**EFFICIENCY**

**LEARNING INTENTIONS**

* What is economic efficiency?
* Efficiency under each different market structure.
* How to increase efficiency
* Finishing your matrix worksheet



Definition

Economics context

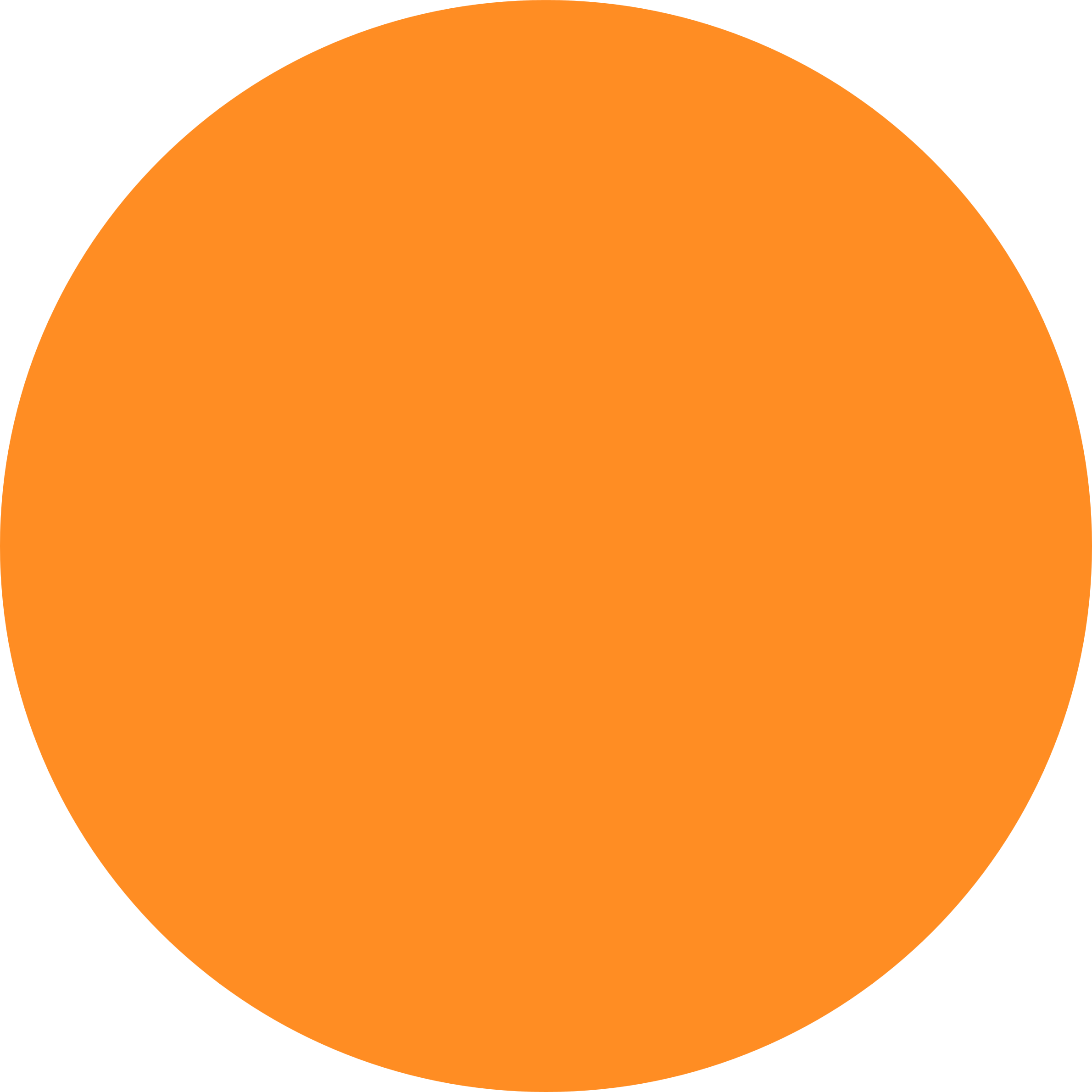
Examples

Efficiency refers to the ability to accomplish a task using the fewest resources possible, while achieving the best result.

In economics, efficiency refers to the way in which resources are allocated, reducing any potential waste and maximising profits.

Remember resources are finite, so as a business and a society we need to find the best way to use those resources that meets our wants and needs.

