

## Module 4.2 Enquiry 3: Who concentrates?

Learning outcomes	
1	Understanding of concentration ratios.
2	Investigation of the links between concentration, barriers to entry, competitiveness and capital intensity.

Key Skills	
C3.3	An opportunity to practice numeracy skills

Resources	Student sheet.
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Time	40 minutes.
Running the activity	This activity provides practice in calculating and analysing the significance of concentration ratios. The discussion question at the end can be used to review some prior knowledge in this context.

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**Table 1.** Concentration ratios for UK manufacturing sub-sectors, 2000

	Turnover of largest five enterprises as a percentage of the turnover of the sector
Foods products and beverages	15
Tobacco products	100
Textiles	12
Wearing apparel; dressing and dyeing of fur	16
Leather and leather products	43
Wood and wood products	12
Pulp, paper and paper products, publishing and printing	22
Publishing, printing, and reproduction of recorded media	14
Coke, refined petroleum products, and nuclear fuel	90
Chemicals, chemical products, and man-made fibres	19
Rubber and plastic products	9
Non-metallic mineral products	18
Basic metals	48
Fabricated metal products (excluding machinery and equipment)	6
Machinery and equipment	11
Office machinery and computers	63
Electric machinery and apparatus (not covered elsewhere)	18
Radio, TV, and communication equipment	46
Medical, precision and optical instruments, watches and clocks	20
Motor vehicles, trailers and semi-trailers	59
Other transport equipment	62

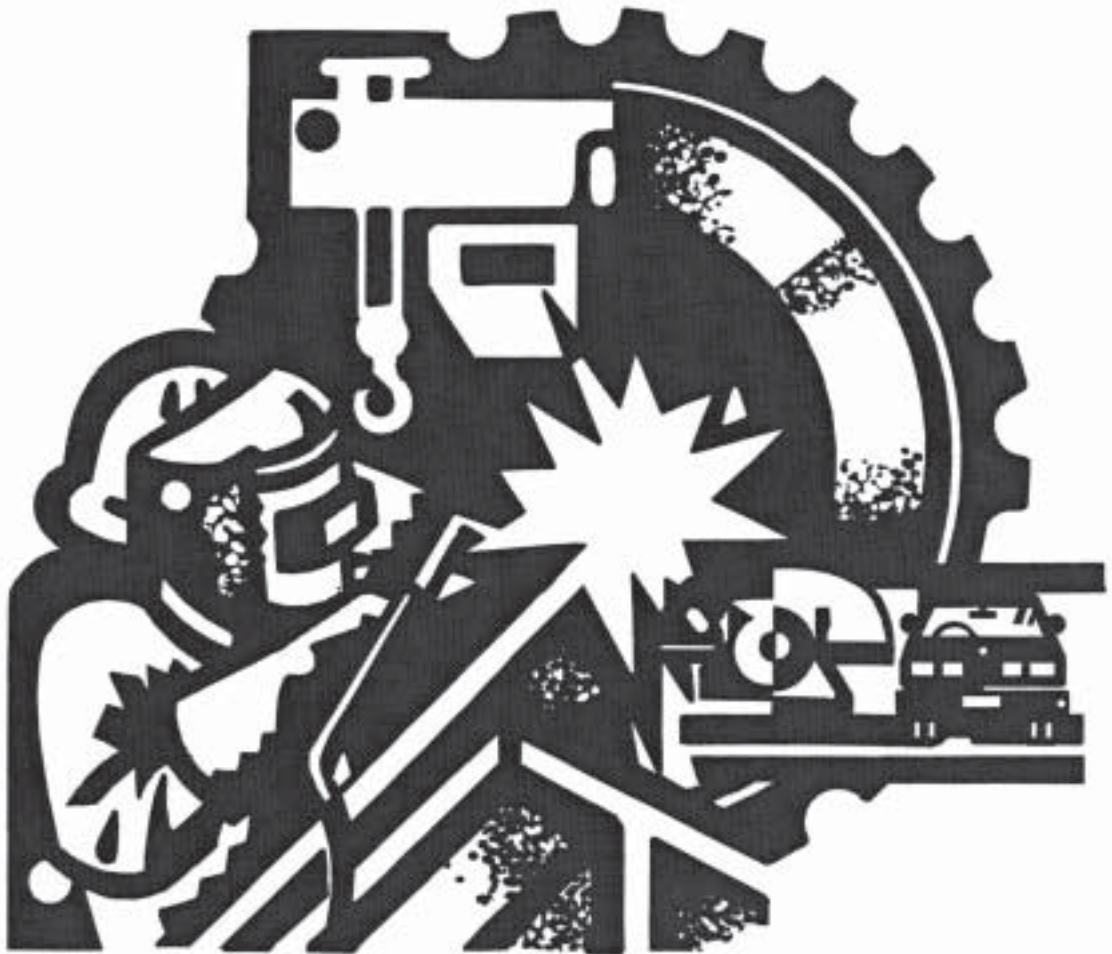
*Source:* Office of National Statistics, *ABI 2000*

## Questions

- 1 Looking at Table 1, do you think that high concentration ratios might go together with barriers to entry? Answer using several examples.
- 2 Do the five most concentrated industries have anything in common? Explain the basis for your conclusions.
- 3 One or two industries have relatively low concentration ratios, yet are notable because they do have dominant firms. Work out which they are. Explain why dominant firms have emerged in markets which do not have serious barriers to entry for relatively small producers.



Motor vehicles is one industry with a fairly high concentration ratio. How do you think this affects the competitiveness of Ford? Tobacco has a very high concentration ratio. How competitive do you think the industry is? Can you explain these differences?



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