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MAIN CHARACTERISITICS OF OLIGOPOLY

Oligopoly (from Latin – "*few sellers*") is a market with multiple suppliers, each of which holds a significant market share. [2, p. 150].

Oligopoly is characterized by the following features:

1. presentation in a number of product suppliers (1 to 10);
2. differentiated and standardized production firms;
3. significant barriers before entering the industry;
4. market power of each firm-oligopolists;
5. price controls;
6. existence of a firm leader on the market.

Although suppliers on the market are represented by a small number, they have a significant market share, and produce together all or almost all the products. The products of the company can be both differentiated (automobiles, beverages, computers) and standardized (oil, aluminum, equipment), so due to this there are two types of oligopoly, differentiated and clean. According to the type they manufacture different products: differentiated owned firms produce differentiated products, while clean – uniform.

Another feature of the oligopoly is significant barriers before entering these markets. They occur if improved techniques and technologies, that increase production and the existence of most of the firms on the market, are unprofitable. Initial costs spent on the creation of new firms are quite large, and not all companies can do that without damage to their budgets. One of the major barriers to entry the oligopoly is patenting and licensing technologies and techniques. As well as the high cost of advertising and promotional activities without which to enter the market is very difficult and almost impossible.

Moreover, barriers to market entry are created by the merger of companies and form the union of several companies. Such a combination can significantly increase the share of firms in the market.

The firm behavior dependence on the reaction of competitors is called oligopolistic relationships [1, c. 241]. When oligopolists realize their interdependence they reach a strategic cooperation. Strategic cooperation is a condition when the business strategy of each company depends on the rival plans. Two important kinds of strategies are cooperative and non-cooperative behavior [2, p. 150]. The cooperative behavior is characterized by collusion between firms when they join forces for the joint planning of business operation. And accordingly, the non-cooperative behavior is absence of agreement among firms, so each firm acts in its own decision.

Oligopolistic market is formed by a high degree of concentration of production. To analyze the relation between the degree of concentration of sellers and extent of their power we use a system of indicators, which include the following: index Herfindahl-Hirshmen, concentration index, Gini index. Using all of these indicators does not always fully reflect the degree of competition, because these figures are calculated mainly for the national market. Each market has its small geographical limits. Some items does not form a national market, but only sometimes are focused on a particular area.

Thus, oligopoly is a type of market structure, dominated by a small number of sellers, there are significant barriers to entry in and exit from the industry, and outputs can be differentiated and standardized.

LITERATURE

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