* Money
* Land / water
* Materials
* Labour / people



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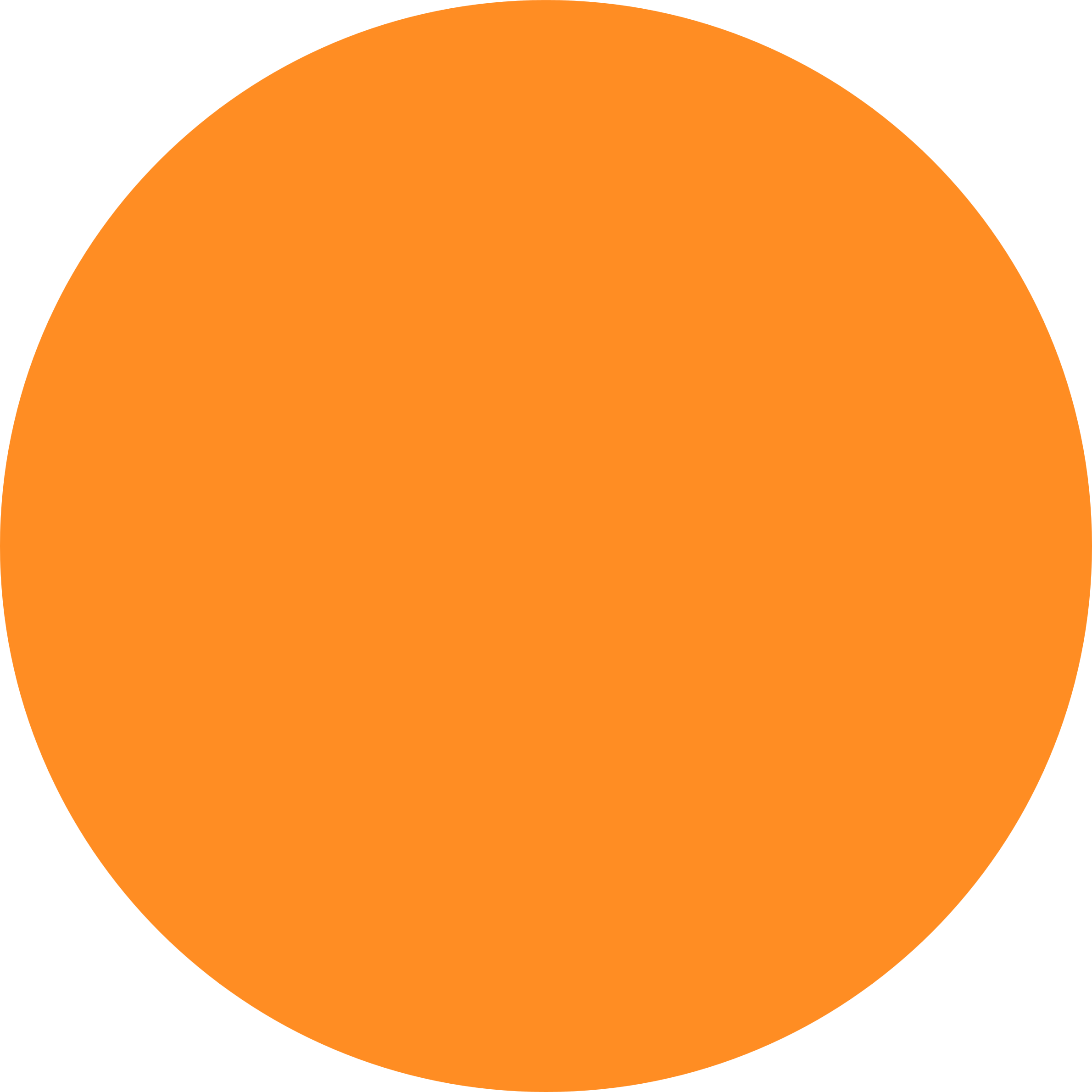
Perfect Competition

Monopolistic Comp

Monopoly

Oligopoly

* Generally very efficient.
* Resources allocated to maximise production.
* High competition, low profitability means resources are used efficiently to minimise costs.
* Somewhat efficient, but not as much as perfect competition because MC business has some influence over price and market. Might have some waste depending on product differentiation.
* Efficiency is complex.
* Innovation can drive efficiency reducing waste.
* Price collusion reduces efficiency for consumers.
* Generally inefficient
* Lack incentive to innovate because there is no competition.
* Poor allocation of resources



