Difference Between Oligopoly And Monopolistic Competition

There is always a brand or two that takes the front line when it comes to producing and marketing particular products/services. Such companies are usually as professional as possible. They have a huge deposit of capital for their business, they understand the best strategies and apply it, they have the best employees, and they know who to target and when to do so. Seeing as they have every capacity to do really well with very little or no competitions, they tend to dominate the market and consumers see them as better than a few others who are in the same line of business.

As imbalanced as this may be, it is the reality running a business anywhere in the world today. The big brands fight so hard to remain at the top and carter to most of the consumers, and the smaller brands just manage to get along. In the course of this post, we'll be discussing the difference between oligopoly and monopolistic competition and how they relate to the big and small brands in a particular market.

Definition of Oligopoly Competition

This is a market situation where one or more organization dominates the output of the industry. In a lot of cases, these bigger guys make take up as much as 90% of the market leaving the remaining 10% to the smaller organizations.

A major difference between oligopoly and monopolistic competition is that oligopolies do not play small. They go all the way to break the required barriers in order to access the market, something the smaller companies may not be able to do. When they make this breakthrough, they are able to earn and sustain an abnormally huge amount to profit. There is not much of freedom when it comes to entering or exiting this industry.

Definition of Monopolistic Competition

This is a different market situation with a large number of small sellers, and a notable freedom of entry and exit. This situation is a bit fairer as opposed to oligopolies. The requirement is not as high, and the competition is not as fierce.

This type of competition is differentiated into four categories, namely – human capital, physical products, marketing, and distribution.

Mode of Comparison Oligopoly Monopolistic

Meaning Few organization dominates the output of the industry with limited freedom of entry and exit Large number of small sellers, and a notable freedom of entry and exit

Access and standard Low access and high standards High access and high standards

Market size Small number of sellers Large number of sellers

Geographical location Suitable in large cities May be suitable in large or small cities

Conclusion of Main Difference Between Oligopoly and Monopolistic Competition

In both cases, competition is inevitable but imperfect. There are either too many or very few sellers. One difference between oligopoly and monopolistic competition is that the standard may be high or low depending on what industry you wish to venture into. This standard defines the market size, location, and even the strategy employed in running the business.