

# **Micro Economics**

## **Sem – II**

### **3.2.4.1 Duopoly Market and Characteristics**

#### **Meaning:**

Duopoly means it is the market where two monopolists instead of one who share the monopoly power. A duopoly is a market situation that entails two competing companies that share the market. In this market, two brands can collude to set prices or quantities and make customers pay more money.

#### **Characteristics of Duopoly**

Duopoly is a market structure similar to oligopoly. However, it still has some distinctive features.

1. It is the market structure where only two companies who share their market themselves.
2. Both businesses that exist within a duopoly market are interdependent. To attract the attention of customers, companies often take strategic actions, such as price reductions. If one company makes its product cheaper, the other will follow. This is necessary to attract consumers and encourage them to purchase.
3. Duopoly with Product Differentiation: It is the simplest market where two monopolists are supposed to be selling an identical goods. If both fixes the prices of their product they may earn maximum profit in the long run. But if there is price-war then both monopolist may earn normal profit in the long run. Cournot Model, Edgeworth Model and Chamberlin Model are the examples of such Duopoly.
4. Duopoly without Product Differentiation: In this market each producer has his own clientele and goodwill. There is no fear of immediate retaliatory measures by rivals. There is less price-war. Since no agreement between them and products are not homogeneous, the monopolists with better products can earn supernormal profits.

It's worth mentioning that players can collude to determine a price or output or maintain a competitive environment for significant profits. Since companies in a duopoly take different measures to develop brand loyalty and implement low-pricing strategies, it's hard for new firms to enter. As a result, sales volume and revenues are good enough because there is only one competitor and the barriers to entry are high.