

### CONCEPT: FOUR-FIRM CONCENTRATION RATIO

- The **Four-Firm Concentration Ratio** helps gauge the level of concentration in an industry

$$\text{Four Firm Concentration Ratio} = \frac{\text{Output of Four Largest Firms}}{\text{Total Industry Output}}$$

**EXAMPLE:** A summary of the market for saxophone solos is shown below. What is the four-firm concentration ratio?

Supplier	Output
John Coltrane	350
Charlie Parker	100
Sonny Rollins	50
Cannonball Adderley	220
Lester Young	80
Wayne Shorter	60
Branford Marsalis	300
Brian	1

**PRACTICE:** A summary of the market for trumpet solos is shown below. What is the four-firm concentration ratio?

Supplier	Output
Louis Armstrong	2,400
Miles Davis	2,850
Wynton Marsalis	2,220
Chet Baker	2,360
Arturo Sandoval	2,110
Dizzy Gillespie	2,750
Lee Morgan	2,540
Brian	1
<b>Total Output</b>	<b>17,231</b>