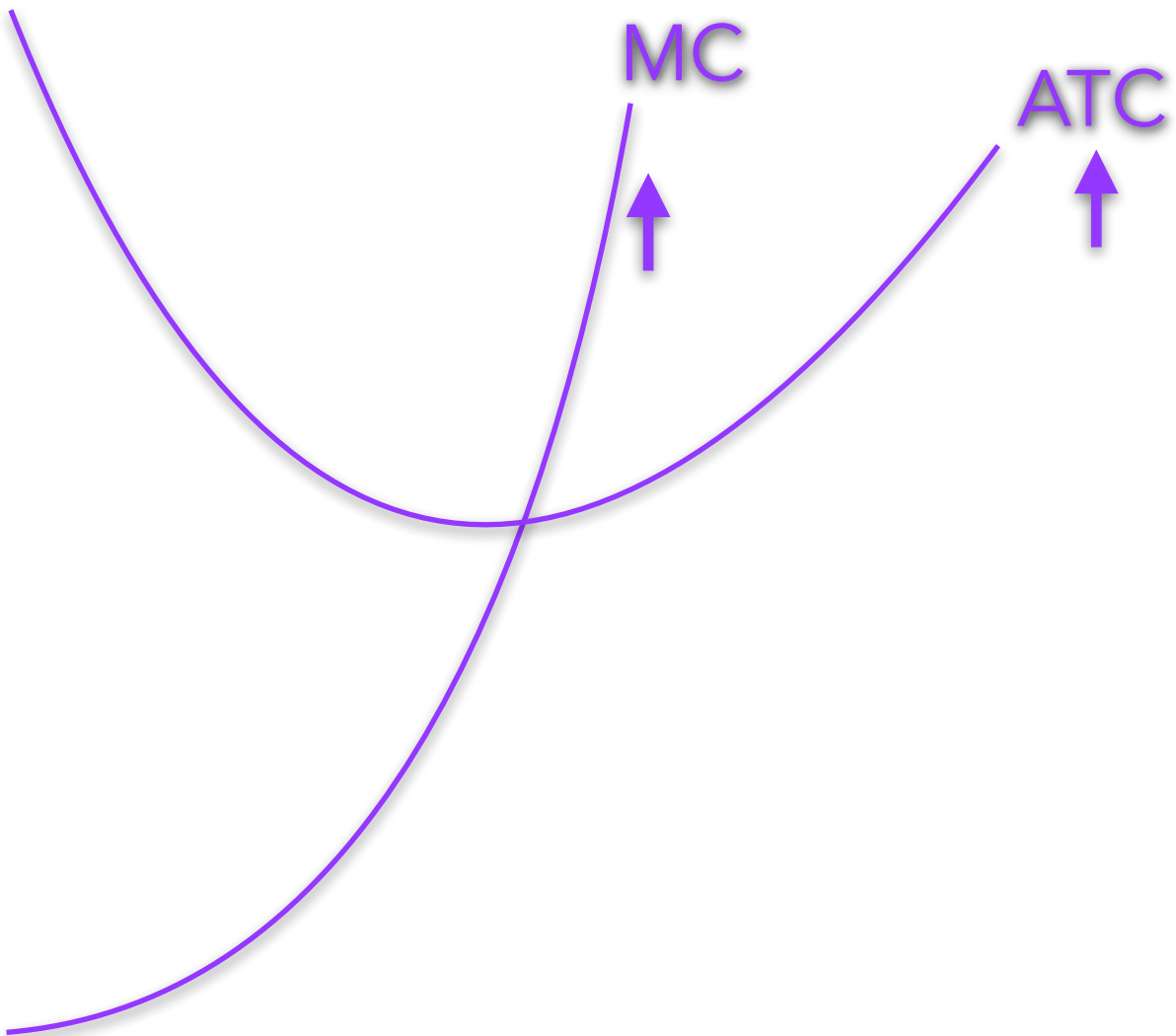


The ATC/MC

increase (shifts up)







