**Competition: A Win-Win Situation**

Without competition, the private enterprise system would not exist. In this type of economic system, all of the buyers and sellers play an important role in controlling the economy. They interact in the marketplace to determine what products will be produced and what prices will be charged for those products. It is competition that makes available the goods and services that customers want at prices that customers are willing to pay.

In a private enterprise system, most businesses have several competitors. Some businesses, such as drugstores, have hundreds of competitors. There are probably several national chains in your area, as well as stores operated by supermarkets, and possibly even independently owned stores, too. The competition among them is fierce. You might think all this competition is bad for business, but actually it is quite good.

**Businesses Win!**

Competition benefits business in several ways. One way is by encouraging new businesses to enter the marketplace. Think about the copy machine industry. The Xerox company was the first to develop the plain paper photocopier, back in 1959, and was able to sell it successfully to many customers. The product became so popular that more and more customers wanted it. Because of the demand, several other companies developed similar products over the years and began selling them as well. These companies, including Ricoh, Minolta, and Sharp, saw an opportunity and decided to compete with Xerox. As a result of competition, new companies were created.

Competition also encourages businesses to operate as efficiently as possible. For example, when competing businesses enter the marketplace, they often try to spend less on producing their products in order to sell them at a lower price. They look for faster, more effective methods of production to lower costs. This also forces the original company to produce more **efficiently** to be able to remain competitive. The overall result is that all the companies reduce costs and preserve resources.

This leads to one of the most important benefits of competition—profit. Businesses work hard to beat their competitors and attract the most customers. Those that produce efficiently and sell effectively are able to make a profit. It is the hope of making a profit that encourages businesses to operate.

**Customers Win!**

Competition also benefits customers. If a business is going to attract customers away from other sellers, it must try to:

**Develop new products to meet customers’ needs.** Competition encourages the development of goods and services that satisfy customers’ needs. Technology companies that want to stay ahead of the curve are constantly introducing new products—they have to if they want to compete with other companies! These innovations mean there is a steady flow of new products for customers to buy and use.

**Maintain or improve the quality of existing products.** In the hunt for customer dollars, businesses continually try to upgrade their existing products. Just think about smartphones. Companies are always trying to create newer, better phones that are able to perform more tasks and make customers’ lives easier. The benefit to the customer is a better product.

**Provide more and better services.** Competition encourages businesses to offer more services. If all other factors remain the same, the availability of services can attract and keep customers. You might have noticed that many auto repair shops provide customers with free transportation to and from work. Customers enjoy the convenience at no additional cost.

**Provide wider selections of goods or services.** Because there are many types of customer needs, businesses try to offer many types of goods or services. An example of a business that has worked hard to provide a wider selection of goods is Wendy’s fast-food restaurant. Instead of offering only hamburgers and fries, Wendy’s menu includes chicken sandwiches and nuggets, chili, baked potatoes, salads, and desserts. The restaurant chain’s hope is that most, if not all, customers can find something they like on the menu.

**Keep prices down.** Price is often a main factor when customers decide what and where to buy. When given a choice between two similar products of the same type, customers often choose the lower-priced one. Therefore, competition forces businesses to keep their selling prices as low as possible. As a result, customers get a good value for their money.

**Society Wins!**

Competition also benefits society. Because of competition, businesses develop new and improved products that make people’s lives easier and more convenient. Think of all the frozen foods that can be microwaved and ready to eat in minutes. Think of all the businesses that provide housekeeping services, pet-walking services, or child care. As a result, people enjoy a high **standard of living**.

Some of these products even help people be healthier and live longer. Pharmaceutical companies, for example, continuously do research to develop new drugs to prevent or cure diseases. In addition, health spas and workout facilities are available everywhere.

Competition also helps create new businesses that make jobs available to a lot of people. Consider the internet and the growth of e-commerce. Many businesses in that industry didn’t even exist a decade ago. Now, there are endless web-based companies employing a huge number of people. This leads to a prosperous society in which people have jobs, earn an income, and spend money for more goods and services. This type of prosperity usually does not exist in economic systems without competition.

Watch this video to see how different parts of society benefit from competitive businesses: <https://www.youtube.com/watch?v=D1lvJeYsYL0>.

**Summary**

Competition is essential in a private enterprise system, and it benefits businesses, customers, and society. Among other things, it keeps profits up, prices down, quality good, production efficient, and the standard of living high.