Market Structures & Market Concentration

Coimisiún um Iomaíocht agus Cosaint Tomhaltóirí | Competition and Consumer Protection Commission

What is Market Concentration?

Market concentration refers to how much of a market is controlled by a small number of firms.

Low Concentration	High Concentration
Many similar sized firms	Few large firms
Strong competition	Less competition
More choice	More market power
Lower prices	Risk of higher prices

How much competition exists in a market?

Economists use market structures and concentration measures to understand how firms compete and how much market power they have.

MARKET STRUCTURES

Monopoly	Oligopoly	Monopolistic (Imperfect) Competition	Perfect Competition
One firm supplies all of the good or service.	A few firms produce total output.	Many firms produce total output.	Many firms producing identical goods or services.

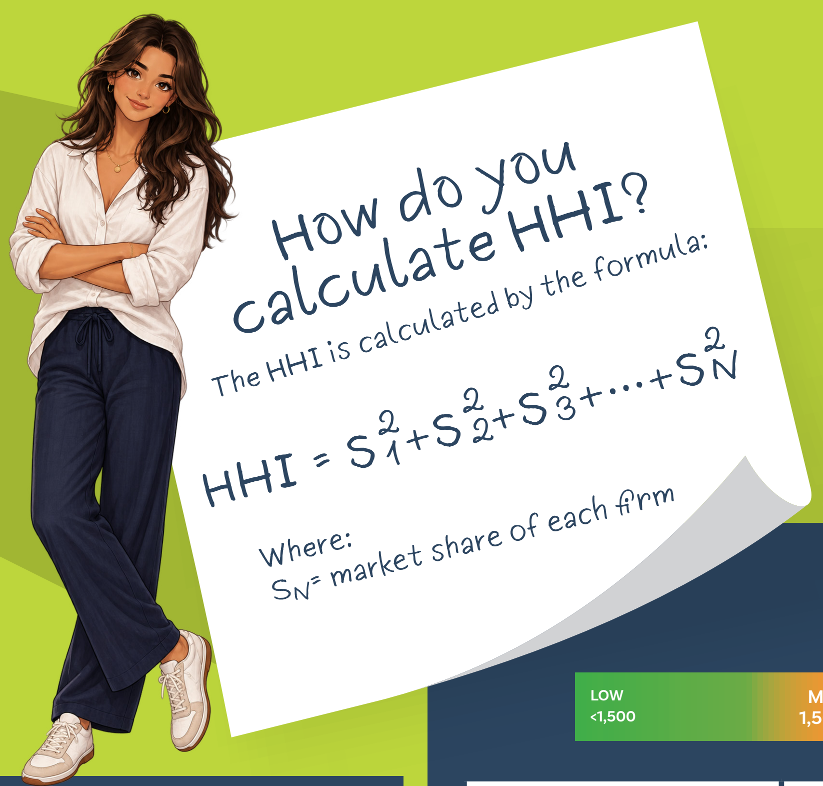
Firms producing similar but not identical goods or services.

Meet the HHI: A tool used by economists

The **Herfindahl-Hirschman Index (HHI)** measures market concentration.

It considers:

- The number of firms
- The size of each firm's market share



The CCPC uses the HHI when reviewing mergers

It considers whether a merger could:

- Increase market concentration
- Reduce competition

The HHI is only one indicator. The CCPC also considers:

- Barriers to entry
- Existing competitors
- How firms compete in practice

Key points:

- Market shares are expressed as percentages;
- Each firm's share is squared, so larger firms count more; and
- The maximum possible HHI is 10,000 which represents a monopoly (100% market share).

What does the result mean?

LOW <1,500 | MODERATE 1,500 - 2,500 | HIGH <2,500 - 10,000

HHI Range	Concentration Level	What It Means	Competition Concerns
Below 1,500	Low	Strong competition	Fewer concerns
1,500 - 2,500	Moderate	Some market power	Mergers examined more closely
Above 2,500	High	Few firms dominate	Greater concerns

Research Merger Cases

Scan the QR code and explore active and completed merger cases. See how the CCPC protects competition and consumers in Ireland.

[1] The CCPC uses different guideline ranges in its Merger Guidelines: • Below 1,000 → Unconcentrated market | • 1,000 to 2,000 → Moderately concentrated market | • Above 2,000 → Highly concentrated market
These thresholds are used as indicators and are not strict rules, and the CCPC considers a range of other factors when assessing mergers.