

- **Duopoly market:** if both e.g Diamond Tools and Better spades operating each firm has a choice of producing high output or low output. The profit made by one firm depends on two things; its own output, and the output of the other firm.
- The situation maximizes joint profits is for both firms to produce low; Nash equilibrium a situation occurring within a game when each players chosen strategy maximizes payoffs given the other player's choice, so that no player has a incentive to alter behavior.

How much can businesses be fined for breaking UK competition law- up to 10% of global annual turnover (shifts revenue lower- which would lead to a fall in profit)

Firs mover advantage:

Advantages of being the first mover:

- A business first into the market can develop a significant competitive advantage through learning by doing- making it difficult and costly for new firms/rivals to enter
- They can exploit internal economies of scale, leading to lower LRAC and also build brand loyalty/ repeat demand
- Consumer behaviour can become habitual

Possible first mover disadvantage/disadvantages

- Employees from first mover may leave to set up challenger brands- taking some of the intellectual

Example: Assess the impact of the collusive behavior on the firm and its stakeholders.

<https://www.economicshelp.org/blog/21475/economics/collusion-meaning-and-examples/>

- After a period of low milk, butter and cheese prices, supermarkets such as Asda and Sainsbury's colluded with Dairy suppliers, Dairy Crest and Wiseman Dairies to increase the price of milk, cheese and other dairy products in supermarkets. After an OFT investigation, supermarkets and suppliers were fined a total of £116m.
- The OFT found prices set by supermarkets went up by three pence per pint of milk, but the income received by farmers did not go up.