

Advantages of Competitive Forces

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Abstract

Competition is a factor that positively affects the level of innovation and production in the economy. Managing the level of competition allows economic entities to increase their income and profitability.

Key words: Scale of production, service differentiation, market leadership

Introduction

Competition in the industry is determined by four main forces, or factors. We will look at these below:

Seller's market sovereignty ;

Consumer market sovereignty ;

New participants enter arrival danger ;

Place clicker of services appearance to be danger .

The goal of competitive management is for a company to find and maintain its position, that is, its niche, in an industry where it is more protected from the influence of such forces, or to be able to influence them on its own.

Materials and Methods

The most influential competitive forces determine the profitability of an industry and,

accordingly, are important in formulating a clear competitive strategy. Even companies that occupy a leading position in an industry are not insured against the entry of new competitors and the possibility of a decrease in profits due to the emergence of better-quality or less expensive substitute services.

Various forces in motion undoubtedly play an important role in shaping competition in each industry. Any industry has its own unique structure or is a collection of economic and technical foundations that serve as a source of competitive forces. In order to successfully position itself in the industrial environment, it is necessary to form an idea of the factors shaping this industrial environment when developing a strategy.

Research and methods.

How serious the threat of new entrants into a market is depends on the existence of barriers to entry and influence for existing competitors. There are four criteria that create barriers to entry:

Proven cost-effectiveness with increasing production scale;

Services differentiation ;

To capital was need ;

Relatively high was expenses .

Currently of the industry keyed structure as curve experience concept wide discussion is being done . This to the concept appropriate

In many manufacturing industries, as well as in the service industry, unit costs decrease with experience or with the increase in production volume of individual companies. A decrease in price creates a barrier to entry for competitors, since the costs of producing services of new competitors are high due to the lack of experience, especially compared to a manufacturer with a large market share. Thus, new entrants face serious difficulties in competing with existing competitors. Proponents of the concept of the experience curve emphasize the importance of achieving and maintaining a leading position in the market and recommend aggressive policies, such as price reductions, to achieve this goal, which are based on reducing costs in order to increase market share. Reducing costs with increasing experience is not new for most companies operating in this industry. The experience curve for strategy depends on the factors by which the price reduction is achieved.

Results and Discussion

If the cost reduction is due to the increase in the company's output due to production

equipment and vertical integration, then the increase in output is independent of the relative costs of the producer. In this regard, the producer with the highest and most efficient means can offer the lowest price.

Potential competitor from an "experienced" competitor effective to be It is possible. If it is new equipment if it is installed, then to the market enter to go in the process separately one to obstacles does not occur. So in advance big capital without deposits, new or relatively experienced competitors now at the lowest prices new equipment and technologies to a slave inputs possible.

Conclusion

One of the important advantages of a market economy is that it is based on competition. Without competition, the economy will not develop. Competition is inherent in all aspects of human society. Regardless of the field in which competition is conducted, human interests are at the center of it. Man is created by nature to think about himself and his own interests. Each person strives to demonstrate his capabilities, live a prosperous life, and gain prestige among people (tribes). Since economic activity is the basis of the life of human society, it means that competition in economic spheres plays a key role in the life of society.

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