COMPETITION AND FACTORS OF COMPETITIVENESS

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Abstract: *This work explores the concept of competition and the key factors that influence competitiveness in modern economies. Competition plays a vital role in encouraging innovation, improving product quality, and increasing efficiency among market participants.. By understanding rivalry factors and other essential steps, businesses and entrepreneurs can develop effective strategies to enhance economic performance and sustain long-term growth in an increasingly globalized world. The aim is to uncover strategic approaches that businesses owners and can adopt to strengthen their market position.*

Keywords: *classification of comptetition, comptetitiveness, competitive factors, competitive edge, Porter's Five Forces framework, Value chain, SWOT*

Introduction. In today's dynamic and globalized economy, competition has become one of the key drivers of innovation, efficiency, and economic development. Competition refers to the rivalry among businesses to attract customers and achieve market success, while competitiveness reflects the ability to sustain growth and maintain a strong position in the marketplace. On a global scale, countries and companies alike strive to improve their competitiveness in order to attract investment, expand into international markets, and adapt to rapid technological change. In an interconnected world, competitiveness is no longer a purely local matter — it influences trade relationships, global supply chains, and even national economic policies. This paper aims to analyze various types of competition and identify the key elements that influence competitiveness both at the firm level and in the broader international economic environment.

In economics, competition is a scenario where different economic firms are in contention to obtain goods that are limited by varying the elements of the marketing mix: price, product, promotion and place. In classical economic thought, competition causes commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products. The greater the selection of a good is in the market, the lower prices for the products typically are, compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly). [12]

[12] https://en.wikipedia.org/wiki/Competition_(economics)

Competitiveness pertains to the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market. It involves one company trying to figure out how to take away market share from another company. Competitiveness is derived from the Latin word "competere", which refers to the rivalry that is found between entities in markets and industries. It is used extensively in management discourse concerning national and international economic performance comparisons.

If it comes to history view, In his 1776 *The Wealth of Nations*, Adam Smith described it as the exercise of allocating productive resources to their most highly valued uses and encouraging efficiency, an explanation that quickly found support among liberal economists opposing the monopolistic practices of mercantilism, the dominant economic philosophy of the time. Smith and other classical economists before Cournot were referring to price and non-price rivalry among producers to sell their goods on best terms by bidding of buyers, not necessarily to a large number of sellers nor to a market in final equilibrium. [13]

Later microeconomic theory distinguished between perfect competition and imperfect competition, concluding that perfect competition is Pareto efficient while imperfect competition is not. Conversely, by Edgeworth's limit theorem, the addition of more firms to an imperfect market will cause the market to tend towards Pareto efficiency. Pareto efficiency, named after the Italian economist and political scientist Vilfredo Pareto (1848-1923), is an economic state where resources cannot be reallocated to make one individual better off without making at least one individual worse off. It implies that resources are allocated in the most economically efficient manner, however, it does not imply equality or fairness.

There are three main approaches to defining the essence of a company's competitiveness:

Competitiveness of its products

Ability to compete

Measures of operational effectiveness

Competitive factors

Competitive edge *Porter's Five Forces framework* *Value chain* *SWOT*

[13] Mark Blaug, 2008. "invisible hand," *The New Palgrave Dictionary of Economics*, 2nd Edition, v. 4, p. 565.

Competitive Edge is part of company external analysis which includes the assessment of competitive pressure and its sources in a specific industry. Competitive advantage is the leverage a business has over its competitors. This can be gained by offering clients better and greater value. Advertising products or services with lower prices or higher quality piques the interest of consumers. This is the reason behind brand loyalty, or why customers prefer one particular product or service over another. Value proposition is important when understanding competitive advantage. If the value proposition is effective, that is, if the value proposition offers clients better and greater value, it can produce a competitive advantage in either the product or service.[14]

The processes are analyzed in 3 steps:

Learning the basic competitive strengths within the industry

Exploring various methods with the help of which the firm will be able to reach competitive edge

Analyzing not only the type of industry, but also the internal divisions within an organization that can contribute to increasing the level of rivalry.[15]

Porter's Five Forces framework. Developed by Michael E. Porter in 1979, this framework is used to analyze the competitive structure of an industry and to determine the level of competition and profitability potential within a market. It helps businesses understand the external forces that shape strategy, influence prices, and impact performance.

Porter recognized that organizations like to keep a close watch on their rivals, but, in his Harvard Business Review article, 'How Competitive Forces Shape Strategy,' he encouraged business leaders to look beyond the actions of their competitors and examine the forces at work in their wider business environment.

Porter's 5forces framework:

Threat of New Entrants	Bargaining Power of Suppliers	Bargaining Power of Buyers	Threat of Substitute Products or Services	Industry Rivalry

The 5 Competitive Forces:

Threat of New Entrants

New companies can enter the market and increase competition.

Barriers to entry (e.g., capital, regulation, brand loyalty) affect how easily this happens.

Bargaining Power of Suppliers

Powerful suppliers can demand higher prices or limit supply.

[14] Payne, Adrian; Frow, Pennie; Eggert, Andreas (2017-03-18). "The customer value proposition: evolution, development, and application in marketing". *Journal of the Academy of Marketing Science*.

[15] "Accounting in business sphere", Samarkand 2024

The fewer the suppliers, the greater their power.

Bargaining Power of Buyers (Customers)

When buyers have many choices, they can demand lower prices or better quality.

Buyer power is high when products are similar or switching costs are low.

Threat of Substitute Products or Services

The availability of alternatives can reduce demand.

The more substitutes, the more pressure on prices and profitability.

Industry Rivalry

The intensity of competition among existing companies.

High rivalry often leads to price wars, marketing battles, and reduced profits.

