

Collusion: Case of Trade Industry

Description
<p>Title: Collusion: Case of Trade Industry</p> <p>The aim of the game is to analyse the objectives, actions, and consequences of collusion between market participants.</p> <p>Problematic Question: How and why does the behavior of all market participants change when collusion is detected, and the initiators are identified?</p>

Test

Question	Answers (correct in black)
What is the definition of collusion?	<ul style="list-style-type: none"> • Expressed or non-expressed agreements, the latter aiming to restrict competition by agreeing on prices, output, or other means • Agreement between people to act together publicly in order to deceive someone • When people or businesses share information or secretly make arrangements among themselves to get an unfair advantage • All answers
What is the definition of vertical integration?	<ul style="list-style-type: none"> ▪ ... refers to the strategy of merging or acquiring companies that operate in the same industry and at the same stage of production or distribution. ... refers to the strategy of merging or acquiring companies that operate at different stages of the production or distribution process within the same industry.
What is the definition of horizontal integration?	<ul style="list-style-type: none"> ▪ ... refers to the strategy of merging or acquiring companies that operate in the same industry and at the same stage of production or distribution. ▪ ... refers to the strategy of merging or acquiring companies that operate at different stages of the production or distribution process within the same industry.
Is collusion controlled by law?	<ul style="list-style-type: none"> • Yes • No

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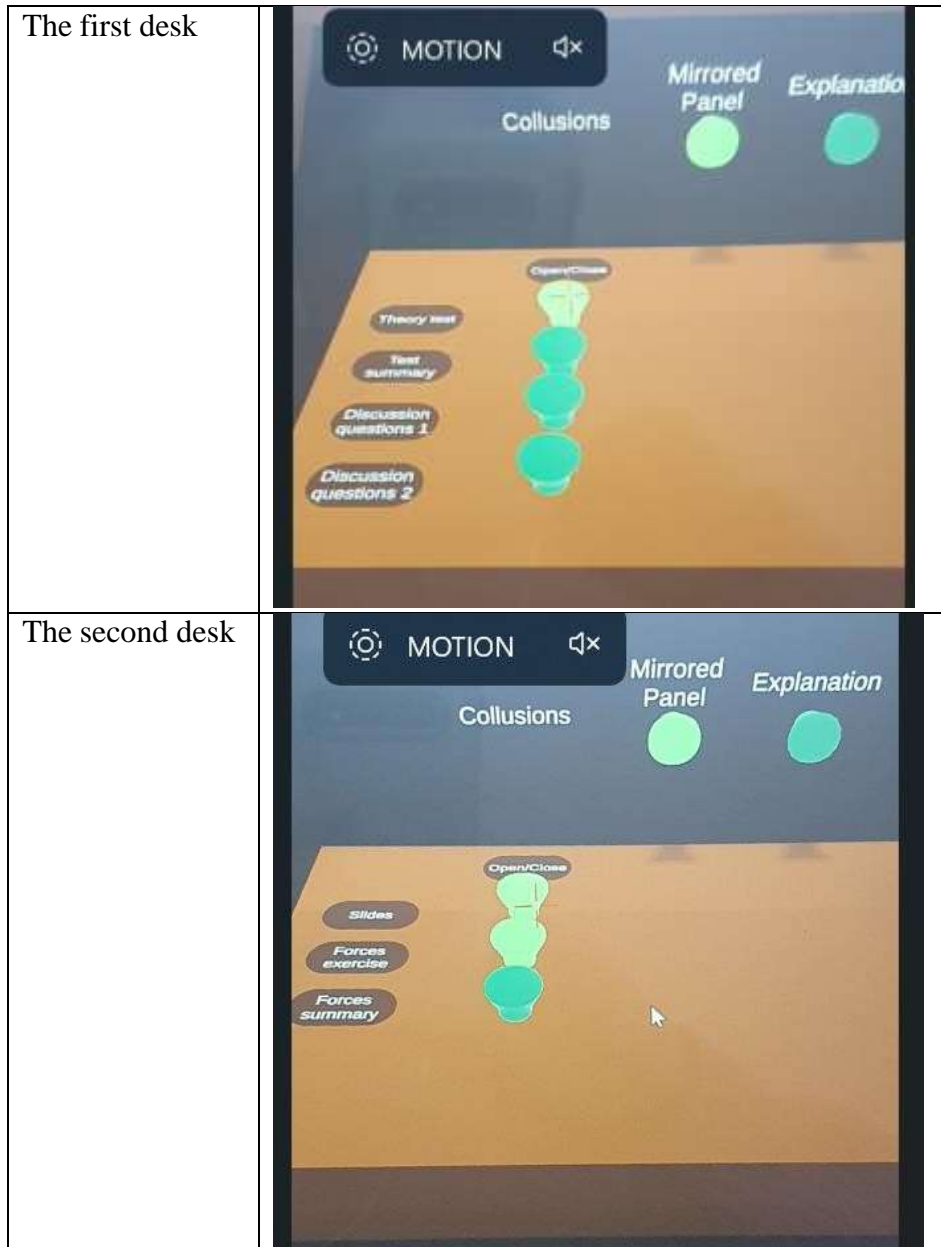
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What is the typical example of vertical integration?	<ul style="list-style-type: none">▪ Between a manufacturer and a distributor operating in the same industry and at the same stage of production or distribution▪ Between a seller and a buyer operating at different stages of the production or distribution process in the same industry
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Photos of the lecturer's table