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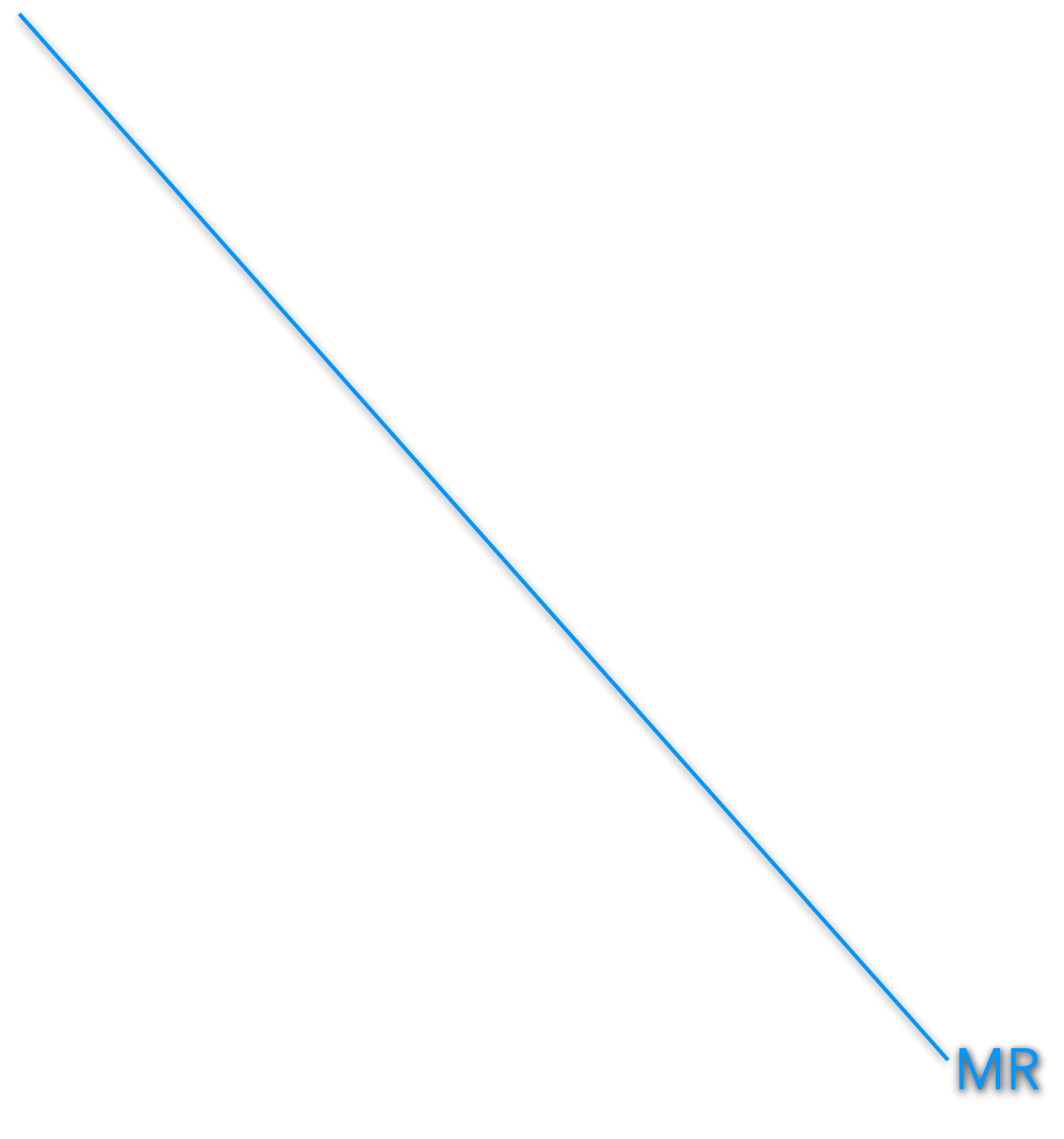
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In the long run,
Monopolistically
Competitive firms
make zero profit due
to entry

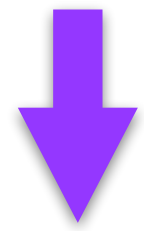
Like in Perfect Competition and unlike Monopoly, profits attract new firms
into the industry

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Firms increase advertising costs to defend market share



