

| Subject Content                      | What students need to learn?  |
|--------------------------------------|---|
| 1.2.4<br>The competitive environment | Understanding the competitive environment: <ul style="list-style-type: none"> <li>● strengths and weaknesses of competitors based on: price, quality, location, product range and customer service</li> <li>● the impact of competition on business decision making.</li> </ul> |

**The competitive environment:**

The strength of competition between companies in the same market.

What are the **strengths** and **weaknesses** of your competitors:

- Prices: What do they charge for their products?
- Quality: This is now more important than ever before, if your competitor's products are poor quality it could lose them customers.
- Location: Location, location, location! Is still as important as ever. You may have a good business with loyal customers but if a new business opens up in a better location they may be in danger.
- Product range: it is important to have a range of different products so all customer needs can be met or they will go to a competitor.
- Customer service: Customers expect efficiency, speed and politeness. In some areas after sales service is just as important.



Careful analysis of the local competition is a must for a new business! If all rivals are really strong, you may decide not to set up at all. Unless you know how you can be better than the competition, you should not risk your money.

Competition forces businesses to be at their best – always!

- Offer good products and a good service
- Keep prices down
- Bring in new, innovative products or services to break away from fierce price competition.

Fierce competition may force a firm to:

- Cut costs by cutting staff – bad for the staff and also service may decline
- Take short term action such as price cutting which may damage the long term health of the business
- Adopt unethical practices such as dumping waste materials or injecting water into meat to plump it up