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There are Description and Help Desk buttons on the students' desks. They can read.

The teacher algorithm:

- Press the button 'Theory test' and students will see it. Only students can see the test, lecturer can see questions pressing button 'Theory summary'.
- Press the button 'Theory summary' and the lecturer and the students will see the results on the board.
- Press the 'Discussion questions' buttons, and the questions will be seen by the lecturer and

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students. The arrows below help move from one slide to the next.

- The second desk - press the button 'Slides' and slides will be visible on the board.
- Press the buttons 'Factor exercises' and the exercises will be seen by the students. Students should fill them in.

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- For the discussion of results, press the button 'Factors summary'.

Additional information.

Table 1 Description of participating companies

Type/ Market structure	Short Information
Retail trade Oligopoly marker (very strong company)	The company that manages the retail chain is the largest locally owned company, one of the largest taxpayers and the largest job creator in the country. The chain has more than 400 000 customers a day and around half a hundred stores in the country. It is the daily job of the entire chain and every employee to offer a very wide range of products at good prices to create the best shopping experience for its customers.
Manufacturing - Bread and pastry products Monopolistic competition	A manufacturing company established in 1998, with three operating factories. The range of products includes more than 1000 products. Exports to 40 countries. The company operates in the market for bread and pastry products.

Table 2 Conversations - letters between the parties to the agreement

Manufacturer	Seller
<...> I have marked the products for which I propose to raise the shelf price. You have sent me a letter agreeing to raise the shelf prices. However, I do not have a letter saying that we have to raise the base price and for these products I have many letters confirming that we are raising the base price.	<...> I understood that it was at the base price because otherwise there is no guarantee that competitors will keep it there.
<...> so I understand that the shelf price is right for you (the promotion ends in 12 days) <...>OK, I look forward to your reply. See you for further decisions.	<...>If we are trading like this everywhere, why should we trade cheaper? But, as I said, I have to check.
<...> I would like to draw your attention to the shelf prices of the products we supply. Shelf prices (selling prices) with private customers CANNOT be lower than network shelf prices. The only exception may be a price promotion that would be run for a certain period of time.	