Value chain. Value chains are an integral part of strategic planning for many businesses today. A value chain refers to the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes.[16] It encompasses everything from design and production to marketing, distribution, and customer support. Understanding the value chain is crucial for businesses to identify areas where they can improve efficiency, reduce costs, and ultimately create more value for their customers.

Primary Activities:

These are the core activities that directly contribute to creating the product or service and delivering it to the customer. They include:

Inbound Logistics: Receiving, storing, and managing raw materials and other inputs.

Operations: Transforming inputs into the final product or service.

Outbound Logistics: Storing, distributing, and delivering the finished product or service to customers.

Marketing and Sales: Activities related to promoting, pricing, and selling the product or service.

Service: Providing after-sales support, maintenance, and other services to customers.

A SWOT analysis is a planning tool which seeks to identify the Strengths, Weaknesses, Opportunities and Threats involved in a project or organisation. It's a framework for matching an organisation's goals, programmes and capacities to the environment in which it operates.[17] It helps businesses understand their current position, identify potential challenges, and capitalize on opportunities to improve profitability and achieve their goals.

[16] https://www.cisl.cam.ac.uk/education/graduate-study/pgcerts/value-chain-defs

[17] https://www.cipd.org/en/knowledge/factsheets/swot-analysis-factsheet/

Strengths What do you do well? What unique resources can you draw on? What do others see as your strengths?	Weaknesses What could you improve? Where do you have fewer resources than others? What are others likely to see as weaknesses?
Opportunities What opportunities are open to you? What trends could you take advantage of? How can you turn your strengths into opportunities?	Threats What threats could harm you? What is your competition doing? What threats do your weaknesses expose to you?[18]

Real-World Examples:

DUOLINGO

Duolingo uses its strengths in user engagement and mobile presence to explore opportunities in corporate training and advanced courses while addressing threats from competition and market saturation.

	Details
Strengths	- Gamified learning approach increases user engagement - Freemium model attracts a large user base - Strong mobile presence with a user-friendly interface
Weaknesses	- Limited advanced language learning options - Heavy reliance on ad revenue for free users - Lack of formal certification for completed courses
Opportunities	- Expansion into corporate language training - Development of more advanced language courses - Partnerships with educational institutions for accreditation
Threats	- Increasing competition from other language learning apps - Potential market saturation in popular languages - Changes in mobile app store policies affecting revenue

Coca-Cola

Coca-Cola is leveraging its brand and distribution network to diversify into healthier beverages and enter new markets, while mitigating threats from changing consumer preferences and health concerns.

	Details
Strengths	- Strong global brand reputation - Extensive distribution network -

[18] https://www.mindtools.com/amtbj63/swot-analysis

	Details
	Global presence - Effective marketing capabilities - Diverse product portfolio
Weaknesses	- Declining soda consumption - Health concerns related to sugary drinks - Over-reliance on carbonated beverages
Opportunities	- Diversification into healthier beverages - Expansion into emerging markets - Strategic acquisitions and partnerships
Threats	- Changing consumer preferences - Growing health awareness - Intense competition from other beverage companies

Apple Inc.

Apple leverages its strengths in innovation and brand loyalty to capitalize on opportunities in new markets and technologies while addressing threats from competition and market changes.[19]

	Details
Strengths	- Strong global brand recognition - Innovative and high-quality products - Loyal customer base - Integrated ecosystem (hardware + software) - Premium pricing strategy supports profit margins
Weaknesses	- High product prices limit accessibility in some markets - Over-reliance on key products (e.g., iPhone) - Limited product customization
Opportunities	- Expansion into emerging markets - Development of augmented reality (AR) products - Growth in health tech and wearable healthcare solutions
Threats	- Intense global competition (e.g., Samsung, Huawei) - Rapidly changing consumer preferences - Potential supply chain disruptions (e.g., geopolitical risks, pandemics)

Tesla's SWOT analysis reveals its strengths in battery technology and brand recognition as an early mover in the electric vehicle market. However, weaknesses include production capacity limitations and quality control issues. Opportunities lie in the growing demand for electric vehicles, while threats include increased competition and potential regulatory changes impacting the EV market.

Starbucks leverages its strong brand recognition and customer loyalty as strengths. Opportunities exist in expanding into new markets and product lines. However, threats include increased competition from other coffee shops and changing consumer preferences. A weakness could be its reliance on a large number of physical stores, which can be expensive to maintain.

The Given all types of SWOT analysis are based on publicly available information and general industry knowledge as of 2025.

[19] https://www.webpronews.com/swot-analysis-companies/

Conclusion. In today's rapidly evolving market landscape, the intensity of competition plays a crucial role in shaping business strategies and long-term performance. To remain successful, organizations must go beyond recognizing their competitors — they need to proactively develop and maintain their competitive advantages. By evaluating key competitive factors such as cost efficiency, innovation, product differentiation, and customer loyalty, companies can strengthen their strategic positioning and respond effectively to industry pressures. These internal strengths not only support sustainability but also contribute to standing out in crowded marketplaces. Moreover, understanding the external environment is just as important. The use of Porter's Five Forces framework allows organizations to assess the industry structure by analyzing the bargaining power of suppliers and buyers, the threat of substitutes and new entrants, and the overall rivalry among existing competitors. This model highlights the different sources and degrees of competitive pressure, helping businesses navigate both risks and opportunities. Additionally, analyzing divisions within the organization and their contributions to the rivalry level can offer more targeted strategies. Not every part of a business faces the same competitive intensity — hence, strategic focus must also be internal and tailored.

In summary, the strategic success of a company depends on its ability to identify the forces shaping competition, capitalize on its advantages, and continuously adapt. A combination of internal capability analysis and external industry evaluation ensures a well-rounded, informed approach to maintaining a strong and competitive position in the global business arena.

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