Monopoly= one firm in the industry. But whether an industry can be classed as a monopoly is not always clear
e.g. Textiles company can have monopoly on one type of fabric but not all. A rail company can have monopoly in 2 cities but not all over the country and not over all form of transport i.e. people can travel by air or bus instead.
What is important for a firm is the amount of monopoly **power** it has.

Key characteristics=

-One firm
-freedom of entry is restricted or completely blocked
-nature of product is unique
- Example include a local water company, many prescription drugs
-downward sloping demand curve->demand is relatively inelastic at each price (can raise its price due to no consumer alternative, consumer can either have the good for the price they charge or not have the good at all.
-'price maker' so can choose the price, but is still constrained by demand curve i.e. higher price=less quantity demanded.

Barriers to entry; for a firm to maintain a monopoly there must be barriers to entry, [barriers also exist under oligopoly] they must be high enough to block new firms entering a market. Barriers take various forms;

i. Economies of scale; if the monopoly firm's costs keep falling and output satisfies the whole market-> industry may not be able to support more than one firm= **natural monopoly (a situation where long run average costs would be lower if an industry were under monopoly than if it were shared between two or more competitors)** more likely if market is small. Even if a market could support more than one firm it is unlikely it would be able to start up on a large scale. Therefore; a larger firm can charge lower prices due to them being already in an economy of scale and can drive newer firms out of the market

ii. Economies of scope; a firm that produces a range of products is more likely to experience lower average costs of production. E.g. large pharmaceutical firm produces a large range of drugs etc and other areas of product range can use same research, transport facilities etc-> lower costs make it difficult for a new single product entrant to be successful in the market as large firm can undercut its prices

iii. Product differentiation and brand loyalty; if a firm produces a clearly different product-> consumer associates with it= very difficult to break into market. Companies with strong brand image= Coca Cola, Sellotape.

iv. Lower costs for an established firm; established monopoly is likely to have developed specialised production and marketing techniques and also be aware of cheaper suppliers and have access to cheaper finance. New firms would find it hard to compete and would most likely lose a price war.