Market Foreclosure

Market foreclosure is a commercial practice that reduces the buyer's access to a supplier (i.e., upstream foreclosure) and/or limits the supplier's access to a buyer (i.e., downstream foreclosure). There are many tools (including mergers) used to achieve market foreclosure. A buyer may purchase a supplier or set up its own production unit so as to manufacture the intermediate good internally; or it can fill at least some requirements internally. The upstream division may then refuse to deal with external buyers or, equivalently, may engage in a "price squeeze" (i.e., charge them an exorbitant price). A supplier may sign exclusive-dealing or exclusive-territory contracts with its buyers. A manufacturer of two complementary products may impose a tie-in or make its basic good incompatible with the complementary goods sold by other manufacturers.

Refusals to Deal

A refusal to deal occurs when a manufacturer refuses to allow a retailer to act as a dealer for the manufacturer's product on the same terms as are granted other retailers. In other words, a refusal to deal occurs when someone is unable to enter into transactions at all. A refusal to deal on the same terms may be a price discrimination. It may also be perfectly lawful. Refusals to deal may be wholly unilateral or they may flow from an exclusive arrangement agreement. In either case, the *de facto* effect is the same, but the legal status may be quite different.

Quantity Dependent Pricing

The price that the buyer pays per unit of the intermediate good may depend on the total amount of the good that the buyer purchases. For instance, under a two-part tariff, the dealer pays a one-time fixed fee (called a *franchise fee*) plus a constant per unit charge to purchase the input. In other words, the total cost to the dealer consists of fixed and quantity related costs. Consequently, the overall per unit cost paid by the dealer falls as more units are bought. Bundling and forcing are well known forms of quantity dependent pricing.

Promotional Efforts or Services

Retailers often provide services that make the manufacturer's good more attractive to consumers: trading coupons, free alterations, free delivery, credit, pre-sale information, advertisements, elaborate premises, extra sales help that keeps waiting lines short and so on.