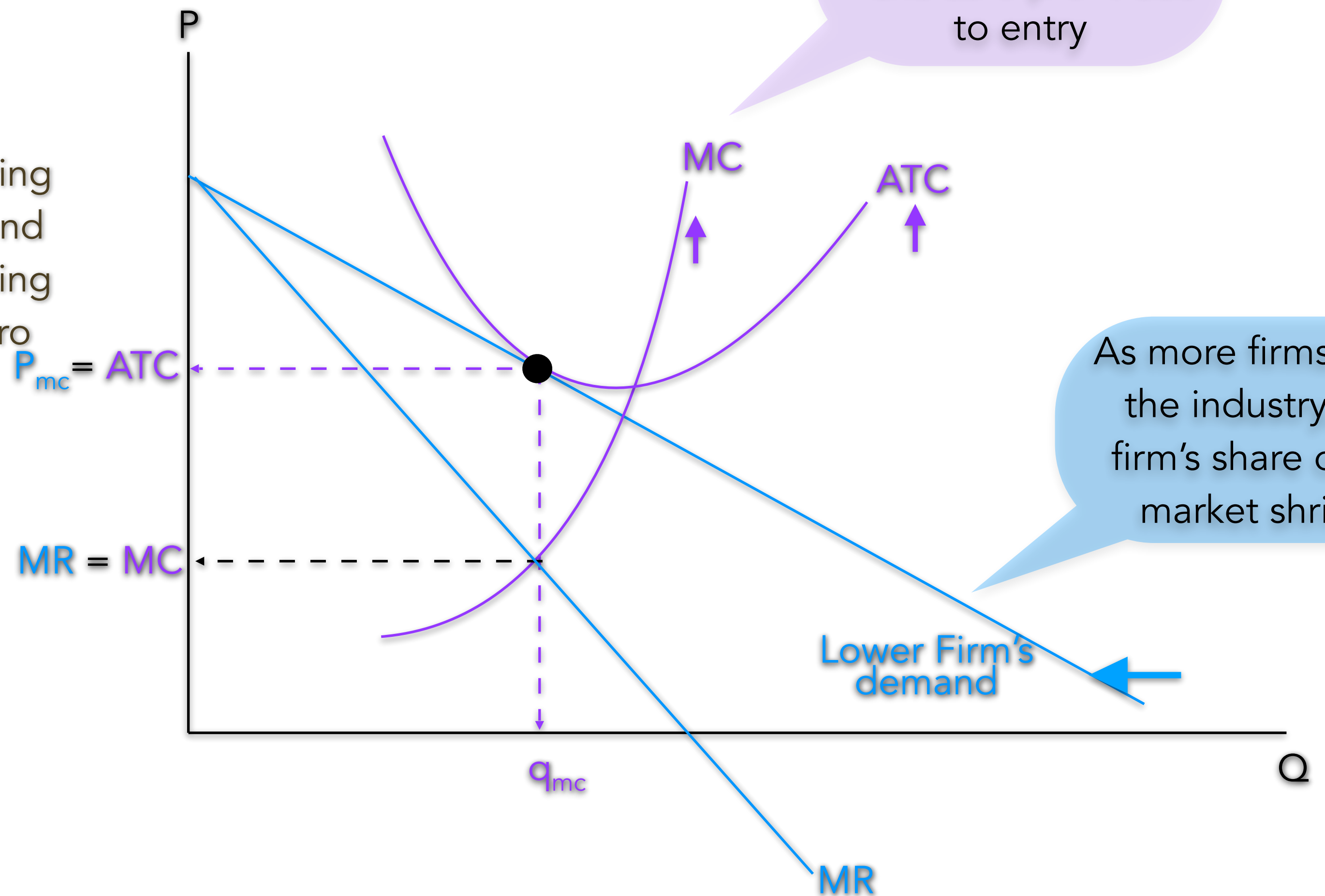
The ATC/MC increase (shifts up)



Firms will stop entering and the firm's demand (share) will stop shifting when profits are zero



Firms will stop entering and the firm's demand (share) will stop shifting when Price = New ATC



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As more firms enter the industry, the firm's share of the market shrinks