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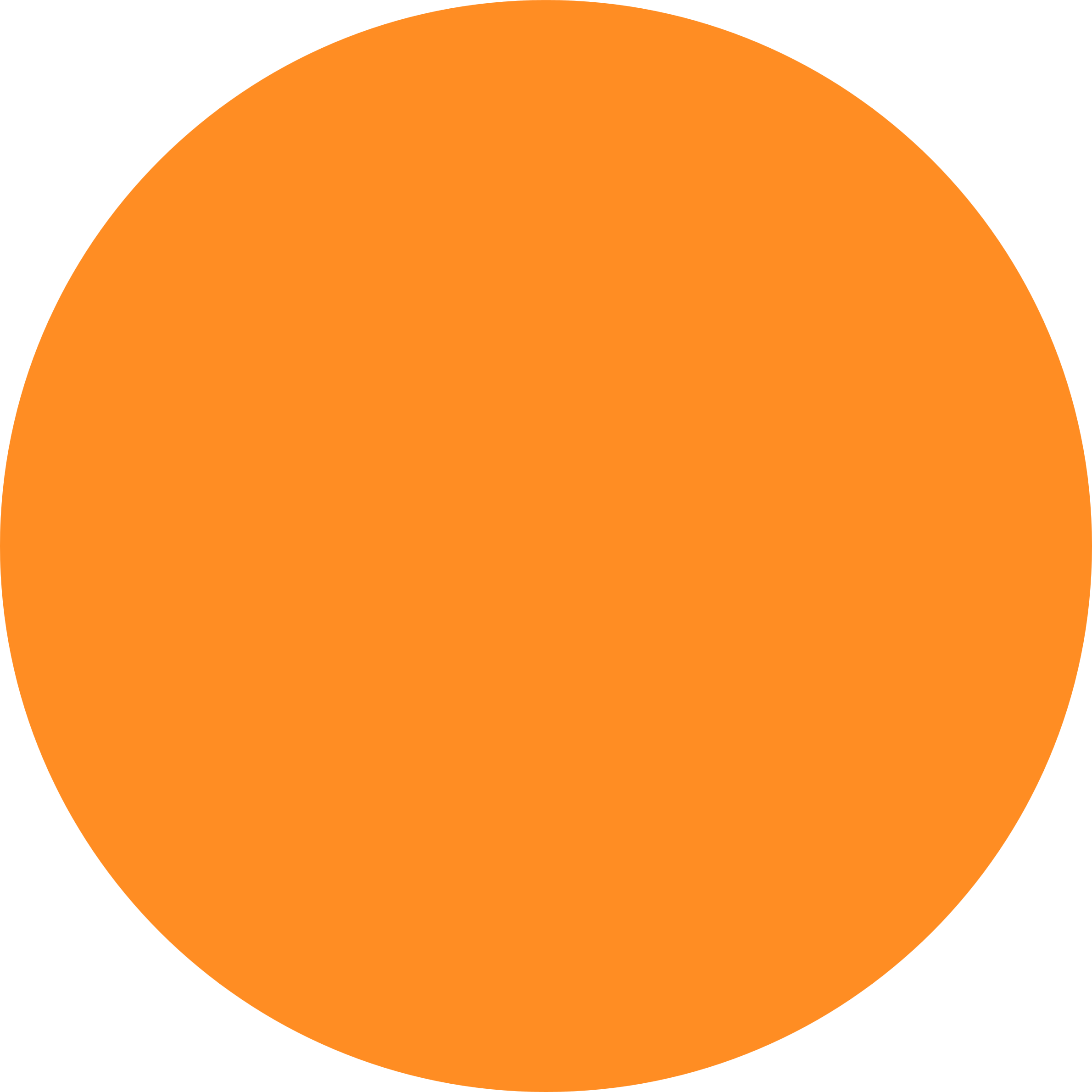
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* Streamlining production processes
* Reduce costs.
* Adopting new technology
* Innovation to attract more customers.
* Market research – targeting what customers want / need to reduce waste.
* Collaborative R & D
* Strategic cost management
* Innovation of quality and services
* Innovation through R & D
* Allocation of finite resources
* Responding to customer wants / needs.



HOW TO INCREASE EFFICIENCY

**ACTIVITY**