**Competition: Game On!**

**Competition** is the rivalry between two or more businesses to attract **scarce**, or limited, customer dollars. Suppose you owned an online movie and TV show streaming business—the only business of its type on the web. If you were the only streaming service online, you wouldn’t need to worry about competition. If customers wanted to watch movies and shows online, they would have to come to you. But in reality, customers are able to stream movies and shows from different sources, including Netflix, Hulu, and Amazon Prime Video. Customers have a choice of sellers, and competition is fierce.

All of these streaming services are trying to capture the attention and dollars of the same group of customers, or market. All of them offer goods or services that will satisfy the same customer needs and wants. As a result, these businesses compete directly against each other.

**Direct competition** occurs between or among businesses that offer similar types of goods or services. In this case, it’s movie and TV show streaming. However, there are many examples of direct competition. Many fast-food restaurants, such as McDonald’s, Wendy’s, and Burger King, are direct competitors of each other because they all sell hamburgers and french fries. Many clothing stores, such as Forever 21, Urban Outfitters, and H&M, are also direct competitors because they all sell clothing for young adults. What direct competitors can you name?

Competition also occurs between or among businesses that offer dissimilar goods or services. This is called **indirect competition**, and every seller experiences it. Indirect competition occurs when businesses compete for scarce customer dollars that might be spent on goods or services different from their own. Essentially, each customer has a limited amount of money to spend, and every business—whether it sells food or gasoline or shoes—wants customers to spend their cold hard cash at that particular business and no other. Even though they sell vastly different products, restaurants indirectly compete with gas stations, shoe stores, clothing chains, and an endless number of other businesses. They compete indirectly with each other to get the limited money that customers have to spend.

While businesses are in indirect competition with almost all other businesses in the marketplace, most businesses focus their efforts on competing with their direct competitors. They know who their direct competitors are and plan their competitive strategies with those businesses in mind. This means that a restaurant is more likely to try to take business from other restaurants than from a gas station.

How can food trucks demonstrate the difference between direct and indirect competition? Find out with this article from Mobile Cuisine’s Richard Myrick, “Direct and Indirect Competitors for Your Food Truck,” at <https://mobile-cuisine.com/business/direct-and-indirect-competitors-for-your-food-truck/>.

**The Price Is Right**

When businesses plan their strategies, they may decide to compete in many different ways. The two main ways to compete are through price and nonprice competition. **Price competition** is a type of rivalry between or among businesses that focuses on the use of price to attract scarce customer dollars. This type of competition is successful because customers are often interested in getting goods and services at the most reasonable prices. In addition, if the price of a product is lowered, more customers are likely to purchase it, which can ultimately result in more income for the business. It’s a situation where everyone wins—customers get more for their money, and businesses get more income. Here are a few forms of price competition that businesses use to attract customers:

**Discount coupons.** How often do you pick one pizza joint over another because you have a coupon for “buy one pizza, get another for half price”? Many restaurants regularly offer special discount coupons on selected food items. The coupons encourage customers to buy where they can get the most for their money. Coupons are common in a lot of businesses, including supermarkets, oil change shops, and dry cleaners.

**Special sales.** Do you regularly search for advertised sales before shopping for a new pair of shoes? Many businesses run sales throughout the year to attract customers looking for good prices. Think of all the sales that businesses use. There are back-to-school sales, Memorial Day sales, BOGO sales, Presidents’ Day sales, and many more.

**Price matching.** A trend among some businesses is to meet their competitors’ prices. Lowe’s, Best Buy, Staples, and Target all offer to match their competitors’ prices. They use slogans like “We’ll never be undersold,” or “We’ll meet or beat any competitor’s price.” This assures customers that they are getting the lowest possible prices.

**Rebates.** Some manufacturers also offer to return part of the purchase price a customer pays for a good or service. **Rebates** have become popular for all sorts of products, ranging from cars to computers.

**Price Isn’t Everything**

What happens if prices are all about the same for a product or are not important? What if customers don’t care about discounts and rebates? Then, businesses rely on **nonprice competition**. This happens when businesses compete on a basis other than price to attract scarce customer dollars. Some popular examples of nonprice competition include promoting the following: exceptional quality, special features, trained personnel, outstanding customer service, convenience, modern facilities, and a wide variety of products.

Many times, the quality or new feature is much more important than price. Think about laser eye surgery as an example. While you might be concerned about how much the procedure will cost, you’d probably be even more concerned about whether the doctor is well qualified and using the latest technology. After all, what good is there in having the surgery done if it isn’t done right, regardless of price?

Other times, service and convenience might make the difference. Think about the supermarket industry, which has fairly uniform prices. What attracts you to do business with one supermarket versus another? Is it the bank, the coffee shop, the pharmacy, and the gas station all located in or near the store? Or, is it the longer hours, the self-checkout, and the child care service available while you shop? At times, it is truly amazing what lengths a business will go to in order to make shopping more convenient and appealing for customers.

Most businesses use a combination of price and nonprice competition. Nordstrom department stores, for example, offer half-yearly and anniversary sales, as well as fantastic customer service. Toyota, on the other hand, offers rebates while emphasizing its vehicles’ great gas mileage. Whether it’s price competition, nonprice competition, or a combination of the two, the goal is the same. Businesses compete for customers, and they do whatever they can to convince people to buy their products.

Nonprice competition has both pros and cons. Check out the article “Advantages & Disadvantages of Nonprice Competition” by Ronald Kimmons to learn more: <https://smallbusiness.chron.com/advantages-disadvantages-nonprice-competition-10048.html>.

**Summary**

Competition is the rivalry between two or more businesses to attract scarce customer dollars. Businesses compete either directly or indirectly. They generally use price or nonprice competition.