

## COMPETITION

In the business there is always a need for good management as well as good competition. In some situations the emphasis is on competitive management and in others on manager competition.

***Competition is a contest in the market by legal means.*** Some try to outprice others availing themselves of lower production cost, some rely on higher quality, and some offer unparalleled service and sales promotion. All of them believe in success measured by rising sales and a sizeable market share. Then there are also those who are never far from shoddy practices.

### ***TYPES OF COMPETITION:***

- ***Competition across the market*** – between supply and demand, interests of sellers and buyers are different in their attitudes towards prices.
- ***Competition on the demand side*** – there is a surplus of demand, wherein the supply of goods is insufficient, everyone tries to maximize benefit and price hikes.
- ***Competition on the supply side*** – most traders want to maximize profits and to beat their competitors or eliminate them. Between competitors may even take the form of a fight for survival.
- ***Price competition*** – each seller wants to lure the customer only him/herselves. The seller is even prepared to sacrifice, some of the profit and lower the price, this kind of competition may result in a price war.
- ***Non-price competition*** – are quality, service, product life cycle, innovation, properties, advertising, packaging, sales.

### ***IMPACT OF COMPETITION***

Competition has its positive aspect in quality and technical parameters.

### ***PERFECT COMPETITION***

- there exists a large number of sellers and buyers
- products offered by sellers are close substitutes or replaceable

Under such conditions no single firm is able to dominate the market and influence the market price. It is an ideal situation a competitive equilibrium.

### ***IMPERFECT COMPETITION***

Imperfect competition prevails in markets where at least one of the competitors is big and strong enough to influence the market price.

- ***cost advantage*** – making it possible for some firms to lower their production costs and beat rivals by offering lower prices
- ***barriers to competition*** – well-known trademark, brand name and differentiation of product, seller comes up with a product and fix the price of the commodity
- ***insufficient information*** – may also become a tool for maintaining a firm's position in the market
- ***a monopoly can also be created by administrative measures, government directives***

### ***MONOPOLY***

It represents a situation, where there is only one producer of a certain commodity in the industry, enjoys advantages from such a position. Other firms are prevented from entering the market. Monopoly power is the ability to fix a price above the marginal costs.

### ***MONOPSONY***

There is a market with only one buyer. The situation allows him to purchase goods cheaper than in perfect competition (example: car-makers, vis-à-vis their suppliers or the state as the sole buyer of military production).

### ***OLOGOPOLY***

In this market is dominated by a limited number of sellers.

### ***MONIPOLISTIC COMPETITION***

Market with many producers, their products are differentiated, each of them can set their own price. Gradually, the market is saturated with similar products, the firm has no monopoly profit.

### ***TENDERS***

Is the specific forms of open competition, bidder are invited to submit proposals for contracts. The purpose of a tender is to obtain a larger number of offers, of which the most suitable is selected by committees. They make recommendations on awarding a definite contract to the best bidder.

### ***TRUST AND CARTELS***

Both are based on an agreement to pursue the same trade policy (OPEC). While cartels are based on oral agreements, trust represent firmer kinds of association. Anti-trust bills have been passed by governments to restrict the power associations.

### ***CHARACTERISTICS OF COMPETITION***

Without doubt, competition resembles a fight, be it fair or unfair. Descriptions of competitive situations use fight, battle, war. Competition is always a contest, strong, keen, or fierce one, where the participants try their best to beat each other.