

## Creating a Graphic Equation of Your Industry's Market Structure

Work with your group to create a graphic equation. Your graphic equation must visually explain how your industry illustrates the four main characteristics of market structures. Have your teacher initial each step as you complete it.

**Step 1: Assign roles.** Review the roles and divide them among the members of your group. Make sure everyone understands his or her responsibilities.

**Project Manager** Leads the group during Step 2. Makes sure the four written summaries are consistent with their corresponding visuals. Requests teacher initials after each step.

**Data Analyst** Creates two appropriate graphs for the poster in Step 3.

**Graphics Editor** Creates two appropriate illustrations for the poster in Step 3.

**Writer** Writes a one- or two-sentence summary for each of the four visuals in Step 3.

**Step 2: Learn about your assigned industry and decide which market structure it exemplifies.** Read Student Handout A. Use information from your ~~Reading Notes~~ *textbook pg 5 116-128* and the handout to complete these tasks as a group:

- Identify the four characteristics of market structures—number of producers, similarity of products, ease of entry, and control over prices—as they relate to your industry.
- Based on these characteristics, identify your industry's market structure.

**Step 3: Brainstorm visuals for your graphic equation and create a rough draft of your poster.**

On the next page, sketch your graphic equation. Follow these steps:

- Review the sample graphic equation on the Visual.
- Decide the best way to visually demonstrate how the four characteristics of market structures apply to your industry. Include two graphs and two illustrations.
- For *each* characteristic, write a one- or two-sentence summary explaining how it uniquely functions in your industry. Make sure all four summaries relate to their accompanying graphs or illustrations.
- Do not use the name of your industry's market structure anywhere in your summaries. Your classmates will determine the market structure by examining your graphic equation.

**Step 4: Create your poster.** Draw your final graphic equation on poster paper. Include all the requirements from Step 3 to create a visually appealing poster.

Use this information to complete a graphic equation for your industry.

### Fast Food Industry, 2000s

In 2006, fast food was a \$142.9 billion industry that included an array of restaurants battling over narrow profit margins. The table shows 2006 sales for the largest firms in the fast food industry.

**Fast Food Sales (in billions), 2006**

Sandwich Sales	
McDonald's	\$27.1
Burger King	8.3
Wendy's	7.8
Subway	7.7
Taco Bell	6.0

Pizza Sales	
Pizza Hut	\$5.2
Domino's Pizza	3.2
Papa John's	1.9

Chicken Sales	
KFC	\$5.2
Chick-fil-A	2.3
Popeyes	1.5

All other fast food firms: \$66.7 billion

Many entrepreneurs jumped into the restaurant industry. This was often because of the potential for relatively quick profits. For example, Don Pablo's franchise was a popular Tex-Mex chain restaurant in the central, southeastern, and eastern United States. To open a new Don Pablo's franchise in 1998, start-up costs ran approximately \$3 million. However, in that same year, the average Don Pablo's restaurant recorded \$4 million in sales.

Franchising was also a popular method of breaking into the fast food industry. Rather than creating a whole new restaurant chain, an individual was given the right to open a store using the parent company's name, product, and management system. Franchises also profited from national advertising for the chain.

Firms often used price discounting to undercut competitors. Indeed, in 2000, 82% of restaurant owners said they used special weekly or monthly price rates. Another 79% said they used bundled "value" meals to boost profits by getting customers to buy more than one item at a time.

Although firms sometimes competed by dropping prices and adding to menus, those practices tended to eat away profits. A more effective method of competition was to spend substantial sums on advertising to emphasize how a company differed from the competition. Firms also differentiated themselves by researching and designing new items. Such items included breakfast foods, premium sandwiches, and "health conscious" selections, such as salads, fruit cups, and baked potatoes.

## Determining Market Structure

For each poster you examine, do the following:

- Record the industry and decade.
- Identify and explain how two of the market characteristics operate in that industry.
- Use information from the graphic equation and your Reading Notes to identify the industry's market structure.

Industry, Decade(s)	Market Characteristic and Evidence for It	Market Characteristic and Evidence for It	Market Structure