

FAQ:

(1) What is SCP?

- A. The Structure Conduct Performance (SCP) model dates back to the pioneering work of the Harvard economist Edward Mason, in the 1930s. His doctoral student Joseph Bain also contributed in the 1950s in the development of this model. Originally this model was used by the US government in crafting the antitrust policy.

(2) What is term structure refers to SCP model?

- A. The term structure in this model refers to industry structure, measured by such factors as the number of competitors in an industry, the heterogeneity of products, and the cost of entry and exit.

(3) What does performance of SCP mean?

- A. Performance in the S-C-P model has two meanings: the performance of individual firms and the performance of the economy as a whole.

(4) What is the use of SCP model?

- A. The Structure-Conduct-Performance model is used to trace the causes of industry performance. It is based on a model of Cause and Effect: Industry financial performance is caused by the competitive conduct of players in the industry; this conduct is in turn caused by the industry structure.

(5) Explain structure in SCP model.

- A. The dynamic behavior of buyers and sellers has an effect on the markets, making it harder to predict and establish fixed market structures. Difficulties arise when trying to explain the paradigm and this is due to data shortage, and the multiple definitions and extension

of markets. Actually, the main problem when using this methodology to analyze a market or an industry is the difficulty of defining the limits or boundaries of a given industry.

Structure is defined as the components and characteristics of the various markets and industries in an economy. Structure also involves the different sectors of the economy. In the SCP approach, structure is described as the characteristics and relevance of individual markets operating within the economy. It provides a description of the environment in which organizations operate within a specific market. The said structure can be identified by considering the size and number of buyers and sellers in the market. The structure can also be identified based on product differentiation, market barriers and the extent of integration or diversification of firms.