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<...> We suggest that you keep the base price as is, because in any case you will have exclusivity, which will allow you to trade at whatever price you want. The base price will not be declared to anyone until the exclusivity has been agreed, at the end of the agreed

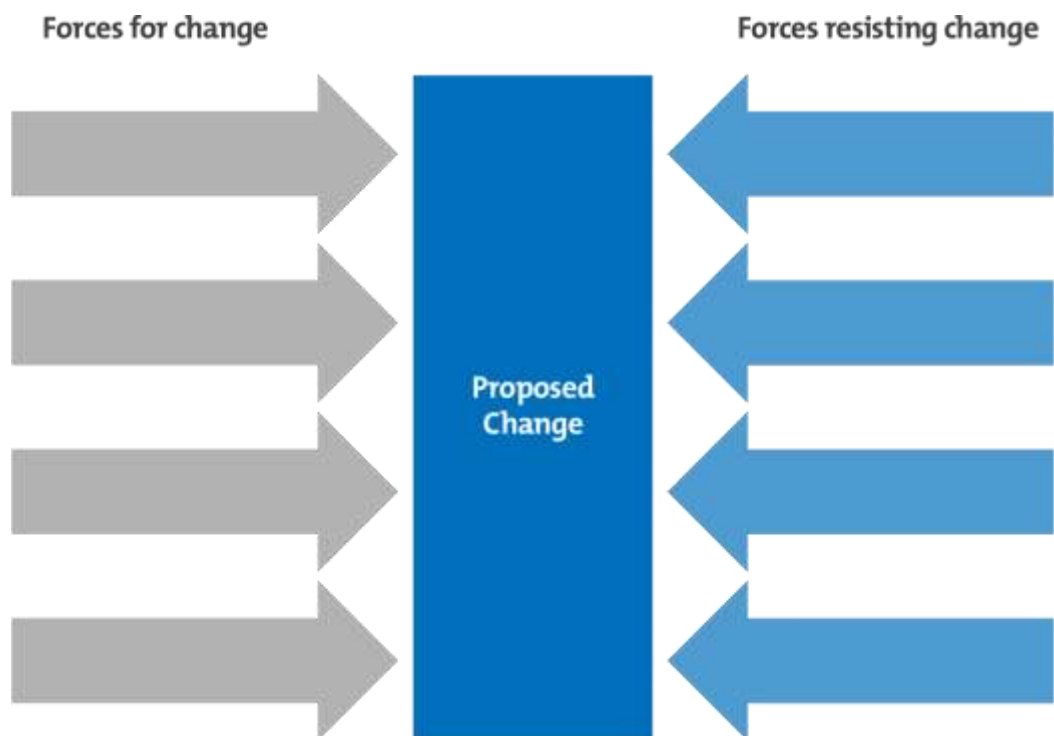
<...> Well, I have sent you the purchase price. We can start with the shelf price we offered, and then we will see what happens. If sales are good, you will make the base price that way, and if not, then the pricing will need to be as I sent it.

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period, when we have seen the sales, we will be able to come back to this issue.	
- Others will not." - reassures the manufacturer. "- You have the obligation to maintain those higher prices elsewhere...", the sales manager reminds the producer.	"What about the other chains?" - competitors' actions are of interest to the trade, a representative of another chain who has already understood the peculiarities of the trade. "
The manufacturer excuses itself by saying that "prices have been raised all over the country", but also gives the reason for the mess: "the manager of another chain is on holiday".	"- Why is the price of the product 8.69 in another chain?" - a representative of another chain resents the lower shelf price at a competitor.
Other chains are also reluctant to put up with unauthorised promotions with a competitor in a chain of trade rivals and issue a note to the manufacturer: "I would really like to see this promotion stopped as soon as possible".	

Figure 1 – Force Field Analysis



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Table 3 Forces for and against problem solving in the organization

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Against problem solving	For filling marks	For problem solving	For filling marks
Ambition		Consultation with lawyers	
Lack of information		Strict regulation	
Personal interest		Lack of sales	
Low quality production		Strict internal procedures	
Imperfect management system		Threat of job loss	
Holliday time		Level of qualification	
Lack of qualification		Previous experience	
Large number of shareholders		Feel of guilty	

Logic of results' summary

The system shows the correct answers in different colours: right – green, wrong – red, the number of students' choices is shown in parentheses.

1			
		V /5	
		V /1	X /1
		X /10	V /20
		X /4	V /1
			X /1

The results of students' answers can be exported into excel.

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