

Market area

Area in which consumers of goods and services produced by a firm are recruited.

In Christaller's and Lösch's theories, the market area corresponds to the area in which the transport cost tA , added to the price c of the good produced in A , does not surpass the price p that the consumer is willing to pay (it is supposed that p is constant on the whole surface and that the transport cost is proportional to distance). The market area of a single isolated firm has thus a circular shape. Two neighbouring firms compete with each other on the market: if firm B offers a lower price than A between $M'A$ et X , and assuming that the consumer tries to get the product at minimal cost, the market area of B will overlap that of A up to X . Entry of other firms on the market theoretically generates an hexagonal grid.

Bibliographie

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