Legal barriers to entry
-Patents: Intellectual property rights
-Licences/Permits: reduced ease of entry
-Red tape: excessive paperwork
-Standards and regulation: makes it
costly for firms to operate
-Insurance: the need for insurance and its cost

Technical barriers to entry

-High start up costs: costs of entering capital intensive indutries, need money to buy expensive capital

-High sunk costs:whether investments can be recovered when leaving the market

-Incumbent firms EOS is already high: new entrant operates at a higher point on AC curve

-Natural monopoly

-Vertical intergration: firm has control over 1 or more stages in the production and distribution of the product

-Control of important technologies

Strategic barriers to entry
-Incumbent firms(current firms in the market
may make it difficult for new entrants to enter)
-Predatory pricing
-Strong Branding/brand loyalty
-large firm is entering the market and has a lot of
influence and resources to break into the market

Barriers to exit
-undervalaution of assests
-High redundency costs
-Penalties for leaving contracts early
-High sunk costs

Static efficiencies(SR run effeciencies)
-Allocative: AR=MC, prodcuers supply exactly what
consumers want at the price they want
-Productive: lowest point of AC curve
-X-efficient:how successfully a firm keeps its costs down, e.g waste ((increasing

x-епісіент:now successfully a firm keeps its costs down, e.g waste ((increasing ability to be X- inefficient as you go from perfect comp to monopoly)

-Social: no externalities and market failures (MSB=MSC)

Dynamic effeciency(LR effeciency)
-requires large investments so
supernormal profits are needed
-R and D
-product improvements
-new technology
-training schemes

X-efficiency rankings (increasing ability to be X- inefficient as you go from perfect comp to monopoly)

Barriers to entry
-How long and expensive it would be
for the new entrant to establish itself
-whether new entrants can
successfuly join the market

Efficiencies definitions

Section 5: Objectives, Barriers to entry, Efficiencies

Objectives of firms

Profit maximisation (MC=MR)
- reward for entrepreneurial risk
- profits used to invest in business

Revenue maximisation (MR=0)
if one more unit of output is generated
the revenue would not increase

Sales maximization (AR=AC)
highest level of output a
firms can sustain in the LR

Survival normal profits are made and crowd funding/pair to pair lending are used

Growth

-managers in large businesses are incentivized by growth because they receive more bonuses, salary

Satisficing
-doing just enough to satisfy important stakeholder,
this often arises when stakeholders
have different conflicting objectives

Corporate social responsibility
-offering high wages
-using sustainable production methods
-supporting local businesses

-Producing high quality products to gain customers -increasing market share to gain monopoly power

Divorce of ownership from control
-onwner manages a small business so objectives are clear
-in large business, manager are
appointed to manage large areas of
the business, but may act in their own interest
-solved by accountability and linking pay to profits

Efficiencies